

GOOD NEIGHBORS USA

FINANCIAL STATEMENTS

December 31, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

To Management and Board of Directors
Good Neighbors USA
Tustin, California

Opinion

We have audited the accompanying statements of financial position of Good Neighbors USA (GNU) as of December 31, 2023 and 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of GNU as of December 31, 2023 and 2022, and the results of its operations 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS) issued by the Comptroller General of the United States. 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 GNU and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 GNU's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and the GAS, 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 the GNU'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 the GNU'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. *The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, *the schedule of expenditures of federal awards* is fairly stated, in all material respects, in relation to the financial statements as a whole.



Other Reporting Required by *Government Auditing Standards*

In accordance with GAS, we have also issued our report dated April 30, 2024 on our consideration of GNU's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GAS in considering GNU's internal control over financial reporting and compliance.

CKP, LLP

Irvine, California

April 30, 2024

GOOD NEIGHBORS USA
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

<u>ASSETS</u>		
	<u>2023</u>	<u>2022</u>
Current assets:		
Cash	\$ 527,074	\$ 336,108
Accounts receivable	198,366	333,790
Prepaid expenses	43,832	7,972
	<u>769,272</u>	<u>677,870</u>
Non-current assets:		
Property and equipment, net	2,278,196	2,308,916
Operating lease right-of-use assets, net	5,993	109,841
Deposits	8,552	20,951
	<u>2,292,741</u>	<u>2,439,708</u>
Total assets	<u>\$ 3,062,013</u>	<u>\$ 3,117,578</u>

<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 45,333	\$ 202,990
Accrued expenses	16,693	10,321
Credit card payables	23,457	31,459
Deferred revenue	306,534	-
Current portion of operating lease liabilities	3,953	103,847
Other current liabilities	10,864	12,489
	<u>406,834</u>	<u>361,106</u>
Operating lease liabilities, net of current portion	<u>2,040</u>	<u>5,994</u>
Total liabilities	408,874	367,100
Net assets:		
Without donor restrictions	<u>2,653,139</u>	<u>2,750,478</u>
Total net assets	<u>2,653,139</u>	<u>2,750,478</u>
Total liabilities and net assets	<u>\$ 3,062,013</u>	<u>\$ 3,117,578</u>

See accompanying auditors' report and notes to financial statements

GOOD NEIGHBORS USA
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2023 and 2022

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue and other income:						
Gift-in-kind donations	\$ 5,108,032	\$ -	\$ 5,108,032	\$ 6,358,174	\$ -	\$ 6,358,174
Contributions	1,502,695	-	1,502,695	1,358,304	-	1,358,304
Support from affiliate	868,509	-	868,509	2,168,175	-	2,168,175
Government grant:						
Federal grant	791,829	-	791,829	981,023	-	981,023
State grant	49,000	-	49,000	-	-	-
Other income	364,362	-	364,362	189,043	-	189,043
Total revenue and other income	8,684,427	-	8,684,427	11,054,719	-	11,054,719
Expenses:						
Program expenses:						
Child support	894,393	-	894,393	729,386	-	729,386
Domestic shelter	1,063,066	-	1,063,066	1,205,152	-	1,205,152
Education	323,915	-	323,915	457,047	-	457,047
Emergency relief	1,534,211	-	1,534,211	1,798,282	-	1,798,282
Health	3,855,508	-	3,855,508	6,218,009	-	6,218,009
Water and sanitation	153,943	-	153,943	150,110	-	150,110
Income generation	58,778	-	58,778	18,513	-	18,513
Total program expenses	7,883,814	-	7,883,814	10,576,499	-	10,576,499
Support services:						
Management and general	226,930	-	226,930	191,488	-	191,488
Fundraising	572,325	-	572,325	446,455	-	446,455
Rental	98,697	-	98,697	148,532	-	148,532
Total support services	897,952	-	897,952	786,475	-	786,475
Total expenses	8,781,766	-	8,781,766	11,362,974	-	11,362,974

See accompanying auditors' report and notes to financial statements

GOOD NEIGHBORS USA
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2023 and 2022

Change in net assets	(97,339)	-	(97,339)	(308,255)	-	(308,255)
Net assets, beginning of year	<u>2,750,478</u>	<u>-</u>	<u>2,750,478</u>	<u>3,058,733</u>	<u>-</u>	<u>3,058,733</u>
Net assets, end of year	<u>\$ 2,653,139</u>	<u>\$ -</u>	<u>\$ 2,653,139</u>	<u>\$ 2,750,478</u>	<u>\$ -</u>	<u>\$ 2,750,478</u>

See accompanying auditors' report and notes to financial statements

GOOD NEIGHBORS USA
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (97,339)	\$ (308,255)
Adjustments to reconcile net assets to net cash provided by (used in) operating activities:		
Depreciation	30,720	30,816
Amortization of operating lease right of use assets	103,848	-
Operating lease right-of-use assets	-	9,985
Operating lease liabilities	(103,848)	(9,985)
Gain on debt distinguishment	(120,000)	-
(Increase) decrease in:		
Accounts receivable	135,424	(87,363)
Prepaid expenses	(35,860)	(2,518)
Deposits	12,399	(8,500)
Increase (decrease) in:		
Accounts payable	(37,657)	104,949
Accrued expenses	6,372	4,344
Credit card payables	(8,002)	(22,893)
Deferred revenue	306,534	-
Other liabilities	(1,625)	3,434
Total adjustments	288,305	22,269
Net cash provided by (used in) operating activities	190,966	(285,986)
Cash flows from investing activities:		
Purchases of property and equipment	-	(2,702)
Net cash used in investing activities	-	(2,702)
Net increase (decrease) in cash	190,966	(288,688)
Cash, beginning of year	336,108	624,796
Cash, end of year	\$ 527,074	\$ 336,108
Supplemental disclosure of noncash investing:		
Lease liabilities arising from right-of-use assets	\$ -	\$ 119,826

See accompanying auditors' report and notes to financial statements

GOOD NEIGHBORS USA

NOTES TO FINANCIAL STATEMENTS

Note 1 - Organization and Programs

Organization

Good Neighbors USA (GNU) is an international humanitarian and community development non-governmental organization incorporated under the laws of the State of California. GNU is committed to making the world a place without hunger, where people live together in harmony.

GNU establishes and implements policies through the Good Neighbors Global Partnership Center (GPC), a partnered management organization in providing services listed above.

GNU is in a partnership with Good Neighbors International (GNI), a global humanitarian organization working on various community development projects in 48 countries for child rights. As a partner of GNI, GNU shares information and works together for child rights advocacy, community development such as Education, Health, Water & Sanitation, Income generation and emergency relief.

Programs

Child Support

GNU's child support program is designed to combat three critical problems that children in developing countries face: lack of education, poor nutrition, and little to no access to affordable medical care. Child support program encourages donors to make a monthly commitment that covers a child's tuition, uniform, school supplies, books, lunchtime meals, and medical care. In 2023 and 2022, GNU supported 2,916 and 2,715 children ages from 3 to 18 in Guatemala, Nicaragua, Haiti, Dominican Republic, Malawi, Chad, Niger, and Nepal respectively.

Domestic Shelter

GN shelter successfully enrolled 123 clients including women and children suffering from domestic violence for the January-December 2023 period. From this count, the domestic shelter accepted 90 adults and 33 children. Domestic shelter provided extensive case management efforts to secure emergency income, medical assistance, mental health connections, personal identification, COVID-19 testing, client incentives, transportation services, legal services, Holiday/social event planning and implementation, and housing placement assistance. Good Neighbors LA Shelter received a number of GIK and private donations from community members in the areas of clothing, shoes, toiletries, kitchen utensils, hygiene products, school supplies, hair products, coats, and food.

Education

Education project focuses on advocating the rights of a child to access equal education. GNU enables individuals, especially girls who are less likely to receive standard education, by providing basic literacy skills, such as reading, writing, or numeracy skills that are essential for everyday use. The education project also works to increase school enrollment and retention rates, particularly for girls and other marginalized groups. To ensure access to quality education, GNU educates caregivers of the need for child education, constructs better school environments, develops teacher capacities, and addresses needs for children to receive education which is a critical initiative that helps to improve educational opportunities for children living in poverty.

GOOD NEIGHBORS USA
NOTES TO FINANCIAL STATEMENTS

Note 1 - Organization and Programs, Continued

Programs, Continued

Emergency Relief

GNU delivers immediate assistance and sets up long-term relief efforts including dispensing food and clean water, improving sanitation, providing medical assistance and shelter, and preventing or minimizing disease outbreaks. In 2023, during the Turkey-Syria earthquake, GNU provided emergency supplies to 1,970 households and supported 36,983 people. Through donations from BLACKYAK & NAU.COM, GNU was able to support a 40-foot container of clothing to a locally based organizations that actively work to aid refugees in Turkey and Ukraine. Additionally, GNU supported extremely poor families in the Philippines by addressing their basic needs. The objective of this project is to provide vital consumption support for basic needs and create opportunities for them to achieve economic self-sufficiency.

Health

The GNU health program focuses on improving the health status and environments for children and community members. These efforts provide integrated support to enhance people's physical, mental, emotional, and social well-being. GN supports community members with improved access to health services, focusing on disease prevention activities such as supporting health facilities, providing regular health check-up services, and distributing deworming pills. In 2023, in order to enhance access to affordable medicine in remote and vulnerable areas of Africa, GNU provided tablets of praziquantel to the Ministries of Health (MoH) in Ghana and Cameroon. Additionally, GNU expanded medicine assistance to South Sudan and Burundi, challenging areas for regular GN programs.

Water and Sanitation

To ensure sources to clean water and sanitary living environment for the communities, GNU builds and manages facilities such as wells, water pumps, and ventilated improved pit (VIP) latrines. More importantly, GNU strives for the community members to adopt healthy and sanitary behaviors through education and awareness programs. "GNU water for life" has changed the health and well-being of an entire community by monitoring its progress and training locals to continue maintaining the well as needed and organizing water sanitation committees to create a sustainable and healthy environment.

Income Generation Project

The income generation project supports the establishment and operation of co-operatives to expand opportunities and strengthen capabilities for residents in poverty due to limited resources, information, and low technology. It seeks equal economic growth in the community through initial capital, technical, and business competency support. It helps develop the community by establishing and operating social enterprises that simultaneously create economic and social values. GNU provides training, resources, and support to help families start small businesses, such as farming or handicrafts, and earn a sustainable income. The project also focuses on building the skills and knowledge of community members to manage their businesses effectively and sustainably.

GOOD NEIGHBORS USA

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies

This summary of significant accounting policies of GNU is presented to assist in understanding GNU's financial statements. The financial statements and notes are representations of GNU's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Use of Estimates

The preparation of the 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. Estimates are primarily used for gift in kind, depreciation expenses, and functional expenses. Actual results could differ from those estimates.

Gift-in-kind Donations

Gifts-in-kind donations (GIK) received through private donations are recorded in accordance with U.S. generally accepted accounting principles and industry standards, referred to as the Interagency GIK Standards, as developed by an interagency task force appointed by Accord Network. Accord Network is an industry network which collaborates to eliminate poverty and establish common reporting and operating principles. GIK are valued and recorded as revenue at their estimated fair value based upon the price that would be received for selling the goods in their principal exit markets considering the goods condition and utility for use at the time of contribution. GNU does not sell donated GIK and only distributes the goods for program uses.

Pharmaceutical contributions legally permissible for sale in the United States are valued using a hierarchy of pricing inputs that approximates wholesale prices in the United States. Pharmaceutical contributions not legally permissible for sale in the United States are valued based upon wholesale market price data, obtained from reliable third-party sources, representing principal exit markets where such products are approved for sale.

GIK expenses are recorded when the goods are distributed for program use.

Contributions

Contributions are recorded as revenue when received, or when the unconditional promise to give has been made. Contributions are included in either with donor restriction or without donor restriction, depending on the donors' intent. Donor-restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions.

Government Grant

GNU has been awarded federal grants administrated by state and local governments as follows:

GNU receives "pass through grant" from the government of the State of California, California Governor's Office of Emergency Services (Cal OES), for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Revenue from grants and contracts is recognized only when funds are utilized by GNU to carry out the activity stipulated in the grant or contract agreement. Grants and contracts receivable represent amounts

GOOD NEIGHBORS USA
NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies, Continued

Government Grant, Continued

due from funding organizations for reimbursable expenses incurred. Cash received under grants and contracts in advance of incurring the related expenses is reported as deferred revenue. During the years ended December 31, 2023 and 2022, GNU was granted \$0 and \$309,001 under agreements with Cal OES, respectively.

In September 2018, GNU made a grant agreement with the Los Angeles Homeless Services Authority, a joint powers authority of the City and County of Los Angeles (LAHSA). GNU receives "pass through grant" under the agreement for direct and indirect program costs. During the years ended December 31, 2023 and 2022, GNU was granted \$765,579 and \$619,522 under the agreement with LAHSA, respectively.

On June 3, 2022, GNU made a grant agreement with Federal Emergency Management Agency (FEMA) for direct and indirect program costs. During the years ended December 31, 2023 and 2022, GNU was granted \$26,250 and \$52,500, respectively.

On September 28, 2023, GNU was awarded a federal grant from El Salvador Embassy for direct and indirect program costs. The funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Revenue from grants and contracts is recognized only when funds are utilized by GNU to carry out the activity stipulated in the grant or contract agreement. Cash received under grants and contracts in advance of incurring the related expenses is reported as deferred revenue in the accompanying statements of financial position. As of December 31, 2023 and 2022, deferred revenue related to such federal grant totaled \$15,000 and \$0, respectively, under agreements with El Salvador Embassy.

Other Income

In May 2018, GNU purchased an office building located in Tustin, California, with the plan of using the building as a main office and leasing its office spaces in the building to tenants. For the years ended December 31, 2023 and 2022, approximately \$220,000 and \$176,000 of rental income were recorded in other income, respectively.

Functional Expenses

GNU allocates expenses on a functional basis among its various program expenses and supporting services. Expenses that can be identified with a specific program or supporting service are charged directly to such program or supporting services.

Certain costs of joint activities related to fundraising, management and general, and various projects have been allocated as indicated among the programs and supporting services benefited. In its statements of activities and functional expenses, GNU classifies such costs allocated to the programs as indirect program expenses. Other expenses allocated to supporting services are included in management and general expenses based on the nature of the related activities.

Cash

GNU's cash consists primarily of cash in its commercial bank accounts, which, at times, may exceed federally insured limits. As of December 31, 2023 and 2022, the GNU's cash balances exceeding the maximum insured amount totaled approximately \$220,000 and \$270,000, respectively.

GOOD NEIGHBORS USA
NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies, Continued

Accounts receivable

GNU provides various services on behalf of governments and receives grants. GNU considers amounts receivable from governments to be fully collectible; accordingly, no allowance for doubtful accounts has been established.

Net accounts receivable are summarized at below:

	December 31, 2023	December 31, 2022	January 1, 2022
Net accounts receivable	\$ 198,366	\$ 333,790	\$ 246,427

Property and Equipment

Purchased property and equipment are stated at cost, and donated property and equipment are carried at the approximate fair value at the date of donation. Renewal and betterment that extend the economic useful lives of the related assets are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. Upon sale or disposition of assets, gain or loss is included in the statement of activities.

Depreciation on property and equipment is provided on the straight-line method over the estimated useful lives of the respective assets, which range from 5 to 7 years. Leasehold improvements are amortized using the straight-line method over the shorter of underlying lease term or the asset's estimated useful life.

Impairment or Disposal of Long-lived Assets

Long-lived assets, such as property and equipment subject to depreciation or amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, GNU first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. Management determined that no impairment of long-lived assets existed as of December 31, 2023 and 2022.

Lease

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases* (ASC 842), which amended prior accounting standards for leases. GNU adopted Topic 842 on January 1, 2022. After the adoption of ASC 842, at the inception of an arrangement, GNU determines whether the arrangement is or contains a lease based on the facts and circumstances present. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. At the lease commencement date, operating lease liabilities and its corresponding right-of-use (ROU) assets are recorded based on the present value of lease payments over the expected lease term. The interest rate implicit in lease contracts is typically not readily determinable

GOOD NEIGHBORS USA
NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies, Continued

Lease, Continued

and, as such, GNU uses a risk-free discount rate published by U.S. Treasury. Certain adjustments to the ROU assets may be required for items such as incentives received. GNU made an accounting policy election to not record leases with an initial term of 12 months or less on the statements of financial position.

Income Taxes

GNU is a non-for-profit organization and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Donors of cash or property are entitled to the maximum charitable contribution deduction allowed by law and contributions to GNU qualify for the charitable contribution deduction under Section 170(b)(1)(A).

GNU has adopted ASC Section 740-10, which clarifies the accounting for uncertainty in income taxes. ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740-10 requires that an organization recognizes in the financial statements the impact of the tax position if that position will be more likely than not to be sustained on audit, based on the technical merits of the position. At December 31, 2023 and for the year ended, GNU had no material unrecognized tax benefits, tax penalties or interest.

GNU's Federal form 990, Return of Organization Exempt from Income Taxes, for the year ended December 31, 2020 through 2022 are subject to examination by the IRS, generally for three years after they were filed. The California forms 199, California Exempt Organization Annual Information Return, for the year ended December 31, 2019 through 2022 are subject to examination by the Franchise Tax Board, generally for four years after they were filed.

Fair Value of Financial Instruments

ASC 820 establishes a framework for measuring fair value as it relates to financial assets and liabilities and to nonfinancial assets and liabilities measured at fair value on a recurring basis. That framework provides a three-level valuation hierarchy based upon observable and unobservable inputs, with preference given to observable inputs. The three levels of the fair value hierarchy under the ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the GNU has the ability to access.

Level 2 Inputs to the valuation methodology include (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or liabilities in inactive markets; (iii) inputs other than quoted prices that are observable for the asset or liability; (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

GOOD NEIGHBORS USA
NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies, Continued

Fair Value of Financial Instruments, Continued

The GNU's financial instruments, including cash, accounts receivable, accounts payable, accrued expenses, and credit card payables, are carried at cost, which approximates their fair value because of the short-term maturity of these instruments.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Cost Allocation Plan

GNU updates its cost allocation plan and obtains approval from its Board of Directors. The allocation of costs of providing the various programs and supporting services are recorded based on percentage of estimated time and effort incurred allocated to each program or activity. Accordingly, GNU applies several methods for allocating costs:

Direct Costs - Costs identified 100 percent to a specific program are charged directly to that program.

Shared Direct Costs - Costs identified to specific multiple programs or activities are shared between the programs benefiting.

- Payroll costs are allocated using individual time sheets that report the actual time spent by employees in each program each day.
- Rent is allocated using the square footage of building space occupied by each program, according to floor plans and/or room measurements.

Indirect Costs – Costs that benefit the operations of the entire organization, which cannot be identified to specific programs or activities, are allocated according to an approved indirect cost allocation plan.

Recent Pronouncements

GNU has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

Note 3 - Availability of Financial Assets

GNU has \$725,440 in financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$527,074 and net accounts receivable of \$198,366. There is no net asset subject to donor restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. As part of its liquidity management, GNU has a policy to structure its financial assets to be available as general expenditures and related liabilities become due.

GOOD NEIGHBORS USA
NOTES TO FINANCIAL STATEMENTS

Note 4 - Property and Equipment

Property and equipment consist of the followings as of December 31, 2023 and 2022:

	2023	2022
Land	\$ 1,500,000	\$ 1,500,000
Building	885,993	885,993
Furniture and fixtures	41,897	41,897
Computer	29,317	29,317
Office equipment	16,638	16,638
Leasehold improvement	10,264	10,264
Total costs of property and equipment	2,484,109	2,484,109
Less: accumulated depreciation	(205,913)	(175,193)
Property and equipment, net	\$ 2,278,196	\$ 2,308,916

Total depreciation expenses were \$30,720 and \$30,816 for the years ended December 31, 2023 and 2022, respectively.

Note 5 - Net Assets

GNU presents its financial statements in accordance with the recommendation of FASB ASC Topic 958, Financial Statements of Not-for-profit entities. Under those provisions, net assets are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions on their use that may be met either by actions of not-for-profit entity or legal restrictions requiring that the principal be maintained permanently by the not-for-profit entity. Generally, the donors permit the not-for-profit entity to use all or part of the income earned for either general or donor-specified purposes.

As of December 31, 2023 and 2022, GNU did not have any donor restrictions on its net assets.

Note 6 – Lease as Lessee

GNU entered an operating lease agreement that has an initial term of 13 months with a monthly rent expense of \$8,500 commencing on December 1, 2022, which contains options to extend or renew the lease before expiration date. On December 1, 2023, GNU extended the original lease and modified it as a month-to-month lease. As such, an exception applies to the lease recognition. For the years ended December 31, 2023 and 2022, lease expenses were \$102,000 and \$8,500 under the related party lease.

In July 2022, GNU entered into an agreement for a vehicle lease which expires in June 2025. For the years ended December 31, 2023 and 2022, lease expenses related to a leased vehicle were \$4,116 and \$2,058, respectively.

GOOD NEIGHBORS USA
NOTES TO FINANCIAL STATEMENTS

Note 6 – Lease as Lessee, Continued

As of December 31, 2023, remaining maturities of operating leases are as follows:

Years ending December 31:	Amount
2024	\$ 4,116
2025	2,058
Total future lease payments	6,174
Less: present value discount	(181)
Operating lease liabilities	5,993
Less: short-term lease liabilities	(3,953)
Long-term lease liabilities	\$ 2,040

Note 7 - Related Party Transactions

Support from Affiliate

GNU's fundraising, management, and general expenses are supported by Good Neighbors Global Partnership Center (GPC), its affiliate. GNU recognized \$868,509 and \$2,168,175 which accounted for approximately 9% and 20% of total revenue and other income during the years ended December 31, 2023 and 2022, respectively. Support from affiliates was included in revenue and other income within accompanying statements of activities. GIK received in advance of incurring the related expenses is reported as deferred revenue. As of December 31, 2023 and 2022, deferred revenue related to GIK support from GPC were \$291,534 and \$0, respectively.

Lease as Lessor

GNU leases its office facility to GPC since October 2019. Total rental incomes under this related party lease were \$19,426 and \$25,747 for the years ended December 31, 2023 and 2022, respectively.

Other Income

In December 2023, GNU and GPC entered into an agreement to relieve the debt of \$120,000 owed by the Organization. The execution of the settlement agreement discharges any indebtedness or other obligations of GNU owing to GPC as of December 31, 2023. As such, \$120,000 was included as other income in the accompanying statements of activities.

Note 8 – Commitments and Contingencies

In the normal course of business, GNU is involved in various litigation matters. Management has reviewed all claims and possible litigation against GNU with outside legal counsel and has taken into consideration the views of such counsel as to the outcome of these claims. Management believes that the outcome of such matters will not have a material effect on the results of the operation or financial position of GNU.

GOOD NEIGHBORS USA
NOTES TO FINANCIAL STATEMENTS

Note 9 – Functional Expenses

	Program expenses						Supporting services				Total expense 2023	Total expenses 2022
	Child Support	Domestic Shelter	Education	Emergency relief	Health	Water and sanitation	Income Generation	Management and general	Fundraising	Rental property		
Program support	\$ 598,288	\$ 909,922	\$ 261,278	\$ 1,511,433	\$ 3,747,316	\$ 97,000	\$ 36,000	\$ -	\$ -	\$ -	\$ 7,161,237	\$ 9,986,178
Advertising and marketing	52,544	-	11,115	4,042	19,199	10,105	4,042	54,605	385,240	-	540,892	476,493
Automobile expense	1,922	-	407	148	703	370	148	1,612	7,635	-	12,945	5,332
Bank service charge	6	-	1	-	2	2	-	3,003	1,270	-	4,284	5,895
Depreciation expense	-	8,289	-	-	-	-	-	2,467	-	19,964	30,720	30,817
Donor management	23,748	-	5,024	1,827	8,677	4,567	1,827	16,163	59,789	-	121,622	62,314
Due and subscription	3,153	-	667	243	1,152	606	243	4,894	8,581	-	19,539	27,469
Equipment lease	-	1,152	-	-	-	-	-	-	-	-	1,152	2,388
Insurance	26,257	14,181	5,554	2,020	9,594	5,049	2,020	28,402	10,416	10,177	113,670	59,934
Property taxes	-	-	-	-	-	-	-	15,269	-	216	15,485	15,011
Professional fees	10,547	59,000	2,231	811	3,854	2,028	811	36,102	-	-	115,384	106,053
Repair and maintenance	52	11,356	11	4	19	10	4	7,926	-	35,163	54,545	119,664
Salaries and related taxes	176,347	23,352	37,304	13,565	64,434	33,913	13,565	46,163	95,858	-	504,501	393,639
Supplies	449	4,443	95	35	164	86	35	3,158	770	4,368	13,603	7,212
Travel and meeting	219	13,976	46	17	80	42	17	1,871	1,053	-	17,321	8,427
Utilities	861	17,395	182	66	314	165	66	4,895	1,713	28,809	54,466	55,718
Taxes	-	-	-	-	-	-	-	400	-	-	400	430
Total	\$ 894,393	\$ 1,063,066	\$ 323,915	\$ 1,534,211	\$ 3,855,508	\$ 153,943	\$ 58,778	\$ 226,930	\$ 572,325	\$ 98,697	\$ 8,781,766	\$ 11,362,974

Note 10 - Subsequent Events

GNU has evaluated subsequent events from the statements of financial position date through April 30, 2024, the date at which the financial statements were available to be issued, and determined that there are no other subsequent events that require disclosure.

**REPORT IN ACCORDANCE
WITH GOVERNMENT
AUDITING STANDARDS**



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

OFFICES IN:

LOS ANGELES, CA
SAN DIEGO, CA
SAN FRANCISCO, CA
IRVINE, CA
MONTGOMERY, AL
AUBURN, AL
FORT LEE, NJ
ATLANTA, GA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To Management and Board of Directors
Good Neighbors USA
Tustin, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Good Neighbors USA (GNU), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated April 30, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered GNU's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GNU's internal control. Accordingly, we do not express an opinion on the effectiveness of GNU's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether GNU's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CKP, LLP

Irvine, California

April 30, 2024

**REPORT IN ACCORDANCE
WITH TITLE 2 U.S. CODE OF
FEDERAL REGULATIONS PART 200,
UNIFORM ADMINISTRATIVE REQUIREMENTS,
COST PRINCIPLES, AND
AUDIT REQUIREMENTS FOR
FEDERAL AWARDS**



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

OFFICES IN:

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To Management and Board of Directors
Good Neighbors USA
Tustin, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Good Neighbors USA's (GNU) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of GNU's major federal programs for the year ended December 31, 2023. GNU's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, GNU complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of GNU and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of GNU's compliance with the compliance requirements referred to above.



Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to GUN's federal programs.

Auditors' Responsibilities

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on GNU's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material compliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about GNU's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 GNU's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of GNU's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of GNU's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



Report on Internal Control over Compliance

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CKP, LLP

Irvine, California

April 30, 2024

GOOD NEIGHBORS USA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023

<u>Federal Grantor / Pass-Through Grantor / Program</u>	<u>Assistance Listing Number</u>	<u>Agency Number</u>	<u>Federal Expenditures</u>
<u>US Department of Housing and Urban Development</u>			
Pass through:			
Los Angeles Homeless Services Authority Continuum Care Program	14.267*	CA1789D9D002002	\$ 765,579
Total US Department of Housing and Urban Development			<u> </u>
<u>US Department of Homeland Security</u>			
Pass through:			
Federal Emergency Management Agency Emergency Food and Shelter National Board Program	97.024	LRO ID: 069500-487	26,250
Total US Department of Homeland Security			<u> </u>
Total Federal Awards			<u>\$ 791,829</u>

* : **Tested as Major Programs**

GOOD NEIGHBORS USA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of GOOD NEIGHBORS USA (GNU) under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of GNU, it is not intended to and does not present the financial position, changes in net assets, or cash flows of GNU.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

GNU has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

GOOD NEIGHBORS USA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2023

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness (es) identified?	_____ Yes	___X___ No
Significant deficiency (ies) identified not considered to be material weaknesses?	_____ Yes	___X___ None reported
Noncompliance material to financial statements noted?	_____ Yes	___X___ No

Federal Awards

Internal control over major programs:		
Material weakness (es) identified?	_____ Yes	___X___ No
Significant deficiency (ies) identified not considered to be material weaknesses?	_____ Yes	___X___ None reported
Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	_____ Yes	___X___ No

Identification of Major Programs:

Assistance Listing Number	Name of Federal Program or Cluster
14.267	Continuum Care Program
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	___X___ Yes _____ No

GOOD NEIGHBORS USA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

1. No Current Year Findings

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None