OUR HOUSE, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

with

INDEPENDENT AUDITOR'S REPORT

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CPAs & Advisors PLLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Our House, Inc. and Subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of Our House, Inc. (a nonprofit organization) and Subsidiaries (collectively, the Organization), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Our House, Inc. and Subsidiaries, as of June 30, 2024 and 2023, and 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 audit 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 Our House, Inc. and Subsidiaries 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 these 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 Our House, Inc. and Subsidiaries' 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.

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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 Our House Inc. and Subsidiaries' 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 Our House, Inc. and Subsidiaries' 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.

HCJ CPAs & Advisors, PLLC

Little Rock, Arkansas
January 27, 2025

FINANCIAL STATEMENTS

OUR HOUSE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2024 AND 2023

ASSETS

	2024	2023
Current Assets:		
Cash and Cash Equivalents	$ 9,460,818	$ 8,062,538
Investments, at Cost	2,992,182	1,727,886
Grants Receivable	1,533,738	785,870
Current Portion of Pledges Receivable	1,325,971	308,649
Inventory and Other Assets	263,429	253,119
Total Current Assets	15,576,138	11,138,062
Noncurrent Assets:		
Assets Restricted as to Use:		
Restricted Cash - Compliance Reserve Funds	231,183	267,610
Restricted Cash - Building Project	213,406	6,160,249
Restricted Investments, at Cost - Held as Collateral	521,593	507,626
Total Assets Restricted as to Use	966,182	6,935,485
Long-Term Portion of Pledges Receivable, Net	224,799	174,748
Note Receivable	7,241,000	7,241,000
Property and Equipment, Net	16,821,341	9,754,714
Operating Lease Right-of-Use Asset, Net	259,106	362,255
Total Noncurrent Assets	25,512,428	24,468,202
Total Assets	$ 41,088,566	$ 35,606,264

LIABILITIES AND NET ASSETS

	2024	2023
Current Liabilities:		
Accounts Payable	$ 1,645,662	$ 973,611
Accrued Expenses	187,196	166,516
Deferred Revenue	13,311	160,539
Current Maturities of Notes Payable	11,880	-
Current Finance Lease Liability	13,430	-
Current Operating Lease Liability	83,575	99,419
Total Current Liabilities	1,955,054	1,400,085
Long Term Liabilities:		
Notes Payable, Net of Debt Issuance Costs, Less Current Maturities	10,673,847	9,486,932
Finance Lease Liability, Less Current Portion	57,451	-
Operating Lease Liability, Less Current Portion	186,298	269,873
Total Long-Term Liabilities	10,917,596	9,756,805
Net Assets:		
Without Donor Restrictions	24,670,686	21,538,495
With Donor Restrictions	3,545,230	2,910,879
Total Net Assets	28,215,916	24,449,374
Total Liabilities and Net Assets	$ 41,088,566	$ 35,606,264

See accompanying notes.

OUR HOUSE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2024 AND 2023

	2024		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Revenues and Support:			
Governmental Grants	$ 3,081,994	$ -	$ 3,081,994
Private Awards	838,889	-	838,889
Public Support	3,269,624	-	3,269,624
Capital Campaign	468,830	1,366,203	1,835,033
Merchandise Sales	318,652	-	318,652
Donated Goods, Net	450,410	-	450,410
Service Fee Income	462,062	-	462,062
Interest and Investment Income	616,470	-	616,470
Other Income	17,898	-	17,898
Net Assets Released from Restrictions	731,852	(731,852)	-
Total Revenues and Support	10,256,681	634,351	10,891,032
Expenses:			
Program Services	5,663,119	-	5,663,119
General and Administrative	891,842	-	891,842
Fundraising	569,529	-	569,529
Total Expenses	7,124,490	-	7,124,490
Change in Net Assets	3,132,191	634,351	3,766,542
Net Assets, Beginning of Year	21,538,495	2,910,879	24,449,374
Net Assets, End of Year	$ 24,670,686	$ 3,545,230	$ 28,215,916

See accompanying notes.

2023		
Without Donor Restrictions	With Donor Restrictions	Total
$ 2,380,494	$ -	$ 2,380,494
487,095	-	487,095
2,261,038	-	2,261,038
1,613,376	2,535,438	4,148,814
286,014	-	286,014
272,668	-	272,668
540,894	-	540,894
316,071	-	316,071
11,735	-	11,735
1,134,404	(1,134,404)	-
9,303,789	1,401,034	10,704,823
5,310,475	-	5,310,475
687,288	-	687,288
530,191	-	530,191
6,527,954	-	6,527,954
2,775,835	1,401,034	4,176,869
18,762,660	1,509,845	20,272,505
$ 21,538,495	$ 2,910,879	$ 24,449,374

OUR HOUSE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2024

	Program Services										
	Stability Programs	Career Center	Housing	Better Beginnings	Mental Health	Our Club	Resale Store	Program Services Subtotal	General and Administrative	Fundraising	Total Expenses
Salaries and Related Expenses	$ 379,027	$ 547,661	$ 468,601	$ 904,675	$ 497,258	$ 422,224	$ 346,643	$ 3,566,089	$ 556,911	$ 282,691	$ 4,405,691
Advertising and Promotional	-	-	-	-	-	-	-	-	409	4,729	5,138
Audit and Legal Services	-	-	-	-	-	-	-	-	60,443	-	60,443
Contract Services	484	1,332	5,456	6,453	1,642	8,185	-	23,552	63,363	242	87,157
Client and Engagement Databases	-	-	-	-	-	-	-	-	-	35,117	35,117
Field Trips	-	-	-	-	-	19,418	-	19,418	-	-	19,418
Dues, Licenses, Permits and Fees	44	3,446	3,971	3,168	1,608	2,633	1,650	16,520	37,301	2,181	56,002
Depreciation Expense	16,153	44,421	173,647	48,460	8,077	92,881	2,729	386,368	12,115	8,077	406,560
Food Costs	237	1,378	25,539	52,911	1,008	41,198	1,072	123,343	1,621	2,922	127,886
Furnishings and Equipment Expense	495	1,175	1,272	951	378	3,216	8,197	15,684	-	30	15,714
Insurance Expense	2,358	10,708	49,175	18,948	1,560	21,732	4,720	109,201	9,146	629	118,976
Repairs and Maintenance	1,693	20,432	80,528	16,348	880	28,106	7,140	155,127	17,802	2,413	175,342
Postage and Shipping	60	45	14	11	6	7	-	143	1,358	3,497	4,998
Lease Expense	-	-	-	-	-	-	133,259	133,259	-	12,792	146,051
Loss on Disposal of Assets							749	749	26,061	-	26,810
Supplies - Office and Software	659	19,047	17,360	6,563	493	4,278	851	49,251	21,768	13,657	84,676
Supplies - Janitorial and Meals	17	5,364	37,630	8,806	9	9,150	4,630	65,606	2,919	398	68,923
Supplies - Programs	11,714	13,117	13,001	54,007	3,490	30,271	16	125,616	15,061	43,339	184,016
Team Wellness and Morale	2,054	4,378	5,598	5,525	2,119	5,180	1,252	26,106	11,164	5,504	42,774
Telephone and Communication	3,233	4,897	9,835	2,866	820	6,934	4,578	33,163	1,809	2,380	37,352
Trainings, Conferences and Meetings	12,386	2,473	1,889	3,137	70	9,039	-	28,994	15,162	4,729	48,885
Travel and Transportation	811	2,876	236	-	17	-	2,383	6,323	9,677	340	16,340
Utilities	2,202	13,782	73,938	21,795	904	22,117	26,016	160,754	2,540	583	163,877
In-kind Expense	22,841	22,841	22,841	22,841	22,841	22,841	-	137,046	-	-	137,046
Cost of Sales	-	-	-	-	-	-	297,052	297,052	-	-	297,052
Direct Assistance and Incentives	131,722	7,040	-	496	27,999	146	-	167,403	459	131,347	299,209
Nondirect Client Services	4,477	6,183	539	-	-	-	-	11,199	-	-	11,199
Credit Loss Expense	-	-	-	-	-	-	-	-	-	11,464	11,464
Amortization Expense	-	-	-	-	-	-	-	-	10,795	-	10,795
Interest Expense	21	59	229	64	11	123	-	507	9,173	11	9,691
Employee Assistance Services	510	737	630	1,217	669	568	315	4,646	749	380	5,775
Bank Fees	-	-	-	-	-	-	-	-	4,036	77	4,113
	$ 593,198	$ 733,392	$ 991,929	$ 1,179,242	$ 571,859	$ 750,247	$ 843,252	$ 5,663,119	$ 891,842	$ 569,529	$ 7,124,490

See accompanying notes.

OUR HOUSE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	Program Services										
	Stability Programs	**Career Center**	**Housing**	**Little Learners**	**Mental Health**	**Our Club**	**Resale Store**	**Program Services Subtotal**	**General and Administrative**	**Fundraising**	**Total Expenses**
Salaries and Related Expenses	$ 518,600	$ 541,720	$ 395,427	$ 816,765	$ 394,232	$ 486,711	$ 102,244	$ 3,255,699	$ 535,740	$ 296,969	$ 4,088,408
Advertising and Promotional	511	534	389	804	388	479	-	3,105	528	293	3,926
Audit and Legal Services	7,235	7,558	5,517	11,395	5,500	6,791	-	43,996	7,475	4,143	55,614
Contract Services	3,274	3,420	2,497	5,157	2,489	3,073	-	19,910	3,383	1,875	25,168
Client and Engagement Databases	3,366	3,517	2,567	5,302	2,559	3,160	-	20,471	3,478	1,928	25,877
Field Trips	2,915	3,045	2,222	4,591	2,216	2,736	-	17,725	3,011	1,669	22,405
Dues, Licenses, Permits and Fees	6,578	6,871	5,015	10,360	5,000	6,173	1,856	41,853	6,795	3,767	52,415
Depreciation Expense	6,317	41,690	131,387	36,953	1,579	86,539	5,827	310,292	3,474	7,896	321,662
Food Costs	-	-	22,968	54,042	-	45,936	1,455	124,401	8,106	4,053	136,560
Furnishings and Equipment Expense	-	-	2,393	312	-	2,497	10,060	15,262	-	-	15,262
Insurance Expense	1,381	9,111	28,714	8,076	345	18,913	4,150	70,690	759	1,726	73,175
Repairs and Maintenance	-	7,798	45,677	26,738	-	7,799	6,720	94,732	22,282	1,114	118,128
Postage and Shipping	5	143	61	11	6	7	-	233	644	3,757	4,634
Lease Expense	122	229	229	23	122	23	129,058	129,806	700	13,786	144,292
Supplies - Office and Software	1,144	9,150	5,147	5,719	-	3,431	1,090	25,681	25,162	7,435	58,278
Supplies - Janitorial and Meals	-	2,955	28,561	8,371	-	8,371	2,961	51,219	492	492	52,203
Supplies - Programs	4,609	6,913	5,761	52,998	2,304	21,890	-	94,475	10,369	10,369	115,213
Team Wellness and Morale	-	-	-	-	-	-	-	-	25,203	-	25,203
Telephone and Communication	451	2,977	9,382	2,639	113	6,179	3,954	25,695	248	564	26,507
Trainings, Conferences and Meetings	6,224	1,099	-	6,591	6,224	5,492	-	25,630	9,886	1,098	36,614
Travel and Transportation	3,463	866	144	289	1,299	3,896	3,494	13,451	3,319	1,154	17,924
Utilities	2,878	18,996	59,868	16,838	720	39,432	31,618	170,350	1,583	3,598	175,531
In-kind Expense	30,614	30,614	30,615	30,615	30,615	30,615	-	183,688	-	-	183,688
Cost of Sales	-	-	-	-	-	-	175,957	175,957	-	-	175,957
Direct Assistance and Incentives	299,421	-	-	-	-	-	-	299,421	-	142,601	442,022
Nondirect Client Services	9,048	10,255	-	-	36,194	1,810	-	57,307	1,206	1,810	60,323
Credit Loss Expense	-	-	-	-	-	-	-	-	-	17,900	17,900
Amortization Expense	-	-	-	-	-	-	-	-	10,795	-	10,795
Employee Assistance Services	338	353	258	533	257	318	-	2,057	349	194	2,600
Other Costs	262	262	761	577	289	341	-	2,492	131	-	2,623
Bank Fees	3,671	3,671	10,647	8,077	4,038	4,773	-	34,877	2,170	-	37,047
	$ 912,427	$ 713,747	$ 796,207	$ 1,113,776	$ 496,489	$ 797,385	$ 480,444	$ 5,310,475	$ 687,288	$ 530,191	$ 6,527,954

See accompanying notes.

OUR HOUSE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Cash Flows from Operating Activities:		
Change in Net Assets	$ 3,766,542	$ 4,176,869
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	406,557	321,662
Loss on Sale of Assets	26,810	-
Amortization of Debt Issuance Costs	10,795	10,795
Amortization of Operating Lease Right-of-Use Asset	103,149	100,245
Provision for Credit Losses	11,464	17,900
Net Gain on Investments	-	(15,799)
Changes in Operating Assets and Liabilities:		
Grants Receivable	(759,332)	384,676
Pledges Receivable	(1,067,373)	1,005,817
Inventory and Other Assets	(10,310)	82,506
Accounts Payable	672,051	905,989
Accrued Expenses	20,680	23,216
Deferred Revenue	(147,228)	(8,961)
Finance Lease Liabilities	(2,181)	-
Operating Lease Liabilities	(99,419)	(93,208)
Net Cash Provided by Operating Activities	2,932,205	6,911,707
Cash Flows from Investing Activities:		
Purchases of Property and Equipment	(7,429,432)	(4,187,403)
Proceeds from Sale of Property and Equipment	2,500	-
Purchase of Investments	(1,278,263)	(485,898)
Maturities of Investments	-	242,499
Net Cash Used in Investing Activities	(8,705,195)	(4,430,802)
Cash Flows from Financing Activities:		
Repayments of Long-term Debt	-	(1,892,940)
Borrowings of Long-Term Debt	1,188,000	-
Net Cash Provided by (Used in) Financing Activities	1,188,000	(1,892,940)
Net Change in Cash, Cash Equivalents and Restricted Cash	(4,584,990)	587,965
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	14,490,397	13,902,432
Cash, Cash Equivalents and Restricted Cash, End of Year	$ 9,905,407	$ 14,490,397
Reconciliation of Cash and Restricted Cash to the Statements of Financial Position:		
Cash and Cash Equivalents	$ 9,460,818	$ 8,062,538
Restricted Cash for Compliance Reserve Funds	231,183	267,610
Restricted Cash for Building Project	213,406	6,160,249
	$ 9,905,407	$ 14,490,397

See accompanying notes.

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Our House, Inc. (the Organization, or OHI) was incorporated on September 3, 1987, pursuant to the provisions of the Arkansas Non-Profit Corporation Act, for the purpose of providing charitable and educational services. The Organization operates a facility sheltering homeless individuals and families in Little Rock, Arkansas. The business and management affairs of the Organization are vested in a board of directors. Daily operations are supervised by an executive director. The Organization receives its funding primarily from contributions (from foundations, churches, corporations and individuals) and from federal and state grants for transitional housing, job training and emergency shelter operations.

Our House Community Investment Corporation (the Corporation, or OHCIC) operates for the purpose of benefiting the Organization. The Corporation's primary purpose is to facilitate the New Market Tax Credit (NMTC) financing used to expand the campus.

Our House Thrift Store, LLC (the Store) operates for the purpose of benefiting the Organization. The Store's primary purpose is to operate one or more thrift stores.

Principles of Consolidation

These consolidated financial statements include the accounts of the Organization, the Corporation and the Store. All material transactions between the Organization, the Corporation and the Store have been eliminated in consolidation.

Basis of Accounting and Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization follows the recommendations of the Financial Accounting Standards Board in the Not-For-Profit Entities Topic of the FASB Accounting Standards Codification (ASC). Under these recommendations, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restriction and with donor restriction.

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified as follows:

> Without Donor Restrictions - Net assets available for use in general operations and not subject to donor or certain grantor restrictions.
>
> With Donor Restrictions - Net assets that are restricted by a donor for use for a specific purpose or in a future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions on net assets are permanent in nature. These donor-imposed stipulations neither expire by passage of time, nor can be fulfilled, or otherwise removed by the Organization. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

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, expenses, gains, losses and other changes in net assets during the reporting period. Significant estimates included in these financial statements include estimates related to the allowance for credit losses, the lives and methods used to compute depreciation expense for property and equipment, estimates used in the valuation of right-of-use assets and liabilities in accordance with FASB ASC 842, and the allocation of expenses by function. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2024 and 2023, cash equivalents consisted of funds swept from a deposit account into a bank repurchase agreement. At June 30, 2024 and 2023, the Organization had balances in excess of FDIC insured limits of approximately $22,000 and $10,000, respectively. The Organization does not believe that it is subject to any unusual credit risk beyond the normal credit risk associated with commercial banking relationships.

Restricted Cash

At June 30, 2024, there was restricted cash of $444,589. At June 30, 2023, there was restricted cash of $6,427,859. The restricted cash is restricted for different purposes: $231,183 and $267,610 was restricted in 2024 and 2023, respectively, for a reserve to cover management fees and administrative and compliance expenses payable to Heartland Renaissance Fund, LLC in connection with the NMTC and $213,406 and $6,160,249 was restricted in 2024 and 2023, respectively, for construction expenses related to the campus expansion in connection with the NMTC.

Concentration of Revenue

The Organization had one donor who made up approximately 15% of revenue and one governmental grant that made up approximately 11% of revenue as of June 30, 2024. The Organization had one donor who made up approximately 12% of revenue as of June 30, 2023.

Investment and Investment Return

Investments at June 30, 2024 and 2023, consisted of certificates of deposit carried at cost. Total investment return was $48,977 and $15,799 for the years ended June 30, 2024 and 2023, respectively, and is reflected in interest and investment income on the consolidated statements of activities.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the consolidated statements of activities as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Grants Receivable and Allowance for Credit Losses

Grants receivable represents grant amounts unreimbursed for which the Organization has incurred eligible expenditures. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audits, adjustments could be required.

The Organization recognizes an allowance for credit losses for financial assets carried at amortized cost to present the net amount expected to be collected as of the statement of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset (contractual term).

Assets are written off when the Organization determines that such financial assets are deemed uncollectible. Write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, not to exceed the aggregate of the amount previously written off, are included in determining the necessary reserve at the statement of financial position date.

The Organization separates grant receivables into risk pools based on their aging. In determining the amount of the allowance as of the balance sheet date, the Organization develops a loss rate for each risk pool. This loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions. Management believes these receivables are fully collectible; accordingly, no allowance for credit losses is required.

Inventory

Ending inventory is estimated based on the amount of donated merchandise on hand. Inventory generally consists of donated merchandise and is recorded at fair value at the date of donation. Fair value is considered the value that would be received from the sale of the merchandise based on historical sales information.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Property acquired with federal and state grants is considered owned by the Organization while used in the programs for which it was purchased or in future authorized programs. The disposition of property purchased with federal and state grant funds, as well as any proceeds from its sale, is subject to federal and state regulations.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and improvements	2 - 40
Furniture, fixtures and equipment	3 - 15

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in Operating Lease Right-of-Use Assets, Current Operating Lease Liability, and Operating Lease Liability, Less Current Portion in the consolidated statements of financial position. Finance leases are included in Property and Equipment, Net, Current Finance Lease Liability, and Finance Lease Liability, Less Current Portion in the statements of financial position.

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. The lease liability is measured as the present value of the unpaid lease payments, and the right-of-use asset value is derived from the calculation of the lease liability. Lease payments include fixed and in-substance fixed payments. The Organization uses its estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments, since the Organization does not know the actual implicit rates in its leases. The Organization gives consideration to its recent debt issuances when calculating its incremental borrowing rate. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization combines lease and non-lease components for all asset groups. The Organization's lease term includes any option to extend the lease when it is reasonably certain to be exercised based on considering all relevant economic factors.

The Organization has elected ASC 842's practical expedient for all leases with terms of 12 months or shorter. Under this practical expedient, the Organization will not apply the recognition requirements of ASC 842 to short-term leases. These short-term lease payments will be expensed monthly, and a right-of-use asset and related lease liability will not be recorded on the balance sheet.

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds it fair value. No asset impairment was recognized during the years ended June 30, 2024 and 2023.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met, and the gift becomes unconditional.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. No amounts have been reflected in the consolidated financial statements for donated services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific program services, campaign solicitations and various committee assignments.

Contributed Revenue - Donated Goods

The Organization receives contributions of clothing, furniture, appliances and other goods from various donors. These items are used by the Organization or program participants or sold by the Store. For the year ended June 30, 2024, approximately $137,000 of the donated goods was used by the Organization or program participants, and approximately $319,000 was generated from sales. For the year ended June 30, 2023, approximately $184,000 of the donated goods was used by the Organization or program participants, and approximately $239,000 was generated from consignment store sales.

Government Grants and Private Awards

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grants receivable represent grant amounts unreimbursed for which the Organization has incurred eligible expenditures. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal jurisdiction. In accordance with the Accounting for Income Taxes Topic of the Accounting Standards Codification (ASC), the Organization would recognize, if any, accrued interest and penalties associated with uncertain tax positions as an income tax provision. The past three years of tax returns, along with the current year return, are subject to potential examination by taxing authorities.

Functional Allocation of Expenses

Costs that can be specifically identified with programs or support services are charged directly to that category. Expenses related to more than one function have been allocated between the various programs, management and general, and fundraising services on a reasonable basis that is consistently applied. Salaries and employee benefit expenses have been allocated between programs and supporting services based on employees who work within those functions. Depreciation, utilities, telephone and communications, rent and insurance have been allocated to the programs and supporting service categories on a square footage of used space basis. Remaining allocations are based on estimated use between functions.

Recently Adopted Accounting Standards

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326). The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to and deferral of the original ASU. ASU 2016-13 became effective for private entities and nonprofit organizations for periods beginning after December 15, 2022.

The CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for loans, held-to maturity securities and other receivables at the time the financial asset is originated and acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized.

On July 1, 2023 the Organization adopted the guidance; the adoption of this standard did not have a material impact on the Organization's financial statements and related disclosures.

New Markets Tax Credit Arrangement

OHCIC operates as a supporting organization of OHI, with the purpose of facilitating the marketing of New Markets Tax Credits (NMTC). On April 22, 2022, OHCIC made a leverage loan of $7,241,000 to FHCIG Our House Investment Fund, LLC (FHCIG). This loan is outlined in Note 3, Notes Receivable. In turn, FHCIG invested in Heartland Renaissance Fund Sub 40, LLC (HRF40) which loaned a total of $9,800,000 to OHI, for which the details of this loan are in Note 5, Long-Term Debt.

Put/Call Option Agreement

In connection with the NMTC program, on April 22, 2022, First Horizon Community Investment Group, Inc. entered into a Put/Call option agreement with OHCIC. First Horizon Community Investment Group, Inc. holds a 100% membership interest in FHCIG Our House Investment Fund, LLC. OHCIC grants to First Horizon Community Investment Group, Inc. an option or the "Put" to sell the interest which includes all of the interest of First Horizon Community Investment Group, Inc. in net cash flow, profits, losses, and new market tax credits, to OHCIC for the purchase price of $1,000 plus the amount of all transfer or excise taxes imposed in connection with the transfer of interest. The Put may be exercised by First Horizon Community Investment Group, Inc. from the last day of the Tax Credit Investment period which is April 22, 2029, until 90 days after that date. OHCIC will be responsible for all closing costs attributable to the exercise of the Put option.

In the event that the Put is not exercised, the Organization has the option (the Call) to buy the interest in the Fund for an amount equal to the fair market value of the interest, which would be determined by an independent appraiser.

Subsequent Events

The Organization has evaluated all subsequent events for potential recognition and disclosure through January 27, 2025, the date these financial statements were available to be issued.

Note 2: Pledges Receivable

Pledges receivable consisted of the following at June 30:

	2024		
	Without Restriction	With Restriction	Total
Due within one year	$ 1,021,738	$ 304,233	$ 1,325,971
Due in one to five years	-	255,970	255,970
	1,021,738	560,203	1,581,941
Allowance for uncollectible pledges	-	-	-
Unamortized discount	-	(31,171)	(31,171)
	$ 1,021,738	$ 529,032	$ 1,550,770

	2023		
	Without Restriction	With Restriction	Total
Due within one year	$ 34,900	$ 273,749	$ 308,649
Due in one to five years	-	197,621	197,621
	34,900	471,370	506,270
Allowance for uncollectible pledges	-	-	-
Unamortized discount	-	(22,873)	(22,873)
	$ 34,900	$ 448,497	$ 483,397

A discount rate of 4.36% was used to calculate the unamortized discount at June 30, 2024. A discount rate of 3.81% was used to calculate the unamortized discount at June 30, 2023.

Note 3: Notes Receivable

In connection with the NMTC, on April 22, 2022, the Organization loaned $7,241,000 to FHCIG Our House Investment Fund, LLC (the Fund). The receivable has an interest rate of 1.24%, and interest-only payments will be made for seven years, commencing on April 22, 2022 and will continue quarterly through April 22, 2029. Quarterly principal and interest payments begin on June 10, 2029 and continue until maturity in April 2046. Total interest income was $90,000 for the year ended June 30, 2024 and $90,000 for the year ended June 30, 2023 and is reflected in interest and investment income on the consolidated statements of activities.

2025	$ -
2026	-
2027	-
2028	-
2029	-
Thereafter	7,241,000
	$ 7,241,000

Note 4: Property and Equipment

Property and equipment consist of the following at June 30:

	2024	2023
Land	$ 229,631	$ 229,631
Building and improvements	17,501,082	6,914,946
Furniture, fixtures and equipment	2,598,162	1,219,494
Construction in progress	68,088	4,595,290
	20,396,963	12,959,361
Accumulated depreciation	(3,575,622)	(3,204,647)
	$ 16,821,341	$ 9,754,714

Note 5: Long-Term Debt

In connection with the NMTC, on April 22, 2022, the Organization entered into three loan agreements and a line of credit with a community development entity (HRF40) and a bank (First Horizon Bank) for a total amount of $12,800,000 for the campus expansion project. The original source loan was paid in full in 2023. The remaining agreements are outlined below.

Long-term debt consists of the following at June 30:

	2024	2023
Note Payable A (1)	$ 7,241,000	$ 7,241,000
Note Payable B (2)	2,559,000	2,559,000
Line of Credit (3)	1,188,000	-
	10,988,000	9,800,000
Less unamortized debt issuance costs	(302,273)	(313,068)
Less current maturities	(11,880)	-
Long-term debt, net of debt issuance costs, less current maturities	$ 10,673,847	$ 9,486,932

1) Note payable to HRF40, interest only beginning April 2022 at a rate of 1.36744% and continuing for seven years through June 2029. Beginning June 2029, this note is due in quarterly installments of $95,725, including interest, through April 2052, with a balloon payment of remaining principal and any accrued unpaid interest on the last payment. Note payable is secured by assets of the Organization. Total interest expense on Note Payable (1) was $96,207 and $72,157, in 2024 and 2023, respectively, and is capitalized on the statement of financial position during the construction period of the campus expansion project.

2) Note payable to HRF40, interest only beginning April 2022 at a rate of 1.36744% and continuing for seven years through June 2029. Beginning June 2029, this note is due in quarterly installments of $95,725, including interest, through April 2052, with a balloon payment of remaining principal and any accrued unpaid interest on the last payment. Note payable is secured by assets of the Organization. Total interest expense on Note Payable (2), was $33,802 and $25,352, in 2024 and 2023, respectively and is capitalized on the statement of financial position during the construction period of the campus expansion project.

3) Line of credit with First Horizon Bank, interest rate of 3.00% and secured by certificates of deposit held by the Organization. Beginning March 20, 2024, quarterly payments of all accrued interest on this loan are due and payable on the 20th day of each quarter and continuing up to and including June 20, 2029. Furthermore, beginning April 22, 2024, a principal payment totaling 1% of the outstanding Note balance upon that date is due. The outstanding principal balance of the loan and all accrued interest are due in full on the maturity date of June 20, 2029, or upon default.

Maturities of long-term debt at June 30, 2024 are as follows:

2025	$ 11,880
2026	11,761
2027	11,644
2028	11,527
2029	1,273,773
Thereafter	9,667,415
	$ 10,988,000

The debt issuance costs incurred in connection with Note Payable (1) and Note Payable (2), above, totaled $326,562 at June 30, 2024. The deferred long-term debt issuance costs are being amortized over 121 months to match the life of the loan in a method not materially different from the effective interest method. Amortization expense related to these debt issuance costs totaled $10,795 at June 30, 2024 and $10,795 at June 30, 2023. The accumulated amortization of these debt issuance costs was $24,289 as of June 30, 2024 and $13,494 as of June 30, 2023.

Note 6: Restrictions on Net Assets

Net assets with donor restrictions are restricted for the following purposes at June 30:

	2024	2023
Subject to the passage of time or expenditure for specific purpose:		
Program activities	$ 1,530,671	$ 602,672
Capital campaign	2,014,559	2,308,207
Net assets with donor restrictions	$ 3,545,230	$ 2,910,879

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors in the amount of $731,852 and $1,134,404 for the years ended June 30, 2024 and 2023, respectively.

Note 7: Retirement Plans

Beginning in January 2019, the Organization began offering a 401(k) plan. The Plan allows employees to defer a portion of their salaries (pre-tax), and the Organization will match up to 4%. All full-time employees who are at least 21 years old and who have at least one year of service can participate as soon as they enter a quarterly enrollment period. The Organization's expense for the years ended June 30, 2024 and 2023 was $50,236 and $59,309, respectively.

Note 8: Operating Leases

The Organization leases store space and warehouse space used in its operations under operating lease agreements.

Future minimum maturities of lease liabilities are as follows at June 30, 2024:

2025	$ 90,279
2026	90,761
2027	100,988
Total Operating Lease Payments	282,028
Less: Amount Representing Interest Present Value of Net Minimum Lease Payments	(12,155)
Less: Current Operating Lease Liability	(83,575)
Operating Lease Obligation, Less Current Portion	$ 186,298

Total lease expense was approximately $146,000 and $144,000 for the years ended June 30, 2024 and 2023, respectively.

Average operating lease term and interest rate at June 30, 2024, were as follows:

Remaining Lease Term (Years)	3.06
Interest Rate	3.00%

Note 9: Finance Leases

The Organization leases certain equipment under finance leases running through 2029. The assets and liabilities under the finance leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are amortized over the lower of the related lease terms or its estimated productive life. Amortization of the assets under the finance leases are included in depreciation expense for 2024.

The following is a summary of property held under finance leases:

Equipment	$ 73,062
Accumulated Depreciation	(2,435)
	$ 70,627

Minimum future lease payments under finance leases as of June 30, 2024 are as follows:

2025	$ 16,284
2026	16,284
2027	16,284
2028	16,284
2029	13,570
Total Finance Lease Payments	78,706
Less: Amount Representing Interest Present Value of Net Minimum Lease Payments	(7,825)
Less: Current Portion	(13,430)
Finance Lease Obligation, Net of Current Portion	$ 57,451

Average finance lease term and interest rate at June 30, 2024, were as follows:

Remaining Lease Term (Years)	4.83
Interest Rate	4.50%

Note 10: Related Party Transactions

The Organization has had, in the ordinary course of business, business transactions with certain of its officers, directors and their related and affiliated parties (related parties). All transactions with such related parties have been in the ordinary course of business and on substantially the same terms as those prevailing for comparable transactions with other businesses. At June 30, 2024, the Organization had furniture purchases with a related party totaling approximately $494,000. The aggregate amount of related party transactions at June 30, 2023 were minimal and immaterial to the consolidated financial statements.

Note 11: Liquidity and Availability

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. Additionally, the Organization plans its annual expenses with intent of not expending more than is received each year. The following table reflects the Organization's financial assets (cash and cash equivalents, investments, receivables and restricted cash) as of June 30, 2024 and 2023, reduced by amounts not available for general expenditures within one year.

	2024	2023
Total financial assets	$ 23,720,958	$ 25,243,269
Less those unavailable for general expenditure within one year:		
Donor-imposed restrictions	(3,545,230)	(2,910,879)
Restricted cash - Compliance Reserve Fund	(231,183)	(267,610)
Restricted cash – Building Project	(213,406)	(6,160,249)
Restricted investments, at cost – held as collateral	(521,593)	(507,626)
Investments, at cost	(2,992,182)	(1,727,886)
Noncurrent pledges receivable	(224,799)	(174,748)
Noncurrent note receivable	(7,241,000)	(7,241,000)
Financial assets available to meet cash needs for expenditures within one year	$ 8,751,565	$ $6,253,271

Investments consist of certificates of deposit. Although not expected to be needed, the Organization would have these available for spending within the following year. These resources are invested for long-term appreciation and current income but may be spent on an as needed basis.