OUR HOUSE, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

with

INDEPENDENT AUDITOR'S REPORT

CPAs & Advisors PLLC

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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, 2023 and 2022, 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, 2023 and 2022, 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.

HCJ CPAs & Advisors, PLLC

Little Rock, Arkansas
January 23, 2024

FINANCIAL STATEMENTS

OUR HOUSE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

ASSETS

	2023	2022
Current Assets:		
Cash and Cash Equivalents	$ 8,062,538	$ 4,297,543
Investments, at Cost	1,727,886	242,499
Grants Receivable	785,870	1,188,446
Current Portion of Pledges Receivable	308,649	581,138
Inventory and Other Assets	253,119	335,625
Total Current Assets	11,138,062	6,645,251
Noncurrent Assets:		
Assets Restricted as to Use:		
Restricted Cash - Compliance Reserve Funds	267,610	322,196
Restricted Cash - Building Project	6,160,249	9,282,693
Restricted Investments, at Cost - Held as Collateral	507,626	1,733,815
Total Assets Restricted as to Use	6,935,485	11,338,704
Long-Term Portion of Pledges Receivable, Net	174,748	908,076
Note Receivable	7,241,000	7,241,000
Property and Equipment, Net	9,754,714	5,888,973
Operating Lease Right-of-Use Asset, Net	362,255	-
Total Noncurrent Assets	24,468,202	25,376,753
Total Assets	$ 35,606,264	$ 32,022,004

LIABILITIES AND NET ASSETS

	2023	2022
Current Liabilities:		
Accounts Payable	$ 973,611	$ 67,622
Accrued Expenses	166,516	143,300
Deferred Revenue	160,539	169,500
Current Operating Lease Liability	99,419	-
Total Current Liabilities	1,400,085	380,422
Long Term Liabilities:		
Notes Payable, Net of Debt Issuance Costs	9,486,932	11,369,077
Operating Lease Liability, Less Current Portion	269,873	-
Total Long-Term Liabilities	9,756,805	11,369,077
Net Assets:		
Without Donor Restrictions	21,538,495	18,762,660
With Donor Restrictions	2,910,879	1,509,845
Total Net Assets	24,449,374	20,272,505
Total Liabilities and Net Assets	$ 35,606,264	$ 32,022,004

See accompanying notes.

OUR HOUSE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2023 AND 2022

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support:			
Governmental Grants	$ 2,380,494	$ -	$ 2,380,494
Private Awards	487,095	-	487,095
Public Support	2,261,038	-	2,261,038
Capital Campaign	1,613,376	2,535,438	4,148,814
Merchandise Sales	286,014	-	286,014
Donated Goods, Net	272,668	-	272,668
Service Fee Income	540,894	-	540,894
Interest and Investment Income	316,071	-	316,071
Other Income	11,735	-	11,735
Employee Retention Credit Income	-	-	-
Net Assets Released from Restrictions	1,134,404	(1,134,404)	-
Total Revenues and Support	9,303,789	1,401,034	10,704,823
Expenses:			
Program Services	5,310,475	-	5,310,475
General and Administrative	687,288	-	687,288
Fundraising	530,191	-	530,191
Total Expenses	6,527,954	-	6,527,954
Change in Net Assets	2,775,835	1,401,034	4,176,869
Net Assets, Beginning of Year	18,762,660	1,509,845	20,272,505
Net Assets, End of Year	$ 21,538,495	$ 2,910,879	$ 24,449,374

2022		
Without Donor Restrictions	With Donor Restrictions	Total
$ 1,976,960	$ -	$ 1,976,960
349,340	-	349,340
1,483,321	-	1,483,321
3,861,696	428,767	4,290,463
210,842	-	210,842
713,706	-	713,706
557,418	-	557,418
38,455	-	38,455
51,475	-	51,475
565,661	-	565,661
2,863,482	(2,863,482)	-
12,672,356	(2,434,715)	10,237,641
4,649,514	-	4,649,514
570,766	-	570,766
425,326	-	425,326
5,645,606	-	5,645,606
7,026,750	(2,434,715)	4,592,035
11,735,910	3,944,560	15,680,470
$ 18,762,660	$ 1,509,845	$ 20,272,505

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
Bad Debt 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 STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	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	$ 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
Lease 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
	$ 802,931	$ 674,394	$ 721,044	$ 898,596	$ 297,409	$ 778,913	$ 476,227	$ 4,649,514	$ 570,766	$ 425,326	$ 5,645,606

See accompanying notes.

OUR HOUSE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash Flows from Operating Activities:		
Change in Net Assets	$ 4,176,869	$ 4,592,035
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	321,662	333,527
Amortization of Debt Issuance Costs	10,795	2,699
Amortization of Operating Lease Right-of-Use Asset	100,245	-
Bad Debt Expense	17,900	13,800
Net Gain on Investments	(15,799)	(6,390)
Changes in Operating Assets and Liabilities:		
Grants Receivable	384,676	(1,002,867)
Pledges Receivable	1,005,817	1,666,044
Inventory and Other Assets	82,506	(159,729)
Accounts Payable	905,989	37,540
Accrued Expenses	23,216	25,255
Deferred Revenue	(8,961)	169,500
Operating Lease Liabilities	(93,208)	-
Net Cash Provided by Operating Activities	6,911,707	5,671,414
Cash Flows from Investing Activities:		
Purchases of Property and Equipment	(4,187,403)	(518,878)
Investment in Note Receivable	-	(7,241,000)
Purchase of Investments	(485,898)	(243,003)
Maturities of Investments	242,499	266,855
Net Cash Used in Investing Activities	(4,430,802)	(7,736,026)
Cash Flows from Financing Activities:		
Repayments of Long-term Debt	(1,892,940)	(1,107,060)
Borrowings of Long-Term Debt	-	12,473,438
Net Cash (Used in) Provided by Financing Activities	(1,892,940)	11,366,378
Net Change in Cash, Cash Equivalents and Restricted Cash	587,965	9,301,766
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	13,902,432	4,600,666
Cash, Cash Equivalents and Restricted Cash, End of Year	$ 14,490,397	$ 13,902,432
Reconciliation of Cash and Restricted Cash to the Statements of Financial Position:		
Cash and Cash Equivalents	$ 8,062,538	$ 4,297,543
Restricted Cash for Compliance Reserve Funds	267,610	322,196
Restricted Cash for Building Project	6,160,249	9,282,693
	$ 14,490,397	$ 13,902,432

See accompanying notes.

OUR HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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 doubtful accounts, 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, 2023 and 2022, cash equivalents consisted of funds swept from a deposit account into a bank repurchase agreement. At June 30, 2023 and 2022, the Organization had balances in excess of FDIC insured limits of approximately $10,000 and $9,415,000, 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, 2023, there was restricted cash of $6,427,859. At June 30, 2022, there was restricted cash of $9,604,889. The restricted cash is restricted for different purposes: $267,610 and $322,196 was restricted in 2023 and 2022, 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 $6,160,249 and $9,282,693 was restricted in 2023 and 2022, 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 12% of revenue as of June 30, 2023. The Organization had one donor who made up approximately 27% of revenue as of June 30, 2022.

Investment and Investment Return

Investments at June 30, 2023 and 2022, consisted of certificates of deposit carried at cost. Total investment return was $15,799 and $6,390 for the years ended June 30, 2023 and 2022, 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

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	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. At June 30, 2023, the Organization did not have any finance leases.

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, 2023 and 2022.

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, 2023, approximately $184,000 of the donated goods was used by the Organization or program participants, and approximately $239,000 was generated from sales. 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 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 February of 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* which sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessors and lessees). In June of 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which defers the effective date of this standard to annual and interim periods beginning after December 15, 2021. The standard requires the following:

For lessees, leases are accounted for using a dual approach, classifying leases as either operating or finance based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification determines whether the lease expense is recognized on a straight-line basis over the term of the lease (for operating leases) or based on an effective interest method (for finance leases). A lessee is also required to record a right-of-use asset and a lease liability on its balance sheet for all leases with a term of greater than 12 months regardless of their classification as operating or finance leases. Leases with a term of 12 months or less are accounted for similar to legacy guidance for operating leases in ASC 840, *Leases* ("ASC 840").

The Organization adopted the provisions of the New Lease Standard as required July 1, 2022, using the modified retrospective adoption method, which requires all periods presented to adopt, utilizing the simplified transition option available in the New Lease Standard, which allows entities to continue to apply the legacy guidance in ASC 840, including its disclosure requirements, in the comparative periods presented in the year of adoption. The Organization elected the package of practical expedients available under the transition provisions of the New Lease Standard, including (i) not reassessing whether expired or existing contracts contain leases, (ii) not reassessing lease classification, and (iii) not revaluing initial direct costs for existing leases.

In July 2018, the FASB issued an amendment to the lease standard, which includes a practical expedient that provides lessees an option not to separate lease and non-lease components when certain criteria are met and instead account for those components as a single component under the leases standard. The amendment also provides a transition option that permits the application of the new guidance as of the adoption date rather than to all periods presented. The Organization elected the practical expedient to account for both its lease and non-lease components as a single component under the leases standard and elected the new transition option as of the date of adoption effective July 1, 2022.

On March 27, 2023, the FASB issued ASU 2023-01 - Leases (ASC 842): Common Control Arrangements, which includes a practical expedient for common control arrangements. Under this practical expedient, for private entities and certain nonprofits in situations in which a lessor and lessee are under common control, both entities will be permitted to use the written terms and conditions between the parties, without regard to their legal enforceability, to identify, classify and account for common control leases. If no written terms and conditions exist for the lease, the entity would not be permitted to apply the practical expedient and would use the legally enforceable terms and conditions to apply Topic 842. Also, for all entities, including public companies, the amendment requires lessees that are parties to a common control lease to depreciate and leasehold improvements over the useful life of those improvements, regardless of the lease term. The ASU is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been made available for issuance. The Organization elected to early adopt ASU 2023-01 effective July 1, 2022.

See Note 9 for disclosures related to operating leases.

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 2022 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.

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 23, 2024, the date these financial statements were available to be issued.

Note 2: Pledges Receivable

Pledges receivable consisted of the following at June 30:

	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

	2022		
	Without Restriction	**With Restriction**	**Total**
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)
	$ 52,858	$ 1,436,356	$ 1,489,214

A discount rate of 3.81% was used to calculate the unamortized discount at June 30, 2023. A discount rate of 2.98% was used to calculate the unamortized discount at June 30, 2022.

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, 2023 and $17,000 for the year ended June 30, 2022 and is reflected in interest and investment income on the consolidated statements of activities.

2024	$ -
2025	-
2026	-
2027	-
Thereafter	7,241,000
	$ 7,241,000

Note 4: Property and Equipment

Property and equipment consist of the following at June 30:

	2023	**2022**
Land	$ 229,631	$ 229,631
Building and improvements	6,914,946	6,821,818
Furniture, fixtures and equipment	1,219,494	1,213,390
Construction in progress	4,595,290	507,120
	12,959,361	8,771,959
Accumulated depreciation	(3,204,647)	(2,882,986)
	$ 9,754,714	$ 5,888,973

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, 2023 and 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:

	2023	2022
Note Payable A (1)	$ 7,241,000	$ 7,241,000
Note Payable B (2)	2,559,000	2,559,000
Note Payable Source Loan (3)	-	1,892,940
	9,800,000	11,692,940
Less unamortized debt issuance costs	(313,068)	(323,863)
Less current maturities	-	-
Long-term debt, net of debt issuance costs, less current maturities	$ 9,486,932	$ 11,369,077

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 $72,157 and $18,703, in 2023 and 2022, 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 $25,352 and $6,610, in 2023 and 2022, respectively 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 20th 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 was $17,850 and $14,081 as of 2023 and 2022, respectively, and is capitalized on the statement of financial position during the construction period of the campus expansion project.

As of November 22, 2022, the Organization made additional payments on this note totaling $1,892,940 and paying off the note in full. $1,231,917 of certificates of deposit held as collateral on this note were released upon the repayment of this note.

Maturities of long-term debt at June 30, 2023 are as follows:

2024	$ -
2025	-
2026	-
2027	-
Thereafter	$9,800,000
	$ $9,800,000

The debt issuance costs incurred in connection with Note Payable (1) and Note Payable (2), above, totaled $326,562 at June 30, 2023. 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, 2023 and $2,699 at June 30, 2022. The accumulated amortization of these debt issuance costs was $13,494 as of June 30, 2023 and $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:

	2023	2022
Subject to the passage of time or expenditure for specific purpose:		
Program activities	$ 602,672	$ 1,253,461
Capital campaign	2,308,207	256,384
Net assets with donor restrictions	$ 2,910,879	$ 1,509,845

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 $1,134,404 and $2,863,482 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022 was $59,309 and $53,453, respectively.

Note 9: 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, 2023:

2024	$ 108,869
2025	90,279
2026	90,761
2027	100,988
Total Operating Lease Payments	390,897
Less: Amount Representing Interest Present Value of Net Minimum Lease Payments	(21,605)
Less: Current Operating Lease Liability	(99,419)
Operating Lease Obligation, Less Current Portion	$ 269,873

Total lease expense was approximately $144,000 and $115,000 for the years ended June 30, 2023 and 2022, respectively.

Average operating lease term and interest rate at June 30, 2023, were as follows:

Remaining Lease Term (Years)	3.89
Interest Rate	3.00%

The following summaries non-cash information related to operating leases as of June 30, 2023:

Right-of-use assets obtained in exchange for operating lease obligations	$ 462,500

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, 2023 and 2022.

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, 2023 and 2022, reduced by amounts not available for general expenditures within one year.

	2023	2022
Total financial assets	$ 25,243,269	$ 25,804,499
Less those unavailable for general expenditure within one year:		
Donor-imposed restrictions	(2,910,879)	(1,509,845)
Restricted cash - Compliance Reserve Fund	(267,610)	(322,196)
Restricted cash – Building Project	(6,160,249)	(9,282,693)
Restricted investments, at cost – held as collateral	(507,626)	(1,733,815)
Investments, at cost	(1,727,886)	(242,499)
Noncurrent pledges receivable	(174,748)	(908,076)
Noncurrent note receivable	(7,241,000)	(7,241,000)
Financial assets available to meet cash needs for expenditures within one year	$ 6,253,271	$ $4,564,375

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.