

PROJECT HOPE ALLIANCE
Financial Statements
June 30, 2022
With Summarized Comparative Information
As of and for the Year Ended June 30, 2021
With Independent Auditor's Report

Project Hope Alliance

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June 30, 2022

With Summarized Comparative Information as of and for the Year Ended June 30, 2021

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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.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Project Hope Alliance:

Opinion

We have audited the financial statements of Project Hope Alliance (the "Organization"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in the report dated November 3, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information Included in the Financial Statements

Management is responsible for the other information included in the financial statements. The other information comprises the mission statement and vision statement but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected misstatement of the other information exists, we are required to describe it in our report.

Withum Smith & Brown, PC

September 13, 2022

Project Hope Alliance
Statements of Financial Position
June 30, 2022
With Summarized Comparative Information as of June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
Assets				
Current assets				
Cash and cash equivalents	\$ 372,073	\$ -	\$ 372,073	\$ 347,495
Pledges and grants receivable	-	97,748	97,748	176,371
Prepaid expense	12,991	-	12,991	9,846
Total current assets	<u>385,064</u>	<u>97,748</u>	<u>482,812</u>	<u>533,712</u>
Property and equipment, net	<u>7,034</u>	<u>-</u>	<u>7,034</u>	<u>19,479</u>
Other assets				
Pledges and grants receivable, net of current portion	-	25,000	25,000	50,000
Deposit	<u>8,236</u>	<u>-</u>	<u>8,236</u>	<u>8,236</u>
Total assets	<u>\$ 400,334</u>	<u>\$ 122,748</u>	<u>\$ 523,082</u>	<u>\$ 611,427</u>
Liabilities and net assets				
Current liabilities				
Accounts payable and accrued liabilities	\$ 62,289	\$ -	\$ 62,289	\$ 151,602
Line of credit	-	-	-	290,000
Current portion of term loan	<u>68,516</u>	<u>-</u>	<u>68,516</u>	<u>-</u>
Total current liabilities	<u>130,805</u>	<u>-</u>	<u>130,805</u>	<u>441,602</u>
Long-term liabilities				
Paycheck Protection Program loan	-	-	-	275,665
Term loan	<u>168,092</u>	<u>-</u>	<u>168,092</u>	<u>-</u>
Total liabilities	<u>298,897</u>	<u>-</u>	<u>298,897</u>	<u>717,267</u>
Net assets				
Without donor restrictions	101,437	-	101,437	(332,211)
With donor restrictions	<u>-</u>	<u>122,748</u>	<u>122,748</u>	<u>226,371</u>
Total net assets	<u>101,437</u>	<u>122,748</u>	<u>224,185</u>	<u>(105,840)</u>
Total liabilities and net assets	<u>\$ 400,334</u>	<u>\$ 122,748</u>	<u>\$ 523,082</u>	<u>\$ 611,427</u>

The Notes to Financial Statements are an integral part of these statements.

Project Hope Alliance
Statements of Activities and Changes in Net Assets
Year Ended June 30, 2022
With Summarized Comparative Information for the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
Revenues, gains and other support				
Contributions of cash and other financial assets:				
Gift and grants - foundations	\$ 672,007	\$ -	\$ 672,007	\$ 490,266
Gift and grants - corporations and organizations	405,172	-	405,172	546,166
Gift and grants - individuals	452,067	-	452,067	381,054
Gift and grants - faith based	29,664	-	29,664	53,873
Grants - government and district	498,565	72,748	571,313	-
PPP forgiveness	275,665	-	275,665	298,232
Fundraising events revenue, net of cost of direct benefit to donors of \$92,437 and none	201,193	-	201,193	-
Contributions of nonfinancial assets:				
Contributed services and materials	144,803	-	144,803	180,685
Interest income	25	-	25	67
Other income	20,011	-	20,011	1,500
Total contributions	2,699,172	72,748	2,771,920	1,951,843
Net assets released from restrictions	176,371	(176,371)	-	-
Total support and revenues	2,875,543	(103,623)	2,771,920	1,951,843
Expenses				
Program services	1,870,219	-	1,870,219	1,679,042
Supporting services				
General and administrative	228,169	-	228,169	265,661
Fundraising	343,507	-	343,507	286,033
Total expenses	2,441,895	-	2,441,895	2,230,736
Changes in net assets	433,648	(103,623)	330,025	(278,893)
Net assets				
Beginning of year	(332,211)	226,371	(105,840)	173,053
End of year	\$ 101,437	\$ 122,748	\$ 224,185	\$ (105,840)

The Notes to Financial Statements are an integral part of these statements.

Project Hope Alliance
Statements of Functional Expenses
Year Ended June 30, 2022
With Summarized Comparative Information for the Year Ended June 30, 2021

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	
				<u>2022</u>	<u>2021</u>
Salaries	\$ 1,163,341	\$ 124,577	\$ 150,618	\$ 1,438,536	\$ 1,307,747
Benefits	146,667	12,902	20,747	180,316	171,851
Payroll fees	4,051	1,862	1,192	7,105	3,920
Payroll taxes	<u>74,302</u>	<u>13,112</u>	<u>21,853</u>	<u>109,267</u>	<u>90,020</u>
Total salaries and related expenses	1,388,361	152,453	194,410	1,735,224	1,573,538
Accounting and legal	-	27,872	-	27,872	20,243
Bank charges	9,523	92	2,404	12,019	9,630
Client assistance:					
Education	32,274	-	-	32,274	90,071
Family support	5,586	-	-	5,586	17,156
Contributed nonfinancial assets	144,803	-	-	144,803	180,685
Consultants	11,693	-	66,000	77,693	-
Depreciation	8,463	1,493	2,489	12,445	14,335
Events	61,606	-	92,437	154,043	9,054
Facilities	117,930	6,894	11,139	135,963	132,476
Fundraising and stewardship	958	928	3,507	5,393	5,835
Insurance	18,723	1,594	2,601	22,918	23,903
Interest	-	10,502	-	10,502	11,426
Marketing and public relations	-	-	37,505	37,505	47,508
Miscellaneous	-	-	-	-	8,460
Office expense	25,332	7,980	11,598	44,910	19,584
Printing and promotion	21,664	893	4,337	26,894	20,731
Staff appreciation	927	10,758	675	12,360	7,123
Staff development	2,908	4,174	1,916	8,998	1,099
Technology	<u>19,468</u>	<u>2,536</u>	<u>4,926</u>	<u>26,930</u>	<u>38,379</u>
Total expenses	1,870,219	228,169	435,944	2,534,332	2,231,236
Less: Expenses included within revenues					
Direct cost of donor benefits	<u>-</u>	<u>-</u>	<u>(92,437)</u>	<u>(92,437)</u>	<u>(500)</u>
Total expenses included in the expense section of the statement of activities	<u>\$ 1,870,219</u>	<u>\$ 228,169</u>	<u>\$ 343,507</u>	<u>\$ 2,441,895</u>	<u>\$ 2,230,736</u>

The Notes to Financial Statements are an integral part of these statements.

Project Hope Alliance
Statements of Cash Flows
Year Ended June 30, 2022
With Summarized Comparative Information for the Year Ended June 30, 2021

	<u>Total</u>	
	<u>2022</u>	<u>2021</u>
Operating activities		
Changes in net assets	\$ 330,025	\$ (278,893)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	12,445	14,335
Forgiveness of PPP loan	(275,665)	(300,000)
Changes in assets and liabilities		
Pledges and grants receivable	103,623	9,216
Prepaid expense	(3,145)	6,763
Deposit	-	(1,552)
Accounts payable and accrued liabilities	<u>(89,313)</u>	<u>(10,776)</u>
Net cash provided by (used in) operating activities	<u>77,970</u>	<u>(560,907)</u>
Investing activity		
Acquisition of property and equipment	<u>-</u>	<u>(1,298)</u>
Net cash used in investing activity	<u>-</u>	<u>(1,298)</u>
Financing activities		
Net activity from line of credit	(290,000)	(10,000)
Acquisition of note payable	-	275,665
Proceeds from issuance of term loan	281,000	-
Repayments of term loan	<u>(44,392)</u>	<u>-</u>
Net cash (used in) provided by financing activities	<u>(53,392)</u>	<u>265,665</u>
Net change in cash and cash equivalents	24,578	(296,540)
Cash and cash equivalents		
Beginning of year	<u>347,495</u>	<u>644,035</u>
End of year	<u>\$ 372,073</u>	<u>\$ 347,495</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for		
Interest	<u>\$ 10,502</u>	<u>\$ 11,426</u>

The Notes to Financial Statements are an integral part of these statements.

**Project Hope Alliance
Notes to Financial Statements
June 30, 2022**

With Summarized Comparative Information as of and for the Year Ended June 30, 2021

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 social, emotional, mental health and education support that meets their individual academic and psychosocial needs seeing them through high school graduation and into a financially independent future ending generational homelessness. In 2021 and 2022 the Organization scaled its on-campus case management program from one school district to three, resulting in an 83% increase of students served in that program alone. The Organization's motto is "for the kids", and by providing wraparound support for the child, the Organization is 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 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.

Contributed Nonfinancial Assets

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 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, apart from contributions of cash or other financial assets, along with expanded disclosure requirements.

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The Organization adopted the requirements of the new guidance as of July 1, 2020, utilizing the modified retrospective method of transition. No adjustments to net assets as of July 1, 2020 were necessary. The Organization applied the new guidance using the practical expedient provided in Top 958 that allows the guidance to be applied only to contributed nonfinancial assets that were contributed as of July 1, 2020. Adoption of the new guidance does not have a significant impact on the Organization's financial position, results of activities or cash flows.

Donated materials and other nonfinancial contributions are reflected in the accompanying financial 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. See Note 9 for detailed contributed nonfinancial assets.

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 \$144,803 and \$180,685 are recorded as income and expense in the statements of activities and changes in net assets for the years ended June 30, 2022 and 2021, respectively.

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. As of and for the year ended June 30, 2022, there was no donor concentration risk.

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, 2022 and 2021, one pledge was outstanding that included payments extending greater than one year. These amounts are due in the amount of \$50,000 and \$25,000, respectively for the next two 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.

Project Hope Alliance
Notes to Financial Statements
June 30, 2022

With Summarized Comparative Information as of and for the Year Ended June 30, 2021

Property and Equipment

Purchased property and equipment are recorded 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 of the respective assets as follows:

<u>Description</u>	<u>Estimated Life (Years)</u>
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 years ended June 30, 2022 and 2021, advertising and promotional costs totaled \$37,505 and \$47,508, respectively.

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, and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Project Hope Alliance
Notes to Financial Statements
June 30, 2022**

With Summarized Comparative Information as of and for the Year Ended June 30, 2021

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, 2022 and 2021. The Organization is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before 2018. There were no tax years open to examination by a major tax jurisdiction as of June 30, 2022. 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 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 the fiscal year ending June 30, 2023.

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

Project Hope Alliance
Notes to Financial Statements
June 30, 2022

With Summarized Comparative Information as of and for the Year Ended June 30, 2021

Subsequent Events

The Organization evaluated subsequent events through September 13, 2022, the date these financial statements were available to be issued. 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Computer equipment	\$ 39,854	\$ 39,854
Furniture	36,321	36,321
Leasehold improvements	<u>77,119</u>	<u>77,119</u>
Total property and equipment	153,294	153,294
Less: Accumulated depreciation	<u>(146,260)</u>	<u>(133,815)</u>
Net property and equipment	<u>\$ 7,034</u>	<u>\$ 19,479</u>

Total depreciation expense for the years ended June 30, 2022 and 2021 was \$12,445 and \$14,335, respectively.

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Accrued payables	\$ 12,229	\$ 9,443
Vacation	50,060	49,511
Salaries and related	<u>-</u>	<u>92,648</u>
	<u>\$ 62,289</u>	<u>\$ 151,602</u>

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of time restricted pledges and grants of \$122,748 and \$226,371 at June 30, 2022 and 2021, respectively.

Net assets with donor restrictions were released as of June 30, 2022 and 2021 for the following purposes:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restriction		
COVID-19 Response	\$ -	\$ 120,500
Satisfaction of time restriction		
Collection of receivables for general use	<u>176,371</u>	<u>30,000</u>
	<u>\$ 176,371</u>	<u>\$ 150,500</u>

Project Hope Alliance
Notes to Financial Statements
June 30, 2022

With Summarized Comparative Information as of and for the Year Ended June 30, 2021

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 2023.

As of June 30, 2022, the Organization's future minimum annual lease commitment under the lease agreement is as follows:

2023	\$ 128,590
2024	<u>65,245</u>
	<u>\$ 193,835</u>

Lease expense for the years ended June 30, 2022 and 2021 amounted to approximately \$124,844 and \$118,272, respectively.

6. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year end		
Cash and cash equivalents	\$ 372,073	\$ 347,495
Pledges and grants receivable	<u>122,748</u>	<u>226,371</u>
Total financial assets	<u>494,821</u>	<u>573,866</u>
Less financial assets not available for general expenditures		
Pledges and grants receivable with collections greater than twelve months	<u>(25,000)</u>	<u>(50,000)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 469,821</u>	<u>\$ 523,866</u>

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 its 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.

Project Hope Alliance
Notes to Financial Statements
June 30, 2022

With Summarized Comparative Information as of and for the Year Ended June 30, 2021

7. LINE OF CREDIT AND TERM LOAN

On October 19, 2021, the Organization converted a \$300,000 revolving line of credit to a term note. The term loan is collateralized by certain assets of the Organization, payable in monthly installments of \$6,320, including interest at a fixed rate of 3.75%. The term loan is set to expire in October 2025. At June 30, 2022, the outstanding balance on the term loan was \$236,608. At June 30, 2021, the outstanding balance on the line of credit was \$290,000.

The maturity of the term loan as of June 30, 2022 is as follows:

2023	\$	68,516
2024		71,130
2025		73,844
2026		<u>23,118</u>
	\$	<u>236,608</u>

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.

On February 16, 2021, the Organization issued a second unsecured promissory note through the Paycheck Protection Program (“PPP Loan”) for \$275,665 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 Organization 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 April 27, 2022, the Organization was informed that its application for forgiveness of \$275,665 of the PPP Loan was approved. Accordingly, the Organization recorded it as forgiveness of debt in the accompanying statement of activities and changes in net assets.

Project Hope Alliance
Notes to Financial Statements
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With Summarized Comparative Information as of and for the Year Ended June 30, 2021

9. CONTRIBUTED NONFINANCIAL ASSETS

For the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the statement of changes in net assets included:

	<u>2022</u>	<u>2021</u>
Supplies and gift cards	\$ 118,220	\$ 161,183
Food	17,775	19,502
Experiences	8,808	-
	<u>\$ 144,803</u>	<u>\$ 180,685</u>

The Organization recognized contributed nonfinancial assets within revenue, including contributed supplies and gift cards, food and experiences. In valuing the contributed nonfinancial assets, the Organization used donor stated prices or the Organization estimated the cost to acquire at local retailers in the area. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed supplies and gift cards were utilized to provide children with school supplies. Contributed food was used to provide families with needed pantry items, children with snack bags and supply holiday dinners for families. Contributed experiences were utilized to provide children and youth museums, summer camps and other enrichment activities.