

**PROJECT HOPE ALLIANCE**  
**Financial Statements**  
**June 30, 2023**  
**With Summarized Comparative Information**  
**As of and for the Year Ended June 30, 2022**  
**With Independent Auditor's Report**

**Project Hope Alliance**

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**June 30, 2023**

**With Summarized Comparative Information as of and for the Year Ended June 30, 2022**

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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 of  
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, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to 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, 2023 and 2022, and the changes in its net assets and cash flows for the years 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.

### Emphasis of Matter

As described in Note 1, the Organization adopted Accounting Standards Codification ("ASC") 842 as of July 1, 2022. Prior period amounts have not been adjusted and continue to be reported in accordance with the Organization's historic accounting under ASC 840. Our opinion is not modified with respect to this matter.

### 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 audits.

#### Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in the report dated September 13, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 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.



October 26, 2023

**Project Hope Alliance**  
**Statements of Financial Position**  
**June 30, 2023**  
**With Summarized Comparative Information as of June 30, 2022**

	Without	With Donor	Total	
	Donor Restrictions	Restrictions	2023	2022
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 218,564	\$ -	\$ 218,564	\$ 372,073
Current portion of pledges and grants receivable	118,257	25,000	143,257	97,748
Prepaid expense	7,317	-	7,317	12,991
Total current assets	344,138	25,000	369,138	482,812
Property and equipment, net	3,630	-	3,630	7,034
Other assets				
Right-of-use asset	64,106	-	64,106	-
Pledges and grants receivable, net of current portion	-	-	-	25,000
Deposit	8,236	-	8,236	8,236
Total assets	\$ 420,110	\$ 25,000	\$ 445,110	\$ 523,082
<b>Liabilities and Net Assets</b>				
Current liabilities				
Accounts payable and accrued liabilities	\$ 75,777	\$ -	\$ 75,777	\$ 62,289
Current portion of term loan	71,130	-	71,130	68,516
Current portion of lease liability - operating	64,739	-	64,739	-
Total current liabilities	211,646	-	211,646	130,805
Long-term liabilities				
Term loan, net of current portion	97,313	-	97,313	168,092
Total liabilities	308,959	-	308,959	298,897
Net assets				
Without donor restrictions	111,151	-	111,151	101,437
With donor restrictions	-	25,000	25,000	122,748
Total net assets	111,151	25,000	136,151	224,185
Total liabilities and net assets	\$ 420,110	\$ 25,000	\$ 445,110	\$ 523,082

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, 2023**  
**With Summarized Comparative Information for the Year Ended June 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
			<u>2023</u>	<u>2022</u>
<b>Revenues, gains and other support</b>				
Contributions of cash and other financial assets				
Gift and grants - foundations	\$ 719,486	\$ -	\$ 719,486	\$ 672,007
Gift and grants - corporations and organizations	196,079	-	196,079	405,172
Gift and grants - individuals	595,926	-	595,926	452,067
Gift and grants - faith based	23,938	-	23,938	29,664
Grants - government and district	211,633	-	211,633	571,313
Service agreements - district	633,878	-	633,878	-
PPP forgiveness	-	-	-	275,665
Fundraising events revenue, net of cost of direct benefit to donors of \$119,926 and \$92,437	166,861	-	166,861	201,193
Contributions of nonfinancial assets:				
Contributed services and materials	246,281	-	246,281	144,803
Interest income	75	-	75	25
Other income	1,000	-	1,000	20,011
Total contributions	<u>2,795,157</u>	<u>-</u>	<u>2,795,157</u>	<u>2,771,920</u>
<b>Net assets released from restrictions</b>	<u>97,748</u>	<u>(97,748)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>2,892,905</u>	<u>(97,748)</u>	<u>2,795,157</u>	<u>2,771,920</u>
<b>Expenses</b>				
Program services	<u>2,283,912</u>	<u>-</u>	<u>2,283,912</u>	<u>1,870,219</u>
Supporting services				
General and administrative	215,875	-	215,875	228,169
Fundraising	383,404	-	383,404	343,507
Total expenses	<u>2,883,191</u>	<u>-</u>	<u>2,883,191</u>	<u>2,441,895</u>
<b>Changes in net assets</b>	9,714	(97,748)	(88,034)	330,025
<b>Net assets</b>				
Beginning of year	<u>101,437</u>	<u>122,748</u>	<u>224,185</u>	<u>(105,840)</u>
End of year	<u>\$ 111,151</u>	<u>\$ 25,000</u>	<u>\$ 136,151</u>	<u>\$ 224,185</u>

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

**Project Hope Alliance  
Statements of Functional Expenses  
Year Ended June 30, 2023**

**With Summarized Comparative Information for the Year Ended June 30, 2022**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Direct Costs of Donor Benefits</u>	<u>2023</u>	<u>2022</u>
Salaries	\$ 1,356,729	\$ 123,866	\$ 210,501	\$ -	\$ 1,691,096	\$ 1,438,536
Benefits	178,057	4,870	20,172	-	203,099	180,316
Payroll fees	6,606	1,166	1,943	-	9,715	7,105
Payroll taxes	84,754	14,957	24,928	-	124,639	109,267
Total salaries and related expenses	<u>1,626,146</u>	<u>144,859</u>	<u>257,544</u>	<u>-</u>	<u>2,028,549</u>	<u>1,735,224</u>
Accounting and legal	-	39,375	-	-	39,375	27,872
Bank charges	9,032	16	2,249	-	11,297	12,019
Client assistance:						
Education	20,985	-	-	-	20,985	32,274
Family support	13,450	-	-	-	13,450	5,586
Contributed nonfinancial assets	246,281	-	-	-	246,281	144,803
Consultants	11,753	-	26,600	-	38,353	77,693
Depreciation	5,818	543	1,396	-	7,757	12,445
Direct costs of donor benefits	-	-	-	119,926	119,926	92,437
Events	75,261	-	-	-	75,261	61,606
Facilities	129,192	7,443	15,770	-	152,405	135,963
Fundraising and stewardship	1,438	3,717	9,459	-	14,614	5,393
Insurance	23,772	2,552	4,201	-	30,525	22,918
Interest	-	7,676	-	-	7,676	10,502
Marketing and public relations	-	-	34,781	-	34,781	37,505
Office expense	35,187	7,102	18,666	-	60,955	44,910
Printing and promotion	33,174	511	5,087	-	38,772	26,894
Staff appreciation	6,573	570	1,702	-	8,845	12,360
Staff development	21,991	136	1,251	-	23,378	8,998
Technology	23,859	1,375	4,698	-	29,932	26,930
Total expenses	<u>2,283,912</u>	<u>215,875</u>	<u>383,404</u>	<u>119,926</u>	<u>3,003,117</u>	<u>2,534,332</u>
Less: Expenses included within revenues	-	-	-	(119,926)	(119,926)	(92,437)
Direct cost of donor benefits	-	-	-	-	-	-
Total expenses included in the expense section of the statement of activities	<u>\$ 2,283,912</u>	<u>\$ 215,875</u>	<u>\$ 383,404</u>	<u>\$ -</u>	<u>\$ 2,883,191</u>	<u>\$ 2,441,895</u>

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



**Project Hope Alliance  
Statements of Cash Flows  
Year Ended June 30, 2023**

**With Summarized Comparative Information for the Year Ended June 30, 2022**

	<u>Total</u>	
	<u>2023</u>	<u>2022</u>
<b>Operating activities</b>		
Changes in net assets	\$ (88,034)	\$ 330,025
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities		
Depreciation	7,757	12,445
Forgiveness of PPP loan	-	(275,665)
Amortization of right-of-use asset	124,647	-
Changes in assets and liabilities		
Pledges and grants receivable	(20,509)	103,623
Prepaid expense	5,674	(3,145)
Accounts payable and accrued liabilities	13,488	(89,313)
Lease liability	<u>(124,014)</u>	<u>-</u>
Net cash (used in) provided by operating activities	<u>(80,991)</u>	<u>77,970</u>
<b>Investing activity</b>		
Acquisition of property and equipment	<u>(4,353)</u>	<u>-</u>
Net cash used in investing activity	<u>(4,353)</u>	<u>-</u>
<b>Financing activities</b>		
Net activity from line of credit	-	(290,000)
Proceeds from issuance of term loan	-	281,000
Repayments of term loan	<u>(68,165)</u>	<u>(44,392)</u>
Net cash used in financing activities	<u>(68,165)</u>	<u>(53,392)</u>
Net change in cash and cash equivalents	(153,509)	24,578
<b>Cash and cash equivalents</b>		
Beginning of year	<u>372,073</u>	<u>347,495</u>
End of year	<u>\$ 218,564</u>	<u>\$ 372,073</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for		
Interest	<u>\$ 7,676</u>	<u>\$ 10,502</u>

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

**Project Hope Alliance  
Notes to Financial Statements  
June 30, 2023**

**With Summarized Comparative Information as of and for the Year Ended June 30, 2022**

**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 2022 and 2023 the Organization expanded its model of care into the Huntington Beach Union High School District embedding full-time case managers onto five new high school campuses, as well as expanded its partnership with Scholarship Preparatory Academy in Santa Ana, doubling its on-campus presence. Additionally, the Organization partnered with the City of Santa Ana to bring its wrap-around support and model of care to serve the children and families staying at the Carnegie Shelter. This growth resulted in a 27% increase in the number of on-site service locations and a 25% increase in individuals served. 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.

**Comparative Data**

The financial statements include prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements as of and for the year ended June 30, 2022 from which the summarized information was derived.

**Contributions**

Contributions, including unconditional promises to give, are recognized upon receipt or when pledged by the donor. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires during the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, based on the nature of the restriction. Upon the expiration of a restriction (e.g., when a stipulated time restriction concludes or a purpose restriction is achieved), net assets with donor restrictions are reclassified as net assets without donor restrictions. This reclassification is reported in the statement of activities and changes in net assets as net assets released from restrictions. The Organization's policy is to record restricted gifts that are received and spent within the same fiscal year as unrestricted support.

**Project Hope Alliance  
Notes to Financial Statements  
June 30, 2023**

**With Summarized Comparative Information as of and for the Year Ended June 30, 2022**

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Unconditional promises to give are reported at their net realizable value. Unconditional promise to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected.

**Contributed Nonfinancial Assets**

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 \$246,281 and \$144,803 are recorded as income and expense in the statements of activities and changes in net assets for the years ended June 30, 2023 and 2022, 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**

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. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Organization's financial condition, results of operations, and cash flows.

**Pledges and Grants Receivable**

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.

Pledges and grants receivable consist of unconditional promises to give cash to the Organization. As of June 30, 2023 and 2022, one pledge was outstanding that included payments extending greater than one year. These amounts of \$25,000 and \$50,000, respectively, are due in the upcoming year, with payments scheduled to be completed by February 2024.

**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.

**Project Hope Alliance  
Notes to Financial Statements  
June 30, 2023**

**With Summarized Comparative Information as of and for the Year Ended June 30, 2022**

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. For the years ended June 30, 2023 and 2022, no impairment was noted.

**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, 2023 and 2022, advertising and promotional costs totaled \$34,781 and \$37,505, 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, 2023**

**With Summarized Comparative Information as of and for the Year Ended June 30, 2022**

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, 2023 and 2022. There were no tax years open to examination by a major tax jurisdiction as of June 30, 2023. 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.

**Leases and Recently Adopted Accounting Pronouncement**

The Organization categorizes leases with contractual terms longer than 12 months as either operating or finance leases. Finance leases are generally those leases that allow the Organization to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of 12 months or less are not recoded in the statement of financial position. The Organization had no finance leases during the years ended June 30, 2023 and 2022.

Certain lease contracts include obligations to pay for other services, such as operations, property taxes, and maintenance. For leases of property, the Organization accounts for these as a component of the lease.

Lease liabilities are recognized at the present value of the fixed lease payments, using a discount rate based on the incremental borrowing rate. Right-of-use ("ROU") assets are recognized based on the initial present value of the fixed lease payments plus any costs from executing the lease. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

**Project Hope Alliance**  
**Notes to Financial Statements**  
**June 30, 2023**

**With Summarized Comparative Information as of and for the Year Ended June 30, 2022**

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase of the leased assets are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease. Costs associated with operating lease assets are recognized on a straight-line basis within operating expense over the lease term.

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) amending the accounting for leases, known as ASC 842. The Organization adopted the new standard effective July 1, 2022, using the modified retrospective approach. Comparative prior periods were not adjusted upon adoption, as the Organization utilized the practical expedient available under the guidance. Further, the Organization elected to implement the package of practical expedients, whereby the Organization did not (i) reassess existing contracts for embedded leases, (ii) reassess existing lease agreements for finance or operating classification, or (iii) reassess existing lease agreements in consideration of initial direct costs. The implementation of the standard did not have a material impact to the statement of activities or cash flows.

Upon adoption, the Organization recognized \$188,753 in ROU assets related to its leased property. Corresponding lease liabilities of \$188,753 were also recognized. There was no cumulative effect of applying the new standard and accordingly there was no adjustment to net assets upon adoption.

**Subsequent Events**

The Organization evaluated subsequent events through October 26, 2023, the date these financial statements were available to be issued. With exception of the matter disclosed in Note 5, 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 consists of the following at June 30:

	<u>2023</u>	<u>2022</u>
Computer equipment	\$ 44,207	\$ 39,854
Furniture	36,321	36,321
Leasehold improvements	<u>77,119</u>	<u>77,119</u>
Total property and equipment	157,647	153,294
Less: Accumulated depreciation	<u>(154,017)</u>	<u>(146,260)</u>
Net property and equipment	<u>\$ 3,630</u>	<u>\$ 7,034</u>

Total depreciation expense for the years ended June 30, 2023 and 2022 was \$7,757 and \$12,445, respectively.

**Project Hope Alliance**  
**Notes to Financial Statements**  
**June 30, 2023**

**With Summarized Comparative Information as of and for the Year Ended June 30, 2022**

**3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities consists of the following at June 30:

	<u>2023</u>	<u>2022</u>
Accrued payables	\$ 20,770	\$ 12,229
Vacation	55,007	50,060
	<u>\$ 75,777</u>	<u>\$ 62,289</u>

**4. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of time restricted pledges and grants of \$25,000 and \$122,748 at June 30, 2023 and 2022, respectively.

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

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restriction		
COVID-19 Response	\$ -	\$ 120,500
Satisfaction of time restriction		
Collection of receivables for general use	97,748	30,000
	<u>\$ 97,748</u>	<u>\$ 150,500</u>

**5. LEASE COMMITMENTS AND SUBSEQUENT EVENT**

In January 2021, the Organization entered into a lease agreement with monthly lease payments up to \$10,874, with a maturity date of December 31, 2023.

On September 29, 2023, the Organization executed a lease amendment, which will take effect on January 1, 2024, extending the lease maturity date to December 31, 2026. Under the amended agreement, the monthly lease payments will increase to \$11,800, with annual escalations of 3%.

Total lease expense for the years ended June 30, 2023 and 2022 amounted to approximately \$128,957 and \$124,844, respectively, which includes variable lease expense of \$0 and \$0, respectively.

As of June 30, 2023, the Organization's future minimum annual lease commitment under the lease agreement for the year ended June 30, 2024 is \$65,245.

Because the rates implicit in the leases are generally not available, the Organization utilizes the incremental borrowing rate as the discount rate. The weighted-average discount rate associated with operating leases as of June 30, 2023 is 3.75% and the weighted-average lease term is less than 1 year. Cash paid for operating leases was \$128,590 for the year ended June 30, 2023.

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**6. AVAILABILITY AND LIQUIDITY**

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

	<u>2023</u>	<u>2022</u>
Financial assets at year end		
Cash and cash equivalents	\$ 218,564	\$ 372,073
Pledges and grants receivable	<u>143,257</u>	<u>122,748</u>
Total financial assets	<u>361,821</u>	<u>494,821</u>
Less: Financial assets not available for general expenditures		
Pledges and grants receivable with collections greater than twelve months	<u>-</u>	<u>(25,000)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 361,821</u>	<u>\$ 469,821</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.

**7. 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 mature in October 2025. At June 30, 2023, the outstanding balance on the term loan was \$168,443. At June 30, 2022, the outstanding balance on the term loan was \$236,608.

The maturity of the term loan as of June 30, 2023 is as follows:

2024	\$ 71,130
2025	73,844
2026	<u>23,469</u>
	<u>\$ 168,443</u>



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**8. PAYCHECK PROTECTION PROGRAM LOAN**

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.

**9. CONTRIBUTED NONFINANCIAL ASSETS**

Contributed nonfinancial assets recognized within the statement of changes in net assets included, for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Supplies and gift cards	\$ 206,111	\$ 118,220
Food	31,870	17,775
Experiences	<u>8,300</u>	<u>8,808</u>
	<u>\$ 246,281</u>	<u>\$ 144,803</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 access to museums, summer camps and other enrichment activities.