
NONPROFIT ENTERPRISE AT WORK, INC.

FINANCIAL STATEMENTS

For the years ended June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Nonprofit Enterprise at Work, Inc.
Ann Arbor, Michigan

We have audited the accompanying financial statements of Nonprofit Enterprise at Work, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nonprofit Enterprise at Work, Inc. as of June 30, 2019 and 2018, 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.

Respectfully,

Bennett & Associates CPAs PLLC

Ann Arbor, Michigan
January 27, 2020

NONPROFIT ENTERPRISE AT WORK, INC.
STATEMENTS OF FINANCIAL POSITION
June 30,

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 101,607	\$ 115,191
Promises to give, net of allowance	159,400	145,274
Accounts receivable	43,476	81,992
Inventory	-	12,653
Prepaid expenses	6,714	17,044
Total current assets	311,197	372,154
 Promises to give, due after one year	 9,000	 18,000
 Property and equipment:		
Land	53,000	53,000
Building and improvements	1,073,291	936,590
Furniture and fixtures	96,826	90,220
Computer equipment and software	45,475	26,422
Construction in progress	-	50,413
Total property and equipment	1,268,592	1,156,645
Less accumulated depreciation and amortization	(764,720)	(727,533)
Property and equipment, net of depreciation and amortization	503,872	429,112
TOTAL ASSETS	\$ 824,069	\$ 819,266
LIABILITIES		
Current liabilities		
Accounts payable - trade	\$ 25,975	\$ 9,129
Accrued liabilities	26,180	35,700
Deferred revenue	79,014	114,111
Current portion of notes payable	31,482	24,303
Total current liabilities	162,651	183,243
Security deposits payable	5,100	4,915
Notes payable, less current portion	358,459	258,594
TOTAL LIABILITIES	526,210	446,752
NET ASSETS		
Without donor restrictions	115,810	43,275
With donor restrictions	182,049	329,239
TOTAL NET ASSETS	297,859	372,514
TOTAL LIABILITIES AND NET ASSETS	\$ 824,069	\$ 819,266

NONPROFIT ENTERPRISE AT WORK, INC.
STATEMENTS OF ACTIVITIES
For the year ended June 30, 2019 with comparable totals for 2018

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2019	2018
Support and Revenue				
Support				
Grants, contributions, and sponsorships	\$ 219,766	\$ 213,345	\$ 433,111	\$ 402,719
In-kind contributions:				
Donated materials and supplies	-	-	-	375
Donated services and use of facilities	30,488	-	30,488	28,463
Total support	250,254	213,345	463,599	431,557
Revenue				
Program fees	816,697	-	816,697	927,462
Tenant				
Rentals	186,956	-	186,956	170,092
Reimbursements	16,645	-	16,645	20,600
Interest	11	-	11	11
Miscellaneous	675	-	675	5
Total revenue	1,020,984	-	1,020,984	1,118,170
Total support and revenue	1,271,238	213,345	1,484,583	1,549,727
Net assets released from restrictions				
Satisfaction of restriction requirements	360,535	(360,535)	-	-
Expenses				
Program services				
npServ	584,656	-	584,656	550,169
Organizational development	481,202	-	481,202	394,014
Building management	230,046	-	230,046	220,122
Supporting services				
Management and general	181,153	-	181,153	290,410
Fundraising	82,181	-	82,181	90,688
Total expenses	1,559,238	-	1,559,238	1,545,403
Change in net assets	72,535	(147,190)	(74,655)	4,324
Net assets - beginning of year	43,275	329,239	372,514	368,190
Net assets - end of year	<u>\$ 115,810</u>	<u>\$ 182,049</u>	<u>\$ 297,859</u>	<u>\$ 372,514</u>

NONPROFIT ENTERPRISE AT WORK, INC.
STATEMENTS OF ACTIVITIES
For the year ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2018</u>
Support and Revenue			
Support			
Grants, contributions, and sponsorships	\$ 40,370	\$ 362,349	\$ 402,719
In-kind contributions:			
Donated materials and supplies	375	-	375
Donated services	28,463	-	28,463
Total support	<u>69,208</u>	<u>362,349</u>	<u>431,557</u>
Revenue			
Program fees	927,462	-	927,462
Tenant			
Rentals	170,092	-	170,092
Reimbursements	20,600	-	20,600
Interest	11	-	11
Miscellaneous	5	-	5
Total revenue	<u>1,118,170</u>	<u>-</u>	<u>1,118,170</u>
Total support and revenue	<u>1,187,378</u>	<u>362,349</u>	<u>1,549,727</u>
Net assets released from restrictions			
Satisfaction of restriction requirements	<u>93,759</u>	<u>(93,759)</u>	<u>-</u>
Expenses			
Program services			
npServ	550,169	-	550,169
Organizational development	394,014	-	394,014
Building management	220,122	-	220,122
Supporting services			
Management and general	290,410	-	290,410
Fundraising	90,688	-	90,688
Total expenses	<u>1,545,403</u>	<u>-</u>	<u>1,545,403</u>
Change in net assets	(264,266)	268,590	4,324
Net assets - beginning of year	<u>307,541</u>	<u>60,649</u>	<u>368,190</u>
Net assets - end of year	<u>\$ 43,275</u>	<u>\$ 329,239</u>	<u>\$ 372,514</u>

NONPROFIT ENTERPRISE AT WORK, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended June 30, 2019 with comparable totals for 2018

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Totals	
	npServ	Organizational Development	Building Management		Management and General	Fundraising		2019	2018
Payroll expenses:									
Salaries and Wages	\$ 411,531	\$ 302,773	\$ 80,467	\$ 794,771	\$ 85,902	\$ 65,489	\$ 151,391	\$ 946,162	\$ 972,060
Payroll Taxes	32,858	21,712	5,127	59,697	6,571	5,010	11,581	71,278	71,460
Employee Benefits	37,740	22,299	8,952	68,991	3,698	9,151	12,849	81,840	86,214
Total Payroll Expenses	482,129	346,784	94,546	923,459	96,171	79,650	175,821	1,099,280	1,129,734
Other expenses:									
Office Expenses	3,924	2,550	14,046	20,520	2,060	406	2,466	22,986	23,988
Program Expenses	8,161	817	-	8,978	-	-	-	8,978	11,884
Janitorial	-	-	15,313	15,313	-	-	-	15,313	12,985
Utilities	9,762	-	14,818	24,580	10	-	10	24,590	31,843
Office and Equipment Rent	16,552	-	17,061	33,613	6,448	-	6,448	40,061	42,192
Travel and Conferences	22,301	3,415	205	25,921	107	854	961	26,882	28,354
Dues and Subscriptions	1,149	762	-	1,911	1,896	-	1,896	3,807	10,414
Insurance	-	1,896	3,270	5,166	5,337	-	5,337	10,503	12,460
Meals and Entertainment	55	13,897	174	14,126	3,698	-	3,698	17,824	9,588
Building Repairs and Maintenance	-	-	28,456	28,456	-	-	-	28,456	30,834
Contract Services	-	29,877	639	30,516	6,474	-	6,474	36,990	36,747
Donated Computer Equipment	5,000	-	-	5,000	-	-	-	5,000	10,375
Professional Fees	-	-	-	-	13,740	-	13,740	13,740	11,138
Professional Development	-	4,015	-	4,015	-	1,004	1,004	5,019	6,046
Donated Services	21,088	5,650	3,750	30,488	-	-	-	30,488	28,463
Marketing and Promotion	168	813	129	1,110	10,043	203	10,246	11,356	9,360
Interest	-	-	-	-	20,965	-	20,965	20,965	15,881
Bad Debt	13,712	-	-	13,712	1,607	-	1,607	15,319	14,608
Organizational Grants	-	68,273	-	68,273	-	-	-	68,273	16,346
All Other	655	2,453	452	3,560	12,597	64	12,661	16,221	21,547
Total Expenses Before Depreciation	584,656	481,202	192,859	1,258,717	181,153	82,181	263,334	1,522,051	1,514,787
Depreciation	-	-	37,187	37,187	-	-	-	37,187	30,616
Total Expenses	\$ 584,656	\$ 481,202	\$ 230,046	\$ 1,295,904	\$ 181,153	\$ 82,181	\$ 263,334	\$ 1,559,238	\$ 1,545,403

NONPROFIT ENTERPRISE AT WORK, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended June 30, 2018

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total 2018
	npServ	Organizational Development	Building Management		Management and General	Fundraising		
Payroll expenses:								
Salaries and Wages	\$ 361,131	\$ 287,375	\$ 71,542	\$ 720,048	\$ 180,012	\$ 72,000	\$ 252,012	\$ 972,060
Payroll Taxes	27,462	20,284	4,325	52,071	13,881	5,508	19,389	71,460
Employee Benefits	34,202	20,519	6,919	61,640	15,410	9,164	24,574	86,214
Total Payroll Expenses	422,795	328,178	82,786	833,759	209,303	86,672	295,975	1,129,734
Other expenses:								
Office Expenses	3,740	971	14,938	19,649	2,738	1,601	4,339	23,988
Program Expenses	11,884	-	-	11,884	-	-	-	11,884
Janitorial	-	-	12,985	12,985	-	-	-	12,985
Utilities	9,924	-	21,919	31,843	-	-	-	31,843
Office and Equipment Rent	16,235	-	19,509	35,744	6,448	-	6,448	42,192
Travel and Conferences	23,214	3,879	291	27,384	-	970	970	28,354
Dues and Subscriptions	7,392	831	-	8,223	2,191	-	2,191	10,414
Insurance	-	2,598	2,427	5,025	7,435	-	7,435	12,460
Meals and Entertainment	483	8,233	178	8,894	694	-	694	9,588
Building Repairs and Maintenance	-	-	30,834	30,834	-	-	-	30,834
Contract Services	2,205	20,520	-	22,725	14,022	-	14,022	36,747
Donated Computer Equipment	10,250	125	-	10,375	-	-	-	10,375
Professional Fees	-	-	-	-	11,138	-	11,138	11,138
Professional Development	-	4,837	-	4,837	-	1,209	1,209	6,046
Donated Services	21,088	3,875	3,500	28,463	-	-	-	28,463
Marketing and Promotion	57	799	90	946	8,178	236	8,414	9,360
Interest	-	-	-	-	15,881	-	15,881	15,881
Bad Debt	14,608	-	-	14,608	-	-	-	14,608
Organizational Grants	-	16,346	-	16,346	-	-	-	16,346
All Other	6,294	2,822	49	9,165	12,382	-	12,382	21,547
Total Expenses Before Depreciation	550,169	394,014	189,506	1,133,689	290,410	90,688	381,098	1,514,787
Depreciation	-	-	30,616	30,616	-	-	-	30,616
Total Expenses	\$ 550,169	\$ 394,014	\$ 220,122	\$ 1,164,305	\$ 290,410	\$ 90,688	\$ 381,098	\$ 1,545,403

NONPROFIT ENTERPRISE AT WORK, INC.
STATEMENTS OF CASH FLOWS
For the years ended June 30,

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (74,655)	\$ 4,324
Adjustments to reconcile change in net assets to net cash from (used for) operating activities:		
Depreciation	37,187	30,616
Change in assets:		
Promises to give	(5,126)	(102,625)
Accounts receivable	38,516	(33,473)
Inventory	12,653	10,000
Prepaid expenses	10,330	(9,588)
Change in liabilities:		
Accounts payable - trade	16,846	1,731
Accrued liabilities	(9,520)	8,426
Deferred revenue	(35,097)	77,606
Security deposits payable	185	1,034
Net cash from (used for) operating activities	(8,681)	(11,949)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(111,947)	(79,952)
Net cash used for investing activities	(111,947)	(79,952)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on notes payable	133,689	-
Payments on notes payable	(26,645)	(23,021)
Net cash from (used for) financing activities	107,044	(23,021)
Net change in cash and cash equivalents	(13,584)	(114,922)
Cash and cash equivalents - beginning of year	115,191	230,113
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 101,607	\$ 115,191
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid during the year for		
Interest	\$ 20,965	\$ 15,881

NOTE A - NATURE OF ORGANIZATION

Nonprofit Enterprise at Work, Inc. (NEW) is a 501(c)(3) management support organization serving Southeast Michigan, with offices in Ann Arbor and Detroit. NEW was founded in Ann Arbor in 1993 to manage the NEW Center, a collaborative nonprofit resource and incubator site of nonprofit tenants. NEW has developed and delivered programs and services for nonprofit organizations to meet their space, IT, and organizational development needs.

NEW's mission is to improve the impact and performance of fellow nonprofits by working alongside leaders to create high-quality strategic solutions that advance their missions in our communities. NEW's vision is empowered leaders, flourishing nonprofits, and vibrant communities.

NEW defines capacity building as positioning an organization for success in maximizing its impact by leveraging its strengths and addressing opportunities for improvement. NEW realizes that capacity building may be realized in different ways by nonprofit organizations based on their current stage of organizational development. Instead of dwelling in a scarcity mindset, NEW helps organizations strive for the future and build on their strengths to meet their positive potential. We work side by side with our clients to help them identify their unique value, understand their relevant resources and assets, and construct action steps to meet their organizational goals. NEW embraces this approach for the work that we do with small and medium sized nonprofits in the following areas:

- Organization Development
- Financial Consulting and third-party bookkeeping
- Information Technology Services
- Nonprofit Office and Meeting Space

NEW's team of consultants has translated its years of experience, research, and training into practical and actionable support for nonprofit organizations. Whether working to develop a strong board, leverage new technology, better align an organization's resources and vision, or finding new ways to communicate with constituents, NEW helps each of its clients find better, smarter, and more efficient ways to achieve mission. We offer expert consultation, education, analysis, and support for every phase of a nonprofit's growth and development. Our work is based on a model that is driven by strategic goals, yet rooted in practical steps for achieving mission and vision.

In addition to our direct service to nonprofits, NEW also works with philanthropic and corporate partners who are making a difference in the nonprofit sector. Through collaborations that support their grantees, training and education for their staff, and guidance that informs strategies for deepening and leveraging their impact in the sector, we have earned a stellar reputation with these important stakeholders.

NEW has three main programs:

Organizational Development/Financial Services – The program offers leadership and organizational development support to leadership teams and boards of nonprofits. This support includes beginning and advanced board governance training, strategic planning, customized facilitation and workshops, diversity & inclusion training, and assistance with bylaws. The program provides answers to nonprofit management questions for nonprofit leaders and community members. In addition, this program offers the “Board Room”, an online collection of best practice documents for board governance, and “Board360,” an affordable board assessment tool. Financial services offers monthly bookkeeping service (using QuickBooks Online), financial assessments including chart of accounts, financial reports, budgets and cash flow, Board and staff training, and consultation on financial policies and procedures. In the fiscal year 2019 NEW served a wide range of individuals and organizations:

- Nonprofits Served: Through customized trainings for individual boards or nonprofit leaders NEW served 60 individual nonprofit organizations in the fiscal year.
- Workshops: In fiscal 2019 NEW facilitated two iterations of the Non Profit Startup Series (four workshops each), as well as a new workshop titled “Nonprofit Finance 202.” There were 71 registrations for the nine workshops.
- Leadership DELI: In fiscal 2019 NEW facilitated one session of Leadership DELI in the spring of 2019. Thirty-five (35) individuals from twenty-one (21) nonprofit organizations participated in the LD 6 series.

NOTE A - NATURE OF ORGANIZATION, *continued*

- Resources: Sold thirty-five (35) “Starting a Nonprofit” Guidebooks and three (3) “Board Room” products in the fiscal period.
- NEWs Notes: began the fiscal year with 6,607 email subscribers and ended it with 6,295 subscribers.
- Financial Services: provided third party bookkeeping to ten clients generating \$2,555 in recurring monthly income at 6/30/2019, and served 11 nonprofit clients with financial consulting and/or fiscal sponsorship services in the fiscal year.

NEW Center – The program provides affordable office space and shared resources for nonprofit tenants and affordable meeting space available to any 501(c)(3) nonprofit organization. In the fiscal year 2019, the NEW Center provided a wide range of support to nonprofits:

- Tenants: Twenty (20) organizations were tenants and eight (8) organizations were Affiliate tenants as of June 30, 2019. In addition, sixteen (16) organizations rented conference room space in fiscal year 2019.

npServ – The program combines traditional business solutions and innovative new technologies to provide strategic, cost-effective IT services to nonprofits, helping them create and maintain an optimal technology environment tailored to their mission, budget, and needs. npServ lowers hardware, software, energy, and management costs, while enabling greater reliability, daily remote data backup, remote access to workstations, and many other benefits. Nonprofits have access to on-call IT support during regular business hours for an affordable monthly fee. npServ also offers hosted email for nonprofits.

During fiscal year 2019, npServ provided IT support and assessments for 71 organizations, representing 1,383 staff, faculty and public workstations and 110 servers.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared on the accrual basis of accounting.

Basis of Presentation

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 – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

Cash and cash equivalents

NEW considers all highly liquid investments with original maturities of three months or less to be cash equivalents. As of June 30, 2019, NEW has \$26,902 in restricted cash that serves as collateral for an irrevocable standby letter of credit that is required by their unemployment provider.

Accounts receivable

Accounts receivable is stated at the amount management expects to collect from outstanding balances. The allowance for doubtful accounts was \$2,531 and \$2,531 at June 30, 2019 and 2018, respectively.

Inventory

Inventory consists of donated computer equipment valued at the estimated fair value at the time of donation.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Property and equipment

NEW capitalizes all expenditures for property and equipment in excess of \$1,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair value at the date of donation. Depreciation is computed using primarily the straight-line method.

Promises to give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities or expenses depending on the form of benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Income taxes

NEW is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has classified NEW as other than a private foundation.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Recognition of donor restrictions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Donated materials and services

NEW records the value of donated goods as contributions using estimated fair values at the date of receipt. For the years ended June 30, 2019 and 2018, donated supplies totaling \$0 and \$375, respectively, were recognized in the without donor restrictions class of net assets.

Contributions of donated services that create or enhance non-financial assets or that require specialized skills and would typically need to be purchased, if not provided by donation, are recorded at their fair values in the period received. For the years ended June 30, 2019 and 2018, contributed services of \$25,088 and \$28,463, respectively, were recognized in the without donor restrictions net asset class.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses are summarized and categorized based upon their functional classification as either program or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and insurance, which are allocated on a square-footage basis, as well as salaries, wages, and employee benefits, which are allocated on the basis of estimates of time and effort.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent events

Subsequent events have been evaluated through January 27, 2020, the date the financial statements were available to be issued.

NOTE C - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019, comprise the following:

Financial assets:	
Cash and cash equivalents	\$ 101,607
Promises to give, net of allowance	168,400
Accounts receivable	43,476
Total financial assets	313,483
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets	(163,649)
Less financial assets not available within one year:	
Promises to give	(9,000)
Amount available for general expenditures within one year	\$ 140,834

As part of its liquidity management plan, NEW has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. It could also draw upon a \$50,000 available line of credit (as discussed in Note D).

NOTE D - LINE OF CREDIT

NEW has a line of credit agreement with Old National Bank in the amount of \$50,000. At June 30, 2019 and 2018, there was no balance drawn on the line of credit. The interest rate is the bank's prime rate plus 1.5%, and the line is secured by a lien on substantially all assets. The line matures on April 9, 2020.

NOTE E - NOTES PAYABLE

NEW has the following notes payable outstanding at June 30:

	2019	2018
Business loan with IFF, an Illinois not-for-profit corporation. 180 monthly principal and interest payments beginning on 04/01/15. Initial interest rate of 5.375%. Interest rate recalculated at 04/01/20 and 04/01/25. Secured by a mortgage on real estate (1100 N. Main St.) and an assignment of the rental income from the building.	\$ 258,594	\$ 282,897
Business loan with IFF, an Illinois not-for-profit corporation. 180 monthly principal and interest payments beginning on 08/01/18. Initial interest rate of 5.875%. Interest rate recalculated at 07/01/23 and 07/01/28. Secured by a mortgage on real estate (1100 N. Main St.) and an assignment of the rental income from the building.	131,347	-
	\$ 389,941	\$ 282,897

NOTE E - NOTES PAYABLE, *continued*

Scheduled principle payments on notes payable are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2020	\$ 31,482
2021	33,247
2022	35,112
2023	37,081
2024	39,160
Thereafter	213,859
	<u>\$ 389,941</u>

NOTE F - OPERATING LEASES

As lessee

NEW leases its npServ office space in Ann Arbor under a lease extension ending in August 2020. NEW is also the lessee of certain office equipment under non-cancelable operating leases. Future minimum lease payments under these non-cancelable operating leases are as follows:

2020	\$	8,829
2021		2,487
2022		2,487
2023		2,487
2024		1,451
	<u>\$</u>	<u>17,741</u>

NEW also leases office space in Detroit under a month to month lease with monthly payments of \$537.

Rental expense under these leases was \$38,550 and \$41,842 in 2019 and 2018, respectively.

As lessor

NEW, as lessor, has entered into operating leases with nonprofit organizations that occupy the facility. The facility's cost and carrying amount is \$1,073,291 and \$427,230, respectively, including office space used by NEW for other purposes. The leases are from one to two years. Future minimum lease payments, in total and for the fiscal years ending June 30, for which leases have been negotiated, are as follows:

2020	\$	191,802
2021		86,343
2022		15,240
2023		-
2024		-
	<u>\$</u>	<u>293,385</u>

NOTE G - RETIREMENT PLAN

NEW maintains a SIMPLE IRA retirement plan for substantially all employees, with a 3% matching contribution. Matching contributions totaled \$21,926 and \$20,348 for the years ended 2019 and 2018, respectively.

NOTE H - PROMISES TO GIVE

Unconditional promises to give consist of the following at June 30:

	2019	2018
Receivable in less than one year	\$ 159,400	\$ 145,800
Receivable in one to five years	9,000	18,000
Total unconditional pledge receivables	168,400	163,800
Less discounts to net present value	-	(526)
Less allowance for uncollectible promises	-	-
	\$ 168,400	\$ 163,274

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	2019	2018
Subject to expenditure for specified purpose:		
Leadership development programs	\$ -	\$ 86,102
General operations and capital support	13,649	79,863
Promises to give, the proceeds from which have been restricted by donors for		
Leadership development programs	150,000	46,250
General operations and capital support	-	80,000
	163,649	292,215
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	18,400	37,024
	18,400	37,024
	\$ 182,049	\$ 329,239

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Expiration of time restrictions	\$ 19,910	\$ 24,765
Satisfaction of purpose restrictions		
Leadership development programs	132,352	12,648
General operations and capital support	208,273	56,346
	\$ 360,535	\$ 93,759

NOTE J - CHANGE IN ACCOUNTING PRINCIPLES

NEW implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources (Note C).
- At July 1, 2017, the classification has changed from temporarily restricted net assets to net assets without donor restrictions for the \$338,184 net asset value relating to the gift of long-lived assets received without donor-imposed stipulations specifying how long the donated asset must be used. It was placed in service in 1993. Prior to implementation of ASU No. 2016-14, NEW elected the policy to imply a time restriction that expires over the useful life of the donated long-lived assets. Under ASU No. 2016-14, gifts of long-lived assets received without stipulations about how long the donated asset must be used will be reported as revenue without donor restrictions.

The changes have the following effect on net assets at July 1, 2017:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ (30,643)	
Temporarily restricted net assets	398,833	
Permanently restricted net assets	-	
Net assets without donor restrictions		\$ 307,541
Net assets with donor restrictions		60,649
Total net assets	\$ 368,190	\$ 368,190

NOTE K - NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) has issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, a principles-based standard to recognize revenue from customer contracts. ASU No. 2014-09 will be effective beginning in fiscal year 2020. NEW is currently evaluating the impact the adoption of ASU No. 2014-09 will have on its financial statements.

The FASB also issued ASU No. 2016-02, *Leases (Topic 842)*, which will require recognition of an asset and liability for most leases entered into by lessees. ASU No. 2016-02 will be effective beginning in 2021. NEW is currently evaluating the impact the adoption of ASU No. 2016-02 will have on its financial statements.