

**HELLO NEIGHBOR
FINANCIAL STATEMENTS
AS OF JUNE 30, 2023 AND 2022
AND FOR THE YEARS THEN ENDED
(with Independent Auditor's Report thereon)**

KLINE

KEPPEL

AND

KORYAK

A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Hello Neighbor

Opinion

We have audited the accompanying financial statements of Hello Neighbor (a nonprofit corporation), which comprise the statements of financial condition as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hello Neighbor as of June 30, 2023 and 2022, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hello Neighbor and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that,

individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hello Neighbor's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hello Neighbor'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.

Kline - Keppel and Koryak, PC

July 25, 2024

HELLO NEIGHBOR
STATEMENTS of FINANCIAL POSITION
JUNE 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,407,620	\$ 1,709,586
Grants receivable	812,357	158,604
Donated goods	40,000	50,000
Prepaid expenses	<u>25,883</u>	<u>44,915</u>
Total Current Assets	<u>2,285,860</u>	<u>1,963,105</u>
Premises and Equipment, Net:		
Property and equipment	110,986	32,652
Accumulated depreciation	<u>(6,082)</u>	<u>(3,430)</u>
	<u>104,904</u>	<u>29,222</u>
Other Assets:		
Operating lease right of use assets, net of amortization	195,652	-
Security deposits	<u>7,500</u>	<u>2,500</u>
Total Other Assets	<u>203,152</u>	<u>2,500</u>
Total Assets	<u>\$ 2,593,916</u>	<u>\$ 1,994,827</u>
LIABILITIES and NET ASSETS		
<i>Liabilities</i>		
Current Liabilities:		
Current portion of operating lease liabilities	\$ 94,647	\$ -
Accounts payable	9,393	18,901
Credit card payables	52,021	13,376
Accrued expenses	158,997	18,227
Refundable advances	-	178,102
Unearned revenue	<u>-</u>	<u>18,104</u>
Total Current Liabilities	315,058	246,710
Long-Term Liabilities -		
Operating lease liabilities	<u>102,480</u>	<u>-</u>
<i>Total Liabilities</i>	<u>417,538</u>	<u>246,710</u>
<i>Net Assets</i>		
Without Donor Restrictions	1,331,378	1,289,882
With Donor Restrictions	<u>845,000</u>	<u>458,235</u>
<i>Total Net Assets</i>	<u>2,176,378</u>	<u>1,748,117</u>
Total Liabilities and Net Assets	<u>\$ 2,593,916</u>	<u>\$ 1,994,827</u>

See accompanying notes to financial statements.

HELLO NEIGHBOR
STATEMENTS of ACTIVITIES
YEARS ENDED JUNE 30, 2023 and 2022

	Without Donor Restrictions	<u>2023</u> With Donor Restrictions	Total	Without Donor Restrictions	<u>2022</u> With Donor Restrictions	Total
Revenue:						
Contributions	\$ 396,291	\$ -	\$ 396,291	\$ 472,328	\$ 36,158	\$ 508,486
Grants	2,162,021	845,000	3,007,021	1,863,769	848,222	2,711,991
Program services revenue	26,635	-	26,635	3,914	-	3,914
Special event revenue	68,929	-	68,929	19,460	-	19,460
Sponsorship revenue	56,500	-	56,500	64,996	-	64,996
Interest income	13,338	-	13,338	171	-	171
Miscellaneous income	413	-	413	2,637	-	2,637
Net assets released from restrictions	<u>458,235</u>	<u>(458,235)</u>	<u>-</u>	<u>533,645</u>	<u>(533,645)</u>	<u>-</u>
 Total Revenue	 <u>3,182,362</u>	 <u>386,765</u>	 <u>3,569,127</u>	 <u>2,960,920</u>	 <u>350,735</u>	 <u>3,311,655</u>
Expenses:						
Program services	2,573,693	-	2,573,693	1,591,432	-	1,591,432
Management and general	297,869	-	297,869	351,798	-	351,798
Fundraising	<u>158,980</u>	<u>-</u>	<u>158,980</u>	<u>124,907</u>	<u>-</u>	<u>124,907</u>
 Total Expenses	 <u>3,030,542</u>	 <u>-</u>	 <u>3,030,542</u>	 <u>2,068,137</u>	 <u>-</u>	 <u>2,068,137</u>
 Change in Net Assets from Operations	 151,820	 386,765	 538,585	 892,783	 350,735	 1,243,518
Change in Net Assets from Nonoperating Item - Labor Relations Settlement	<u>(110,324)</u>	<u>-</u>	<u>(110,324)</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Change in Net Assets	 41,496	 386,765	 428,261	 892,783	 350,735	 1,243,518
 Net Assets at Beginning of Year	 <u>1,289,882</u>	 <u>458,235</u>	 <u>1,748,117</u>	 <u>397,099</u>	 <u>107,500</u>	 <u>504,599</u>
 Net Assets at End of Year	 <u>\$ 1,331,378</u>	 <u>\$ 845,000</u>	 <u>\$ 2,176,378</u>	 <u>\$ 1,289,882</u>	 <u>\$ 458,235</u>	 <u>\$ 1,748,117</u>

See accompanying notes to financial statements.

HELLO NEIGHBOOR
STATEMENTS of FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2023 and 2022

	<u>2023</u>			
	<u>Program</u>	<u>Management and</u>		<u>Total</u>
	<u>Services</u>	<u>General</u>	<u>Fundraising</u>	
<i>From Operations</i>				
Personnel:				
Salaries and benefits	\$ 1,326,810	\$ 111,543	\$ 58,858	\$ 1,497,211
Payroll taxes	113,600	10,306	4,802	128,708
Total Personnel	<u>1,440,410</u>	<u>121,849</u>	<u>63,660</u>	<u>1,625,919</u>
Operating:				
Advertising & marketing	12,317	2,167	8,138	22,622
Awards & grants	527,958	-	-	527,958
Bank charges & fees	10	1,966	5,475	7,451
Conferences, conventions, & meetings	4,498	2,247	-	6,745
Contractors	207,129	23,002	14,907	245,038
Convening	70,046	2,462	56,266	128,774
Depreciation	1,724	928	-	2,652
Dues & subscriptions	6,213	2,845	1,142	10,200
Human resources	23,320	8,752	2,660	34,732
Insurance	4,469	2,335	-	6,804
Legal & professional	39,521	28,975	-	68,496
Meals & entertainment	13,708	4,216	970	18,894
Office supplies & software	63,578	34,362	4,650	102,590
Payroll processing fees	-	6,408	-	6,408
Postage	2,194	989	361	3,544
Printing	2,417	363	-	2,780
Rent & lease	62,895	35,342	-	98,237
Repairs & maintenance	12,163	6,549	-	18,712
Travel	62,967	3,823	725	67,515
Utilities	16,156	8,289	26	24,471
Total Operating	<u>1,133,283</u>	<u>176,020</u>	<u>95,320</u>	<u>1,404,623</u>
Total Functional Expenses from Operations	<u>2,573,693</u>	<u>297,869</u>	<u>158,980</u>	<u>3,030,542</u>
<i>From Nonoperating Item</i>				
Personnel:				
Salaries and other costs	101,965	-	-	101,965
Payroll taxes	8,359	-	-	8,359
Total Functional Expenses from Nonoperating Item	<u>110,324</u>	<u>-</u>	<u>-</u>	<u>110,324</u>
Total Functional Expenses	<u>\$ 2,684,017</u>	<u>\$ 297,869</u>	<u>\$ 158,980</u>	<u>\$ 3,140,866</u>
<u>2022</u>				
	<u>Program</u>	<u>Management and</u>		<u>Total</u>
	<u>Services</u>	<u>General</u>	<u>Fundraising</u>	
Personnel:				
Salaries and benefits	\$ 658,591	\$ 38,718	\$ 17,274	\$ 714,583
Payroll taxes	50,091	5,276	1,719	57,086
Total Personnel	<u>708,682</u>	<u>43,994</u>	<u>18,993</u>	<u>771,669</u>
Operating:				
Advertising & marketing	2,890	10,288	4,786	17,964
Awards & grants	804,915	7,579	465	812,959
Bank charges & fees	-	6,027	-	6,027
Conferences, conventions, & meetings	6,145	11,631	4,528	22,304
Contractors	35,761	31,520	87,658	154,939
Depreciation	-	3,009	-	3,009
Development	7,011	5,635	7,744	20,390
Dues & subscriptions	100	5,008	-	5,108
Insurance	-	5,549	-	5,549
Legal & professional	122	82,190	-	82,312
Meals & entertainment	4,243	5,647	-	9,890
Miscellaneous	-	1,183	-	1,183
Office supplies & software	7,518	67,645	418	75,581
Payroll processing fees	-	2,760	-	2,760
Postage	34	1,700	83	1,817
Printing	-	3,690	-	3,690
Rent & lease	-	47,904	-	47,904
Repairs & maintenance	-	3,018	162	3,180
Travel	13,453	1,870	46	15,369
Utilities	558	3,951	24	4,533
Total Operating	<u>882,750</u>	<u>307,804</u>	<u>105,914</u>	<u>1,296,468</u>
Total Functional Expenses	<u>\$ 1,591,432</u>	<u>\$ 351,798</u>	<u>\$ 124,907</u>	<u>\$ 2,068,137</u>

See accompanying notes to financial statements

HELLO NEIGHBOR
STATEMENTS of CASH FLOWS
YEARS ENDED JUNE 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 428,261	\$ 1,243,518
Adjustments to reconcile change in net assets to cash flows (used in) provided by operating activities:		
Donated goods	10,000	(50,000)
Depreciation	2,652	3,009
Amortization of operating lease right of use asset	1,475	-
(Increase) decrease in assets:		
Accounts receivable	-	12,255
Grants receivable	(653,753)	(120,409)
Prepaid expenses	19,032	(43,885)
Increase (decrease) in liabilities:		
Accounts payable	(9,508)	17,020
Credit card payable	38,645	660
Accrued expenses	140,770	6,983
Refundable advances	(178,102)	27,113
Unearned revenue	(18,104)	(138,738)
	<u>(218,632)</u>	<u>957,526</u>
Cash Flows from Investing Activities:		
Capital Expenditures	(78,334)	(26,749)
Security Deposits	(5,000)	-
	<u>(83,334)</u>	<u>(26,749)</u>
Cash Flows Used in Investing Activities		
	<u>(83,334)</u>	<u>(26,749)</u>
(Decrease) Increase in Cash	(301,966)	930,777
Cash - Beginning of Year	<u>1,709,586</u>	<u>778,809</u>
Cash - End of Year	<u>\$ 1,407,620</u>	<u>\$ 1,709,586</u>

See accompanying notes to financial statements.

HELLO NEIGHBOR
NOTES to FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

Note 1: General and Summary of Significant Accounting Policies

Nature of Organization

The founders formed the Hello Neighbor (the Organization) in 2017 under the Corporation Not-for-Profit Code of the Commonwealth of Pennsylvania. The Organization is a qualified corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (IRC).

The Organization works to improve the lives of recently resettled refugee and immigrant families by matching them with dedicated neighbors to guide and support them in their new lives through mentorship. The Organization provides financial support to refugees in need, advocates for new refugee mothers and their children through the smart start program and study buddy program, helps refugee women gain financial freedom through food-based programs. The Organization also administers a national network that brings together a coalition of grassroots organizations working in post-refugee resettlement.

Basis of Accounting

The Organization prepared the accompanying financial statements on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The Organization recognizes revenues when earned and expenses when incurred.

Estimates

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

Financial Statement Presentation

The financial statements report information regarding the Organization's financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Without donor restrictions are net assets that are not subject to donor-imposed stipulations. With donor restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that will be met by the passage of time or other events specified by the donor.

Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity. The Organization has no net assets with donor restrictions that are to be maintained in perpetuity as of June 30, 2023 and 2022.

HELLO NEIGHBOR
NOTES to FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

Property and Equipment

The Organization records property and equipment at cost if purchased or fair market value if donated. It computes depreciation using the straight line method over the useful life of the property. The Organization charges the cost of additions and improvements exceeding \$2,500 to the property accounts, and it expenses maintenance and repairs as incurred. The Organization eliminates the cost of property sold or retired and the related accumulated depreciation from the accounts and reflects the resulting gain or loss in the statement of activities.

Revenue Recognition

The Organization recognizes contribution and grant revenue when grantors and donors make promises to give and records them as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. The Organization recognizes program service revenue when attendees register for the program. The Organization recognizes special events revenue when tickets to the events are sold.

The Organization considers donor-restricted contributions or grants whose restrictions are satisfied in the same reporting period to be without donor restrictions.

The Organization recognizes conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, as revenue when it has substantially met the conditions or barriers. The Organization records conditional gifts received prior to the satisfaction of conditions as refundable advances. As of June 30, 2023, the Organization had no refundable advances. As of June 30, 2022, refundable advances were \$178,102.

Leases

The Organization calculates its operating lease right of use assets and operating lease liabilities using its incremental borrowing rate and the terms under the lease agreements. The Organization amortizes the operating lease right of use assets over the lease terms.

Donated Goods and Services

The Organization receives personal care items, household goods, and clothing as contributions. The Organization uses such items for its resettlement and family services. The Organization recognizes such items as contributions at the estimated fair value of the goods at the date of donation based on the estimated sales prices for items of similar condition.

The Organization receives donated services from its volunteers; however, it does not recognize any revenue from the donated services since the services do not meet the revenue recognition criteria for donated services.

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NOTES to FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that the Organization allocates include salaries, payroll taxes, and overhead costs on the basis of estimates of time and effort. Expenses directly related to a specific program are charged to that program.

Advertising

The Organization expenses advertising costs when incurred.

Compensated Absences

The Organization does not accrue for compensated absences since management believes any such amount would be immaterial to its results of operations.

Reclassifications

The Organization has reclassified certain prior year amounts on its financial statements to conform to the current year presentations.

Subsequent Events

Management has considered subsequent events through July 25, 2024, the date the financial statements became available for release.

Note 2: Cash & Cash Equivalents

The Organization maintains cash at various financial institutions. At times, the balances in these accounts may exceed the amount insured by the Federal Deposit Insurance Corporation (\$250,000).

The Organization considers money market demand accounts and certificates of deposit with maturity periods of one year or less to be cash equivalents for statement of cash flow purposes.

Note 3: Grants Receivable

The Organization records receivables for program service fees and grants receivable in the normal course of business. The Organization provides for a valuation allowance for accounts receivable whose collection is doubtful. Outstanding receivables were \$812,357 and \$158,604 as of June 30, 2023 and 2022, respectively. Since the Organization expects to collect them in full, it has not provided an allowance for these receivables.

HELLO NEIGHBOR
NOTES to FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

Note 4: Income Taxes

Under IRC Section 501(c)(3), the Organization is exempt from income tax liability; therefore, these financial statements do not include a provision or liability for federal income taxes. The Internal Revenue Service (IRS) may examine the Organization's annual informational returns for the six month period ended June 30, 2021, and the fiscal years ended June 30, 2023 and 2022. As of the date these financial statements became available for release, there are no pending or actual examinations by the IRS.

Note 5: Net Assets with Donor Restrictions

The Organization classifies net assets according to the level of restriction placed upon the assets by the donors. Net assets with donor restrictions as of June 30, 2023 and 2022, amounted to \$845,000 and \$458,235, respectively. Restrictions are both related to time and programmatic use.

Note 6: Concentration of Risk

The Organization conducts its activities principally in the Greater Pittsburgh area; therefore, economic and demographic influences in this region could impact its operations.

Note 7: Leases

Effective January 1, 2022, the Organization entered into a lease for its office space including expansion of offices and added storage space. The lease is a 3-year lease with monthly lease payments for the offices at \$4,228 per month starting January 1, 2022 through December 31, 2022, \$4,355 per month from January 1, 2023 through December 31, 2023, and \$4,430 per month from January 1, 2024 through December 31, 2024. The storage lease began February 1, 2022, and its monthly rental is \$525 through December 31, 2024. The Organization has the option to extend the lease for an additional 3 year period.

Effective January 1, 2023, the Organization entered into a lease for additional office space. Monthly rentals for 2023, 2024, and 2025 are \$4,344, \$4,453, and \$4,564, respectively. The Organization has the option to extend the lease for an additional 3 year period.

The Organization treats these leases as operating leases based on the terms of the lease agreements.

Total rent expense amounted to \$98,237 and \$47,904 for the years ended June 30, 2023 and 2022, respectively.

HELLO NEIGHBOR
NOTES to FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

Following is a schedule of future minimum lease payments required under the above operating leases as of June 30, 2023:

Year ending:	
June 30, 2024	\$ 111,792
June 30, 2025	83,832
June 30, 2026	<u>27,384</u>
	<u>\$ 223,008</u>

As of July 1, 2022, the Organization changed its accounting method for leases as a result of implementing the requirements in the Financial Accounting Standards Board's Accounting Standards Update 2016-02 "*Leases (Topic 842)*." There was no cumulative effect adjustment to the Organization's statement of financial position as of that date.

The new lease guidance requires the recognition of right of use assets and lease liabilities for operating leases. The Organization elected practical expedients, which allowed, among other things, for not reassessing the lease classification or initial direct costs for existing leases. As of July 1, 2022, the Organization recognized operating lease right of use assets and corresponding operating lease liabilities of \$264,701. Adoption of the new guidance did not have a significant impact on the statements of activity and cash flows for the year ended June 30, 2023.

The Organization's statement of cash flows for the year ended June 30, 2023, includes cash payments of \$77,562 as operating activities.

The maturities of the operating lease liabilities as of June 30, 2023, are as follows:

Year ending:	
June 30, 2024	\$ 105,492
June 30, 2025	80,682
June 30, 2026	<u>27,384</u>
Total payments	213,558
Less interest	<u>(16,431)</u>
Present value	<u>\$ 197,127</u>

Note 8: Retirement Plan

The Organization established a SIMPLE IRA plan on January 1, 2021. Employees who earn at least \$5,000 per year are eligible to participate in the plan. The Organization makes annual employer contributions for eligible participating employees with a dollar-for-dollar

HELLO NEIGHBOR
NOTES to FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

match contribution up to 3% of compensation. The Organization contributed \$10,632 and \$6,300 to the plan for the years ended June 30, 2023 and 2022, respectively.

Note 9: Availability of Financial Assets

Financial assets available within one year from the statement of financial position date for general expenditure are as follows:

	<u>2023</u>	<u>2022</u>
Cash & Cash Equivalents	\$ 1,407,620	\$ 1,709,586
Grants Receivable	<u>812,357</u>	<u>158,604</u>
	<u>\$ 2,219,977</u>	<u>\$ 1,868,190</u>

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. Funds are set aside in a money market account to assist in meeting any short-term cash needs.

Note 10: Labor Dispute Settlement

On July 16, 2024, the Organization's Board of Directors announced that the Organization settled a labor dispute with its employees and the National Labor Relations Board. The Organization agreed to pay \$214,946 to the employees for back pay, wage increases, payroll taxes, interest, and compensation. The United Steel Workers union filed charges against the Organization in February 2023 on behalf of the employees. The Organization has recorded accrued expenses of \$110,324 as of June 30, 2023, representing nonoperating expenses related to the settlement for the year then ended. The Organization will recognize \$104,622 of settlement costs in the year ended June 30, 2024.