

NEIGHBORHOOD SERVICES, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 and 2018

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

NEIGHBORHOOD SERVICES, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2019 and 2018

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Independent Auditor's Report

Board of Trustees
Neighborhood Services, Inc.

I have audited the accompanying financial statements of Neighborhood Services, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

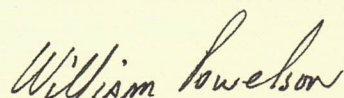
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood Services, Inc. as of December 31, 2019 and 2018, 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.



September 24, 2020

NEIGHBORHOOD SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Current assets:		
Cash	\$ 33,870	\$ 25,698
Cash – escrow	4,415	9,619
Accounts receivable	-	10,510
Gift cards	6,170	-
Inventory	4,000	4,000
Total current assets	<u>48,455</u>	<u>49,827</u>
Beneficial interest in assets held by Columbus Foundation	<u>6,634</u>	<u>5,553</u>
Fixed assets:		
Leasehold improvements/Equipment	126,056	126,056
Accumulated depreciation	<u>-99,330</u>	<u>-86,609</u>
	<u>26,726</u>	<u>39,447</u>
	\$ <u>81,815</u>	\$ <u>94,827</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Line of credit	\$ 19,098	\$ 18,446
Accounts payable	7,109	643
Accrued payroll taxes	3,011	2,433
Accrued wage	4,615	-
Escrow liability	4,415	9,619
Accrued pension	<u>8,000</u>	<u>-</u>
Total current liabilities	<u>46,248</u>	<u>31,141</u>
Net Assets-without restriction	<u>35,567</u>	<u>63,686</u>
	\$ <u>81,815</u>	\$ <u>94,827</u>

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

NEIGHBORHOOD SERVICES, INC.
STATEMENTS OF ACTIVITIES AND
CHANGES IN NET ASSETS
Year Ended December 31, 2019 and 2018

<u>UNRESTRICTED</u>	<u>2019</u>	<u>2018</u>
Support:		
Contributions	\$ 186,797	\$ 171,555
In-Kind – food	152,613	130,000
Investment income(loss)	1,131	-151
Total support	<u>340,541</u>	<u>301,404</u>
Expenditures:		
Program	343,939	297,196
General & administrative	12,851	13,594
Fundraising	11,870	5,662
Total expenses	<u>368,660</u>	<u>316,452</u>
Support less expenses	-28,119	-15,048
Net assets, beginning of period	<u>63,686</u>	<u>78,734</u>
Net assets, end of period	<u>\$ 35,567</u>	<u>\$ 63,686</u>

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

NEIGHBORHOOD SERVICES, INC.
STATEMENTS OF FUNCTIONAL ACTIVITIES
Year Ended December 31, 2019 and 2018

	Program	G&A	Fundraising	Total 2019	Condensed 2018
Salary	\$ 80,248	6,500	3,500	90,248	\$ 78,785
Payroll taxes	6,016	497	267	6,780	5,509
Fringe	318	-	-	318	-
Pension	8,000	-	-	8,000	-
Rent	15,552	1,728	-	17,280	17,280
Phone	1,633	181	-	1,814	1,814
Gas & electric	7,928	881	-	8,809	8,182
Depreciation	12,721	-	-	12,721	13,254
Food	35,440	-	-	35,440	33,274
In-kind food	152,613	-	-	152,613	130,000
Legal/accounting	-	1,035	-	1,035	1,050
Contract service	8,938	-	2,200	11,138	10,839
Computer	2,980	331	-	3,311	2,281
Interest expense	1,403	155	-	1,558	1,144
Office supplies	1,832	203	-	2,035	2,854
Postage/printing	132	400	2,800	3,332	1,995
Insurance	2,507	940	-	3,447	3,708
Repair/maintenance	5,084	-	-	5,084	2,628
Other	326	-	-	326	1,353
Other Program	268	-	-	268	-
Fundraising	-	-	3,103	3,103	502
	<u>\$ 343,939</u>	<u>12,851</u>	<u>11,870</u>	<u>368,660</u>	<u>\$ 316,452</u>

The accompanying notes are an integral part of these statements.

NEIGHBORHOOD SERVICES, INC.

STATEMENTS OF CHANGES IN CASH FLOWS

Year Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities:		
Support received	\$ 191,137	\$ 182,200
Interest income(loss)	1,131	-151
Cash paid to suppliers & employees	-183,667	-177,436
Net cash provided by operating activities	8,601	4,613
Cash flows from investing activities:		
Equipment purchase	-	-
Investment - decrease(increase)	-1,081	151
	-1,081	151
Cash flows from financing activities:		
Proceed from line of credit	2,700	1,231
Payment on line of credit	-2,048	-
Escrow change	-	103
	652	1,334
Net increase /(decrease) in cash	8,172	6,098
Cash at beginning of year	25,698	19,600
Cash at end of year	\$ 33,870	\$ 25,698
Reconciliation of Excess of Support Over Expenses to Net Cash Provided by Operating Activities:		
Excess of support over expenses	\$ -28,119	\$ -15,048
Adjustments to Reconcile Excess of support		
Operating Activities:		
Depreciation	12,721	13,254
In kind asset contribution		
Change in Assets and Liabilities:		
(Increase) decrease in assets:		
Accounts receivable	10,510	10,645
Inventory	-	9
Gift cards	-6,170	
Prepaid expense	-	763
Increase (decrease) in liabilities:		
Accounts payable	6,466	-3,611
Accrued payroll and payroll taxes	578	-1,399
Accrued pension	8,000	-
Accrued wage	4,615	-
Total adjustments	36,720	19,661
Net cash provided by operating activities	\$ 8,601	\$ 4,613
Interest expense	\$ 1,558	1,144

The accompanying notes are an integral part of these statements.

NEIGHBORHOOD SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF ACCOUNTING POLICIES

Neighborhood Services, Inc. provides a food pantry for the residents in their service area along with emergency support such as utility assistance, transportation and rental assistance.

Accounts Receivable - Neighborhood Services considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. When amounts become uncollectible, they are charged to operations when that determination is made.

Inventory – Inventories consist primarily of food and are recorded the lower of cost or market (first-in, first-out).

Leasehold Improvements/Equipment - Leasehold improvements are recorded at cost or at the estimated fair market value at the time of donation to the Agency. Assets with a cost or estimated fair market value of at least \$1,000 are capitalized; all others are charged to expense. The leasehold improvements are being amortized over ten years on a straight line basis. Equipment is seven years on a straight line basis.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

Income Taxes - The Agency is exempt from Federal income tax under Section 501 (c)(3) of the Internal Revenue Code.

Contributed Services and Gifts-in-kind – Individuals volunteer their time in stocking food and helping with customer pick up. No amounts have been recorded for donated services because these services do not meet the criteria for recognition as contributed services.

Gifts-in-kind is food and the amount is an estimated fair value.

Investments – Investments are valued at fair market in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

1. LEASE

Neighborhood Services, Inc. signed a new lease agreement in August 2009 which started November 1, 2009 for a term of ten years. Below is a summary of rents from the commencement date.

<u>Term</u>	<u>Monthly Rent</u>	<u>Term Total Rent</u>
Months 61-120	1,440	17,280

The lease expense for 2019 and 2018 is \$ 17,280 and \$ 17,280.

NEIGHBORHOOD SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

2. GIFTS-IN-KIND

Food is donated from three sources: Mid-Ohio when personnel pick up the food from their distribution center, the local farm market and regional groceries like Kroger's and Giant Eagle. A fair value is placed on the food by tracking the number of pounds received and applying an average cost per pound. The number of pounds for 2019 and 2018 were 846,778 and 618,605 which equated to a value of \$152,613 and \$130,000.

The donated food has a significant impact on the number of meals served because the pounds of food purchased were estimated at 198,823 and 239,300 for 2019 and 2018.

3. COMPENSATION PLAN

Neighborhood Services has adopted a simplified employee pension plan (SEP) which covers all employees who have attained three years of service. Presently only the executive director qualifies. Contributions to the SEP are discretionary each year. The accrued contribution was \$8,000 for December 31, 2019.

4. INVESTMENTS-BENEFICIAL INTEREST IN ASSETS

The Columbus Foundation maintains a fund titled "Neighborhood Services, Inc. Opportunity Growth Fund". The funds are invested in two mutual funds (Wellington and Wellesley) which have a range of 30-60% equities.

Fair Market Value – 12/31/17	\$	5,704
Interest/dividends		163
Unrealized loss		-627
Realized gain		291
Transfer		50
Administrative fee		-28
Fair Market Value – 12/31/18	\$	<u>5,553</u>
Interest/dividends		175
Unrealized gain		822
Realized gains		111
Administrative fee		-27
Fair Market Value – 12/31/19	\$	<u>6,634</u>

5. LINE OF CREDIT

Neighborhood Services, Inc. maintains a \$20,000 line of credit. The balance was \$19,098 at the end of the year. The interest rate is prime plus 3 percent(8.00%).

NEIGHBORHOOD SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

6. CASH ESCROW

Neighborhood Services is managing Super Hero's cash for a short period of time until their 501(c)(3) determination is received.

7. LIQUIDITY

Neighborhood Services prime sources of revenue is from individual donations, corporate donors and a few grants. The line of credit is used when funds become low. Also, relying on donated food from various sources allows the food pantry to continue to operate with a smaller selection of items when cash is low. Expenditures are controlled, but as a last resort, payroll cost and fringes can be temporally reduced along with approval to spend the investment-beneficial interest of \$6,634.

8. SUBSEQUENT REVIEW

Management has evaluated subsequent events through September 24, 2020, the date the financial statements were available to be issued.