

Neighbors Together Corporation

Financial Report

June 30, 2017

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Independent Auditor's Report

To the Board of Directors of
Neighbors Together Corporation.

We have audited the accompanying financial statements of Neighbors Together Corporation, a New York not-for-profit organization, which comprise the statements of financial position as of June 30, 2017 and 2016, and the 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 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 Together Corporation as of June 30, 2017 and 2016, 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.

Other Matter

The financial statements as of June 30, 2016, were audited by Manger & Associate CPAs P.C. who merged with Gruber Palumberi Raffaele Fried P.C. as of January 1, 2017. That reported dated January 11, 2017 expressed an unmodified opinion on those financial statements.

Gruber Palumberi Raffaele Fried, P.C.

January 5, 2018
New York, NY

Neighbors Together Corporation

Statements of Financial Position

As of June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 633,721	\$ 493,076
Grants and contributions receivable	447,856	81,158
Prepaid expenses and other assets	12,007	10,099
Construction in progress	75,000	75,000
Property and equipment- net	<u>81,674</u>	<u>23,793</u>
Total assets	<u>\$ 1,250,258</u>	<u>\$ 683,126</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 17,157	\$ 16,464
Loan payable to landlord	<u>60,000</u>	<u>60,000</u>
Total liabilities	<u>77,157</u>	<u>76,464</u>
Net assets:		
Unrestricted:		
Board-designated quasi-endowment	180,000	180,000
Undesignated	<u>417,072</u>	<u>389,162</u>
Total unrestricted net assets	<u>597,072</u>	<u>569,162</u>
Temporarily restricted	<u>576,029</u>	<u>37,500</u>
Total net assets	<u>1,173,101</u>	<u>606,662</u>
Total liabilities and net assets	<u>\$ 1,250,258</u>	<u>\$ 683,126</u>

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

Neighbors Together Corporation
Statements of Activities
For the years ended June 30, 2017 and 2016

	Unrestricted	Temporarily Restricted	2017 Total	Unrestricted	Temporarily Restricted	2016 Total
SUPPORT AND REVENUES:						
Grants and contributions	\$ 576,392	\$ 712,734	\$ 1,289,126	\$ 515,955	\$ 235,000	750,955
Government contracts	36,045	-	36,045	45,459	-	45,459
In-kind food donations	141,110	-	141,110	194,810	-	194,810
Interest income	1,666	-	1,666	868	-	868
	<u>755,213</u>	<u>712,734</u>	<u>1,467,947</u>	<u>757,092</u>	<u>235,000</u>	<u>992,092</u>
Net assets released from restrictions:						
Satisfaction of program restrictions	<u>174,205</u>	<u>(174,205)</u>	<u>-</u>	<u>197,500</u>	<u>(197,500)</u>	<u>-</u>
Total revenues and support	<u>929,418</u>	<u>538,529</u>	<u>1,467,947</u>	<u>954,592</u>	<u>37,500</u>	<u>992,092</u>
EXPENSES:						
Program services:						
Community café	396,951	-	396,951	403,926	-	403,926
Empowerment program	170,934	-	170,934	154,024	-	154,024
Community action program	101,297	-	101,297	118,735	-	118,735
Total program services	<u>669,182</u>	<u>-</u>	<u>669,182</u>	<u>676,685</u>	<u>-</u>	<u>676,685</u>
Supporting services:						
Management and general	44,396	-	44,396	24,556	-	24,556
Fundraising	187,930	-	187,930	62,168	-	62,168
Total expenses	<u>901,508</u>	<u>-</u>	<u>901,508</u>	<u>763,409</u>	<u>-</u>	<u>763,409</u>
Change in net assets	27,910	538,529	566,439	191,184	37,500	228,684
Net assets, beginning of year	<u>569,162</u>	<u>37,500</u>	<u>606,662</u>	<u>377,978</u>	<u>-</u>	<u>377,978</u>
Net assets, end of year	<u>\$ 597,072</u>	<u>\$ 576,029</u>	<u>\$ 1,173,101</u>	<u>\$ 569,162</u>	<u>\$ 37,500</u>	<u>\$ 606,662</u>

See independent auditors' report.

The accompanying notes are an integral part of these financial statements

Neighbors Together Corporation

Statement of Functional Expenses

For the year ended June 30, 2017

	<u>Program Services</u>			<u>Total Program Expenses</u>	<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Community Café</u>	<u>Empowerment Program</u>	<u>Community Action Program</u>		<u>Management and General</u>	<u>Fundraising General</u>		
Salaries	\$ 128,917	\$ 91,698	\$ 67,321	\$ 287,936	\$ 20,625	\$ 110,375	\$ 418,936	
Payroll taxes/ fringe benefits	30,117	21,373	15,544	67,035	4,858	25,260	97,152	
Total salaries and related expenses	<u>159,034</u>	<u>113,071</u>	<u>82,865</u>	<u>354,971</u>	<u>25,483</u>	<u>135,635</u>	<u>516,088</u>	
Other expenses:								
Food (including in-kind of \$139,782)	153,843	-	-	153,843	-	-	153,843	
Professional fees	22,910	23,709	3,917	50,536	6,318	6,318	63,172	
Event charges	-	-	-	-	-	37,876	37,876	
Occupancy	12,584	12,584	3,595	28,763	3,595	3,595	35,953	
Member services- volunteer expenses	-	-	3,199	3,199	-	-	3,199	
Utilities	16,466	4,397	1,427	22,290	770	656	23,716	
IT support	2,205	5,955	1,370	9,530	1,190	1,190	11,910	
Repairs and maintenance	7,452	1,064	1,064	9,580	1,066	-	10,646	
Kitchen supplies	9,654	-	-	9,654	-	-	9,654	
Insurance	3,695	2,214	738	6,647	737	-	7,384	
Volunteer and staff development	2,039	3,398	1,359	6,796	-	-	6,796	
Processing fees	-	-	-	-	3,170	1,057	4,227	
Supplies and miscellaneous	277	554	277	1,108	1,236	178	2,522	
Printing and publicity	102	102	102	306	35	341	682	
Postage and delivery	58	58	58	174	58	347	579	
Depreciation	6,631	3,828	1,326	11,785	738	738	13,261	
Total other expenses	<u>237,916</u>	<u>57,863</u>	<u>18,432</u>	<u>314,210</u>	<u>18,913</u>	<u>52,296</u>	<u>385,419</u>	
Total expenses	<u>\$ 396,951</u>	<u>\$ 170,934</u>	<u>\$ 101,297</u>	<u>\$ 669,181</u>	<u>\$ 44,396</u>	<u>\$ 187,930</u>	<u>\$ 901,507</u>	

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

Neighbors Together Corporation

Statement of Functional Expenses

For the year ended June 30, 2016

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Community Café</u>	<u>Empowerment Program</u>	<u>Community Action Program</u>	<u>Total Program Expenses</u>	<u>Management and General</u>	<u>Fundraising General</u>	
Salaries	\$ 115,790	\$ 90,066	\$ 86,227	\$ 292,083	\$ 7,500	\$ 22,500	\$ 322,083
Payroll taxes/ fringe benefits	22,943	17,846	17,085	57,874	1,486	4,458	63,818
Total salaries and related expenses	<u>138,733</u>	<u>107,912</u>	<u>103,312</u>	<u>349,957</u>	<u>8,986</u>	<u>26,958</u>	<u>385,901</u>
Other expenses:							
Food (including in-kind of \$185,122)	187,554	-	-	187,554	-	-	187,554
Occupancy	11,146	11,145	3,185	25,476	3,185	3,184	31,845
Professional fees	10,680	10,679	3,051	24,410	3,051	3,051	30,512
Utilities	19,374	5,888	1,963	27,225	1,038	925	29,188
Event charges	-	-	-	-	-	23,356	23,356
Kitchen supplies	13,312	-	-	13,312	-	-	13,312
IT support	1,455	3,949	914	6,318	790	790	7,898
Repairs and maintenance	5,239	749	748	6,736	748	-	7,484
Insurance	3,065	1,839	613	5,517	612	-	6,129
Member services- volunteer expenses	1,198	2,396	1,197	4,791	-	-	4,791
Volunteer and staff development	1,310	2,184	874	4,368	-	-	4,368
Processing fees	-	-	-	-	3,069	959	4,028
Supplies and miscellaneous	416	831	415	1,662	1,782	208	3,652
Printing and publicity	402	401	401	1,204	134	1,338	2,676
Postage and delivery	67	67	67	201	67	402	670
Depreciation	9,975	5,984	1,995	17,954	1,094	997	20,045
Total other expenses	<u>265,193</u>	<u>46,112</u>	<u>15,423</u>	<u>326,728</u>	<u>15,570</u>	<u>35,210</u>	<u>377,508</u>
Total expenses	<u>\$ 403,926</u>	<u>\$ 154,024</u>	<u>\$ 118,735</u>	<u>\$ 676,685</u>	<u>\$ 24,556</u>	<u>\$ 62,168</u>	<u>\$ 763,409</u>

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

Neighbors Together Corporation

Statements of Cash Flows

For the years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Changes in net assets	\$ 566,439	\$ 228,684
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Depreciation expense	13,261	20,045
Change in operating assets and liabilities:		
(Increase) in grants and contributions receivable	(366,698)	(60,176)
(Increase) in prepaid expenses and other assets	(1,908)	1,589
(Decrease) increase in accounts payable and accrued expenses	693	(9,511)
Net cash provided by operating activities	<u>211,787</u>	<u>180,631</u>
Cash flows (used) in investing activities:		
Purchase of property and equipment	(71,142)	(72,461)
Down payment on renovations to building	-	(15,000)
Net cash (used) in investing activities	<u>(71,142)</u>	<u>(87,461)</u>
Cash flows provided by financing activities:		
Increase in loan payable to landlord	-	60,000
Net cash provided by financing activities	-	60,000
Net increase in cash and cash equivalents	<u>140,645</u>	<u>153,170</u>
Cash and cash equivalents, beginning of year	<u>493,076</u>	<u>339,906</u>
Cash and cash equivalents, end of year	<u>\$ 633,721</u>	<u>\$ 493,076</u>

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

NEIGHBORS TOGETHER CORPORATION

Notes to Financial Statements

June 30, 2017 and 2016

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, 2017 and 2016

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 quasi-endowment 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 quasi-endowment may be expended upon approval of Board of Directors. The balance in the Board designated net assets as of June 30, 2017 and 2016 was \$180,000.

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 had temporarily restricted net assets in the amount of \$576,029 and \$37,500 at June 30, 2017 and 2016, respectively.

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, 2017 and 2016.

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, 2017 and 2016

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 2017 and 2016 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:

Furniture and equipment	5-7 years
Leasehold improvements	10 years

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NEIGHBORS TOGETHER CORPORATION

Notes to Financial Statements

June 30, 2017 and 2016

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, 2014, 2015 and 2016 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, 42% and 31% of Neighbors Together's contributions for the years ended June 30, 2017 and 2016, respectively, came from one foundation.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NEIGHBORS TOGETHER CORPORATION

Notes to Financial Statements

June 30, 2017 and 2016

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, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 278,436	\$ 235,309
Office equipment and furniture	<u>102,518</u>	<u>74,503</u>
	380,954	309,812
Less: Accumulated depreciation	<u>299,280</u>	<u>286,019</u>
Total	<u>\$ 81,674</u>	<u>\$ 23,793</u>

Depreciation expense for the years ended June 30, 2017 and 2016 amounted to \$14,761 and \$19,949, respectively.

4. IN-KIND CONTRIBUTIONS

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

	<u>2017</u>	<u>2016</u>
Food	\$ 139,781	\$ 185,122
Kitchen equipment	<u>1,329</u>	<u>9,688</u>
	<u>\$ 141,110</u>	<u>\$ 194,810</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, 2017 and 2016

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, 2017 and 2016.

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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Endowment net assets, beginning of year	\$ 180,000	\$ 40,000
Increase	-	140,000
Endowment net assets, end of year	<u>\$ 180,000</u>	<u>\$ 180,000</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. Minimum annual payments under the current lease are as follows:

June 30, 2018	\$ 35,409
June 30, 2019	36,471
June 30, 2020	37,565
June 30, 2021	<u>28,803</u>
Total	<u>\$ 138,248</u>

Rent expense for the years ended June 30, 2017 and 2016 was \$35,953 and \$31,845, respectively.

NEIGHBORS TOGETHER CORPORATION

Notes to Financial Statements

June 30, 2017 and 2016

7. COMMITMENTS (CONTINUED)

In May, 2016, upon extension of the lease, the Organization agreed to reimburse the Landlord for renovation costs totaling \$75,000. The landlord will be paid as follows: a \$15,000 deposit at the time of the execution of the lease; \$22,500 upon completion and satisfaction of the completed work; and the balance in the form of a note in the amount of \$37,500 payable in monthly installments at 4.5% interest over a 5 year period. As of June 30, 2017, the work has not been completed. As of June 30, 2017 and 2016, the Loan Payable to Landlord is \$60,000.

8. SUBSEQUENT EVENTS

Neighbors Together evaluated its June 30, 2017 financial statements for subsequent events through January 5, 2018, 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.