



Financial Statements

As of and for the years ended June 30, 2023 and 2022

House of Neighborly Service

Loveland, Colorado



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House of Neighborly Service

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Independent Auditors' Report

To the Board of Directors
House of Neighborly Service
Loveland, Colorado

Opinion

We have audited the accompanying financial statements of House of Neighborly Service (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and 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 aspects, the financial position of House of Neighborly Service as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, 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 House of Neighborly Service's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditors' Report (continued)

Auditors' 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.
- 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 House of Neighborly Service'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 House of Neighborly Service'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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Altruic Advisors, CPAs

Certified Public Accountants

Centennial, Colorado
January 8, 2024

House of Neighborly Service

Statements of Financial Position

June 30	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,017,369	\$ 970,709
Investments	289,717	13,580
Inventory	65,836	63,450
Accounts receivable	7,890	-
Prepaid expenses and other current assets	19,577	14,527
Total current assets	<u>1,400,389</u>	<u>1,062,266</u>
Property and Equipment, net	<u>7,421,265</u>	<u>7,587,855</u>
Other Assets		
Beneficial interest in assets held at foundation	<u>13,159</u>	<u>13,159</u>
Total assets	<u>\$ 8,834,813</u>	<u>\$ 8,663,280</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 14,969	\$ 40,582
Accrued compensation and benefits	80,593	81,615
Deferred revenue	28,601	22,859
Security deposits	11,561	10,096
Note payable, current portion	60,453	55,949
Total current liabilities	<u>196,177</u>	<u>211,101</u>
Long-Term Liabilities		
Note payable, net of current portion	<u>2,011,702</u>	<u>2,075,126</u>
Total liabilities	<u>2,207,879</u>	<u>2,286,227</u>
Net Assets		
Without donor restrictions		
Undesignated	<u>6,562,934</u>	<u>6,366,053</u>
Total without donor restrictions	<u>6,562,934</u>	<u>6,366,053</u>
With donor restrictions	<u>64,000</u>	<u>11,000</u>
Total net assets	<u>6,626,934</u>	<u>6,377,053</u>
Total liabilities and net assets	<u>\$ 8,834,813</u>	<u>\$ 8,663,280</u>

The accompanying Notes are an integral part of these financial statements

House of Neighborly Service

Statement of Activities

Year ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Support and Revenue			
Operating Support			
Contributions and grants	\$ 1,916,933	\$ 53,000	\$ 1,969,933
In-kind contributions	648,121	-	648,121
Special events, net of expenses of \$28,916	97,732	-	97,732
Net assets released from restrictions			
Satisfaction of purpose restrictions	-	-	-
Total operating support	<u>2,662,786</u>	<u>53,000</u>	<u>2,715,786</u>
Revenue			
Program service income	36,098	-	36,098
Thrift shop sales	70,096	-	70,096
Total operating revenue	<u>106,194</u>	<u>-</u>	<u>106,194</u>
Total operating support and revenue	<u>2,768,980</u>	<u>53,000</u>	<u>2,821,980</u>
Operating Expenses			
Program services	2,090,537	-	2,090,537
Supporting services			
General and administrative	510,751	-	510,751
Fundraising	195,199	-	195,199
Total operating expenses	<u>2,796,487</u>	<u>-</u>	<u>2,796,487</u>
Total operating support and revenue in excess (deficit) of operating expenses	<u>(27,507)</u>	<u>53,000</u>	<u>25,493</u>
Other Changes			
Rental income	216,913	-	216,913
Investment income	7,475	-	7,475
Total other changes	<u>224,388</u>	<u>-</u>	<u>224,388</u>
Change in Net Assets	<u>196,881</u>	<u>53,000</u>	<u>249,881</u>
Net Assets, Beginning of Year	<u>6,366,053</u>	<u>11,000</u>	<u>6,377,053</u>
Net Assets, End of Year	<u>\$ 6,562,934</u>	<u>\$ 64,000</u>	<u>\$ 6,626,934</u>

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House of Neighborly Service

Statement of Activities

Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Operating Support			
Contributions and grants	\$ 2,534,582	\$ -	\$ 2,534,582
In-kind contributions	588,589	-	588,589
Special events contributions	98,548	-	98,548
Net assets released from restrictions			
Satisfaction of purpose restrictions	63,545	(63,545)	-
Total operating support	<u>3,285,264</u>	<u>(63,545)</u>	<u>3,221,719</u>
Revenue			
Program service income	27,011	-	27,011
Thrift shop sales	14,717	-	14,717
Special events, net of expenses of \$50,097	(28,786)	-	(28,786)
Total operating revenue	<u>12,942</u>	<u>-</u>	<u>12,942</u>
Total operating support and revenue	<u>3,298,206</u>	<u>(63,545)</u>	<u>3,234,661</u>
Operating Expenses			
Program services	1,959,370	-	1,959,370
Supporting services			
General and administrative	500,066	-	500,066
Fundraising	186,451	-	186,451
Total operating expenses	<u>2,645,887</u>	<u>-</u>	<u>2,645,887</u>
Total operating support and revenue in excess (deficit) of operating expenses	<u>652,319</u>	<u>(63,545)</u>	<u>588,774</u>
Other Changes			
Rental income	202,013	-	202,013
Gain on sale of assets	1,193	-	1,193
Investment income	(353)	-	(353)
Total other changes	<u>202,853</u>	<u>-</u>	<u>202,853</u>
Change in Net Assets	855,172	(63,545)	791,627
Net Assets, Beginning of Year	<u>5,510,881</u>	<u>74,545</u>	<u>5,585,426</u>
Net Assets, End of Year	<u>\$ 6,366,053</u>	<u>\$ 11,000</u>	<u>\$ 6,377,053</u>

The accompanying Notes are an integral
part of these financial statements

House of Neighborly Service

Statement of Functional Expenses

Year ended June 30, 2023

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Cost of food distributed - in-kind	\$ 669,279	\$ -	\$ -	\$ 669,279
Salaries and wages	708,701	164,336	154,065	1,027,102
Payroll taxes	59,787	13,864	12,997	86,648
Employee benefits	6,946	1,611	1,510	10,067
Total personnel costs	775,434	179,811	168,572	1,123,817
Program expenses	248,427	-	-	248,427
Depreciation	70,782	120,521	-	191,303
Occupancy	72,291	19,278	4,819	96,388
Interest	33,735	57,441	-	91,176
Insurance	61,508	20,503	-	82,011
Repairs and maintenance	52,731	17,577	-	70,308
Website and IT expenses	32,319	8,618	2,155	43,092
Accounting and professional fees	-	40,989	-	40,989
Staff and volunteer expenses	18,201	4,854	1,213	24,268
Bank and credit card fees	-	23,972	-	23,972
Telephone and internet	13,155	2,860	3,050	19,065
Printing and postage	12,823	2,787	2,974	18,584
Office expenses	12,207	2,654	2,831	17,692
Dues and subscriptions	11,171	3,724	-	14,895
Development costs	-	-	9,240	9,240
Travel	4,488	-	-	4,488
Advertising and promotion	-	4,428	-	4,428
Vehicle expenses	1,482	322	345	2,149
Miscellaneous expenses	504	412	-	916
Total operating expenses	\$ 2,090,537	\$ 510,751	\$ 195,199	\$ 2,796,487

The accompanying Notes are an integral part of these financial statements

House of Neighborly Service

Statement of Functional Expenses

Year ended June 30, 2022

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Cost of food distributed - in-kind	\$ 581,099	\$ -	\$ -	\$ 581,099
Salaries and wages	672,836	156,020	146,269	975,125
Payroll taxes	53,584	12,425	11,649	77,658
Employee benefits	6,692	1,552	1,455	9,699
Total personnel costs	<u>733,112</u>	<u>169,997</u>	<u>159,373</u>	<u>1,062,482</u>
Grants and assistance	249,059	-	-	249,059
Depreciation	69,750	118,763	-	188,513
Occupancy	69,743	18,598	4,650	92,991
Interest	34,305	58,410	-	92,715
Insurance	60,497	20,166	-	80,663
Repairs and maintenance	46,153	15,385	-	61,538
Website and IT expenses	26,930	7,181	1,795	35,906
Staff and volunteer expenses	24,054	6,415	1,604	32,073
Accounting and professional fees	-	29,165	-	29,165
Bank and credit card fees	-	25,522	-	25,522
Printing and postage	17,589	3,824	4,079	25,492
Telephone and internet	16,490	3,585	3,824	23,899
Office expenses	13,361	2,904	3,098	19,363
Advertising and promotion	-	14,340	-	14,340
Miscellaneous expenses	5,618	1,873	-	7,491
Development costs	-	-	7,107	7,107
Dues and subscriptions	3,759	3,075	-	6,834
Vehicle expenses	3,970	863	921	5,754
Travel	3,881	-	-	3,881
Total operating expenses	<u>\$ 1,959,370</u>	<u>\$ 500,066</u>	<u>\$ 186,451</u>	<u>\$ 2,645,887</u>

The accompanying Notes are an integral
part of these financial statements

House of Neighborly Service

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended June 30	2023	2022
Cash Flows From Operating Activities		
Change in net assets	\$ 249,881	\$ 791,627
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	191,303	188,513
Net realized loss on investments	913	2,081
Reinvested interest	(2,050)	-
Increase (decrease) from changes in assets and liabilities		
Inventory	(2,386)	29,233
Accounts receivable	(7,890)	5,454
Prepaid expenses and other current assets	(5,050)	1,194
Accounts payable and accrued expenses	(25,613)	38,554
Accrued compensation and benefits	(1,022)	11,800
Deferred revenue	5,742	17,293
Security deposits	1,465	2,232
Net cash provided by operating activities	<u>405,293</u>	<u>1,087,981</u>
Cash Flows From Investing Activities		
Net purchases of investments	(275,000)	(3,175)
Payments for building improvements	(9,187)	(841,591)
Purchases of property and equipment	(15,526)	-
Net cash used by investing activities	<u>(299,713)</u>	<u>(844,766)</u>
Cash Flows From Financing Activities		
Repayment of notes payable	(58,920)	(59,382)
Net cash used by financing activities	<u>(58,920)</u>	<u>(59,382)</u>
Net Increase in Cash and Cash Equivalents	46,660	183,833
Cash and Cash Equivalents, Beginning of Year	970,709	786,876
Cash and Cash Equivalents, End of Year	\$ 1,017,369	\$ 970,709
Supplemental Cash Flow Information		
Cash paid for interest	<u>\$ 91,176</u>	<u>\$ 97,161</u>

The accompanying Notes are an integral
part of these financial statements

House of Neighborly Service

Notes to Financial Statements

June 30, 2023 and 2022

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of Organization. House of Neighborly Service ("the Organization") is a nonprofit corporation serving people living in the Loveland and Berthoud, Colorado areas. The Organization addresses critical needs and strives to prevent further crisis by effectively and compassionately assisting, without discrimination, vulnerable individuals while maintaining accountability and dignity. The Organization's goal is to diminish hunger and the effects of poverty among residents of the Thompson R2J School District. The Organization is supported primarily through donor contributions and grants.

Basis of Accounting. The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

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

Cash and Cash Equivalents. Cash and cash equivalents consists of checking and savings accounts held at financial institutions. For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents.

Investments. The Organization's investments are stated at fair value. Fair value is 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. The Organization's management determines the valuation policies utilizing information provided by the investment advisors and custodians. See *Fair Value Measurements*.

Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Fair Value Measurements. The Organization reports using fair value measurements which requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

House of Neighborly Service

Notes to Financial Statements

June 30, 2023 and 2022

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Fair Value Measurements (continued).

- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

Mutual Funds. The Organization values mutual funds with readily determinable market values at fair value as determined by quoted market prices on national securities exchanges valued at the closing price on the last business day of the fiscal year. Securities traded on the over-the-counter market are valued at the last reported bid price.

Certificates of Deposit. The Organization values certificates of deposit at fair value by discounting related cash flow based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

Beneficial Interest in Assets Held at Foundation. The Organization values the beneficial interest in assets held at Community Foundation of Northern Colorado ("the Foundation") at the net asset value ("NAV") of units held by the Foundation at year-end. The NAV, as provided by the Foundation, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the Foundation less its liabilities. This practical expedient is not used when it is determined to be probable that the Foundation will sell the investment for an amount different than the reported NAV.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

House of Neighborly Service

Notes to Financial Statements

June 30, 2023 and 2022

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Fair Value Measurements (continued).

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the accompanying statements of financial position.

Food inventory. Purchased food inventory is comprised of nonperishable purchased food, and is stated at lower of cost or market value. Cost is determined on a first-in, first-out basis. Donated food inventory is comprised of perishable and nonperishable food and is recorded as inventory and contribution support at its estimated fair value at the date of donation, taking into consideration spoilage and utility for use. See *Donated Food Inventory*.

Accounts Receivable. Accounts receivable are stated net of allowances for uncollectible accounts. At the time accounts receivable are originated, the Organization considers an allowance for doubtful accounts based on the creditworthiness of the customer. The allowance is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future uncollectible amounts. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Organization on an ongoing basis. Management has determined that accounts receivable are fully collectible and has not recorded an allowance for doubtful accounts as of June 30, 2023 and 2022.

Property and Equipment. It is the Organization's policy to capitalize property and equipment at cost for purchases over \$2,500, while repair and maintenance items are charged to expense. Donations of property and equipment are capitalized at their estimated fair value on the date of gift. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets, which are generally ten to thirty-nine years for building and improvements, five to eighteen years for office equipment, and five years for vehicles.

Impairment of Long-Lived Assets. In the event that facts and circumstances indicate that property and equipment, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the years ended June 30, 2023 and 2022.

Basis of Net Asset Presentation. The Organization reports information regarding its financial position and activities according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions:

House of Neighborly Service

Notes to Financial Statements

June 30, 2023 and 2022

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Basis of Net Asset Presentation (continued).

Net Assets Without Donor Restrictions. Net assets resulting from revenues generated by receiving contributions that have no donor stipulations, membership dues, publishing, conference fees, accreditation and other services, interest, and other income, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets With Donor Restrictions. Net assets resulting from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated net assets, until the donor restriction expires, that is, until the stipulated time restriction ends or the purpose restriction is accomplished.

Contributions and Grants. Contributions and grants are recognized when the amounts are received. Donor-restricted contributions and grants are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions and grants that are restricted by the donor or grantor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the amounts are recognized.

Donated Food Inventory. All donated inventory is recorded at fair value and is received from private businesses, organizations, and individuals. Donated inventory is considered to be unrestricted support unless the inventory explicitly contains donor restrictions. The Organization only records the value of donated inventory in which it is either the original recipient of the gift, is involved in partnership with another organization for distribution, or if the inventory is used in the Organization's programs.

The following average per pound values were used to value the following inventory donations received and inventory distributions made during the years ended June 30:

	<u>2023</u>	<u>2022</u>
Food-only items	\$ 1.70	\$ 1.68

Contributed Items, Facilities, and Services. Contributed items and the use of facilities are recorded at fair market value at the time of donation. Services are recognized if the services received satisfy the criteria for recognition. Contributed services are recognized if the services either (a) create or enhance a nonfinancial asset or (b) require specialized skills that are provided by persons possessing those skills and would typically need to be purchased if not provided by donation.

The Organization recorded the following in-kind activity during the years ended June 30:

	<u>2023</u>	<u>2022</u>	<u>Usage</u>
Food and supplies	\$ 596,649	\$ 523,895	Programs
Professional services	51,472	49,694	Programs and general
Facilities use	-	15,000	Administrative office
	<u>\$ 648,121</u>	<u>\$ 588,589</u>	

House of Neighborly Service

Notes to Financial Statements

June 30, 2023 and 2022

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Contributed Items, Facilities, and Services (continued).

In-kind professional service contributions were valued using estimated average hourly wage for identical services using pricing data of similar services under a 'like-kind' methodology, considering the utility of the services at the time of the contribution. Contributed facilities were valued using like-kind methodology for similar size facilities in the Loveland area. Food in-kind contributions were valued using estimated average US prices of identical or similar products using pricing data of similar products under a 'like-kind' methodology, considering the utility of the food at the time of the contribution. No in-kind contributions were restricted. The Organization does not sell donated gifts in kind and only uses services, food, and facilities for its own program or supporting service activities.

Revenue Recognition.

Program revenue is recorded net of any applicable discounts over the time that the performance obligation is met. Any amounts received prior to meeting the performance obligations are recorded as deferred revenue. Rental revenue and thrift shop income is recorded at the point in time that the performance obligation is met.

Transaction Price. The transaction price of a contract with a customer is the amount of consideration to which the Organization expects to be entitled in exchange for transferring promised goods and services to the customer.

For the years ended June 30, 2023 and 2022, the Organization recognized revenue of \$253,011 and \$229,024, respectively, from goods and services that transfer to the customer over time.

Contract Balances. The following table provides information about the Organization's receivables from contracts with customers at June 30:

	<u>2023</u>	<u>2022</u>
Accounts receivable, beginning of year	\$ -	\$ 5,455
Accounts receivable, end of year	\$ 7,890	\$ -

The Organization's contracts do not include significant financing components.

Advertising. The Organization expenses advertising costs, including donated advertising, as incurred. Advertising expense for the years ended June 30, 2023 and 2022 was 4,428 and \$14,340, respectively.

Income Taxes. The Organization is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made.

House of Neighborly Service

Notes to Financial Statements

June 30, 2023 and 2022

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Functional Allocation of Expenses. Direct expenses have been allocated to the applicable program for which the expenses were incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

Reclassifications. Certain amounts from the financial statements for the year ended June 30, 2022 have been reclassified to conform to current year presentation without affecting the change in net assets.

Subsequent Events. The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through January 8, 2024, the date at which the financial statements were available for release.

Note 2 – Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Land	\$ 1,669,970	\$ 1,669,970
Building and improvements	6,845,353	6,842,198
Furniture and office equipment	156,511	154,587
Vehicles	35,750	28,550
	<u>8,707,584</u>	<u>8,695,305</u>
Less accumulated depreciation	<u>(1,423,245)</u>	<u>(1,235,189)</u>
	7,284,339	7,460,116
Construction in progress	136,926	127,739
Net property and equipment	<u>\$ 7,421,265</u>	<u>\$ 7,587,855</u>

Depreciation expense totaled \$191,303 and \$188,513 for the years ended June 30, 2023 and 2022, respectively.

House of Neighborly Service

Notes to Financial Statements

June 30, 2023 and 2022

Note 3 – Fair Value Measurements

The following table summarizes the Organization's fair value of assets measured on a recurring basis by the fair value hierarchy and by NAV as of June 30, 2023:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 12,667	\$ 12,667	\$ -	\$ -
Certificates of deposit	277,050	-	277,050	-
Total	<u>\$ 289,717</u>	<u>\$ 12,667</u>	<u>\$ 277,050</u>	<u>\$ -</u>
Investments measured at NAV:				
Beneficial interest in assets held by the Foundation (see Note 1)	<u>13,159</u>			
Total assets valued at fair value	<u>\$ 302,876</u>			

The following table summarizes the Organization's fair value of assets measured on a recurring basis by the fair value hierarchy and by NAV as of June 30, 2022:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 13,580	\$ 13,580	\$ -	\$ -
Investments measured at NAV:				
Beneficial interest in assets held by the Foundation (see Note 1)	<u>13,159</u>			
Total assets valued at fair value	<u>\$ 26,739</u>			

Changes in Fair Value Levels. The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Organization evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total net assets available for benefits. For the years ended June 30, 2023 and 2022, there were no significant transfers in or out of fair value levels.

House of Neighborly Service

Notes to Financial Statements

June 30, 2023 and 2022

Note 3 – Fair Value Measurements (continued)

The following sets forth a summary of the Organization's beneficial interest in assets held at the Foundation reported at NAV at June 30:

<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Other Redemption Restrictions</u>	<u>Redemption Notice Period</u>
<u>2023</u>				
\$ 13,159	N/A	Immediate	Redemptions will only be made upon written request of the Organization	None
<u>2022</u>				
\$ 13,159	N/A	Immediate		None

Net investment earnings (loss) consisted of the following for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Interest and dividends income	\$ 8,388	\$ 1,728
Net unrealized loss	(913)	(2,081)
	<u>\$ 7,475</u>	<u>\$ (353)</u>

Note 4 – Note Payable

Long-term debt obligations consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Note payable to Waypoint Bank, interest at the Wall Street Journal Prime Rate plus 1% (5.25% at June 30, 2022), monthly principal and interest payments of approximately \$12,425 payable through June 2030, collateralized by the building and improvements.	<u>\$ 2,072,155</u>	<u>\$ 2,131,075</u>
Less current portion	<u>(60,453)</u>	<u>(55,949)</u>
	<u>\$ 2,011,702</u>	<u>\$ 2,075,126</u>

Scheduled maturities of the long-term note payable are as follows at June 30, 2023:

Year ended June 30	<u>Total</u>
2024	\$ 60,453
2025	63,127
2026	65,918
2027	68,834
2028	71,878
Thereafter	1,741,945
	<u>\$ 2,072,155</u>

House of Neighborly Service

Notes to Financial Statements

June 30, 2023 and 2022

Note 5 – Net Assets With Donor Restrictions

The following summarizes the changes in net assets with donor restrictions for the year ended June 30, 2023:

	July 1, 2022	Increases	Releases	June 30, 2023
<i>Purpose restrictions:</i>				
Parents as Teachers	\$ -	\$ 33,000	\$ -	\$ 33,000
Trailhead food grant	-	20,000	-	20,000
Trusts and foundations	6,000	-	-	6,000
R.C. Christiansen	5,000	-	-	5,000
Total	<u>\$ 11,000</u>	<u>\$ 53,000</u>	<u>\$ -</u>	<u>\$ 64,000</u>

The following summarizes the changes in net assets with donor restrictions for the year ended June 30, 2022:

	July 1, 2021	Increases	Releases	June 30, 2022
<i>Purpose restrictions:</i>				
Building purchase and remodeling	\$ 30,843	\$ -	\$ 30,843	\$ -
Emergency fund	32,702	-	32,702	-
Trusts and foundations	6,000	-	-	6,000
R.C. Christiansen	5,000	-	-	5,000
Total	<u>\$ 74,545</u>	<u>\$ -</u>	<u>\$ 63,545</u>	<u>\$ 11,000</u>

Note 6 – Operating Leases

Rental Income. The Organization leases facility space to other organizations with missions similar to that of House of Neighborly Service. The non cancelable operating leases require monthly payments of \$125 to \$4,370 and expire between June 2022 and May 2026. Rental income, including expense reimbursements, under these agreements and other one time rental agreements totaled \$216,913 and \$202,013 for the years ended June 30, 2023 and 2022, respectively.

Future annual minimum lease payments to be received under these noncancelable operating leases are as follows at June 30, 2023:

Year ended June 30	
2024	\$ 124,044
2025	56,632
2026	52,543
Total	<u>\$ 233,219</u>

House of Neighborly Service

Notes to Financial Statements

June 30, 2023 and 2022

Note 7 – Special Events

The Organization derived net support from the following special fundraising events during the year ended June 30, 2023:

	<u>Over the Edge</u>	<u>Loveland Loves BBQ</u>	<u>Other Events</u>	<u>Total</u>
Contributions	\$ 120,406	\$ 5,000	\$ 1,242	\$ 126,648
Direct costs	(28,916)	-	-	(28,916)
Net support	<u>\$ 91,490</u>	<u>\$ 5,000</u>	<u>\$ 1,242</u>	<u>\$ 97,732</u>

The Organization derived net support and revenue from the following special fundraising events during the year ended June 30, 2022:

	<u>Annual Gala</u>	<u>Loveland Loves BBQ</u>	<u>Other Events</u>	<u>Total</u>
Contributions	\$ 89,920	\$ 5,000	\$ 3,628	\$ 98,548
Ticket and other sales	21,311	-	-	21,311
	111,231	5,000	3,628	119,859
Direct costs	(50,097)	-	-	(50,097)
Net support and revenue	<u>\$ 61,134</u>	<u>\$ 5,000</u>	<u>\$ 3,628</u>	<u>\$ 69,762</u>

Note 8 – Liquidity and Availability of Resources

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs; and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To achieve these guiding principles, the Organization forecasts its future cash flows and monitors its liquidity monthly. During the years ended June 30, 2023 and 2022, the level of liquidity and reserves was managed within the guiding principles.

The Organization's financial assets available for general expenditures within one year are as follows at June 30:

Financial assets at year-end:	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,017,369	\$ 970,709
Investments	289,717	13,580
Accounts receivable	7,890	-
Beneficial interest in assets held at foundation	13,159	13,159
	<u>1,328,135</u>	<u>997,448</u>
Less amounts not available to be used within one year:		
Beneficial interest in assets held at foundation	<u>(13,159)</u>	<u>(13,159)</u>
Financial assets available for general expenditures within one year	<u>\$ 1,314,976</u>	<u>\$ 984,289</u>

House of Neighborly Service

Notes to Financial Statements

June 30, 2023 and 2022

Note 8 – Liquidity and Availability of Resources (continued)

Substantially all of the Organization's net asset restrictions are generally released within the next fiscal year. The Organization anticipates that all net asset restrictions as of June 30, 2023 will be fully released during the next fiscal year.

Note 9 – Retirement Plan

The Organization maintains a voluntary SIMPLE IRA plan covering all employees. New employees are eligible to participate immediately. The Organization matched three percent of employee contributions which totaled \$10,067 and \$9,699 for the years ended June 30, 2023 and 2022, respectively.

Note 10 – Beneficial Interest in Assets Held at Community Foundation of Northern Colorado

The Community Foundation of Northern Colorado ("the Foundation") acts under an arrangement as a depository for gifts, conveyances, and other transfers intended to assist House of Neighborly Service in achieving its goals and purposes. At June 30, 2023 and 2022, the Foundation held donations for the benefit of House of Neighborly Service of \$69,435. As the Foundation holds variance power over these assets, and therefore has the authority to redirect these funds, these amounts are not recorded as assets of the Organization.

Note 11 – Concentrations

Geographical Concentration. The Organization receives predominantly all of its operating support and revenue from Loveland, Colorado and surrounding communities.

Bank Deposits. The Organization maintained cash balances in excess of federally insured limits at certain times during the years ended June 30, 2023 and 2022.