

The Extension, Inc.

Financial Statements

Year Ended June 30, 2020

The Extension, Inc.

Year Ended June 30, 2020

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Independent Auditor's Report

To the Board of Directors of The Extension, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Extension, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

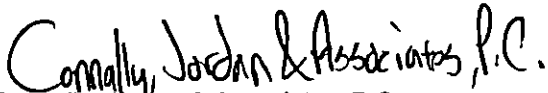
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Extension, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020, on our consideration of The Extension, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Extension, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Extension, Inc.'s internal control over financial reporting and compliance.



Connally, Jordan & Associates, P.C.
Douglasville, Georgia

November 30, 2020

The Extension, Inc.

Statement of Financial Position

June 30, 2020

Assets

Current assets

Cash and cash equivalents	\$	482,668
Accounts receivable		9,250
Government grants receivable		101,904
Restricted assets:		
Cash		65,575
Accounts receivable (Note 5)		118,250
Investments (Note 6)		104,917
Prepaid expenses		9,708

Total current assets 892,272

Land, buildings and equipment,

net of accumulated depreciation (Note 2) 1,631,507

Total assets \$ 2,523,779

Liabilities and Net Assets

Current liabilities

Accounts payable	\$	9,828
Accrued expenses (Note 11)		45,368
Insurance proceeds payable (Note 10)		13,946
SBA loan payable - Paycheck Protection Program (Note 3)		151,400
Mortgage payable - (Note 3)		37,605

Total current liabilities 258,147

Long term liabilities

Mortgage payable - (Note 3) 372,848

Total liabilities 630,995

Net assets

Without donor restrictions	1,708,959
With donor restrictions (Note 5)	183,825

Total net assets 1,892,784

Total liabilities and net assets \$ 2,523,779

See accompanying notes and independent auditor's report.

The Extension, Inc.

Statement of Activities

Year Ended June 30, 2020

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Public support and revenue			
Public support			
Churches	\$ 15,832	\$	\$ 15,832
Business	46,769		46,769
Foundations	31,885		31,885
Individuals	201,685		201,685
United Way	8,165		8,165
Fund-raising events (net of \$15,589 direct costs)	17,961		17,961
Non-cash donations - meals	100,031		100,031
Net assets released from restrictions:			
Satisfaction of donor restrictions	124,089	(124,089)	-
Total public support	546,417	(124,089)	422,328
Revenue			
Fees-rehabilitation housing	152,272		152,272
Government grants	1,019,930		1,019,930
Rental income	3,600		3,600
Investment and other income	2,796		2,796
Realized/unrealized gain on securities	1,073		1,073
Loss on sale of rental property	(31,179)		(31,179)
Total revenue	1,148,492		1,148,492
Total public support and revenue	1,694,909	(124,089)	1,570,820
Expenses			
Program services			
Housing and counseling services - men	897,924		897,924
Housing and counseling services - women	561,365		561,365
Total program services	1,459,289		1,459,289
Supporting services			
Management	90,111		90,111
Fund-raising	110,489		110,489
Total supporting services	200,600		200,600
Total Expenses	1,659,889		1,659,889
Change in net assets	35,020	(124,089)	(89,069)
Net assets, beginning of year	1,673,939	307,914	1,981,853
Net assets, end of year	\$ 1,708,959	\$ 183,825	\$ 1,892,784

See accompanying notes and independent auditor's report.

The Extension, Inc.

Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services			Supporting Services			Total All Services
	Men's Facility	Women's Facility	Total	Management And General	Fund Raising	Total	
Salaries	\$ 380,886	\$ 226,954	\$ 607,840	\$ 21,876	\$ 64,310	\$ 86,186	\$ 694,026
Fringe benefits	78,955	47,046	126,001	4,535	13,332	17,867	143,868
Payroll taxes	33,253	19,814	53,067	1,910	5,615	7,525	60,592
Total compensation and benefits	493,094	293,814	786,908	28,321	83,257	111,578	898,486
Utilities	44,511	28,804	73,315	7,355	262	7,617	80,932
Meals	81,825	36,911	118,736	-	-	-	118,736
Office supplies, printing and postage	12,004	5,593	17,597	6,272	339	6,611	24,208
Furnishings and equipment	6,751	2,817	9,568	-	-	-	9,568
Maintenance	62,638	30,902	93,540	2,282	479	2,761	96,301
Insurance - general liability	20,229	8,670	28,899	4,164	-	4,164	33,063
Drug screening tests	7,580	2,867	10,447	-	-	-	10,447
Supplies and paper products	13,869	7,358	21,227	-	-	-	21,227
Resident healthcare services	5,518	1,945	7,463	-	-	-	7,463
Resident transportation	8,910	1,876	10,786	199	297	496	11,282
Resident entertaining	3,923	2,398	6,321	-	-	-	6,321
Resident offsite lodging	72,000	28,800	100,800	-	-	-	100,800
Resident transitional costs	8,100	8,100	16,200	-	-	-	16,200
Administrative and miscellaneous	7,314	10,655	17,969	21,172	4,024	25,196	43,165
Personnel fees	9,005	5,366	14,371	517	1,520	2,037	16,408
Professional services	4,725	4,725	9,450	2,700	1,350	4,050	13,500
Staff development	3,168	1,587	4,755	-	-	-	4,755
Strategic planning	-	-	-	9,250	-	9,250	9,250
Public relations	-	-	-	2,012	18,961	20,973	20,973
Investment fees	-	-	-	1,757	-	1,757	1,757
Gain on disposition of equipment	(2,295)	-	(2,295)	-	-	-	(2,295)
Interest	7,802	12,747	20,549	1,082	-	1,082	21,631
Total expenses before depreciation	870,671	495,935	1,366,606	87,083	110,489	197,572	1,564,178
Depreciation	27,253	65,430	92,683	3,028	-	3,028	95,711
Total expenses	\$ 897,924	\$ 561,365	\$ 1,459,289	\$ 90,111	\$ 110,489	\$ 200,600	\$ 1,659,889

See accompanying notes and independent auditor's report.

The Extension, Inc.

Statement of Cash Flows

Year Ended June 30, 2020

Operating activities		
Change in net assets	\$ (89,069)	
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	95,711	
Amortization of mortgage acquisition cost	561	
Loss on disposition of real property and other assets	28,884	
Unrealized gain on investments	(1,073)	
Investment fees	1,757	
Changes in current assets and liabilities:		
Increase in accounts receivables - directors	(8,250)	
Decrease in accounts receivable - donor restricted	104,623	
Increase in grants receivable	(33,844)	
Decrease in accrued revenue	55,477	
Decrease in prepaid expenses	8,191	
Decrease in accounts payable	(1,567)	
Increase in accrued expenses	10,791	
Net cash provided by operating activities	172,192	
Investing activities		
Sales of rental property	193,621	
Fixed asset purchases	(73,067)	
Insurance proceeds on van	13,946	
Investment purchases - reinvested dividends	(2,578)	
Net cash provided by investing activities	131,922	
Cash flows from financing activities		
SBA loan - Paycheck Protection Program	151,400	
Reduction of long term liabilities, net of costs	(444,440)	
Proceeds of long term debt, net of costs	410,454	
Net cash provided by financing activities	117,414	
Increase in cash and cash equivalents	421,528	
Beginning cash and cash equivalents	126,715	
Ending cash and cash equivalents	\$ 548,243	
	Unrestricted cash	\$ 482,668
	Donor restricted cash	65,575
		<u>\$ 548,243</u>
Supplemental disclosure of cash flow information		
Interest paid	\$ 20,723	
Accrued architectural fees - fixed asset	\$ 21,600	

See accompanying notes and independent auditor's report.

The Extension, Inc.
Notes to the Financial Statements
June 30, 2020

1. Summary of Significant Accounting Policies

Organization The Extension, Inc. (the "Organization") is a Georgia Nonprofit Corporation. The Organization was founded in 1987 as the Marietta-Cobb Winter Shelter for the homeless during the winter months to provide transitional and rehabilitation housing on a year around basis for 57 men. The transitional and rehabilitation housing helps employable homeless men and women completing detoxification treatment. The Organization is supported substantially by contributions and government grants.

The Organization opened its facility for women on May 1, 2009. It has the capacity to provide for the care of 25 women.

Basis of Presentation The Organization's financial statements are prepared on the accrual basis of accounting. On August 18, 2016, the FASB issued ASU 2016-14, Not for Profit Entities (Topic 958) - Presentation of Financial Statements of Not for Profit Entities. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes to the period presented. The temporarily restricted and permanently restricted net assets classes have been combined into a single net asset class called net assets with donor restrictions. The unrestricted net asset class has been renamed net assets without donor restrictions. The financial statements include a new disclosure about liquidity and availability of resources (Note 8).

Contributions and Promises to Give Contributions of cash and services are recorded and reported in accordance with SFAS No.116, Accounting for Contributions Received and Made. Among other things, this statement requires the recognition of pledges as revenue when received and the use of discounting for recording long term pledges. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Restricted contributions are treated as unrestricted contributions if the restriction is met in the period of receipt.

Investments Investments are stated at market value. Net change in the fair market value of investments, which consists of unrealized gains and losses on those investments, is included on the statement of activities.

Land, Building, Equipment and Depreciation Property and equipment are recorded at cost, while those which are donated are stated at estimated fair value at the date of gift. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Purchase of items costing \$5,000 or more are capitalized.

See independent auditor's report.

The Extension, Inc.
Notes to the Financial Statements
June 30, 2020

Income Taxes The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, as amended. Accordingly, no income taxes are reflected in the accompanying financial statements.

Management Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents For purposes of the statement of cash flows, cash equivalents include highly liquid investments with original purchase maturities of three months or less.

Donated Services and Materials Contributed services and materials are reflected on the financial statements at the fair value of the services and materials received. The contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills that are provided by individuals possessing such skills, and would typically be purchased if not provided by the donation.

Functional Expenses The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the programs and services benefited. Costs have been allocated according to those directly related to the activity based upon various measures, such as the actual program the expense pertains to. Subjective measures, such as occupancy or payroll are allocated based on square footage for occupancy-related expenses, and hours worked for payroll-related expenses.

Pending Standards The Financial Accounting Standards Board (FASB) has implemented new standards with regard to revenue recognition and new standards with regard to leases. The FASB has permitted these standards to be adopted in a subsequent year. Management believes that the revenue recognition standard will not drastically impact the Organization, as it does not alter the recognition of contributions. Management also does not believe that the leasing standard will drastically impact the Organization.

2. Land, Building and Equipment

Land, buildings, and equipment consist of the following:		
Land – parking lot	\$	259,546
Buildings and improvements		2,616,276
Furnishings and equipment		91,279
Expansion project, WIP – not depreciated (total estimated cost is \$5.8 million)		83,767
		3,050,868
Less: accumulated depreciation		(1,419,361)
	\$	1,631,507

See independent auditor's report.

The Extension, Inc.
Notes to the Financial Statements
June 30, 2020

3. Notes and Mortgages Payable

The Organization refinanced two mortgages into one mortgage of \$421,606, maturing April 15, 2029 at an interest rate of 4.35%. The balance at June 30, 2020 was \$415,498. The mortgage is secured by the Organization's real property. Loan acquisition cost of \$5,045 has been deducted from the loan. Principal maturities are as follows:

Year	Amount
2021	\$ 37,605
2022	41,091
2023	42,941
2024	44,841
2025	46,982

The Organization has a \$150,000 bank line of credit maturing March 15, 2023 at an interest rate of 3.25%. Interest payments are due monthly. The note is secured by real and personal property of the Organization. At year-end, there was no balance on the note.

The Organization received an SBA guaranteed term loan on May 4, 2020 of \$151,400 under the CARES Act and the Paycheck Protection Program at a 1% interest rate maturing twenty-four months from the date of the loan. If certain conditions are met, the loan will be forgiven. The Organization made application for forgiveness on September 23, 2020.

4. Net Assets Released from Restrictions

Net assets released from restrictions during the year ended June 30, 2020 are as follows:

United Way of Metro Atlanta	\$ 4,623
United Way for Veterans	2,466
Offsite housing support	100,800
Client transition support	<u>16,200</u>
Total	<u>\$ 124,089</u>

5. Restrictions on Net Assets

Restricted net assets as of June 30, 2020 are available for the following purposes:

United Way for Veterans	\$ 7,161
Hollis Bain Found. - support for women	1,000
Offsite housing support	136,164
Client transition support	<u>39,500</u>
Total	<u>\$ 183,825</u>

The Organization received a \$318,250 promise to give in the year ended June 30, 2019 to support offsite housing for men and women to be paid out over three years. \$100,800 was expended for the restricted purpose during the year ended June 30, 2020. A balance due on the promise to give of \$118,250 will be received in the year ended June 30, 2021.

See independent auditor's report.

The Extension, Inc.
Notes to the Financial Statements
 June 30, 2020

- 6. Investments** Investments consist of publicly traded mutual funds with a fair market value of \$104,917. All investments are based on Level 1 measurements, which are based on quoted prices in active markets for identical assets or liabilities.
-
- 7. Donated Services and Materials** Various organizations and companies provided food and meals for the residents. The meals were valued at fair market value of the food estimated as \$1.00 for breakfast, \$1.50 for lunch and \$2.00 for dinner. A total of approximately 65,692 meals were served valued at \$100,031.
- In addition, volunteers contributed approximately 7,592 hours preparing the breakfast and dinner meals during the year. Volunteers were not recorded because they did not meet the test for recording.
-
- 8. Liquidity and Availability of Financial Assets** The Organization has \$698,739 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash and cash equivalents of \$482,668, accounts receivable of \$9,250, governments grants receivable of \$101,904, and investments of \$104,917. The Organization maintains a \$150,000 line of credit with no outstanding balance at year end. Donor restricted amounts of \$183,825 that are available for use within one year includes accounts receivable of \$118,250 and cash of \$65,575 consisting of \$7,161 to support United Way's support of military veterans, \$1,000 to support women when they leave the shelter, \$39,500 for client transition and \$17,914 for offsite housing. Debt service for the year ended June 30, 2021 is expected to be \$37,605.
-
- 9. Effect of Current Economic Conditions** The Organization depends heavily on contributions and grants for its revenue. The ability of certain of the Organization's contributors and grantors to continue giving amounts comparable with prior years may be dependent upon current and future overall economic conditions. While the Organization's Board of Directors believes the Organization has resources to continue its programs, its ability to do so and the extent to which it continues, may be dependent on the above factors.
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- 10. Insurance Proceeds** The Organization received insurance proceeds for a wrecked vehicle that was totaled. The Organization will receive grant funds for the replacement of the vehicle. Part of the agreement with the grantor is that the Organization remit to the grantor the insurance proceeds.
-
- 11. Accrued Expenses** Accrued expenses consist of:
- | | |
|----------------------------|-----------|
| Accrued salaries | \$ 22,859 |
| Accrued architectural fees | 21,600 |
| Accrued interest | 909 |
| Total | \$ 45,368 |
-
- 12. Subsequent Events** Subsequent events were evaluated through November 30, 2020, which is the date the financial statements were available to be issued.
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See independent auditor's report.

The Extension, Inc.
Notes to the Financial Statements
June 30, 2020

13. COVID-19

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing and requiring masks) and securing the supply of materials that are essential to our production process.

At this stage, the impact on our business and results has not been significant and based on our experience to date we expect this to remain the case. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardizing the health of our people.

See independent auditor's report.

The Extension, Inc.

Schedule of Expenditures of Federal and Non-Federal Awards Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor Program	Grant Number	Duration		CFDA Number	Expenditures	Award Amount
		From	To			
Federal						
<i>U.S. Department of Homeland Security</i>						
Direct Programs:						
Emergency Food and Shelter Program	LRO ID 184000-009 - phase 36	10/10/2018	5/31/2020	97.024	\$ 50,000	\$ 50,000
<i>U.S. Department of Housing and Urban Development</i>						
Residential Recovery Program	Project Number GA0115L4B061811	9/1/2019	8/31/2020	14.235	66,400	98,474
	Project Number GA0115L4B061610	9/1/2018	8/31/2019	14.235	62,996	98,474
					<u>129,396</u>	<u>196,948</u>
<i>U.S. Department of Housing and Urban Development</i>						
Pass Through Program From:						
Cobb County CDBG Program Office	ES20-E20CE	1/1/2020	12/31/2020	14.231	17,009	30,000
Emergency Solution Grant	ES19-E19CE	1/1/2019	12/31/2019	14.231	17,893	30,000
					<u>34,902</u>	<u>60,000</u>
Community Development Block Grant Program	B-20-UC-20-0002	1/1/2020	12/31/2020	14.218	31,238	60,000
	B-19-UC-19-0002	1/1/2019	12/31/2019	14.218	26,311	60,000
Total CDBG Entitlement Grants Cluster					<u>57,549</u>	<u>120,000</u>
<i>Total U.S. Department of Housing and Urban Development Awards</i>					<u>221,847</u>	<u>376,948</u>
<i>U.S. Department of Health and Human Services</i>						
Pass Through Programs From:						
Georgia Department of Human Services Through						
Cobb County Community Development Program -						
Community Services Block Grant Program						
Residential Treatment for Homeless Addicted Men and	CSBG-20-C20T	10/1/2019	9/30/2020	93.569	67,801	95,000
Women	CSBG-19-C19M	10/1/2018	9/30/2019	93.569	11,176	82,192
<i>Total U.S. Department of Health and Human Services - Cluster 477</i>					<u>78,977</u>	<u>177,192</u>
<i>U.S. Department of Substance Abuse and Mental Health Services Administration</i>						
Pass Through Program From:						
Georgia Department of Behavioral Health and						
Developmental Disabilities						
AD Residential Treatment Services Program	44100-908-0000133250	10/1/2019	9/30/2020	93.959	166,431	
	44100-906-0000115472	10/1/2018	9/30/2019	93.959	499,293	665,724
					<u>665,724</u>	
Total Expenditures of Federal Awards					1,016,548	
Non-Federal						
Cobb County Commissioners		4/1/2020	9/30/2020		<u>3,382</u>	8,350
Total Expenditures of Federal and Non-Federal Awards					<u>\$ 1,019,930</u>	

See accompanying notes and independent auditor's report.

The Extension, Inc.
Notes to Schedule of Expenditures of Federal and Non-Federal Awards
Year Ended June 30, 2020

Basis of Presentation	The accompanying Schedule of Expenditures of Federal and Non-Federal Awards includes the federal grant activity of The Extension, Inc. under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).
Summary of Significant Accounting Policies	Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.
Indirect Cost Rate	The Extension, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

See independent auditor's report.

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on the Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Directors of The Extension, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Extension, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Extension, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Extension, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Extension, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

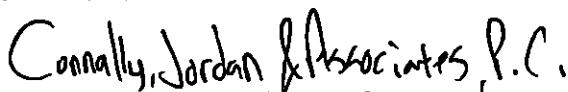
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Extension, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Connally, Jordan & Associates, P.C.
Douglasville, Georgia
November 30, 2020

**Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control over Compliance
Required by the Uniform Guidance**

To the Board of Directors of The Extension, Inc.

Report on Compliance for Each Major Federal Program

We have audited The Extension, Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of The Extension, Inc.'s major federal programs for the year ended June 30, 2020. The Extension, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Extension, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Extension, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Extension, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, The Extension, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of The Extension, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Extension, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal

control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Extension, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Connally, Jordan & Associates P.C.

Connally, Jordan & Associates, P.C.
Douglasville, Georgia
November 30, 2020

The Extension, Inc.
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS:
Financial Statements:

Type of auditor's report issued	<u>Unmodified</u>	
	<u>Yes</u>	<u>No</u>
Internal control over financial reporting:		
Material weaknesses identified?	<u> </u>	<u>X</u>
Significant deficiencies identified?	<u> </u>	<u>None reported</u>
Noncompliance material to the financial Statements noted?	<u> </u>	<u>X</u>
Federal Awards:		
Internal controls over major programs:		
Material weaknesses identified	<u> </u>	<u>X</u>
Significant deficiencies identified	<u> </u>	<u>None reported</u>
Type of auditors' report issued on compliance for major programs	<u>Unmodified</u>	
Audit findings required to be reported in accordance with 2 CFR Section 200.516(a)	<u>No</u>	
Identification of major programs:		
U.S. Department of Substance Abuse and Mental Health Services Administration Pass Through Program From the Georgia Department of Behavioral Health and Development Disabilities, AD Residential Treatment Services Program	<u>93.959</u>	
Dollar threshold used to distinguish between type A and type B programs	<u>\$750,000</u>	
	<u>Yes</u>	<u>No</u>
Auditee qualified as low-risk auditee?	<u>X</u>	<u> </u>
Financial statement findings?	<u> </u>	<u>None reported</u>
Findings and questioned costs for Federal awards?	<u> </u>	<u>None reported</u>

See independent auditor's report.