



**OUR HOUSE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**  
**with**  
**INDEPENDENT AUDITOR'S REPORT**



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## **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, 2022 and 2021, 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, 2022 and 2021, 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.

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.

H CJ CPAs & Advisors, PLLC

Little Rock, Arkansas  
January 9, 2023

## **FINANCIAL STATEMENTS**

**OUR HOUSE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b><u>ASSETS</u></b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 4,297,543	\$ 4,600,666
Investments, at Cost	242,499	1,993,776
Grants Receivable	1,188,446	199,379
Current Portion of Pledges Receivable	581,138	1,602,264
Inventory and Other Assets	335,625	175,896
Total Current Assets	6,645,251	8,571,981
<b>Noncurrent Assets:</b>		
Assets Restricted as to Use:		
Restricted Cash - Compliance Reserve Funds	322,196	-
Restricted Cash - Building Project	9,282,693	-
Restricted Investments, at Cost - Held as Collateral	1,733,815	-
Total Assets Restricted as to Use	11,338,704	-
Long-Term Portion of Pledges Receivable, Net	908,076	1,552,994
Note Receivable	7,241,000	-
Property and Equipment, Net	5,888,973	5,703,622
Total Noncurrent Assets	25,376,753	7,256,616
Total Assets	\$ 32,022,004	\$ 15,828,597
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 67,622	\$ 30,082
Accrued Expenses	143,300	118,045
Deferred Revenue	169,500	-
Total Current Liabilities	380,422	148,127
<b>Long Term Liabilities:</b>		
Notes Payable, Net of Debt Issuance Costs	11,369,077	-
Total Liabilities	11,749,499	148,127
<b>Net Assets:</b>		
Without Donor Restrictions	18,762,660	11,735,910
With Donor Restrictions	1,509,845	3,944,560
Total Net Assets	20,272,505	15,680,470
Total Liabilities and Net Assets	\$ 32,022,004	\$ 15,828,597

See accompanying notes.

**OUR HOUSE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues and Support:</b>			
Governmental Grants	\$ 1,976,960	\$ -	\$ 1,976,960
Private Awards	349,340	-	349,340
Public Support	1,483,321	-	1,483,321
Capital Campaign	3,861,696	428,767	4,290,463
Merchandise Sales	210,842	-	210,842
Donated Goods, Net	713,706	-	713,706
Service Fee Income	557,418	-	557,418
Interest and Investment Income	38,455	-	38,455
Other Income	51,475	-	51,475
Employee Retention Credit Income	565,661	-	565,661
Paycheck Protection Program Loan Forgiveness	-	-	-
New Market Tax Credit Loan Forgiveness	-	-	-
Net Assets Released from Restrictions	<u>2,863,482</u>	<u>(2,863,482)</u>	<u>-</u>
Total Revenues and Support	12,672,356	(2,434,715)	10,237,641
<b>Expenses:</b>			
Program Services	4,649,514	-	4,649,514
General and Administrative	570,766	-	570,766
Fundraising	<u>425,326</u>	<u>-</u>	<u>425,326</u>
Total Expenses	<u>5,645,606</u>	<u>-</u>	<u>5,645,606</u>
<b>Change in Net Assets</b>	7,026,750	(2,434,715)	4,592,035
Net Assets, Beginning of Year	<u>11,735,910</u>	<u>3,944,560</u>	<u>15,680,470</u>
Net Assets, End of Year	<u>\$ 18,762,660</u>	<u>\$ 1,509,845</u>	<u>\$ 20,272,505</u>

See accompanying notes.

**2021**

<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
\$ 1,581,634	\$ -	\$ 1,581,634
936,638	50,000	986,638
322,005	957,647	1,279,652
-	2,528,868	2,528,868
236,712	-	236,712
216,420	-	216,420
405,794	-	405,794
101,670	-	101,670
42,792	-	42,792
-	-	-
420,200	-	420,200
1,248,100	-	1,248,100
916,517	(916,517)	-
<u>6,428,482</u>	<u>2,619,998</u>	<u>9,048,480</u>
4,112,989	-	4,112,989
584,565	-	584,565
409,105	-	409,105
<u>5,106,659</u>	<u>-</u>	<u>5,106,659</u>
1,321,823	2,619,998	3,941,821
<u>10,414,087</u>	<u>1,324,562</u>	<u>11,738,649</u>
<u>\$ 11,735,910</u>	<u>\$ 3,944,560</u>	<u>\$ 15,680,470</u>

See accompanying notes.



**OUR HOUSE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2022**

	<b>Program Services</b>							<b>Program Services Subtotal</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total Expenses</b>
	<b>Stability Programs</b>	<b>Career Center</b>	<b>Housing</b>	<b>Little Learners</b>	<b>Mental Health</b>	<b>Our Club</b>	<b>Resale Store</b>				
Salaries and Related Expenses	\$ 420,280	\$ 525,350	\$ 436,697	\$ 617,286	\$ 226,557	\$ 403,863	\$ 118,256	\$ 2,748,289	\$ 371,029	\$ 252,825	\$ 3,372,143
Advertising and Promotional	-	-	-	-	-	-	-	-	-	5,144	5,144
Audit and Legal Services	-	-	-	-	-	-	-	-	32,690	-	32,690
Contract Services	-	-	-	-	-	-	-	-	14,291	-	14,291
Client and Engagement Databases	-	-	-	-	-	-	-	-	-	5,902	5,902
Field Trips	-	-	-	-	-	10,134	-	10,134	-	-	10,134
Dues, Licenses, Permits and Fees	170	251	76	3,408	-	241	370	4,516	42,448	743	47,707
Depreciation Expense	6,186	30,930	95,393	54,371	2,279	127,951	7,952	325,062	2,605	5,860	333,527
Food Costs	675	1,845	8,481	51,952	-	43,842	1,727	108,522	4,252	1,428	114,202
Furnishings and Equipment Expense	-	-	-	676	162	7,969	7,126	15,933	1,119	-	17,052
Insurance Expense	1,168	5,839	18,008	10,264	430	24,154	8,577	68,440	492	1,106	70,038
Repairs and Maintenance	23	6,363	29,281	10,252	-	9,819	6,578	62,316	19,005	1,370	82,691
Postage and Shipping	-	-	-	-	-	-	-	-	-	4,917	4,917
Rent Expense	133	248	248	248	133	248	98,412	99,670	762	14,545	114,977
Supplies - Office and Software	1,125	5,814	604	1,499	948	64	1,046	11,100	23,577	4,123	38,800
Supplies - Janitorial and Meals	41	3,876	19,479	6,355	-	6,025	4,970	40,746	1,323	67	42,136
Supplies - Programs	6,840	3,987	4,456	48,264	752	19,407	-	83,706	12,078	1,935	97,719
Team Wellness and Morale	-	-	-	-	-	-	-	-	10,574	62	10,636
Telephone and Communication	379	1,895	5,845	3,331	140	7,840	4,896	24,326	160	359	24,845
Trainings, Conferences and Meetings	7,954	779	-	3,989	-	-	-	12,722	3,151	-	15,873
Travel and Transportation	5,484	731	1,119	754	-	85	3,251	11,424	3,086	23	14,533
Utilities	2,294	11,469	35,374	20,162	845	47,447	23,723	141,314	966	2,173	144,453
In-kind Expense	64,365	64,365	64,365	64,365	64,364	64,364	-	386,188	-	-	386,188
Cost of Sales	-	-	-	-	-	-	189,242	189,242	-	-	189,242
Direct Assistance and Incentives	270,969	-	-	-	-	-	-	270,969	-	108,187	379,156
Nondirect Client Services	14,750	9,740	95	320	4	4,610	-	29,519	4,912	757	35,188
Bad Debt Expense	-	-	-	-	-	-	-	-	-	13,800	13,800
Amortization Expense	-	-	-	-	-	-	-	-	2,699	-	2,699
Employee Assistance Services	-	-	-	-	-	-	-	-	2,600	-	2,600
Bank Fees	95	912	1,523	1,100	795	850	101	5,376	16,947	-	22,323
	<u>\$ 802,931</u>	<u>\$ 674,394</u>	<u>\$ 721,044</u>	<u>\$ 898,596</u>	<u>\$ 297,409</u>	<u>\$ 778,913</u>	<u>\$ 476,227</u>	<u>\$ 4,649,514</u>	<u>\$ 570,766</u>	<u>\$ 425,326</u>	<u>\$ 5,645,606</u>

See accompanying notes.

**OUR HOUSE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2021**

	<b>Program Services</b>							<b>Program Services Subtotal</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total Expenses</b>
	<b>CAFSI</b>	<b>Career Center</b>	<b>Housing</b>	<b>Little Learners</b>	<b>Mental Health</b>	<b>Our Club</b>	<b>Resale Store</b>				
Salaries and Related Expenses	\$ 393,724	\$ 468,826	\$ 462,997	\$ 603,395	\$ 266,717	\$ 408,495	\$ 105,934	\$ 2,710,088	\$ 390,162	\$ 267,341	\$ 3,367,591
Advertising and Promotional	-	247	12	4	-	8	97	368	2,829	3,187	6,384
Audit and Legal Services	-	-	-	-	-	-	-	-	52,296	-	52,296
First Steps Monthly Maintenance Fees	-	10	-	-	-	-	-	10	-	-	10
Contract Services	-	-	-	-	-	-	-	-	15,789	-	15,789
Client and Engagement Databases	925	972	1,355	1,263	748	896	-	6,159	756	4,450	11,365
Field Trips	-	-	-	-	-	1,715	-	1,715	-	-	1,715
Dues, Licenses, Permits, and Fees	30	505	1,316	2,742	991	1,231	1,441	8,256	11,717	12,206	32,179
Depreciation Expense	1,198	24,465	69,460	66,296	855	154,805	8,402	325,481	3,764	3,935	333,180
Food Costs	1,020	1,032	4,143	40,391	4	31,458	3,875	81,923	403	248	82,574
Furnishings and Equipment Expense	-	3,448	6,759	1,426	-	3,735	8,385	23,753	8,644	-	32,397
Insurance Expense	-	5,537	27,689	11,076	-	11,076	9,412	64,790	16,727	-	81,517
Repairs and Maintenance	341	3,787	20,169	6,632	-	6,624	9,820	47,373	18,736	199	66,308
Postage and Shipping	-	1,024	232	-	-	55	-	1,311	745	1,347	3,403
Rent Expense	-	-	-	-	-	-	98,312	98,312	15,304	-	113,616
Supplies - Office and Software	461	1,091	792	1,525	-	3,488	2,887	10,244	16,740	735	27,719
Supplies - Janitorial and Meals	-	3,464	15,496	4,437	-	3,718	5,059	32,174	-	-	32,174
Supplies - Programs	10,669	8,361	8,012	45,027	59	13,130	-	85,258	8,100	1,150	94,508
Team Wellness and Morale	-	-	-	-	-	-	-	-	2,805	-	2,805
Telephone and Communication	2,920	4,586	2,943	856	480	2,935	4,196	18,916	9,645	1,240	29,801
Trainings, Conferences and Meetings	15,996	42	123	3,508	957	234	-	20,860	399	42	21,301
Travel and Transportation	3,917	98	169	763	-	-	3,289	8,236	1,499	-	9,735
Utilities	-	9,784	58,469	14,200	-	14,197	18,508	115,158	7,505	544	123,207
In-kind Expense	21,985	21,985	21,986	-	21,985	-	-	87,941	-	-	87,941
Cost of Sales	-	-	-	-	-	-	187,614	187,614	-	104,531	292,145
Direct Assistance and Incentives	98,519	5,661	299	-	-	-	-	104,479	-	-	104,479
Bad Debt Expense	-	-	-	7,500	-	17,500	-	25,000	-	7,950	32,950
Interest Expense	-	-	-	14,271	-	33,299	-	47,570	-	-	47,570
	<u>\$ 551,705</u>	<u>\$ 564,925</u>	<u>\$ 702,421</u>	<u>\$ 825,312</u>	<u>\$ 292,796</u>	<u>\$ 708,599</u>	<u>\$ 467,231</u>	<u>\$ 4,112,989</u>	<u>\$ 584,565</u>	<u>\$ 409,105</u>	<u>\$ 5,106,659</u>

See accompanying notes.

**OUR HOUSE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>Cash Flows from Operating Activities:</b>		
Change in Net Assets	\$ 4,592,035	\$ 3,941,821
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	333,527	333,180
Amortization of Debt Issuance Costs	2,699	-
Loss on Disposal of Property and Equipment	-	2,725
Bad Debt Expense	13,800	32,950
Net Gain on Investments	(6,390)	(15,766)
Paycheck Protection Program Loan Forgiveness	-	(420,200)
Note Receivable Forgiveness	-	3,631,500
New Market Tax Credit Loan Forgiveness	-	(4,900,000)
Changes in Operating Assets and Liabilities:		
Grants Receivable	(1,002,867)	28,916
Pledges Receivable	1,666,044	(2,339,957)
Inventory and Other Assets	(159,729)	90,044
Accounts Payable	37,540	(391)
Accrued Expenses	25,255	1,205
Deferred Revenue	169,500	(1,151)
Net Cash Provided by Operating Activities	5,671,414	384,876
<b>Cash Flows from Investing Activities:</b>		
Purchases of Property and Equipment	(518,878)	(101,447)
Investment in Note Receivable	(7,241,000)	-
Purchase of Investments	(243,003)	(245,000)
Maturities of Investments	266,855	240,000
Net Cash Used in Investing Activities	(7,736,026)	(106,447)
<b>Cash Flows from Financing Activities:</b>		
Repayments of Long-term Debt	(1,107,060)	-
Borrowings of Long-Term Debt	12,473,438	21,600
Net Cash Provided by Financing Activities	11,366,378	21,600
<b>Net Change in Cash, Cash Equivalents and Restricted Cash</b>	9,301,766	300,029
<b>Cash, Cash Equivalents and Restricted Cash, Beginning of Year</b>	4,600,666	4,300,637
<b>Cash, Cash Equivalents and Restricted Cash, End of Year</b>	\$ 13,902,432	\$ 4,600,666
<b>Reconciliation of Cash and Restricted Cash to the Statements of Financial Position:</b>		
Cash and Cash Equivalents	\$ 4,297,543	\$ 4,600,666
Restricted Cash for Compliance Reserve Funds	322,196	-
Restricted Cash for Building Project	9,282,693	-
	\$ 13,902,432	\$ 4,600,666

See accompanying notes.

**OUR HOUSE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

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

**Nature of Operations**

Our House, Inc. (the Organization) 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) 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.

**OUR HOUSE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**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 doubtful accounts, the lives and methods used to compute depreciation expense for property and equipment, and the allocation of expenses by function. Actual results could differ from those estimates.

**Reclassifications**

Certain reclassifications have been made to the 2021 consolidated financial statements in order to conform with the 2022 presentation.

**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, 2022 and 2021, cash equivalents consisted of funds swept from a deposit account into a bank repurchase agreement. At June 30, 2022 and 2021, the Organization had balances in excess of FDIC insured limits of approximately \$9,415,000 and \$34,000, 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, 2022, there was restricted cash of \$9,604,889. At June 30, 2021, there were no restricted cash balances. The restricted cash is restricted for different purposes: \$322,196 was restricted for a reserve to cover management fees and administrative and compliance expenses payable to Heartland Renaissance Fund, LLC in connection with the NMTC, \$9,282,693 was restricted 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 27% of revenue as of June 30, 2022. There were no concentrations of revenue as of June 30, 2021.

**Investment and Investment Return**

Investments at June 30, 2022 and 2021, consisted of certificates of deposit carried at cost. Total investment return was \$6,390 and \$15,766 for the years ended June 30, 2022 and 2021, 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.

# OUR HOUSE, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

### Grants Receivable

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.

### 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	7 - 40
Furniture, fixtures and equipment	3 - 15

### 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 its fair value. No asset impairment was recognized during the years ended June 30, 2022 and 2021.

### 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.

## **OUR HOUSE, INC. AND SUBSIDIARIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

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, 2022, approximately \$386,000 of the donated goods was used by the Organization or program participants, and approximately \$211,000 was generated from sales. For the year ended June 30, 2021, approximately \$88,000 of the donated goods was used by the Organization or program participants, and approximately \$237,000 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.

#### **Incomes 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.

## **OUR HOUSE, INC. AND SUBSIDIARIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

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 2022, the FASB issued ASU 2020-07 *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 provides guidance that an entity should report support received from contributions of nonfinancial assets separately from contributions of cash or other financial assets on the statement of activities. ASU 2020-07 is effective for all reporting periods beginning after June 15, 2021. Implementation of ASU 2020-07 had no significant impact on note disclosures related to contributed nonfinancial assets.

#### **CARES Act Funding**

In April 2020, Our House, Inc. and Our House Thrift Store, LLC entered into federally guaranteed loan agreements for \$385,000 and \$13,600, respectively. Both were with a lender pursuant to a new loan program through the Small Business Administration (“SBA”) as a result of the Paycheck Protection Program (“PPP”) established by the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act and amended by the Paycheck Protection Program Flexibility Act of 2020. In March 2021, Our House Thrift Store, LLC entered into another federally guaranteed loan agreement for \$21,600. As of June 30, 2021, the Our House, Inc, and Our House Thrift Store, LLC had used the entire loan proceeds to fund its payroll and other eligible expenses and the full balance of the loan agreements has been forgiven by the SBA. As such, the Organization has recognized the entire loan proceeds of \$420,200 as Payroll Protection Program Loan Forgiveness on the Consolidated Statement of Activities at June 30, 2021.

#### **Employee Retention Credit**

The Employee Retention Credit (ERC) was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March of 2020. It was intended to help businesses retain their workforces and avoid layoffs during the coronavirus pandemic. It provides a per employee credit to eligible businesses based on a percentage of qualified wages and health insurance benefits paid to employees. It works as a refundable payroll tax credit claimed quarterly, and it can provide reductions to payroll taxes or cash refunds. The Organization filed an amended Form 941 for the first and second quarters of 2021 to claim an overall credit of \$565,661. This amount is included as employee retention credit income on the accompanying statement of activities as of June 30, 2022. This amount is included in government grants receivable on the accompanying statements of financial position as of June 30, 2022.



## OUR HOUSE, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

#### 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 6, 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 9, 2023, the date these financial statements were available to be issued.

#### Note 2: Pledges Receivable

Pledges receivable consisted of the following at June 30:

	<b>2022</b>		
	<b>Without Restriction</b>	<b>With Restriction</b>	<b>Total</b>
Due within one year	\$ 52,858	\$ 528,280	\$ 581,138
Due in one to five years	-	1,002,930	1,002,930
	52,858	1,531,210	1,584,068
Allowance for uncollectible pledges	-	-	-
Unamortized discount	-	(94,854)	(94,854)
	<u>\$ 52,858</u>	<u>\$ 1,436,356</u>	<u>\$ 1,480,637</u>

## OUR HOUSE, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**JUNE 30, 2022 AND 2021**

	<b>2021</b>		
	<b>Without Restriction</b>	<b>With Restriction</b>	<b>Total</b>
Due within one year	\$ 21,589	\$ 1,580,675	\$ 1,602,264
Due in one to five years	-	<u>1,641,051</u>	<u>1,641,051</u>
	<u>21,589</u>	<u>3,221,726</u>	<u>3,243,315</u>
Allowance for uncollectible pledges	-	-	-
Unamortized discount	-	<u>(88,057)</u>	<u>(88,057)</u>
	<u>\$ 21,589</u>	<u>\$ 3,133,669</u>	<u>\$ 3,155,258</u>

A discount rate of 2.98% was used to calculate the unamortized discount at June 30, 2022. A discount rate of 1.45% was used to calculate the unamortized discount at June 30, 2021.

#### **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 \$17,000 for the year ended June 30, 2022 and is reflected in interest and investment income on the consolidated statements of activities.

2023	\$	-
2024		-
2025		-
2026		-
2027		-
Thereafter		<u>7,241,000</u>
	<u>\$</u>	<u>7,241,000</u>

#### **Note 4: Property and Equipment**

Property and equipment consist of the following at June 30:

	<b>2022</b>	<b>2021</b>
Land	\$ 229,631	\$ 229,631
Building and improvements	6,821,818	6,814,588
Furniture, fixtures and equipment	1,213,390	1,177,724
Construction in progress	<u>507,120</u>	<u>31,681</u>
	8,771,959	8,253,624
Accumulated depreciation	<u>(2,882,986)</u>	<u>(2,550,002)</u>
	<u>\$ 5,888,973</u>	<u>\$ 5,703,622</u>

## OUR HOUSE, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

#### **Note 5: Line of Credit**

In connection with the NMTC, on April 22, 2022, the Organization obtained a \$1,233,678 line of credit with a bank which matures in June 2029. The line of credit has an interest rate of 3.00%. The line is secured by certificates of deposit held by the Organization. There were no outstanding borrowings on the line of credit at June 30, 2022.

#### **Note 6: Long-Term Debt**

In connection with the NMTC, on April 22, 2022, the Organization entered into three loan agreements and a line of credit (see Note 5) 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 agreements are outlined below.

Long-term debt consists of the following at June 30, 2022:

Note Payable A <sup>(1)</sup>	\$ 7,241,000
Note Payable B <sup>(2)</sup>	2,559,000
Note Payable Source Loan <sup>(3)</sup>	<u>1,892,940</u>
	11,692,940
Less unamortized debt issuance costs	(323,863)
Less current maturities	<u>-</u>
Long-term debt, net of debt issuance costs, less current maturities	<u>\$ 11,369,077</u>

- 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) at June 30, 2022, was \$18,703 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) at June 30, 2022, was \$6,610 and is capitalized on the statement of financial position during the construction period of the campus expansion project.
- 3) Note payable to First Horizon Bank, interest rate of 3.00% and secured by certificates of deposit held by the Organization. Beginning June 20, 2022, quarterly payments of all accrued interest on this loan are due and payable on the 20<sup>th</sup> day of each quarter and continuing up to and including June 20, 2029. Furthermore, with each payment of accrued interest due in June each year, a principal payment is due equal to 50% of all capital campaign donations received by the Organization since the last such payment date. The outstanding principal balance of the loan and all accrued interest are due in full on the maturity date of June 22, 2029, or upon default. Total interest expense on this note payable at June 30, 2022 was \$14,081 and is capitalized on the statement of financial position during the construction period of the campus expansion project.

## OUR HOUSE, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### JUNE 30, 2022 AND 2021

Subsequent to June 30, 2022, the Organization made additional payments on this note totaling \$1,892,940 paying off the note in full. \$1,231,917 of certificates of deposit held as collateral on this note were released upon the subsequent repayment of this note (see Note 12).

Maturities of long-term debt at June 30, 2022 are as follows:

2023	\$	-
2024		-
2025		-
2026		-
2027		-
Thereafter		<u>11,692,940</u>
	\$	<u>11,692,940</u>

The debt issuance costs incurred in connection with Note Payable (1) and Note Payable (2), above, totaled \$326,562 at June 30, 2022. 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 \$2,699 at June 30, 2022. The accumulated amortization of these debt issuance costs was \$2,699 as of June 30, 2022.

#### **Note 7: Restrictions on Net Assets**

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

	<u>2022</u>	<u>2021</u>
Subject to the passage of time or expenditure for specific purpose:		
Program activities	\$ 1,253,461	\$ 2,986,981
Capital campaign	<u>256,384</u>	<u>957,579</u>
Net assets with donor restrictions	<u>\$ 1,509,845</u>	<u>\$ 3,944,560</u>

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 \$2,863,482 and \$916,517 for the years ended June 30, 2022 and 2021, respectively.

#### **Note 8: 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, 2022 and 2021 was \$53,453 and \$47,465, respectively.

## OUR HOUSE, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

#### **Note 9: Commitments and Contingencies**

The Organization leases certain retail space and a modular building used in its operations under operating lease arrangements. Lease expense was approximately \$115,000 and \$114,000 for the years ending June 30, 2022 and 2021, respectively. Future minimum lease payments of \$40,703 are due during the year ended June 30, 2023.

#### **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. The aggregate amount of these transactions is minimal and immaterial to the consolidated financial statements for the years ended June 30, 2022 and 2021.

#### **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, 2022 and 2021, reduced by amounts not available for general expenditures within one year.

	<b><u>2022</u></b>	<b><u>2021</u></b>
Total financial assets	\$ 25,804,499	\$ 9,949,079
Less those unavailable for general expenditure within one year:		
Donor-imposed restrictions	(1,509,845)	(3,944,560)
Restricted cash - Compliance Reserve Fund	(322,196)	-
Restricted cash - Building Project	(9,282,693)	-
Restricted investments, at cost - held as collateral	(1,733,815)	-
Investments, at cost	(242,499)	(1,993,776)
Noncurrent pledges receivable	(908,076)	(1,552,994)
Noncurrent note receivable	<u>(7,241,000)</u>	<u>-</u>
Financial assets available to meet cash needs for expenditures within one year	<u>\$ 4,564,375</u>	<u>\$ 2,457,749</u>

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.

#### **Note 12: Subsequent Event**

As discussed above in Note 6, subsequent to June 30, 2022, the Organization made additional payments on the Note Payable Source Loan totaling \$1,892,940 paying off the note in full. \$1,231,917 of certificates of deposit held as collateral on this note were released upon the subsequent repayment of this note.