

**HEALING HOUSE, INC.
AND SUBSIDIARIES**

**Consolidated Financial Statements
and Independent Auditors' Report**

December 31, 2023 and 2022

HEALING HOUSE, INC. AND SUBSIDIARIES

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Hutchins & Haake, LLC

Certified Public Accountants

College Boulevard and Quivira
11900 College Boulevard, Suite 341
Overland Park, KS 66210
Phone (913) 338-4455
Fax (913) 338-4458

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Healing House, Inc. and Subsidiaries
Kansas City, Missouri

Opinion

We have audited the accompanying financial statements of Healing House, Inc. and its Subsidiaries (a Missouri non-profit organization), which comprise the statements of financial position as of December 31, 2023 and 2022 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Healing House, Inc. and Subsidiaries as of December 31, 2023 and 2022, and the results of its operations and 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 audit 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 Healing House, Inc. and Subsidiaries 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 these 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 Healing House, Inc. and subsidiaries 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 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 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 Healing House, Inc. and Subsidiaries 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 Healing House, Inc. and Subsidiaries 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.

Hutchins & Haake, LLC

Hutchins & Haake, LLC
Certified Public Accountants

September 17, 2024
Overland Park, Kansas

HEALING HOUSE, INC. AND SUBSIDIARIES
Consolidated Statements of Financial Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 350,772	\$ 825,274
Certificates of deposit	200,000	-
Accounts receivable	73,977	58,669
Grants receivable	42,798	47,567
Total current assets	<u>667,547</u>	<u>931,510</u>
Property and equipment, net	7,586,015	7,016,429
Debt issuance costs, net	38,148	26,570
Operating lease right of use asset	294,091	306,616
Investment in Lykins NT Holdings, LLC	53,312	66,182
Total noncurrent assets	<u>7,971,566</u>	<u>7,415,797</u>
Total assets	<u><u>\$ 8,639,113</u></u>	<u><u>\$ 8,347,307</u></u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Current portion of notes payable	\$ 142,252	\$ 371,391
Accounts payable & credit cards	61,442	92,824
Current portion of operating lease liability	11,401	23,469
Payroll liabilities	4,241	-
Security deposit	29,675	29,370
Total current liabilities	<u>249,011</u>	<u>517,054</u>
Notes payable, net of current portion	3,361,541	2,888,034
Operating lease liability, net of current portion	282,690	283,147
Total liabilities	<u>3,893,242</u>	<u>3,688,235</u>
Net assets:		
Without donor restrictions	4,303,077	4,051,455
With donor restrictions	442,794	607,617
Total net assets	<u>4,745,871</u>	<u>4,659,072</u>
Total liabilities and net assets	<u><u>\$ 8,639,113</u></u>	<u><u>\$ 8,347,307</u></u>

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

HEALING HOUSE, INC. AND SUBSIDIARIES

Consolidated Statement of Activities

For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and public support:			
Government grants	\$ 833,461	\$ -	\$ 833,461
Grants and donations	1,119,678	24,851	1,144,529
Program service revenue	1,226,935	-	1,226,935
In-kind contributions of non-financial asset:	277,694	-	277,694
Rental income	36,910	-	36,910
Other income	154,507	-	154,507
Total public support and revenues	<u>3,649,185</u>	<u>24,851</u>	<u>3,674,036</u>
Special event revenues	258,033	-	258,033
Less: Cost of direct benefit to donors	<u>(27,187)</u>	<u>-</u>	<u>(27,187)</u>
Net income from special events	<u>230,846</u>	<u>-</u>	<u>230,846</u>
Net assets released from restrictions	<u>189,674</u>	<u>(189,674)</u>	<u>-</u>
	<u>4,069,705</u>	<u>(164,823)</u>	<u>3,904,882</u>
Expenses:			
Program	3,182,923	-	3,182,923
Administrative	363,553	-	363,553
Fundraising	271,607	-	271,607
	<u>3,818,083</u>	<u>-</u>	<u>3,818,083</u>
Change in net assets	251,622	(164,823)	86,799
Net assets, beginning of year	<u>4,051,455</u>	<u>607,617</u>	<u>4,659,072</u>
Net assets, end of year	<u>\$ 4,303,077</u>	<u>\$ 442,794</u>	<u>\$ 4,745,871</u>

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

HEALING HOUSE, INC. AND SUBSIDIARIES

Consolidated Statement of Activities

For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and public support:			
Government grants	\$ 1,060,039	\$ -	\$ 1,060,039
Grants and donations	868,275	463,894	1,332,169
Program service revenue	943,173	-	943,173
In-kind contributions of non-financial assets	322,341	-	322,341
Rental income	35,451	-	35,451
Other income	201,717	-	201,717
Total public support and revenues	<u>3,430,996</u>	<u>463,894</u>	<u>3,894,890</u>
Special event revenues	398,458	1,000	399,458
Less: Cost of direct benefit to donors	<u>(73,621)</u>	<u>-</u>	<u>(73,621)</u>
Net income from special events	<u>324,837</u>	<u>1,000</u>	<u>325,837</u>
Net assets released from restrictions	<u>162,271</u>	<u>(162,271)</u>	<u>-</u>
	<u>3,918,104</u>	<u>302,623</u>	<u>4,220,727</u>
Expenses:			
Program	3,208,513	-	3,208,513
Administrative	177,369	-	177,369
Fundraising	178,073	-	178,073
	<u>3,563,955</u>	<u>-</u>	<u>3,563,955</u>
Change in net assets	354,149	302,623	656,772
Net assets, beginning of year	<u>3,697,306</u>	<u>304,994</u>	<u>4,002,300</u>
Net assets, end of year	<u>\$ 4,051,455</u>	<u>\$ 607,617</u>	<u>\$ 4,659,072</u>

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

HEALING HOUSE, INC. AND SUBSIDIARIES
Consolidated Statements of Functional Expenses
For the Years Ended December 31, 2023 and 2022

	2023				2022			
	Program	Administrative	Fundraising	Total	Program	Administrative	Fundraising	Total
Advertising	\$ -	\$ 7,654	\$ -	\$ 7,654	\$ -	\$ 9,298	\$ -	\$ 9,298
Bad debts	34,245	-	-	34,245	11,274	-	-	11,274
Bank charges	658	1,977	-	2,635	156	353	-	509
Charitable contributions	-	-	-	-	1,432	2,321	116	3,869
Contracting services	31,849	-	-	31,849	62,020	-	-	62,020
Depreciation	258,531	2,305	-	260,836	231,046	2,077	-	233,123
Drug tests	9,454	-	-	9,454	7,070	-	-	7,070
Dues and subscriptions	23,920	996	-	24,916	20,730	992	-	21,722
Education	21,301	1,894	475	23,670	5,541	975	-	6,516
Food & catering	153,417	3,163	1,581	158,161	170,372	8,966	-	179,338
Fuel	30,314	-	-	30,314	34,097	-	-	34,097
Fundraising expenses	-	-	117,114	117,114	-	-	45,614	45,614
Insurance	168,831	8,876	-	177,707	220,664	6,825	-	227,489
Interest	137,518	2,807	-	140,325	130,836	2,053	-	132,889
Lease expense - solar panels	20,109	3,831	-	23,940	23,940	-	-	23,940
Maintenance	263,490	10,978	-	274,468	174,557	9,396	-	183,953
Miscellaneous	3,844	306	-	4,150	14,644	-	-	14,644
Office expenses and supplies	65,660	6,792	3,018	75,470	44,721	5,797	2,287	52,805
Personnel costs	1,245,161	265,634	149,419	1,660,214	1,276,699	82,871	130,056	1,489,626
Postage	1,832	-	-	1,832	1,522	-	-	1,522
Professional fees	43,191	35,338	-	78,529	43,085	35,251	-	78,336
Program expenses	325,978	-	-	325,978	402,736	-	-	402,736
Property taxes	6,880	851	-	7,731	9,690	539	-	10,229
Storage	-	-	-	-	3,180	-	-	3,180
Telephone	30,117	3,722	-	33,839	33,237	3,287	-	36,524
Travel	1,255	95	-	1,350	6,002	164	-	6,166
Utilities	305,368	6,334	-	311,702	279,262	6,204	-	285,466
	<u>\$ 3,182,923</u>	<u>\$ 363,553</u>	<u>\$ 271,607</u>	<u>\$ 3,818,083</u>	<u>\$ 3,208,513</u>	<u>\$ 177,369</u>	<u>\$ 178,073</u>	<u>\$ 3,563,955</u>

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

HEALING HOUSE, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 86,799	\$ 656,772
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	260,836	233,123
Loss on disposal of property	-	9,600
Contribution of interest in Lykins NT Holdings, LLC	-	(66,182)
Decrease (increase) in operating assets:		
Investments	12,870	-
Accounts receivable	(15,308)	35,049
Grants receivable	4,769	(10,629)
Debt issuance costs	(20,108)	-
Other current assets	-	1,151
Increase (decrease) in operating liabilities:		
Accounts payable and credit card payables	(31,382)	32,912
Payroll liabilities	4,241	-
Security deposits	305	(1,593)
Net cash provided by operating activities	<u>303,022</u>	<u>890,203</u>
Cash flows from investing activities:		
Investment in property and equipment	(653,892)	(1,374,759)
Proceeds from sale of investments	-	12,106
Investment and CD purchases	(200,000)	-
Net cash used in investing activities	<u>(853,892)</u>	<u>(1,362,653)</u>
Cash flows from financing activities:		
Proceeds on long-term debt	203,385	539,491
Debt repayments	(127,017)	(121,036)
Net cash provided by financing activities	<u>76,368</u>	<u>418,455</u>
 NET INCREASE IN CASH AND		
Net increase in cash and cash equivalents	(474,502)	(53,995)
 Cash and cash equivalents, beginning of year	825,274	879,269
 Cash and cash equivalents, end of year	<u>\$ 350,772</u>	<u>\$ 825,274</u>
 Cash paid for interest	\$ 177,707	\$ 227,489

Supplemental Noncash Investing Activities:

During the years ended December 31, 2023 and 2022, the Organization financed the purchase and renovations of buildings and land valued at \$168,000 and \$260,509, respectively, with notes payable.

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

HEALING HOUSE, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

Note 1 –Summary of Significant Accounting Policies

A. Nature of Activities

Healing House Inc. is a community based non-profit corporation in the State of Missouri, organized exclusively for charitable purposes. Healing House Kansas City is a substance use disorder recovery organization. Our mission is to enrich the lives and spiritual well-being of all we serve and improve the safety and welfare of our community by equipping each participant with resources to maintain a healthy, self-sufficient, and purposeful life. The organization provides supportive recovery housing and substance use disorder treatment to both men and women. In 2014, Healing House began a new subsidized childcare program under the corporation name "Changing Station LLC", a disregarded entity fully (100%) owned by Healing House, Inc. In September 2019, the Boards of both organizations voted to cease operations of Changing Station and utilize the facility for other Healing House purposes, however the entity has not yet been formally dissolved. On September 27, 2021, Healing House became the sole member owner of Transformation Station, LLC, a limited liability company established to pursue social enterprise endeavors that will provide vocational training and employment opportunities for program participants, offer needed community services, and produce a modest amount of revenue to support the nonprofit mission. Transformation Station, LLC has no activities or balances for either year in the accompanying financial statements.

B. Principles of Consolidation

The consolidated financial statements include the accounts of Healing House and its wholly owned subsidiaries, Transformation Station LLC and Changing Station LLC (collectively, the "Organization"). All significant intercompany transactions and balances have been eliminated.

C. Basis of Accounting

The policy of the Organization is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recognized when earned, and expenses and purchases are recognized when the obligation is incurred.

D. Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents.

E. Accounts Receivable

Accounts are charged to bad debt expense as they are deemed uncollectible based upon a periodic review of the accounts. At December 31, 2023 and 2022, no allowance for uncollectible accounts was considered necessary.

F. Property and Equipment and Depreciation

Property and equipment are recorded at cost for all purchases over \$1,000. Donated property and equipment are recorded at their fair value on the date of the donation. Depreciation is computed under the straight-line method using the following estimated useful lives:

Commercial buildings and improvements	39 years
Residential buildings and improvements	27.5 years
Furniture, fixtures & equipment	5-7 years

HEALING HOUSE, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

Note 1 –Summary of Significant Accounting Policies (*continued*)

F. Property and Equipment and Depreciation (*continued*)

Major renewals and betterments greater than \$1,000 are capitalized. Maintenance, repairs, and minor renewals less than \$1,000 are expensed. Donations of property and equipment are recorded as support at their estimated fair value at the time of donation. When property and equipment are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gains or losses are included in income.

G. Leases

The Organization leases solar panels. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the balance sheets. Finance leases would be included in property and equipment, other current liabilities, and other long-term liabilities on the balance sheets. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, the Organization uses the risk free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Organization has elected to apply the short-term lease exemption to some office equipment leases. The Organization has only a small number of leases within this class of underlying asset that qualify for the exemption.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if they can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

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

HEALING HOUSE, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

Note 1 –Summary of Significant Accounting Policies (*continued*)

H. Net Assets (*continued*)

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.

I. Investment in Other Entities

The Organization uses the equity method of accounting for its interest in Lykins NT Holdings, LLC. Under the equity method, investments are carried at cost or fair market value at the time of donation and increased or decreased by the Organization's pro-rata share of earnings or losses. The carrying cost of this investment is also increased or decreased to reflect additional contributions or distributions of capital. Any difference in the book equity and the Organization's pro-rata share of the net assets of the investment will be reported as gain or loss at the time of the liquidation of the investment.

J. Revenue Recognition

Contracts with governmental and other entities are generally recorded as revenue when the related costs are incurred or when the Organization has performed the service and is allowed to bill under the terms of the related agreement.

K. Donations

Donations with donor restrictions are reported as increases in "net assets without donor restrictions" if the restrictions are met within the same reporting period that the contribution was received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

L. Contributed Materials and Services

The Organization records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in program expenses.

M. Volunteers

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with its operations. The value of volunteer services has not been recorded in the financial statements since those services do not meet the criteria for recognition.

N. Advertising

Advertising costs of the Organization are expensed as incurred. For the years ended December 31, 2023 and 2022, the Organization incurred advertising expenses of \$7,654 and \$9,298, respectively.

HEALING HOUSE, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

Note 1 –Summary of Significant Accounting Policies (*continued*)

O. *Income Taxes*

Healing House, Inc. is organized as a not-for-profit corporation and qualifies as tax exempt under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deductions under Section 170(b)(1)(A) and has been classified as an Organization other than a private foundation. Transformation Station LLC and Changing Station LLC are wholly owned subsidiaries of Healing House, Inc. and as such, are treated as disregarded entities for tax purposes. Accordingly, no provision has been made for income taxes in these financial statements.

The Organization has adopted the provisions of FASB ASC 740-10, "Accounting for Uncertain Tax Positions". The Organization has evaluated its tax positions and does not believe there are any uncertain tax positions taken by the Organization.

P. *Functional Allocation of Expenses*

The financial statements report certain categories of expenses that are attributable to the programs or supporting functions of the Organization. The costs of providing various programs and activities have been summarized on a natural and functional allocation basis by the Organization based on management's estimates.

Q. *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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

R. *Reclassification*

Certain amounts included in prior year have been reclassified to conform to the current year's presentation.

S. *Subsequent Events*

Subsequent events have been evaluated through September 17, 2024, which is the date the financial statements were available to be issued.

Note 2 – Property and Equipment

Property and equipment consisted of the following at December 31:

	2023	2022
Building and improvements	\$ 8,648,431	\$ 7,866,818
Furniture and fixtures	36,497	30,183
Vehicles	103,115	87,550
Land	340,147	326,147
	9,128,190	8,310,698
Less accumulated depreciation	(1,542,175)	(1,294,269)
Property and equipment, net	<u>\$ 7,586,015</u>	<u>\$ 7,016,429</u>

HEALING HOUSE, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

Note 2 – Property and Equipment (*continued*)

Depreciation expense for the years ended December 31, 2023 and 2022 was \$252,306 and \$220,555, respectively.

Note 3 – Long Term Debt

Long term debt consists of the following at December 31:

	<u>2023</u>	<u>2022</u>
Note payable to a bank, payable in monthly installments of \$10,906 including interest at 4.25% with a balloon payment due at maturity in December 2025. This loan is secured by buildings and land.	\$ 1,574,462	\$ 1,640,969
Note payable to a bank, payable in monthly installments of \$4,981 including interest at 4.25% with a balloon payment due at maturity in April 2027. This loan is secured by buildings and land.	756,440	780,118
Note payable to a bank, payable in monthly installments of \$4,965 including interest at 4.25% with a balloon payment due at maturity in December 2025. This loan is secured by buildings and land.	556,959	591,723
Note payable to Healing House Supporters, LLC (an unrelated entity), payable in monthly installments of \$1,604 including interest at 2.6%, with remaining balance paid on maturity date of May 1, 2023. This loan is secured by a building and land. This loan was paid off in 2023.	-	246,615
Note payable to a bank, payable in monthly installments of \$1,486 including interest at 6.65% with a balloon payment due at maturity in December 2028. This loan is secured by a building and land.	168,000	-
Note payable payable in monthly installments of \$2,835 including interest at 6.47% and with a balloon payment due at maturity in June 2038. This loan is secured by a building and land.	447,932	-
Total long-term debt	3,503,793	3,259,425
Less current portion	(142,252)	(371,391)
Noncurrent maturities of long-term debt	<u>\$ 3,361,541</u>	<u>\$ 2,888,034</u>

HEALING HOUSE, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

Note 3 – Long Term Debt (continued)

The aggregate amounts of principal maturities for the years ended December 31 are as follows:

2024	\$ 142,252
2025	2,071,747
2026	44,457
2027	682,809
2028	144,279
Thereafter	418,249
Total	<u>\$ 3,503,793</u>

Note 4 – Net Assets with Donor Restrictions

Net assets with donor restrictions are designated for the following purposes as of December 31:

	2023	2022
4505 Sprinkler System	\$ -	\$ 10,896
4600 St John Project	265,918	381,765
Café	1,729	32,000
Emily's House	41,601	40,430
Erin's House	127,710	117,439
Other	5,836	3,885
Vocational	-	21,202
Total	<u>\$ 442,794</u>	<u>\$ 607,617</u>

Note 5 – Liquidity and Availability

The following table reflects the Organization's financial assets as of December 31, 2023 and 2022, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date for reasons such as contractual restrictions or internal board designations.

	2023	2022
Cash and cash equivalents	\$ 107,978	\$ 217,657
Accounts receivable	73,977	58,669
Grants receivable	42,798	47,567
Total	<u>\$ 224,753</u>	<u>\$ 323,893</u>

HEALING HOUSE, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
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Note 5 – Liquidity and Availability (continued)

In addition to financial assets available to meet general expenditures over the next year, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash and shows cash generated by operations for fiscal years ending December 31, 2023 and 2022.

Note 6 – Concentration of Credit Risk

The Organization maintains cash in bank deposit accounts and money market accounts at financial institutions. Accounts at the bank institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and at times may exceed this limit.

Note 7 – Operating Lease

The Organization entered into a lease agreement for solar panel systems in March 2021, however operation date did not begin until October 2021. The lease term is for 20 years and requires monthly rental payments of \$1,995 (\$23,940 annually). During the year ended December 31, 2021, energy rebates offered for the installation of the solar power system were assigned and paid by the Organization, totaling \$32,400, to the organization providing the solar panels to whom rents are to be paid. Total operating lease expense for the years ending December 31, 2023 and 2022 was \$23,940 for each year. At December 31, 2023 and 2022, the Organization has recognized a lease liability of \$294,091 and \$306,616, respectively, which represents the present value of the remaining operating lease payments, discounted using a risk free rate of 4.34%, and a right-of-use asset of \$294,091 and \$306,616, respectively, net of amortization.

Note 8 – Donated Goods and Services

Donated goods and services for the years ended December 31, 2023 and 2022 included in the financial statements were as follows:

	2023	2022
Clothing	\$ 108,718	\$ 126,300
Household items and furniture	70,652	67,387
Food and other misc.	3,819	1,180
Vehicles	12,000	8,950
Construction materials	61,000	-
Professional services	21,505	118,524
Total	<u>\$ 277,694</u>	<u>\$ 322,341</u>

The Organization did not monetize any contributed nonfinancial assets. Unless otherwise noted, contributed nonfinancial assets did not have donor restrictions for the years ended December 31, 2023 and 2022.

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Note 9 – Investment

Shortly before December 31, 2022, the Organization received a donation of a 4.17% Class B interest in Lykins NT Holdings, LLC, a Missouri partnership. The appraised fair market value of the noncash donation was valued at \$66,182, which is included in contributions for the year ended December 31, 2022 in the accompanying Statement of Activities. Healing House is not obligated to contribute additional funds nor does it assume any liability for expenses incurred by Lykins NT Holdings, LLC. Summary financial information for Lykins NT Holdings, LLC is as follows as of December 31, 2022 (unaudited):

	<u>2023</u>	<u>2022</u>
Total assets	\$ 5,571,119	\$ 2,756,373
Total liabilities	3,662,006	504,239

Note 10 – Subsequent Events

Subsequent to year end, the Organization obtained a \$100,000 revolving line of credit. The line of credit matures in April 2025 and is collateralized by property as well as an assignment of rents. Interest is payable at the lender's prime rate plus 1%, but no less than 5% (resulting in an initial rate of 9.5%).

