

Neighbors Who Care
Financial Statements
And
Independent Auditor's Report
Year Ended June 30, 2020

❖ **Snyder & Butler, CPAs, PLLC**

Soldier's Best Friend
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June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Neighbors Who Care

We have audited the accompanying financial statements of Neighbors Who Care (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 Neighbors Who Care as of June 30, 2020, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, management adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions received and Contributions Made*. Our opinion is not modified with respect to this matter.



Snyder & Butler, CPAs, PLLC
Tempe, Arizona
December 4, 2020

Neighbors Who Care
Statement of Financial Position
June 30, 2020

Assets

Current assets:	
Cash and cash equivalents	\$ 434,419
Investments	128,274
Prepaid expenses	<u>6,870</u>
Total current assets	<u>569,563</u>
Noncurrent assets:	
Property and equipment, net	296,734
Total assets	<u><u>\$ 866,297</u></u>

Liabilities and Net Assets

Current liabilities:	
Accounts payable	\$ 1,190
Meal delivery liability	8,605
Payroll and related	<u>14,802</u>
Total current liabilities	<u>24,597</u>
Net assets:	
Without donor restrictions	829,853
With donor restrictions	<u>11,847</u>
Total net assets	<u>841,700</u>
Total liabilities and net assets	<u><u>\$ 866,297</u></u>

See accompanying notes to financial statements.

**Neighbors Who Care
Statement of Activities
Year Ended June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Operating support and revenue:			
Contributions and grants	323,171	\$ 11,847	\$ 335,018
Advertising	6,650	-	6,650
Other Income	312	-	312
Net assets released from restrictions	3,000	(3,000)	-
Total operating support and revenue	<u>333,133</u>	<u>8,847</u>	<u>341,980</u>
Operating expenses:			
Program services	164,476	-	164,476
Supporting services:			
Management and general	116,767	-	116,767
Fundraising	101,359	-	101,359
Total supporting services	<u>218,126</u>	<u>-</u>	<u>218,126</u>
Total expenses	<u>382,602</u>	<u>-</u>	<u>382,602</u>
Change in net assets from operations	(49,469)	8,847	(40,622)
Nonoperating revenue:			
Investment return, net	2,808	-	2,808
Total nonoperating revenue	<u>2,808</u>	<u>-</u>	<u>2,808</u>
Change in net assets	(46,661)	8,847	(37,814)
Net assets, beginning of year	876,514	3,000	879,514
Net assets, end of year	<u>\$ 829,853</u>	<u>\$ 11,847</u>	<u>\$ 841,700</u>

See accompanying notes to financial statements.

Neighbors Who Care
Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services	Supporting Services		Total
		Administration	Fundraising	
Salaries and related	\$ 107,224	\$ 70,708	\$ 62,319	\$ 240,251
Dues and subscriptions	-	841	-	841
Volunteer expenses	5,694	-	-	5,694
Bank fees	-	1,713	-	1,713
Conference and meetings	-	506	-	506
Insurance	4,435	3,991	-	8,426
Printing and publications	2,986	677	24,276	27,939
Supplies	4,354	507	1,769	6,630
Telephone	2,122	707	-	2,829
Professional fees	10,053	11,049	12,498	33,600
Small equipment	8,876	9,264	-	18,140
Transportation	4,367	-	-	4,367
Utilities	1,989	7,414	497	9,900
Mileage and employee expense	1,774	-	-	1,774
Subsidized meals	1,212	-	-	1,212
Depreciation	9,390	9,390	-	18,780
Total expenses	<u>\$ 164,476</u>	<u>\$ 116,767</u>	<u>\$ 101,359</u>	<u>\$ 382,602</u>

See accompanying notes to financial statements.

**Neighbors Who Care
Statement of Cash Flows
Year Ended June 30, 2020**

Cash flows from operating activities:

Change in net assets	\$ (37,814)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Depreciation and amortization	18,780
Unrealized loss on investments	1,491
Changes in operating assets and liabilities:	
Decrease in inventory	1,347
Increase in prepaids	(442)
Increase in payroll and related liabilities	5,694
Increase in meal delivery liability	3,897
Net cash used by operating activities	<u>(7,047)</u>

Cash flows from Investing Activities

Purchases of investment	(96,231)
Net proceeds from sale of investments	<u>87,571</u>
Net cash used by investment activities	<u>(8,660)</u>

Net decrease in cash and cash equivalents (15,707)

Cash and cash equivalents, beginning of year 450,126

Cash and cash equivalents, end of year \$ 434,419

See accompanying notes to financial statements.

Neighbors Who Care
Notes to Financial Statements
June 30, 2020

Note 1 - Nature of Activities and Summary of Significant Accounting Policies

Neighbors Who Care, Inc. (the "NWC"), is a non-profit NWC founded in 1995 and assists the homebound, disabled, and/or frail elderly in Sun Lakes and south Chandler. The mission of NWC is, "to inspire a robust network of volunteers who respond to the ever-changing needs of our aging community, helping them live at home with pride, dignity and independence."

NWC's operational goal is to recruit, train, and manage community volunteers to provide quality non-medical assistive services to enrolled clients via a "neighbor helping neighbor" approach. NWC's service area is comprised of 32 square miles and serves the communities of south Chandler and Sun Lakes. This geographic area, according to the 2010 U.S. Census, has the third highest population of elderly adults statewide, but lacks sufficient wraparound human services programs to address the population's needs.

NWC serves a unique and distinct population of homebound and/or elderly, 100% of who (either temporarily or permanently) meet the definition of "disabled" under current federal law. Approximately 80% of NWC's clients are female with 75% being over the age of 75. A typical NWC client is a widowed female, over 75 years of age, lives alone, is homebound, and lacks extended family members or the financial resources to obtain other forms of assistance, specifically those that require payment.

Clients involved in this type of "healthy aging in place" model are, on average, able to remain in their own homes for an additional four years. Without the support services provided by NWC, many would be forced to move in with family members or go into assisted living facilities or nursing homes, often at state expense.

Basis of Presentation: The financial statements of NWC have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require NWC to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the NWC. These net assets may be used at the discretion of NWC's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of NWC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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

Neighbors Who Care
Notes to Financial Statements
June 30, 2020

Cash and Cash Equivalents: For the purpose of the statement of cash flows, NWC considers all highly liquid debt instruments with an initial maturity of three months or less at date of acquisition to be cash equivalents.

Investments: Investments in equity and fixed income securities are reported at fair value in the statements of financial position based on quoted market prices. Investments are exposed to certain risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities and volatility in the capital markets, changes in the value of investment securities could occur in the near term, and these changes could materially differ from the amounts reported in the accompanying financial statements.

Investment return, including Interest, dividends and changes in market value, is presented net of related investment fees.

Accounts Receivable: Accounts receivable are carried at the outstanding balances less an allowance for doubtful accounts, if applicable, and are attributable to program service fees. NWC evaluates the collectability of its receivables based on a combination of factors. In circumstances where it is aware of a specific amount where there may be an inability to meet the financial obligation, it records a specific reserve to reduce the amounts recorded to what it believes will be collected. Accounts are charged off against the allowance when they are deemed to be uncollectible. Accounts are past due when not paid within 30 days of invoicing. No allowance was reported in the financial statements since management believes that all receivables are fully collectible.

Property and Equipment: Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of equipment is calculated using the straight-line method over the estimated useful lives of the respective assets.

Maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and gains and losses are included in operations.

Donated Materials and Services: Donated materials and services are recorded at their estimated fair value upon receipt. Donated services are recorded at their estimated fair value if they enhance NWC's non-financial assets or require specialized skills that NWC would normally purchase if needed if not provided by donation. NWC had donated goods of \$3,598.

Functional Expenses: Expenses are charged to program services, management and general and fundraising categories based on direct expenditures incurred. Any expenditures not directly chargeable are allocated based on the following methods: Salaries, payroll taxes and benefits are allocated based on management's estimate of time & effort. All non-personnel related expenses unless directly expensed to a program are allocated based on approximate square feet utilized and allocated resources.

Income Tax Status: NWC qualifies as a tax-exempt NWC under Section 501(c)(3) of the Internal Revenue Code (IRC) and, therefore, there is no provision for income taxes. In addition, NWC qualifies for the charitable contribution deduction under Section 170 of the code and has been classified as an organization that is not a private foundation.

Neighbors Who Care
Notes to Financial Statements
June 30, 2020

NWC recognizes uncertain tax positions in the financial statements when it is more-likely-than-not the positions will not be sustained upon examination by the tax authorities. At June 30, 2020 NWC had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events: In preparing these financial statements, NWC has evaluated events and transactions for potential recognition or disclosure through December 4, 2020, the date the financial statements were available to be issued.

New Accounting Pronouncement: In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods and services to customers. The ASU replaced most existing revenue recognition guidance in U.S. GAAP.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made.

NWC has implemented these standards for the year ending June 30, 2020. However, these ASUs did not have a material impact on the financial statements.

Revenue Recognition:

Contributions: Contributions and grants are considered unconditional, and therefore recognized in the financial statements as revenue, when any barrier specified by the donor that must be overcome to be entitled to the resources has been met. If a donor specifies a barrier and there is a specified right-of-return within the award if the barrier is not satisfied, NWC does not recognize the revenue until the barrier is overcome in accordance with ASU No. 2018-08.

Advertising revenue: Revenue from advertising is recognized at a point in time as the performance obligation (i.e. advertisement placed in the newsletter) has been met.

NWC has opted to apply the practical expedient which allows for application of the guidance in ASU No. 2014-09 to a portfolio of contracts (or performance obligations) with similar characteristics if the entity reasonably expects that the effects on the financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts (or performance obligations) within the portfolio.

Additionally, NWC applied the practical expedient to not disclose the transaction price allocated to unsatisfied or partially unsatisfied performance obligations as of the end of the reporting period when the performance obligations relate to contracts with an expected duration of less than one year.

Neighbors Who Care
Notes to Financial Statements
June 30, 2020

Note 2 – Availability and Liquidity

The following represents NWC's financial assets at June 30, 2020:

Financial assets at year end:

Cash and cash equivalents	\$ 434,419
Less contractual or donor-imposed restrictions:	
Restricted by donors with purpose restrictions	<u>(11,847)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 422,572</u></u>

NWC's goal is generally to maintain financial assets to meet one year of total expenses (approximately \$400,000). As part of its liquidity plan, the entity maintains the majority of its short-term assets in cash accounts.

Note 3 – Investments

Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 inputs generally are available indirect information, such as quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active. NWC does not have any financial instruments it values based on Level 2 inputs.

Level 3 inputs are the most subjective and are generally based on the entity's own assumptions on how knowledgeable parties would price assets or liabilities and are developed using the best information available in the circumstances. NWC does not have any financial instruments it values based on Level 3 inputs.

The fair value of assets measured on a recurring basis and reported at fair value follows:

Investments:

Mutual funds-equity	Level 1	\$ 77,854
Mutual funds-bonds	Level 1	<u>50,420</u>
Total reported investments		128,274
Cash equivalent investments		
Money market mutual fund	Level 1	<u>2,204</u>
Total investments		<u><u>\$ 130,478</u></u>

Neighbors Who Care
Notes to Financial Statements
June 30, 2020

Note 4 - Concentrations

Financial instruments that subject NWC to potential concentrations of credit risk consist generally consists of cash, accounts receivable and promises to give. At June 30, 2020 deposits were in excess of federal deposit insurance limits by \$202,974.

During the year ending June 30, 2020, NWC received \$100,150 in contributions from 2 donors, representing approximately 29% of total revenue.

Note 5 - Property and Equipment

Property and equipment consisted of the following at June 30, 2020:

Buildings and improvements	\$ 547,633
Furniture, fixtures and equipment	16,570
Vehicle	<u>25,951</u>
Total	590,154
Less accumulated depreciation	<u>(293,420)</u>
Total property and equipment, net	<u><u>\$ 296,734</u></u>

Depreciation expense totaled \$18,780 for the year ended June 30, 2020.

Note 6 - Net Assets with Donor Restrictions

Net assets with donor restrictions at year-end totaled \$11,847 and consisted of unspent Atlas grant proceeds restricted for technological, facility, and operational improvements.

Note 7 – COVID-19 Economic Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) a pandemic. The COVID-19 outbreak has resulted in significant economic uncertainties. Management is unable to quantify the potential effects of this pandemic on future financial statements.