PROJECT HOPE ALLIANCE
Financial Statements
June 30, 2021
With Independent Auditor's Report

withum
ADVISORY TAX AUDIT

Project Hope Alliance
Table of Contents
June 30, 2021

MISSION STATEMENT

The Mission of Project Hope Alliance is to end the cycle of homelessness, one child at a time.

VISION STATEMENT

The Vision of Project Hope Alliance is to equip homeless children with tools and opportunities to learn their way to a better tomorrow.

withum
ADVISORY TAX AUDIT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Project Hope Alliance:

We have audited the accompanying financial statements of Project Hope Alliance (the "Organization"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets (deficit), functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2021, and the changes in their net assets (deficit) and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

WithumSmith+Brown, PC

November 3, 2021

WithumSmith+Brown, PC 100 Spectrum Center Drive, Suite 1000, Irvine, California 92618-4976 T (949) 261 2808 F (866) 524 0117 withum.com

Project Hope Alliance
Statement of Financial Position
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Current assets			
Cash and cash equivalents	$ 347,495	$ -	$ 347,495
Pledges and grants receivable	-	176,371	176,371
Prepaid expense	9,846	-	9,846
Total current assets	357,341	176,371	533,712
Property and equipment, net	19,479	-	19,479
Other assets			
Pledges and grants receivable, net of current portion	-	50,000	50,000
Deposit	8,236	-	8,236
Total assets	$ 385,056	$ 226,371	$ 611,427
Liabilities and net assets			
Current liabilities			
Accounts payable and accrued liabilities	$ 151,602	$ -	$ 151,602
Line of credit	290,000	-	290,000
Total current liabilities	441,602	-	441,602
Long-term liabilities			
Paycheck protection program loan	275,665	-	275,665
Total liabilities	717,267	-	717,267
Net assets			
Without donor restrictions	(332,211)	-	(332,211)
With donor restrictions	-	226,371	226,371
Total net assets	(332,211)	226,371	(105,840)
Total liabilities and net assets	$ 385,056	$ 226,371	$ 611,427

The Notes to Financial Statements are an integral part of this statement.

Project Hope Alliance
Statement of Activities and Changes in Net Assets (Deficit)
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Gift and grants - foundations	$ 490,266	$ -	$ 490,266
Gift and grants - corporations and organizations	396,166	150,000	546,166
Gift and grants - individuals	379,683	1,371	381,054
Gift and grants - faith based	53,873	-	53,873
PPP forgiveness	298,232	-	298,232
Interest income	67	-	67
Other income	1,500	-	1,500
Contributed services and materials	180,685	-	180,685
Total contributions	1,800,472	151,371	1,951,843
Net assets released from restrictions	150,500	(150,500)	-
Total support and revenues	1,950,972	871	1,951,843
Expenses			
Program services	1,679,042	-	1,679,042
Supporting services			
General and administrative	265,661	-	265,661
Fundraising	286,033	-	286,033
Total expenses	2,230,736	-	2,230,736
Change in net assets (deficit)	(279,764)	871	(278,893)
Net assets (deficit)			
Beginning of year	(52,447)	225,500	173,053
End of year	$ (332,211)	$ 226,371	$ (105,840)

The Notes to Financial Statements are an integral part of this statement.

Project Hope Alliance
Statement of Functional Expenses
Year Ended June 30, 2021

	Program	General and Administrative	Fundraising	Total
Salaries	$ 1,011,193	$ 140,445	$ 156,109	$ 1,307,747
Benefits	131,495	16,012	24,344	171,851
Payroll fees	2,595	995	330	3,920
Payroll taxes	60,516	21,637	7,867	90,020
Total salaries and related expenses	1,205,799	179,089	188,650	1,573,538
Accounting and legal	-	20,243	-	20,243
Bank charges	919	181	8,530	9,630
Client assistance	287,912	-	-	287,912
Depreciation	11,923	1,616	796	14,335
Events	8,554	-	500	9,054
Facilities	91,095	22,530	18,851	132,476
Fundraising and stewardship	13	237	5,585	5,835
Insurance	16,337	4,053	3,513	23,903
Interest	-	11,426	-	11,426
Marketing and public relations	9,502	-	38,006	47,508
Miscellaneous	-	8,460	-	8,460
Office expense	7,278	5,107	7,199	19,584
Printing and promotion	15,847	1,716	3,168	20,731
Staff appreciation	820	5,756	547	7,123
Staff development	277	485	337	1,099
Technology	22,766	4,762	10,851	38,379
Total expenses	1,679,042	265,661	286,533	2,231,236
Less: Expenses included within revenues				
Direct cost of donor benefits	-	-	(500)	(500)
Total expenses included in the expense section of the statement of activities	$ 1,679,042	$ 265,661	$ 286,033	$ 2,230,736

The Notes to Financial Statements are an integral part of this statement.

Project Hope Alliance
Statement of Cash Flows
Year Ended June 30, 2021

Operating activities		
Changes in net assets (deficit)	$	(278,893)
Adjustments to reconcile changes in net assets (deficit) to net cash used in operating activities		
Depreciation		14,335
Forgiveness of PPP loan		(300,000)
Changes in assets and liabilities		
Pledges and grants receivable		9,216
Prepaid expense		6,763
Deposit		(1,552)
Accounts payable and accrued liabilities		(10,776)
Net cash used in operating activities		(560,907)
Investing activity		
Acquisition of property and equipment		(1,298)
Net cash used in investing activity		(1,298)
Financing activities		
Net activity from line of credit		(10,000)
Acquisition of note payable		275,665
Net cash provided by financing activities		265,665
Net change in cash and cash equivalents		(296,540)
Cash and cash equivalents		
Beginning of year		644,035
End of year	$	347,495
Supplemental disclosure of cash flow information		
Cash paid during the year for		
Interest	$	11,426

The Notes to Financial Statements are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Project Hope School Foundation was incorporated in California on October 11, 2002. In December 2011, the Organization formally changed its name to Project Hope Alliance (the "Organization"). The Organization's mission is to end the cycle of homelessness, one child at a time. Through grants, fundraising events, and donations from corporations and individuals, the Organization provides homeless children and youth intensive support through education that meets their individual academic and psychosocial needs seeing them through high school graduation and into a financially independent future ending generational homelessness. Through 2019 they rapidly re-housed these youth and their families into safe, stable, and permanent homes. In 2020 the Organization discontinued this program to focus all efforts on helping children and youth succeed in their schools and communities. The Organization's motto is "children first", and by providing wraparound support for the child, the Organization plans on breaking the cycle of homelessness for future generations.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. Net assets are classified based on the existence or absence of third-party donor restrictions and are reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The Organization records gifts of cash and other assets as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets (deficit) as net assets released from donor restrictions. Contributions with donor-imposed restrictions that are received and spent in the same year have been recorded as contributions without donor restrictions in the accompanying statement of activities and changes in net assets (deficit).

Contributed Services and Materials

Donated materials and other noncash contributions are reflected in the accompanying statements at their estimated market values at date of receipt. Contributions of services are recognized if the services received creates or enhances nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements as there is no objective basis of deriving their value.

The Organization received donations of various noncash assets, such as services that were used for operating activities. Contributed services and materials in the amounts of $180,685 are recorded as income and expense in the statement of activities and changes in net assets (deficit) for the year ended June 30, 2021.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturity dates of three months or less to be cash and cash equivalents.

Concentration of Credit Risk

As of and for the year ended June 30, 2021 one donor represented 12.8% of total revenues and 66.0% of total pledges and grants receivable.

The Organization maintains cash deposits with a major bank, which is Federal Deposit Insurance Corporation ("FDIC") insured up to $250,000. At certain times of the year including at year end, the Organization may have monies deposited in excess of the FDIC insurance limit.

Pledges and Grants Receivable

Pledges and grants receivable consist of unconditional promises to give cash to the Organization. As of June 30, 2021, one pledge was outstanding that included payments extending greater than one year. These amounts are due in the amount of $25,000 for the next three years, with payments concluding in February 2024. Management continually monitors collectability issues associated with the Organization's gifts and grants receivable and, when necessary, records an allowance for doubtful accounts and a corresponding charge to bad debt expense. Management does not believe there are any collectability concerns associated with the Organization's receivables. As of June 30, 2021, an outstanding pledge represented 66% of the total amount outstanding and 13% of revenues as disclosed in the statement of activities and changes in net assets (deficit) for the year then ended.

Property and Equipment

Property and equipment are stated at cost and donated assets are recorded at estimated fair value at date of donation. It is the Organization's policy to capitalize all additions with a purchase cost or estimated fair market value at date of gift of $1,000 or more. Depreciation expense is calculated on the straight-line method. The depreciation methods is designed to amortize the cost of the assets over the estimated useful lives, in years, of the respective assets as follows:

Description	Estimated Live (Years)
Computer equipment	3
Furniture	5
Leasehold improvements	5

Leasehold improvements are amortized at the lower of the estimated life or the life of the lease.

Maintenance and repairs are charged to expense as incurred. Renewals and improvements of a major nature are capitalized. At the time of retirement or other disposition of property and equipment, or once the property and equipment have been fully depreciated, the cost and accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in income.

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of
Long-Lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest) expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Advertising Expense
Advertising and promotional costs which are classified as marketing and public relations are charged to operations when incurred. For the year ended June 30, 2021, advertising and promotional costs totaled $47,479.

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 support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses
The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities changes in net assets (deficit), and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses reported on the accompanying statement of functional expenses, such as accounting and legal, bank charges, consulting, client assistance, depreciation, and interest have been allocated to programs, administrative, and retail based on direct usage. Expenses including facilities and equipment, and insurance are allocated based on square footage of the location where expenses are incurred. The majority of the remaining natural expenses have generally been allocated to the program and supporting services based on time and effort of the employees involved. For certain expenses including events, technology, marketing and public relations, fundraising and stewardship, office, printing and promotion, staff appreciation, and staff development, the cost directly attributable to program or supporting services have been allocated as such, with the remaining amount of shared cost being allocated based on the time and effort of the employees involved.

Income Taxes
The Organization is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code and is generally not subject to federal and state income taxes. However, the Organization is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. Further, there were no income tax related penalties and interest included in these financial statements

The Organization has adopted the accounting standards relating to accounting and reporting for uncertainty in income taxes. For the Organization, these standards could be applicable to the incurrence of any unrelated business income attributable to the Organization. Because the Organization's general tax-exempt status, management believes there are no material uncertain tax positions that require recognition in the accompanying financial statements at June 30, 2021. The organization is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before 2017. There were no tax years open to examination by a major tax jurisdiction as of June 30, 2021. Further, there were no income tax related penalties and interest included in these financial statements.

Vacation Expense
Hourly and salary employees earn credits during the current year for future vacation benefits. The expense and corresponding liability are accrued when earned rather than when paid.

Recent Accounting Pronouncements Issued Not Yet Adopted
In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958) which is effective for periods beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities and changes in net assets (deficit), apart from contributions of cash or other financial assets, along with expanded disclosure requirements. The Organization does not expect this ASU to have a significant impact on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). Under ASU No. 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

ASU No. 2016-02 is effective for our fiscal year June 30, 2023.

The Organization is currently evaluating the impact of the provisions of ASU 2016-02 on the presentation of its financial statements.

Subsequent Events
The Organization evaluated subsequent events through November 3, 2021, the date these financial statements were issued. With the exception of the matter discussed in Note 7, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

2. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and consist of the following at June 30, 2020:

Computer equipment	$ 39,854
Furniture	36,321
Leasehold improvements	77,119
Total property and equipment	153,294
Less: Accumulated depreciation	(133,815)
Net property and equipment	$ 19,479

Total depreciation expenses for the year ended June 30, 2021 was $14,335.

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2021 consisted of the following:

Accrued payables	$ 9,443
Vacation	49,511
Salaries and related	92,648
	$ 151,602

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of time restricted pledges of $226,371 at June 30, 2021.

Net assets with donor restrictions were released as of June 30, 2021 for the following purposes:

Satisfaction of purpose restriction	
COVID-19 Response	$ 120,500
Collection of receivables for general use	30,000
	$ 150,500

5. LEASE COMMITMENTS

The Organization leased its operating facility under a month-to-month lease agreement and in January 2021 signed a lease agreement with monthly rent payments up to $10,874 with a maturity in December 2024. The Organization leases a storage unit under a month-to-month agreement and provides for monthly payments of $443.

As of June 30, 2021, the Organization's future minimum annual lease commitment under the lease agreement is as follows:

2022	$ 124,845
2023	128,590
2024	65,245
	$ 318,680

Lease expense for the year ended June 30, 2020 amounted to approximately $118,272.

6. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at June 30, 2021:

Financial assets at year end	
Cash and cash equivalents	$ 347,495
Pledges and grants receivable	226,371
Total financial assets	573,866
Less financial assets not available for general expenditures	
Pledges and grants receivable with collections greater than twelve months	(50,000)
Total assets not available to be used for general expenditures	(50,000)
Financial assets available to meet general expenditures over the next twelve months	$ 523,866

The Organization receives significant unrestricted revenue from private foundations and grantors which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization receives contributions and promises to give which are restricted by donors for program use. Management of liquidity and reserves are conducted under three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. The Organization typically has lower reserves towards year end as many of their contributions are received at the beginning of the fiscal year and intended for use in the upcoming school year. As part of the liquidity plan, excess cash is currently invested in short-term investments, such as money market accounts. The Organization forecasts its future cash flows, and monitors liquidity bi-monthly and monitors reserves annually during the budget review.

7. LINE OF CREDIT AND SUBSEQUENT EVENT

At June 30, 2021, the Organization had a $300,000 revolving line of credit with a bank to be drawn down upon as needed with a variable interest rate of 0.75% above prime rate with a floor rate of 3.50% (prime rate at June 30, 2021 was 3.75%). This bank borrowing is collateralized by certain assets of the Organization and was set to expire on September 5, 2021. Subsequent to June 30, 2021, the Organization entered into negotiations with the lender to convert the previous line of a credit to a term note. These negotiations are in process as of the date of these financial statements. At June 30, 2021, the outstanding balance on this line of credit was $290,000.

8. PAYCHECK PROTECTION PROGRAM LOAN

On May 5, 2020, the Organization issued an unsecured promissory note Paycheck Protection Program ("PPP Loan") for $300,000 through programs established under the CARES Act and administered by the U.S. Small Business Administration (the "SBA"). The PPP Loan was guaranteed by the SBA. The PPP Loan may be forgiven, in whole or in part, if the Company was eligible for the PPP Loan at the time of application, used the loan proceeds for eligible expenses within a defined period, and otherwise satisfied PPP requirements. On November 10, 2020, the Company was informed that its application for forgiveness of $300,000 of the PPP Loan was approved. Accordingly, the Company recorded it as forgiveness of debt in the accompanying statement of activities and changes in net assets (deficit).

On February 16, 2021, the Organization received a loan in the amount of $275,665 under the Second Draw of the PPP Loan of the CARES Act. This loan is guaranteed by the Small Business Administration. The loan calls for principal and interest payments beginning after the deferred period. The loan has a 5-year payment term with a 1.0% interest rate. Under the PPP, the Organization can have the entire loan forgiven if the proceeds are used to fund payroll and other allowable expenses. As of June 30, 2021, the balance has been included in long-term liabilities on the statement of financial position.

9. RISKS AND UNCERTAINTIES

Management continues to evaluate the COVID-19 virus in the United States and its impact on the industry and has concluded that while it is reasonably possible that the virus could have a negative effect on the Organization's financial condition and results of operations, the specific impact is not readily determinable as of the date of these financial statements.