TREEHOUSE

Financial Statements and
Independent Auditor's Report

For the Year Ended September 30, 2022
and 2021

TREEHOUSE, INC.
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REDPATH AND COMPANY

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
TreeHouse, Inc.
St. Louis Park, Minnesota

Opinion

We have audited the accompanying financial statements of TreeHouse, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TreeHouse, Inc. as of September 30, 2022, and the changes in its net assets and its cash flows for the year 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 (GAAS) 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 TreeHouse, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of TreeHouse, Inc. as of September 30, 2021 were audited by other auditors whose report dated June 9, 2022, expressed an unmodified opinion on those statements.

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 TreeHouse, Inc.'s 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 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 GAAS 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 GAAS, 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 TreeHouse, 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 TreeHouse, 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.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

February 22, 2023

TREEHOUSE, INC.
STATEMENTS OF FINANCIAL POSITION **Statement 1**
September 30, 2022 and 2021

	2022	2021
Assets:		
Current assets:		
Cash and cash equivalents	$466,285	$199,122
Cash - restricted purpose	10,308	10,272
Current portion of contributions receivable, net	605,363	242,223
Employee retention credit receivable	827,054	-
Prepaid expenses and other	97,067	105,611
Total current assets	2,006,077	557,228
Noncurrent assets:		
Contributions receivable, net of current portion	100,000	200,000
Assets held for endowment	268,454	307,420
Security deposits	50,000	50,100
Land, building, and equipment, net	690,165	1,138,612
Total noncurrent assets	1,108,619	1,696,132
Total assets	$3,114,696	$2,253,360
Liabilities and net assets:		
Current liabilities:		
Accounts payable	$150,111	$145,192
Accrued expenses	292,031	326,910
Security deposit liability	16,200	31,200
Line of credit	420,000	-
Total current liabilities	878,342	503,302
Noncurrent liabilities:		
Deferred rent	409,343	270,321
Lease incentive	129,992	149,996
Note payable - related party	750,000	750,000
Total noncurrent liabilities	1,289,335	1,170,317
Total liabilities	2,167,677	1,673,619
Net assets:		
Net assets (deficit) without donor restriction	(56,124)	(649,834)
Net assets with donor restriction:		
Net assets with donor restriction - purpose/location/time restricted	369,426	595,858
Net assets with donor restriction - underwater	-	103,783
Net assets with donor restriction - perpetual in nature	633,717	529,934
Total net assets with donor restriction	1,003,143	1,229,575
Total net assets	947,019	579,741
Total liabilities and net assets	$3,114,696	$2,253,360

The accompanying notes are an integral part of these financial statements.

TREEHOUSE, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS **Statement 2**

For The Years Ended September 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
Revenue and support:						
Contributions and grants	$3,249,093	$800,311	$4,049,404	$3,553,891	$1,400,755	$4,954,646
Employee retention credit	1,008,359	-	1,008,359	-	-	-
Gifts in kind	202,518	-	202,518	196,220	-	196,220
Fundraising events, including event contributions	922,038	-	922,038	1,364,979	-	1,364,979
TreeHouse partner network fees	110,181	-	110,181	79,162	-	79,162
Investment income, net	1,675	-	1,675	2,289	-	2,289
Other income	41,026	-	41,026	51,668	-	51,668
Increase (decrease) in beneficial interest in NCF charitable fund	-	(38,966)	(38,966)	-	25,755	25,755
Gain on sale of land, buildings and equipment	225,211	-	225,211	8,875	-	8,875
Released from restriction	987,777	(987,777)	-	1,603,793	(1,603,793)	-
Total revenue and support	6,747,878	(226,432)	6,521,446	6,860,877	(177,283)	6,683,594
Expenses:						
Program services	4,240,649	-	4,240,649	4,736,256	-	4,736,256
Supporting services:						
Management and general	1,047,123	-	1,047,123	931,675	-	931,675
Fundraising	866,396	-	866,396	978,405	-	978,405
Total supporting services	1,913,519	-	1,913,519	1,910,080	-	1,910,080
Total expenses	6,154,168	-	6,154,168	6,646,336	-	6,646,336
Change in net assets	593,710	(226,432)	367,278	214,541	(177,283)	37,258
Net assets (deficit) - beginning of year	(649,834)	1,229,575	579,741	(864,375)	1,406,858	542,483
Net assets (deficit) - end of year	($56,124)	$1,003,143	$947,019	($649,834)	$1,229,575	$579,741

The accompanying notes are an integral part of these financial statements.

	2022				
		Supporting Services			
	Programs	Management and General	Fundraising	Total Supporting Services	Totals
Salaries	$2,426,073	$485,575	$273,131	$758,706	$3,184,779
Payroll taxes	130,846	26,189	14,731	40,920	171,766
Employee benefits	224,964	45,026	25,327	70,353	295,317
Total personnel costs	2,781,883	556,790	313,189	869,979	3,651,862
Bank fees	-	11,599	11,599	23,198	23,198
Costs of fundraising events	-	-	318,966	318,966	318,966
Depreciation	254,106	50,822	33,881	84,703	338,809
Dues/subscriptions/miscellaneous	52,609	22,547	-	22,547	75,156
Facility rent	476,578	136,165	68,083	204,248	680,826
Insurance	44,662	4,962	-	4,962	49,624
Interest expense	-	14,870	1,652	16,522	16,522
Other expenses	84,956	28,319	-	28,319	113,275
Professional services	199,816	175,448	112,092	287,540	487,356
Repairs and maintenance	10,919	3,080	-	3,080	13,999
Seminars and education	21,855	5,464	-	5,464	27,319
Special activities/outreach	123,654	-	-	-	123,654
Staff appreciation	18,284	24,238	-	24,238	42,522
Supplies, postage and printing	13,449	4,484	4,483	8,967	22,416
Telephone and utilities	29,795	5,586	1,862	7,448	37,243
Travel and promotional	16,295	2,749	589	3,338	19,633
Vehicle expenses	111,788	-	-	-	111,788
Total expense	$4,240,649	$1,047,123	$866,396	$1,913,519	$6,154,168
Percentages	69%	17%	14%	31%	100%

The accompanying notes are an integral part of these financial statements.

	2021				
		Supporting Services			
	Programs	Management and General	Fundraising	Total Supporting Services	Totals
Salaries	$2,846,074	$428,199	$310,624	$738,823	$3,584,897
Payroll taxes	133,767	20,126	14,599	34,725	168,492
Employee benefits	265,721	39,978	29,001	68,979	334,700
Total personnel costs	3,245,562	488,303	354,224	842,527	4,088,089
Bank fees	-	10,181	10,181	20,361	20,361
Consulting fees	169,887	84,944	28,315	113,259	283,146
Costs of fundraising events	-	-	432,138	432,138	432,138
Depreciation	188,808	37,762	25,174	62,936	251,744
Facility rent	486,221	138,920	69,460	208,380	694,601
Insurance	39,004	4,334	-	4,334	43,338
Interest expense	-	7,172	797	7,969	7,969
Other expenses	3,003	30,966	26,090	57,056	60,059
Professional services	15,859	63,435	-	63,435	79,294
Repairs and maintenance	26,337	5,267	3,512	8,779	35,116
Seminars and education	45,965	11,491	-	11,491	57,456
Special activities/outreach	179,141	-	-	-	179,141
Staff appreciation	9,784	19,568	3,261	22,829	32,613
Supplies, postage and printing	10,126	3,375	3,375	6,750	16,876
Telephone and utilities	32,623	6,117	2,039	8,156	40,779
Travel and promotional	158,717	19,840	19,840	39,680	198,397
Vehicle expenses	125,219	-	-	-	125,219
Total expense	$4,736,256	$931,675	$978,406	$1,910,080	$6,646,336
Percentages	71%	14%	15%	29%	100%

The accompanying notes are an integral part of these financial statements.

TREEHOUSE, INC.
STATEMENTS OF CASH FLOWS **Statement 4**
For The Years Ended September 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$367,278	$37,258
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	338,809	251,744
(Gain) loss on investments, net	38,966	(25,755)
(Gain) loss on sale of land, buildings and equipment	(225,211)	(8,875)
Changes in operating assets and liabilities:		
Contributions receivable	(263,140)	92,203
Employee retention credit receivable	(827,054)	-
Prepaid expenses and other	8,544	44,037
Security deposits	100	-
Accounts payable	4,919	84,130
Accrued expenses and security deposit liability	(49,879)	(57,694)
Deferred event revenue	-	(102,855)
Deferred rent	139,022	99,346
Lease incentive	(20,004)	(20,004)
Refundable advances	-	(783,290)
Net cash used by operating activities	(487,650)	(389,755)
Cash flows from investing activities:		
Proceeds from sale of land, buildings and equipment	339,613	8,875
Purchase of land, buildings and equipment	(4,764)	(101,475)
Net cash provided (used) by investing activities	334,849	(92,600)
Cash flows from financing activities:		
Proceeds from line of credit draws	420,000	-
Net change in cash, cash equivalents, and restricted cash	267,199	(482,355)
Cash, cash equivalents, and restricted cash - beginning of year	209,394	691,749
Cash, cash equivalents, and restricted cash - end of year	$476,593	$209,394
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$16,522	$7,969

The accompanying notes are an integral part of these financial statements.

Note 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

TreeHouse, Inc. (the "Organization") is a faith-based, not-for-profit organization incorporated on February 2, 1984, under the laws of the State of Minnesota. The purpose of the Organization is to end hopelessness among teens. We love teens and believe that they are a vital part of our communities. But hopelessness is becoming a defining story for this generation breaking down both teens and communities. Through grace-based programs and environments, teens learn to know a loving God, build resiliency, develop healthy relationships, and plan for the future.

B. BASIS OF PRESENTATION

The Organization's financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, and gains and losses are classified based on the existence and nature of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as either net assets without donor restrictions or net assets with donor restrictions.

C. CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

The Organization places its cash deposits with high-quality financial institutions and seeks to limit the amount of credit exposure to any one financial institution. At various times during the year, the amount on deposit may exceed federally insured limits. The Organization has not experienced any losses related to these deposits.

Cash for restricted purpose is cash that the Organization has set aside to satisfy certain donor-imposed restrictions.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported on the Statements of Financial Position that sum to the total of the same such amounts in the Statements of Cash Flows at September 30:

	2022	2021
Cash and cash equivalents	$466,285	$199,122
Cash - restricted purpose	10,308	10,272
Total	$476,593	$209,394

D. SECURITY DEPOSITS

Security deposits are for deposits held by lessors for leased program space at certain locations.

E. CONTRIBUTIONS RECEIVABLE

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected beyond one year are recorded at the present value of estimated future cash flows, when the discounts are significant. Discounts are determined using approximate interest rates applicable to long-term government securities as of September 30 of the fiscal year in which the promises are received. Amortization of the discounts is recorded as contribution revenue.

The Organization uses the allowance method to estimate uncollectible promises to give. This estimate is based on management's evaluation of individual outstanding commitments. Balances still outstanding after management has used reasonable collection efforts are written off. Management has determined an allowance of $8,175 for the years ended September 30, 2022 and 2021.

F. LAND, BUILDINGS AND EQUIPMENT

Land, buildings, and equipment are recorded at cost or at the estimated fair value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives of 5 to 31.5 years. The cost of maintenance and repairs is charged to expense as incurred; purchases of equipment or expenditures that significantly increase the useful lives of equipment of $2,000 or more are capitalized.

G. BENEFICIAL INTEREST IN NCF CHARITABLE FUND

The Organization established a charitable fund with the National Christian Foundation, Inc. (NCF) under the terms of a separate fund agreement. The fund was established by the transfer of endowment funds. The fund was established in a reciprocal arrangement in which the Board and Management expect the Organization to continue to be the beneficiary of the fund in the future. Accordingly, the estimated fair values of the funds have been recognized by the Organization as Beneficial Interest in NCF Charitable Fund, included with Assets Held for Endowment in the Statements of Financial Position. The amount of principal originally contributed to the fund is classified as net assets with donor restrictions.

Under terms of the agreement which established the fund, NCF holds, administers, and invests the assets which have been transferred to it. Distributions are to be requested by the Organization and approved by the board of directors of NCF. Annual adjustments to the fair values of the amounts reported as beneficial interests are recognized as increases (decreases) in beneficial interests and are reflected in net assets with donor restrictions in the Statements of Activities and Changes in Net Assets. Annual distributions from these funds are reported as decreases in beneficial interests in assets held by others.

H. NET ASSETS

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

Net Assets Without Donor Restrictions—This class of net assets includes those resources over which the Board of Directors has discretionary control.

Net Assets With Donor Restrictions—This class of net assets is subject to stipulations imposed by donors. Some donor-imposed restrictions are temporary in nature; those restrictions will be met by the passage of time or by actions of the Organization specified by the donor. Other donor-imposed restrictions are perpetual in nature, whereby the donor has stipulated that resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a 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. We report conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period.

I. REVENUE AND REVENUE RECOGNITION

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Donated securities are recorded at fair value at the date of contribution. Realized and unrealized gains and losses are reflected in investment income, net on the statements of activities and changes in net assets. The Organization has been awarded conditional contributions of $25,000 and $0 that have not been recognized at September 30, 2022 and 2021 respectively, because the underlying conditions have not yet been met.

Revenue derived from cost-reimbursable contracts and grants, which are conditioned upon performance requirements and/or the incurrence of allowable qualifying expenses, are considered conditional contributions. Amounts received are recognized as donor restricted revenue once the conditions are met, which is when the Organization has incurred expenditures in compliance with specific contract or grant provisions. These restrictions are simultaneously released from restriction as the revenue is recognized and are reported as increases in net assets without donor restrictions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position; there were no refundable advances related to cost-reimbursable contracts and grants at September 30, 2022 and 2021. The Organization has been awarded cost-reimbursable grants of $28,125 and $37,500 that have not been recognized at September 30, 2022 and 2021 respectively, because qualifying expenditures have not yet been incurred.

Fundraising and event contribution revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. Event revenue from sponsorships and ticket sales related to a fundraising event is recognized when the event takes place equal to the fair value of direct benefits to donors. The contribution element of the special event revenue immediately, unless there is a right of return if the special event does not take place. Receipts of sponsorships and proceeds from ticket sales in advance of the related event are reported as deferred event revenue on the Statements of Financial Position. Certain community events are fundraising events specifically for the TreeHouse location in that community, and accordingly, the proceeds are classified as donor restricted. Event contribution revenue included in fundraising events on the statements of activities and changes in net assets was approximately $434,000 and $523,000 for the years ended September 30, 2022 and 2021, respectively.

TreeHouse partner network fees are exchange transactions for services provided, providing limited licenses to use TreeHouse program and literature. Revenue from TreeHouse partner network fees are recognized over time, as the underlying services are provided to customers. Payments are required as services are provided and billed in accordance with terms and conditions specified in the monthly contracts. Amounts received in advance are deferred to the applicable period.

J. FAIR VALUE MEASUREMENTS

Certain financial instruments are required to be measured annually at fair value. Accounting standards provide for a three-tier fair value hierarchy which is prioritized by the inputs used in measuring fair value:

- Level 1: Observable inputs such as quoted prices in active markets for identical assets
- Level 2: Observable inputs such as quoted prices in active markets for similar assets or other significant observable inputs
- Level 3: Significant unobservable inputs

The Organization's disclosures for assets held for endowment (Note 5) include references to the above inputs.

K. GIFTS IN KIND

The value of contributed services is recognized in the financial statements if the services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not contributed. The Organization receives donated services from a large number of volunteers assisting in management and program services. However, no amounts have been recognized in the accompanying Statements of Activities and Changes in Net Assets for these services because they do not meet the stated criteria for recognition.

Contributions of materials, equipment, and facilities use of churches and schools are recorded as gifts in kind at their estimated fair values at the date of donation, based on the estimated US wholesale prices of identical or similar products or services using pricing data under a 'like-kind' methodology considering the goods or services condition and utility for use at the time of the contribution. Assets contributed with explicit restrictions regarding their use are reported as restricted support; those without restriction are reported as unrestricted support. No gifts in kind were reported as contributions with donor restrictions in 2022.

The following represents the Organization's in-kind contributions recognized within the statement of activities as of September 30:

	2022	2021
Use of facilities	$148,321	$180,230
Goods and services for special events	24,450	5,090
Program outreach goods and services	29,747	10,900
Totals	$202,518	$196,220

The following represents how donated materials and services were used by the Organization's activities, recognized within the statement of activities, as of September 30:

	2022	2021
Programs	$190,458	$192,857
Management and general	7,610	540
Fundraising	4,450	2,823
Totals	$202,518	$196,220

L. 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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

M. ADVERTISING COSTS

The Organization uses advertising to promote special fundraising events among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ending September 30, 2022 and September 30, 2021 was $1,626 and $22,634, respectively.

N. ALLOCATION OF FUNCTIONAL EXPENSES

Costs of providing programs and supporting service activities have been presented in the Statements of Functional Expenses. Salaries and related costs are allocated among the program and supporting service categories based upon the estimated time expended by the employees in those categories. Expenses, other than salaries and related payroll expenses, that are not directly identifiable by program or support service, are allocated based on management estimates of usage.

O. INCOME TAXES

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is a publicly supported organization and contributions to it qualify as a charitable tax deduction for the contributors as permitted by law.

A tax expense or benefit from an uncertain income tax position (including tax-exempt status) may be recognized only when it is more likely than not that the position will be sustained upon examination by taxing authorities. Management believes the Organization has no uncertain income tax positions that would result in an accrual, expense, or benefit under the more likely than not standard.

P. RECENTLY ISSUED ACCOUNTING STANDARDS - LEASES

In February 2016, the FASB issued ASU 2016-02, Leases, which amends the existing accounting standards for lease accounting, including changes to accounting for leases for Lessors. The new lease standard will be effective for the Organization's year ending September 30, 2023. The new lease standard requires a modified retrospective adoption. The Organization is evaluating the impact but does not believe its adoption will have a significant impact on the reporting of the operations of its organization.

Q. RECLASSIFICATIONS

Certain reclassifications have been made to the September 30, 2021 presentation to provide comparability to the September 30, 2022 presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

Note 2 LIQUIDITY AND AVAILABILITY OF FUNDS

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise the following at September 30:

	2022	2021
Financial assets:		
Cash	$466,285	$199,122
Cash - restricted purpose	10,308	10,272
Contributions receivable	705,363	442,223
Employee retention credit receivable	827,054	-
Assets held for endowment	268,454	307,420
Subtotal	2,277,464	959,037
Amounts unavailable due to:		
Net assets restricted for endowment funds	(745,092)	(784,058)
Net assets restricted for time > 1 year	(100,000)	(200,000)
Net assets restricted for scholarship funds	(31,264)	(75,509)
Net assets restricted for other purposes	(21,787)	(70,008)
Subtotal	(898,143)	(1,129,575)
Total	$1,379,321	$ -

Due to the nature of the restrictions from contributions received from donors, the Organization has omitted all net assets with donor restrictions, except those only restricted for time that are expected to be collected within one year.

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. In addition, as described in Note 6, the Organization has one line of credit in the amount of $600,000 which could be drawn upon in the event of an unanticipated liquidity need.

Note 3 CONTRIBUTIONS RECEIVABLE

Contributions and other receivables consisted of the following at September 30:

	2022	2021
Unconditional promises to give, net:		
General operating	$485,000	$76,398
Time restricted	200,000	300,000
Purpose restricted:		
Individual TreeHouse operations	28,738	24,000
Comprehensive campaign	-	50,000
Less: allowance for doubtful accounts	(8,375)	(8,175)
Contributions receivable, net	$705,363	$442,223

Unconditional promises to give were scheduled to be received as follows at September 30:

	2022	2021
Promises to give within one year	$613,738	$250,398
Less: allowance for uncollectible	(8,375)	(8,175)
Promises to give within one year, net	605,363	242,223
Promises to give within two to five years	100,000	200,000
Total	$705,363	$442,223

Note 4 LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consisted of the following at September 30:

	2022	2021
Land and improvements	$45,000	$93,676
Buildings and improvements	222,412	283,097
Furniture, equipment, and software	761,880	1,119,951
Vehicles	426,152	615,457
Leasehold improvements	340,247	383,605
Total land, buildings and equipment	1,795,691	2,495,786
Accumulated depreciation	(1,105,526)	(1,357,174)
Land, buildings and equipment, net	$690,165	$1,138,612

Depreciation expense totaled $338,809 and $251,744 for the years ended September 30, 2022 and 2021, respectively.

Note 5 ASSETS HELD FOR ENDOWMENT

A. GENERAL

An endowment fund was established to provide growth and income to the Organization. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

B. INTERPRETATION OF RELEVANT LAW

Endowment funds are regulated by the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as enacted by the State of Minnesota. The Board of Directors of the Organization has interpreted UPMIFA as requiring the preservation of the original gift of donor-restricted endowment funds absent explicit donor stipulations to the contrary. The original gift is valued at fair value on the date of the gift. As a result of this interpretation, the Organization classifies as net assets with donor restrictions—perpetual in nature the original value of the gift donated to the endowment. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

C. FINANCIAL INFORMATION

The Organization had the following assets available for its endowment at September 30:

	2022	2021
Beneficial interest in NCF charitable fund	$268,454	$307,420
Employee retention credit receivable to be used for endowment	365,263	-
Cash available for endowment	-	209,391
Unconditional promises to give, net: general operating	-	116,906
Held in perpetuity	633,717	633,717
Employee retention credit receivable to be used for endowment	111,375	-
Unconditional promises to give, net: general operating	-	46,558
Underwater endowments	-	103,783
Total	$745,092	$784,058

From time to time, certain donor restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

As of September 30, 2021, funds with original gift values of $633,717, endowment net assets of $784,058, and deficiencies of $103,783 were reported in net assets with donor restrictions. The deficiencies will be covered by cash from the employee retention credit once received.

The fair value of the beneficial interest in NCF Charitable Fund (beneficial interest) was measured based on level 3 fair value inputs.

Changes in the fair value of the Organization's Level 3 assets consisted of the following for the years ended September 30:

	2022	2021
Level 3 assets, beginning of year	$307,420	$281,665
Net increase (decrease) of beneficial interest	(38,966)	25,755
Level 3 assets, end of year	$268,454	$307,420

The net increase (decrease) in the value of beneficial interest is recognized in net assets with donor restrictions on the Statements of Activities and Changes in Net Assets and is a part of the endowment assets.

The fair value of the beneficial interest is reported by the organization holding the underlying investments based on its valuation of those investments and the Organization's interest in the fund. The fund holds various investments including fixed income, equity and alternative investments. The alternative investment values are generally subject to the judgment of the investment managers. Such values may differ significantly from the values that would have been used had a ready market existed for these assets, and the differences could be material.

Changes in endowment net assets for the years ended September 30, 2022 and 2021, respectively, are as follows:

	Restricted by Purpose or Location	Held in Perpetuity	Total
September 30, 2020	$124,586	$633,717	$758,303
Net increase (decrease) of beneficial interest	25,755	-	25,755
September 30, 2021	150,341	633,717	784,058
Net increase (decrease) of beneficial interest	(38,966)	-	(38,966)
September 30, 2022	$111,375	$633,717	$745,092

D. INVESTMENT RETURN OBJECTIVES AND RISK PARAMETERS

The Board of Directors has adopted an Endowment Investment policy designed to maintain the purchasing power of the endowment assets and to maintain a predictable amount of annual distributions that will keep pace with increasing funding needs. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity as well as the cumulative earnings on those funds that the board has not appropriated for expenditure.

For those endowment funds held by NCF, the Organization is subject to the investment policy of NCF. Based on this policy, NCF has developed a diversified investment portfolio. The Organization expects its endowment fund, over time, to provide an average annual rate of return of 8%. Actual returns in any given year may vary from this amount.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of investments will occur in the near term and such changes could materially affect account balances and the amounts reported in the Statements of Changes in Activities and Net Assets.

E. STRATEGIES EMPLOYED FOR ACHIEVING INVESTMENT OBJECTIVES

To satisfy its long-term rate-of-return objectives, the Organization's strategy is one in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

F. SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO THE SPENDING POLICY

Under the Organization's spending policy, approximately 5% of the fair market value of the endowment fund is available for distribution annually, consistent with the restrictions of the endowment contributions. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Note 6 LINE OF CREDIT

The Organization has a line of credit agreement whereby it may borrow up to $600,000, which expires on March 31, 2023. The interest rate is the higher of 4.00% or the current index rate, based on the prime rate of interest as published in the Wall Street Journal. The rate at September 30, 2022 and 2021 was approximately 6.25% and 5.00%, respectively. The line of credit is secured by substantially all of the Organization's assets and is subject to certain financial and nonfinancial covenants. There was an outstanding balance on the line of credit of $420,000 and $0 at September 30, 2022 and 2021, respectively. The outstanding balance as of September 30, 2022, was subsequently paid off on October 6, 2022. The line of credit has a covenant for the Organization to submit its audited financial statements no later than 120 days after the end of each fiscal year, however this date was extended to February 28, 2023, by the bank for the Organization's year ended September 30, 2022.

Note 7 PPP LOANS AND LOAN FORGIVENESS

The Organization obtained a $783,290 loan from Tradition Capital Bank under the Paycheck Protection Program (PPP) in April 2020, and a second $885,727 PPP loan from Tradition Capital Bank in February of 2021. The loan proceeds were to be used for payroll costs, payments on mortgage interest, rent, utilities, and interest on other debt obligations, with at least 60% of the amount to be used for payroll costs as permitted by Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act").

The Organization received forgiveness from the Small Business Administration (SBA) for the first loan on November 2, 2020 and for the second loan on June 22, 2021. The Organization recognized contribution revenue under FASB ASC 958-605 upon notice of loan forgiveness.

Expenditures under this program are subject to review and audit by the SBA for six years from the date of loan forgiveness. Management believes that any liability for disallowances, which may arise as a result of an audit, would not be material.

Note 8 EMPLOYEE RETENTION CREDIT

On March 27, 2020, the CARES Act was signed into law providing numerous tax provisions and other stimulus measures, including an employee retention credit ("ERC"), which is a refundable tax credit against certain employment taxes. The Taxpayer Certainty and Disaster Tax Relief Act of 2020 and the American Rescue Plan Act of 2021 extended and expanded the availability of the ERC. An entity is eligible for the employee retention credit (ERC) if it either (1) fully or partially suspended operations during any calendar quarter due to orders from an appropriate government authority limiting business activities due to COVID-19; or (2) experienced a significant decline in gross receipts during the calendar quarter.

The Organization accounted for the Employee Retention Credit as a conditional contribution under FASB ASC 958-605. During the year ended September 30, 2022, the Organization recognized COVID-19 government revenue of $1,008,359 related to third and fourth calendar year quarters in 2020, and first, second, and third calendar year quarters in 2021. A current receivable in the amount of $827,054 is included in the statement of financial position as of September 30, 2022.

Note 9 NOTE PAYABLE—RELATED PARTY

The Organization obtained a note for $750,000 from a member of management of the Organization, during the year ended March 31, 2020. No payments are scheduled on the note and interest is stated at 1%, to be paid quarterly.

Note 10 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at September 30:

	2022	2021
Endowment funds	$745,092	$784,058
Scholarship funds	31,264	75,509
Various individual houses	21,766	69,920
Time restricted	205,000	300,000
Comprehensive campaign	21	88
Total	$1,003,143	$1,229,575

Note 11 RETIREMENT PLAN

Substantially all employees of the Organization who have attained age 18 are eligible to make contributions to a 403(b) retirement plan. For employees who have attained age 19 and completed one year of service, the Organization may make discretionary contributions. There were no employer contributions for the years ended September 30, 2022 and 2021.

Note 12 LEASE COMMITMENTS

The Organization leases office equipment under operating leases which expire at various dates through March 2023. The Organization leases its administrative office space under a lease agreement expiring December 2033, per the first amendment to the agreement, effective July 5, 2022. The Organization also leases program space at certain locations under monthly lease agreements that can be canceled with notification.

Future minimum lease payments required under the non-cancelable leases were as follows for the years ending September 30:

Year	Amount
2023	$176,386
2024	180,263
2025	179,141
2026	179,699
2027	182,657
Thereafter	1,007,199
Total	$1,905,345

Rent expense, including the Organization's share of property taxes and operating expenses totaled $680,589 and $694,601 for the years ended September 30, 2022 and 2021, respectively. Rent expense includes $148,321 and $191,130 of donated use of facilities for TreeHouse programming for the years ended September 30, 2022 and 2021, respectively.

The Organization subleased a portion of its leased office space to an unaffiliated organization until August 31, 2022. Rental income under the sublease was $12,850 and $33,639 for the years ended September 30, 2022 and 2021, respectively.

Note 13 RELATED PARTY TRANSACTIONS

The Organization has a $750,000 (Note 9) note payable to a member of management. There are no payment terms and the stated interest is 1% due quarterly.

Approximately 52% of the balance of contributions receivable was due from a member of management as of September 30, 2022. Approximately 11% of the balance of contributions receivable was due from a board member as of September 30, 2021.

Approximately 31% of contribution revenue was from board members and a member of management during the year ended September 30, 2022. Approximately 13% of contribution revenue was received from board members and a member of management during the year ended September 30, 2021.

Note 14 CONCENTRATIONS

A. CONTRIBUTIONS RECEIVABLE

Approximately 95% of the balance of contributions receivable was due from four donors as of September 30, 2022. Approximately 90% of the balance of contributions receivable was due from three donors as of September 30, 2021.

B. CONTRIBUTIONS

Approximately 42% of total contribution revenue was from two donors during the year ended September 30, 2022. Approximately 12% of total contribution revenue was from one donor during the year ended September 30, 2021.

Note 15 CHANGE IN ACCOUNTING PRINCIPLE

In fiscal year 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard required increased disclosure and a reclassification of prior year information to confirm to the new required method of presentation.

Note 16 SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 22, 2023, the date which the financial statements were available to be issued.

As described in Note 12, the Organization amended its administrative office lease effective July 5, 2022. According to the terms of that amendment, the Organization relocated from its previous space into a replacement premise within the same building effective January 1, 2023. Upon relocation, the landlord released the Organization from the obligation to pay the balance of deferred rent and lease incentive liability which was $409,343 and $129,992, respectively, at September 30, 2022. Additionally, upon amendment of the lease, the Organization reassessed the remaining useful life of its leasehold improvements related to this space, resulting in accelerated depreciation of these improvements. Upon relocation, the Organization fully depreciated the remaining book balance of leasehold improvements related to the previous space, which was $108,047 at September 30, 2022.

On January 6, 2023, the Organization sold its Chaska property to an unrelated organization for $480,000.