

## 2024 Audited Financial Statements

Neighbor by Neighbor is a 501c3 non-profit organization with specific IRS reporting requirements. Since our incorporation in 2022 as a 501c3 we have employed the services of an outside accounting firm to do a complete financial audit of our accounting procedures. The most recent audited financial report, currently 2024, is available on our website. We are currently undergoing the 2025 audit and will post it when finalized.

### Highlights of 2024:

In 2024 we were awarded a 3 year grant for the years 2025, 2026 and 2027. IRS revenue recognition required Neighbor by Neighbor to record the unrestricted portion of that grant in 2024 when it was awarded. It became a Promise to Give or Accounts Receivable in 2024 and was included in 2024 revenue even though it would be received over the next 3 years.

Over the years Neighbor by Neighbor has invested funds to secure our continued growth and effectiveness. We have established a fund, The John Krsul Fund, which is specifically designed for this growth. We have been successful in managing donations and grants to form a fiscally sound base to better assure our future. This also helps better position us for potential future client needs.

**Neighbor by Neighbor**

**Financial Statements**

**December 31, 2024**

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**Neighbor by Neighbor**  
**Statement of Financial Position**  
**December 31, 2024**

**Assets**

Current assets	
Cash and cash equivalents	\$ 204,640
Investments	162,991
Prepaid expenses	865
Promises to give, current portion	416,879
Total current assets	785,375
Right of use asset - operating lease, net	45,979
Property and equipment, net	1,419
<b>Total assets</b>	<b>\$ 832,773</b>

**Liabilities and Net Assets**

Current liabilities	
Accrued payroll	\$ 19,011
Lease liability	21,202
Total current liabilities	40,213
Non-current liabilities	
Lease liability	25,202
Total liabilities	65,415
Net assets	
Without donor restrictions	335,094
With donor restrictions	
Purpose restrictions	14,861
*Time-restricted for future periods	417,403
Total with donor restrictions	432,264
Total net assets	767,358
<b>Total liabilities and net assets</b>	<b>\$ 832,773</b>

See Accompanying Notes to the Financial Statements

**Neighbor by Neighbor**  
**Statement of Activities**  
**For the Year Ended December 31, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support, revenue and gains</b>			
Contributions	\$ 240,971	\$ 586,951	\$ 827,922
Fundraising events	129,133	-	129,133
Investment income	4,253	-	4,253
Interest income	7,214	-	7,214
Net assets released from restrictions	<u>273,440</u>	<u>(273,440)</u>	<u>-</u>
Total support, revenue and gains	<u>655,011</u>	<u>313,511</u>	<u>968,522</u>
<b>Expenses</b>			
Program services	464,406	-	464,406
Supporting services			
Management and general	108,418	-	108,418
Fundraising	<u>32,413</u>	<u>-</u>	<u>32,413</u>
Total expenses	<u>605,237</u>	<u>-</u>	<u>605,237</u>
<b>Change in net assets</b>	49,774	313,511	363,285
Net assets - beginning of year	<u>285,320</u>	<u>118,753</u>	<u>404,073</u>
<b>Net assets - end of year</b>	<u>\$ 335,094</u>	<u>\$ 432,264</u>	<u>\$ 767,358</u>

See Accompanying Notes to the Financial Statements

**Neighbor by Neighbor**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2024**

	Support Services			Total
	Program	Management and General	Fundraising	
<b>Expenses</b>				
Salaries and wages	\$ 192,968	\$ 55,952	\$ 1,142	\$ 250,062
Payroll tax	16,094	3,800	78	19,972
Employee benefits	16,302	3,896	80	20,278
Consultants	14,264	15,855	357	30,476
Grants and other assistance	164,668	-	-	164,668
Office expense	7,231	643	161	8,035
Professional fundraising services	-	-	30,108	30,108
Accounting fees	-	23,890	-	23,890
Information technology	5,554	1,250	139	6,943
Insurance	6,252	296	33	6,581
Occupancy	29,870	831	92	30,793
Advertising	225	51	6	282
Depreciation	533	-	-	533
Bad debt expense	1,760	-	-	1,760
Miscellaneous expenses	8,685	1,954	217	10,856
<b>Total expenses</b>	<b>\$ 464,406</b>	<b>\$ 108,418</b>	<b>\$ 32,413</b>	<b>\$ 605,237</b>

See Accompanying Notes to the Financial Statements

**Neighbor by Neighbor**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2024**

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<b>Cash flows from operating activities</b>	
Change in net assets	\$ 363,285
Items not requiring cash	
Depreciation	533
Unrealized gain from investments	(6,255)
Changes in operating assets and liabilities which (used) provided cash:	
Promises to give	(319,379)
Operating lease assets and liabilities	(2,336)
Accounts payable	(642)
Accrued payroll	<u>1,257</u>
Net cash provided by operating activities	<u>36,463</u>
<b>Cash flows from investing activities</b>	
Purchase of investments	<u>(114,000)</u>
Net change in cash and cash equivalents	(77,537)
Cash and cash equivalents, beginning of year	<u>282,177</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 204,640</u></u>

See Accompanying Notes to the Financial Statements

**Neighbor by Neighbor**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 1 - Summary of Significant Accounting Policies**

**Organization Nature and Purpose**

Neighbor by Neighbor (the "Organization") is a Michigan nonprofit organization, based in Union Pier, Michigan that has been in operation since 2022. The Organization connects the most vulnerable residents of Southwest Berrien County with resources and services to address immediate needs, while facilitating greater independence through targeted programs and services.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Basis of 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.

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.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents except for temporary investment funds considered to be part of the investment portfolio. The entire bank balance was insured by the FDIC.

**Accounts Receivable**

Trade accounts receivable are stated net of an allowance for credit losses. The Organization estimates the allowance based on an analysis of specific accounts, taking into consideration the age of past due accounts, an assessment of ability to pay, current conditions, and reasonable and supportable forecasts. Individual receivables are written off as a charge to the allowance for credit losses when, in management's estimation, it is probable that the receivable is worthless.

**Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

The Organization initially records unconditional promises to give at fair value using the income approach and subsequently amortizes them using the original discount rate. If the original promise to give is due in less than one year it is recorded at net realizable value.

**Neighbor by Neighbor**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Investments**

Investments are stated at fair value. Donated investments are reflected as contributions at their fair values at date of receipt. Investment income is reported net of direct investment expenses.

**Property and Equipment**

The Organization follows the practice of capitalizing all expenditures in excess of \$2,500 for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized. Major improvements are capitalized while ordinary maintenance and repairs are expensed.

The Organization evaluates long-lived assets for impairment using a discounted cash flow method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the United States of America.

Depreciation is computed using the straight-line method over the estimated useful life of five years for office equipment.

Gifts of long-lived assets are also reported as revenue without donor restrictions and net assets, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

**Leases**

The Organization leases office space. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. Finance leases are contracts that have characteristics that make them similar to the purchase of the underlying asset. Operating leases are contracts that allow for the use of the underlying asset but there is no ownership transfer at the end of the lease.

Right of use assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Right of use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that option will be exercised. The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Organization has applied the risk-free rate option to the office space asset.

Operating lease expense for lease payments is recognized on a straight-line basis over the lease term. Finance lease expense is allocated between the amortization of the right of use asset and interest expense.

**Compensated Absences**

Employees of the Organization are entitled to paid time off (PTO) depending on length of service. The PTO year is based upon the anniversary date of employment. Any unused PTO shall be lost at the end of the PTO year. Upon separation, employees are paid out any unused PTO at a rate of the employees' current pay rate.

**Revenue and Revenue Recognition**

Revenue is recognized when earned. Program service fees are deferred to the applicable period in which the performance obligations are met. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

**Neighbor by Neighbor**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Advertising**

The Organization expenses advertising costs the first time the advertising occurs. Advertising expense for the year ended December 31, 2024 was \$282.

**Functional Expenses**

The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated on the basis of time and effort. Expenses deemed to be indirect to employee effort, are considered to be management and general expenses. Other expenses utilized by all employees, are also allocated on the basis of time and effort. Costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

**Income Tax Status**

The Organization is a not-for-profit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from similar state and local taxes. The Organization is required to file and does file informational returns with the Internal Revenue Service.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Date of Management's Review**

Management has evaluated subsequent events through June 23, 2025, which is the date the financial statements were available to be issued.

**Neighbor by Neighbor**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 2 - Liquidity and Availability of Resources**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31, 2024:

Cash and cash equivalents	\$	204,640
Investments		162,991
Promises to give		<u>416,879</u>
 Total financial assets - end of year		 784,510
 Less: Financial assets unavailable for general expenditures within one year, due to:		
Restricted by donor with time restrictions		(417,403)
Restricted by donor with purpose restrictions		<u>(14,861)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 \$	 <u><u>352,246</u></u>

**Note 3 - Promises to Give**

Promises to give are scheduled to be collected as follows:

	2025	\$	163,247
	2026		150,000
	2027		<u>150,000</u>
			463,247
Less discount to net present value			<u>(46,368)</u>
Total promises to give		\$	<u><u>416,879</u></u>

The promises to give are recorded using the original discount rate of 5.50%.

**Note 4 – Conditional Promises to Give**

During 2022, the Organization received a conditional promise of \$300,000, payable in increments of \$100,000 in February 2025, 2026, and 2027, should conditions be met. Payment of the first \$100,000 of the grant is contingent upon the Organization's ability to fundraise a matching \$100,000.

**Neighbor by Neighbor**  
**Notes to the Financial Statements**  
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**Note 5 – Investments**

Fair value of marketable debt and equity securities at December 31, 2024 consist of:

Available for sale	
Government and agency securities	\$ 100,877
Mutual funds	<u>62,114</u>
Total investments	<u>\$ 162,991</u>

Investment income is composed of the following at December 31, 2024:

Dividends and interest	\$ 10,874
Unrealized gain	<u>593</u>
Total investment gain	<u>\$ 11,467</u>

**Note 6 – Lease**

The Organization leases office space under a long term non-cancelable operating lease agreement. The lease expires in January 2027. The Organization includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. The Organization elected the practical expedient to not separate lease and non-lease components for equipment leases.

Amounts related to the operating lease which are recognized in the accompanying financial statements as of and for the year ended December 31, 2024 are as follows:

Operating lease right-of-use assets	\$ 98,258
Accumulated amortization	<u>(52,279)</u>
Net operating lease right-of-use assets	<u>\$ 45,979</u>
Current operating lease liabilities	\$ 21,202
Noncurrent operating lease liabilities	<u>25,202</u>
Total operating lease liabilities	<u>\$ 46,404</u>

The following summarizes total lease costs for the year ended December 31, 2024:

Operating lease cost	<u>\$ 17,811</u>
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The following summarizes the supplemental cash flow information for the year ended December 31, 2024:

Operating cash flows from operating leases	<u>\$ 21,240</u>
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The following summarizes the weighted-average remaining lease term and weighted-average discount rate:

Weighted-average remaining lease term in years:	2.1
Weighted-average discount rate:	0.068%

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of December 31:

2025		\$	22,725
2026			23,784
2027			1,989
Total future undiscounted lease payments			48,498
Less: interest			(2,094)
Present value of lease liabilities		\$	46,404

The lease contract for the office space contains an implicit interest rate which is not readily determinable. As such, the Organization has elected to apply the practical expedient available under ASU 2016-02 of using a risk-free rate in the determination of the present value of the lease payments. Accordingly, the Organization has applied an interest rate of 0.068% to its calculation of net present value.

**Note 7 - Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes and periods as of December 31, 2024:

Subject to the passage of time			
Pokagon fund		\$	403,632
United Way - Stop the Slide			13,271
Berrien Community Foundation RIFT			500
Subject to purpose restrictions			
Berrien Community Foundation			14,861
Total net assets with donor restrictions		\$	432,264

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**Notes to the Financial Statements**  
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**Note 8 - Net Assets Released from Donor Restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors for the year ended December 31, 2024 as follows:

Released from time restrictions	
Pokagon funds	\$ 220,000
Berrien Community Foundation Heart of Cook Roof over their Head fundings	4,000
United Way - Stop the Slide	21,979
United Way - Phase 41	8,000
Total released from time restrictions	<u>253,979</u>
Released from purpose restrictions	
Berrien Community Foundation Heart of Cook fundings	1,069
Berrien Community Foundation Food for Good fundings	2,000
Berrien Community Foundation For Good Major fundings	4,674
Berrien Community Foundation Home Repair fundings	757
Berrien Community Foundation Upton Grant 2024 fundings	3,708
Berrien Community Foundation Food fundings	7,253
Total released from purpose restrictions	<u>19,461</u>
Total net assets released from restrictions	<u>\$ 273,440</u>