

**NEIGHBORHOOD COOPERATIVE MINISTRY, INC.
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
and
SUPPLEMENTARY INFORMATION**

**with
INDEPENDENT AUDITORS' REPORT**

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	3-4
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	5
CONSOLIDATED STATEMENTS OF ACTIVITIES	6-7
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES	8-9
CONSOLIDATED STATEMENT OF CASH FLOWS	10
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	11-17
SUPPLEMENTARY INFORMATION	
CONSOLIDATING STATEMENT OF FINANCIAL POSITION	19
CONSOLIDATING STATEMENT OF ACTIVITIES	20
ITEMIZATION OF EXPENSES FOR PROGRAM SERVICES	21



INDEPENDENT AUDITORS' REPORT

**Board of Directors of
Neighborhood Cooperative Ministry, Inc. and Subsidiary**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Neighborhood Cooperative Ministry, Inc. and Subsidiary (the "Organization") (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date of this report.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements can arise from fraud or error and 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 consolidated financial statements.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

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

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures, in accordance with GAAS. In our opinion, the information is fairly stated in all material respects, in relation to the consolidated financial statements as a whole.

Smith + Howard

December 1, 2022

NEIGHBORHOOD COOPERATIVE MINISTRY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,041,200	\$ 1,035,117
Investments	518,643	-
Accounts receivable, net	10,723	5,378
Pledges receivable, net	320,018	627,791
Prepaid expenses	34,422	27,728
Property and equipment, net	<u>1,913,916</u>	<u>1,940,677</u>
	<u><u>\$ 4,838,922</u></u>	<u><u>\$ 3,636,691</u></u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 40,293	\$ 35,626
Tenant security deposits	21,692	35,525
Note payable, net of debt issuance costs	<u>-</u>	<u>37,990</u>
 Total Liabilities	 <u>61,985</u>	 <u>109,141</u>
 Net Assets		
Without donor restrictions	3,773,699	3,233,750
With donor restrictions	<u>1,003,238</u>	<u>293,800</u>
Total Net Assets	<u><u>4,776,937</u></u>	<u><u>3,527,550</u></u>
	<u><u>\$ 4,838,922</u></u>	<u><u>\$ 3,636,691</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

NEIGHBORHOOD COOPERATIVE MINISTRY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Revenues and Support:			
In-kind donations	\$ 508,786	\$ -	\$ 508,786
Contributions, grants, and other	1,426,796	938,020	2,364,816
Governmental grant awards	393,230	-	393,230
Rental income	368,579	-	368,579
Investment income	8,675	-	8,675
Net assets released from restriction	<u>228,582</u>	<u>(228,582)</u>	<u>-</u>
 Total Revenues and Support	 <u>2,934,648</u>	 <u>709,438</u>	 <u>3,644,086</u>
 Expenses:			
Program services	1,923,187	-	1,923,187
Management and general	365,977	-	365,977
Fundraising	<u>105,535</u>	<u>-</u>	<u>105,535</u>
 Total Expenses	 <u>2,394,699</u>	 <u>-</u>	 <u>2,394,699</u>
 Change in Net Assets	 539,949	 709,438	 1,249,387
 Net Assets, Beginning of Year	 <u>3,233,750</u>	 <u>293,800</u>	 <u>3,527,550</u>
 Net Assets, End of Year	 <u>\$ 3,773,699</u>	 <u>\$ 1,003,238</u>	 <u>\$ 4,776,937</u>

The accompanying notes are an integral part of these consolidated financial statements.

NEIGHBORHOOD COOPERATIVE MINISTRY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Revenues and Support:			
In-kind donations	\$ 499,537	\$ -	\$ 499,537
Contributions, grants, and other	1,761,492	825,880	2,587,372
Governmental grant awards	472,381	-	472,381
Rental income	343,512	-	343,512
Net assets released from restriction	<u>1,085,923</u>	<u>(1,085,923)</u>	<u>-</u>
 Total Revenues and Support	 <u>4,162,845</u>	 <u>(260,043)</u>	 <u>3,902,802</u>
Expenses:			
Program services	2,035,859	-	2,035,859
Management and general	365,299	-	365,299
Fundraising	<u>101,363</u>	<u>-</u>	<u>101,363</u>
 Total Expenses	 <u>2,502,521</u>	 <u>-</u>	 <u>2,502,521</u>
 Change in Net Assets	 1,660,324	 (260,043)	 1,400,281
 Net Assets, Beginning of Year	 <u>1,573,426</u>	 <u>553,843</u>	 <u>2,127,269</u>
 Net Assets, End of Year	 <u>\$ 3,233,750</u>	 <u>\$ 293,800</u>	 <u>\$ 3,527,550</u>

The accompanying notes are an integral part of these consolidated financial statements.

NEIGHBORHOOD COOPERATIVE MINISTRY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 385,603	\$ 81,918	\$ 26,009	\$ 493,530
Payroll taxes	38,475	11,778	1,443	51,696
Christmas programs	9,519	-	-	9,519
Food and clothing	508,786	-	-	508,786
Client assistance programs	838,654	-	-	838,654
Advertising	12,263	-	-	12,263
Bank service charges	-	7,003	-	7,003
Dues and subscriptions	-	13,643	-	13,643
Insurance	3,018	6,225	1,207	10,450
Interest	-	2,267	-	2,267
Office expenses	3,484	21,956	2,932	28,372
Postage	477	286	191	954
Professional fees	1,286	22,227	23,627	47,140
Repairs and maintenance	24,335	81,794	-	106,129
Telephone	5,710	3,426	2,284	11,420
Utilities	14,482	36,874	2,414	53,770
Depreciation and amortization	76,254	4,867	-	81,121
Tax Expense	-	57,808	-	57,808
Bad debt expense	-	13,400	-	13,400
Miscellaneous	841	505	45,428	46,774
	<u>841</u>	<u>505</u>	<u>45,428</u>	<u>46,774</u>
 Total Expenses	 <u>\$ 1,923,187</u>	 <u>\$ 365,977</u>	 <u>\$ 105,535</u>	 <u>\$ 2,394,699</u>

The accompanying notes are an integral part of these consolidated financial statements.

NEIGHBORHOOD COOPERATIVE MINISTRY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 356,977	\$ 48,469	\$ 21,851	\$ 427,297
Payroll taxes	25,559	5,431	958	31,948
Christmas programs	12,400	-	-	12,400
Food and clothing	499,537	-	-	499,537
Client assistance programs	1,006,349	-	-	1,006,349
Advertising	11,968	165	110	12,243
Bank service charges	-	8,582	-	8,582
Dues and subscriptions	-	51,838	-	51,838
Insurance	3,641	9,026	1,456	14,123
Interest	-	43,424	-	43,424
Office expenses	8,194	25,083	3,309	36,586
Postage	1,281	768	512	2,561
Professional fees	4,002	35,052	67,901	106,955
Repairs and maintenance	27,323	47,133	-	74,456
Telephone	4,532	2,719	1,813	9,064
Utilities	14,657	37,329	2,443	54,429
Depreciation and amortization	57,472	18,207	-	75,679
Miscellaneous	1,967	32,073	1,010	35,050
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 2,035,859</u>	<u>\$ 365,299</u>	<u>\$ 101,363</u>	<u>\$ 2,502,521</u>

The accompanying notes are an integral part of these consolidated financial statements.

NEIGHBORHOOD COOPERATIVE MINISTRY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 1,249,387	\$ 1,400,281
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation and amortization	81,121	75,679
Net realized and unrealized gain	(6,687)	-
Changes in assets and liabilities:		
Accounts receivable	(5,345)	25,220
Pledges receivable	307,773	(88,447)
Prepaid expenses	(6,694)	(22,457)
Accounts payable and accrued expenses	(9,166)	50,412
Net Cash Provided by Operating Activities	<u>1,610,389</u>	<u>1,440,688</u>
Cash Flows From Investing Activities:		
Purchases of property and equipment	(39,821)	(46,377)
Purchase of investments, net	(511,956)	-
Proceeds from sale of property	-	789,142
Net Cash Provided (Required) by Investing Activities	<u>(551,777)</u>	<u>742,765</u>
Cash Flows From Financing Activities:		
Payments on note payable	(52,529)	(1,712,875)
Net Cash Required by Financing Activities	<u>(52,529)</u>	<u>(1,712,875)</u>
Change in Cash and Cash Equivalents	1,006,083	470,578
Cash and Cash Equivalents at Beginning of Year	<u>1,035,117</u>	<u>564,539</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,041,200</u>	<u>\$ 1,035,117</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year for interest	<u>\$ 2,267</u>	<u>\$ 43,424</u>

The accompanying notes are an integral part of these consolidated financial statements.

NEIGHBORHOOD COOPERATIVE MINISTRY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE A – DESCRIPTION OF ORGANIZATION

Neighborhood Cooperative Ministry, Inc. was organized in 1988 as a nonprofit corporation in Georgia. NCM is comprised of Christian churches of various denominations in the Norcross, Georgia area. NCM is governed by a Board of Directors composed of at least one voting member and one alternate from each member church. NCM receives funds and in-kind contributions from these churches as well as the general public, including businesses, civic groups, foundations and individuals. In addition, NCM also works with local governments to administer certain emergency housing funds. The daily administration is performed by management and by over two hundred volunteers. The primary service area for NCM encompasses the following Norcross zip codes: 30071, 30073, 30091, 30092, 30093, and the Gwinnett County portions of 30084, 30340, and 30360, and Greater Gwinnett County as funds allow. Qualified clients within the service area are eligible for assistance with basic needs such as food, clothing, financial assistance to prevent eviction and utility disconnection, temporary lodging for homelessness and medical services. In addition, NCM provides services to assist clients moving toward self-sufficiency, such as job search assistance, financial management classes, and referral services to clients within the community.

500 Pinnacle Court, LLC, a Georgia limited liability company (“Pinnacle”), was formed in 2019. Pinnacle holds and administers property that was purchased in 2019. NCM holds 100% of the member interest in Pinnacle.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization follows accounting standards set by the Financial Accounting Standards Board (“FASB”). The FASB sets accounting principal guidance in the United States of America (“GAAP”).

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of NCM and Pinnacle. All significant inter-organization accounts and transactions have been eliminated in consolidation. NCM and Pinnacle are together referred to herein as the “Organization”.

Financial Statement Presentation

Net assets, along with revenues, expenses, gains and losses, are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.
- Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. The Organization does not have any net assets that are perpetual in nature.

NEIGHBORHOOD COOPERATIVE MINISTRY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Contributions are recognized as revenue in the year when received or pledged, with allowances provided for pledges estimated to be uncollectible, if necessary. An allowance for doubtful contributions receivable is provided for known and anticipated credit losses, as determined by management in the course of regularly evaluating individual contributions receivable. This evaluation takes into consideration a donor's financial condition and payment history as well as current economic conditions. Contributions receivable are written off when deemed uncollectible.

Contributions that are restricted by the donor are reported as increases in donor restricted net assets, depending on the nature of the restriction. When a restriction expires or is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Promises to Give

Promises to give that are unconditional are recognized as contributions support (revenue) and contributions receivable in the period in which the promise is received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows and are discounted at the rate applicable to the year in which the pledge was made. During 2021, 43% of promises to give were from two donors. During 2020, 17% of promises to give were from one donor.

Conditional promises to give, when there is both a barrier that must be overcome and a right of return of the resource provider's assets, are recognized as revenue when the conditions on which they depend are substantially met, that is, when a conditional promise becomes unconditional. During 2020, the Organization received one conditional promises to give totaling \$350,000. During 2021, the Organization met the conditions and recognized the promise to give as revenue in the accompanying consolidated statement of activities.

Non-Cash Contributions

Contributions of donated assets are recorded at their fair market value in the year received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased, if not provided by donation, are recorded at their fair values in the year received. The Organization records donated services if the fair market value of the donated services is readily available.

A substantial number of volunteers have donated significant amounts of their time to the Organization and its assistance programs. The Organization received over 12,000 volunteer hours as of December 31, 2021 and estimate the value provided was approximately \$121,000. As of December 31, 2020, the Organization received over 9,000 volunteer hours with an estimate value of approximately \$98,000. These donated services, however, are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

NEIGHBORHOOD COOPERATIVE MINISTRY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-Cash Contributions (Continued)

The Organization reports the fair value of gifts of donated food and grocery products that it provides to customers. During the years ended December 31, 2021 and 2020, the Organization distributed approximately 258,000 and 299,000 pounds, respectively, of donated product. The approximate average wholesale value of one pound of donated product was determined to be \$1.67 based on research performed by the Organization. The Organization also provides donated clothing to individuals. The approximate average per piece of clothing is valued at \$1 per item. The Organization distributed approximately 14,000 pieces of clothing for the year ending December 31, 2020. The Organization recorded in-kind donations for donated food and clothing in the amount of \$364,286 and \$499,537 for the years ending December 31, 2021 and 2020, respectively. The Organization also provides donated toys and gifts to families during the holiday season. The Organization distributed toys and gifts to 1400 children and 462 families for the year ending December 31, 2021. During 2021, the Organization recorded in-kind donations for toys and gifts in the amount of \$144,500.

Fair Value Measured on Recurring Basis

GAAP establishes 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 in which little or no market data exists (Level 3 measurements). The three levels of the fair value hierarchy under GAAP are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Organization is invested in a pool of investments held and administered by a Foundation. Fair value of this fund is measured using the fair value of the investments as reported by the Foundation. The Organization considers this investment as a Level 3 measurement within the fair value hierarchy.

Investments

Investments are reported at fair market value. Unrealized gains and losses arising from changes in the fair market value of the investments are reported in the statement of activities and changes in net assets as increases or decreases in net assets without donor restrictions.

NEIGHBORHOOD COOPERATIVE MINISTRY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risks and Uncertainties

The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents. The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, pledges receivable and investments. At times, cash and cash equivalent balances exceed federally insured amounts. The Organization believes it reduces risks associated with balances in excess of federally insured amounts by maintaining its cash with major financial institutions with sound financial standing. Management continually monitors receivable balances and believes that its exposure to credit is limited. Investment securities are exposed to various risks, such as interest rate risk, market risk, and credit risk. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying consolidated financial statements.

Property and Equipment

Property and equipment are recorded at cost if purchased. Major renewals and betterments are capitalized. Maintenance and repairs are charged to expense as incurred. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. Estimated useful lives of the assets range from 3 to 30 years.

Use of Estimates

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

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization allocated salaries costs based on estimates of time and effort.

Income Taxes

The Organization is recognized as an organization exempt from federal income tax under Internal Revenue Code Section 501(c)(3).

The Organization annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Organization takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. In the normal course of business, the Organization is subject to examination by federal and state taxing authorities. The Organization believes it is no longer subject to tax examinations for tax years ending before December 31, 2018.

NEIGHBORHOOD COOPERATIVE MINISTRY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE C – PLEDGES RECEIVABLE

Pledges receivable were as follows at December 31:

	<u>2021</u>	<u>2020</u>
Pledges receivables due within one year	\$ 344,387	\$ 460,985
Pledges receivables due in one to five years	35,000	213,075
Allowance for doubtful accounts	(21,100)	(8,000)
Less discount to net present value at rate of 4.5%	<u>(38,269)</u>	<u>(38,269)</u>
	<u>\$ 320,018</u>	<u>\$ 627,791</u>

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Buildings and improvements	\$ 1,558,325	\$ 1,514,820
Land	400,000	400,000
Furniture and equipment	206,220	180,826
Cargo trailer	<u>1,231</u>	<u>1,231</u>
	2,165,776	2,096,877
Less accumulated depreciation	<u>(251,860)</u>	<u>(156,200)</u>
	<u>\$ 1,913,916</u>	<u>\$ 1,940,677</u>

NOTE E – NOTE PAYABLE

During 2019, the Organization entered into a loan agreement for the purchase of a building in the amount of \$2,100,000, with \$1,400,000 funded at closing and \$700,000 available for the construction period. The note bears interest at a fixed rate of 4.25%. This note is secured by the building. The note was paid in full during 2021. Outstanding borrowings at December 31, 2020 were \$52,529.

NOTE F – RENTAL INCOME

The Organization has three agreements to lease commercial space. The lease agreements terms range from 1 to 5 years with various monthly rental rates which escalate annually. Future minimum rental income under the operating leases for years ending December 31 is as follows:

2022	\$ 26,780
2023	302,406
2024	434,809
2025	<u>60,834</u>
	<u>\$ 824,829</u>

NEIGHBORHOOD COOPERATIVE MINISTRY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE G – PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Organization obtained the Small Business Administration loan under the Paycheck Protection Program (“PPP”) in the amount of \$92,600. The PPP loan bore interest at 1.00% and may have required repayment under certain circumstances. Under the terms of Coronavirus Aid, Relief, and Economic Securities Act (the “CARES Act”) and the Paycheck Protection Program Flexibility Act (“PPFPA”), the Organization applied with the lending institution for PPP loan proceeds used within a specified time period to be forgiven, since the proceeds were used to cover certain payroll and other expenses as defined by the CARES Act and the PPFPA. Accordingly, the Organization recognized all PPP proceeds within revenue on the accompanying consolidated statement of activities during 2020. During 2021, the loan was fully forgiven.

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for time and purpose as of December 31, 2021, with \$117,747 for time and \$885,491 for a building campaign. As of December 31, 2020, the Organization’s net assets with donor restrictions were restricted for time. When the time restriction has past, the Organization releases the funds to without donor restrictions.

During 2021, the Organization released \$228,582 from restriction with \$176,053 due to time and \$52,529 for the building campaign. During 2020, the Organization released \$1,085,923 from restriction with \$190,043 due to time and \$895,880 for the building campaign.

NOTE I – CONTINGENCIES

Certain federally funded programs are routinely subject to special audit. The audit reports, which are prepared by the auditors for the Organization pursuant to specific regulatory requirements, are required to be submitted to both the Organization and various federal agencies. Such agencies have the authority to determine liabilities as well as to limit, suspend, or terminate the federal programs. Since the Organization does not expect claims to arise as a result of such audits, no provision for liabilities, if any, has been provided in the accompanying consolidated financial statements.

NEIGHBORHOOD COOPERATIVE MINISTRY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE J – LIQUIDITY

For purposes of analyzing resources available to meet general expenditures for the following year, the Organization considers cash and receivables that will be collected and available for activities that are ongoing and major to the Organization. The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Financial assets available for general expenditures, within one year are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,041,200	\$ 1,035,117
Accounts receivable, net	10,723	5,378
Pledges receivable, net	320,018	627,791
Investments	<u>518,643</u>	<u>-</u>
	2,890,584	1,668,286
Less those unavailable for general expenditures within one year due to:		
Pledges receivable due greater than one year	(35,000)	(213,075)
Net assets with donor restrictions	<u>(1,003,238)</u>	<u>(293,800)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,852,346</u></u>	<u><u>\$ 1,161,411</u></u>

SUPPLEMENTARY INFORMATION

NEIGHBORHOOD COOPERATIVE MINISTRY, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

	<u>NCM</u>	<u>PINNACLE</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED</u>
Cash and cash equivalents	\$ 1,808,374	\$ 232,826	\$ -	\$ 2,041,200
Investments	518,643	-	-	518,643
Accounts receivable, net	10,723	-	-	10,723
Pledges receivable, net	320,018	-	-	320,018
Prepaid expenses	25,533	8,889	-	34,422
Property and equipment, net	43,912	1,870,004	-	1,913,916
Due from Pinnacle	1,863,214	-	(1,863,214)	-
	<u>\$ 4,590,417</u>	<u>\$ 2,111,719</u>	<u>\$ (1,863,214)</u>	<u>\$ 4,838,922</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 34,864	\$ 5,429	\$ -	\$ 40,293
Tenant security deposits	-	21,692	-	21,692
Due to Neighborhood Cooperative Ministries	-	1,863,214	(1,863,214)	-
	<u>34,864</u>	<u>1,890,335</u>	<u>(1,863,214)</u>	<u>61,985</u>
Net Assets				
Without donor restrictions	3,552,315	221,384	-	3,773,699
With donor restrictions	1,003,238	-	-	1,003,238
Total Net Assets	<u>4,555,553</u>	<u>221,384</u>	<u>-</u>	<u>4,776,937</u>
	<u>\$ 4,590,417</u>	<u>\$ 2,111,719</u>	<u>\$ (1,863,214)</u>	<u>\$ 4,838,922</u>

NEIGHBORHOOD COOPERATIVE MINISTRY, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	<u>NCM</u>	<u>PINNACLE</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED</u>
Revenues and Support				
In-kind donations	\$ 508,786	\$ -	\$ -	\$ 508,786
Contributions, grants, and other	2,364,816	-	-	2,364,816
Governmental grant awards	393,230	-	-	393,230
Rental income	-	368,579	-	368,579
Investment income	8,675	-	-	8,675
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues and Support	3,275,507	368,579	-	3,644,086
Expenses:				
Program services	1,923,187	-	-	1,923,187
Management and general	103,565	262,412	-	365,977
Fundraising	105,535	-	-	105,535
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	2,132,287	262,412	-	2,394,699
Change in Net Assets	1,143,220	106,167	-	1,249,387
Net Assets, Beginning of Year	3,412,333	115,217	-	3,527,550
	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets, End of Year	\$ 4,555,553	\$ 221,384	\$ -	\$ 4,776,937

**NEIGHBORHOOD COOPERATIVE MINISTRY, INC. AND SUBSIDIARY
ITEMIZATION OF EXPENSES FOR PROGRAM SERVICES
YEAR ENDED DECEMBER 31, 2021**

Christmas Program Service Expenses

<u>Expense Category</u>	<u>Amount</u>
Christmas toys and miscellaneous	\$ <u>9,519</u>
Total Expenses	\$ <u><u>9,519</u></u>

Client Assistance Program Service Expenses

<u>Expense Category</u>	<u>Amount</u>
Food and non-food assistance	\$ 68,870
Lodging aid	267,460
Rent assistance	425,769
Utility assistance	69,080
Medical	5,356
Transportation	380
Miscellaneous	<u>1,739</u>
Total client assistance prior to salaries	<u>838,654</u>
Salaries associated with client assistance program	<u>385,603</u>
	<u>\$ 1,224,257</u>