

NEIGHBORHOOD MINISTRIES, INC. and SUBSIDIARY

Consolidated Financial Statements
With Independent Auditor's Report

December 31, 2024 and 2023



NEIGHBORHOOD MINISTRIES, INC. AND SUBSIDIARY

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Neighborhood Ministries, Inc. and Subsidiary
Phoenix, Arizona

Opinion

We have audited the accompanying consolidated financial statements of Neighborhood Ministries, Inc. and Subsidiary (a nonprofit corporation), which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Neighborhood Ministries, Inc. and Subsidiary as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of Neighborhood Ministries, Inc. and Subsidiary 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 Consolidated Financial Statements

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

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

Board of Directors
Neighborhood Ministries, Inc. and Subsidiary
Phoenix, Arizona

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Ministries, Inc. and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Neighborhood Ministries, Inc. and Subsidiary'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.

Capin Crouse LLC

Lawrenceville, Georgia
September 26, 2025

NEIGHBORHOOD MINISTRIES, INC. AND SUBSIDIARY

Consolidated Statements of Financial Position

	December 31,	
	2024	2023
ASSETS:		
Cash and cash equivalents	\$ 1,364,207	\$ 1,927,016
Grants receivable	623,122	777,297
Other receivables	73,792	82,299
Prepaid expenses	109,958	17,212
Property and equipment—net	4,310,431	4,744,826
Investments held for long-term purposes	520,082	468,903
Total Assets	\$ 7,001,592	\$ 8,017,553
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 631,241	\$ 915,518
Refundable advance	500	41,154
Note payable	355,024	393,335
Total liabilities	986,765	1,350,007
Net assets:		
Without donor restrictions	4,689,651	5,169,195
With donor restrictions:		
Restricted by purpose or time	868,550	1,045,925
Restricted in perpetuity	456,626	452,426
	1,325,176	1,498,351
Total net assets	6,014,827	6,667,546
Total Liabilities and Net Assets	\$ 7,001,592	\$ 8,017,553

See notes to consolidated financial statements

NEIGHBORHOOD MINISTRIES, INC. AND SUBSIDIARY

Consolidated Statement of Activities

Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT AND REVENUE:			
Contributions	\$ 609,228	\$ 164,387	\$ 773,615
Contributions of non-financial assets	314,745	-	314,745
Federal and state contracts and grants	493,717	9,617,361	10,111,078
Other	66,734	-	66,734
Total Operating Support and Revenue	1,484,424	9,781,748	11,266,172
RECLASSIFICATIONS:			
Satisfaction of purpose restrictions	10,001,902	(10,001,902)	-
OPERATING EXPENSES:			
Program services:			
Nueva Esperanza	6,784,960	-	6,784,960
Nueva Camino	475,933	-	475,933
Neighbors at Work	1,191,546	-	1,191,546
Neighborhood Spiritual Development	475,476	-	475,476
Education for Life	701,496	-	701,496
Neighborhood Family Services	1,024,608	-	1,024,608
	10,654,019	-	10,654,019
Supporting activities:			
General and administrative	822,052	-	822,052
Fundraising	489,799	-	489,799
	1,311,851	-	1,311,851
Total Operating Expenses	11,965,870	-	11,965,870
Change in Net Assets from Operating Activities	(479,544)	(220,154)	(699,698)
NONOPERATING ACTIVITY:			
Investment return net of amount designated for current operations	-	46,979	46,979
Change in Net Assets from Nonoperating Activities	-	46,979	46,979
Change in Net Assets	(479,544)	(173,175)	(652,719)
Net Assets, Beginning of Year	5,169,195	1,498,351	6,667,546
Net Assets, End of Year	\$ 4,689,651	\$ 1,325,176	\$ 6,014,827

See notes to consolidated financial statements

NEIGHBORHOOD MINISTRIES, INC. AND SUBSIDIARY

Consolidated Statement of Activities

Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT AND REVENUE:			
Contributions	\$ 413,179	\$ 490,177	\$ 903,356
Contributions of non-financial assets	441,390	-	441,390
Federal and state contracts and grants	2,185	16,529,364	16,531,549
Other	32,428	-	32,428
Total Operating Support and Revenue	889,182	17,019,541	17,908,723
RECLASSIFICATIONS:			
Satisfaction of purpose restrictions	16,462,655	(16,462,655)	-
OPERATING EXPENSES:			
Program services:			
Nueva Esperanza	8,209,407	-	8,209,407
Nueva Camino	4,348,672	-	4,348,672
Neighbors at Work	1,500,851	-	1,500,851
Neighborhood Spiritual Development	332,233	-	332,233
Education for Life	1,066,760	-	1,066,760
Neighborhood Family Services	748,081	-	748,081
	16,206,004	-	16,206,004
Supporting activities:			
General and administrative	1,088,280	-	1,088,280
Fundraising	340,888	-	340,888
	1,429,168	-	1,429,168
Total Operating Expenses	17,635,172	-	17,635,172
Change in Net Assets from Operating Activities	(283,335)	556,886	273,551
NONOPERATING ACTIVITY:			
Investment return net of amount designated for current operations	-	17,664	17,664
Change in Net Assets from Nonoperating Activities	-	17,664	17,664
Change in Net Assets	(283,335)	574,550	291,215
Net Assets, Beginning of Year	5,452,530	923,801	6,376,331
Net Assets, End of Year	\$ 5,169,195	\$ 1,498,351	\$ 6,667,546

See notes to consolidated financial statements

NEIGHBORHOOD MINISTRIES, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses

Year Ended December 31, 2024

	Program Services						Supporting Activities			Total Expenses	
	Nueva Esperanza	Nueva Camino	Neighbors at Work	Neighborhood Spiritual Development	Education for Life	Neighborhood Family Services	Total Program Services	General and Administrative	Fundraising		Total Supporting Activities
Operating Expenses:											
Salaries and benefits	\$ 3,800,985	\$ 337,131	\$ 755,721	\$ 238,489	\$ 383,925	\$ 437,755	\$ 5,954,006	\$ 489,957	\$ 253,966	\$ 743,923	\$ 6,697,929
Occupancy	210,590	50,587	34,251	11,068	25,669	14,529	346,694	19,958	7,190	27,148	373,842
Repairs and maintenance	53,388	2,749	18,039	5,821	15,193	14,378	109,568	23,460	4,179	27,639	137,207
Transportation	323,786	6,511	4,924	36,470	-	9,332	381,023	44,504	321	44,825	425,848
Professional services	505,137	47,364	64,216	19,375	51,223	30,627	717,942	56,589	130,432	187,021	904,963
Meals and travel	408,151	11,079	70,382	32,359	40,524	65,438	627,933	73,473	28,831	102,304	730,237
Insurance	132,213	14,226	26,707	8,654	22,528	11,041	215,369	16,151	6,267	22,418	237,787
Tuition assistance	-	-	-	-	12,009	-	12,009	-	-	-	12,009
Financial assistance	-	-	74,955	17,130	43,996	4,793	140,874	-	-	-	140,874
Foster care	717,100	-	-	-	-	-	717,100	-	-	-	717,100
Retreats and activities	216,330	-	-	55,029	14,134	9,620	295,113	30	-	30	295,143
Food and beverage	51,752	8	1,385	8,235	34,007	37,714	133,101	7,726	113	7,839	140,940
Supplies	244,633	6,278	39,882	12,275	13,018	34,222	350,308	17,326	23,935	41,261	391,569
Finance charges	-	-	-	465	111	-	576	18,686	4,459	23,145	23,721
Depreciation	120,895	-	75,265	30,106	45,159	66,233	337,658	54,192	30,106	84,298	421,956
Distribution of food and other	-	-	25,819	-	-	288,926	314,745	-	-	-	314,745
Total expenses	\$ 6,784,960	\$ 475,933	\$ 1,191,546	\$ 475,476	\$ 701,496	\$ 1,024,608	\$ 10,654,019	\$ 822,052	\$ 489,799	\$ 1,311,851	\$ 11,965,870

See notes to consolidated financial statements

NEIGHBORHOOD MINISTRIES, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses

Year Ended December 31, 2023

	Program Services						Supporting Activities			Total Expenses	
	Nueva Esperanza	Nueva Camino	Neighbors at Work	Neighborhood Spiritual Development	Education for Life	Neighborhood Family Services	Total Program Services	General and Administrative	Fundraising		Total Supporting Activities
Operating Expenses:											
Salaries and benefits	\$ 3,997,704	\$ 2,290,031	\$ 897,421	\$ 120,293	\$ 583,691	\$ 130,668	\$ 8,019,808	\$ 517,834	\$ 162,232	\$ 680,066	\$ 8,699,874
Occupancy	223,110	289,976	4,632	1,899	373	4,790	524,780	104,668	360	105,028	629,808
Repairs and maintenance	129,978	34,050	8,955	-	1,803	3,460	178,246	86,152	-	86,152	264,398
Transportation	594,126	125,215	1,810	26,051	570	240	748,012	13,431	195	13,626	761,638
Professional services	667,359	453,619	97,032	12,567	49,864	29,313	1,309,754	64,572	99,907	164,479	1,474,233
Meals and travel	488,958	239,632	100,784	18,117	71,785	16,204	935,480	119,642	16,730	136,372	1,071,852
Insurance	115,118	54,659	23,831	5,597	17,512	12,206	228,923	17,706	5,553	23,259	252,182
Tuition assistance	-	-	-	-	41,149	-	41,149	-	-	-	41,149
Financial assistance	-	-	144,924	18,714	35,804	24,776	224,218	18	-	18	224,236
Foster care	1,361,646	466,421	-	-	-	-	1,828,067	-	-	-	1,828,067
Retreats and activities	300,695	187,502	10,316	52,291	127,835	10,237	688,876	265	-	265	689,141
Food and beverage	23,566	71,282	7,292	13,899	34,588	29,986	180,613	11,058	3,324	14,382	194,995
Supplies	226,725	136,285	61,948	37,489	20,390	18,331	501,168	67,491	26,641	94,132	595,300
Depreciation	80,422	-	111,352	25,316	81,396	57,034	355,520	85,443	25,946	111,389	466,909
Distribution of food and other	-	-	30,554	-	-	410,836	441,390	-	-	-	441,390
Total expenses	\$ 8,209,407	\$ 4,348,672	\$ 1,500,851	\$ 332,233	\$ 1,066,760	\$ 748,081	\$ 16,206,004	\$ 1,088,280	\$ 340,888	\$ 1,429,168	\$ 17,635,172

See notes to consolidated financial statements

NEIGHBORHOOD MINISTRIES, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (652,719)	\$ 291,215
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	421,956	466,909
Realized and unrealized gain on investments	(43,740)	(18,554)
Gain on disposal of assets	(1,562)	
Contributions received for long-term purposes	(4,200)	(252,768)
Changes in operating assets and liabilities:		
Grants receivable	154,175	(216,278)
Other receivables	8,507	(54,324)
Prepaid expenses	(92,746)	(11,425)
Accounts payable and accrued expenses	(284,277)	368,045
Refundable advance	(40,654)	(141,816)
Net Cash Provided (Used) by Operating Activities	(535,260)	431,004
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of property and equipment	-	(23,841)
Purchase of investments	(7,439)	(259,158)
Proceeds from the sale of investments	-	7,280
Proceeds from the sale of property and equipment	14,001	-
Net Cash Provided (Used) by Investing Activities	6,562	(275,719)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions received for long-term purposes	4,200	252,768
Repayments of note payable	(38,311)	(37,163)
Net Cash Provided (Used) by Financing Activities	(34,111)	215,605
Net Change in Cash and Cash Equivalents	(562,809)	370,890
Cash and Cash Equivalents, Beginning of Year	1,927,016	1,556,126
Cash and Cash Equivalents, End of Year	\$ 1,364,207	\$ 1,927,016
SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest	\$ 14,476	\$ 15,623

See notes to consolidated financial statements

NEIGHBORHOOD MINISTRIES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

1. NATURE OF ORGANIZATION:

Neighborhood Ministries, Inc. (NM) is a Arizona not-for-profit corporation established in 1995. As a not-for-profit corporation, NM is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (Code). NM is also classified as a publicly supported organization, which is not a private foundation as defined by Section 170(b) of the Code. NM's primary sources of support and revenue come from federal grants and donor contributions.

NM was formed to provide tangible love and hope to distressed families of urban Phoenix, empowering them to transform their communities as they themselves have been transformed. The focus of NM's programs is holistic in nature. NM targets the most vulnerable urban poor families who are trapped in the cycle of poverty and have significant physical, emotional, mental, and spiritual needs. The programs are designed to develop relationships through which love, help, and hope can be inspired.

NM's key values are investing in long-term relationships, expressing holistic ministry, being community based in ministry, mentoring and developing indigenous leaders, affirming the role of the local church, and developing partnerships that unite the church at large.

Established in 2009, OpportuniTees, LLC, a wholly owned subsidiary of NM, is a silkscreen and embroidery business that operates together with NM by developing and empowering men and women with essential life and job skills. Employees of OpportuniTees, LLC are under-resourced men and women within the community that NM serves. Effective January 2023, OpportuniTees, LLC was officially dissolved. For both years ended December 31, 2024 and 2023, OpportuniTees, LLC had no activity.

Following are the program services administered by NM:

Nueva Esperanza—provides assistance to unaccompanied children coming over the border by providing the basic needs of food and clothing, safety, education, housing, mental health, and medical services through a day center, home care service providers, and community partners. Effective July 2025, the Nueva Esperanza grant was not renewed.

Nueva Camino—in partnership with the office of refugee resettlement, children coming over the border unaccompanied are received with arms outstretched with love, meeting the basic needs of food and clothing, safety, education, housing, mental health, and medical services through group homes, home care service providers, and community partners. The Nuevo Camino program utilizes Arizona licensed foster homes for long-term care for the children. Effective March 2024, the Nueva Camino grant was not renewed.

NEIGHBORHOOD MINISTRIES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

1. NATURE OF ORGANIZATION, continued:

Neighbors at Work

Neighbors at Work—assists youth and young adults ages 15-35 in developing the skills and habits necessary to apply for a job and then succeed in that job. Funded in part by the Valley of the Sun United Way, this program teaches job search skills for effective long-term employment through resume writing, interviewing readiness, and effective job placement. An ongoing case manager assists in teaching of responsibility, accountability, and effective communication in the workplace. Through networking channels and relationships with area employers, the program also provides information on current job openings.

Mercado de la Comunidad (thrift store)—opened in November 2009 to provide job opportunities and a low-cost convenient place to meet some of the community needs for clothing and household goods. Generous donations keep the store well-stocked, and efforts are being made to market the store outside of the immediate neighborhood so that it can become self sufficient.

Neighborhood Spiritual Development

Kids Club—is a two-week summer day camp for 500 kindergarteners through 6th grade. Over 80 youth workers provide leadership for the camp. Youth workers are a mix of youths from urban and suburban backgrounds. The morning session begins with singing, skits, and classroom time with a biblical based curriculum, and the afternoon session consists of field trips and fun activities. Volunteers and churches from around Phoenix prepare the crafts and snacks for the children.

Kids Camp—is a one-week camp for 65 4th through 6th graders at Mountain Meadows camp near Payson, Arizona. The goal of the camp is fun, spiritual development, and strengthening bonds with leaders before the new school year begins and the children progress another grade.

Kids Life—is a weekly youth group during the school year for kindergarteners through 7th graders, serving approximately 450 children. NM provides transportation for children from within a 100 square mile area for those who want to stay connected with the program. The program includes bible class time with a small group leader, time for singing and worship, and activities such as soccer, crafts, metal and wood shop, choir, dance, basketball, and drama.

Iglesia De Neighborhood Ministries—a church that functions within NM. It is a bi-lingual Spanish/English church of approximately 100 weekly attendees. Sunday morning is the place and time where whole families meet together under the guidance of two pastors.

NEIGHBORHOOD MINISTRIES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

1. NATURE OF ORGANIZATION, continued:

Education for Life

Summer Internships—The paid summer internship program provides a unique opportunity for high school and college age youth and young adults from our under-served community to learn leadership and community development skills while gaining valuable workforce experience. Interested participants apply and interview for this 10-week intensive training program, and internship placements are highly coveted as only 10 interns are hired each year. Over the course of the summer, interns learn about the cycle of poverty, advocate for social justice, and engage in community organizing projects.

Sueños Youth Center—Sueños focuses heavily on mentoring and developing positive, supportive relationships with youth. Operating four nights a week, the program uses a trauma-informed approach to reach about 150 youth and young adults annually to build protective factors, develop social-emotional skills, and improve mental health and well-being. The program offers life skills trainings, social-emotional learning and mindfulness workshops, mentoring, STEAM classes, sports, leadership and spiritual development, conflict resolution workshops, ACEs and trauma-informed care trainings, coding classes, career explorations, therapeutic arts classes, financial literacy, work readiness, and dating violence and substance abuse prevention classes.

Senior High—includes a weekly youth group during the school year combined with various camping and retreat opportunities. The weekly youth group includes small group biblical instruction and discussion combined with fun activities. Many of the young developing leaders are giving back in the youth groups for the younger ages.

Social Justice—is an out growth of the High School Leadership program. It was developed as a way to teach our high school and college age youth the power of civic engagement. As they discovered that many in their neighborhoods were not registered to vote, they began a large-scale, non-partisan effort to get people registered to vote and then encourage them to actually vote. They were also very involved in the successful effort to move a proposed light-rail line from a historic residential street to a more suitable commercial street two blocks away. The program continues to educate voters and to communicate with elected officials on issues affecting their neighborhoods.

NEIGHBORHOOD MINISTRIES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

1. NATURE OF ORGANIZATION, continued:

Education for Life, continued

Katy's Kids—Since 2004, Neighborhood Ministries' onsite preschool, Katy's Kids has helped meet the need for affordable, high-quality early learning opportunities in inner-city Phoenix. Serving three to five year old children, this program equips students from low-income households with the skills they need to succeed in kindergarten and beyond. Katy's Kids was recently awarded a prestigious five-star rating from First Things First. Katy's Kids is a wise investment as research shows every dollar invested in early childhood education in Arizona results in a \$17 savings when the child reaches adulthood! And what makes Katy's Kids unique is its focus on increasing parental involvement. Parents attend parent education classes and volunteer 20+ hours during the academic year.

Neighborhood Family Services

The Food Bank—is part of the Neighborhood Center and is open once a week on Friday mornings. The Food Bank serves approximately 40 families each week. Families qualify for clothing distribution once per month and a food box every ninety days, and emergency distribution is available based on need. The Food Bank is supplied by volunteer donations and several churches around the Phoenix metropolitan area.

Parenting por Vida—is a mentoring program for teenage mothers. The program is designed for mothers ages 12 through 24 and their children. The purpose is for mature Christian women to support young mothers from the inner city and to nurture and enhance their parental, spiritual, personal, and communal development through caring, compassionate friendships. The relationship is designed to equip young mothers with tools to counteract negative influences that lead to family and social dysfunction. It is NM's desire to love each young mother unconditionally and encourage the opportunity for mature friendships and wise counsel.

Parent Volunteers—consists of over 100 parents of the children that attend the youth groups. The purpose is to develop trusting relationships built on dignity that will lead to a growing personal relationship with Jesus and an increasing participation in the church and community. These relationships are developed by providing work opportunities that utilize and develop practical job skills, sponsoring seasonal stores where volunteer hours are redeemed for needed items, providing volunteer opportunities to serve the community, meeting the holistic needs of the parent and their families and providing opportunities for spiritual growth and nurture.

Distressed Families—provides assistance to individuals and families with specific needs such as assistance with utility bills, phone bills, and rent. This program was significantly scaled back due to lack of funding; however, it still provides some financial assistance to families who suffer an unexpected, non-recurring financial setback that may impact their ability to remain in their home or remain employed.

NEIGHBORHOOD MINISTRIES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the balances and financial activities of NM and OpportuniTees, LLC (collectively referred to as the Organization). All significant intercompany transactions and balances have been eliminated from the consolidated financial statements.

USE OF ESTIMATES

The preparation of the Organization's consolidated financial statements in conformity with accounting principles generally accepted in the United States 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes checking and money market accounts. While at times deposits may exceed federally insured limits, the Organization has not experienced any losses on these accounts. At December 31, 2024 and 2023, the Organization's cash balances exceeded federally insured limits by \$803,116 and \$1,319,828, respectively.

GRANTS RECEIVABLE

Grants receivable consists primarily of amounts due the Organization under cost-reimbursable federal and state contract and grant agreements. The allowance for doubtful grants receivable is maintained at a level that, in management's judgment, is adequate to absorb probable losses. The amount is based upon an analysis of overall grant receivables by management. Management's evaluation of the allowance includes, but is not limited to, the historical experience of payment patterns from the grantor, financial condition of the grantor, other known facts and circumstances, and general economic conditions. This process is based on estimates, and ultimate loss may vary from current estimates. Grants receivable as of December 31, 2024 and 2023, are considered by management to be fully collectible and, accordingly, an allowance has not been provided.

NEIGHBORHOOD MINISTRIES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY AND EQUIPMENT—NET

Items capitalized as property and equipment are stated at cost, or if donated, at estimated fair value on the date of receipt. The Organization generally capitalizes and reports property and equipment acquisitions in excess of \$1,000. Expenditures for repairs and maintenance are charged to expense as incurred, and additions and improvements that significantly extend the lives of assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 39 years.

INVESTMENTS HELD FOR LONG-TERM PURPOSES

The Organization holds investments in a long-term diversified pool, which comprises equity, fixed income, and alternative investments. Investments in marketable securities with readily determinable fair values and all debt securities are recorded at fair value based on the last reported sales price on the valuation date. Interest and dividend income and the realized and unrealized gains and losses on marketable securities and other investments is reported as other revenue without donor restrictions in the accompanying consolidated statements of activities unless a donor or law restricts its use. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Donated investments are recorded at the fair market value at the date of donation and are thereafter carried in conformity with the stated policy.

CLASSES OF NET ASSETS

The consolidated financial statements report amounts separately by class of net assets:

Net assets without donor restrictions are currently available at the discretion of the board for use in operations, designated by the board for other specific projects determined by the board, or invested in property and equipment net of accumulated depreciation and related debt.

Net assets with donor restrictions—restricted by purpose or time are stipulated by donors for specific operating purposes or programs, with time restrictions, or not currently available for use until commitments regarding their use have been fulfilled.

Net assets with donor restrictions—restricted in perpetuity are contributed with donor restrictions requiring that they be held in perpetuity with income used for scholarships.

All contributions are considered available for use without donor restrictions unless specifically restricted by the donor or subject to other legal restrictions.

NEIGHBORHOOD MINISTRIES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES

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

A portion of the Organization's support and revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as a refundable advance in the consolidated statements of financial position.

Gifts of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as reclassifications.

Contributions of non-financial assets (consisting of food, water, clothing, household items, school supplies, and other miscellaneous items) are recorded at its estimated fair value at the date of donation.

The Organization reports donations of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing the various program services and supporting activities of the Organization have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. The consolidated statements of functional expenses report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. A majority of the Organization's expenses are direct expenses and are allocated directly to the program the expense applies to. Certain employee positions are allocated based on time and effort. Other expenses, including supplies, are allocated based on full-time employee equivalent basis. Occupancy and depreciation expense are allocated on a square-footage basis.

NEIGHBORHOOD MINISTRIES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

OPERATING AND NONOPERATING ACTIVITIES

The consolidated statements of activities present the changes in net assets of the Organization from both operating activities and nonoperating activities. Operating support and revenue and expenses relate primarily to the programs provided by the Organization. Income (loss) on investments classified as endowment spending are included in other revenue in the accompanying consolidated statements of activities. All other gains and losses on endowment assets are classified as nonoperating activities in the accompanying consolidated statements of activities.

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects the Organization's financial assets as of December 31, 2024 and 2023, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Organization considers general expenditures to be all expenditures related to achieving its vision as well as the conduct of services undertaken to support those activities to be general expenditures.

	December 31,	
	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 1,364,207	\$ 1,927,016
Grants receivable	623,122	777,297
Other receivables	73,792	72,093
Investments held for long-term purposes	520,082	468,903
Financial assets, at year-end	<u>2,581,203</u>	<u>3,245,309</u>
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Scholarship endowment fund:		
Held in perpetuity	(456,626)	(452,426)
Accumulated earnings	<u>(63,456)</u>	<u>(16,477)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,061,121</u>	<u>\$ 2,776,406</u>

NEIGHBORHOOD MINISTRIES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

3. LIQUIDITY AND FUNDS AVAILABLE, continued:

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. At December 31, 2024 and 2023, the Organization has \$805,094 and \$1,029,448, respectively, in net assets with donor restrictions for designated purposes. These funds are considered available to meet needs for general expenditures as funds are used for their donor restricted purposes or time restriction is satisfied.

4. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consists of:

	December 31,	
	2024	2023
Land	\$ 436,200	\$ 436,200
Buildings and building improvements	6,522,239	6,522,239
Vehicles	285,945	285,945
Furniture and equipment	814,595	843,161
Software	498,463	498,463
	8,557,442	8,586,008
Less accumulated depreciation	(4,268,183)	(3,862,354)
	4,289,259	4,723,654
Construction in progress	21,172	21,172
	\$ 4,310,431	\$ 4,744,826

5. INVESTMENTS HELD FOR LONG-TERM PURPOSES:

Investments held for long-term purposes, at fair-value, consist of:

	December 31,	
	2024	2023
Interest in long-term diversified pooled funds of the Arizona Community Foundation	\$ 520,082	\$ 468,903
	\$ 520,082	\$ 468,903

Investments are held for endowment purposes.

NEIGHBORHOOD MINISTRIES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

6. NOTE PAYABLE:

Note payable consists of:

	December 31,	
	2024	2023
Note payable agreement with a certain financial institution in the principal amount of \$541,144; bears interest at a fixed rate of 3.75%; effective October 2019, requires 83 equal monthly payments of principal and interest in the amount of \$4,399 through maturity in September 2026, at which time all remaining unpaid principal and accrued interest is due; secured by certain property owned by the Organization.	\$ 355,024	\$ 393,335

Maturities of note payable are estimated as follows:

Years Ending December 31,	Amounts
2025	\$ 40,226
2026	314,798
	\$ 355,024

NEIGHBORHOOD MINISTRIES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

7. NET ASSETS:

Net assets consist of:

	December 31,	
	2024	2023
Without donor restrictions:		
Undesignated	\$ 4,689,651	\$ 5,169,195
With donor restrictions:		
Restricted by purpose or time:		
New head start campaign	\$ 675,839	\$ 725,838
W&K scholarship fund	54,335	63,240
Neighbors at Work	74,648	125,277
Katy's Kids	-	106,385
Distressed Families	272	-
Social Justice	-	8,708
Accumulated earnings–donor-restricted scholarship endowment fund	63,456	16,477
	868,550	1,045,925
Restricted in perpetuity:		
Donor-restricted scholarship endowment fund	456,626	452,426
	\$ 1,325,176	\$ 1,498,351

NEIGHBORHOOD MINISTRIES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

8. DISCLOSURE OF FAIR VALUE AND FAIR VALUE MEASUREMENTS:

The *Fair Value Measurements and Disclosure* topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall:

	Fair Value Measurements at December 31, 2024			
	Level 1	Level 2	Level 3	Total
Investments, at fair value:				
Interest in pooled funds of the Arizona Community Foundation	\$ -	\$ 520,082	\$ -	\$ 520,082
	Fair Value Measurements at December 31, 2023			
	Level 1	Level 2	Level 3	Total
Investments, at fair value:				
Interest in pooled funds of the Arizona Community Foundation	\$ -	\$ 468,903	\$ -	\$ 468,903

Methods and assumptions used by the Organization in estimating fair values are as follows:

Interest in pooled funds of the Arizona Community Foundation—The fair value of these financial instruments is based upon the Organization’s per share interest in the pooled fund as reported by the Arizona Community Foundation. The Organization is able to redeem its investment in the pool at the reporting date.

Changes in valuation techniques—None.

NEIGHBORHOOD MINISTRIES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

9. ENDOWMENT FUND:

The Organization's endowment consists of one fund established for scholarship purposes and includes a donor-restricted endowment fund. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as net assets restricted in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of applicable donor gift instruments at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund in excess of the original fair value that is not classified in net assets restricted in perpetuity is classified as net assets restricted by purpose or time until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment fund:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

Endowment net asset composition by type of fund at December 31, 2024:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Earnings	Original Gift	
Donor-restricted scholarship endowment fund	\$ -	\$ 63,456	\$ 456,626	\$ 520,082

NEIGHBORHOOD MINISTRIES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

9. ENDOWMENT FUND, continued:

Changes in endowment net assets for the year ended December 31, 2024:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Earnings	Original Gift	
Endowment net assets, beginning of year	\$ -	\$ 16,477	\$ 452,426	\$ 468,903
Investment return:				
Dividends and interest	-	3,239	-	3,239
Net realized/unrealized gains	-	43,740	-	43,740
	-	46,979	-	46,979
Contributions	-	-	4,200	4,200
Endowment net assets, end of year	\$ -	\$ 63,456	\$ 456,626	\$ 520,082

Endowment net asset composition by type of fund at December 31, 2023:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Deficit	Original Gift	
Donor-restricted scholarship endowment fund	\$ -	\$ 16,477	\$ 452,426	\$ 468,903

NEIGHBORHOOD MINISTRIES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

9. ENDOWMENT FUND, continued:

Changes in endowment net assets for the year ended December 31, 2023:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Earnings	Original Gift	
Endowment net assets, beginning of year	\$ 44,408	\$ (1,187)	\$ 155,250	\$ 198,471
Investment return:				
Dividends and interest	-	1,671	-	1,671
Net realized/unrealized gains	-	15,993	-	15,993
	-	17,664	-	17,664
Contributions	-	-	252,768	252,768
Transfers	(44,408)	-	44,408	-
Endowment net assets, end of year	\$ -	\$ 16,477	\$ 452,426	\$ 468,903

Funds with Deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. No such deficiencies existed for the years ended December 31, 2024 and 2023. In accordance with GAAP, deficiencies of this nature affected two funds for the year ended December 31, 2022.

Return Objectives and Risk Parameters:

The Organization has adopted investment and spending policies for the endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the board, the endowment assets of the Organization are invested in a manner that is intended to produce an inflation-adjusted income stream to grow the corpus above the inflation rate. The Organization expects their endowment funds, over time, to provide an average rate of return of approximately seven percent annually. Actual returns in any given year may vary from this amount.

NEIGHBORHOOD MINISTRIES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

9. ENDOWMENT FUND, continued:

Strategies Employed for Achieving Objectives:

To satisfy its long-term rate-of-returns objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term objectives with prudent risk restraints.

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

The Organization has a policy of appropriating for distribution each year up to 4.25% of its endowment fund's rolling average fair value over the preceding three calendar years. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

10. DONOR CONCENTRATION:

During the years ended December 31, 2024 and 2023, two donors and three donors gave 23% and 25% of total contributions, respectively. During the years ended December 31, 2024 and 2023, one donor gave 92% and 93% of the total contributions of non-financial assets, respectively. During the years ended December 31, 2024 and 2023, the Organization received 90% and 92%, respectively, of its total support and revenue from federal and state contracts and grants, which was received from two U.S. governmental agencies.

The Organization's operations and program activities could be impacted if these donor relationships were to be terminated and could not be replaced by new donors with comparable donations.

11. POST-RETIREMENT PLANS:

The Organization sponsors a defined contribution retirement plan (the Plan), which covers substantially all employees. Employees are eligible to make contributions and receive matching contributions after completing 90 days of service. Contributions to the Plan are held by the Plan custodian. Employer contributions to the Plan are discretionary. Employer contributions to the Plan were \$64,117 and \$87,267 for the years ended December 31, 2024 and 2023, respectively.

NEIGHBORHOOD MINISTRIES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

12. CONTRIBUTIONS OF NON-FINANCIAL ASSETS:

Contributions of non-financial assets for the years ended December 31, 2024 and 2023, included in the consolidated financial statements were as follows:

	Year Ended December 31,	
	2024	2023
Food	\$ 288,926	\$ 405,716
Other	25,819	35,674
	<u>\$ 314,745</u>	<u>\$ 441,390</u>

Donated food is valued per pound, based upon the estimated fair market value of the food. For the years ended December 31, 2024 and 2023, the approximate value of one pound of donated food was \$1.74 and \$1.57, respectively. The Organization collected 166,049 and 258,418 pounds of food in 2024 and 2023, respectively. Other donated items included clothing, household items, furniture, pet food, and other miscellaneous items, which are valued based upon researching the estimated fair market value for similar or identical products. These donated goods are without donor restriction and used in the Organization's programs.

13. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through September 26, 2025, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.