

NEIGHBORHOOD HOUSE OF MILWAUKEE, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021
(With Summarized Totals for the Year Ended June 30, 2020)

NEIGHBORHOOD HOUSE OF MILWAUKEE, INC.

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Independent Auditor's Report

Board of Directors
Neighborhood House of Milwaukee, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Neighborhood House of Milwaukee, Inc. which comprise the statement of financial position as of June 30, 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.

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Organization'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 Organization's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood House of Milwaukee, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Ritz Holman LLP

Serving business, nonprofits, individuals and trusts.

330 E. Kilbourn Ave., Suite 550
Milwaukee, WI 53202

t. 414.271.1451
f. 414.271.7464
ritzholman.com

Board of Directors
Neighborhood House of Milwaukee, Inc.

Report on Summarized Comparative Information

We have previously audited Neighborhood House of Milwaukee, Inc.'s June 30, 2020, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of program revenue and expenses - without donor restrictions is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.


RITZ HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
November 21, 2021

NEIGHBORHOOD HOUSE OF MILWAUKEE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021
(With Summarized Totals for June 30, 2020)

ASSETS		2021	2020
CURRENT ASSETS			
Cash and Cash Equivalents	\$	279,010	\$ 469,222
Grants and Contracts Receivable		253,662	143,130
Accounts Receivable		---	1,886
Pledges Receivable		35,577	28,982
Prepaid Expenses		1,391	3,347
Food Inventory		2,475	---
Total Current Assets	\$	572,115	\$ 646,567
NONCURRENT ASSETS			
Certificate of Deposit - Restricted	\$	35,986	\$ 35,935
Beneficial Interest - Greater Milwaukee Foundation Fund		1,570,289	1,248,684
Total Noncurrent Assets	\$	1,606,275	\$ 1,284,619
FIXED ASSETS			
Land	\$	192,737	\$ 192,736
Building and Improvements		3,531,563	3,438,319
Farm Improvements		194,162	194,162
Furniture and Equipment		557,417	520,901
Automobiles		99,812	99,812
Leased Equipment		14,867	---
Total Fixed Assets	\$	4,590,558	\$ 4,445,930
Less: Accumulated Depreciation		(3,232,495)	(3,130,674)
Net Fixed Assets	\$	1,358,063	\$ 1,315,256
TOTAL ASSETS	\$	3,536,453	\$ 3,246,442
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	\$	103,886	\$ 60,319
Accrued Payroll Expenses		50,010	87,316
Note Payable - Current Portion		19,357	21,454
Paycheck Protection Program Loan		---	352,200
Current Portion of Capital Lease		2,727	---
Total Current Liabilities	\$	175,980	\$ 521,289
NONCURRENT LIABILITIES			
Capital Lease	\$	12,227	\$ ---
Less: Current Portion of Capital Lease		(2,727)	---
Note Payable - Long-Term Portion		---	19,537
Total Noncurrent Liabilities	\$	9,500	\$ 19,537
Total Liabilities	\$	185,480	\$ 540,826
NET ASSETS			
Net Assets Without Donor Restrictions	\$	3,249,007	\$ 2,657,940
Net Assets With Donor Restrictions		101,966	47,676
Total Net Assets	\$	3,350,973	\$ 2,705,616
TOTAL LIABILITIES AND NET ASSETS	\$	3,536,453	\$ 3,246,442

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

NEIGHBORHOOD HOUSE OF MILWAUKEE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
(With Summarized Totals for the Year Ended June 30, 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
REVENUE				
Grants	\$ 753,944	\$ ---	\$ 753,944	\$ 651,837
Contributions	693,472	82,690	776,162	554,942
Bequests	---	---	---	413,741
Paycheck Protection Program Revenue	352,200	---	352,200	---
In-Kind Revenue	110,040	---	110,040	42,398
United Way	331,985	---	331,985	316,296
Wisconsin Shares	495,020	---	495,020	430,398
Child Care Fees	96,257	---	96,257	94,913
Gain on Beneficial Interest	321,605	---	321,605	26,750
Contract Services	9,595	---	9,595	21,556
Interest Income	1,017	---	1,017	72
Special Events Revenue	190,604	---	190,604	174,411
Special Events Expense	(72,728)	---	(72,728)	(22,985)
Rental Income	19,509	---	19,509	10,663
Other Revenue	11,990	---	11,990	16,180
Net Assets Released from Restrictions	28,400	(28,400)	---	---
Total Revenue	<u>\$ 3,342,910</u>	<u>\$ 54,290</u>	<u>\$ 3,397,200</u>	<u>\$ 2,731,172</u>
EXPENSES				
Program Services	\$ 2,213,647	\$ ---	\$ 2,213,647	\$ 2,015,754
Management and General	311,956	---	311,956	244,714
Fundraising	226,240	---	226,240	214,836
Total Expenses	<u>\$ 2,751,843</u>	<u>\$ ---</u>	<u>\$ 2,751,843</u>	<u>\$ 2,475,304</u>
 CHANGE IN NET ASSETS	 \$ 591,067	 \$ 54,290	 \$ 645,357	 \$ 255,868
Net Assets, Beginning of Year	<u>2,657,940</u>	<u>47,676</u>	<u>2,705,616</u>	<u>2,449,748</u>
 NET ASSETS, END OF YEAR	 <u>\$ 3,249,007</u>	 <u>\$ 101,966</u>	 <u>\$ 3,350,973</u>	 <u>\$ 2,705,616</u>

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

NEIGHBORHOOD HOUSE OF MILWAUKEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
(With Summarized Totals for the Year Ended June 30, 2020)

	Program Services	Management and General	Fundraising	2021 Total	2020 Total
Salaries and Wages	\$ 1,366,376	\$ 168,936	\$ 106,311	\$ 1,641,623	\$ 1,407,400
Employee Benefits	85,240	11,526	7,100	103,866	120,703
Retirement	23,336	2,885	1,816	28,037	19,106
Payroll Taxes	124,283	17,193	10,536	152,012	178,261
Professional Fees	24,018	47,387	61,557	132,962	162,022
Contract Services	51,924	706	263	52,893	52,126
Office Supplies	1,391	3,285	160	4,836	9,410
Human Resources Supplies	2,370	1,215	11	3,596	10,039
Telephone	9,983	1,379	616	11,978	13,638
Postage	35	447	3,231	3,713	6,644
Printing	1,499	12	2,315	3,826	5,301
Technology	7,221	4,511	3,384	15,116	10,472
Subscriptions	3,106	---	5,284	8,390	936
Occupancy	55,032	3,063	1,367	59,462	49,852
Utilities	57,951	8,004	3,573	69,528	62,855
Marketing and Promotion	10,623	250	2,034	12,907	---
Program and Special Event Supplies	41,405	153	2,841	44,399	21,865
Educational Supplies	8,804	---	---	8,804	10,425
Participant Engagement	8,085	423	---	8,508	2,268
Food	115,447	844	65	116,356	39,232
Field Trips	7,986	---	---	7,986	10,139
Grant Supplies	2,434	---	---	2,434	6,064
Equipment Rental and Maintenance	50,869	2,020	3,864	56,753	49,125
Maintenance and Housekeeping Supplies	21,040	2,701	1,206	24,947	27,983
Depreciation	84,866	11,722	5,233	101,821	96,798
Travel	7,119	37	23	7,179	25,140
Conferences, Conventions and Meetings	264	494	---	758	2,147
Fundraising Expenses	---	---	---	---	4,800
Interest Expense	1,345	186	83	1,614	2,765
Insurance	22,704	3,136	1,400	27,240	34,547
Membership Dues	8,754	5,441	445	14,640	16,203
Staff Development	3,334	493	35	3,862	3,541
Bank Charges and Fees	1,858	2,854	1,411	6,123	4,801
Licenses	2,865	98	69	3,032	1,003
Real Estate Taxes	80	15	7	102	66
Other Expense	---	1,121	---	1,121	7,627
Bad Debt Expense	---	9,419	---	9,419	---
Subtotal	<u>\$ 2,213,647</u>	<u>\$ 311,956</u>	<u>\$ 226,240</u>	<u>\$ 2,751,843</u>	<u>\$ 2,475,304</u>
SPECIAL EVENTS					
Food and Venue	\$ ---	\$ ---	\$ 36,695	\$ 36,695	\$ 17,024
Supplies and Media	---	---	34,855	34,855	---
Postage	---	---	135	135	---
Printing	---	---	---	---	2,167
Professional Fees	---	---	538	538	---
Other Expenses	---	---	505	505	3,794
Total Special Events Expenses	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 72,728</u>	<u>\$ 72,728</u>	<u>\$ 22,985</u>
TOTAL EXPENSES	<u>\$ 2,213,647</u>	<u>\$ 311,956</u>	<u>\$ 298,968</u>	<u>\$ 2,824,571</u>	<u>\$ 2,498,289</u>

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

NEIGHBORHOOD HOUSE OF MILWAUKEE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
(With Summarized Totals for the Year Ended June 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 645,357	\$ 255,868
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Donated Goods and Services - Capitalized	---	(18,618)
Forgiveness of the Paycheck Protection Program Loan	(352,200)	---
(Gain) Loss on Beneficial Interest	(321,605)	(26,750)
Depreciation	101,821	96,798
(Increase) Decrease in Grants and Contracts Receivable	(110,532)	90,593
(Increase) Decrease in Accounts Receivable	1,886	1,809
(Increase) Decrease in Pledges Receivable	(6,595)	28,042
(Increase) Decrease in Allowance for Uncollectible Accounts	---	(11,400)
(Increase) Decrease in Estate Receivable	---	39,737
(Increase) Decrease in Prepaid Expenses	1,956	6,962
(Increase) Decrease in Food Inventory	(2,475)	---
Increase (Decrease) in Accounts Payable	43,567	(4,159)
Increase (Decrease) in Accrued Payroll Expenses	(37,306)	2,307
	<u>\$ (36,126)</u>	<u>\$ 461,189</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	\$ (129,761)	\$ (37,382)
Contributions to Greater Milwaukee Foundation Fund	---	(413,741)
Proceeds from Greater Milwaukee Foundation Fund	---	30,000
	<u>\$ (129,761)</u>	<u>\$ (421,123)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the Paycheck Protection Program Loan	\$ ---	\$ 352,200
Payments on Notes Payable	(21,634)	(20,551)
Payments on Capital Lease	(2,640)	---
Proceeds from Line of Credit	---	75,000
Payments on Line of Credit	---	(75,000)
	<u>\$ (24,274)</u>	<u>\$ 331,649</u>
Net (Decrease) Increase in Cash and Cash Equivalents	\$ (190,161)	\$ 371,715
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>505,157</u>	<u>133,442</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR - UNRESTRICTED	<u>\$ 279,010</u>	<u>\$ 469,222</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR - RESTRICTED	<u>\$ 35,986</u>	<u>\$ 35,935</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 1,614	\$ 2,765
Increase in Fixed Assets through Capital Lease	14,867	---

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

NEIGHBORHOOD HOUSE OF MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NEIGHBORHOOD HOUSE OF MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - Summary of Significant Accounting Policies

Organization

Neighborhood House of Milwaukee, Inc. (the "Organization") is a non-profit community center founded in 1945 which serves more than 4,100 area residents each year. Its mission is to inspire and connect to strengthen families and the community. Its vision is to be the cornerstone of a safe and nurturing community. Neighborhood House offers programs for early school-aged children, teens, and families. It also serves as a center for several community-based collaborative initiatives such as the Personal Responsibility Education Program (PREP), the Story School after school program, and a new community food pantry. Neighborhood House also operates the International Learning Center which is the largest educator of refugees in Wisconsin. The International Learning Center prepares newly arrived refugees for self-sufficiency by conducting English as a second language and citizenship classes.

Accounting Method

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Contributions and Grant Revenue

Contributions and unconditional promises to give received by the Organization are measured at fair value and are reported as increases in net assets. Contributions are considered available for the Organization's general operations and included in net assets without donor restrictions unless specifically restricted by a donor. A restricted contribution is reported in revenue and net assets without donor restrictions when the restriction is met within the same reporting period as the contribution is received. Contributions received restricted for a purpose not yet met or to support a future period are included in net assets with donor restrictions. When a donor restriction from a prior year expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Conditional contributions are not recognized as revenue until they become unconditional. A conditional contribution is one that has both a barrier that must be overcome and an agreement requiring advance payment to be returned or future payment not to be obligated if the barrier is not overcome.

Net assets restricted for acquisition of building or equipment are reported as net assets with donor restrictions until the specified asset is placed in service when the net assets are released to net assets without donor restrictions.

When a donor requires the investment of a contribution and restricts the use of investment income, the investment income is reported as net assets with donor restrictions until appropriated for the designated time or use when the net assets are released to net assets without donor restrictions.

NEIGHBORHOOD HOUSE OF MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - Summary of Significant Accounting Policies (continued)

Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Donated services are recognized as contributions if the services create or enhance nonfinancial assets or the services require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Accordingly, the value of contributed time that does not meet these requirements has not been determined and is not reflected in the accompanying financial statements.

Government Grants and Contract Revenue

Government grants and contract revenue are recognized when earned. Revenue is earned when eligible expenditures, as defined in each grant, contract or other allowable cost manual, are made. Any cash received for revenue not yet earned is considered to be deferred revenue. Revenue earned but not yet paid to the Organization is included in grants receivable. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such review reduces expenditures allowable under these grants or contracts, the Organization records the disallowance at the time the final assessment is made. Management believes that disallowances, if any, would not have a significant effect on the financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less at purchase.

Grants and Contracts Receivable

Grants and contracts receivable includes amounts due to the Organization for revenue from services provided or reimbursable costs per grant and contract agreements.

Accounts Receivable

Accounts receivable includes amounts due related to contract service receivables and receivables from insurance claims.

Pledges Receivable

Pledges receivable are recorded when the Organization receives an unconditional promise to give or when the condition is met of a conditional promise to give. Pledges expected to be received in more than one year from the statement of financial position date are discounted for their estimated present value and recorded in long-term assets.

Allowance for Uncollectible Accounts

Receivables are stated at unpaid balances, less an allowance for doubtful accounts when amounts are not expected to be fully collectible. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of customers to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Management believes all receivables will be collected in accordance with the terms of the agreements. Thus, no allowance for uncollectible accounts is necessary at year end.

NEIGHBORHOOD HOUSE OF MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - Summary of Significant Accounting Policies (continued)

Fixed Assets

Fixed assets are recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The Organization capitalizes all fixed assets with a value greater than \$2,500. Donated fixed assets are recorded at fair value at the date of donation.

Functional Expenses

The Organization presents costs by their natural and functional classification in the statement of activities. Costs are divided into three functions. Program costs are those associated with carrying out the mission; management costs are those for management of the Organization including accounting, office expense, human resources, budgeting or board of directors costs; and fundraising costs are those attributed to the solicitation of contributions. Whenever possible, the Organization charges costs directly to program, management or fundraising. Certain expenses are attributable to one or more programs or supporting functions of the Organization. Those expenses include maintenance and occupancy which are allocated on direct payroll expenses, and salaries for individuals working in more than one function which are allocated based on the amount of time in each function. Other costs are allocated based on their estimated benefit to each function.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

NOTE B - Future Accounting Pronouncements

Accounting Standards Update 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958) will be effective for fiscal years beginning after June 15, 2021. The amendments in this update are required and provide new presentation and disclosure requirements about contributed nonfinancial assets to nonprofits, including additional disclosure requirements for recognized contributed services. Contributed nonfinancial assets will be required to be reported as a separate line in the statement of activities. A financial statement note will be required to provide disaggregated contributed nonfinancial assets by category including: the type of contributed nonfinancial asset; qualitative information about the monetization or utilization of the nonfinancial assets; the policy about the monetization or utilization of nonfinancial assets; a description of restrictions, valuation, and the market used to determine the fair value. The amendments, required to be presented retrospectively to all periods presented, will not change the recognition and measurement requirements for those assets.

Accounting Standards Update 2016-02, Leases (Topic 842) will be effective for fiscal years beginning after December 15, 2021. This update requires the recognition of lease assets and lease liabilities on the statement of financial position measured at the present value of lease payments and requires disclosure of key information about the leasing arrangements.

NEIGHBORHOOD HOUSE OF MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE B - Future Accounting Pronouncements (continued)

Accounting Standards Update 2020-08, Receivables – Nonrefundable Fees and Other Costs (Topic 310-20) will be effective for fiscal years beginning after December 15, 2021. The amendments in this update represent changes to clarify the codification. An organization shall apply the amendment prospectively. This amendment impacts the effective yield of an existing individual callable debt security.

Accounting Standards Update 2016-13, Financial Instruments - Credit Losses (Topic 326) will be effective for fiscal years beginning after December 15, 2023. The main objective of this update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates, including exploring more forward-looking alternatives.

NOTE C - Comparative Financial Information

The financial information shown for 2020 in the accompanying financial statements is included to provide a basis for comparison with 2021. The comparative information is summarized by total only, not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity to generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Reclassifications

Certain amounts in the 2020 financial statements have been reclassified for comparative purposes to conform to the presentation in the 2021 financial statements. Net assets and changes in net assets are unchanged due to these reclassifications.

NOTE D - Liquidity

The Organization's operations are primarily funded through grants and contributions received throughout the year. Financial assets are those assets expected to be available within one year from the financial position date to meet the cash needs of the Organization for general expenditures and to pay obligations as they become due. Assets subject to donor or other contractual restrictions are not considered to be available for general use. In addition to the financial assets listed below, the Organization has a line of credit of \$300,000 which could be drawn upon in the event of a liquidity need.

**NEIGHBORHOOD HOUSE OF MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE D - Liquidity (continued)

Financial assets available for use consist of the following:

<u>Description</u>	<u>Amount</u>
Cash and Cash Equivalents	\$279,010
Grants and Contracts Receivable	253,662
Pledges Receivable	35,577
Less Restricted Pledges Receivable	(5,000)
Greater Milwaukee Foundation	
Income Available to Spend	<u>157,831</u>
Financial Assets Available for Use	<u>\$721,080</u>

NOTE E - Restricted Certificate of Deposit - State Unemployment Reserve

The Organization adopted the reimbursement method for state unemployment compensation purposes. As required by the Wisconsin Unemployment Fund, the Organization assures reimbursement to the Wisconsin Unemployment Fund by means of holding a restricted certificate of deposit as a reserve for state unemployment. The balance of the certificate of deposit was \$35,986 as of June 30, 2021.

NOTE F - Grants Receivable

Grants receivable consists of the following as of June 30, 2021:

<u>Source</u>	<u>Amount</u>
Milwaukee Public Schools	\$ 97,599
Wisconsin Department of Health Services	34,391
Wisconsin Department of Children and Families	25,708
Wisconsin Technical College System	25,555
United Way	18,209
Community Advocates	14,680
City of Milwaukee	13,088
Next Door Foundation	9,683
Maximus	6,365
Wisconsin Department of Public Instruction	4,838
Environmental Protection Agency	<u>3,546</u>
Total	<u>\$253,662</u>

**NEIGHBORHOOD HOUSE OF MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE G - Beneficial Interest - Greater Milwaukee Foundation

The Organization maintains a fund with the Greater Milwaukee Foundation, a community foundation, for investment purposes. The Neighborhood House Fund is considered a component fund of the Greater Milwaukee Foundation. The Greater Milwaukee Foundation accepted a contribution from the Organization and agrees to transfer those assets and the return on investment back to the Organization. The Greater Milwaukee Foundation is legal owner of the assets. The Greater Milwaukee Foundation makes investment decisions and determines the amount of income to be distributed annually to the Organization. The size of distributions from the fund is determined in accordance with the Greater Milwaukee Foundation's distribution policy.

The fair value of the fund as of June 30, 2021, was \$1,570,289 and includes contributions, net investment return, less distributions. The fund includes \$157,831 of income available to spend which may be withdrawn at the request of Neighborhood House, Inc. without any action by the Greater Milwaukee Foundation board of directors.

Gain on beneficial interest is summarized as follows:

Investment Income	\$333,402
Investment Management Fees	<u>(11,797)</u>
Total Gain on Beneficial Interest	<u>\$321,605</u>

NOTE H - Fair Value Measurements

The Organization has adopted the Financial Accounting Standards Board guidance on fair value measurements. A three-tier hierarchy is used to maximize the use of observable market data inputs and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using Level 3 inputs are based primarily on valuation models with significant unobservable pricing inputs and which result in the use of management estimates.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2021.

<u>Investment Category</u>	<u>Fair Value</u>	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Greater Milwaukee Foundation Investments	\$1,570,289	\$ ---	\$ ---	\$1,570,289
Total	<u>\$1,570,289</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$1,570,289</u>

NEIGHBORHOOD HOUSE OF MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE H - Fair Value Measurements (continued)

Greater Milwaukee Foundation investments include equities securities, fixed income securities, absolute return hedge funds, and long/short equity hedge funds. The funds are held by the Greater Milwaukee Foundation which reports on a calendar year.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Fair Value Measurements Using Significant
Unobservable Inputs (Level 3) - GMF Investments

Beginning Balance, July 01, 2020	\$1,248,684
Investment Income	333,402
Less: Investment Fees	<u>(11,797)</u>
Ending Balance, June 30, 2021	<u>\$1,570,289</u>

The amount of unrealized gains or losses for the year ended June 30, 2021, included in the net assets without donor restricted for assets still held at the reporting date was a gain of \$321,605.

NOTE I - Line of Credit

The Organization has a revolving line of credit agreement with a bank allowing for maximum borrowings of \$300,000. Borrowings under the line of credit bear a variable interest rate equal to the bank index rate, which was 3.25% as of June 30, 2021. The line of credit matures on April 15, 2023, and is secured by all security agreements, guarantees, mortgages, and other security instruments previously granted, contemporaneously granted, and granted in the future. As of June 30, 2021, the line of credit had no balance.

NOTE J - Note Payable

The Organization has a note payable that matures on April 10, 2022. At June 30, 2021, the note had an outstanding balance of \$19,357. The interest rate is a fixed interest rate of 4.25%. The note is collateralized by all assets. The note is expected to be paid in full during the year ending June 30, 2022.

NOTE K - Paycheck Protection Program Loan

The Organization received a loan through the Paycheck Protection Program on April 16, 2020. The loan proceeds were spent in accordance with the program and full forgiveness of the loan was received in January 2021. The Organization's financial statements included revenue of \$352,200 for the loan forgiveness in the year ended June 30, 2021.

**NEIGHBORHOOD HOUSE OF MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE L - Capital Leases

The Organization has a capital lease for a copy machine system. The estimated fair value of the assets at lease inception was \$14,867. The economic substance of a capital lease is that the Organization is financing the acquisition of an asset through the lease and, accordingly, the asset and related obligation are recorded in the Organization's assets and liabilities. The assets are included under fixed assets and are being depreciated over the lease terms and useful lives of the assets. Depreciation expense on the capitalized assets was \$2,832 for the year ended June 30, 2021.

The following is a schedule by years of the future minimum lease payments required as of June 30, 2021:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2022	\$ 2,727	\$357	\$ 3,084
June 30, 2023	2,817	267	3,084
June 30, 2024	2,910	174	3,084
June 30, 2025	3,006	78	3,084
June 30, 2026	<u>767</u>	<u>4</u>	<u>771</u>
Total	<u>\$12,227</u>	<u>\$880</u>	<u>\$13,107</u>

NOTE M - Net Assets With Donor Restrictions

The Organization receives contributions that are restricted by donors for use on certain purposes. In addition, the Organization receives pledges for payments expected in future periods. Pledges receivable have an implied time restriction until collected, absent specific donor direction indicating otherwise. Donor designations from the United Way campaign that are included in pledges receivable are considered to be designated for the campaign period, even when collected thereafter, and as such those pledge receivable balances are not included in net assets with donor restrictions.

Net assets with donor restrictions consists on the following as of June 30, 2021.

<u>Purpose Restricted</u>	
Family Adventures	\$ 6,833
Restricted Pledge Receivable	5,000
Art Program	32,011
Lead and Learn Conservation	<u>58,122</u>
Total Purpose Restricted	<u>\$101,966</u>
Total Net Assets With Donor Restrictions	<u>\$101,966</u>

NOTE N - In-Kind Donations

The Organization uses space at a local church and is not charged rent, only a portion of the utilities. The estimated fair value of the space received at no charge is \$23,780. During the year ended June 30, 2021, the Organization received \$72,454 of donated food, \$10,806 of donated media services for fundraising events, and \$3,000 in donated Head Start program supplies. Total in-kind donations were \$110,040 for the year ended June 30, 2021.

NEIGHBORHOOD HOUSE OF MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE O - Revenue From Contracts with Customers

Program Revenue

The Organization receives program service fees for child care and contract services. The fees are recorded as revenue at the point in time that the customer receives the services, such as when the class or educational program takes place. Revenue collected in advance of the program is considered deferred revenue. Revenue owed for prior services is included in receivables.

For the year ended June 30, 2021, child care fees revenue was \$96,257 and contract services revenue was \$9,595. At June 30, 2021, there were no assets or obligations related to program revenue.

Special Events

The Organization holds various fundraising events throughout the year. Registration fees for these events are billed to participants at the time of registration. A portion of the registration allocated to the value of meals and entertainment is considered an exchange transaction. Amounts received above the exchange portion are accounted for under contribution guidance. The exchange portion of events revenue is recognized at the point in time the event is held and the Organization's performance obligation to hold the event is completed. Cash receipts for the exchange portion collected in advance of the special event are deferred as contract liabilities until earned when the event is held at which point the revenue is recognized.

At June 30, 2021, there were no assets or obligations related to revenue from contracts with customers. For the year ended June 30, 2021, special event revenue was \$190,604, of which \$12,800 is for exchange transactions with attendees.

Rental Income

The Organization leased space to various organizations to hold events. Rent revenue is recognized at the point in time the event is held and the Organization's performance obligation to hold the event and provide the space is completed. The rental income for the year ended June 30, 2021, was \$19,509.

NOTE P - Conditional Contributions and Grants

The Organization has contracts with government agencies which include specific use stipulations requiring funds be used only on qualifying expenses determined by grant contracts and allowable cost policies. The Organization will not receive the grant funds unless spent on the required activities and within allowable cost guidance. As of June 30, 2021, the Organization has available grant funds of \$236,732 for various programs, which are available through grant periods ending at various times in the year ending June 30, 2022.

NEIGHBORHOOD HOUSE OF MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE Q - Retirement Plan

The Organization participates in a 401(k) plan where the Organization will contribute an amount equal to 100% of employee contributions, limited to 4% of the employee's compensation. Employees who work more than 1,000 hours by the first anniversary of hire or 1,000 hours in any subsequent plan year are eligible to participate. The expense for the year ended June 30, 2021, was \$28,037.

NOTE R - Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of Internal Revenue Code and is classified as other than a private foundation. Management has reviewed all tax positions recognized in previously filed tax returns and those expected to be taken in future tax returns. As of June 30, 2021, the Organization had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. The Organization does not anticipate any significant changes to unrecognized income tax benefits over the next year.

NOTE S - Subsequent Events

The Organization has evaluated events and transactions occurring after June 30, 2021 through November 21, 2021, the date the financial statements are available to be issued, for possible adjustments to the financial statements or disclosures. The Organization has determined that the following subsequent event needs to be disclosed.

The COVID-19 outbreak in the United States has caused disruption through mandated and voluntary closings of many businesses and nonprofits. There is considerable uncertainty around the duration of the pandemic. The impact, if any, to the Organization's future financial statements is unknown at this time. No adjustments have been made to the financial statements related to this uncertainty.

NEIGHBORHOOD HOUSE OF MILWAUKEE, INC.
SCHEDULE OF PROGRAM REVENUE AND EXPENSES - WITHOUT DONOR RESTRICTIONS
FOR THE YEAR ENDED JUNE 30, 2021
(With Summarized Totals for the Year Ended June 30, 2020)

	Community and Outdoor Programs	Early Childhood Development	Youth Services	Family Life and Education	International Learning Center	Other	2021 Total	2020 Total
REVENUE								
Grants	\$ 80,757	\$ 118,106	\$ 54,447	\$ 248,191	\$ 252,443	\$ ---	\$ 753,944	\$ 651,837
Contributions	100,395	61,373	27,723	60,310	21,900	421,771	693,472	537,692
Bequests	---	---	---	---	---	---	---	413,741
Paycheck Protection Program Revenue	---	---	---	---	---	352,200	352,200	---
In-Kind Revenue	72,455	2,999	---	---	23,780	10,806	110,040	42,398
United Way	250	180,809	78,008	---	---	72,918	331,985	316,296
Wisconsin Shares	77,128	417,467	425	---	---	---	495,020	430,398
Child Care Fees	---	94,537	400	---	1,320	---	96,257	94,913
Gain on Beneficial Interest	---	---	---	---	---	321,605	321,605	26,750
Contract Services	---	---	525	---	---	9,070	9,595	21,556
Other Investment Income	---	---	---	---	---	1,017	1,017	72
Special Events Revenue	---	---	---	---	---	190,604	190,604	173,261
Special Events Expense	---	(1,350)	---	---	---	(71,378)	(72,728)	(27,751)
Rental Income	100	---	---	---	1,200	18,209	19,509	10,663
Other Revenue	280	---	1,796	---	855	9,059	11,990	16,180
Net Assets Released from Restrictions	17,250	---	---	---	---	11,150	28,400	76,788
Total Revenue	\$ 348,615	\$ 873,941	\$ 163,324	\$ 308,501	\$ 301,498	\$ 1,347,031	\$ 3,342,910	\$ 2,784,774
EXPENSES								
Salaries and Wages	\$ 215,927	\$ 492,438	\$ 86,344	\$ 203,361	\$ 211,086	\$ 432,467	\$ 1,641,623	\$ 1,407,400
Employee Benefits	1,431	40,908	6,513	14,566	9,450	30,998	103,866	120,703
Retirement	---	---	---	---	---	28,037	28,037	19,106
Payroll Taxes	20,848	42,384	7,697	16,546	20,605	43,932	152,012	178,261
Professional Fees	---	1,507	---	14,506	646	116,303	132,962	162,022
Contract Services	36,163	800	745	10,310	700	4,175	52,893	52,126
Office Supplies	---	104	45	37	1,207	3,443	4,836	9,410
Human Resource Supplies	342	755	412	331	401	1,355	3,596	10,039
Telephone	2,305	300	---	---	5,252	4,121	11,978	13,638
Postage	27	---	8	---	---	3,678	3,713	6,644
Printing	292	---	20	1,124	---	2,390	3,826	5,301
Technology	325	533	---	2,726	1,642	9,890	15,116	10,472
Subscriptions	---	3,106	---	---	---	5,284	8,390	936
Occupancy	5,791	3,657	1,698	---	27,200	21,116	59,462	49,852
Utilities	953	---	---	---	13,400	55,175	69,528	62,855
Marketing and Promotion	---	1,053	1,053	7,310	1,208	2,283	12,907	---
Program and Special Event Supplies	3,830	1,876	1,151	34,034	483	3,025	44,399	21,865
Educational Supplies	---	2,427	140	5,037	1,253	(53)	8,804	10,425
Participant Engagement	---	1,000	476	6,609	---	423	8,508	2,268
Food	70,260	41,982	957	1,884	350	923	116,356	39,232
Field Trips	521	3,613	2,814	1,038	---	---	7,986	10,139
Grant Supplies	---	---	---	---	2,434	---	2,434	6,064
Equipment Rental and Maintenance	4,837	9,003	2,514	1,181	1,237	37,981	56,753	49,125
Maintenance and Housekeeping Supplies	2,956	1,604	---	1,544	223	18,620	24,947	27,983
Depreciation	1,979	38,607	23,758	12,869	---	24,608	101,821	96,798
Travel	2,869	2,158	65	1,733	92	262	7,179	25,140
Conferences, Conventions and Meetings	---	---	25	---	240	493	758	2,147
Fundraising Expense	---	---	---	---	---	---	---	4,800
Interest Expense	---	---	---	---	---	1,614	1,614	2,765
Insurance	598	---	---	1,142	---	25,500	27,240	34,547
Membership Dues	1,502	1,169	1,480	1,392	3,211	5,886	14,640	16,203
Staff Development	1,070	1,625	360	45	234	528	3,862	3,541
Bank Charges and Fees	---	1,853	---	---	---	4,270	6,123	4,801
Licenses	155	2,178	---	---	---	699	3,032	1,003
Real Estate Taxes	---	---	---	---	---	102	102	66
Other Expenses	---	---	---	---	---	1,121	1,121	7,627
Bad Debt Expense	---	---	---	---	---	9,419	9,419	---
Occupancy Allocation	40,598	92,094	16,155	44,025	36,859	(229,731)	---	---
Indirect Expense Allocation	66,774	140,081	24,340	64,437	56,340	(351,972)	---	---
Total Expenses	\$ 482,353	\$ 928,815	\$ 178,770	\$ 447,787	\$ 395,753	\$ 318,365	\$ 2,751,843	\$ 2,475,304
CHANGE IN NET ASSETS	\$ (133,738)	\$ (54,874)	\$ (15,446)	\$ (139,286)	\$ (94,255)	\$ 1,028,666	\$ 591,067	\$ 309,470