

NEIGHBORHOOD SERVICES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees:
Neighborhood Services, Inc.:

Opinion

We have audited the accompanying financial statements of Neighborhood Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Neighborhood Services, Inc. as of December 31, 2021, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are required to be independent of Neighborhood Services, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Neighborhood Services Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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

Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually, or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 Services Inc.'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 Services Inc.'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.



Winkler Green & Company LLP

Columbus, Ohio
November 7, 2022

NEIGHBORHOOD SERVICES, INC.

Notes to the Financial Statements December 31, 2021

Note 1 - Significant Accounting Policies

Organization and Nature of Activities

Neighborhood Services, Inc. responds to the ill effects of poverty in central Ohio by providing food and material assistance to persons in need. The Organization strives to improve the quality of life in the community by compassionately and respectfully serving neighbors.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting and accordingly reflect all receivables, payables, and other assets and liabilities. Using this method revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The Organization has adopted Accounting Standards Codification (ASC) 2016-14, "Not-For-Profit Entities – Revenue Recognition". In accordance with ASC 2016-14, contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

The Organization has also adopted ASC 958-10-65-1, "Not-For-Profit Entities – Presentation of Financial Statements". Under ASC 958-10-65-1, The Organization is required to report information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions, and net assets with donor restrictions.

Net assets with donor restrictions are 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, such as those that the donor stipulates that resources be maintained in perpetuity.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

The Organization has also adopted the ASU 958 (Update). The modified standard stipulates that a contribution is recognized as unconditional and therefore recognized as revenue if any donor-imposed conditions are met (barriers and right of return to contributor or release from obligation by the donor.) The organization believes that all contributions recognized meet the modified standard as unconditional. Those contributions that were deemed as conditional are reflected as deferred revenue as of December 31, 2021. Prior to the implementation of ASU 958 (Update) the organization was recognizing its revenue under the originally issued ASU 958.

NEIGHBORHOOD SERVICES, INC.

Statement of Financial Position
as of December 31, 2021

	<u>2021</u>
<u>ASSETS</u>	
Current Assets	
Cash and Cash Equivalents	\$ 389,208
Grants and Contributions Receivable	44,146
Inventory	35,703
Gift Cards	8,521
Total Current Assets	<u>477,578</u>
Beneficial Interest in Assets Held by The Columbus Foundation	<u>8,289</u>
Fixed Assets	
Equipment and Leasehold Improvements	180,715
Less: Accumulated Depreciation	(122,301)
Total Fixed Assets	<u>58,414</u>
Total Assets	<u><u>\$544,281</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities	
Accounts Payable	\$ 9,968
Accrued Wages	4,197
Accrued Taxes	5,944
Deferred Revenue	99,351
Total Current Liabilities	<u>119,460</u>
Total Liabilities	<u>119,460</u>
Net Assets	
Without Donor Restrictions	<u>399,821</u>
Total Unrestricted Net Assets	<u>399,821</u>
With Donor Restrictions	<u>25,000</u>
Total Net Assets	<u>424,821</u>
Total Liabilities and Net Assets	<u><u>\$544,281</u></u>

NEIGHBORHOOD SERVICES, INC.Statement of Activities
For The Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>
Public Support and Revenue			
Public Support			
Donations and Grants	\$ 567,914	\$ 25,000	\$ 592,914
In-Kind Food Donations	1,153,855	-	1,153,855
Miscellaneous	17,483	-	17,483
Total Public Support	<u>1,739,252</u>	<u>25,000</u>	<u>1,764,252</u>
Revenue			
Interest	<u>1,534</u>	<u>-</u>	<u>1,534</u>
Total Revenue	<u>1,740,786</u>	<u>25,000</u>	<u>1,765,786</u>
Net Assets Released From Restrictions	<u>40,000</u>	<u>(40,000)</u>	<u>-</u>
Total Support and Revenue	<u>1,780,786</u>	<u>(15,000)</u>	<u>1,765,786</u>
Expenses			
Program Services	1,588,555	-	1,588,555
Supporting Services			
Management and General	79,716	-	79,716
Fundraisers	35,536	-	35,536
Total Supporting Services	<u>115,252</u>	<u>-</u>	<u>115,252</u>
Total Expenses	<u>1,703,807</u>	<u>-</u>	<u>1,703,807</u>
Increase (Decrease) in Net Assets	76,979	(15,000)	61,979
Net Assets, Beginning of Year	<u>322,842</u>	<u>40,000</u>	<u>362,842</u>
Net Assets, End of Year	<u>\$ 399,821</u>	<u>\$ 25,000</u>	<u>\$ 424,821</u>

NEIGHBORHOOD SERVICES, INC.

Statement of Cash Flows
For the Year Ended December 31, 2021

	<u>2021</u>
Cash Flows from Operating Activities:	
Increase (Decrease) in Net Assets	\$ 61,979
Adjustments to Reconcile Net Income to Net	
Cash Provided by Operating Activities:	
Depreciation	11,804
Changes in Assets and Liabilities:	
(Increase) in Grants Receivable	(4,146)
Decrease in Fiscal Agency Cash	1,072
Decrease in Gift Cards Held	8,125
(Increase) in Accounts Payable	4,939
Increase in Accrued Payroll	(2,241)
(Decrease) in Accrued Taxes	(9,288)
Increase in Deferred Revenue	99,351
(Increase) In Inventory	(31,703)
(Decrease) in Fiscal Agency Liability	<u>(1,072)</u>
Net Cash Provided by Operating Activities	138,820
Cash Flow From Investing Activities:	
Beneficial Interest - The Columbus Foundation	(1,049)
Work-in-Process (Assets Held but Not in Use)	13,679
(Purchase) of Fixed Assets	<u>(36,159)</u>
Net Cash (Used) By Investing Activities:	<u>(23,529)</u>
Net Increase in Cash and Cash Equivalents	<u>115,291</u>
Cash and Cash Equivalents - Beginning of Year	<u>273,917</u>
Cash and Cash Equivalents - End of Year	<u><u>\$389,208</u></u>

NEIGHBORHOOD SERVICES, INC.

Statement of Functional Expense
For the Year Ended December 31, 2021

	Program Service	Supporting Services			2021 Total
		Management and General	Fund Raising	Total	
Salaries and Benefits	\$ 125,717	\$ 44,609	\$ 32,443	\$ 77,052	\$ 202,769
Payroll Taxes and Related	11,987	4,253	3,093	7,346	19,333
Donated Value of In-Kind Food	1,122,152	-	-	-	1,122,152
Program Assistance	256,912	-	-	-	256,912
Rent	17,280	-	-	-	17,280
Utilities	17,929	-	-	-	17,929
Professional Fees	-	4,813	-	4,813	4,813
Depreciation	11,804	-	-	-	11,804
Information Technology	-	4,290	-	4,290	4,290
Office Expenses	7,363	1,600	-	1,600	8,963
Insurance	-	3,105	-	3,105	3,105
Dues and Subscriptions	-	12,885	-	12,885	12,885
Repairs/Maintenance	14,757	-	-	-	14,757
Miscellaneous	2,654	4,161	-	4,161	6,815
Total Expenses	<u>\$ 1,588,555</u>	<u>\$ 79,716</u>	<u>\$ 35,536</u>	<u>\$ 115,252</u>	<u>\$ 1,703,807</u>

NEIGHBORHOOD SERVICES, INC.

Notes to the Financial Statements December 31, 2021

Receivables

Receivables are stated at the amount the Organization expects to collect from outstanding balances. When considered necessary, the Organization provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after the Organization has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. The Organization considers all receivables to be fully collectible and, accordingly, no allowance for doubtful accounts is reflected in the financial statements. Additionally, there is no bad debt expense recorded in the financial statements.

Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of six months or less to be cash equivalents.

Equipment and Leasehold Improvements

Purchased capital assets are carried at cost. Donated capital assets are carried at the fair market value of the assets donated on the date the donation is made. Depreciation is computed based on the estimated useful life of the assets using the straight-line method. When capital assets are sold or retired, the cost and related accumulated depreciation are removed from the accounts with any gain or loss reflected in operations. Maintenance and repairs are expensed as incurred. The Board of the Organization has adopted policy of capitalizing all fixed asset purchases in excess of \$1,000.

Estimates

The Organization uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, the Organization evaluates the estimates and assumptions based on new information. The Organization believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NEIGHBORHOOD SERVICES, INC.

Notes to the Financial Statements
December 31, 2021

Note 1 - Significant Accounting Policies (Continued)

In-Kind Donations

Donated goods and services are recorded as contributions at their fair values at the date of donation. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization estimates that 9,247 unrecognized volunteer hours were contributed to the Organization during the year ended December 31, 2021. The Organization does not recognize these services as contributions as they do not meet the recognition criteria nor does the Organization believe the fair value of the services are reasonably determinable.

The Organization maintains inventory of food items to provide its clients. The food items are received as donations from the on community as well as from retail establishments. The Organization uses the prescribed benchmark established by an association of food banks (Feeding America) to value its inventory. The Organization valued inventory at \$1.62 per pound for the fiscal year ended December 31, 2021, which the Organization believes is reasonable and comparable to the aforementioned benchmark.

Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and application state law, except on net income derived from unrelated business activities. Taxes assessed on these activities are recognized in the financial statements in the fiscal year that payments are made. For the fiscal year ending December 31, 2021, there was no income derived from unrelated business activities and, accordingly, no required payments for these types of transactions or income tax expense recorded in the financial statements for the fiscal year then ended. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the fiscal year ended December 31, 2021.

The Organization files its forms 990 in the U.S. federal jurisdiction and the office of the state's attorney general for the State of Ohio. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before December 31, 2018.

NEIGHBORHOOD SERVICES, INC.

Notes to the Financial Statements
December 31, 2021

Note 2 - In-Kind Donations

Food is donated from three sources: Mid-Ohio Food Bank direct pickups, local farm markets, and regional groceries such as Kroger and Giant Eagle. The Organization tracks in-kind food by number of pounds received, and an average cost per pound of \$1.62 is applied based on the benchmark established by an association of food banks (Feeding America). During the year ended December 31, 2021, the Organization received 712,256 pounds of in-kind food donations, which equates to a value of \$1,153,855.

The fair values of in-kind donations consist of the following at the year ended December 31:

	<u>2021</u>
Meals	\$ <u>1,153,855</u>
Total	\$ <u>1,153,855</u>

Of the above in-kind donations, \$1,122,152 was directly expensed during the fiscal year ended December 31, 2021. The remaining balance is included as inventory as of December 31, 2021.

Note 3 - Advertising

The Organization uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the year ended December 31, 2021, advertising expense was not significant.

Note 4 - Operating Leases

The Organization has leased office space under an operating lease beginning August 2009, for a term of 10 years. This lease was renewed for an additional 5 years, and runs through September 1, 2024. The lease calls for monthly payments of \$1,440. Rent expense reported in the financial statements pertaining to the aforementioned leases for the year ended December 31, 2021 was \$17,280.

The following is a schedule showing the future minimum lease payments under operating leases for the year ending December 31:

<u>Year</u>	
2022	17,280
2023	17,280
2024	<u>11,520</u>
Total	<u>\$46,080</u>

Note 5 - Compensation Plan

The Organization 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. There was \$0 contributed to the SEP during the year ended December 31, 2021.

NEIGHBORHOOD SERVICES, INC.

Notes to the Financial Statements
December 31, 2021

Note 6 - **Net Assets**

Net Assets Without Donor Restrictions

Unrestricted net assets may be used by the organization to achieve any of the organization's purposes.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Net are restricted for the following purposes at December 31, 2021:

<u>Purpose</u>	<u>Balance 12/31/20</u>	<u>Donations</u>	<u>Restrictions Satisfied</u>	<u>Balance 12/31/20</u>
Columbus Foundation				
Rent/Utility Assistance	\$ ---	\$25,000	\$ ---	\$25,000
Pantry Capital Improvements	<u>40,000</u>	<u>---</u>	<u>(40,000)</u>	<u>---</u>
Total	<u>\$ 40,000</u>	<u>\$25,000</u>	<u>\$(40,000)</u>	<u>\$25,000</u>

Note 7 – **Concentration of Credit Risk**

The Organization deposits its cash with various credit institutions. As of December 31, 2021, the Organization's cash deposits in credit institutions was fully insured with in the FDIC limits of up to \$250,000.

The Organization received \$1,153,855 (approximately 65% of total support) via in-kind food donation from Mid-Ohio Food Bank during the year ended December 31, 2021. Additionally, the Organization received \$180,649 (approximately 10% of total support) from the City of Columbus ERA program during the year ended December 31, 2021. Failure to replace or renew funding from these donors could have a significant impact on the operations of the Organization.

The Organization's program operations are concentrated primarily with in a geographic area in and around Columbus Ohio.

Note 8 – **Line of Credit**

The Organization maintains a \$20,000 line of credit, which carries an interest rate of prime plus 3%. The balance at December 31, 2021 was \$0.

NEIGHBORHOOD SERVICES, INC.

Notes to the Financial Statements
December 31, 2021

Note 9 - Beneficial Interests/Endowment Funds

The Organization has established an endowment fund with the Columbus Foundation. According to ASC 958 the accounts held at The Columbus Foundation are considered beneficial interests and are valued at fair value. ASC 958 also stipulates that if a beneficiary (the Organization) has an unconditional right to receive all or a portion of specified cash flows from the Foundation, the beneficiary (the Organization) should measure and subsequently re-measure its beneficial interest at fair market value (see Footnote 12).

The Board of the Organization may vote on distributions to be made from the Fund based on a 2/3 majority. The Board has recommended to the Foundation that the funds are to be invested in a conservative manner.

Funds Activity at The Columbus Foundation

	<u>2021</u>
Beginning Balance	\$7,240
Contributions	---
Investment Gain (Loss)	<u>1,049</u>
	<u>\$8,289</u>

Note 10 – Liquidity

The following reflects The Organization's financial assets as of the date of the statement of financial position. Financial assets at year-end are reduced by amounts not available for general use due to donor imposed restrictions that will not expire within one year of the financial position date. Donor restricted amounts that will become available for general use within one year subsequent to December 31, 2021 are detailed below:

	<u>2021</u>
Financial Assets at Year-End	\$450,164
Less Beneficial Interest in Assets Held by the Columbus Foundation	<u>(8,829)</u>
Financial Assets Available for Use Within One Year	<u>\$441,875</u>

The Organization defines financial assets as Cash and Cash Equivalents, Grants Receivable, Gift Cards, and Beneficial Interest in Assets Held by The Columbus Foundation.

	<u>2021</u>
Cash and Cash Equivalents	\$389,208
Grants and Contributions Receivable	44,146
Gift Cards	8,521
Beneficial Interest in Assets Held by the Columbus Foundation	<u>8,289</u>
	<u>\$450,164</u>

Note 11 – Deferred Revenue

As of December 31, 2021, the Organization has recognized deferred revenue on the statement of financial position related to conditional grant funding. Under ASU 958-606, contributions for which conditions have not yet been met are not recognized as revenue. Deferred revenue of \$99,351 on the statement of financial position is related conditional grants as of December 31, 2021. Revenue will be recognized by the Organization in 2022 as conditions are met.

NEIGHBORHOOD SERVICES, INC.

Notes to the Financial Statements December 31, 2021

Note 12 – ASC 958-320 - Fair Values of Assets

The Organization has adopted ASC 958-320 “Not-For-Profit Entities – Investments”. ASC 958-320 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 (level 3 measurements). The three levels of the fair value hierarchy under ASC 958-320 are as follows:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date;

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3 Inputs that are unobservable.

Inputs are used in applying the various techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility, statistics, specific and broad credit data, liquidity statistics, and other factors. 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. However, the determination of what constitutes “observable” requires significant judgment by the management. The management considers observable data to be that market data which is readily available regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the manager’s perceived risk of that instrument.

In making the aforementioned valuations, management will consult with their brokers, investment managers and various other entities in analyzing data which determines fair market values.

Fair values of assets measured on a recurring basis at December 31, 2021 are as follows:

	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial Interest in Assets Held				
By Columbus Foundation	\$31,823	\$31,823	---	---
Total Assets	\$31,823	\$31,823	\$---	\$---

Note 12 - Subsequent Events

Subsequent events were evaluated through November 7, 2022, which is when the financial statements were available to be issued.