TREEHOUSE, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

Years Ended
September 30, 2023 and 2022

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TREEHOUSE, INC.
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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 statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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, 3023 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 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 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

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 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 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, LLC

REDPATH AND COMPANY, LLC
St. Paul, Minnesota

February 5, 2024

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TREEHOUSE, INC.
STATEMENTS OF FINANCIAL POSITION **Statement 1**
September 30, 2023 and 2022

	2023	2022
Assets:		
Current assets:		
Cash and cash equivalents	$956,525	$466,285
Cash - restricted purpose	10,345	10,308
Current portion of contributions receivable, net	395,638	605,363
Employee Retention Credit receivable	-	827,054
Prepaid expenses and other	64,486	97,067
Total current assets	1,426,994	2,006,077
Noncurrent assets:		
Contributions receivable, net of current portion	-	100,000
Assets held for endowment	280,194	268,454
Security deposits	35,000	50,000
Operating lease right-of-use asset	1,517,611	-
Land, buildings and equipment, net	458,258	690,165
Total noncurrent assets	2,291,063	1,108,619
Total assets	$3,718,057	$3,114,696
Liabilities and net assets:		
Current liabilities:		
Accounts payable	$94,631	$150,111
Accrued expenses	239,594	292,031
Security deposit liability	-	16,200
Line of credit	-	420,000
Operating lease liability, current portion	144,548	-
Total current liabilities	478,773	878,342
Noncurrent liabilities:		
Deferred rent	-	409,343
Lease incentive	-	129,992
Note payable - related party	750,000	750,000
Operating lease liability, net of current portion	1,375,486	-
Total noncurrent liabilities	2,125,486	1,289,335
Total liabilities	2,604,259	2,167,677
Net assets:		
Net assets (deficit) without donor restriction	205,257	(56,124)
Net assets with donor restriction:		
Net assets with donor restriction - purpose/location/time restricted	274,824	369,426
Net assets with donor restriction - perpetual in nature	633,717	633,717
Total net assets with donor restriction	908,541	1,003,143
Total net assets	1,113,798	947,019
Total liabilities and net assets	$3,718,057	$3,114,696

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

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TREEHOUSE, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS **Statement 2**
For The Years Ended September 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
Revenue and support:						
Contributions and grants	$3,010,807	$425,432	$3,436,239	$3,249,093	$800,311	$4,049,404
Employee Retention Credit	-	-	-	1,008,359	-	1,008,359
Gifts in kind	785,899	-	785,899	202,518	-	202,518
Fundraising events, including event contributions	752,123	-	752,123	922,038	-	922,038
TreeHouse partner network fees	72,830	-	72,830	110,181	-	110,181
Investment income, net	10,181	-	10,181	1,675	-	1,675
Other income	63,896	-	63,896	41,026	-	41,026
Increase (decrease) in beneficial interest in NCF charitable fund	-	11,740	11,740	-	(38,966)	(38,966)
Gain on sale of land, buildings and equipment	373,556	-	373,556	225,211	-	225,211
Released from restriction	531,774	(531,774)	-	987,777	(987,777)	-
Total revenue and support	5,601,066	(94,602)	5,506,464	6,747,878	(226,432)	6,521,446
Expenses:						
Program services	3,504,918	-	3,504,918	4,240,649	-	4,240,649
Supporting services:						
Management and general	977,179	-	977,179	1,047,123	-	1,047,123
Fundraising	857,588	-	857,588	866,396	-	866,396
Total supporting services	1,834,767	-	1,834,767	1,913,519	-	1,913,519
Total expenses	5,339,685	-	5,339,685	6,154,168	-	6,154,168
Change in net assets	261,381	(94,602)	166,779	593,710	(226,432)	367,278
Net assets (deficit) - beginning of year	(56,124)	1,003,143	947,019	(649,834)	1,229,575	579,741
Net assets (deficit) - end of year	$205,257	$908,541	$1,113,798	($56,124)	$1,003,143	$947,019

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

	2023				
		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	$1,883,378	$461,118	$291,715	$752,833	$2,636,211
Payroll taxes	92,976	22,763	14,401	37,164	130,140
Employee benefits	200,495	49,088	31,055	80,143	280,638
Total personnel costs	2,176,849	532,969	337,171	870,140	3,046,989
Bank fees	-	6,829	6,828	13,657	13,657
Costs of fundraising events	-	-	305,556	305,556	305,556
Depreciation	229,946	45,989	30,660	76,649	306,595
Dues, subscriptions and miscellaneous	61,495	26,355	-	26,355	87,850
Facility lease	337,761	96,503	48,252	144,755	482,516
Insurance	41,378	4,598	-	4,598	45,976
Interest expense	-	8,338	926	9,264	9,264
Other expenses	134,347	30,875	1,669	32,544	166,891
Professional services	213,986	187,890	120,041	307,931	521,917
Repairs and maintenance	3,265	921	-	921	4,186
Seminars and education	13,313	3,328	-	3,328	16,641
Special activities and outreach	118,380	-	-	-	118,380
Staff appreciation	28,946	20,961	-	20,961	49,907
Supplies, postage and printing	12,761	4,254	4,253	8,507	21,268
Telephone and utilities	21,315	3,997	1,332	5,329	26,644
Travel and promotional	18,210	3,372	900	4,272	22,482
Vehicle expenses	92,966	-	-	-	92,966
Total expense	$3,504,918	$977,179	$857,588	$1,834,767	$5,339,685
Percentages	66%	18%	16%	34%	100%

	2022				
		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
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 and miscellaneous	52,609	22,547	-	22,547	75,156
Facility lease	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 and 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%

TREEHOUSE, INC.
STATEMENTS OF CASH FLOWS **Statement 4**
For The Years Ended September 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$166,779	$367,278
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	306,595	338,809
Loss (gain) on investments, net	(11,740)	38,966
Gain on sale of land, buildings and equipment	(373,556)	(225,211)
Noncash operating lease expense	2,423	-
Changes in operating assets and liabilities:		
Contributions receivable	309,725	(263,140)
Employee Retention Credit receivable	827,054	(827,054)
Prepaid expenses and other	32,581	8,544
Security deposits	15,000	100
Accounts payable	(55,480)	4,919
Accrued expenses and security deposit liability	(68,637)	(49,879)
Deferred rent	(409,343)	139,022
Lease incentive	(129,992)	(20,004)
Net cash provided (used) by operating activities	611,409	(487,650)
Cash flows from investing activities:		
Proceeds from sale of land, buildings and equipment	448,966	339,613
Purchase of land, buildings and equipment	(150,098)	(4,764)
Net cash provided by investing activities	298,868	334,849
Cash flows from financing activities:		
Proceeds from (payments on) line of credit	(420,000)	420,000
Net change in cash, cash equivalents and restricted cash	490,277	267,199
Cash, cash equivalents and restricted cash - beginning of year	476,593	209,394
Cash, cash equivalents and restricted cash - end of year	$966,870	$476,593
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$9,264	$16,522

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. The Organization helps teens build relationships and resiliency rooted in living hope. Each sites hosts programs that give teens a safe space to find support and belonging. Through support group, mentoring, retreats and other off-site activities, teens have the opportunity to build even deeper relationships with peers and caring adults. The Organization both serves teens directly and trains and equips other organizations to carry out their mission across the nation.

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 on September 30:

	2023	2022
Cash and cash equivalents	$956,525	$466,285
Cash - restricted purpose	10,345	10,308
Total	$966,870	$476,593

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 $7,644 and $8,175 for the years ended September 30, 2023 and 2022, respectively.

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. 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 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. The Organization has been awarded conditional contributions of $0 and $25,000 that have not been recognized at September 30, 2023 and 2022 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, 2023 and 2022. The Organization has been awarded cost-reimbursable grants of $15,750 and $28,125 that have not been recognized at September 30, 2023 and 2022 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 Organization 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 was approximately $291,000 and $434,000 for the years ended September 30, 2023 and 2022, respectively.

TreeHouse partner network fees are exchange transactions for services provided, providing limited licenses to use the Organization 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 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 2023 and 2022.

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

	2023	2022
Use of facilities	$684,329	$148,321
Goods and services for special events	54,285	24,450
Program outreach goods and services	47,285	29,747
Totals	$785,899	$202,518

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:

	2023	2022
Programs	$525,994	$190,458
Management and general	137,187	7,610
Fundraising	122,718	4,450
Totals	$785,899	$202,518

L. LEASES

For leases with an initial term in excess of 12 months, the related leased asset and liability are recognized on the balance sheet as operating or finance leases at the inception of an agreement where it is determined that a lease exists. The Organization has elected to exclude short-term leases for all classes of underlying assets from balance sheet recognition. A lease is considered to be short-term if it contains a lease term of 12 months or less. Lease expense related to short term leases is recognized on a straight-line basis over the term of the lease. The Organization may enter into leases that contain both lease and non-lease components. The Organization did not elect the practical expedient to combine lease and non-lease components when feasible.

Operating lease assets are included in operating lease right-of-use ("ROU") assets. ROU assets represent the right to use an underlying asset for the lease term and operating lease liabilities represent the obligation to make the lease payments arising from the related operating lease. The assets and liabilities are recognized based on the present value of future payments over the lease term at the commencement date. The Organization has elected to determine their estimated incremental borrowing rate for all classes of underlying assets when the implicit rate is not readily determinable.

M. 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.

N. 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, 2023 and September 30, 2022 was $3,535 and $1,626, respectively.

O. 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.

P. 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.

Q. RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

The Organization adopted the provisions of ASC 842, Leases, using the modified retrospective approach with October 1, 2022 as the date of initial adoption. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard. In addition, the Organization elected the practical expedient to use hindsight in determining the lease term for existing leases, which resulted in shortening the lease terms for certain existing leases. Upon implementation, operating lease right-of-use assets and liabilities increased by $1,631,460, which resulted in no change in net assets as of September 30, 2022. Adoption of the new standard did not materially impact the Organization's net income or cash flows.

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 Statements of Financial Position date, comprise the following at September 30:

	2023	2022
Financial assets:		
Cash	$956,525	$466,285
Cash - restricted purpose	10,345	10,308
Contributions receivable	395,638	705,363
Employee retention credit receivable	-	827,054
Assets held for endowment	280,194	268,454
Subtotal	1,642,702	2,277,464
Amounts unavailable due to:		
Net assets restricted for endowment funds	(756,832)	(745,092)
Net assets restricted for time > 1 year	-	(100,000)
Net assets restricted for scholarship funds	-	(31,264)
Net assets restricted for other purposes	(51,688)	(21,787)
Subtotal	(808,520)	(898,143)
Total	$834,182	$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:

	2023	2022
Unconditional promises to give, net:		
General operating	$239,126	$485,000
Time restricted	100,000	200,000
Purpose restricted:		
Individual TreeHouse operations	64,156	28,738
Less: allowance for doubtful accounts	(7,644)	(8,375)
Contributions receivable, net	$395,638	$705,363

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

	2023	2022
Promises to give within one year	$403,282	$613,738
Less: allowance for uncollectible	(7,644)	(8,375)
Promises to give within one year, net	395,638	605,363
Promises to give within two to five years	-	100,000
Total	$395,638	$705,363

Note 4 LAND, BUILDINGS AND EQUIPMENT

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

	2023	2022
Land and improvements	$ -	$45,000
Buildings and improvements	-	222,412
Furniture, equipment and software	770,415	761,880
Vehicles	385,314	426,152
Leasehold improvements	153,218	340,247
Total land, buildings and equipment	1,308,947	1,795,691
Accumulated depreciation	(850,689)	(1,105,526)
Land, buildings and equipment, net	$458,258	$690,165

Depreciation expense totaled $306,595 and $338,809 for the years ended September 30, 2023 and 2022, 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:

	2023	2022
Beneficial interest in NCF charitable fund	$280,194	$268,454
Cash available for endowment	353,523	-
Employee retention credit receivable to be used for endowment	-	365,263
Held in perpetuity	633,717	633,717
Cash available for endowment	123,115	-
Employee retention credit receivable to be used for endowment	-	111,375
Total	$756,832	$745,092

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.

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:

	2023	2022
Level 3 assets, beginning of year	$268,454	$307,420
Net increase (decrease) of beneficial interest	11,740	(38,966)
Level 3 assets, end of year	$280,194	$268,454

The net increase (decrease) in the value of beneficial interest is recognized in net assets with donor restrictions on the Statements of Activities 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, 2023 and 2022, respectively, are as follows:

	Restricted by Purpose or Location	Held in Perpetuity	Total
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
Net increase (decrease) of beneficial interest	11,740	-	11,740
September 30, 2023	$123,115	$633,717	$756,832

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.

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, 2024. The interest rate is the higher of 5.75% or the current index rate, based on the prime rate of interest as published in the Wall Street Journal. The rate at September 30, 2023 and 2022 was approximately 8.50% and 6.25%, 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 $0 and $420,000 at September 30, 2023 and 2022, respectively. The line of credit has a covenant for the Organization to submit its audited financial statements within 30 days after receipt and to provide audited financial statements on an annual basis, prepared by a certified public accountant.

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 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.

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:

	2023	2022
Endowment funds	$756,832	$745,092
Time restricted	100,000	205,000
Various individual houses	51,688	21,766
Scholarship funds	-	31,264
Comprehensive campaign	21	21
Total	$908,541	$1,003,143

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, 2023 and 2022.

Note 12 LEASES

The Organization leases certain office facilities, program facilities space and equipment at various terms under long-term non-cancelable operating leases. The leases expire at various dates through 2033 and provide renewal options ranging from 1 to 5 years. The Organization includes in the termination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. Some of the Organization's operating leases provide for increases in future minimum annual rental payments. Additionally, some of the operating lease agreements requires the Organization to pay real estate taxes, insurance and repairs.

Total lease expense for the year ended September 30, 2023 is as follows:

	Facility	Equipment	Total
Operating lease expense	$144,273	$5,201	$149,474
Short-term lease expense	244,993	3,542	248,535
Donated lease expense	93,250	-	93,250
Total lease expense	$482,516	$8,743	$491,259

Facility lease expense for the year ended September 30, 2023 was $680,826, including $148,321 of donated program facilities space. Equipment lease expense for the year ended September 30, 2023 was $7,128.

As of September 30, 2023, the weighted average remaining lease term was 9.13 years and the weighted average discount rate was 3.00%.

The following table summarizes the supplemental cash flow information for the year ended September 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$147,194
Right-of-use assets obtained in exchange for lease liabilities:	
Operating leases	$1,631,460

The future maturities of the lease liablities are as follows:

Year ending September 30,	Operating Leases
2024	$199,256
2025	193,676
2026	187,146
2027	184,875
2028	184,875
Thereafter	793,422
Total lease payments	1,743,250
Less: Present value discount	(223,216)
Present value of lease liabilities	$1,520,034

The Organization subleased a portion of its leased office space to an unaffiliated organization until August 31, 2022. Rental income under the sublease was $0 and $12,850 for the years ended September 30, 2023 and 2022, 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 37% and 52% of the balance of contributions receivable was due from a member of management as of September 30, 2023 and 2022, respectively.

Approximately 25% and 31% of contribution revenue was from board members and a member of management during the year ended September 30, 2023 and 2022, respectively.

Note 14 CONCENTRATIONS

A. CONTRIBUTIONS RECEIVABLE

Approximately 74% and 95% of the balance of contributions receivable was due from three donors as of September 30, 2023 and 2022, respectively.

B. CONTRIBUTION REVENUE

Approximately 33% and 42% of total contribution revenue was from two donors during the year ended September 30, 2023 and 2022, respectively.

Note 15 SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 5, 2024, the date which the financial statements were available to be issued.