Nehemiah Center, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2021 and 2020

Nehemiah Center, Inc.

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Independent Auditors' Report

To the Board of Directors of
Nehemiah Center, Inc.:

We have audited the accompanying financial statements of Nehemiah Center, Inc., which comprise the statements of financial position as of June 30, 2021 and 2020 and the related statements of activities, of cash flows, and of functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility – Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion – In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nehemiah Center, Inc. as of June 30, 2021 and 2020 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Blazek & Vetterling

October 20, 2021

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Nehemiah Center, Inc.

Statements of Financial Position as of June 30, 2021 and 2020

	2021	2020
ASSETS		
Cash	$ 302,410	$ 383,806
Prepaid expenses and other assets	56,396	73,582
Property and equipment, net *(Note 3)*	1,769,398	1,848,717
TOTAL ASSETS	$ 2,128,204	$ 2,306,105
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 100,032	$ 46,457
Deferred program service fee revenue	13,225	15,692
Notes payable *(Note 4)*	354,597	354,269
Total liabilities	467,854	416,418
Net assets:		
Without donor restrictions *(Note 5)*	1,607,608	1,804,670
With donor restrictions *(Note 6)*	52,742	85,017
Total net assets	1,660,350	1,889,687
TOTAL LIABILITIES AND NET ASSETS	$ 2,128,204	$ 2,306,105

See accompanying notes to financial statements.

Nehemiah Center, Inc.

Statement of Activities for the year ended June 30, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	$ 600,560	$ 134,820	$ 735,380
Government grant revenue		123,400	123,400
Special events	264,228		264,228
Direct donor benefit costs – special events	(54,426)		(54,426)
Program service fees	31,456		31,456
Total revenue	841,818	258,220	1,100,038
Net assets released for:			
Program expenditures	290,495	(290,495)	
Total	1,132,313	(32,275)	1,100,038
EXPENSES:			
Program services:			
Pre-kindergarten (Pre-K)	262,660		262,660
Academic enrichment	251,601		251,601
High school	135,003		135,003
Middle school	91,913		91,913
Family services	83,799		83,799
Adult literacy	23,902		23,902
Summer programs	19,197		19,197
Total program services	868,075		868,075
Supporting services:			
Management and general	214,596		214,596
Fundraising	246,704		246,704
Total supporting services	461,300		461,300
Total expenses	1,329,375		1,329,375
CHANGES IN NET ASSETS	(197,062)	(32,275)	(229,337)
Net assets, beginning of year	1,804,670	85,017	1,889,687
Net assets, end of year	$ 1,607,608	$ 52,742	$ 1,660,350

See accompanying notes to financial statements.

Nehemiah Center, Inc.

Statement of Activities for the year ended June 30, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	$ 623,582	$ 311,325	$ 934,907
Special events	337,902		337,902
Direct donor benefit costs – special events	(53,148)		(53,148)
Program service fees	61,127		61,127
Total revenue	969,463	311,325	1,280,788
Net assets released from restrictions:			
Capital projects	106,500	(106,500)	
Program expenditures	271,336	(271,336)	
Total	1,347,299	(66,511)	1,280,788
EXPENSES:			
Program services:			
Pre-kindergarten (Pre-K)	276,108		276,108
Academic enrichment	252,860		252,860
High school	192,210		192,210
Middle school	89,280		89,280
Family services	80,472		80,472
Adult literacy	24,386		24,386
Summer programs	23,233		23,233
Total program services	938,549		938,549
Supporting services:			
Management and general	243,267		243,267
Fundraising	190,898		190,898
Total supporting services	434,165		434,165
Total expenses	1,372,714		1,372,714
CHANGES IN NET ASSETS	(25,415)	(66,511)	(91,926)
Net assets, beginning of year	1,830,085	151,528	1,981,613
Net assets, end of year	$ 1,804,670	$ 85,017	$ 1,889,687

See accompanying notes to financial statements.

Nehemiah Center, Inc.

Statements of Cash Flows for the years ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (229,337)	$ (91,926)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	79,319	77,881
Advance from Paycheck Protection Program loan	(123,400)	123,400
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	17,186	(59,596)
Accounts payable and accrued expenses	53,575	2,161
Deferred program service fee revenue	(2,467)	15,692
Net cash provided (used) by operating activities	(205,124)	67,612
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment		(131,881)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Economic Injury Disaster Loan	150,000	
Repayment of notes payable	(26,272)	(30,302)
Net cash provided (used) by financing activities	123,728	(30,302)
NET CHANGE IN CASH	(81,396)	(94,571)
Cash, beginning of year	383,806	478,377
Cash, end of year	$ 302,410	$ 383,806

Supplemental disclosure of cash flow information:

Interest paid	$11,895	$12,392

See accompanying notes to financial statements.

Nehemiah Center, Inc.

Statement of Functional Expenses for the year ended June 30, 2021

	PROGRAM SERVICES								SUPPORTING SERVICES		
	PRE-K	ACADEMIC ENRICHMENT	HIGH SCHOOL	MIDDLE SCHOOL	FAMILY SERVICES	ADULT LITERACY	SUMMER PROGRAMS	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries and related benefits	$ 195,461	$ 168,988	$ 33,065	$ 10,774	$ 51,362	$ 12,136	$ 13,701	$ 485,487	$ 145,796	$ 185,023	$ 816,306
Occupancy	46,036	66,825	35,748	35,577	12,368	11,754	2,623	210,931	27,071	10,697	248,699
Professional fees				41,575				41,575	19,535	2,231	63,341
Scholarships			53,520					53,520			53,520
Printing, postage and event production costs	277	63	50	316	26			732	127	45,429	46,288
Program supplies	14,964	7,472	9,687	2,255	647		2,873	37,898			37,898
Family assistance					18,984			18,984			18,984
Transportation/field trips	3,985	4,775	2,856	1,291				12,907			12,907
Other	1,937	3,478	77	125	412	12		6,041	22,067	3,324	31,432
Total expenses	$ 262,660	$ 251,601	$ 135,003	$ 91,913	$ 83,799	$ 23,902	$ 19,197	$ 868,075	$ 214,596	$ 246,704	1,329,375
Direct donor benefit costs – special events											54,426
Total											$1,383,801

See accompanying notes to financial statements.

Nehemiah Center, Inc.

Statement of Functional Expenses for the year ended June 30, 2020

	PROGRAM SERVICES								SUPPORTING SERVICES		
	PRE-K	ACADEMIC ENRICHMENT	HIGH SCHOOL	MIDDLE SCHOOL	FAMILY SERVICES	ADULT LITERACY	SUMMER PROGRAMS	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries and related benefits	$ 206,140	$ 163,090	$ 50,910	$ 6,806	$ 51,927	$ 12,858	$ 13,896	$ 505,627	$ 145,350	$ 108,907	$ 759,884
Occupancy	43,181	64,357	35,296	34,566	11,858	11,522	5,800	206,580	25,615	11,640	243,835
Professional fees	168			41,707				41,875	41,146	2,559	85,580
Scholarships			71,825					71,825			71,825
Printing, postage and event production costs			130	283	20			433	3,425	63,915	67,773
Program supplies	20,151	11,530	29,519	2,059	2,217		3,324	68,800	4		68,804
Family assistance					13,292			13,292			13,292
Transportation/field trips	5,854	11,762	3,741	1,606	500		193	23,656			23,656
Other	614	2,121	789	2,253	658	6	20	6,461	27,727	3,877	38,065
Total expenses	$ 276,108	$ 252,860	$ 192,210	$ 89,280	$ 80,472	$ 24,386	$ 23,233	$ 938,549	$ 243,267	$ 190,898	1,372,714
Direct donor benefit costs – special events											53,148
Total											$1,425,862

See accompanying notes to financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Nehemiah Center, Inc. (the Center) was founded by members of the First Presbyterian Church of Houston (the Church) in 1994 as a Texas nonprofit corporation. The Church is the sole member of the Center and the Session of the Church and annually approves the directors of the Center.

The Center's mission is to offer academic, emotional, cultural, social, and spiritual enrichment to children and their families residing in the Houston inner city. The healthy environment of the Center helps to build trust and a sense of community by developing long-term relationships through a process of engaging and retaining family participation year after year. The Center provides a Pre-K program to eligible children ages 3 to 5. In 2021, approximately 20 students were served daily in the Pre-K program. The academic enrichment program follows by serving the needs of children after school in kindergarten through elementary school. In 2021, approximately 73 children were served daily in the academic enrichment program. The college preparatory program for after school children is available to those who are beyond elementary school and encompass the unique needs of middle school and high school students. In 2021, approximately 19 students were served daily in the college preparatory program. In 2018, the Center entered into a partnership with Southwest Charter Schools to operate Discovery Middle school – Nehemiah (DMS-N). In 2020, approximately 32 students were enrolled in the middle school.

Parents are required to be active participants at the Center for their children to remain enrolled. This approach allows the Center's staff the opportunity to interface with the whole family over extended periods of time. In addition, all parents are required to volunteer at least 20 hours a semester at the Center. New families are required to attend 25 hours of Effective Parenting Classes. This requirement presents an opportunity to introduce other programs of the Center such as Life Skills for Women, Fathers & Sons, Computer Literacy, GED, English as a Second Language, and Counseling Services. These adult programs are designed to help identify and deal with the realities of the inner-city family dynamics.

Federal income tax status – The Center is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi).

Cash concentration – Bank deposits exceed the federally insured limit per depositor per institution.

Property and equipment is reported at cost if purchased or at fair value at the date of gift if donated. The Center capitalizes additions and improvements with a cost in excess of $5,000 and a useful life of more than one year. Depreciation is calculated using the straight-line method over estimated useful lives of 3 to 39 years.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from a donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions contain one or more barriers that must be overcome before the Center is entitled to receive or retain funding. Conditional contributions are recognized in the same manner when the conditions have been met. Funding received before conditions are met is reported as refundable advances.

Special event revenue is the total amount paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Special event revenue is recognized when the event occurs. Proceeds for future special events are included in deferred revenue. Direct donor benefit costs represent the cost of goods and services provided to attendees of the special events.

Program service fees are derived from providing educational services to students and are recognized ratably over time as those services are provided. All performance obligations related to program service fees are satisfied within the academic year which is contained within the fiscal year.

Accounts receivable relate to the Center's right to consideration for services performed, but not billed at the reporting date. There were no accounts receivable in 2021, 2020 and 2019. Contract liabilities relate to program fees collected in advance for which revenue has not been recognized as the performance obligations have not been met. Deferred program service fees at June 30, 2021, 2020 and 2019 were $13,225, $15,692 and $0, respectively. All deferred program service fees paid in advance are expected to be recognized in the following fiscal year.

Donated materials, use of facilities and services – Donated materials and use of facilities are recognized at fair value as unrestricted contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration, and fundraising for which no amount has been recorded in the financial statements because the services do not meet the criteria for recognition under generally accepted accounting principles.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Building, maintenance and related occupancy costs are allocated based on estimated square footage. Other costs are allocated based on the estimated time and effort expended by the individuals utilizing the resources.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of June 30 comprise the following:

	2021	2020
Cash	$ 302,410	$ 383,806
Less board-designated maintenance reserve	(51,940)	(51,940)
Total financial assets available for general expenditure	$ 250,470	$ 331,866

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Center considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures. The Center relies primarily on contributions from donors to provide for the expenditures related to providing its programs. The Center monitors liquidity to meet its operating budget and contractual commitments. In addition to financial assets available to meet general expenditures, the Center has a $100,000 line of credit with a bank with an interest rate of prime plus 2.5% (5.75% at June 30, 2021) and a 3.25% floor, expiring in June 2022. There were no amounts outstanding on the line of credit at June 30, 2021 or 2020.

The Center's Board of Directors has designated a portion of its resources without donor restrictions as a maintenance reserve. Although the Center does not intend to spend from the board-designated fund, amounts from the board-designated fund could be made available, if necessary.

In April 2020, the Center received a $123,400 Paycheck Protection Program (PPP) loan through the Small Business Administration. PPP loan principal and interest may be forgiven, in whole or in part, if the Center meets eligibility requirements and uses the loan to fund qualified payroll and other eligible costs. In April 2021, the Center was notified that principal and interest of $123,400 had been forgiven and that amount was recognized as government grant revenue.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following:

	2021	2020
Land and land improvements	$ 575,873	$ 575,873
Buildings and improvements	2,082,279	2,082,279
Equipment	142,903	142,903
Vans and trucks	140,133	140,133
Total property and equipment, at cost	2,941,188	2,941,188
Accumulated depreciation	(1,171,790)	(1,092,471)
Property and equipment, net	$ 1,769,398	$ 1,848,717

NOTE 4 – NOTES PAYABLE

Notes payable are comprised of the following:

	2021	2020
Note payable to a bank	$ 204,597	$ 230,869
Economic Injury Disaster Loan	150,000	
Paycheck Protection Program loan		123,400
Total notes payable	$ 354,597	$ 354,269

The note payable to a bank has monthly principal and interest payments of $3,111 that are due through December 2027. Interest on the loan is at a fixed rate of 5.00%. The loan is collateralized by land and contains other covenants and commitments.

During July 2020, the Center received an Economic Injury Disaster Loan of $150,000 from the Small Business Administration. Monthly payments of $641 were deferred until July 2022. The loan is repayable over 30 years with an interest rate of 2.75%. The note is collateralized by the assets of the Center.

Future principal payments on the note payable and Economic Injury Disaster Loan are as follows:

2022	$ 31,410
2023	32,933
2024	34,531
2025	36,209
2026	37,970
Thereafter	181,544
Total	$ 354,597

NOTE 5 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

	2021	2020
Property and equipment, net of debt	$ 1,564,801	$ 1,624,605
Board-designated for property maintenance	51,940	51,940
Undesignated	(9,133)	128,125
Total net assets without donor restrictions	$ 1,607,608	$ 1,804,670

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	2021	2020
Alcorn Scholarship Fund	$ 24,476	$ 34,723
Camp scholarships	10,780	11,030
Summer programs	4,753	12,000
COVID-19 assistance		9,111
Other	12,733	18,153
Total net assets with donor restrictions	$ 52,742	$ 85,017

NOTE 7 – RELATED PARTY TRANSACTIONS

The Church contributed approximately $44,000 in 2021 and $45,000 in 2020 to the Center, of which approximately $9,200 and $5,000, respectively, were from Church members who restricted contributions to the Church for the use of the Center.

NOTE 8 – COMMITMENTS

The Center has entered into a strategic alliance agreement with Southwest Charter Schools to assume the operations of the Center's charter school. The agreement is effective through fiscal year 2023 with options to extend for successive one-year terms. The agreement may be terminated by either party, under certain conditions, with 90 days' written notice. The agreement requires that the Center reimburse Southwest Charter Schools for deficits occurred if the enrollment falls below 40 students. For the 2019-2020 and the 2020-2021 school years, the Center paid a deficit of $41,575.

In addition, the Center has an operating lease for copiers under a non-cancelable contract. This lease expires in September 2023 and requires monthly payments totaling approximately $11,700 annually.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 20, 2021, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.