

Neighbors Together Corporation

Financial Report

June 30, 2016

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Independent Auditors' Report

To the Board of Directors of
Neighbors Together Corporation

We have audited the accompanying financial statements of Neighbors Together Corporation ("Neighbors Together"), a not-for-profit organization, which comprise the statements of financial position as of June 30, 2016 and 2015, and related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 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 Together Corporation as of June 30, 2016 and 2015, 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.

Gruber Palumberi Raffaele Fried, P.C.

January 11, 2017

Neighbors Together Corporation

Statements of Financial Position

As of June 30, 2016 and 2015

ASSETS

| | <u>2016</u> | <u>2015</u> |
|-------------------------------------|-------------------|-------------------|
| Cash and cash equivalents | \$ 493,076 | \$ 339,906 |
| Grants and contributions receivable | 81,158 | 20,983 |
| Prepaid expenses and other assets | 10,099 | 11,688 |
| Construction in progress | 75,000 | - |
| Property and equipment- net | <u>23,793</u> | <u>31,376</u> |
| Total assets | <u>\$ 683,126</u> | <u>\$ 403,953</u> |

LIABILITIES AND NET ASSETS

Liabilities:

| | | |
|---------------------------------------|---------------|---------------|
| Accounts payable and accrued expenses | 16,464 | 25,975 |
| Loan payable to landlord | <u>60,000</u> | <u>-</u> |
| Total liabilities | <u>76,464</u> | <u>25,975</u> |

Net assets:

Unrestricted:

| | | |
|------------------------------------|----------------|----------------|
| Board-designated operating reserve | 180,000 | 40,000 |
| Undesignated | <u>426,662</u> | <u>337,978</u> |
| Total net assets | <u>606,662</u> | <u>377,978</u> |

| | | |
|----------------------------------|-------------------|-------------------|
| Total liabilities and net assets | <u>\$ 683,126</u> | <u>\$ 403,953</u> |
|----------------------------------|-------------------|-------------------|

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

Neighbors Together Corporation

Statements of Activities

For the years ended June 30, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|-------------------------------|---------------------|---------------------|
| | <u>Unrestricted</u> | <u>Unrestricted</u> |
| Revenues and support: | | |
| Grants and contributions | \$ 750,955 | \$ 607,070 |
| Government contracts | 45,459 | 22,996 |
| In-kind donations | 194,810 | 226,231 |
| Interest income | <u>869</u> | <u>633</u> |
| Total revenues and support: | 992,093 | 856,930 |
| Operating expenses: | | |
| Program services: | | |
| Community Café | 403,923 | 435,381 |
| Empowerment Program | 154,024 | 151,399 |
| Community Action Program | <u>118,737</u> | <u>110,537</u> |
| Total program services | <u>676,684</u> | <u>697,317</u> |
| Supporting services: | | |
| Management and general | 24,556 | 22,838 |
| Fundraising | <u>62,169</u> | <u>56,424</u> |
| Total expenses | <u>763,409</u> | <u>776,579</u> |
| Change in net assets | 228,684 | 80,351 |
| Net assets, beginning of year | <u>377,978</u> | <u>297,627</u> |
| Net assets, end of year | <u>\$ 606,662</u> | <u>\$ 377,978</u> |

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

For the year ended June 30, 2016

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

Neighbors Together Corporation

Statement of Functional Expenses

For the year ended June 30, 2015

| | Program Services | | | Supporting Services | | |
|---------------------------------------|-------------------|------------------------|--------------------------------|------------------------------|------------------------------|------------------------|
| | Community Café | Empowerment Program | Community Action Program | Total Program Expenses | Management and General | Fundraising General |
| Salaries | \$ 102,774 | \$ 84,534 | \$ 76,811 | \$ 264,119 | \$ 6,619 | \$ 19,857 |
| Payroll taxes/ fringe benefits | 23,883 | 19,644 | 17,850 | 61,377 | 1,538 | 4,614 |
| Total salaries and related expenses | 126,657 | 104,178 | 94,661 | 325,496 | 8,157 | 24,471 |
| Other expenses: | | | | | | |
| Food (including in-kind of \$226,231) | 228,553 | - | - | 228,553 | - | - |
| Occupancy | 11,370 | 11,370 | 3,248 | 25,988 | 3,248 | 3,248 |
| Utilities | 18,787 | 7,011 | 2,298 | 28,096 | 1,265 | 1,152 |
| Event charges | - | - | - | - | - | 19,897 |
| Professional fees | 6,202 | 6,202 | 1,772 | 14,176 | 1,772 | 1,772 |
| Kitchen supplies | 14,639 | - | - | 14,639 | - | - |
| IT support | 1,971 | 4,928 | 986 | 7,885 | 986 | 986 |
| Repairs and maintenance | 6,070 | 867 | 867 | 7,804 | 867 | - |
| Insurance | 3,453 | 2,072 | 691 | 6,216 | 691 | - |
| Volunteer and staff development | 1,944 | 3,239 | 1,296 | 6,479 | - | - |
| Printing and publicity | 624 | 624 | 624 | 1,872 | 208 | 2,081 |
| Processing fees | - | - | - | - | 3,306 | 682 |
| Member services | 811 | 1,621 | 811 | 3,243 | - | - |
| Supplies and miscellaneous | 70 | 713 | 364 | 1,147 | 833 | 174 |
| Postage and delivery | 91 | 91 | 91 | 273 | 91 | 547 |
| Depreciation | 14,139 | 8,483 | 2,828 | 25,450 | 1,414 | 1,414 |
| Total other expenses | 308,724 | 47,221 | 15,876 | 371,821 | 14,681 | 31,953 |
| Total expenses | \$ 435,381 | \$ 151,399 | \$ 110,537 | \$ 697,317 | \$ 22,838 | \$ 56,424 |
| | | | | | | \$ 776,579 |

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

Neighbors Together Corporation

Statements of Cash Flows

For the years ended June 30, 2016 and 2015

| | 2016 | 2015 |
|--|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Changes in net assets | \$ 228,684 | \$ 80,351 |
| Adjustments to reconcile changes in net assets to cash provided by operating activities: | | |
| Depreciation expense | 20,045 | 28,278 |
| Change in operating assets and liabilities: | | |
| (Increase) in grants and contributions receivable | (60,175) | (20,983) |
| Decrease (increase) in prepaid expenses and other assets | 1,589 | (1,763) |
| (Decrease) increase in accounts payable and accrued expenses | (9,511) | 13,077 |
| Net cash provided by operating activities | <u>180,632</u> | <u>98,960</u> |
| Cash flows (used) in investing activities: | | |
| Purchase of property and equipment | (12,461) | (11,650) |
| Down payment on renovations to building | (15,000) | - |
| Net cash (used) in investing activities | <u>(27,461)</u> | <u>(11,650)</u> |
| Cash flows provided from financing activities: | | |
| Increase in loan payable to landlord | 60,000 | - |
| Net cash provided by investing activities | <u>60,000</u> | <u>-</u> |
| Net increase in cash and cash equivalents | <u>153,171</u> | <u>87,310</u> |
| Cash and cash equivalents, beginning of year | <u>339,906</u> | <u>252,596</u> |
| Cash and cash equivalents, end of year | <u>\$ 493,076</u> | <u>\$ 339,906</u> |

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

NEIGHBORS TOGETHER CORPORATION

Notes to Financial Statements

June 30, 2016 and 2015

1. ORGANIZATION

Neighbors Together Corporation ("Neighbors Together") is a not-for-profit organization committed to ending hunger and poverty in the Ocean Hill, Brownsville and Bedford-Stuyvesant neighborhoods of Brooklyn, one of the lowest-income communities in the United States.

Its mission extends far beyond simply providing food or social services- rather to eliminate the need for emergency relief programs altogether.

Since 1982 Neighbors Together has been fighting hunger and poverty with three integrated programs:

- The **Community Café** provides free, nutritious meals to 400 people a day to ease the immediate crisis of hunger
- The **Empowerment Program** addresses the entrenchment of problems that lead to hunger: unemployment, lack of education, homelessness, addiction and inadequate health care
- The **Community Action Program** organizes their members through education and action to transform public policies that often compound rather than relieve poverty

In an extremely marginalized community, Neighbors Together seeks to be an antidote to isolation for many of its members. Beyond the simple tangible scope of the programs, the mission of Neighbors Together is to offer a sense of home, belonging, stability and personal agency for its members who struggle to preserve these essentials amid poverty's chaos.

For Federal income tax purposes, Neighbors Together is classified as a 501(c) (3) organization and is exempt under section 501(a) of the Internal Revenue Code and a similar provision of the New York State income tax laws.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Neighbors Together have been prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America. The significant accounting policies are described below.

NEIGHBORS TOGETHER CORPORATION

Notes to Financial Statements

June 30, 2016 and 2015

Basis of Presentation

The net assets of Neighbors Together are reported as follows:

Unrestricted

Unrestricted net assets are net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations and are available for the general operations of Neighbors Together. The net assets also include those funds that are designated for specific purposes by the Board of Directors.

The Board-designated operating reserve net assets include resources that have been designated by the Board of Directors to function as endowments and consist of amounts held in reserve for operating contingencies. Any portion of the operating reserve may be expended upon approval of Board of Directors. The balance in the Board designated net assets as of June 30, 2016 and 2015 was \$180,000 and \$40,000, respectively.

Temporarily Restricted

Temporarily restricted net assets include gifts of cash and other assets received with donor-imposed stipulations that will be met either by actions of Neighbors Together and/or the passage of time.

Contributions with donor-imposed restrictions are reported as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when purpose or time restrictions are met, and recorded in the accompanying financial statements as net assets released from restrictions. Neighbors Together did not have any temporarily restricted net assets at June 30, 2016 and 2015.

Permanently Restricted

Permanently restricted net assets include funds that have been restricted by donors to be held in perpetuity. Neighbors Together did not have any permanently restricted net assets at June 30, 2016 and 2015.

Cash and Cash Equivalents

Neighbors Together considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

NEIGHBORS TOGETHER CORPORATION

Notes to Financial Statements

June 30, 2016 and 2015

Grants and Contributions

Neighbors Together records contributions and grants, both cash and in-kind, when an unconditional promise to give such assets is received from a donor. Contributions and grants are recorded at the fair market value of the assets received and are classified as either unrestricted, temporarily restricted, or permanently restricted, depending on whether the donor has imposed a restriction on the use of such assets.

Contract Revenue

Revenue from government and other contracts is recognized when reimbursable expenses are incurred under the terms of the respective contracts. Contract payments in excess of qualified expenses are accounted for as contract advances.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the organization. Neighbors Together does receive donated services from unpaid volunteers, mostly local residents, who assist in the preparation and serving of meals, light cleaning and miscellaneous clerical tasks. However, these services have not met the above criteria and, accordingly, are not recognized on the statement of activities.

In-Kind Revenue

In 2016 and 2015 Neighbors Together received food donations from five main sources:

1. Hunger Prevention & Nutrition Assistance Program of NY State (HPNAP)
2. Emergency Food Assistance Program of NYC (EFAP)
3. The Emergency Food Assistance Program of the USDA (TEFAP)
4. Food Bank for NYC
5. City Harvest

HPNAP, EFAP, TEFAP and Food Bank and City Harvest each determine the cash value of the food they donate and document to Neighbors Together through invoices.

Property and Equipment

Donated assets are valued at fair market value as of the date of donation. All other furniture, equipment and leasehold improvements are valued at cost. Depreciation of property and equipment is provided on the straight-line method over the expected useful lives of the assets as follows:

NEIGHBORS TOGETHER CORPORATION

Notes to Financial Statements

June 30, 2016 and 2015

Furniture and equipment
Leasehold improvements

5-7 years
10 years

Functional Expense Allocations

The costs of providing the various programs and other activities of Neighbors Together have been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting service benefited. Such allocations are determined by management in accordance with grant provisions and/or other equitable basis.

Income Taxes

Neighbors Together has adopted Accounting Standards Codification ("ASC") 740 "Income Taxes." ASC 740 requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The adoption of this guidance did not have an impact on Neighbors Together's financial statements, as management believes that there are no uncertain tax positions within its financial statements. Neighbors Together has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it was nexus; and to review other matters that may be considered tax positions.

Neighbors Together Form 990, *Return of Organization Exempt from Income Tax*, for the years ending June 30, 2013, 2014 and 2015 are subject to examination by the IRS, generally for three years after they were filed.

Concentrations of Credit Risk

Financial instruments that potentially subject Neighbors Together to concentrations of credit risk consist primarily of cash and cash equivalents. Neighbors Together maintains cash and cash equivalent balances in various bank accounts that, at times, may exceed federally insured limits. Neighbors Together's cash accounts were placed with high credit quality financial institutions. Neighbors Together has not experienced, nor does it anticipate, any losses in such accounts.

Additionally, 31% and 30% of Neighbors Together's contributions for the years ended June 30, 2016 and 2015, respectively, came from one foundation.

NEIGHBORS TOGETHER CORPORATION

Notes to Financial Statements

June 30, 2016 and 2015

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. PROPERTY AND EQUIPMENT, NET

A summary of property and equipment at June 30, 2016 and 2015 is as follows:

| | 2016 | 2015 |
|--------------------------------|------------------|------------------|
| Leasehold improvements | \$ 229,532 | \$ 222,942 |
| Office equipment and furniture | <u>77,278</u> | <u>74,503</u> |
| | 306,810 | 297,445 |
| Less: accumulated depreciation | <u>286,115</u> | <u>266,069</u> |
| Total | <u>\$ 20,696</u> | <u>\$ 31,376</u> |

Depreciation expense for the years ended June 30, 2016 and 2015 amounted to \$19,949 and \$28,278, respectively.

Construction in progress in the amount of \$75,000 was capitalized in regards to major renovations on the building set to begin in March 2017.

4. IN-KIND CONTRIBUTIONS

Neighbors Together's in-kind income consisted of the following:

| | 2016 | 2015 |
|-------------------|-------------------|-------------------|
| Food | \$ 185,122 | \$ 226,231 |
| Kitchen Equipment | <u>9,688</u> | <u>-</u> |
| | <u>\$ 194,810</u> | <u>\$ 226,231</u> |

The kitchen equipment is being used in its Community Café. The cost has been capitalized and depreciated over 5 years.

NEIGHBORS TOGETHER CORPORATION

Notes to Financial Statements

June 30, 2016 and 2015

5. RETIREMENT PLAN

Neighbors Together established a 403(b) plan in 2007 for eligible full-time permanent employees. Such employees become eligible for a discretionary employer matching contribution after one year of service. No contribution was made for the years ended June 30, 2016 and 2015.

6. ENDOWMENTS

During the year ended June 30, 2014, Neighbors Together adopted FASB Staff Position No. 117-1, "Endowments of Not-for-Profit Organizations." Neighbors Together's endowment consists of one individual fund established for Board-approved expenditures as described in Note 2. Its endowment consists of funds designated by the Board of Directors to function as endowments. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The following table summarizes changes in board-designated net assets for the year June 30, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|---|-------------------|------------------|
| Endowment net assets, beginning of year | \$ 40,000 | \$ - |
| Increase by contribution | <u>140,000</u> | <u>40,000</u> |
| Endowment net assets, end of year | <u>\$ 180,000</u> | <u>\$ 40,000</u> |

7. COMMITMENTS

In 2006, Neighbors Together signed a 10 year lease, commencing in March 2006 and ending February 2016, for its Brooklyn location. On May 19, 2016 Neighbors Together extended the lease for five years, commencing on April 1, 2016 and expiring on March 31, 2021.

NEIGHBORS TOGETHER CORPORATION

Notes to Financial Statements

June 30, 2016 and 2015

Minimum annual payments under the current lease are as follows:

| | |
|---------------|-------------------|
| June 30, 2017 | 34,377 |
| June 30, 2018 | 35,409 |
| June 30, 2019 | 36,471 |
| June 30, 2020 | 37,565 |
| Thereafter | <u>28,803</u> |
| Total | <u>\$ 206,002</u> |

Rent expense for the years ended June 30, 2016 and 2015 was \$31,845 and \$32,484, respectively.

8. LOAN PAYABLE TO LANDLORD

Per the lease agreement, the landlord and Neighbors Together agreed to make major renovations to the building, which are estimated to be \$75,000 and are to begin in March 2017. Neighbors Together paid the landlord \$15,000 up front, and will pay an additional \$22,500 within 3 days of the landlord's receipt of approvals and permits. Upon the date work is completed, Neighbors Together will reimburse the landlord for the remaining \$37,500 in equal monthly installments at a rate of 4.5% per annum over five years.

9. SUBSEQUENT EVENTS

Neighbors Together evaluated its June 30, 2016 financial statements for subsequent events through January 11, 2017, the date the financial statements were available to be issued. Neighbors Together is not aware of any subsequent events which would require recognition or disclosure in the financial statements.