

NEIGHBOR TO NEIGHBOR, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**Year Ended
June 30, 2018**

NEIGHBOR TO NEIGHBOR, INC.

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Year Ended

June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Neighbor to Neighbor, Inc.

We have audited the accompanying financial statements of Neighbor to Neighbor, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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 Neighbor to Neighbor, Inc. as of June 30, 2018, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Schedule Development of New Facility Summary on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Walter J. McKeever & Company, LLC
Greenwich, Connecticut
March 14, 2019

NEIGHBOR TO NEIGHBOR, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2018

ASSETS

Current Assets	
Cash and cash equivalents	\$ 539,469
Investments (Note 5)	1,462,787
Inventory (Note 2)	152,558
Prepaid expenses	<u>13,783</u>
Total Current Assets	<u>2,168,597</u>
Fixed Assets	
Furniture and equipment	15,785
Vehicle	18,110
Leasehold improvements	43,657
New facility - construction in progress (Note 8)	<u>756,493</u>
	834,045
Less: Accumulated depreciation	<u>(75,503)</u>
Net Fixed Assets	<u>758,542</u>
Other Assets	
Prepaid lease expense (Note 8)	<u>26,363</u>
Total Assets	<u><u>\$ 2,953,502</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 5,397
Accrued payroll	<u>5,867</u>
Total Current Liabilities	<u>11,264</u>
Net Assets	
Unrestricted	
Undesignated	1,368,373
Unrestricted, Board designated (Note 6)	100,619
Net investment in new facility	756,493
Temporarily restricted (Note 7)	<u>716,753</u>
Total Net Assets	<u>2,942,238</u>
Total Liabilities and Net Assets	<u><u>\$ 2,953,502</u></u>

See accompanying notes to the financial statements.

NEIGHBOR TO NEIGHBOR, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES			
Contributions			
Foundations	\$ 152,987	\$ -	\$ 152,987
Individuals and corporations	265,866	97,432	363,298
Religious and civic organizations	56,913	4,000	60,913
Grants	127,150		127,150
In-kind donations (Note 4)			
Clothing and housewares	997,167		997,167
Food	663,591		663,591
Rent	32,312		32,312
Special events revenue	70,941		70,941
Less: direct expenses	(16,825)		(16,825)
Investment income (Note 5)	87,370		87,370
Net assets released from restrictions	110,744	(110,744)	
	<u>2,548,216</u>	<u>(9,312)</u>	<u>2,538,904</u>
OPERATING EXPENSES			
Program expenses	2,114,571		2,114,571
General and administrative expenses	99,298		99,298
Fundraising expenses	81,990		81,990
	<u>2,295,859</u>	<u>-</u>	<u>2,295,859</u>
Change in Net Assets	252,357	(9,312)	243,045
Net Assets - beginning of year	<u>1,973,128</u>	<u>726,065</u>	<u>2,699,193</u>
Net Assets - end of year	<u>\$ 2,225,485</u>	<u>\$ 716,753</u>	<u>\$ 2,942,238</u>

See accompanying notes to the financial statements.

NEIGHBOR TO NEIGHBOR, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018

	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
Purchases - clothing and food	\$ 162,940	\$ -	\$ -	\$ 162,940
In-kind - clothing and food	1,618,382			1,618,382
Salaries, benefits and related taxes	254,532	49,305	40,225	344,062
Computer expenses	7,198	2,555	1,440	11,193
Depreciation	800			800
Dues and subscriptions		1,238		1,238
Insurance	3,608	2,209		5,817
Investment expense		9,675		9,675
Maintenance and repairs	10,707			10,707
Miscellaneous	115	136	450	701
Office expenses	1,020	4,293	151	5,464
Postage		402	2,367	2,769
Printing			9,181	9,181
Professional services	10,100	15,296	20,029	45,425
Rent and storage	28,841	11,762		40,603
Service charges			3,204	3,204
Supplies	6,444		3,074	9,518
Telephone and internet		2,427		2,427
Travel	3,509			3,509
Volunteer and hospitality	6,375		1,869	8,244
Total Expenses	<u>\$ 2,114,571</u>	<u>\$ 99,298</u>	<u>\$ 81,990</u>	<u>\$ 2,295,859</u>

NEIGHBOR TO NEIGHBOR, INC.
STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2018

Cash flows from operating activities:

Change in Net Assets	<u>\$ 243,045</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	800
Unrealized gain on investments	(50,762)
Realized gain on sale of investments	(11,066)
Increase in inventory	(40,376)
Decrease in prepaid expenses	5,025
Decrease in accounts payable	(21,626)
Increase in accrued payroll	912
Total adjustments	<u>(117,093)</u>
Net cash provided by operating activities	<u>125,952</u>
Cash flows from investing activities:	
Proceeds from the sale of investments	932,022
Purchase of investments	(1,487,615)
New facility - construction in progress	(88,623)
Net cash used by investing activities	<u>(644,216)</u>
Net decrease in cash and cash equivalents	(518,264)
Cash and cash equivalents - beginning of year	<u>1,057,733</u>
Cash and cash equivalents - end of year	<u>\$ 539,469</u>
 <u>Summary of Cash and Cash Equivalents:</u>	
Cash - Operating	\$ 486,684
Investments	<u>52,785</u>
	<u>\$ 539,469</u>

See accompanying notes to the financial statements.

NEIGHBOR TO NEIGHBOR, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1. NATURE OF ORGANIZATION AND OPERATIONS

Neighbor to Neighbor, Inc. ("Neighbor to Neighbor" or the "Organization") is a Connecticut not-for-profit organization. The Organization was originally called the Greenwich Committee for Foreign Relief, Inc. and was formed in 1948. Through a restatement of its Articles of Association in July 1975, the Organization was renamed as Neighbor to Neighbor, Inc. Neighbor to Neighbor, Inc. improves the lives of residents in need throughout the Greenwich area and strengthens our community by creating access to food, clothing and basic living essentials in an atmosphere of kindness and respect. Neighbor to Neighbor offers assistance through two programs: a food pantry and a clothing room. The food pantry offers free nutritious weekly food to residents of Greenwich, Connecticut, as well as emergency food to residents of Stamford, Connecticut and Port Chester, New York. The clothing room offers free seasonal clothing, linens, and household items to residents of Greenwich and Stamford, Connecticut and Port Chester, New York. The families served by Neighbor to Neighbor are referred by social service agencies and religious organizations.

Neighbor to Neighbor receives support almost entirely from community contributions in the form of cash, goods and services.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. Accounting standards require the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

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 reported amounts of assets and liabilities and 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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(Continued)

NEIGHBOR TO NEIGHBOR, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018
(Continued)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets

Furniture and equipment, a vehicle and leasehold improvements are recorded at cost and depreciated on a straight line basis over their estimated useful lives which range from three to five years. The Organization uses a threshold of \$1,000 for capitalization effective June 1, 2013. Construction of the new facility is being recorded at cost and capitalized as incurred; however, depreciation will not begin until the new facility is put into service.

Investments

Investments are recorded at fair value in accordance with accounting standards. See Note 5 for a discussion of fair value measurements. Unrealized gains and losses are included in the change in net assets in the statement of activities.

Inventory

Inventories are stated at the lower of cost or market. Cost is determined on a standard cost basis that approximates the first-in, first-out (FIFO) method. The Organization uses the *Salvation Army Valuation Guide for Donated Items* to value clothing and housewares. A physical inventory is taken annually at the end of each fiscal year for valuation purposes.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Promises To Give

In accordance with generally accepted accounting principles, the Organization is required to recognize all grants (unconditional promises to give) when the grant is made rather than when the monies are received. Pursuant with the Organization's policy and in conformity with accounting standards, Neighbor to Neighbor does not recognize conditional promises to give as revenue until the condition is met or the grant funds are received.

Donated Securities

All securities donated to the Organization is valued as a contribution at fair market value at the date of receipt. A realized gain (loss) is recognized when the stock is subsequently sold.

(Continued)

NEIGHBOR TO NEIGHBOR, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018
(Continued)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

Numerous volunteers donate significant time and perform a variety of tasks that assist the Organization. No value for these services has been reflected in the financial statements since it does not meet the criteria for recognition under current accounting standards as no objective basis is available to measure their value. Recognition is required for contributed services which create or enhance nonfinancial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

Neighbor to Neighbor, Inc. is a "not-for-profit" organization as described in Section 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization accounts for uncertainty in income tax positions in the financial statements by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Management has analyzed the tax positions taken or expected to be taken and has concluded that as of June 30, 2018, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Federal information returns are subject to examination for a period of three years from the filing date of the return; fiscal years ended May 31, 2015 – May 31, 2016, month ended June 30, 2016 and fiscal year ended June 30, 2017 remain open.

NOTE 3. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances at three financial institutions. Federal Deposit Insurance Corporation (FDIC) insures the cash maintained at a financial institution up to \$250,000. The maximum loss that would result from cash on deposit in excess of the insured limits at June 30, 2018 is \$16,444.

The Organization's investments are maintained at one investment firm. The investments are protected by the Securities Investor Protection Corporation (SIPC) which provides coverage for securities up to \$500,000 (\$250,000 maximum on cash) and the investment firm has purchased additional coverage for the balance of the Organization's account in excess of the \$500,000. As of June 30, 2018, the Organization had no cash or securities on deposit in excess of the insured limits.

NEIGHBOR TO NEIGHBOR, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018
(Continued)

NOTE 4. IN-KIND DONATIONS

In-kind contributions are reflected as contributions at fair value at the date of donation and are reported as unrestricted support unless specific donor stipulations specify how donated assets must be used. The Organization received in-kind donations for clothing, housewares, food and rent. The value of the donated goods and facilities totaled \$1,693,070 for the year ended June 30, 2018.

NOTE 5. INVESTMENTS

The Organization's investments are reported at fair value in the accompanying statement of financial position. Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, the Organization believes its valuation methods are appropriate and consistent with other market participants; the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurements authoritative literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels as defined below.

Level 1 Fair Value Measurements:

Unadjusted quoted prices in active markets for identical assets that the Organization has the ability to access at the measurement date. This level has the highest priority.

Level 2 Fair Value Measurements:

Inputs other than quoted prices within Level 1 that are observable for the identical assets, either directly or indirectly. Fair value is determined through the use of models or other valuation methodologies such as analysis of yields currently available on comparable securities of issuers with similar credit ratings.

Level 3 Fair Value Measurements:

Inputs are unobservable for the identical asset and include situations where there is little, if any, market activity for the asset. The inputs for determination of fair value are based upon the best available information in the circumstances; therefore, a management judgment or estimation is necessary to estimate fair value. This level has the lowest priority.

(Continued)

NEIGHBOR TO NEIGHBOR, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018
(Continued)

NOTE 5. INVESTMENTS (Continued)

All of the Organization's investments are valued using quoted prices in active markets for identical assets (Level 1).

	<u>Fair Market Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Mutual Funds	\$ 349,778	\$ 349,778
Fixed Income	549,741	549,741
Exchange - Traded Funds	391,164	391,164
Equities	172,104	172,104
	<u>\$ 1,462,787</u>	<u>\$ 1,462,787</u>

Investment return for the year ended June 30, 2018 is summarized as follows:

Interest and dividend income	\$ 25,542	
Realized gain	11,066	
Unrealized gain	50,762	
	<u>\$ 87,370</u>	

NOTE 6. BOARD DESIGNATED NET ASSETS

The Board of Directors originally designated \$500,000 as a "Discretionary Reserve" for the purpose of covering 1) any future costs it might incur in order to expand or move its operating space and/or 2) any financial shortfall which may arise as a result of an emergency funding requirement. During the years ended May 31, 2016 and 2015, this was reduced by \$139,576 and \$194,198 respectively to cover expenses specifically related to the capital project. \$166,226 was spent for the same purposes prior to June 1, 2014 resulting in all funds being used.

In December 2017, the Board of Directors designated \$100,000 as a "New Building Operating Reserve" for the purpose of supporting the new facility. These funds are held in a separate account and are invested in cash equivalents and US Treasury bills. The balance of the account at June 30, 2018 was \$100,619. Generally these funds are not available for ongoing operations of the Organization.

NEIGHBOR TO NEIGHBOR, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018
(Continued)

NOTE 7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2018 total \$716,753 as follows:

- 1) Capital Campaign \$703,263 – development of the new facility on Christ Church Campus
- 2) Computer Software \$1,300 – purchase and implementation of new software
- 3) Linens \$12,190 – purchase and distributions of linens

During the year ended June 30, 2018, \$110,744 of net assets were released in accordance with donor restrictions. \$88,623 was spent in development of the new facility and \$22,121 was spent to purchase and distribute specific types of clothing and food as specified by donors.

NOTE 8. CAPITAL PROJECT

Neighbor to Neighbor currently rents two noncontiguous basement spaces from Christ Church in Greenwich, Connecticut. Christ Church parishioners responded overwhelmingly in June 2014 by voting to approve a resolution dedicating a plot of land on the Christ Church campus to Neighbor to Neighbor under a long term ground lease. The Organization will build a new facility for their food pantry and clothing room, greatly improving their service to the community. The Organization has engaged the services of consultants to advise on the legal, zoning, construction and capital requirements of the project.

On February 18, 2015, the Organization entered into a pledged gift agreement with a donor in the amount of \$1 million. The pledge will be released in three installments upon specific completion phases of the new facility. A challenge grant up to \$500,000, separate and apart from the gift, was also made by the donor to match gifts raised as part of the Capital Campaign.

During the year ended May 31, 2015, Neighbor to Neighbor incurred legal fees in the amount of \$26,363 related to negotiation of the new facility lease agreement with Christ Church, which will commence on the date the certificate of occupancy is given. The legal expenses were recorded as a prepaid expense and will be amortized over a 25 year period (term of lease of agreement), in which Neighbor to Neighbor will pay a fixed minimum rent of \$1 per year. Following the end of the initial lease term, Neighbor to Neighbor will be given the option to extend the lease for an additional term of 25 years.

Subsequent to the Greenwich Planning & Zoning Commission's approval of the Neighbor building project, the governing boards of neighboring Putnam Hill Apartments and Putnam Hill Apartments appealed the decision to Connecticut State Superior Court. The case was assigned to a judge and a hearing was held in December 2017. In March 2018 the Court affirmed the Greenwich Planning & Zoning decision. However, in May 2018 the Appellate Court agreed to hear a further appeal of the decision. A hearing date will be set upon completion of the briefs.

NEIGHBOR TO NEIGHBOR, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018
(Continued)

NOTE 9. COMMITMENTS

Neighbor to Neighbor rents space from Christ Church in Greenwich, Connecticut for use in its operations. The terms of the original lease were five years commencing February 15, 2005 with monthly rent of \$300 payable in advance of each month. Effective September 18, 2007, the original lease was amended since the Organization expanded its operations and began to rent additional space from the Church. The monthly rent increased to \$400 payable in advance of each month. The Organization is responsible for the proper use, neatness and cleanliness of all the facilities it uses inside and outside of the buildings. In the absence of other written agreements, the term of the lease will automatically extend year to year thereafter.

NOTE 10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 14, 2019, the date which the financial statements were available for issue.

In July 2018 Christ Church gave Neighbor to Neighbor the use of two additional rooms at no charge.

SUPPLEMENTARY INFORMATION

NEIGHBOR TO NEIGHBOR, INC.
SUPPLEMENTAL SCHEDULE
DEVELOPMENT OF NEW FACILITY SUMMARY
For the Year Ended June 30, 2018

	<u>Board Designated</u>	<u>Temporarily Restricted</u>
REVENUES		
Funds designated by the Board for the new facility - Year ended May 31, 2011	\$ 500,000	\$ -
Contributions		
Individuals and corporations - Year ended May 31, 2014		37,500
Individuals and corporations - Year ended May 31, 2015		198,099
Individuals and corporations - Year ended May 31, 2016		399,509
Individuals and corporations - Month ended June 30, 2016		4,500
Individuals and corporations - Year ended June 30, 2017		122,220
Individuals and corporations - Year ended June 30, 2018		60,000
Foundations and organizations - Year ended May 31, 2015		155,000
Foundations and organizations - Year ended May 31, 2016		164,765
Foundations and organizations - Year ended June 30, 2017		40,000
Foundations and organizations - Year ended June 30, 2018		4,000
	<u>500,000</u>	<u>1,185,593</u>
TOTAL REVENUES		
	<u>500,000</u>	<u>1,185,593</u>
CAPITALIZED ACTIVITY		
New facility - construction in progress		
Year ended May 31, 2015	(149,622)	
Year ended May 31, 2016	(122,721)	(216,417)
Month ended June 30, 2016		(23,121)
Year ended June 30, 2017		(154,169)
Year ended June 30, 2018		(88,623)
Legal fees - new facility lease		
Year ended May 31, 2015	(26,363)	
	<u>(298,706)</u>	<u>(482,330)</u>
TOTAL CAPITALIZED ACTIVITY		
	<u>(298,706)</u>	<u>(482,330)</u>
EXPENSES		
Capital Project		
Year ended May 31, 2010 & 2011	(12,568)	
Year ended May 31, 2013	(71,259)	
Year ended May 31, 2014	(82,399)	
Year ended May 31, 2015	(18,213)	
Year ended May 31, 2016	(16,855)	
	<u>(201,294)</u>	<u>-</u>
TOTAL EXPENSES		
	<u>(201,294)</u>	<u>-</u>
Net Balance	<u>\$ -</u>	<u>\$ 703,263</u>