Nehemiah Center, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2023 and 2022

Nehemiah Center, Inc.

Table of Contents

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nehemiah Center, Inc., which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Nehemiah Center, Inc. as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Nehemiah Center, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the 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 Nehemiah Center, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 Nehemiah Center, Inc.'s 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 Nehemiah Center, Inc.'s 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.

Blazek & Vetterling

September 20, 2023

Nehemiah Center, Inc.

Statements of Financial Position as of June 30, 2023 and 2022

	2023	2022
ASSETS		
Cash	$ 873,352	$ 330,774
Prepaid expenses and other assets	33,045	28,358
Contributions receivable *(Note 8)*	75,600	695,978
Cash designated for building maintenance	100,000	51,940
Property and equipment, net *(Note 3)*	1,687,631	1,714,907
TOTAL ASSETS	$ 2,769,628	$ 2,821,957
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 81,624	$ 61,579
Deferred program service fee revenue	14,618	10,933
Notes payable *(Note 4)*	76,466	326,959
Total liabilities	172,708	399,471
Commitments *(Note 7)*		
Net assets:		
Without donor restrictions	2,512,574	2,364,612
With donor restrictions *(Note 5)*	84,346	57,874
Total net assets	2,596,920	2,422,486
TOTAL LIABILITIES AND NET ASSETS	$ 2,769,628	$ 2,821,957

See accompanying notes to financial statements.

Nehemiah Center, Inc.

Statement of Activities for the year ended June 30, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	$ 654,450	$ 275,243	$ 929,693
Government grant revenue *(Note 8)*		372,628	372,628
Special events	421,737		421,737
Direct donor benefit costs – special events	(111,619)		(111,619)
Program service fees	72,521		72,521
Total revenue	1,037,089	647,871	1,684,960
Net assets released for:			
Program expenditures	621,399	(621,399)	
Total	1,658,488	26,472	1,684,960
EXPENSES:			
Program services:			
Academic enrichment	327,294		327,294
Pre-kindergarten (Pre-K)	266,565		266,565
High school	139,358		139,358
Family services	92,950		92,950
Middle school	69,438		69,438
Adult literacy	41,827		41,827
Summer programs	36,504		36,504
Total program services	973,936		973,936
Supporting services:			
Management and general	241,066		241,066
Fundraising	295,524		295,524
Total supporting services	536,590		536,590
Total expenses	1,510,526		1,510,526
CHANGES IN NET ASSETS	147,962	26,472	174,434
Net assets, beginning of year	2,364,612	57,874	2,422,486
Net assets, end of year	$ 2,512,574	$ 84,346	$ 2,596,920

See accompanying notes to financial statements.

Nehemiah Center, Inc.

Statement of Activities for the year ended June 30, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	$ 543,212	$ 183,432	$ 726,644
Government grant revenue *(Note 8)*		1,099,795	1,099,795
Special events	408,451		408,451
Direct donor benefit costs – special events	(110,714)		(110,714)
Program service fees	54,887		54,887
Total revenue	895,836	1,283,227	2,179,063
Net assets released for:			
Program expenditures	1,278,095	(1,278,095)	
Total	2,173,931	5,132	2,179,063
EXPENSES:			
Program services:			
Academic enrichment	288,562		288,562
Pre-kindergarten (Pre-K)	252,965		252,965
High school	125,651		125,651
Family services	83,902		83,902
Middle school	89,936		89,936
Adult literacy	20,698		20,698
Summer programs	17,892		17,892
Total program services	879,606		879,606
Supporting services:			
Management and general	264,983		264,983
Fundraising	272,338		272,338
Total supporting services	537,321		537,321
Total expenses	1,416,927		1,416,927
CHANGES IN NET ASSETS	757,004	5,132	762,136
Net assets, beginning of year	1,607,608	52,742	1,660,350
Net assets, end of year	$ 2,364,612	$ 57,874	$ 2,422,486

See accompanying notes to financial statements.

Nehemiah Center, Inc.

Statement of Functional Expenses for the year ended June 30, 2023

	PROGRAM SERVICES								SUPPORTING SERVICES		
	ACADEMIC ENRICHMENT	PRE-K	HIGH SCHOOL	FAMILY SERVICES	MIDDLE SCHOOL	ADULT LITERACY	SUMMER PROGRAMS	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries and related benefits	$ 215,658	$ 154,554	$ 42,132	$ 46,359	$ 12,419	$ 27,504	$ 16,543	$ 515,169	$ 150,365	$ 213,994	$ 879,528
Occupancy	78,508	52,743	43,334	14,969	43,261	14,323	9,200	256,338	35,921	17,134	309,393
Supplies and food	18,569	53,074	18,133	4,513	326		6,088	100,703	8,527	1,096	110,326
Printing, postage and event production costs	620	1,160	198	348	232			2,558	3,343	59,479	65,380
Professional fees		136			12,127			12,263	20,594	2,451	35,308
Scholarships			32,891					32,891			32,891
Transportation/field trips	12,705	4,855	2,643		1,035		4,673	25,911	1,230		27,141
Family assistance				21,782				21,782			21,782
Other	1,234	43	27	4,979	38			6,321	21,086	1,370	28,777
Total expenses	$ 327,294	$ 266,565	$ 139,358	$ 92,950	$ 69,438	$ 41,827	$ 36,504	$ 973,936	$ 241,066	$ 295,524	1,510,526
Direct donor benefit costs – special events											111,619
Total											$1,622,145

See accompanying notes to financial statements.

Nehemiah Center, Inc.

Statement of Functional Expenses for the year ended June 30, 2022

	PROGRAM SERVICES								SUPPORTING SERVICES		
	ACADEMIC ENRICHMENT	PRE-K	HIGH SCHOOL	FAMILY SERVICES	MIDDLE SCHOOL	ADULT LITERACY	SUMMER PROGRAMS	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries and related benefits	$ 201,834	$ 188,812	$ 31,546	$ 52,120	$ 9,647	$ 9,090	$ 9,189	$ 502,238	$ 188,361	$ 200,434	$ 891,033
Occupancy	64,021	42,280	35,225	11,597	34,821	11,608	2,681	202,233	26,972	10,202	239,407
Supplies and food	12,416	16,894	28,787	1,542	1,020		2,497	63,156	4,068	1,431	68,655
Printing, postage and event production costs	65	1,138		162	442			1,807	1,132	55,051	57,990
Professional fees	57	130	13	44	41,575			41,819	18,904	2,688	63,411
Scholarships			27,889					27,889			27,889
Transportation/field trips	9,599	3,449	2,152		986		3,525	19,711			19,711
Family assistance				18,214				18,214			18,214
Other	570	262	39	223	1,445			2,539	25,546	2,532	30,617
Total expenses	$ 288,562	$ 252,965	$ 125,651	$ 83,902	$ 89,936	$ 20,698	$ 17,892	$ 879,606	$ 264,983	$ 272,338	1,416,927
Direct donor benefit costs – special events											110,714
Total											$1,527,641

See accompanying notes to financial statements.

Nehemiah Center, Inc.

Statements of Cash Flows for the years ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 174,434	$ 762,136
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	83,392	79,766
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(4,687)	5,463
Contributions receivable	620,378	(673,403)
Accounts payable and accrued expenses	20,045	(38,453)
Deferred program service fee revenue	3,685	(2,292)
Net cash provided by operating activities	897,247	133,217
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(56,116)	(25,275)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of notes payable	(250,493)	(27,638)
NET CHANGE IN CASH	590,638	80,304
Cash, beginning of year	382,714	302,410
Cash, end of year	$ 973,352	$ 382,714

	2023	2022
Reconciliation of cash:		
Cash	$ 873,352	$ 330,774
Cash designated for building maintenance	100,000	51,940
Total cash	$ 973,352	$ 382,714

	2023	2022
Supplemental disclosure of cash flow information:		
Interest paid	$5,359	$11,895

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 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 2023, approximately 24 students were served daily in the Pre-K program. The academic enrichment program serves the needs of children after school in kindergarten through elementary school. In 2023, approximately 77 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 2023, approximately 20 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 2023, approximately 24 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.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted to estimate the present value of future cash flows. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. An allowance for uncollectible receivables is provided when it is believed balances may not be collected in full. The adequacy of the allowance at the end of each period is determined using a combination of historical loss experience and donor-by-donor analysis of balances. At June 30, 2023, all contributions receivable are due within one year.

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 the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to 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 events revenue is the total amount paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Special events 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 represents non-interest bearing balances and are reported at net realizable value. Accounts receivable at June 30, 2023, 2022 and 2021 were $7,844, $5,420, and $1,685, respectively. 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, 2023, 2022 and 2021 were $14,618, $10,933 and $13,225, 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:

	2023	2022
Cash	$ 973,352	$ 382,714
Contributions receivable	75,600	695,978
Less board-designated maintenance reserve	(100,000)	(51,940)
Total financial assets available for general expenditure	$ 948,952	$ 1,026,752

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 fund expenditures related to providing its programs. The Center regularly monitors liquidity required 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 2.25% (10.75% at June 30, 2023) and a 5.50% floor, expiring in June 2026. There were no amounts outstanding on the line of credit at June 30, 2023 or 2022.

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.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	2023	2022
Land and land improvements	$ 587,973	$ 587,973
Buildings and improvements	2,127,286	2,093,455
Equipment	136,291	114,006
Vans and trucks	131,133	131,133
Total property and equipment, at cost	2,982,683	2,926,567
Accumulated depreciation	(1,295,052)	(1,211,660)
Property and equipment, net	$ 1,687,631	$ 1,714,907

NOTE 4 – NOTES PAYABLE

Notes payable is comprised of the following:

	2023	2022
Economic Injury Disaster Loan	$ 76,466	$ 150,000
Note payable to a bank		176,959
Total notes payable	$ 76,466	$ 326,959

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

The note payable to a bank required monthly principal and interest payments of $3,111 through December 2027 at a fixed rate of 5.00% collateralized by land. The loan was repaid in full during 2023.

Future principal payments on the EIDL are as follows:

2024	$ 5,717
2025	5,819
2026	5,981
2027	6,148
2028	6,319
Thereafter	46,482
Total	$ 76,466

Interest expense was $5,359 in 2023 and $13,824 in 2022.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	2023	2022
After school academic enrichment program	$ 50,000	
Camp scholarships	29,530	$ 27,575
Alcorn Scholarship Fund		17,087
Summer programs		4,606
Other	4,816	8,606
Total net assets with donor restrictions	$ 84,346	$ 57,874

NOTE 6 – RELATED PARTY TRANSACTIONS

The Church contributed approximately $48,000 in 2023 and $49,000 in 2022 to the Center.

NOTE 7 – COMMITMENTS

The Center has entered into a strategic alliance agreement with Southwest Charter Schools to operate 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 2022-2023 and the 2021-2022 school years, the Center paid a deficit of $12,127 and $41,575, respectively.

NOTE 8 – GOVERNMENT GRANTS

Government grant revenue is recognized as follows:

	2023	2022
U. S. Department of Health and Human Services:		
Child Care Relief Fund grant	$ 321,780	$ 700,164
U. S. Department of Agriculture:		
Child and Adult Care Food Program	47,182	44,251
U. S. Small Business Administration:		
Employee Retention Credit grant	3,666	355,380
Total government grants	$ 372,628	$ 1,099,795

At June 30, 2022, contributions receivable amounts include the Child Care Relief Fund grant and the Employment Retention Credit grant in the amounts of $429,040 and $244,363, respectively. There were no outstanding receivables for these programs at June 30, 2023.

The Center's government grants require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance by the Center with the terms of the contracts. Management believes such disallowances, if any, would not be material to the Center's financial position or changes in net assets.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 20, 2023, 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.