

SPECIAL NEEDS COBB, INC.
AUDITED FINANCIAL STATEMENTS

FOR THE 13 MONTHS AND YEAR ENDED
OCTOBER 31, 2021 AND SEPTEMBER 30, 2020

SPECIAL NEEDS COBB, INC.

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BLAD & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Special Needs Cobb, Inc.
Atlanta, Georgia

Opinion

We have audited the accompanying financial statements of Special Needs Cobb, Inc. which comprise the statements of financial position as of October 31, 2021, and September 30, 2020, and the related statements of activities, functional expenses and cash flows for the 13 months and year ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Needs Cobb, Inc. as of October 31, 2021, and September 30, 2020, and the changes in its net assets and its cash flows for the 13 months and year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Special Needs Cobb, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Special Needs Cobb, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements, continued

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Special Needs Cobb, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Special Needs Cobb, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Blad & Associates, P.C.

Dunwoody, Georgia

May 19, 2022

Special Needs Cobb, Inc.
Statements of Financial Position

	As of	
	October 31, 2021	September 30, 2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 45,838	\$ 25,939
Marketable securities (Note 6)	1,311,558	1,427,201
Grants and fees receivable	145,770	80,756
Prepaid expenses	12,645	-
Total Current Assets	1,515,811	1,533,896
DUE FROM AFFILIATES (NOTE 3), less allowance of \$10,000	28,460	44,861
PROPERTY AND EQUIPMENT (NOTE 5)	609,239	183,129
DEPOSITS	-	2,904
TOTAL ASSETS	\$ 2,153,510	\$ 1,764,790
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 19,944	\$ 199
Margin loan (Note 7)	289,304	-
Paycheck Protection Program loan (Note 1)	55,471	44,507
Total Current Liabilities	364,719	44,706
EIDL LOAN (Note 1)	25,000	25,000
TOTAL LIABILITIES	389,719	69,706
NET ASSETS:		
Without donor restrictions	1,760,791	1,690,084
With donor restrictions: purpose (Note 4)	3,000	5,000
Total Net Assets	1,763,791	1,695,084
TOTAL LIABILITIES AND NET ASSETS	\$ 2,153,510	\$ 1,764,790

See accompanying summary of accounting policies and notes to financial statements.

Special Needs Cobb, Inc.
Statement of Activities
For the 13 Months Ended October 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
PUBLIC SUPPORT:			
Grants and contracts	\$ 142,995	\$ -	\$ 142,995
Paycheck Protection Program forgiveness	44,507	-	44,507
Fundraising, less direct benefits of \$15,781	28,266	-	28,266
Contributions	<u>89,139</u>	<u>45,653</u>	<u>134,792</u>
 Total Public Support	 <u>304,907</u>	 <u>45,653</u>	 <u>350,560</u>
REVENUE:			
Respite fees	13,402	-	13,402
Membership dues	400	-	400
Management fees (Note 3)	101,123	-	101,123
Group Home overhead recovery (Note 3)	57,977	-	57,977
Interest and dividends, net of fees of \$17,856	32,850	-	32,850
Gain (loss) on marketable securities	132,463	-	132,463
Other	<u>2,627</u>	<u>-</u>	<u>2,627</u>
 Total Revenue	 <u>340,842</u>	 <u>-</u>	 <u>340,842</u>
 Total Public Support and Revenue before transfers	 <u>645,749</u>	 <u>45,653</u>	 <u>691,402</u>
 Net Assets Released from Restrictions due to Satisfaction of Donor-imposed Requirements	 <u>47,653</u>	 <u>(47,653)</u>	 <u>-</u>
 Total Public Support and Revenue	 <u>693,402</u>	 <u>(2,000)</u>	 <u>691,402</u>
EXPENSES:			
Program	500,535	-	500,535
Management and general	61,024	-	61,024
Fundraising	<u>61,136</u>	<u>-</u>	<u>61,136</u>
 Total Expenses	 <u>622,695</u>	 <u>-</u>	 <u>622,695</u>
 CHANGES IN NET ASSETS	 <u>70,707</u>	 <u>(2,000)</u>	 <u>68,707</u>
NET ASSETS:			
Beginning of year	<u>1,690,084</u>	<u>5,000</u>	<u>1,695,084</u>
 End of year	 <u>\$ 1,760,791</u>	 <u>\$ 3,000</u>	 <u>\$ 1,763,791</u>

See accompanying summary of accounting policies and notes to financial statements.

Special Needs Cobb, Inc.
Statement of Activities
For the Year Ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
PUBLIC SUPPORT:			
Grants and contracts	\$ 122,707	\$ -	\$ 122,707
Fundraising, less direct benefits of \$4,839	18,466	-	18,466
Contributions	44,338	16,100	60,438
Total Public Support	185,511	16,100	201,611
REVENUE:			
Respite fees	28,433	-	28,433
Membership dues	240	-	240
Management fees (Note 3)	94,677	-	94,677
Group Home overhead recovery (Note 3)	66,619	-	66,619
Interest and dividends, net of fees of \$15,947	37,565	-	37,565
Gain (loss) on marketable securities	13,179	-	13,179
Other	347	-	347
Total Revenue	241,060	-	241,060
Total Public Support and Revenue before transfers	426,571	16,100	442,671
Net Assets Released from Restrictions due to Satisfaction of Donor-imposed Requirements	36,100	(36,100)	-
Total Public Support and Revenue	462,671	(20,000)	442,671
EXPENSES:			
Program	480,459	-	480,459
Management and general	63,293	-	63,293
Fundraising	66,354	-	66,354
Total Expenses	610,106	-	610,106
CHANGES IN NET ASSETS	(147,435)	(20,000)	(167,435)
NET ASSETS:			
Beginning of year	1,837,519	25,000	1,862,519
End of year	\$ 1,690,084	\$ 5,000	\$ 1,695,084

See accompanying summary of accounting policies and notes to financial statements.

Special Needs Cobb, Inc.
Statement of Functional Expenses
For the 13 Months Ended October 31, 2021

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation	\$ 247,696	\$ 33,306	\$ 13,760	\$ 294,762
Outside services	8,633	11,027	35,129	54,789
Grantmaking	1,497	-	-	1,497
Occupancy	44,448	4,721	1,950	51,119
Transportation	4,379	-	-	4,379
Insurance	54,428	1,178	487	56,093
Interest	6,974	938	387	8,299
Telecommunications	5,051	679	281	6,011
Postage and printing	14,500	1,949	805	17,254
Office related	9,833	1,322	546	11,701
Supplies	984	-	-	984
Travel	1,911	257	106	2,274
Advertising/promotion	36,308	-	-	36,308
Other	11,173	2,675	5,704	19,552
	<u>447,815</u>	<u>58,052</u>	<u>59,155</u>	<u>565,022</u>
Total expenses before allocations and depreciations				
Allocations to Affiliates	29,368	-	-	29,368
Depreciation	23,352	2,972	1,981	28,305
	<u>23,352</u>	<u>2,972</u>	<u>1,981</u>	<u>28,305</u>
Total Expenses	<u>\$ 500,535</u>	<u>\$ 61,024</u>	<u>\$ 61,136</u>	<u>\$ 622,695</u>

See accompanying summary of accounting policies and notes to financial statements.

Special Needs Cobb, Inc.
Statement of Functional Expenses
For the Year Ended September 30, 2020

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation	\$ 224,925	\$ 42,263	\$ 24,837	\$ 292,025
Outside services	7,405	6,818	34,119	48,342
Occupancy	44,413	6,012	3,533	53,958
Transportation	2,800	-	-	2,800
Insurance	44,952	1,463	859	47,274
Telecommunications	4,591	863	507	5,961
Postage and printing	1,457	274	161	1,892
Office related	7,246	1,361	801	9,408
Supplies	1,567	-	-	1,567
Travel	4,202	789	464	5,455
Advertising/promotion	25,616	-	-	25,616
Other	12,907	2,708	578	16,193
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before allocations and depreciations	382,081	62,551	65,859	510,491
Allocations to Affiliates	89,722	-	-	89,722
Depreciation	8,656	742	495	9,893
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$ 480,459</u>	<u>\$ 63,293</u>	<u>\$ 66,354</u>	<u>\$ 610,106</u>

See accompanying summary of accounting policies and notes to financial statements.

Special Needs Cobb, Inc.
Statements of Cash Flows

	For the 13 Months and Year Ended	
	October 31,	September 30,
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 68,707	\$ (167,435)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	28,305	9,893
Unrealized loss (gain) on sale of securities	51,408	(16,311)
Paycheck Protection Program loan forgiveness	(44,507)	-
(Increase) decrease in receivables	(65,014)	(70,342)
(Increase) decrease in due from affiliates	16,401	(31,839)
(Increase) decrease in deposits	2,904	-
(Increase) decrease in prepaid expenses	(12,645)	3,462
Increase (decrease) in accounts payable and accrued expenses	19,745	(4,057)
Increase (decrease) in deferred revenue	-	(4,121)
	65,304	(280,750)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(165,111)	(54,793)
Marketable security sales (purchases) - net	64,235	269,658
	(100,876)	214,865
CASH FLOWS FROM FINANCING ACTIVITIES:		
EIDL proceeds	-	25,000
Paycheck Protection Program loan - round 1 (Note 1)	55,471	-
Paycheck Protection Program loan - round 2 (Note 1)	-	44,507
	55,471	69,507
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	19,899	3,622
CASH AND CASH EQUIVALENTS:		
Beginning of year	25,939	22,317
End of year	\$ 45,838	\$ 25,939
SUPPLEMENTAL INFORMATION:		
Proceeds from notes payable	\$ 289,304	\$ -
Purchases of property and equipment with notes payable	\$ 289,304	\$ -
Interest paid	\$ 8,299	\$ -

See accompanying summary of accounting policies and notes to financial statements.

SPECIAL NEEDS COBB, INC.

SUMMARY OF ACCOUNTING POLICIES

ORGANIZATION

Special Needs Cobb, Inc. (the "Organization") is a nonprofit voluntary health and welfare organization that has provided supportive services for the mentally or developmentally-challenged and their families for over fifty years. Founded in 1956, the Organization serves families in a variety of ways including counseling, technical support, emotional support and through programs like the RITC Respite Care Home which offers weekend respite care and Respite Care Referral. The Organization also provides information, referral and advocacy for persons with MR/DD. Through the HUD Section 811 Grant Program, the Organization builds and manages group homes in the community for persons with MR/DD through affiliated organizations. The Organization has completed the following group homes: The Butterfield House, The ARC House, The Lewis Road House, The Greenbrook House, The House on Greenbrook Circle, The Ruth Hardin House, The Cobb ARC House, The Powell House, The Grindle House, The Jared House, The Louise Place House, The Twelfth House, The ARC Lighthouse, The Paschal House, The Eighteenth House, The Michael S. Huff House, The Sara Fera House, The Kephart House, The Mulberry House, Cassie's Corner, The Willow House, The Sweetwater House, and The Kenny Cox Home, Inc..

The Organization legally changed its fiscal year from September 30 to October 31 to more accurately align its reporting with its operations.

During the fiscal 13 months October 31, 2021, the Organization officially changed its name from Right in the Community, Inc. to Special Needs Cobb, Inc.

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The net assets, revenue, support, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions into two classes:

Net assets without donor restrictions are currently available for purposes under the direction of the board, designated by the board for specific use, or resources invested in furniture and equipment.

Net assets with donor restrictions are contributed with donor stipulations for specific operating purposes or programs, with time restrictions, or not currently available for use until commitments regarding their use have been fulfilled.

USE OF ESTIMATES

The preparation of financial statements in accordance with GAAP requires reliance on accounting information based on estimates which may or may not come true in the near term. Significant estimates in these financial statements include allocation of expenses on a functional basis, depreciation, and the net realizable value of the Due from Affiliates.

SPECIAL NEEDS COBB, INC.

SUMMARY OF ACCOUNTING POLICIES

INCOME TAXES

The Organization is exempt from income taxes under section 501(c) (3) of the Internal Revenue Code. Accordingly, no income taxes are reflected in the accompanying financial statements. The Organization has been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

The Organization recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authority, based on the technical merits of the position. As of October 31, 2021, and September 30, 2020, there are no known items which would result in a material accrual related to where the Organization has federal or state attributable tax positions. Generally, taxing authorities have until the later of three years from the filing date or due date of the filing to examine a return.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all highly liquid temporary investments with a maturity of three months or less. The Organization maintains its cash and cash equivalents with high credit, quality financial institutions, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

MARKETABLE SECURITIES

Marketable securities are recorded at fair value with gains and losses reported in the statement of activities. Donated marketable securities are recorded at fair value at the date of donation and are thereafter carried in conformity with the stated policy. Balances may, at times, exceed federally insured limits. Management believes it is not exposed to any significant credit risk on marketable security accounts and the Organization has not experienced any such losses in such accounts during the fiscal year.

FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value for marketable securities is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase consistency and comparability in fair value measurements, generally accepted accounting principles established a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. These levels, in order of highest priority to lowest priority, are described as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities
- Level 2: Other significant observable inputs not quoted on active markets, but corroborated by market data
- Level 3: Inputs are unobservable inputs for the asset that are supported by little or no market activity and that are significant to fair value of the underlying assets

SPECIAL NEEDS COBB, INC.
SUMMARY OF ACCOUNTING POLICIES

FAIR VALUES OF FINANCIAL INSTRUMENTS, continued

The value on a recurring basis as of October 31, 2021, is as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Publicly traded securities	\$1,311,558	\$1,311,558	\$ -	\$ -

The value on a recurring basis as of September 30, 2020, is as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Publicly traded securities	\$1,427,201	\$1,427,201	\$ -	\$ -

PROPERTY AND EQUIPMENT

Property and equipment purchases over \$500 are stated at cost. Depreciation is computed over the estimated useful lives (3-40 years) of the assets using the straight-line method. Acquisitions of furniture and equipment or repairs, maintenance or betterments that materially prolong useful lives of assets are capitalized.

PUBLIC SUPPORT AND REVENUE RECOGNITION

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Organization.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as reclassifications.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the long-lived assets are placed into service.

The Organization recognizes revenue from contracts in accordance with Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the five-step approach. Revenues are recognized at a point in time.

SPECIAL NEEDS COBB, INC.

SUMMARY OF ACCOUNTING POLICIES

EXPENSE RECOGNITION

All expenses are recognized in the statement of activities as decreases in net assets without donor restrictions. The Organization allocates its expenses on a functional basis among their various programs and support services. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Indirect expenses have been allocated based on salary expenditures and other criteria.

DONATED SERVICES

Many individuals volunteer time and perform a variety of tasks that assist the Organization with various administrative and fundraising tasks. The value of these services has not been reflected in the financial statements since they do not meet the criteria for recognition under GAAP.

CONCENTRATIONS

The Organization maintains bank accounts and brokerage accounts in financial institutions that at times may exceed federally insured limits.

For the 13 months and year ended October 31, 2021, and September 30, 2020, the Organization received approximately 19% and 23% of its public support and revenue from respite related revenue from one organization and received 23% and 36% of its public support and revenue related to the group homes of the Affiliates (see Note 3) respectively.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through the audit report date, which is the date the financial statements were available to be issued.

RECENTLY ADOPTED ACCOUNTING POLICIES

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The Organization adopted the provisions of this new standard during the year ended September 30, 2020. The provisions of the new standard did not have a material impact on the financial statements of the Organization.

In May 2014, the FASB issued a new accounting standard, ASU 2014-09 (Topic 606), which impacts revenue recognition for exchange transactions. The Organization adopted the provisions of this new standard during the year ended September 30, 2020. The provisions of the new standard did not have a material impact on the financial statements of the Organization.

SPECIAL NEEDS COBB, INC.
SUMMARY OF ACCOUNTING POLICIES

RECENTLY ADOPTED ACCOUNTING POLICIES, continued

In June 2018, the FASB issued a new accounting standard, ASU 2018-08 (Topic 958), to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The Organization adopted the provisions of this new standard during the year ended September 30, 2020. The provisions of the new standard did not have a material impact on the financial statements of the Organization.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENT

In February 2016, the Financial Accounting Standards Board (FASB) issued a new accounting standard, ASU No. 2016-02, Leases (Topic 842), which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. The ASU is effective for fiscal years beginning after December 15, 2021. It is to be adopted using a modified retrospective approach or through a cumulative effect adjustment to the opening balance of net assets in the period of adoption. Management is currently assessing the impact on the financial statements of the Organization.

SPECIAL NEEDS COBB, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ECONOMIC UNCERTAINTY DUE TO COVID-19 PANDEMIC AND PPP LOAN

During the 13 months and year of October 31, 2021, and September 30, 2020, the United States economy was negatively impacted as a result of the COVID-19 pandemic. As the pandemic continues, the Organization continues to evaluate the financial and organizational impact of the economic uncertainty.

On April 28, 2020, the Organization obtained a \$44,507 loan under the Small Business Administration's Paycheck Protection Program (PPP). Under the terms of the loan agreement, the Organization will make equal monthly payments plus 1% interest beginning in October 2020 with a maturity date of April 2022. If certain conditions are met under the program's loan use guidelines, the loan can be forgiven.

On March 3, 2021, the Organization obtained a \$55,471 loan under the second round of the PPP. Under the terms of the loan agreement, the Organization will make equal monthly payments plus 1% interest over a period of time. If certain conditions are met under the programs' loan use guidelines, the loan can be forgiven.

Based on non-authoritative technical practice aids and current industry discussions, not-for-profit entities have the option to account for PPP loans under either the debt or grant model. The Organization has chosen to follow the debt model, which records the PPP loan as a financial liability until the SBA has approved the forgiveness. At that point in time, the Organization will recognize income to the extent of the forgiveness. In April 2021, the Organization applied for and received full forgiveness from its lender for the PPP round 1 and recognized \$44,507 of related revenue in the 13 months ended October 31, 2021. Subsequent to the fiscal year in November 2021, the Organization applied for and received full forgiveness from its lender for the PPP round 2 and will recognize \$55,471 of related revenue in the year ended October 31, 2022.

On June 22, 2020, the Organization obtained an Economic Injury Disaster Loan (EIDL) in the amount of \$25,000 under the Small Business Administration. The loan proceeds are to be used sole for working capital to alleviate the economic injury due to the pandemic. The loan is to be repaid in month installments, including principal and injury over a 30 year period. Interest on the note is 3.75% per annum. The loan matures in 2050. Because the amount is substantially due over the next 30 years, the current maturities of long-term debt are immaterial, and the full amount is classified as long term.

NOTE 2 – COMMITMENTS

The Organization leased its office facilities under an operating lease that ended June 2021. In the 13 months and year ended October 31, 2021, and September 30, 2020, total annual expense under the operating lease was approximately \$31,000 and \$42,000, respectively.

SPECIAL NEEDS COBB, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – RELATED PARTY TRANSACTIONS

The Organization helped establish several independent nonprofit organizations known as The Butterfield House, Inc., The ARC House, Inc., The Lewis Road House, Inc., The Greenbrook House, Inc., The Louise Place House, Inc., The Twelfth House, Inc., The Paschal House, Inc., The ARC Lighthouse House, Inc., The House on Greenbrook Circle, Inc., The Cobb Arc House, Inc., The Jared House, Inc., The Powell House, Inc., The Grindle House, Inc., The Ruth Hardin House, Inc., The Sara Fera House, Inc., The Eighteenth House, Inc., The Michael S. Huff House, Inc., The Kephart House, Inc., The Mulberry House, Inc., Cassie's Corner, Inc., The Willow House, Inc., The Sweetwater House, Inc. and The Kenny Cox Home, Inc. These organizations are collectively referred to as the "Affiliates". The purpose of each Affiliate is to build and maintain a group home for low income, mentally or developmentally-challenged individuals. Currently 23 homes are completed and occupied. The homes are funded with U.S. HUD Section 811 financial assistance. The Due from Affiliates represents expenditures incurred on behalf of the Affiliates which will be reimbursed by the Affiliate. During the 13 months and year ended October 31, 2021, and September 30, 2020, the amounts reflected as Allocations to Affiliates in the statements of functional expenses represent contributions to these Affiliates.

During the 13 months and year ended October 31, 2021, and September 30, 2020, the Organization received \$159,099 and \$161,295, respectively, from the Affiliates related to facility management fees, other fees and overhead recoveries. In addition, as of the 13 months and year ended October 31, 2021, and September 30, 2020, these Affiliates owed \$28,460 and \$44,861, respectively.

The Organization and the Affiliates have the same board of directors and share office facilities. Consolidation is not required because a common board of directors is not required under the by-laws.

NOTE 4 – RESTRICTED NET ASSETS

As of the 13 months and year ended October 31, 2021, and September 30, 2020, net assets with donor restrictions of \$3,000 and \$5,000, respectively, represent unexpended contributions in cash and cash equivalents restricted for training purposes and a hot water heater.

SPECIAL NEEDS COBB, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of:

	<u>October 31,</u> <u>2021</u>	<u>September 30</u> <u>2020</u>
Land and building – Respite Home	\$ 235,187	\$ 235,187
Building - Kennesaw	297,006	-
Building Improvements	138,195	-
Furniture and fixtures	43,691	35,165
Playground Equipment	12,000	12,000
Equipment	36,281	30,210
Van	46,067	46,067
Website	<u>12,249</u>	<u>7,632</u>
	820,676	366,261
Less accumulated depreciation	<u>(211,437)</u>	<u>(183,132)</u>
Net property and equipment	<u>\$ 609,239</u>	<u>\$ 183,129</u>

NOTE 6 – MARKETABLE SECURITIES

Marketable securities consisted of the following as of:

	<u>October 31,</u> <u>2021</u>	<u>September 30</u> <u>2020</u>
Debt Securities	\$ 652,217	\$ 884,395
Equities	<u>659,341</u>	<u>542,806</u>
	<u>\$ 1,311,558</u>	<u>\$ 1,427,201</u>

NOTE 7 – MARGIN LOAN

In November 2020, the Organization obtained a margin loan through its investments account to purchase an office building. The Organization is required to make monthly payments of interest at a variable rate. As of October 31, 2021, the interest rate is 3.75%. The entire balance is callable at the lender's discretion and is therefore included in current liabilities. The loan is collateralized by all securities held with the lender. As of October 31, 2021, the balance outstanding totaled \$289,304.

SPECIAL NEEDS COBB, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – LIQUIDITY AND FUNDS AVAILABLE

The Organization has \$1,503,166 of financial assets available to meet cash needs for general expenditures within one year consisting of cash and cash equivalents of \$45,838, marketable securities of \$1,311,558, and grants and fees receivable of \$145,770. The receivables are expected to be received in full within one year. Included in these financial assets is total of \$2,000 with donor-imposed restrictions.

The Organization has a goal to maintain financial assets, which consist of cash and cash equivalents to meet short term normal operating expenses. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.