

**NEIGHBORHOOD HOUSE  
FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2024 AND 2023**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Neighborhood House  
Saint Paul, Minnesota

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Neighborhood House (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, 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 respects, the financial position of Neighborhood House as of June 30, 2024 and 2023, 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 (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Neighborhood House 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Neighborhood House's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

### ***Auditors' Responsibility***

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 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 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 GAAS, 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 Neighborhood House'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 Neighborhood House'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.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
September 17, 2025

**NEIGHBORHOOD HOUSE  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2024 AND 2023**

	2024	2023
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,828,143	\$ 1,100,826
Investments	2,576,956	2,663,139
Accounts Receivable	303,759	1,386,444
Governmental Grants and Contracts Receivable	1,492,729	301,849
Contributions Receivable, Net	1,208,235	1,993,708
Prepaid Expenses and Other Assets	423,983	323,517
Total Current Assets	8,833,805	7,769,483
<b>OTHER ASSETS</b>		
Contributions Receivable, Net	1,236,587	1,238,836
Right of Use Asset - Operating	1,484,302	-
Right of Use Asset - Finance	7,384,840	7,727,668
Fixed Assets, Net	772,336	196,130
Beneficial Interest in Trust	225,506	213,736
Endowment Investments - Restricted	962,819	810,465
Total Other Assets	12,066,390	10,186,835
Total Assets	\$ 20,900,195	\$ 17,956,318

See accompanying Notes to Financial Statements.

**NEIGHBORHOOD HOUSE  
STATEMENTS OF FINANCIAL POSITION (CONTINUED)  
JUNE 30, 2024 AND 2023**

<b>LIABILITIES AND NET ASSETS</b>	2024	2023
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 446,441	\$ 230,871
Accrued Expenses	372,884	416,159
Notes Payable	15,849	15,236
Lease Liability - Operating	79,225	-
Deferred Revenue	29,613	49,582
Total Current Liabilities	944,012	711,848
<b>NONCURRENT LIABILITIES</b>		
Lease Liability - Operating, Net of Current	1,425,676	-
Notes Payable, Net of Current	824,209	89,728
Total Noncurrent Liabilities	2,249,885	89,728
Total Liabilities	3,193,897	801,576
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Undesignated	9,622,107	9,642,470
Board-Designated Endowment for:		
Boyesen Operating Reserve Fund	428,313	397,704
Currie Education Scholarship Fund	339,818	315,487
F.A. Hijikata Capital Reserve Fund	690,256	640,736
Operating Reserve Fund	1,118,569	1,033,875
Total Without Donor Restrictions	12,199,063	12,030,272
With Donor Restrictions	5,507,235	5,124,470
Total Net Assets	17,706,298	17,154,742
Total Liabilities and Net Assets	\$ 20,900,195	\$ 17,956,318

See accompanying Notes to Financial Statements.

**NEIGHBORHOOD HOUSE  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, SUPPORT, AND GAINS</b>			
Contributions	\$ 2,804,199	\$ 2,632,441	\$ 5,436,640
Nonfinancial Contributions	1,689,787	-	1,689,787
Governmental Grants and Contracts	3,330,932	-	3,330,932
City Lease Payments	487,233	-	487,233
Rental Income	184,544	-	184,544
Partnership Fees	12,564	-	12,564
Program Service Fees	40,480	-	40,480
Miscellaneous	14,149	-	14,149
Change in Beneficial Interest in Trust	-	11,770	11,770
Net Assets Released from Restrictions:	<u>2,375,353</u>	<u>(2,375,353)</u>	<u>-</u>
Total Revenue, Support, and Gains	10,939,241	268,858	11,208,099
<b>EXPENSES</b>			
Program Services:			
Basic Needs	5,310,294	-	5,310,294
Education	983,850	-	983,850
Youth and Community	<u>2,253,292</u>	<u>-</u>	<u>2,253,292</u>
Total Program Services	8,547,436	-	8,547,436
Management and General	1,230,118	-	1,230,118
Advancement	<u>1,338,059</u>	<u>-</u>	<u>1,338,059</u>
Total Expenses	<u>11,115,613</u>	<u>-</u>	<u>11,115,613</u>
<b>CHANGE IN NET ASSETS BEFORE GAIN FROM INVESTMENTS</b>	(176,372)	268,858	92,486
Investment Income	<u>345,163</u>	<u>113,907</u>	<u>459,070</u>
<b>CHANGE IN NET ASSETS</b>	168,791	382,765	551,556
Net Assets - Beginning of Year	<u>12,030,272</u>	<u>5,124,470</u>	<u>17,154,742</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 12,199,063</u>	<u>\$ 5,507,235</u>	<u>\$ 17,706,298</u>

See accompanying Notes to Financial Statements.

**NEIGHBORHOOD HOUSE  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, SUPPORT, AND GAINS</b>			
Contributions	\$ 2,328,446	\$ 4,778,618	\$ 7,107,064
Nonfinancial Contributions	1,281,065	-	1,281,065
Governmental Grants and Contracts	2,519,678	-	2,519,678
City Lease Payments	486,553	-	486,553
Rental Income	168,260	-	168,260
Partnership Fees	18,585	-	18,585
Program Service Fees	18,564	-	18,564
Miscellaneous	43,578	-	43,578
Change in Beneficial Interest in Trust	-	7,446	7,446
Net Assets Released from Restrictions:	2,088,965	(2,088,965)	-
Total Revenue, Support, and Gains	8,953,694	2,697,099	11,650,793
<b>EXPENSES</b>			
Program Services:			
Basic Needs	3,651,850	-	3,651,850
Education	1,133,370	-	1,133,370
Youth and Community	2,037,269	-	2,037,269
Total Program Services	6,822,489	-	6,822,489
Management and General	1,071,459	-	1,071,459
Advancement	1,530,067	-	1,530,067
Total Expenses	9,424,015	-	9,424,015
<b>CHANGE IN NET ASSETS BEFORE GAIN FROM INVESTMENTS</b>	(470,321)	2,697,099	2,226,778
Investment Income	238,438	88,599	327,037
<b>CHANGE IN NET ASSETS</b>	(231,883)	2,785,698	2,553,815
Net Assets - Beginning of Year	12,262,155	2,338,772	14,600,927
<b>NET ASSETS - END OF YEAR</b>	\$ 12,030,272	\$ 5,124,470	\$ 17,154,742

See accompanying Notes to Financial Statements.

**NEIGHBORHOOD HOUSE  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2024**

	Program Services				Management and General	Advancement	Total
	Basic Needs	Education	Youth and Community	Total			
Salaries and Wages	\$ 1,069,921	\$ 742,469	\$ 1,106,467	\$ 2,918,857	\$ 397,053	\$ 679,205	\$ 3,995,115
Employee Benefits	153,587	100,377	147,698	401,662	31,518	66,815	499,995
Payroll Taxes	76,420	51,342	80,885	208,647	27,790	48,074	284,511
Deferred Compensation	25,909	16,896	25,441	68,246	5,102	11,150	84,498
Professional Development	825	1,128	316	2,269	22,517	1,406	26,192
Professional Fees and Contract Services	28,257	4,721	70,745	103,723	476,081	182,892	762,696
Program Supplies	207,981	13,896	38,308	260,185	7,736	15,951	283,872
In-Kind Expenses	1,683,397	141	-	1,683,538	-	6,249	1,689,787
Direct Participant Assistance	2,015,827	-	-	2,015,827	-	-	2,015,827
Grant and Scholarships Expense	-	19,075	12,500	31,575	-	-	31,575
Equipment and Technology Expense	9,741	8,319	53,537	71,597	68,459	43,826	183,882
Travel	16,533	8,331	22,286	47,150	3,978	10,817	61,945
Other Operating Expenses	20,993	17,155	48,238	86,386	189,884	125,645	401,915
Facilities, Occupancy, and Depreciation	903	-	646,871	647,774	-	146,029	793,803
<b>Total</b>	<b>\$ 5,310,294</b>	<b>\$ 983,850</b>	<b>\$ 2,253,292</b>	<b>\$ 8,547,436</b>	<b>\$ 1,230,118</b>	<b>\$ 1,338,059</b>	<b>\$ 11,115,613</b>

See accompanying Notes to Financial Statements.

**NEIGHBORHOOD HOUSE  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2023**

	Program Services				Management and General	Advancement	Total
	Basic Needs	Education	Youth and Community	Total			
Salaries and Wages	\$ 956,840	\$ 842,772	\$ 939,594	\$ 2,739,206	\$ 378,771	\$ 684,318	\$ 3,802,295
Employee Benefits	132,195	116,654	149,218	398,067	61,033	88,251	547,351
Payroll Taxes	74,069	63,690	71,959	209,718	27,811	50,861	288,390
Professional Fees and Contract Services	21,259	17,196	80,307	118,762	446,297	535,449	1,100,508
Program Supplies	224,954	36,566	24,853	286,373	7,885	18,978	313,236
In-Kind Expenses	1,277,787	330	398	1,278,515	-	2,550	1,281,065
Direct Participant Assistance	934,604	197	1,000	935,801	32	-	935,833
Grant and Scholarships Expense	-	9,000	-	9,000	-	-	9,000
Equipment and Technology Expense	4,194	35,297	28,019	67,510	55,201	22,734	145,445
Travel	1,482	5,900	9,984	17,366	1,397	1,323	20,086
Other Operating Expenses	23,313	5,768	72,751	101,832	93,032	125,603	320,467
Facilities, Occupancy, and Depreciation	1,153	-	659,186	660,339	-	-	660,339
<b>Total</b>	<b>\$ 3,651,850</b>	<b>\$ 1,133,370</b>	<b>\$ 2,037,269</b>	<b>\$ 6,822,489</b>	<b>\$ 1,071,459</b>	<b>\$ 1,530,067</b>	<b>\$ 9,424,015</b>

See accompanying Notes to Financial Statements.

**NEIGHBORHOOD HOUSE  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2024 AND 2023**

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 551,556	\$ 2,553,815
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	375,824	361,374
Loss on sale of Property and Equipment	2,800	-
Gain (Loss) from Investments	(374,987)	(279,229)
Change in Beneficial Interest in Trust	(11,770)	(7,446)
Change in ROU Asset/Liability - Operating	20,599	-
Increase (Decrease) in Assets:		-
Accounts Receivable, Governmental Grants and Contracts Receivable, and Contributions Receivable	679,527	(3,634,996)
Prepaid Expenses	(100,466)	(1,274)
Increase (Decrease) in Liabilities:		
Accounts Payable	215,570	40,860
Accrued Payroll and Related	(43,275)	119,110
Deferred Revenue	(19,969)	21,355
Net Cash Provided (Used) by Operating Activities	1,295,409	(826,431)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of Investments	1,056,846	505,899
Purchase of Investments	(748,030)	(380,781)
Purchase of Leasehold Improvements and Equipment	(612,002)	(2,799)
Net Cash Provided (Used) by Investing Activities	(303,186)	122,319
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Notes Payable	750,000	-
Payments on Notes Payable	(14,906)	(14,544)
Net Cash Provided (Used) by Financing Activities	735,094	(14,544)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	1,727,317	(718,656)
Cash and Cash Equivalents - Beginning of Year	1,100,826	1,819,482
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,828,143	\$ 1,100,826

See accompanying Notes to Financial Statements.

**NEIGHBORHOOD HOUSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023**

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Since 1897, when the women of Mount Zion Temple created a safe haven for Jewish refugees fleeing persecution in Russia, Neighborhood House (the Organization) became a stronghold in the St. Paul community, helping all people in need. A welcoming presence for thousands of refugees, immigrants, and others in transition or crisis, Neighborhood House is a full-service hub for those seeking assistance with basic needs from food to housing and helps participants create future opportunities through education and programming for families, youth, and adults.

Neighborhood House has supported people from over 50 diverse cultural backgrounds and nationalities over the decades, nimbly adapting to the rapidly changing needs of the individuals, families, and communities we serve. Our integrated approach to programming looks at various aspects of an individual's needs and well-being and serves every member of a family as they build strength and stability for the future.

Today, Neighborhood House serves more than 16,000 people at our two locations in the city of St. Paul.

**Basic Needs**

We pride ourselves on our ability to work with all members of a family and meet each individual where they are. We offer an integrated approach that helps families with basic needs so they can build solid foundations for the future. In the past five years, the number of families we have served has increased by 79%. Family programs meet the basic needs of each person in a family. They include two food markets and year-round fresh produce distributions; two family centers; home visits for families with school-aged children; and housing stability programs.

- ***Food Support:*** Our two St. Paul food markets at the Wellstone center and Montreal Avenue provide nutritious and healthy food options to people facing food insecurity. 25,028 individuals were served at our Food Markets, and 976,614 pounds of food was distributed.
- ***Housing Services:*** Our Housing Stability program prevents evictions and homelessness through emergency financial assistance, family case management, and working collaboratively with county and community partners to find available resources that help families find and stay in their homes. 96% of families maintained their housing.
- ***Family Support:*** Coaches at our two-Family Centers offer case management, referrals to community and government services including SNAP and MNSURE navigation, and supplies such as diapers and personal items. 1,181 families received support.

**NEIGHBORHOOD HOUSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023**

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Education and Enrichment**

Providing opportunities for adult learners to develop new skills is a critical component of our work. These educational offerings are provided free of charge. Last year, 487 individuals participated in these programs.

- **Adult Education:** Our adult education program offers classes in all levels of English language instruction both in person and online, citizenship, digital literacy, driver's education, continuing education, career readiness, and Pathways to Childcare Licensure.
- **Latino Leadership Program:** LLP brings together up to 35 Latino participants who want to develop a self-driven plan to strengthen their leadership skills, to advocate for their children and families, and to build community connections in schools and neighborhoods.

**Early Childhood, Youth Program and Community Engagement**

At Neighborhood House, we believe in the power of education to lift each of us up so that we establish strong foundations to excel in the future. Our inclusive and culturally responsive educational programs for youth are built on this premise. Activities are designed to address the barriers immigrant and under-resourced families face in preparing their children for school. Youth and Early Childhood programming includes Small Steps Child Care, Skills for School Kindergarten readiness, Youth Literacy, Summer Sunrise Camp, and Out-of-school youth programs.

- **Youth Programs:** We provide a safe place for young people to develop skills, confidence, mentoring, and peer relationships through a variety of no-cost out of school and evening programs with supportive mentors.
- **Youth Literacy Program:** For young people in grades 3 through 12 who need help with reading comprehension, fluency and writing skills. We know that each child learns differently, and our goal is to narrow the achievement gap for St. Paul and not let children fall through the cracks of the education system. 69% achieved a level gain in reading.
- **Summer Sunrise:** Our youth summer camp brings young people together Mondays through Thursdays for seven weeks. This no-cost, fun program provides opportunities for youth in arts, sciences, sports and literacy enhancement to learn together. Nearly 100 youth made connections and explored new activities.
- **Skills for School:** Our program, for children 3-5 years old, helps students develop the skills they need to be ready for kindergarten. The curriculum focuses on math, vocabulary, and language skills to enhance social-emotional and academic development. More than 80% tested kindergarten-ready.

**NEIGHBORHOOD HOUSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023**

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Early Childhood, Youth Program and Community Engagement (Continued)**

- ***Thrive Family Visits:*** Our Child Development Specialist, a licensed teacher, offers extended learning and skill-building beyond the classroom and helps families navigate the school system.
- ***Small Steps Child Care:*** Children ages 12 months through 5 years with a parent enrolled in an adult education class participate in this program to learn, play and practice English language skills.
- ***Community Engagement:*** Youth and families are best supported in an engaged community. Neighborhood House operates the Paul & Sheila Wellstone Center, the home of Neighborhood House's main site by offering community and gathering space, hosting community events bringing youth, family and community together.
- ***Internships:*** Neighborhood House operates a paid internship program in partnership with Twin City Universities. The interns play an important part in providing additional support through a trauma informed approach.
- ***Volunteers:*** Neighborhood House volunteers provide a critical resource in our ability to deliver programs through episodic, long-term and community-based volunteering. Neighborhood House volunteers are work in a variety of capacities in all of our programs, ranging from staffing our food markets, assisting in the pre-school and youth programs, just to name a few.
- ***Program Movement:*** In 2023 Youth Literacy and PECE were included in Education. In 2024, Youth Literacy was moved to Early Childhood, Youth Program & Community Engagement and PECE is also being moved in 2025 to Early Childhood, Youth Program and Community Engagement.

**Financial Statement Presentation**

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment for uses for operating, scholarship and capital purposes.

**NEIGHBORHOOD HOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Financial Statement Presentation (Continued)**

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor) 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 resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments purchased with original maturities of three months or less and any certificates of deposit that do not contain material early withdrawal penalties to be cash equivalents. Cash and cash equivalents held in brokerage accounts are considered investments rather than cash equivalents.

**Accounts Receivable**

Accounts receivable are stated at net realizable value. Payment is required 30 days after receipt of the invoice. Accounts more than 90 days past due are individually analyzed for collectability. Accordingly, bad debts are provided for using the reserve method based upon prior experience and management's assessment of the collectability of existing specific accounts. When all collection efforts have been exhausted, the accounts are written off against the related allowance. Management has determined that no allowance is necessary as of June 30, 2024 and 2023.

**Government Grants and Contracts**

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. The Organization was awarded cost-reimbursable grants of \$3,058,574 and \$1,157,271 that have not been recognized at June 30, 2024 and 2023, respectively, because qualifying expenditures have not yet been incurred.

Expenditures under government grants and contracts are subject to review by the granting authority. If, as a result of such a review, expenditures are determined to be unallowable, the disallowance will be recorded at the time the assessment for refund is made.

**NEIGHBORHOOD HOUSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023**

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Contributions**

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

**Contributed Services**

Contributed services are recorded as contributions, at their fair value, when the service creates or enhances a nonfinancial asset or the service requires specialized skills that would need to be purchased if not provided by donation. During 2024 and 2023, no contributed services were received.

**Service Fees**

Partnership fees and program services fees are recognized in the month the services are provided; both are considered an over-time recognition. Partnership fees are charged to other organization for services provided monthly for management of various programs.

**Investments**

Investments of the Organization are recorded at fair market value. The Organization invests in a variety of investment vehicles. In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, changes in the values of investments will occur in the near term and such changes could materially affect the amounts reported.

**Leasehold Improvements and Equipment**

Equipment is carried at cost, with the exception of donated equipment, which is recorded at its fair market value at the date of the gift. The Organization capitalizes all items over \$2,500, which provide a future benefit. Leasehold improvements are amortized over estimated useful lives of 3 to 40 years using the straight-line method. Equipment is depreciated over estimated useful lives of 3 to 7 years using the straight-line method. Maintenance and repairs are expensed as incurred. Major renewals or betterments that extend the lives of property and equipment are capitalized. Management evaluates these assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

**NEIGHBORHOOD HOUSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023**

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Beneficial Interests in Charitable Trusts Held by Others**

The Organization has been named as an irrevocable beneficiary of a perpetual trust held and administered by independent trustees. The trust was created independently by a donor and is administered by outside agents designated by the donors. Therefore, the Organization has neither possession nor control over the assets of the trusts. At the date the Organization receives notice of a beneficial interest, a contribution with donor restrictions is recorded in the statements of activities, and a beneficial interest in trusts held by others is recorded in the statements of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interests in the trusts are reported at fair value in the statements of financial position, with changes in fair value recognized in the statements of activities.

**Concentrations**

The Organization places its cash with several financial institutions. At times, the amount on deposit exceeds the insured limit of the institutions and exposes the Organization to a credit risk.

**Functional Expenses**

The costs of providing programs and supporting services have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Whenever possible, expenses are recorded in functional categories when incurred. Other expenses have been allocated among program and supporting services based on an analysis of personnel time and estimates of space used for the related activities as determined by management. Certain categories of expenses are allocated to each function based on the number of personnel within those functions, including depreciation, occupancy costs, use of certain leased assets, information technology costs and other utilities costs.

**Fair Value Measurements**

The Organization accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. Investments are stated at fair value and are recorded on the trade date. The fair value of all debt and equity securities with a readily determinable fair value are based on quotations obtained from national securities exchanges. The Organization also accounts for certain assets at fair value under applicable industry guidance.

The Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

**NEIGHBORHOOD HOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Fair Value Measurements (Continued)**

*Level 1* – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access.

*Level 2* – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

*Level 3* – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability (examples include certain private equity investments, long-term promises to give, split-interest agreements, and long-term grants payable).

**Leases**

The Organization determines if an arrangement is a lease at inception. Leases are reported on the statements of financial position as a right-of-use (ROU) asset and lease liability. ROU assets represent the Organization's right to use an underlying asset for a lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the statements of financial position.

The individual lease contracts do not provide information about the rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities. The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

**Income Taxes**

The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Minnesota statutes, except to the extent it has taxable income from activities that are not related to its exempt purpose. Unrelated business income is taxed at the corporate income tax rate. The Organization did not have any unrelated business income in 2024. Management of the Organization believes that it has appropriate support for any tax positions taken, and accordingly, does not have any uncertain tax positions that are material to the financial statements.

**NEIGHBORHOOD HOUSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023**

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent Events**

We have evaluated subsequent events through September 17, 2025, the date the financial statements were available to be issued.

**NOTE 2 LIQUIDITY AND AVAILABILITY**

Neighborhood House manages its cash available to meet general expenditures 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.

The Organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. Neighborhood House has a policy to target a year-end balance of reserves of undesignated net assets without donor restrictions at a 30 to 45 days of expected expenditures. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly and monitors its reserves annually.

The Organization receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditure.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

	2024	2023
Cash and Cash Equivalents	\$ 2,828,143	\$ 1,100,826
Investments	3,539,775	3,473,604
Accounts and Pledges Receivable	4,241,310	4,920,837
Less: Net Assets With Donor Restrictions	(5,507,235)	(5,124,470)
Total	<u>\$ 5,101,993</u>	<u>\$ 4,370,797</u>

**NEIGHBORHOOD HOUSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023**

**NOTE 3 CONTRIBUTIONS RECEIVABLE**

Contributions receivable are estimated to be collected as follows at June 30:

	<u>2024</u>	<u>2023</u>
Within One Year	\$ 1,208,235	\$ 1,993,708
In One to Five Years	1,390,731	1,392,980
Total	<u>2,598,966</u>	<u>3,386,688</u>
Less: Present Value Discount	(154,144)	(154,144)
Total	<u><u>\$ 2,444,822</u></u>	<u><u>\$ 3,232,544</u></u>

Governmental grants and contracts receivable and other receivables as of June 30, 2024 are due in the next year.

**NOTE 4 INVESTMENTS**

The Organization uses an investment advisor to manage its investment portfolio within guidelines set by the Organization. Investments consist of the following:

	<u>2024</u>	<u>2023</u>
Money Market Funds	\$ 39,519	\$ 190,166
Equity Securities	2,760,452	2,573,611
Real Estate	37,127	34,456
Fixed Income	702,677	675,371
Total	<u><u>\$ 3,539,775</u></u>	<u><u>\$ 3,473,604</u></u>

A reconciliation to the statements of financial position follows:

	<u>2024</u>	<u>2023</u>
Investments	\$ 2,576,956	\$ 2,663,139
Endowment Investments - Restricted	962,819	810,465
Total	<u><u>\$ 3,539,775</u></u>	<u><u>\$ 3,473,604</u></u>

**NEIGHBORHOOD HOUSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023**

**NOTE 4 INVESTMENTS (CONTINUED)**

The following tables present the fair value hierarchy for the balances of the assets measured at fair value on a recurring basis as of June 30:

	2024			
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 39,519	\$ -	\$ -	\$ 39,519
Equity Securities	2,760,452	-	-	2,760,452
Real Estate	37,127	-	-	37,127
Fixed Income	702,677	-	-	702,677
Beneficial Interest in Trust	-	-	225,506	225,506
Total	\$ 3,539,775	\$ -	\$ 225,506	\$ 3,765,281

  

	2023			
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 190,166	\$ -	\$ -	\$ 190,166
Equity Securities	2,573,611	-	-	2,573,611
Real Estate	34,456	-	-	34,456
Fixed Income	675,371	-	-	675,371
Beneficial Interest in Trust	-	-	213,736	213,736
Total	\$ 3,473,604	\$ -	\$ 213,736	\$ 3,687,340

Beneficial Interest in Trust is based on a perpetual stream of income as an asset valued at 10% of the fair value of the trust assets. The majority of the underlying trust assets are valued using Level 1 inputs. There were no purchases, sales, or transfers out of Level 3 investments for the years ended June 30, 2024 and 2023.

**NOTE 5 FIXED ASSETS**

Fixed assets consisted of the following as of June 30:

	2024	2023
Leasehold Improvements	\$ 218,501	\$ 218,501
Construction in Progress	460,956	-
Equipment	203,751	939,455
Total	883,208	1,157,956
Less: Accumulated Depreciation and Amortization	110,872	961,826
Leasehold Improvements and Equipment, Net	\$ 772,336	\$ 196,130

Subsequent to year-end, construction commitments were entered into for various projects totaling \$4,862,435.

**NEIGHBORHOOD HOUSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023**

**NOTE 6 UNEMPLOYMENT FUND DEPOSIT**

The Organization has elected to opt out of the state of Minnesota’s tax-rated unemployment system and become a direct reimbursing employer. As a reimbursing employer, the Organization pays dollar-for-dollar for benefits paid to its former employees should there be a claim. The Organization uses Unemployment Services Trust (UST) to manage assets set aside for payment of claims and to monitor claims. UST is a grantor trust created by and for nonprofit organizations. The Organization could be required to make additional payments if claims exceeded the accumulated contributions. The unemployment fund deposit balances at June 30, 2024 and 2023 of \$173,148 and \$146,171, respectively, were included in prepaid expenses.

**NOTE 7 LINE OF CREDIT**

The Organization has a \$500,000 bank line of credit that matures September 6, 2025, with an interest rate that adjusts monthly based on *The Wall Street Journal* prime rate minus 0.25% (8.00% at June 30, 2024 and 2023, respectively). The line of credit is secured by the board-designated operating reserve fund. At June 30, 2024 and 2023, there were no outstanding advances on the line of credit.

**NOTE 8 NOTES PAYABLE**

During the year ended June 30, 2020, the Organization secured financing to pay its portion of a pension termination from Bank Cherokee in the amount of \$155,000. The terms of the loan are that the initial interest rate is fixed at 3.83% through September 17, 2024, at which time it becomes variable at a rate of the five-year Treasury Index plus 2.25%. The loan matures September 17, 2029. The terms of the loan require monthly payments of \$1,561 which started October 17, 2019 through September 17, 2024, at which time the payments will be adjusted for the variable interest rate adjustments. As of June 30, 2024 and 2023, \$90,058 and \$104,964 was outstanding, respectively.

The Organization also entered into a \$750,000 promissory note effective March 15, 2024, with a maturity date of March 15, 2028. This note has an annual interest rate of 4%. Each year, on March 15, \$30,000 of interest is due. On March 15, 2028, \$30,000 of interest and \$750,000 principal payment is due.

Future principal payments are required as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 15,849
2026	16,412
2027	16,994
2028	767,597
2029	18,222
Thereafter	4,984
Total	<u><u>\$ 840,058</u></u>

**NEIGHBORHOOD HOUSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023**

**NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following:

	2024	2023
Subject to Expenditure for Specified Purpose:		
Subject to Expenditure for Specified Purpose	\$ 554,386	\$ 440,137
Subject to the Passage of Time	3,764,524	3,560,977
Perpetual in Nature:		
Beneficial Interest in Trust	225,506	213,736
Endowment Earnings Subject to UPMIFA Spending	152,354	99,155
Endowment to be Held in Perpetuity	810,465	810,465
Total Net Assets with Donor Restrictions	\$ 5,507,235	\$ 5,124,470

Net assets released from restrictions consisted of the following for the years ended June 30:

	2024	2023
Expiration of Time Restrictions	\$ 1,240,672	\$ 774,500
Satisfaction of Purpose Restrictions	1,134,681	1,314,465
Total Net Assets Released from Donor Restrictions	\$ 2,375,353	\$ 2,088,965

**NOTE 10 ENDOWMENT FUND**

The Organization's endowment fund consists of a fund established to support general operations, comprised of both a donor-restricted endowment fund along with a board designated endowment fund that can be used for scholarships, capital, and operational needs.

**Interpretation of Relevant Law**

Our board of directors has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30 2024 and 2023, there were no such donor stipulations. As a result of this interpretation, we retain in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts including promises to give at fair value) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added.

**NEIGHBORHOOD HOUSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023**

**NOTE 10 ENDOWMENT FUND (CONTINUED)**

**Interpretation of Relevant Law (Continued)**

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Endowment net asset composition by type of fund follows:

	2024		
	Without Donor Restriction	With Donor Restrictions	Total
Board-Designated Endowment Fund	\$ 2,576,956	\$ -	\$ 2,576,956
Donor-Restricted Endowment Fund	-	962,819	962,819
Total	\$ 2,576,956	\$ 962,819	\$ 3,539,775
	2023		
	Without Donor Restriction	With Donor Restrictions	Total
Board-Designated Endowment Fund	\$ 2,387,802	\$ -	\$ 2,387,802
Donor-Restricted Endowment Fund	-	909,620	909,620
Total	\$ 2,387,802	\$ 909,620	\$ 3,297,422

**NEIGHBORHOOD HOUSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023**

**NOTE 10 ENDOWMENT FUND (CONTINUED)**

**Interpretation of Relevant Law (Continued)**

Changes in endowment net assets for the years ended June 30 were as follows:

	2024		
	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 2,387,802	\$ 909,620	\$ 3,297,422
Contributions	-	-	-
Appropriation of Endowment Assets for Expenditure	(115,714)	(60,708)	(176,422)
Investment Income	304,868	113,907	418,775
Endowment Net Assets - End of Year	<u>\$ 2,576,956</u>	<u>\$ 962,819</u>	<u>\$ 3,539,775</u>
	2023		
	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 2,416,590	\$ 902,903	\$ 3,319,493
Contributions	-	-	-
Appropriation of Endowment Assets for Expenditure	(265,920)	(81,882)	(347,802)
Investment Income	237,132	88,599	325,731
Endowment Net Assets - End of Year	<u>\$ 2,387,802</u>	<u>\$ 909,620</u>	<u>\$ 3,297,422</u>

**Fund Deficiency**

From time to time, the fair value of assets associated with the endowment fund may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2024 and 2023.

**Return Objectives and Risk Parameters**

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to maximize return with a reasonable and prudent level of risk. The Organization expects its endowment fund, over time, to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Neighborhood House targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**NEIGHBORHOOD HOUSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023**

**NOTE 10 ENDOWMENT FUND (CONTINUED)**

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

Endowment fund investment income is available for current operations under the spending rate method. The board has designated that 5% of the past three years trailing average of the fund's investments will be available for current year operations (spending rate). In establishing this policy, the board of directors considered the long-term expected return on its endowment. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**NOTE 11 RETIREMENT PLAN**

The Organization offers employees a 403(b) retirement plan that has a sliding contribution scale based on years of service and one-to-one match. Contributions to this plan were \$84,499 in 2024 and \$72,818 in 2023.

**NOTE 12 THE PAUL AND SHEILA WELLSTONE CENTER FOR COMMUNITY BUILDING**

The Organization's administration, as well as a catalog of programs, are based at The Paul and Sheila Wellstone Center for Community Building (the Wellstone Center). The 93,000 square foot facility includes two gymnasiums for recreation and large group gatherings, a fitness center, a walking track, classrooms for adult and early childhood education, a large (free) food market, meeting rooms, a 265-seat performance space, two computer labs, a teen resource center, a teaching kitchen, a commercial grade kitchen with dining room, a 169-stall parking structure, tenant and office spaces, as well as other amenities. Programs are offered at the Wellstone Center by the Organization, the city of Saint Paul Parks and Recreation, and other tenant organizations. Additionally, the facility is available for use by other nonprofit organizations, schools, government agencies, and community members.

**Lease Agreement**

The Organization and the city of Saint Paul (the City) entered into a lease agreement in July 2004 for the Wellstone Center. The Organization and the City jointly maintain offices and operate programs at the Wellstone Center, which is owned by the City.

The initial term of the lease is for 20 years commencing January 1, 2006. The Organization has the option to renew for an additional 20-year period. Additionally, the Organization has the option to renew for two additional 10-year periods. The Organization is not required to pay any rent to the City for the use and occupancy of the Wellstone Center.

**NEIGHBORHOOD HOUSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023**

**NOTE 12 THE PAUL AND SHEILA WELLSTONE CENTER FOR COMMUNITY BUILDING  
(CONTINUED)**

**Lease Agreement (Continued)**

Although the city of Saint Paul owns the property and facility, the Organization raised funds for the \$25 million project. Payments made by the Organization for the building have been capitalized as a right-of-use asset and are being amortized over the term of the lease, including the first renewal option.

The Organization operates and manages the facility, pays all expenses, and is reimbursed by the City for its portion of the expenses. The Organization's share of operating expenses is 61.9% and the City's share is 38.1% annually. The City agreed to pay \$487,233 in 2024 and \$486,553 in 2023. Amounts received in advance are recorded as deferred revenue in the statements of financial position.

**NOTE 13 VOLUNTEER HOURS (UNAUDITED)**

A large number of dedicated volunteers assist the Organization in an array of activities such as English language classes, food shelf, youth activities, facility operations, and administrative support. In 2024, 679 volunteers contributed 12,681 hours (\$483,920) to the Organization. In 2023, 444 volunteers contributed 11,964 hours (\$380,443) to the Organization. The volunteer hours have not been recorded in the financial statements because they do not meet the requirements established by U.S. GAAP.

**NOTE 14 CONTRIBUTED NONFINANCIAL ASSETS**

For the years ended June 30, 2024 and 2023, contributed nonfinancial assets recognized within the statements of activities included:

	2024	2023
Donated Food	\$ 1,666,460	\$ 1,241,400
Program Supplies	22,118	14,539
Printing	1,209	25,126
Total In-Kind Contributions	<u>\$ 1,689,787</u>	<u>\$ 1,281,065</u>

All donated services and assets were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and assets.

In 2024, 863,451 pounds of food were donated; valued at \$1.93 per pound. In 2023, 646,563 pounds of food were donated; valued at \$1.92 per pound.

**NEIGHBORHOOD HOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**NOTE 14 CONTRIBUTED NONFINANCIAL ASSETS (CONTINUED)**

The Organization receives use of donated facilities for its program operations and supporting services. The Organization recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation. Fair value is estimated using the average price per square foot of rental listings in the Organization's service area. The contributed rent expense is allocated based on percentage of time and effort of staff members.

Contributed program supplies received by the Organization are recorded as in-kind contribution revenue and an expense when the supplies are used. Donated supplies are valued at the wholesale prices that would be received for selling similar products.

**NOTE 15 EMPLOYEE RETENTION CREDIT**

During the year ended June 30, 2023, the Organization applied for and recorded an Employee Retention Credit (ERC) of \$1,223,117, part of federal COVID-19 relief for employers, on eligible employee wages for 2020 and 2021. This credit is included in Governmental Grants revenue, which is recognized when all conditions of such grants are fulfilled or there is reasonable assurance they will be fulfilled. This grant is a receivable as of June 30, 2024 and 2023 and included in Governmental Grants and Contracts Receivable. Subsequent to year-end, the full receivable balance was received.

Eligibility and conditions for the ERC program may be audited by the Internal Revenue Service. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; management is of the opinion that any audit will not have a material adverse effect on the Organization's financial position.

**NOTE 16 LEASES**

During the current year, the Organization entered into a lease agreement for office space. The lease is for the period August 1, 2023 through July 31, 2033, with two options to renew the term of the lease for a period of three years. The lease has escalating rental payments, ranging from \$134,820 to \$168,525 annually.

The Organization has two copier leases. The first lease was entered into April 2019 and terminated March 2024. This lease has monthly rental payments of \$554 per month. The second lease was entered into in July 2021 and terminates June 2025. This lease has monthly rental payments of \$180 per month. The Organization determined the copier leases were immaterial and chose not to record as a ROU asset and liability.

The Organization also has a lease agreement with the city of St. Paul (see Note 12) for which a right-of-use asset has been recorded to reflect the Organization's investment in the leased asset. The lease is classified as a financing lease. See Note 12 for further details.

**NEIGHBORHOOD HOUSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023**

**NOTE 16 LEASES (CONTINUED)**

The following table provides quantitative information concerning the Organization's leases for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Operating Lease Costs	<u>\$ 144,182</u>	<u>\$ -</u>
Other Information:		
Operating Lease - Operating Cash Flows	\$ 123,585	\$ -
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ 1,571,674	\$ -
Weighted-Average Lease Term - Operating Leases	12.1 Years	N/A
Weighted Average Discount Rate - Operating Leases	4.05%	N/A

The future minimum lease payments under noncancelable leases with terms greater than one year are listed below as of June 30, 2024:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>
2025	\$ 138,253
2026	141,998
2027	145,743
2028	149,488
2029	153,233
Thereafter	<u>1,192,470</u>
Total Lease Payments	1,921,185
Less: Interest	<u>(416,284)</u>
Present Value of Lease Liabilities	<u>\$ 1,504,901</u>



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