

Treasure House

Financial Statements

December 31, 2022 and 2021

TREASURE HOUSE
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Treasure House
Phoenix, Arizona

Opinion

We have audited the accompanying financial statements of Treasure House (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities 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 Treasure House as of December 31, 2022 and 2021, 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 Treasure House and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Treasure House's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 Treasure House'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 Treasure House'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.

Baker Tilly US, LLP

Tempe, Arizona
September 14, 2023

TREASURE HOUSE
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 234,081	\$ 288,572
Accounts receivable	3,202	2,839
Promises to give, current, net of allowance of \$106,090 at December 31, 2022	916,465	216,495
Prepaid expenses and other assets	<u>95,352</u>	<u>18,867</u>
TOTAL CURRENT ASSETS	1,249,100	526,773
PROMISES TO GIVE, net of current portion and discount	1,321,985	232,619
PROPERTY AND EQUIPMENT, net	<u>8,352,070</u>	<u>8,694,561</u>
TOTAL ASSETS	<u>\$ 10,923,155</u>	<u>\$ 9,453,953</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 267,586	\$ 194,011
Deferred revenue	106,976	30,037
Current maturities of notes payable	<u>-</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	374,562	224,048
REVOLVING CONSTRUCTION LOAN, net of current portion and loan fees	7,562,811	7,271,788
SECURITY DEPOSITS	<u>108,675</u>	<u>101,875</u>
TOTAL LIABILITIES	<u>8,046,048</u>	<u>7,597,711</u>
NET ASSETS		
Without donor restrictions	813,764	1,439,227
With donor restrictions	<u>2,063,343</u>	<u>417,015</u>
TOTAL NET ASSETS	<u>2,877,107</u>	<u>1,856,242</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,923,155</u>	<u>\$ 9,453,953</u>

See accompanying notes.

TREASURE HOUSE
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions	\$ 386,657	\$ 2,674,451	\$ 3,061,108	\$ 526,484	\$ 513,141	\$ 1,039,625
In-kind contributions	1,226	-	1,226	92,679	-	92,679
Resident fees	1,152,070	-	1,152,070	1,010,362	-	1,010,362
Other income	3,122	-	3,122	5	-	5
Release from time and purpose restrictions	553,908	(553,908)	-	171,350	(171,350)	-
Release from time restrictions	66,000	(66,000)	-	50,000	(50,000)	-
Release from purpose restrictions	302,125	(302,125)	-	213,241	(213,241)	-
	<u>2,465,108</u>	<u>1,752,418</u>	<u>4,217,526</u>	<u>2,064,121</u>	<u>78,550</u>	<u>2,142,671</u>
Special event income	283,460	-	283,460	328,958	-	328,958
Special event contributions	424,744	-	424,744	172,875	-	172,875
Direct donor benefits	(231,069)	-	(231,069)	(154,745)	-	(154,745)
	<u>477,135</u>	<u>-</u>	<u>477,135</u>	<u>347,088</u>	<u>-</u>	<u>347,088</u>
TOTAL SUPPORT AND REVENUE	<u>2,942,243</u>	<u>1,752,418</u>	<u>4,694,661</u>	<u>2,411,209</u>	<u>78,550</u>	<u>2,489,759</u>
EXPENSES						
Program services expenses	2,250,506	-	2,250,506	1,761,707	-	1,761,707
Supporting services expenses						
Management and general	663,412	-	663,412	515,165	-	515,165
Fundraising	653,788	-	653,788	512,709	-	512,709
TOTAL EXPENSES	<u>3,567,706</u>	<u>-</u>	<u>3,567,706</u>	<u>2,789,581</u>	<u>-</u>	<u>2,789,581</u>
Loss on promise to give	-	106,090	106,090	-	-	-
CHANGE IN NET ASSETS	<u>(625,463)</u>	<u>1,646,328</u>	<u>1,020,865</u>	<u>(378,372)</u>	<u>78,550</u>	<u>(299,822)</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,439,227</u>	<u>417,015</u>	<u>1,856,242</u>	<u>1,817,599</u>	<u>338,465</u>	<u>2,156,064</u>
NET ASSETS, END OF YEAR	<u>\$ 813,764</u>	<u>\$ 2,063,343</u>	<u>\$ 2,877,107</u>	<u>\$ 1,439,227</u>	<u>\$ 417,015</u>	<u>\$ 1,856,242</u>

See accompanying notes.

TREASURE HOUSE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Program Services	Management and General	Fundraising	Direct Donor Benefits	Total
Payroll and payroll taxes	\$ 855,357	\$ 413,423	\$ 156,815	\$ -	\$ 1,425,595
Employee benefits	176,868	85,486	32,426	-	294,780
Advertising	51,699	17,233	17,233	-	86,165
Bank fees	-	2,565	10,258	-	12,823
Conferences and meetings	1,188	3,378	2,376	-	6,942
Depreciation and amortization expense	322,152	28,220	-	-	350,372
Dues, subscriptions and licenses	1,288	8,680	272	-	10,240
Event food and venue expenses	-	-	-	134,296	134,296
Event entertainment and auction items	-	-	-	96,773	96,773
Event supplies and other	-	-	132,983	-	132,983
Facilities and equipment	165,726	15,719	5,895	-	187,340
Insurance	23,836	5,959	-	-	29,795
Interest expense	276,811	24,882	9,331	-	311,024
Miscellaneous expense	-	511	-	-	511
Office expenses	1,930	15,408	515	-	17,853
Professional services	8,388	33,635	282,161	-	324,184
Resident support services and resident rental assistance	316,496	-	-	-	316,496
Repairs and maintenance	46,822	4,209	1,578	-	52,609
Equipment rental	-	-	-	-	-
Travel	1,945	4,104	1,945	-	7,994
Total functional expenses	2,250,506	663,412	653,788	231,069	3,798,775
Less expenses included with support and revenue in the statement of activities	-	-	-	(231,069)	(231,069)
TOTAL EXPENSES	<u>\$ 2,250,506</u>	<u>\$ 663,412</u>	<u>\$ 653,788</u>	<u>\$ -</u>	<u>\$ 3,567,706</u>

See accompanying notes.

TREASURE HOUSE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021

	Program Services	Management and General	Fundraising	Direct Donor Benefits	Total
Payroll and payroll taxes	\$ 734,182	\$ 352,856	\$ 129,707	\$ -	\$ 1,216,745
Employee benefits	49,178	23,769	9,016	-	81,963
Advertising	34,327	11,442	37,993	-	83,762
Bank fees	-	5,023	13,452	-	18,475
Conferences and meetings	1,582	3,603	3,164	-	8,349
Depreciation and amortization expense	324,810	28,330	-	-	353,140
Dues, subscriptions and licenses	1,256	4,134	-	-	5,390
Equipment rental	-	-	37,286	-	37,286
Event food and venue expenses	-	-	-	154,745	154,745
Event supplies and other	-	-	24,151	-	24,151
Event outside services	-	-	11,103	-	11,103
Insurance	23,891	5,973	-	-	29,864
Interest expense	209,159	18,801	7,050	-	235,010
Materials and supplies	-	-	9,350	-	9,350
Miscellaneous expense	-	621	10,783	-	11,404
Office expenses	2,620	10,480	-	-	13,100
Occupancy	157,393	14,147	5,305	-	176,845
Professional services	7,067	28,268	193,851	-	229,186
Repairs and maintenance	39,358	3,538	1,327	-	44,223
Resident services	175,509	-	-	-	175,509
Travel	1,375	4,180	19,171	-	24,726
Total functional expenses	1,761,707	515,165	512,709	154,745	2,944,326
Less expenses included with support and revenue in the statement of activities	-	-	-	(154,745)	(154,745)
TOTAL EXPENSES	<u>\$ 1,761,707</u>	<u>\$ 515,165</u>	<u>\$ 512,709</u>	<u>\$ -</u>	<u>\$ 2,789,581</u>

See accompanying notes.

TREASURE HOUSE
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,020,865	\$ (299,822)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	350,372	353,140
Loss on promises to give	106,090	-
Interest added to revolving construction loan	332,988	219,650
Interest expense on loan costs	-	15,360
Donated improvements	-	(92,679)
Realized (gain)/loss on investments	(3,117)	(1,960)
(Increase) decrease in		
Accounts receivable	(363)	19,117
Promises to give	(1,895,426)	(126,837)
Prepaid expenses and other assets	(76,485)	25,974
Increase (decrease) in		
Accounts payable and accrued expenses	73,575	83,409
Deferred revenue	76,939	611
Security deposits	6,800	6,400
	<u> </u>	<u> </u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(7,762)</u>	<u>202,363</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of improvements and equipment	(7,881)	(101,399)
Proceeds from sale of investments	3,117	1,960
	<u> </u>	<u> </u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(4,764)</u>	<u>(99,439)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on revolving construction loan	(41,965)	(262,379)
Proceeds from draws on revolving construction loan	-	185,000
	<u> </u>	<u> </u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(41,965)</u>	<u>(77,379)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(54,491)	25,545
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>288,572</u>	<u>263,027</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 234,081</u>	<u>\$ 288,572</u>

See accompanying notes.

TREASURE HOUSE
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

Nature of Activities

Treasure House is a not-for-profit corporation incorporated in Arizona. The purpose of Treasure House is to provide a supportive environment where young adults with intellectual and developmental disabilities can participate in their community, achieve independence and realize their purpose.

Basis of Presentation

The financial statements of Treasure House have been prepared on the accrual basis of accounting and accordingly reflect all significant receivable, payables and liabilities.

Cash and Cash Equivalents

For purpose of the statements of cash flows, Treasure House considers all unrestricted highly liquid investments with an initial maturity of three months or less at date of acquisition to be cash equivalents.

Promises to Give

Unconditional promises to give are recognized as revenue in the period the promise is made and as assets, decreases in liabilities, or expenses, depending on the form of the benefit received. 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 in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts are computed using risk-free interest rates as determined by management applicable to the years in which the promises to give are received. Amortization of discounts is reflected in contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Accounts Receivable

Accounts receivable consist primarily of amounts due from various agencies for contract revenue to provide various training and are unsecured. Accounts receivables are carried at the outstanding balances less an allowance for doubtful accounts, if applicable. Treasure House evaluates the collectability of its accounts receivable based on a combination of factors. In circumstances where it is aware of a specific amount where there may be an inability to meet the financial obligation, it records a specific reserve to reduce the amounts recorded to what it believes will be collected. Accounts are charged off against the allowance when they are deemed to be uncollectible. Accounts receivable at December 31, 2022 and 2021 are considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts has not been provided.

TREASURE HOUSE
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of the building and equipment is calculated using the straight-line method over the estimated useful lives of the respective asset.

Major additions and improvements are capitalized. Maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and gains and losses are included in operations.

Revenue Recognition

The majority of Treasure House's revenue arrangements generally consist of a single performance obligation to transfer promised services. Resident fees for apartment rentals and related services are set by Treasure House and the performance obligation is delivery of these services on a monthly basis. Rental revenue is recognized in the month in which the service relates and payment is due in advance on a monthly basis. Resident fees collected in advance are recorded as a contract liability (deferred revenue).

Contract liabilities related to rental revenue consists of the following at December 31, 2022 and 2021:

	<u>Resident Fees</u>
Contract liabilities, December 31, 2020	\$ 29,426
Resident fees received	1,010,973
Deferred revenue recognized as revenue	<u>(1,010,362)</u>
Contract liabilities, December 30, 2021	\$ 30,037
Resident fees received	1,125,009
Deferred revenue recognized as revenue	<u>(1,152,070)</u>
Contract liabilities, December 31, 2022	<u><u>\$ 2,976</u></u>

TREASURE HOUSE
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Contributions

Contributions received are recorded as either support with donor restrictions or support without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. All donor-restricted support is reported as an increase in net asset with donor restrictions. When a 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. Conditional contributions are recorded as income in the period when the barrier related to the condition is overcome.

In-Kind Contributions

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU was issued to increase the transparency of contributed nonfinancial (non-cash) assets for not-for-profit entities through enhancements to presentation and disclosure. The change in accounting principle was adopted on a retrospective basis as of January 1, 2021. There was no adjustment to the beginning net assets balance as a result of the adoption of this standard.

Contributions of donated non-cash tangible assets (in-kind donations) are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donated services, are recorded at their fair market values in the period received.

Advertising

Treasure House uses advertising to promote its programs to the community. Advertising costs are charged to operations as incurred. Advertising expense charged to operations was approximately \$86,000 and \$84,000 for the years ended December 31, 2022 and 2021, respectively.

TREASURE HOUSE
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets as follows:

- Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions.
- Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Gifts of long-lived assets and gifts of cash restricted for acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Functional Expenses

The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program services and supporting services. Certain employee positions are allocated based on time and effort. Occupancy, facility expense, interest expense and depreciation expense are allocated based on square footage utilized by the function.

Income Tax Status

Treasure House qualifies as a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code (IRC), qualifies for the charitable contribution deduction and has been classified as an organization that is not a private foundation.

Treasure House recognizes uncertain tax positions in the financial statements when it is more likely-than-not the positions will not be sustained upon examination of the tax authorities. As of December 31, 2022 and 2021, Treasure House had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Treasure House recognizes interest and penalties associated with income tax in operating expenses. During the years ended December 31, 2022 and 2021, Treasure House did not have any income tax related interest and penalty expense.

TREASURE HOUSE
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Date of Management's Review

In preparing these financial statements, Treasure House has evaluated events and transactions for potential recognition or disclosure through September 14, 2023, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Treasure House regularly monitors liquidity required to meet its operating needs and other contractual commitments. Treasure House has various sources of liquidity at its disposal, including cash and cash equivalents and lines of credit. The total revolving construction loan amount available is \$8,000,000. As of December 31, 2022 and 2021, the loan balance was \$7,562,811 and \$7,274,348 and the remaining line of credit available was \$437,189 and \$725,652, respectively.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Treasure House considers all expenditures related to its ongoing activities for the housing of young adults with developmental disabilities. In addition to financial assets available to meet general expenditures over the next 12 months, Treasure House operates with a balanced budget and anticipates collecting sufficient revenue and donations to cover general expenditures not covered by donor-restricted resources.

Treasure House strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Any expenses over that amount are put into a money market account where nominal interest is earned. A separate reserve account has been set up for purposes of holding security deposits for tenants. This figure is not included in the financial assets available for general expenditures. Another reserve has been set up to hold donor restricted assets, the current amount was not included in the financial assets available for general expenditures.

TREASURE HOUSE
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE 2 LIQUIDITY AND AVAILABILITY (Continued)

As of December 31, the following table shows the total financial assets held by Treasure House and the amounts of those financial assets that could be readily made available within one year of the statement of financial position date to meet general expenditures:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 234,081	\$ 288,572
Accounts receivable	3,202	2,839
Promises to give	<u>2,238,450</u>	<u>449,114</u>
 Total financial assets	 2,475,733	 740,525
 Adjustments		
Tenant deposits included in cash	(108,675)	(101,875)
Cash - with donor restriction	(5,832)	(6,125)
Promises to give greater than 1 year	<u>(1,321,985)</u>	<u>(232,619)</u>
 Financial assets available for general expenditures	 <u>\$ 1,039,241</u>	 <u>\$ 399,906</u>

NOTE 3 CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject Treasure House to significant concentrations of credit risk consist principally of cash and promises to give. Treasure House maintains its cash in bank accounts, which at times may exceed federally insured limits. Treasure House has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

As of December 31, 2022, 70% of total promises to give is made up of amounts from 3 donors. As of December 31, 2021, 86% of total promises to give was made up of amounts from 3 donors. Concentrations of credit risk with respect to these promises to give are limited due to Treasure House's relationship with these donors.

TREASURE HOUSE
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE 4 PROMISES TO GIVE

Promises to give as of December 31 include amounts due as follows:

	<u>2022</u>	<u>2021</u>
Promises to give in less than one year	\$ 1,022,555	\$ 216,495
Promises to give due in two to five years	<u>1,403,734</u>	<u>242,894</u>
Total promises to give	2,426,289	459,389
Allowance for doubtful accounts	(106,090)	-
Discount to present value	<u>(81,749)</u>	<u>(10,275)</u>
Net promises to give	2,238,450	449,114
Current portion	<u>(916,465)</u>	<u>(216,495)</u>
Non-current portion	<u>\$ 1,321,985</u>	<u>\$ 232,619</u>

Management considers promises to give to be collectible in full and, accordingly, an allowance for uncollectible promises is not considered necessary. The estimated cash flows for promises to give were discounted over the collection period using a discount rate of 3.75% as determined by management.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,500,000	\$ 1,500,000
Buildings and improvements	8,045,070	8,045,070
Computers and office equipment	29,197	21,522
Furniture and fixtures	178,386	178,386
Vehicles	<u>200,855</u>	<u>200,855</u>
	9,953,508	9,945,833
Accumulated depreciation	<u>(1,601,438)</u>	<u>(1,251,272)</u>
	<u>\$ 8,352,070</u>	<u>\$ 8,694,561</u>

Depreciation expense was \$350,372 and \$353,054 for the years ended December 31, 2022 and 2021, respectively.

TREASURE HOUSE
 NOTES TO FINANCIAL STATEMENTS
 Years Ended December 31, 2022 and 2021

NOTE 6 REVOLVING CONSTRUCTION LOAN

Treasure House, along with the founders of the organization, entered into an agreement for a revolving construction loan with a maximum amount available of \$8,000,000 in March 2017. Both the founders and Treasure House are jointly and severally obligated on this loan. This loan is collateralized by the facility.

Monthly interest payments at 3.25%, plus the 2-Year Treasury Rate (3.75% as at December 31, 2022), were due beginning in April 2017 with the entire principal balance due at the original maturity date of March 10, 2020. The loan agreement was modified in March 2020 and in March 2021 to extend the maturity date for the entire principal balance to March 10, 2023 with an option to extend the maturity date to March 10, 2025 with advance written notice. If the extension option is exercised, four principal payments will be due every six months beginning on March 10, 2023, with each principal payment in the amount of one-fifth of the outstanding principal amount of the loan on the initial maturity date and with a fifth and final “balloon” payment of all unpaid principal, interest and any other amounts due on March 10, 2025. However, in March 2023, there was an additional modification to the loan agreement which requires monthly interest-only payments with the entire principal balance due on March 10, 2024.

The loan agreement includes certain covenant requirements that must be met jointly between both borrowers.

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2022</u>	<u>2021</u>
Time restricted:		
Promises to give- other	\$ -	\$ 106,090
Promises to give- Growing Home campaign	2,009,843	238,800
Purpose restricted:		
Laptops	-	6,125
Life Coaching	53,500	-
Time and purpose:		
Scholarships (promise to give)	-	66,000
	<u>\$ 2,063,343</u>	<u>\$ 417,015</u>

TREASURE HOUSE
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE 8 IN-KIND CONTRIBUTIONS

In-kind contributions consist of the following as at December 31:

	<u>2022</u>	<u>2021</u>
Donated painting services for building	\$ -	\$ 92,679
Miscellaneous	<u>1,226</u>	<u>-</u>
	<u>\$ 1,226</u>	<u>\$ 92,679</u>

Donated painting services were valued at the amount the contractor would have charged based on the geographical market and the amount was recorded as an improvement included in property and equipment as of December 31, 2021.

NOTE 9 RELATED PARTY TRANSACTIONS

During the year ended December 31, 2022, approximately \$41,000 was paid by one board member for resident fees. Additionally, promises to give as of December 31, 2022 include approximately \$367,000 due from eleven board members. During the year ended December 31, 2021 approximately \$83,000 was paid by two board members for resident fees and stock with a value of approximately \$248,000 was donated by one board member.