

Frontline Response International, Inc. (Previously Atlanta Dream Center, Inc.)

Independent Auditor's Report and
Audited Financial Statements

As of and for the Years Ended
December 31, 2021, 2020 and 2019



Frontline Response International, Inc. (Previously Atlanta Dream Center, Inc.)

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Independent Auditor's Report

To Management and the Board of
Frontline Response International, Inc. (Previously Atlanta Dream Center, Inc.)
Atlanta, Georgia

Opinion

We have audited the accompanying financial statements of Frontline Response International, Inc. (Previously Atlanta Dream Center, Inc.) (the Organization), which comprise the statement of financial positions as of December 31, 2021, 2020 and 2019 and the related statements of activities, functional expenses, cash flows for the years then 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 the Organization as of December 31, 2021, 2020 and 2019 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). 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 Organization 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.

Correction of Errors

As discussed in Note 12 to the financial statements, management determined that certain assets were not properly reported at December 31, 2020 and 2019; accordingly, the 2020 financial statements were restated to correct these errors. Our conclusion is not modified with respect to this matter.

Prior Year Financial Statements

The financial statements of Frontline Response International, Inc. (Previously Atlanta Dream Center, Inc.) for the year ended December 31, 2020, before the restatement described in note 12, were reviewed by us in our report dated July 19, 2021.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for 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 the Organization'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 U.S. GAAS 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgement 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.
- 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 the Organization'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

A handwritten signature in cursive script that reads "K. Glenn Aldridge".

K. Glenn Aldridge, PC
(d/b/a Aldridge & Associates)
Duluth, GA
April 21, 2022

Frontline Response International, Inc. (Previously Atlanta Dream Center, Inc.)

**Statements of Financial Position
As of December 31, 2021, 2020 and 2019**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,355,141	\$ 759,917	\$ 563,186
Promises to give	983,750	-	-
Accounts receivable	30,265	51,546	45,658
Investments	130,874	-	-
Prepaid expenses and other assets	-	4,000	-
Total current assets	<u>2,500,030</u>	<u>815,463</u>	<u>608,844</u>
Property and equipment, net	<u>1,686,916</u>	<u>451,982</u>	<u>471,009</u>
Total assets	<u>\$ 4,186,946</u>	<u>\$ 1,267,445</u>	<u>\$ 1,079,853</u>
Liabilities and Net Assets			
Current liabilities:			
Line of credit	\$ -	\$ -	\$ 50,481
Accounts payable	4,237	19,408	26,528
Accrued liabilities	6,048	-	32,590
Current portion of notes payable	219,770	7,681	7,287
Capital lease obligation	6,350	8,855	10,998
Total current liabilities	<u>236,405</u>	<u>35,944</u>	<u>127,884</u>
Long-term liabilities:			
Notes payable, net of current portion	<u>216,343</u>	<u>224,406</u>	<u>232,713</u>
Total liabilities	<u>452,748</u>	<u>260,350</u>	<u>360,597</u>
Net assets:			
Without donor restrictions:			
Undesignated	<u>2,163,877</u>	<u>938,520</u>	<u>596,319</u>
	<u>2,163,877</u>	<u>938,520</u>	<u>596,319</u>
With donor restrictions:			
Purpose restrictions	586,571	68,575	122,937
Time restrictions	983,750	-	-
	<u>1,570,321</u>	<u>68,575</u>	<u>122,937</u>
Total net assets	<u>3,734,198</u>	<u>1,007,095</u>	<u>719,256</u>
Total liabilities and net assets	<u>\$ 4,186,946</u>	<u>\$ 1,267,445</u>	<u>\$ 1,079,853</u>

Frontline Response International, Inc. (Previously Atlanta Dream Center, Inc.)

**Statement of Activities
For the Year Ended December 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, support and gains:			
Contributions, monetary	\$ 1,875,203	\$ 262,137	\$ 2,137,340
Contributions, monetary capital campaign	-	1,150,733	1,150,733
Contributions, in-kind capital campaign	-	983,750	983,750
Contributions, in-kind other	1,843,217	-	1,843,217
Event revenue	392,819	-	392,819
Other revenue, gains and losses	286,184	-	286,184
Net assets released from restrictions	894,874	(894,874)	-
Total revenues, support and gains	<u>5,292,297</u>	<u>1,501,746</u>	<u>6,794,043</u>
Operating expenses:			
Program activities:			
Anti-sex trafficking	1,059,782	-	1,059,782
Homelessness	545,350	-	545,350
Youth prevention	609,948	-	609,948
Missions	531,069	-	531,069
Total program activities	<u>2,746,148</u>	<u>-</u>	<u>2,746,148</u>
Supporting activities:			
Management and general	724,676	-	724,676
Fundraising and development	533,913	-	533,913
Total support activities	<u>1,258,589</u>	<u>-</u>	<u>1,258,589</u>
Total operational expenses	<u>4,004,737</u>	<u>-</u>	<u>4,004,737</u>
Changes in net assets before non-operating expenses	<u>1,287,560</u>	<u>1,501,746</u>	<u>2,789,306</u>
Non-operating expenses:			
Depreciation and amortization	39,515	-	39,515
Interest	22,688	-	22,688
Changes in net assets	<u>1,225,357</u>	<u>1,501,746</u>	<u>2,727,103</u>
Net assets, beginning of year	<u>938,520</u>	<u>68,575</u>	<u>1,007,095</u>
Net assets, end of year	<u>\$ 2,163,877</u>	<u>\$ 1,570,321</u>	<u>\$ 3,734,198</u>

Frontline Response International, Inc. (Previously Atlanta Dream Center, Inc.)

**Statement of Functional Expenses
For the Year Ended December 31, 2021**

	Program Activities					Supporting Activities			Total expenses by nature
	Anti-sex trafficking	Homelessness	Youth prevention	Missions	Total	Management and general	Fundraising and development	Total	
Ministry partners and expenses	\$ 81,874	\$ 51,854	\$ 51,854	\$ 54,583	\$ 240,164	\$ 24,562	\$ 23,371	\$ 47,933	\$ 288,097
Compensation and benefits	517,411	163,366	228,421	60,246	969,444	389,156	261,508	650,664	1,620,108
Fees for services	-	-	-	-	-	113,715	233,375	347,090	347,090
Office expense	6,636	3,211	3,853	4,067	17,767	1,497	2,141	3,638	21,405
Occupancy	144,194	23,542	23,542	64,740	256,018	32,371	5,885	38,256	294,274
Travel	5,298	3,355	3,355	3,532	15,540	1,589	530	2,119	17,659
Insurance	6,536	6,536	6,536	6,536	26,144	20,545	-	20,545	46,689
Printing	-	-	-	-	-	3,013	3,013	6,026	6,026
Repairs and maintenance	6,857	6,857	6,857	6,857	27,428	1,492	894	2,386	29,814
Meals	11,160	11,160	11,160	46,237	79,717	-	-	-	79,717
Dues and publications	-	-	-	-	-	28,573	-	28,573	28,573
Bank charges	-	-	-	-	-	41,088	-	41,088	41,088
Training	4,581	2,901	2,901	3,054	13,437	1,374	458	1,832	15,269
Vehicles	2,199	2,199	1,100	2,199	7,697	14,296	-	14,296	21,993
Supplies	264,381	264,381	264,381	264,381	1,057,524	5,395	-	5,395	1,062,919
Other expenses	8,655	5,988	5,988	14,637	35,268	46,010	2,738	48,748	84,016
Total operating expenses	1,059,782	545,350	609,948	531,069	2,746,148	724,676	533,913	1,258,589	4,004,737
Depreciation and amortization	-	-	-	-	-	39,515	-	39,515	39,515
Interest	-	-	-	-	-	22,688	-	22,688	22,688
Total expenses by function	\$ 1,059,782	\$ 545,350	\$ 609,948	\$ 531,069	\$ 2,746,148	\$ 786,879	\$ 533,913	\$ 1,320,792	\$ 4,066,940

Frontline Response International, Inc. (Previously Atlanta Dream Center, Inc.)

**Statement of Activities
For the Year Ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, support and gains:			
Contributions, monetary	\$ 2,320,490	\$ 68,575	\$ 2,389,065
Contributions, in-kind	1,132,110	-	1,132,110
Other revenue, gains and losses	254,001	-	254,001
Net assets released from restrictions	122,937	(122,937)	-
Total revenues, support and gains	3,829,538	(54,362)	3,775,176
Operational expenses:			
Program activities:			
Anti-sex trafficking	1,017,766	-	1,017,766
Homelessness	520,935	-	520,935
Youth prevention	571,238	-	571,238
Missions	476,620	-	476,620
Total program activities	2,586,557	-	2,586,557
Supporting activities:			
Management and general	588,977	-	588,977
Fundraising and development	248,310	-	248,310
Total support activities	837,286	-	837,286
Total operational expenses	3,423,843	-	3,423,843
Changes in net assets before non-operating expenses	405,695	(54,362)	351,333
Non-operating expenses:			
Depreciation and amortization	49,497	-	49,497
Interest	13,997	-	13,997
Changes in net assets	342,201	(54,362)	287,839
Net assets, beginning of year	596,319	122,937	719,256
Net assets, end of year	\$ 938,520	\$ 68,575	\$ 1,007,095

Frontline Response International, Inc. (Previously Atlanta Dream Center, Inc.)

**Statement of Functional Expenses
For the Year Ended December 31, 2020**

	Program Activities					Supporting Activities			Total expenses by nature
	Anti-sex trafficking	Homelessness	Youth prevention	Missions	Total	Management and general	Fundraising and development	Total	
Ministry partners and expenses	\$ 66,924	\$ 42,385	\$ 42,385	\$ 44,616	\$ 196,308	\$ 20,077	\$ 6,693	\$ 26,770	\$ 223,078
Compensation and benefits	550,522	147,817	196,774	57,362	952,475	346,027	230,498	576,525	1,529,000
Fees for services	-	-	-	-	-	84,159	-	84,159	84,159
Office expense	13,287	6,429	7,715	8,143	35,574	3,000	4,286	7,286	42,860
Occupancy	69,290	11,313	11,313	31,110	123,026	15,555	2,828	18,383	141,409
Travel	4,521	2,863	2,863	3,014	13,261	1,356	453	1,809	15,070
Insurance	8,637	8,637	8,637	8,637	34,548	27,142	-	27,142	61,690
Printing	-	-	-	-	-	2,482	2,482	4,963	4,963
Repairs and maintenance	6,223	6,223	6,223	6,223	24,892	1,354	812	2,166	27,058
Meals	7,111	7,111	7,111	29,462	50,795	-	-	-	50,795
Dues and publications	-	-	-	-	-	32,447	-	32,447	32,447
Bank charges	-	-	-	-	-	28,591	-	28,591	28,591
Training	2,582	1,635	1,635	1,721	7,573	774	258	1,032	8,605
Vehicles	1,482	1,482	741	1,482	5,187	9,628	-	9,628	14,815
Supplies	283,818	283,818	283,818	283,818	1,135,272	10,982	-	10,982	1,146,254
Small equipment and furnishes	800	800	1,600	-	3,200	800	-	800	4,000
Other expenses	2,569	422	423	1,032	4,446	4,603	-	4,603	9,049
Total operating expenses	1,017,766	520,935	571,238	476,620	2,586,557	588,977	248,310	837,286	3,423,843
Depreciation and amortization	-	-	-	-	-	49,497	-	49,497	49,497
Interest	-	-	-	-	-	13,997	-	13,997	13,997
Total expenses by function	\$ 1,017,766	\$ 520,935	\$ 571,238	\$ 476,620	\$ 2,586,557	\$ 652,471	\$ 248,310	\$ 900,780	\$ 3,487,337

Frontline Response International, Inc. (Previously Atlanta Dream Center, Inc.)

**Statement of Activities
For the Year Ended December 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, support and gains:			
Contributions, monetary	\$ 1,964,043	\$ 198,790	\$ 2,162,833
Contributions, in-kind	488,472	-	488,472
Other revenue, gains and losses	19,579	-	19,579
Net assets released from restrictions	75,853	(75,853)	-
Total revenues, support and gains	<u>2,547,947</u>	<u>122,937</u>	<u>2,670,884</u>
Operating expenses:			
Program activities:			
Anti-sex trafficking	892,235	-	892,235
Homelessness	406,106	-	406,106
Youth prevention	440,605	-	440,605
Missions	431,606	-	431,606
Total program activities	<u>2,170,552</u>	<u>-</u>	<u>2,170,552</u>
Supporting activities:			
Management and general	458,166	-	458,166
Fundraising and development	210,977	-	210,977
Total support activities	<u>669,143</u>	<u>-</u>	<u>669,143</u>
Total operational expenses	<u>2,839,695</u>	<u>-</u>	<u>2,839,695</u>
Changes in net assets before non-operating expenses	(291,748)	122,937	(168,811)
Non-operating expenses:			
Depreciation and amortization	42,286	-	42,286
Interest	9,736	-	9,736
Changes in net assets, net	(343,770)	122,937	(220,833)
Net assets, beginning of year	940,089	-	940,089
Net assets, end of year	\$ 596,319	\$ 122,937	\$ 719,256

Frontline Response International, Inc. (Previously Atlanta Dream Center, Inc.)

**Statement of Activities
For the Year Ended December 31, 2019**

	Program Activities					Supporting Activities			Total expenses by nature
	Anti-Sex Trafficking	Homelessness	Youth Prevention	Missions	Total	Management and general	Fundraising and development	Total	
Ministry partners and expenses	\$ 84,186	\$ 53,318	\$ 53,318	\$ 56,124	\$ 246,946	\$ 25,255	\$ 8,419	\$ 33,674	\$ 280,620
Compensation and benefits	549,367	164,810	192,278	151,076	1,057,531	167,038	178,544	345,582	1,403,113
Fees for services	-	-	-	-	-	101,949	-	101,949	101,949
Office expense	31,085	15,041	18,049	19,052	83,227	7,019	10,027	17,046	100,273
Occupancy	55,960	9,136	9,136	25,125	99,357	12,564	2,284	14,848	114,205
Travel	6,291	3,984	3,984	4,194	18,453	1,888	629	2,517	20,970
Insurance	2,166	2,166	2,166	2,166	8,664	6,810	-	6,810	15,474
Printing	-	-	-	-	-	8,706	8,706	17,412	17,412
Repairs and maintenance	16,062	16,062	16,062	16,062	64,248	3,490	2,095	5,585	69,833
Meals	5,572	5,572	5,572	23,086	39,802	-	-	-	39,802
Dues and publications	-	-	-	-	-	21,925	-	21,925	21,925
Bank charges	-	-	-	-	-	51,262	-	51,262	51,262
Training	2,728	1,727	1,727	1,818	8,000	819	273	1,092	9,092
Vehicles	1,901	1,901	950	1,901	6,653	12,354	-	12,354	19,007
Small equipment and furnishes	4,975	4,975	9,949	-	19,899	4,975	-	4,975	24,874
Supplies	124,930	124,930	124,930	124,930	499,720	16,158	-	16,158	515,878
Other expenses	7,012	2,484	2,484	6,072	18,052	15,954	-	15,954	34,006
Total operating expenses	892,235	406,106	440,605	431,606	2,170,552	458,166	210,977	669,143	2,839,695
Depreciation and amortization	-	-	-	-	-	42,286	-	42,286	42,286
Interest	-	-	-	-	-	9,736	-	9,736	9,736
Total expenses by function	\$ 892,235	\$ 406,106	\$ 440,605	\$ 431,606	\$ 2,170,552	\$ 510,188	\$ 210,977	\$ 721,165	\$ 2,891,717

Frontline Response International, Inc. (Previously Atlanta Dream Center, Inc.)

Statements of Cash Flows For the Years Ended December 31, 2021, 2020 and 2019

	2021	2020	2019
Cash flows from operating activities			
Cash provided by operating activities:			
Cash received from donors	\$ 3,309,354	\$ 2,383,177	\$ 2,189,583
Cash received from PPP loan forgiveness	273,367	236,978	-
Cash received from events and other sources	395,932	45,783	19,579
Cash used by operating activities:			
Cash paid to employees	(1,614,060)	(1,561,590)	(1,357,127)
Cash paid to service providers, ministry partners and vendors	(1,002,583)	(774,054)	(690,970)
Interest paid	(22,688)	(13,997)	(9,736)
Net cash provided by operating activities	<u>1,339,322</u>	<u>316,297</u>	<u>151,329</u>
Cash flows from investing activities			
Donated securities	(521,919)	-	-
Cash purchases of property and equipment	(824,449)	(59,029)	(69,564)
Proceeds from sale of securities	400,749	-	-
Net cash used by investing activities	<u>(945,619)</u>	<u>(59,029)</u>	<u>(69,564)</u>
Cash flows from financing activities			
Proceeds from line of credit	-	-	352,257
Proceeds from note payable	216,000	-	-
Principal payments on notes payable	(11,974)	(50,481)	-
Principal payments on line of credit	-	(7,913)	(365,367)
Principal payments on capital lease obligation	(2,505)	(2,143)	(2,002)
Net cash provided (used) by financing activities	<u>201,521</u>	<u>(60,537)</u>	<u>(15,112)</u>
Net increase in cash and cash equivalents	595,224	196,731	66,653
Cash and cash equivalents, beginning of year	<u>759,917</u>	<u>563,186</u>	<u>496,533</u>
Cash and cash equivalents, end of year	<u>\$ 1,355,141</u>	<u>\$ 759,917</u>	<u>\$ 563,186</u>
Supplemental disclosure of noncash activities:			
Depreciation and amortization	\$ 39,515	\$ 49,497	\$ 42,286
Loss on disposition of property and equipment	-	28,760	-
In-kind capital contribution	450,000	-	-
In-kind rent contribution	200,600	15,400	12,000
In-kind inventory contributions	1,192,617	116,710	476,472
In-kind service received for the capital campaign fundraising	160,000	-	-

Frontline Response International, Inc. (Previously Atlanta Dream Center, Inc.)

Notes to Financial Statements
For the Years Ended December 31, 2021, 2020 and 2019

1. NATURE OF ACTIVITIES

Frontline Response International, Inc. (Previously Atlanta Dream Center, Inc.) (the Organization), incorporated under the laws of the state of Georgia on July 14, 2006 as a nonprofit corporation for the purpose of serving on the frontlines every day rescuing men and women out of sex trafficking and homelessness and preventing vulnerable children from falling victim in and around the Atlanta metropolitan area. In February 2021, the Organization changed its name to Frontline Response International, Inc. to better reflect the Organization's impact beyond Atlanta.

The Organization is committed to providing holistic trauma-informed, individualized services coordinated across their primary programs of anti-sex trafficking, homelessness, and youth prevention. In addition, services and other resources are available on the Organization's website at www.frontlineresponse.org and through other social media.

The Organization is supported primarily through charitable contributions and has two chapters located in Warner Robins, Georgia and Columbus, Ohio. These two chapters are included within the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies are described to enhance the usefulness of the financial statements to the reader.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and include all activities of the Organization, including its chapters. The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Frontline Response International, Inc. (Previously Atlanta Dream Center, Inc.)

Notes to Financial Statements (Continued)
For the Years Ended December 31, 2021, 2020 and 2019

Cash and Cash Equivalents

Cash and equivalents includes cash, checking and savings accounts, and highly liquid investments that are readily convertible into cash and have a maturity of ninety days or less when purchased. At times, cash balances may exceed federally insured amounts. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

Accounts Receivable

Accounts receivables are unsecured, noninterest-bearing outstanding balances due from grantors less an allowance for uncollectible grants receivable based on an assessment of grant agreements and knowledge of circumstances that may affect the ability of the grantors to meet their obligations. Accounts receivables are evaluated for impairment if full payments are not received in accordance with contractual terms. Accounts receivables are written off when deemed uncollectible. At December 31, 2021, 2020, and 2019, management has determined that no allowance for uncollectible accounts receivable is required.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value.

Unconditional promises to give expected to be collected in future years are initially recorded at fair value using the present value of estimated future cash flows. The discounts on those amounts are computed using the average rate the Organization is earning on its investments or its idle cash applicable to the years in which the pledges are received. Amortization of the discounts would be included in contributions in the accompanying statement of activities.

A valuation allowance for uncollectible promises to give is recorded based on an assessment of historical experience, current creditworthiness, economic conditions and subsequent collections. Payments due in future periods on promises to give are restricted for time until collected. Promises to give are written off when deemed uncollectible.

Management has received or anticipates receipt of all recorded promises to give over a five-year period and has determined that an allowance for uncollectible promises to give was not needed as of December 31, 2021.

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Notes to Financial Statements (Continued)
For the Years Ended December 31, 2021, 2020 and 2019

Property and Equipment

The Organization's capitalization policy is to capitalize property and equipment with a purchase price, or donation value, more than \$2,000 and which has a useful life greater than one year. Property and equipment purchased are recorded at cost, or fair value at the date of donation, if donated.

Maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. Property items retired, or otherwise disposed of, are removed from the asset and accumulated depreciation accounts and any resulting gain or loss is reflected in the statement of activities.

Depreciation is provided over the estimated useful lives of the individual assets using the straight-line method as follows: building and improvements, 27.5 years; furniture, fixtures and equipment, 5 to 7 years; vehicles, 5 years.

Fair Value Measurement

When required or elected, the Organization reports certain assets and liabilities (financial instruments) at fair value (the estimated price at which an asset can be sold, or a liability settled in an orderly transaction to a third party under current market conditions) using appropriate valuation techniques based on available inputs.

Available inputs are categorized (based on the amount of subjectivity associated with the information source) using a three-level fair value hierarchy defined by U.S. GAAP as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities

Level 2 – Observable inputs other than quoted prices for identical assets and liabilities

Level 3 – Unobservable inputs supported by little or no market activity

The Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 and Level 2 are not available.

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For the Years Ended December 31, 2021, 2020 and 2019

Impairment

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If a long-lived asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the asset exceeds the fair value of the asset. There were no indicators of asset impairment for the years ended December 31, 2021, 2020, or 2019.

Net Assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, amounts reported in the financial statements are classified in two self-balancing net asset categories as follows:

- Net assets without donor restrictions are resources currently available for use in general operations, including internal limits imposed by Board decisions.
- Net assets with donor restrictions are resources whose use is limited by donor / grantor-imposed restrictions for specific purpose, passage of time, or perpetual donor-imposed stipulations that neither expire by the passage of time nor can be removed by actions of the Organization.

Recognition of Revenue

Unconditional Contributions

Charitable contributions are reported when made, which is generally when cash is received, unconditional promises to give are made, or ownership of donated assets is transferred to the Organization.

The Organization recognizes contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor-imposed temporary restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and presented in the accompanying statement of activities as net assets released from restrictions.

In certain cases, contributions are solicited for support and project accounts that have been previously funded by unrestricted resources in anticipation of receiving donor restricted contributions. Such contributions are immediately recognized as reclassifications to unrestricted support in the period received since the donor-imposed restrictions have already been satisfied.

Contributions of or to Acquire Long-Term Assets

Contributions of long-term assets, such as property and equipment, are recorded as unrestricted support unless explicit donor stipulations specify how the long-term asset must be used. Contributions of long-term assets with explicit restrictions that specify how the

Frontline Response International, Inc. (Previously Atlanta Dream Center, Inc.)

Notes to Financial Statements (Continued) For the Years Ended December 31, 2021, 2020 and 2019

assets are to be used are recognized as restricted support when received and are released from restrictions when the donated assets are placed into service.

Contributions of cash and other assets that must be used to acquire long-term assets are recognized as restricted support. In the absence of explicit donor stipulations about how long those long-term assets must be maintained, the Organization reports expirations of donor-imposed restrictions when the acquired long-term assets are placed into service.

Conditional Contributions

Conditional contributions received are either accounted for as a liability or are unrecognized initially until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional.

Donated Goods and Services

Unconditional contributions of goods are recorded at fair value at the date of donation. Conditional contributions of goods are either accounted for as a liability or are unrecognized initially until the barriers to entitlement are overcome, at which point the asset is recognized as unconditional. There were no conditional contributions of goods at December 31, 2021, 2020, or 2019.

Donated professional services that create or enhance nonfinancial assets, or require skills that would otherwise typically be purchased, are recorded as contributions at their estimated fair values when the services are rendered.

Volunteers contribute significant amounts of time to our program and supporting activities. No value has been assigned to this volunteer time.

Event Revenue

The Organization receives revenue for various events held throughout the year. These events are designed to raise awareness of the Organization's mission and programs, as well as serve as fundraising opportunities. Event revenue is deferred upon receipt and recognized in the period when the event occurs.

Advertising Costs

Advertising costs consist primarily of direct advertisements, graphic design, promotional materials, and participation in community events) are expensed as incurred. Advertising and promotion costs totaled \$3,982 in 2021, \$1,470 in 2020 and \$3,982 in 2019, respectively.

Allocation of Expenses

The costs of providing the various programs and other activities have been summarized in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Except for depreciation, occupancy, and professional fees, all expenses are allocated based on estimate of where time and efforts are made and benefits are received. Depreciation, amortization, and interest are

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Notes to Financial Statements (Continued)
For the Years Ended December 31, 2021, 2020 and 2019

recorded in management and general. Occupancy is allocated based on estimated usage and square footage. Professional fees are charged to management and general and fundraising and development if used for the capital campaign.

Fundraising and Membership-Development Activities

The FASB defines fundraising activities as activities undertaken to induce potential donors to contribute money, securities, services, materials, facilities, other assets, or time. A solicitation activity is considered fundraising regardless of the outcome. Fundraising activities typically include publicizing and conducting fundraising campaigns; maintaining donor mailing lists; conducting special fundraising events; preparing and distributing fundraising manuals, instructions, and other materials; conducting other activities involved with soliciting contributions from individuals, foundations, government agencies, and others; and soliciting contributions of services from individuals (i.e. time), regardless of whether those services meet the recognition criteria for contributions.

The FASB defines membership-development activities as activities undertaken to solicit for prospective members and membership dues, membership relations, and similar activities.

Tax Exempt Status

The Organization has been organized as a Georgia nonprofit corporation, recognized by the IRS as exempt from federal income tax under Internal Revenue Code Section 501(c)(3), and determined not to be a private foundation.

The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income derived from business activities that are unrelated to its exempt purpose. Management has determined that the Organization had no unrelated business income during 2021, 2020, and 2019 and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization only recognizes the tax benefit from an uncertain tax position taken or to be taken in a tax return if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Management has analyzed tax positions taken for filings with the Internal Revenue Service and all state jurisdictions where the Organization operates. Management believes that income tax filing positions would be sustained upon examination and does not anticipate that any adjustments would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2021, 2020 and 2019.

The Organization is subject to federal and state examinations, generally three years from the date that the returns are filed; currently there are no examinations in progress for any tax periods. The Organization believes it is no longer subject to income tax examinations for fiscal years prior to 2018.

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Notes to Financial Statements (Continued)
For the Years Ended December 31, 2021, 2020 and 2019

Credit Risk and Geographic Concentration

The Organization primarily conducts its operations within the metropolitan Atlanta area, and, therefore, is subject to risks from changes in local economic conditions. A downturn in the local economy could cause a decrease in charitable contributions concurrently with an increase in community need for the Organization's assistance.

Current Events

During 2021, the Organization began a campaign for the purpose of raising funds to purchase and renovate a building to exist as a headquarters for operations within the Atlanta area. The Organization received a substantial amount of monetary donations, pledges, and security contributions from multiple related party sources for the purpose of purchasing a building (see Note 10). The building was purchased during 2021 and substantial capital improvements were made to the building during the year (see Note 4). During 2021, the Organization incurred \$526,810 expenditures related to the capital campaign which are included in fundraising and development.

3. PROMISES TO GIVE

A summary of promises to give at December 31, 2021 follows:

Year ending December 31, 2021	
Monetary contributions, capital campaign	\$ 443,750
In-kind services for the capital campaign	540,000
	983,750
Less discount to present value	31,423
Total promises to give, net	\$ 952,327
Estimated pledges to be given within one year	299,750
Estimated pledges to be given within two-five years	684,000

Promises to give for the building campaign totaled \$1,143,750 of which \$160,000 was recognized in 2021 as in-kind services contributions (see Note 10).

At December 31, 2021, promises to give were discounted to the present values using a 3.5% interest rate.

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Notes to Financial Statements (Continued) For the Years Ended December 31, 2021, 2020 and 2019

4. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2021, 2020 and 2019 follows:

	2021	2020	2019
Buildings and improvements	\$ 857,875	\$ 407,875	\$ 362,480
Construction in progress	826,299	1,850	-
Furniture, fixtures and equipment	20,811	20,811	20,811
Vehicles	119,746	119,746	190,101
	1,824,731	550,282	573,392
Less accumulated depreciation and amortization	137,815	98,300	102,383
Property and equipment, net	\$ 1,686,916	\$ 451,982	\$ 471,009

Depreciation and amortization expense totaled \$39,515 for 2021, \$49,497 for 2020, and \$42,286 for 2019, respectively. Loss on disposition of property and equipment, reflected in other revenue, gains and losses, totaled \$28,760 for 2020.

5. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The Organization had no liabilities carried at fair value on a recurring basis and no assets or liabilities carried at fair value on a nonrecurring basis at December 31, 2021, 2020 and 2019.

The following table presents assets measured at fair value on a recurring basis at December 31, 2021:

	Fair Value	Level 1	Level 2	Level 3	Total
Money market fund	\$ 100,572	\$ -	\$ 100,572	\$ -	\$ 100,572
Equities and securities	30,302	30,302	-	-	30,302
	\$ 130,874	\$ 30,302	\$ 100,572	\$ -	\$ 130,874

No investments were held at December 31, 2020 or 2019.

6. DEBT

Line of Credit

The Organization has a variable line of credit. Interest is based on Prime plus 1% (4.25% at December 31, 2021). The line of credit limit was for \$100,000 with the primary purpose for the use of business. The line of credit matured in February 2022 (see Note 13). The outstanding balance at December 31, 2019 was \$50,481 and there were no outstanding balances related to the line of credit as of December 31, 2021 and 2020.

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Notes to Financial Statements (Continued)
For the Years Ended December 31, 2021, 2020 and 2019

Paycheck Protection Program (PPP) Loans

On May 1, 2020, after determining its eligibility, the Organization borrowed \$236,978 loan under the PPP created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration (SBA). The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. Loan proceeds were required to be used solely for specified purposes, which include payroll expense, rent, interest payments, and utilities. The Organization applied for and was granted loan forgiveness on December 2, 2020. These proceeds were recognized as revenue as of December 31, 2020 and are reflected in other revenue, gains and losses on the 2020 statement of activities.

In addition, on January 28, 2021, the Organization drew down a second loan under the PPP in the amount of \$273,367 administered by the SBA. The second loan accrues interest at 1% and payments are not required to begin for six months after the funding of the loan. The Organization applied for and was granted loan forgiveness on September 30, 2021. These proceeds were recognized as revenue as of December 31, 2021 and are reflected in other revenue, gains and losses on the 2021 statement of activities.

Installment Notes Payable

During December 2019, the Organization borrowed \$240,000 for the purchase of a building. This installment note payable accrues interest at 4.85% with monthly principal and interest payments of \$1,564. The outstanding balance is secured by real property and the loan matures in November 2039. The outstanding balance for this note was \$224,406 in 2021, \$232,087 in 2020, and \$240,000 in 2019, respectively.

During April 2021, the Organization borrowed \$216,000 for the purpose of remodeling the building purchased. This remodeling note payable accrues interest at 6.00% with monthly principal and interest payments of \$1,547. The outstanding balance is secured by real property and a balloon payment in April, 2022. The outstanding balance for this note as of December 31, 2021 was \$211,707 (see Note 13).

Scheduled maturities of long-term debt are as follows at December 31, 2021:

2022	\$	219,769
2023		8,462
2024		8,853
2025		9,320
2026		9,782
Thereafter		179,927
		436,113
Less current portion		219,769
Total long-term debt, net	\$	216,343

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Notes to Financial Statements (Continued) For the Years Ended December 31, 2021, 2020 and 2019

Interest expense related to the line of credit and installment note totaled \$22,688 for 2021, \$13,997 for 2020 and \$9,736 for 2019.

7. LEASES

Operating Lease

The Organization had a below market operating lease to use a facility for operational purposes that expired in May 2021. The term of the lease required a \$4,000 payment each month so long as the premises were used exclusively for the charitable operations of the Organization. For all lease agreements, the difference between the amounts paid and the fair rental value is recorded as an in-kind contribution. In-kind rent totaled \$200,600 for 2021, \$15,400 in 2020 and \$12,000 in 2019.

Capital Lease

In January 2019, the Organization entered into a lease agreement for office equipment that has been accounted for as a capital lease. The office equipment has been capitalized at the lesser of fair market value or the present value of the minimum lease payments at the inception of the lease using the Organizations incremental borrowing rate.

At December 31, 2021, future minimum payments under the capital lease, together with the present value of minimum lease payments were as follows:

Year ending December 31, 2021		
2022	\$	3,720
2023		3,720
		7,440
Less amount representing interest		1,090
Total capital lease obligation as of December 31, 2021	\$	6,350

The following is a schedule of equipment under capital leases and the related amortization during 2021, 2020 and 2019:

	2021	2021	2020
At December 31,			
Equipment under capital lease	\$ 13,000	\$ 13,000	\$ 13,000
Accumulated amortization	7,800	5,200	2,600
	\$ 5,200	\$ 7,800	\$ 10,400
For year ended December 31,			
Amortization expense	\$ 2,600	\$ 2,600	\$ 2,600

Frontline Response International, Inc. (Previously Atlanta Dream Center, Inc.)

Notes to Financial Statements (Continued)
For the Years Ended December 31, 2021, 2020 and 2019

8. NET ASSETS

As of December 31, 2021, 2020 or 2019, the Board has not formally chosen to set aside any funds to be drawn upon, pursuant to Board approval, in the event of special project needs, financial distress, or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

The following is a schedule of net assets that were released from donor restrictions for the following reason during 2021, 2020 and 2019:

	2021	2020	2019
Purpose restrictions accomplished:			
Anti-sex trafficking	\$ 57,575	\$ -	\$ -
Homelessness	10,000	-	-
Youth prevention	1,000	122,937	75,853
Program total	68,575	122,937	75,853
Capital restrictions accomplished	826,299	1,850	-
Net assets released from restrictions	\$ 894,874	\$ 122,937	\$ 75,853

The components of net assets with donor restrictions at December 31, 2021, 2020 and 2019 were as follows:

	2021	2020	2019
Subject to expenditure for specific purpose:			
Anti-sex trafficking	\$ 255,257	\$ 57,575	\$ -
Homelessness	6,880	10,000	-
Youth prevention	-	1,000	122,937
Program total	6,880	68,575	122,937
For the purpose of capital expenditures:	255,859	-	-
Time-restricted	983,750	-	-
Total net assets with donor restrictions	\$ 1,501,746	\$ 68,575	\$ 122,937

9. LIQUIDITY AND AVAILABILITY DISCLOSURES

The Organization prepares an annual budget that is reviewed and approved by the Board of Directors in advance of the upcoming year. Monthly meetings are held to review the internal financial statements and budget to actual comparisons. The Organization does not commit to expenditures if cash is not available to pay the expenditures immediately; however, in the event of an unanticipated liquidity need, the Organization has a line of credit with its bank with a maximum amount available of \$100,000. The Organization also has a corporate credit card with a credit limit up to \$45,000 that it could draw upon.

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Notes to Financial Statements (Continued) For the Years Ended December 31, 2021, 2020 and 2019

The following is a schedule, as of December 31, 2021, reflected the financial assets available to meet cash needs for general expenditures within one year:

	2021	2020	2019
Financial assets, at year end:			
Cash and cash equivalents	\$ 1,355,141	\$ 759,917	\$ 563,186
Monetary promises to give to be received within one year	299,750	-	-
Accounts receivable	30,265	51,546	45,658
	1,685,156	811,463	608,844
Less:			
Donor-imposed restrictions likely to be met by expenditure within one year making financial assets unavailable for general expenditure purposes	(817,746)	\$ (68,575)	\$ (122,937)
	\$ 867,410	\$ 742,888	\$ 485,907

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact operation results. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and related financial impact.

10. IN-KIND CONTRIBUTIONS

For the years ending December 31, 2021, 2020 and 2019, in-kind contributions within the statement of activities included:

	2021	2020	2019
Food	\$ 1,192,617	\$ 988,558	\$ 476,472
Toys and backpacks	-	128,152	-
Total In-kind goods	1,192,617	1,116,710	476,472
In-kind rent (see Note 7)	200,600	15,400	12,000
In-kind capital contribution	450,000	-	-
In-kind services, capital campaign	160,000	-	-
Total in-kind contributions	\$ 2,003,217	\$ 1,132,110	\$ 488,472

The fair value of the contributed food is estimated on the basis of the sales price that would be received for selling these products in the normal course of business. The Organization relied completely on the fair market value provided by the donor for the contribution food.

Contributed toys and backpacks are valued at the estimated fair value on the basis of estimated retail values that would be received for selling similar products.

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Notes to Financial Statements (Continued) For the Years Ended December 31, 2021, 2020 and 2019

In-kind expenses are presented within statement of functional expenses with their related category. Contributions of inventory are allocated 25% evenly among the four programs. In-kind rent is allocated 49% to Anti-Sex Trafficking, 8% to Homelessness and Youth Prevention, 22% to Missions, 11% to Management and General and 2% for Fundraising and Development; 100% of the consulting fees were allocated to Fundraising and Development for the purpose of the capital campaign.

11. RELATED PARTY TRANSACTIONS

The following is a summary of related party transaction for the years ending December 31, 2021, 2020 and 2019:

	2021	2020	2019
Transaction description:			
Monetary contributions from board members	\$ 109,770	\$ 57,992	\$ 82,997
Pledged contributions from board members	983,750	-	-
In-kind contributions from board members	160,000	-	-
Contributions from business affiliates	1,070,635	12,000	30,000
In-kind contributions from business affiliates	450,000	-	12,000

12. PRIOR PERIOD ADJUSTMENT

Management determined that property and equipment and capital lease obligations were understated at December 31, 2019; accordingly, the 2020 beginning balances were restated to increase building and building improvements by \$45,395, equipment under capital lease by \$13,000 and increase capital lease obligation by \$8,885 and increase net assets without donor restrictions by \$45,510.

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 21, 2022 which is the date on which the financial statements were available to be issued. In general, these events are recognized in the financial statements if the conditions existed at the date of the statement of financial position, but are not recognized if the conditions did not exist at the statement of financial position date. The Organization discloses non-recognized events if required to keep the financial statements from being misleading.

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Notes to Financial Statements (Continued)
For the Years Ended December 31, 2021, 2020 and 2019

During April 2022, the Organization paid off the remaining balance of \$211,707 of its remodeling note and the outstanding related interest (see Note 6).

During February 2022, the Organization renewed its line of credit for an additional year under similar terms (see Note 6).
