

House of Neighborly Service
(a nonprofit Colorado corporation)
Loveland, Colorado

Financial Statements

June 30, 2021 and 2020



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, 2021 and 2020, 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, 2021 and 2020, 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

Fort Collins, Colorado
December 14, 2021

House of Neighborly Service

Statements of Financial Position

June 30	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 786,876	\$ 693,857
Investments	12,486	9,747
Inventory	92,683	60,442
Accounts receivable	5,454	9,048
Prepaid expenses and other current assets	15,721	28,474
Total current assets	<u>913,220</u>	<u>801,568</u>
Property and Equipment, net	<u>6,934,777</u>	<u>6,903,459</u>
Other Assets		
Beneficial interest in assets held at foundation	<u>13,159</u>	<u>13,159</u>
Total assets	<u>\$ 7,861,156</u>	<u>\$ 7,718,186</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,028	\$ 15,260
Deferred revenue	5,566	3,367
Accrued compensation and benefits	69,815	62,939
Security deposits	7,864	10,215
Notes payable, current portion	51,310	127,751
Total current liabilities	<u>136,583</u>	<u>219,532</u>
Long-Term Liabilities		
Notes payable, net of current portion	<u>2,139,147</u>	<u>2,303,847</u>
Total liabilities	<u>2,275,730</u>	<u>2,523,379</u>
Net Assets		
Without donor restrictions		
Undesignated	<u>5,510,881</u>	<u>5,084,158</u>
Total without donor restrictions	<u>5,510,881</u>	<u>5,084,158</u>
With donor restrictions	<u>74,545</u>	<u>110,649</u>
Total net assets	<u>5,585,426</u>	<u>5,194,807</u>
Total liabilities and net assets	<u>\$ 7,861,156</u>	<u>\$ 7,718,186</u>

The accompanying Notes are an integral part of these financial statements

House of Neighborly Service

Statement of Activities

Year ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Support and Revenue			
Operating Support			
Contributions and grants	\$ 1,923,164	\$ -	\$ 1,923,164
In-kind contributions	619,060	-	619,060
Special events, net of expenses of \$17,916	98,851	-	98,851
Net assets released from restrictions			
Satisfaction of program restrictions	36,104	(36,104)	-
Total operating support	<u>2,677,179</u>	<u>(36,104)</u>	<u>2,641,075</u>
Revenue			
Program service income	<u>34,562</u>	<u>-</u>	<u>34,562</u>
Total operating support and revenue	<u>2,711,741</u>	<u>(36,104)</u>	<u>2,675,637</u>
Operating Expenses			
Program services	1,974,795	-	1,974,795
Supporting services			
General and administrative	488,496	-	488,496
Fundraising	155,611	-	155,611
Total operating expenses	<u>2,618,902</u>	<u>-</u>	<u>2,618,902</u>
Total operating support and revenue in excess (deficit) of operating expenses	<u>92,839</u>	<u>(36,104)</u>	<u>56,735</u>
Other Changes			
Rental income	177,182	-	177,182
Gain on debt forgiveness	152,700	-	152,700
Interest and dividend income	4,002	-	4,002
Total other changes	<u>333,884</u>	<u>-</u>	<u>333,884</u>
Change in Net Assets	<u>426,723</u>	<u>(36,104)</u>	<u>390,619</u>
Net Assets, Beginning of Year	<u>5,084,158</u>	<u>110,649</u>	<u>5,194,807</u>
Net Assets, End of Year	<u>\$ 5,510,881</u>	<u>\$ 74,545</u>	<u>\$ 5,585,426</u>

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part of these financial statements

House of Neighborly Service

Statement of Activities

Year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Operating Support			
Contributions and grants	\$ 1,653,166	\$ -	\$ 1,653,166
In-kind contributions	565,849	-	565,849
Special events, net of expenses of \$46,166	70,742	-	70,742
Net assets released from restrictions			
Satisfaction of program restrictions	29,263	(29,263)	-
Expiration of time restrictions	6,000	(6,000)	-
Total operating support	2,325,020	(35,263)	2,289,757
Revenue			
Program service income	28,654	-	28,654
Total operating support and revenue	2,353,674	(35,263)	2,318,411
Operating Expenses			
Program services	1,584,826	-	1,584,826
Supporting services			
General and administrative	430,880	-	430,880
Fundraising	142,962	-	142,962
Total operating expenses	2,158,668	-	2,158,668
Total operating support and revenue in excess (deficit) of operating expenses	195,006	(35,263)	159,743
Other Changes			
Rental income	179,423	-	179,423
Interest income	980	-	980
Loss on investments	(96)	-	(96)
Loss on the sale of property	(613)	-	(613)
Total other changes	179,694	-	179,694
Change in Net Assets	374,700	(35,263)	339,437
Net Assets, Beginning of Year	4,709,458	145,912	4,855,370
Net Assets, End of Year	\$ 5,084,158	\$ 110,649	\$ 5,194,807

The accompanying Notes are an integral
part of these financial statements

House of Neighborly Service

Statement of Functional Expenses

Year ended June 30, 2021

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Cost of food distributed - in-kind	\$ 572,230	\$ -	\$ -	\$ 572,230
Salaries and wages	584,692	135,581	127,107	847,380
Payroll taxes	43,852	10,168	9,533	63,553
Employee benefits	4,912	1,139	1,068	7,119
Total personnel costs	<u>633,456</u>	<u>146,888</u>	<u>137,708</u>	<u>918,052</u>
Grants and assistance costs	369,738	-	-	369,738
Depreciation	67,549	115,015	-	182,564
Interest	35,950	61,211	-	97,161
Insurance	65,380	21,793	-	87,173
Occupancy	65,276	17,407	4,352	87,035
Repairs and maintenance	53,444	17,815	-	71,259
Accounting and professional fees	-	40,740	-	40,740
Family Promise program	33,066	-	-	33,066
Website and IT expenses	23,165	6,177	1,544	30,886
Bank and credit card fees	-	29,515	-	29,515
Telephone and internet	16,327	3,549	3,786	23,662
Office expenses	14,707	3,197	3,410	21,314
Printing and postage	14,205	3,088	3,294	20,587
Advertising and promotion	-	19,584	-	19,584
Dues and subscriptions	6,590	2,197	-	8,787
Travel	2,370	-	-	2,370
Vehicle expenses	1,296	282	300	1,878
Development costs	-	-	1,217	1,217
Miscellaneous expenses	46	38	-	84
Total operating expenses	<u>\$ 1,974,795</u>	<u>\$ 488,496</u>	<u>\$ 155,611</u>	<u>\$2,618,902</u>

The accompanying Notes are an integral part of these financial statements

House of Neighborly Service

Statement of Functional Expenses

Year ended June 30, 2020

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Cost of food distributed - in-kind	\$ 504,660	\$ -	\$ -	\$ 504,660
Cost of food distributed - purchased	19,952	-	-	19,952
Total cost of food distributed	<u>524,612</u>	<u>-</u>	<u>-</u>	<u>524,612</u>
Salaries and wages	532,313	123,435	115,720	771,468
Payroll taxes	40,109	9,301	8,719	58,129
Total personnel costs	<u>572,422</u>	<u>132,736</u>	<u>124,439</u>	<u>829,597</u>
Depreciation	63,673	108,415	-	172,088
Interest	40,126	68,322	-	108,448
Grants and assistance costs	91,778	-	-	91,778
Occupancy	68,379	18,234	4,559	91,172
Repairs and maintenance	52,558	17,519	-	70,077
Insurance	49,302	16,434	-	65,736
Family Promise program	39,335	-	-	39,335
Website and IT expenses	29,183	7,782	1,946	38,911
Accounting and professional fees	-	28,566	-	28,566
Telephone and internet	17,536	3,812	4,066	25,414
Printing, publications, and postage	13,352	2,903	3,096	19,351
Bank and credit card fees	-	18,110	-	18,110
Office expenses	12,142	2,640	2,816	17,598
Dues and subscriptions	5,195	1,732	-	6,927
Travel	3,616	-	-	3,616
Advertising and promotion	-	3,159	-	3,159
Vehicle expenses	1,343	292	311	1,946
Development costs	-	-	1,729	1,729
Miscellaneous expenses	274	224	-	498
Total operating expenses	<u>\$ 1,584,826</u>	<u>\$ 430,880</u>	<u>\$ 142,962</u>	<u>\$ 2,158,668</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	2021	2020
Cash Flows From Operating Activities		
Change in net assets	\$ 390,619	\$ 339,437
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	182,564	172,088
Net realized and unrealized loss on investments	-	96
Gain on debt forgiveness	(152,700)	-
Increase (decrease) from changes in assets and liabilities		
Inventory	(32,241)	(15,640)
Accounts receivable	3,594	(4,848)
Grants receivable	-	6,000
Prepaid expenses and other current assets	12,753	4,368
Accounts payable and accrued expenses	(13,232)	(10,646)
Deferred revenue	2,199	3,367
Accrued compensation and benefits	6,876	44,226
Security deposits	(2,351)	5,541
Net cash provided by operating activities	<u>398,081</u>	<u>543,989</u>
Cash Flows From Investing Activities		
Net (purchases) sales of investments	(2,739)	410
Payments for building improvements	(213,882)	(7,135)
Purchases of equipment	-	(7,878)
Net cash used by investing activities	<u>(216,621)</u>	<u>(14,603)</u>
Cash Flows From Financing Activities		
Proceeds from note payable	-	2,278,898
Proceeds from note payable, PPP loan	-	152,700
Repayment of notes payable	(88,441)	(2,459,853)
Net cash used by financing activities	<u>(88,441)</u>	<u>(28,255)</u>
Net Increase in Cash and Cash Equivalents	93,019	501,131
Cash and Cash Equivalents, Beginning of Year	693,857	192,726
Cash and Cash Equivalents, End of Year	\$ 786,876	\$ 693,857
Supplemental Cash Flow Information		
Cash paid for interest	<u>\$ 97,161</u>	<u>\$ 105,938</u>

The accompanying Notes are an integral
part of these financial statements

House of Neighborly Service

Notes to Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020

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.

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, 2021 and 2020

Note 1 – Nature of Organization and Significant Accounting Policies (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, 2021 and 2020.

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, three to eighteen years for furniture and 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, 2021 and 2020.

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, 2021 and 2020

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 stipulation 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>2021</u>	<u>2020</u>
Food-only items	\$ 1.70	\$ 1.49

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>2021</u>	<u>2020</u>
Food	\$ 554,854	\$ 504,660
Various services	49,206	46,189
Facilities-use	15,000	15,000
	<u>\$ 619,060</u>	<u>\$ 565,849</u>

House of Neighborly Service

Notes to Financial Statements

June 30, 2021 and 2020

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

Revenue Recognition. Revenues are recorded as the services are rendered. Prepaid amounts are recorded as a deferred revenue liability when payments are received. As the services are rendered, revenue is then recorded.

Advertising. The Organization expenses advertising costs, including donated advertising, as incurred. Advertising expense for the years ended June 30, 2021 and 2020 was \$19,584 and \$3,159, 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.

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, 2020 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 December 14, 2021, 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>2021</u>	<u>2020</u>
Land	\$ 1,069,970	\$ 1,069,970
Building and improvements	6,730,539	6,516,659
Furniture and equipment	151,086	151,086
Vehicles	31,960	31,960
	<u>7,983,556</u>	<u>7,769,675</u>
Less accumulated depreciation	<u>(1,048,779)</u>	<u>(866,216)</u>
Net property and equipment	<u>\$ 6,934,777</u>	<u>\$ 6,903,459</u>

Depreciation expense totaled \$182,564 and \$172,088 for the years ended June 30, 2021 and 2020, respectively.

House of Neighborly Service

Notes to Financial Statements

June 30, 2021 and 2020

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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	<u>\$ 12,486</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,486</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>\$ 25,645</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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	<u>\$ 9,747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,747</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>\$ 22,906</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, 2021 and 2020, there were no significant transfers in or out of fair value levels.

House of Neighborly Service

Notes to Financial Statements

June 30, 2021 and 2020

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:

	Fair Value	Unfunded Commitments	Redemption Frequency	Other Redemption Restrictions	Redemption Notice Period
2021					
\$	13,159	N/A	Immediate	Redemptions will only be made	None
2020					
\$	13,159	N/A	Immediate	upon written request of the Organization	None

Net investment earnings consisted of the following for the year ended June 30:

	2021	2020
Interest and dividends income	\$ 2,739	\$ 980

Note 4 – Notes Payable

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

	2021	2020
Note payable to Waypoint Bank, interest at the Wall Street Journal Prime Rate plus 1% (4.25% at June 30, 2021), monthly principal and interest payments of approximately \$12,425 payable through June 2030, collateralized by the building and improvements.	\$ 2,190,457	\$ 2,278,898
Note payable ("the PPP loan") to Waypoint Bank, originated through the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), interest at 1%, monthly principal and interest payments of \$8,593 commencing November 2020 and payable through March 2022. There is no collateral for this note.	-	152,700
	2,190,457	2,431,598
Less current portion	(51,310)	(127,751)
	\$ 2,139,147	\$ 2,303,847

House of Neighborly Service

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Note 4 – Notes Payable (continued)

The PPP Loan may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Funds from the PPP Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before June 5, 2020, or through an alternate period as extended upon request of the Organization. The Organization intends to use the full amount of the PPP Loan for qualifying expenses. Under the terms of the PPP, certain amounts of the PPP Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

The Organization was granted forgiveness of the PPP Loan on January 12, 2021. The total amount of principal and accrued interest forgiven was \$152,700 and is shown as a gain on debt forgiveness in the statement of activities for the year ended June 30, 2021.

Scheduled maturities of the long-term notes payable are as follows at June 30, 2021:

Year ended June 30	Total
2022	\$ 51,310
2023	53,579
2024	55,949
2025	58,423
2026	61,007
Thereafter	1,910,189
	<u>\$ 2,190,457</u>

Note 5 – Net Assets With Donor Restrictions

The following summarizes the changes in net assets with donor restrictions for the year ended June 30, 2021:

	July 1, 2020	Increases	Releases	June 30, 2021
<i>Purpose restrictions:</i>				
Building purchase and remodeling	\$ 35,569	\$ -	\$ 4,726	\$ 30,843
Emergency fund	32,702	-	-	32,702
HSC	26,443	-	26,443	-
Trusts and foundations	6,000	-	-	6,000
R.C. Christiansen	5,000	-	-	5,000
Energy Outreach Colorado	4,935	-	4,935	-
Total	<u>\$ 110,649</u>	<u>\$ -</u>	<u>\$ 36,104</u>	<u>\$ 74,545</u>

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Note 5 – Net Assets With Donor Restrictions (continued)

The following summarizes the changes in net assets with donor restrictions for the year ended June 30, 2020:

	July 1, 2019	Increases	Releases	June 30, 2020
<i>Time restrictions:</i>				
Grants receivable	\$ 6,000	\$ -	\$ 6,000	\$ -
<i>Purpose restrictions:</i>				
Building purchase and remodeling	35,569	-	-	35,569
Emergency fund	32,702	-	-	32,702
HSC	26,443	-	-	26,443
Trusts and foundations	6,000	-	-	6,000
R.C. Christiansen	5,000	-	-	5,000
Energy Outreach Colorado	4,935	-	-	4,935
Individuals	21,210	-	21,210	-
United Way	4,250	-	4,250	-
Gift certificates	3,803	-	3,803	-
Total	<u>\$ 145,912</u>	<u>\$ -</u>	<u>\$ 35,263</u>	<u>\$ 110,649</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 noncancelable operating leases require monthly payments of \$132 to \$3,708 and expire between June 2021 and May 2026. Rental income, including expense reimbursements, under these agreements totaled \$177,182 and \$179,423 for the years ended June 30, 2021 and 2020, respectively.

Future annual minimum lease payments to be received under these noncancelable operating leases are as follows at June 30, 2021:

Year ended June 30	
2022	\$ 103,148
2023	71,988
2024	54,156
2025	55,780
2026	52,543
	<u>\$ 337,615</u>

House of Neighborly Service

Notes to Financial Statements

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Note 7 – Special Events

The Organization derived net revenue from the following special fundraising events during the year ended June 30, 2021:

	Fall Into Jewels	Champions of Hope	Other Events	Total
Contributions	\$ 22,000	\$ 55,612	\$ 36,976	\$ 114,588
Ticket and other sales	2,179	-	-	2,179
	<u>24,179</u>	<u>55,612</u>	<u>36,976</u>	<u>116,767</u>
Direct costs	-	(12,802)	(5,114)	(17,916)
Net support and revenue	<u>\$ 24,179</u>	<u>\$ 42,810</u>	<u>\$ 31,862</u>	<u>\$ 98,851</u>

The Organization derived net revenue from the following special fundraising events during the year ended June 30, 2020:

	Fall Into Jewels	Over the Edge	Other Events	Total
Contributions	\$ 2,500	\$ 82,704	\$ 6,776	\$ 91,980
Ticket and other sales	24,928	-	-	24,928
	<u>27,428</u>	<u>82,704</u>	<u>6,776</u>	<u>116,908</u>
Direct costs	(7,479)	(34,741)	(3,946)	(46,166)
Net support and revenue	<u>\$ 19,949</u>	<u>\$ 47,963</u>	<u>\$ 2,830</u>	<u>\$ 70,742</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, 2021 and 2020, 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:	2021	2020
Cash and cash equivalents	\$ 786,876	\$ 693,857
Investments	12,486	9,747
Accounts receivable	5,454	9,048
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>\$ 817,975</u>	<u>\$ 725,811</u>

House of Neighborly Service

Notes to Financial Statements

June 30, 2021 and 2020

Note 8 – Liquidity and Availability of Resources (continued)

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, 2021 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 \$7,119 for the year ended June 30, 2021. The Organization did not match employee contributions during the year ended June 30, 2020.

Note 10 – HAND Project

The Organization and the City of Loveland have joined together to help those in need pay their city utility bills through a program called Help a Neighbor in Distress ("HAND"). In order to qualify for this assistance, people must follow income guidelines or be in a crisis situation. The City of Loveland maintains a separate account so that the community can donate money to the HAND project. The Organization screens the clients according to these guidelines and issues vouchers for the bills that need to be paid. The City of Loveland then pays the vouchers out of their HAND project account. This amount is not recorded in the Organization's books because the city actually pays the vouchers. During each of the years ended June 30, 2021 and 2020, the Organization received a grant from the City of Loveland in the amount of \$6,200 for administrative costs associated with the screening of HAND project clients.

Note 11 – 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, 2021 and 2020, 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 12 – Related Party Transactions

The Organization currently has a contract for ongoing computer management and server space with a member of the board of directors. Both contracts were consummated prior to the member joining the board of directors.

In September 2015, the board approved a janitorial contract with the relative of a board member. The amount paid totaled approximately \$11,400 for the year ended June 30, 2020. This contract ended in November 2019.

House of Neighborly Service

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Note 13 – Concentrations

Major Donor. The Organization had a single donor who comprised approximately 16.4% of total support for the year ended June 30, 2020.

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

Note 14 – Uncertainty Related to Virus Pandemic

In December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") originated in Wuhan, China and has since spread to a number of other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic.

Potential impacts to the Organization include disruptions or restrictions on the Organization's ability to work which may include restrictions on its ability to provide services, raise funds, and perform necessary administrative tasks. The potential impacts of COVID-19 on the Organization's funders that may affect the funders' ability to continue supporting the Organization's operations are unknown.

COVID-19 may also adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could adversely impact the Organization's operating results. Although management continues to monitor and assess the effects of the COVID-19 pandemic on its operations, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.