



Financial Statements
and
Independent Auditors' Report



Dear Neighbor Ministries, Inc.

June 30, 2025 and 2024

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	5
STATEMENTS OF ACTIVITIES	6
STATEMENTS OF NET ASSETS	8
STATEMENTS OF CASH FLOWS	9
STATEMENTS OF FUNCTIONAL EXPENSES	10
NOTES TO FINANCIAL STATEMENTS	12

Independent Auditors' Report

Board of Directors

Dear Neighbor Ministries, Inc.

Opinion

We have audited the financial statements of Dear Neighbor Ministries, Inc. (DNM), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, net assets, cash flows, and functional expenses 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 DNM as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of DNM and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about DNM's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, 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 DNM'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 DNM'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 audits.

Heber, Eck & Braeckel LLP

Springfield, Illinois
March 3, 2026

Dear Neighbor Ministries, Inc.
STATEMENTS OF FINANCIAL POSITION
June 30

ASSETS	2025	2024
Cash	\$ 61,237	\$ 64,088
Accounts receivable		
Related party	5,905	74,907
Other	2,722	2,946
Investments	507,161	448,490
Prepaid expenses	281	6,924
Property and equipment, net	842,056	136,010
Total assets	<u>\$ 1,419,362</u>	<u>\$ 733,365</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable		
Related party	\$ -	\$ 33,073
Other	8,264	13,889
Accrued liabilities	21,701	17,447
Total liabilities	29,965	64,409
NET ASSETS		
Without donor restrictions		
Undesignated	823,704	132,917
Designated	252,623	193,952
With donor restrictions	313,070	342,087
Total net assets	<u>1,389,397</u>	<u>668,956</u>
Total liabilities and net assets	<u>\$ 1,419,362</u>	<u>\$ 733,365</u>

The accompanying notes are an integral part of these statements.

Dear Neighbor Ministries, Inc.
STATEMENTS OF ACTIVITIES
Year ended June 30, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 413,124	\$ 57,639	\$ 470,763
Contributed services	4,503	-	4,503
Contributed property and supplies	724,047	31,756	755,803
Grants	22,000	186,000	208,000
Miscellaneous	1,532	860	2,392
Net assets released from restrictions	305,272	(305,272)	-
Total support and revenue	1,470,478	(29,017)	1,441,461
EXPENSES			
Program services	456,119	-	456,119
Management and general	160,614	-	160,614
Fundraising	164,272	-	164,272
Total expenses	781,005	-	781,005
Excess of revenue over expense (expense over revenue)	689,473	(29,017)	660,456
INVESTMENT INCOME			
Interest income	10,321	-	10,321
Net realized gain on investments	8,154	-	8,154
Net unrealized gain on investments	44,105	-	44,105
Investment fees	(2,595)	-	(2,595)
Total investment income	59,985	-	59,985
Change in net assets	\$ 749,458	\$ (29,017)	\$ 720,441

Dear Neighbor Ministries, Inc.
STATEMENTS OF ACTIVITIES
Year ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 361,316	\$ 10,398	\$ 371,714
Contributed services	5,562	-	5,562
Contributed property and supplies	34,455	-	34,455
Grants	11,000	130,750	141,750
Miscellaneous	1,580	-	1,580
Net assets released from restrictions	182,891	(182,891)	-
Total support and revenue	596,804	(41,743)	555,061
EXPENSES			
Program services	394,486	-	394,486
Management and general	185,195	-	185,195
Fundraising	118,046	-	118,046
Total expenses	697,727	-	697,727
Excess of expense over revenue	(100,923)	(41,743)	(142,666)
INVESTMENT INCOME (LOSS)			
Interest income	12,063	-	12,063
Net realized loss on investments	(6,549)	-	(6,549)
Net unrealized gain on investments	44,125	-	44,125
Investment fees	(2,248)	-	(2,248)
Total investment income	47,391	-	47,391
Change in net assets	\$ (53,532)	\$ (41,743)	\$ (95,275)

The accompanying notes are an integral part of these statements.

Dear Neighbor Ministries, Inc.
STATEMENTS OF NET ASSETS
Years Ended June 30

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, July 1, 2023	\$ 380,401	\$ 383,830	\$ 764,231
Change in net assets	(53,532)	(41,743)	(95,275)
Net assets, June 30, 2024	326,869	342,087	668,956
Change in net assets	749,458	(29,017)	720,441
Net assets, June 30, 2025	<u>\$ 1,076,327</u>	<u>\$ 313,070</u>	<u>\$ 1,389,397</u>

The accompanying notes are an integral part of these statements.

Dear Neighbor Ministries, Inc.
STATEMENTS OF CASH FLOWS
Years ended June 30

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Change in net assets	\$ 720,441	\$ (95,275)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net gain on investments	(52,259)	(37,576)
Depreciation	21,475	26,775
In-kind contribution of property and equipment	(720,600)	(11,474)
Change in assets and liabilities		
(Increase) decrease in accounts receivable	69,226	(16,561)
(Increase) decrease in prepaid expenses	6,643	(600)
Increase (decrease) in accounts payable	(38,698)	28,728
Increase (decrease) in accrued liabilities	4,254	(7,553)
Net cash provided by (used in) operating activities	10,482	(113,536)
Cash flows from investing activities		
Purchase of investments	(6,412)	(7,098)
Purchases of property and equipment	(6,921)	(1,201)
Net cash used in investing activities	(13,333)	(8,299)
Net decrease in cash	(2,851)	(121,835)
Cash at beginning of year	64,088	185,923
Cash at end of year	<u>\$ 61,237</u>	<u>\$ 64,088</u>
Non-cash investing activities		
In-kind contribution of property and equipment	<u>\$ 720,600</u>	<u>\$ 11,474</u>
Net non-cash investing activities	<u>\$ 720,600</u>	<u>\$ 11,474</u>

The accompanying notes are an integral part of these statements.

Dear Neighbor Ministries, Inc.
STATEMENTS OF FUNCTIONAL EXPENSES
Year ended June 30, 2025

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 175,514	\$ 53,025	\$ 72,626	\$ 301,165
Employee benefits	51,257	16,797	22,906	90,960
Consulting fees	695	30,700	578	31,973
Depreciation	307	21,168	-	21,475
In-kind services	32,911	4,567	6,988	44,466
In-kind rent	-	10,652	-	10,652
Insurance	521	7,144	102	7,767
Utilities	13,659	1,279	835	15,773
Real estate taxes	143	5	-	148
Maintenance	8,353	3,794	1,599	13,746
Telephone	4,392	2,711	874	7,977
Services	147,637	-	-	147,637
Supplies and other	10,710	7,683	16,942	35,335
Education	5,724	207	1,581	7,512
Travel	3,031	882	-	3,913
Community development	1,265	-	-	1,265
Special events	-	-	39,241	39,241
	<u>\$ 456,119</u>	<u>\$ 160,614</u>	<u>\$ 164,272</u>	<u>\$ 781,005</u>

Dear Neighbor Ministries, Inc.
STATEMENTS OF FUNCTIONAL EXPENSES
Year ended June 30, 2024

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 170,005	\$ 72,573	\$ 52,645	\$ 295,223
Employee benefits	55,858	25,300	17,127	98,285
Consulting fees	1,346	18,172	541	20,059
Depreciation	307	26,468	-	26,775
In-kind services	21,829	7,742	-	29,571
In-kind rent	-	10,800	-	10,800
Insurance	16	6,634	8	6,658
Utilities	11,686	785	750	13,221
Maintenance	8,991	2,074	865	11,930
Telephone	6,273	1,204	730	8,207
Services	102,986	-	-	102,986
Supplies and other	13,673	12,104	12,027	37,804
Education	358	1,040	35	1,433
Travel	442	80	-	522
Community development	716	-	570	1,286
Special events	-	-	32,748	32,748
Miscellaneous	-	219	-	219
	<u>\$ 394,486</u>	<u>\$ 185,195</u>	<u>\$ 118,046</u>	<u>\$ 697,727</u>

The accompanying notes are an integral part of these statements.

Dear Neighbor Ministries, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE A | SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Organization

Dear Neighbor Ministries, Inc. (DNM) was incorporated as a not-for-profit corporation under the statutes of the State of Kansas on September 12, 2001. DNM oversees and sponsors various services to serve the poor and underserved, including support and educational services. Hilltop Aspires, Inc. (Hilltop) is the sole member of DNM.

2. Financial Statement Presentation

The financial statements are presented on the accrual basis of accounting. DNM is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions - These net assets generally result from revenues generated by receiving contributions that have no donor restrictions and receiving interest from operating investments, less expenses incurred in providing program-related services and performing administrative functions.

Net Assets with Donor Restrictions - These net assets result from contributions of cash and other assets that are received with donor stipulations that limit the use of the assets, either temporarily until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, or permanently, in which the donor has stipulated the funds be maintained in perpetuity.

3. Receivables

DNM considers all receivables to be fully collectible; accordingly, no allowance for credit losses is considered necessary. If amounts become uncollectible, they will be charged to operations when that determination is made.

Dear Neighbor Ministries, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE A | SUMMARY OF ACCOUNTING POLICIES

4. Investments

DNM's investments are reported at fair value in the statements of financial position. Realized gains or losses are computed using average cost. Investment income, gains and losses, both realized and unrealized, are included in the statements of activities as increases or decreases in net assets without donor restrictions unless the use of the gain or loss is restricted by explicit donor stipulations, or by law.

DNM held investments in common stocks, exchange traded funds, corporate bonds and cash equivalents. Unrealized gains and losses of investments are included in the statements of activities.

5. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, on a straight-line basis. All items exceeding \$ 500 are capitalized.

The estimated lives used in determining depreciation are:

	<u>Years</u>
Buildings	10 - 20
Leasehold improvements	15 - 18
Furniture and equipment	3 - 7
Vehicles	5
Land improvements	15

6. Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

7. Contributed Nonfinancial Assets

Support arising from contributed services and facilities has been recognized in the accompanying financial statements. Contributions, other than cash, are recorded at their fair values on the date the contribution is received.

Dear Neighbor Ministries, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE A | SUMMARY OF ACCOUNTING POLICIES

8. Program Services

The Hilltop Neighborhood Outreach program provides a multitude of services to the people of this largely poor neighborhood. Services include emergency rent, utility and transportation assistance, food pantry and the needs of children. Staff collaborates with neighborhood organizations and other non-profits in meeting the needs of clients.

9. Expense Allocation

The costs of providing programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification of expenses by function. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses not directly identifiable with any other specific function but provide for overall support and direction of DNM.

10. Income Taxes

DNM is a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and, as such, is exempt from income taxes under Section 501(a) of the Internal Revenue Code.

DNM has recognized in the financial statements the effects of all tax positions and continually evaluates expiring statutes of limitations, audits, changes in tax law, and new authoritative rulings. DNM is not aware of any circumstances or events that make it reasonably possible that unrecognized tax benefits may increase or decrease within 12 months of the statement of financial position date. Penalties and interest assessed by taxing authorities are included in expenses, if applicable. There were no interest or penalties paid during the years ended June 30, 2025 and 2024.

11. 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. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Dear Neighbor Ministries, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE A | SUMMARY OF ACCOUNTING POLICIES

12. Subsequent Events

Management has evaluated subsequent events for recognition and disclosure in the financial statements through March 3, 2026, which is the date the financial statements were available to be issued. See Note N for subsequent event footnote.

NOTE B | CONCENTRATION OF CREDIT RISK

Cash is maintained at a financial institution in Wichita, Kansas. Accounts at the institution are insured up to \$ 250,000 by the Federal Deposit Insurance Corporation. From time to time, account balances may exceed the insured limits. DNM has not experienced any losses in such accounts.

NOTE C | INVESTMENTS

The following is a breakdown of investments segregated by investment type as of June 30:

	Cost, Including Reinvested <u>Dividends</u>	Net Unrealized <u>Gains (Losses)</u>	Fair <u>Value</u>
<u>2025</u>			
Common stocks	\$ 115,789	\$ 29,121	\$ 144,910
Exchange traded funds	139,288	43,369	182,657
Corporate bonds	158,576	(8,528)	150,048
Cash and cash equivalents	<u>29,546</u>	<u>-</u>	<u>29,546</u>
Total	<u>\$ 443,199</u>	<u>\$ 63,962</u>	<u>\$ 507,161</u>
<u>2024</u>			
Common stocks	\$ 119,679	\$ 14,218	\$ 133,897
Exchange traded funds	155,400	20,808	176,208
Corporate bonds	144,820	(16,491)	128,329
Cash and cash equivalents	<u>10,056</u>	<u>-</u>	<u>10,056</u>
Total	<u>\$ 429,955</u>	<u>\$ 18,535</u>	<u>\$ 448,490</u>

Dear Neighbor Ministries, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE D | FAIR VALUE MEASUREMENT

DNM follows the fair value measurement guidance for financial assets and financial liabilities. This guidance defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. In addition, the guidance permits an entity to measure eligible financial instruments and other items at fair value. DNM has not made any fair value elections.

Fair value is defined to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants at the measurement date. A three-level hierarchy has been established for fair value measurements based upon the inputs to the valuation of an asset or liability as follows:

Level 1 - Valuation is based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuation is derived from inputs, other than quoted prices included in Level 1, which are observable for the asset or liability either directly or indirectly. Investments classified as Level 2 are generally valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. The significant inputs used in this approach include interest rates, prepayment timing, yield spreads, maturities, credit losses and credit ratings of the securities.

Level 3 - Valuation is derived from unobservable inputs that are not corroborated by market data.

Fair values of publicly traded common stocks and exchange traded funds have been determined from observable market quotations, when available. Fair values of corporate bonds are based on observable market inputs.

Dear Neighbor Ministries, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE D | FAIR VALUE MEASUREMENT

The following table presents DNM's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2025</u>				
Common stocks	\$ 144,910	\$ -	\$ -	\$ 144,910
Exchange traded funds	182,657	-	-	182,657
Corporate bonds	-	150,048	-	150,048
Cash and cash equivalents	<u>29,546</u>	<u>-</u>	<u>-</u>	<u>29,546</u>
Total	<u>\$ 357,113</u>	<u>\$ 150,048</u>	<u>\$ -</u>	<u>\$ 507,161</u>
<u>2024</u>				
Common stocks	\$ 133,897	\$ -	\$ -	\$ 133,897
Exchange traded funds	176,208	-	-	176,208
Corporate bonds	-	128,329	-	128,329
Cash and cash equivalents	<u>10,056</u>	<u>-</u>	<u>-</u>	<u>10,056</u>
Total	<u>\$ 320,161</u>	<u>\$ 128,329</u>	<u>\$ -</u>	<u>\$ 448,490</u>

NOTE E | PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at June 30:

	<u>2025</u>	<u>2024</u>
Leasehold improvements	\$ 358,321	\$ 353,710
Furniture and equipment	30,472	28,162
Vehicles	25,000	25,000
Buildings	713,800	-
Land improvements	<u>4,604</u>	<u>4,604</u>
	1,132,197	411,476
Less accumulated depreciation	<u>(336,355)</u>	<u>(314,880)</u>
	795,842	96,596
Land	<u>46,214</u>	<u>39,414</u>
	<u>\$ 842,056</u>	<u>\$ 136,010</u>

Dear Neighbor Ministries, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE E | PROPERTY AND EQUIPMENT

Depreciation expense charged to operations during the years ended June 30, 2025 and 2024, was \$ 21,475 and \$ 26,775, respectively.

NOTE F | RETIREMENT PLAN

Beginning January 1, 2022, DNM sponsored a defined contribution 401(k) plan with Hilltop, a related party entity. The plan provides for discretionary and matching contributions by DNM and employee contributions on a pre-tax basis. The plan covers all eligible employees as defined by the plan document. DNM matches 50% of the employee's pre-tax contributions up to 6% of salary. Employer matching contributions are fully vested. DNM's contributions to the plan were \$ 18,474 and \$ 17,217 for the years ended June 30, 2025 and 2024, respectively.

NOTE G | RELATED PARTY TRANSACTIONS

DNM had a balance receivable of \$ 5,905 and \$ 24,961 from StepStone, Inc. for miscellaneous office expenses at June 30, 2025 and 2024, respectively.

Payroll expenses were paid by Hilltop on behalf of DNM. These expenses are reimbursed by DNM at the end of each month. DNM reimbursed Hilltop \$ 411,509 and \$ 401,878 for the years ended June 30, 2025 and 2024, respectively. DNM owed Hilltop \$ 33,073 for payroll expenses as of June 30, 2024. DNM had no balances due for payroll expenses as of June 30, 2025. During the year ended June 30, 2024, Hilltop contributed \$ 22,946 to DNM. The balance was included in related party receivables at June 30, 2024.

Effective January 1, 2022, DNM and Hilltop entered into a five-year agreement for rent to be provided by Hilltop for \$ 1 per year. The agreement provides for two successive five-year renewals. The amount of contributed rent over the remaining lease term was included in related party receivables and the related rent expense will be recorded straight line over the life of the lease. The difference between the fair market value of the rent and the annual cost, totaled \$ 10,652 and \$ 10,800 during the years ended June 30, 2025 and 2024, respectively. During 2025, the property was donated to DNM and the lease was terminated. As a result of the property donation, DNM reduced the balance of the contribution receivable and recorded an in-kind property donation of \$ 704,252 during the year ended June 30, 2025. DNM had a contribution receivable of \$ 27,000 for rent at June 30, 2024. DNM had no contribution receivable at June 30, 2025.

Dear Neighbor Ministries, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE H | DESIGNATED NET ASSETS

Net assets without donor restrictions of \$ 252,623 and \$ 193,952 have been designated by the board as an endowment at June 30, 2025 and 2024, respectively.

NOTE I | NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at June 30:

	<u>2025</u>	<u>2024</u>
Future operations	\$ 752	\$ 1,628
Client education	-	3,574
Poor and disadvantaged	11,261	20,439
Maintenance	-	1,250
COVID assistance	-	6,157
Contributed rent	-	27,000
Various client needs	<u>46,517</u>	<u>27,499</u>
	<u>\$ 58,530</u>	<u>\$ 87,547</u>

The following net assets with donor restrictions are retained in perpetuity at June 30, the income from which is invested in the board designated endowment:

	<u>2025</u>	<u>2024</u>
Endowment	<u>\$ 254,540</u>	<u>\$ 254,540</u>

Dear Neighbor Ministries, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE J | NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions during the fiscal years ending June 30, 2025 and 2024 by incurring expenses satisfying the restricted purposes specified by donors. Those purpose and time restrictions satisfied are as follows for the years ending June 30:

	<u>2025</u>	<u>2024</u>
Future operations	\$ 21,376	\$ 26,220
Client education	3,616	7,298
Maintenance	1,250	-
Poor and disadvantaged	83,253	16,305
COVID assistance	13,657	1,566
Contributed rent	27,000	10,800
Various client needs	<u>155,120</u>	<u>120,702</u>
	<u>\$ 305,272</u>	<u>\$ 182,891</u>

NOTE K | ENDOWMENTS

DNM's endowment includes funds designated by the Board, as well as contributions restricted by donors for an endowment to be maintained in perpetuity and invested for the purpose of producing present and future income which may be expended or added to principal. Board designated endowment funds were established to help ensure the growth of DNM's endowment. DNM will continue to designate any earnings on the permanently restricted net assets to the board designated endowment fund. This will continue until the total of the board designated endowment fund and the permanently restricted endowment fund reaches \$ 500,000. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

DNM's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, DNM classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Dear Neighbor Ministries, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE K | ENDOWMENTS

In accordance with UPMIFA, DNM considers the following factors in making a determination to appropriate or accumulate appreciation of donor restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of DNM and the donor restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of DNM
- (7) The investment policies of DNM

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires DNM to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2025 and 2024.

Return Objectives and Risk Parameters

DNM has adopted investment and spending policies that enable them to meet the following objectives:

- (1) Preserve capital and its purchasing power
- (2) Increase principal in value to provide the necessary base for the generation of income for current and future needs

Strategies Employed for Achieving Objectives

To satisfy its return objectives, DNM holds funds in accounts that provide a reasonable rate of return based on market conditions.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

Only the income from endowment funds may be spent to satisfy restrictions. The principal and all contributions to the endowments must remain intact in perpetuity. The above investment objectives are intended to ensure earnings on these funds.

Dear Neighbor Ministries, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE K | ENDOWMENTS

Endowment Net Asset Composition by Type of Fund as of June 30

	Without Donor Restrictions	With Donor Restrictions	Total
<u>2025</u>			
Donor restricted endowment funds	\$ -	\$ 254,540	\$ 254,540
Board designated endowment funds	<u>252,623</u>	<u>-</u>	<u>252,623</u>
	<u>\$ 252,623</u>	<u>\$ 254,540</u>	<u>\$ 507,163</u>
<u>2024</u>			
Donor restricted endowment funds	\$ -	\$ 254,540	\$ 254,540
Board designated endowment funds	<u>193,952</u>	<u>-</u>	<u>193,952</u>
	<u>\$ 193,952</u>	<u>\$ 254,540</u>	<u>\$ 448,492</u>

Changes in Endowment Net Assets
for the year ended June 30

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment investments at July 1, 2023	\$ 149,278	\$ 254,540	\$ 403,818
Investment gain, net	35,328	-	35,328
Interest and dividends	<u>9,346</u>	<u>-</u>	<u>9,346</u>
Endowment investments at June 30, 2024	193,952	254,540	448,492
Investment gain, net	49,663	-	49,663
Interest and dividends	<u>9,008</u>	<u>-</u>	<u>9,008</u>
Endowment investments at June 30, 2025	<u>\$ 252,623</u>	<u>\$ 254,540</u>	<u>\$ 507,163</u>

Dear Neighbor Ministries, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE K | ENDOWMENTS

Description of amounts classified as net assets with donor restrictions as of June 30 (endowment only):

	<u>2025</u>	<u>2024</u>
Net assets with donor restrictions		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or UPMIFA	<u>\$ 254,540</u>	<u>\$ 254,540</u>
Total endowment funds classified as net assets with donor restrictions	<u>\$ 254,540</u>	<u>\$ 254,540</u>

NOTE L | CONTRIBUTED NONFINANCIAL ASSETS

DNM recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation. Fair value is estimated using the rates to provide similar services and facilities. The difference between the fair market value of the nonfinancial assets provided and the annual cost is recognized as in-kind contributions in the statements of activities. Contributed services received by DNM represent specialized services performed for DNM or DNM clients at no cost to DNM or their clients. Contributed nonfinancial assets received by DNM are used for programs and supporting services. Contributed nonfinancial assets consisted of the following for the years ended June 30:

	<u>2025</u>	<u>2024</u>
IT services	\$ 4,503	\$ 5,453
Maintenance	-	109
Equipment	-	11,474
Pantry and miscellaneous	51,551	22,981
Building and land	<u>704,252</u>	<u>-</u>
Total	<u>\$ 760,306</u>	<u>\$ 40,017</u>

Dear Neighbor Ministries, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE M | LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects DNM's financial assets as of June 30, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash	\$ 61,237	\$ 64,088
Accounts receivable	8,627	77,853
Investments	<u>507,161</u>	<u>448,490</u>
Financial assets at year end	577,025	590,431
Less those unavailable for general expenditure within one year due to:		
Purpose restrictions	58,530	87,547
Endowment fund investments	<u>507,163</u>	<u>448,492</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 11,332</u>	<u>\$ 54,392</u>

DNM's goal is to maintain sufficient financial assets on hand to meet normal operating expenses, liabilities and other obligations as they are due. Cash on hand deemed to be in excess of near term obligations is invested. Receivables are received on a regular basis and are available for general obligations when received.

NOTE N | SUBSEQUENT EVENT

Effective July 1, 2025, Hilltop Aspires, Inc. dissolved and remaining assets were transferred to Dear Neighbor and StepStone. Dear Neighbor converted to a single member limited liability company and became a subsidiary of StepStone.