

**Project Hope Alliance
Financial Statements
June 30, 2024
With Summarized Comparative Information
As of and for the Year Ended June 30, 2023
With Independent Auditor's Report**

Project Hope Alliance
June 30, 2024 and 2023
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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:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Project Hope Alliance (the Organization), which comprise the statement of financial position as of June 30, 2024, 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 the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Project Hope Alliance as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Project Hope Alliance 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 within one year after the date 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 audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in the report dated October 26, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.



October 9, 2024

Project Hope Alliance
Statements of Financial Position
June 30, 2024 and 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2024</u>	<u>(Summarized) 2023</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 298,514	\$ 24,169	\$ 322,683	\$ 218,564
Pledges and grants receivable	6,250	62,500	68,750	143,257
Prepaid expenses	28,083	-	28,083	7,317
Total current assets	<u>332,847</u>	<u>86,669</u>	<u>419,516</u>	<u>369,138</u>
Property and equipment, net of accumulated depreciation of \$155,539 and \$154,017 for 2024 and 2023, respectively	2,107	-	2,107	3,630
Right-of-use asset	348,436	-	348,436	64,106
Other assets	9,881	-	9,881	8,236
Total assets	<u>\$ 693,271</u>	<u>\$ 86,669</u>	<u>\$ 779,940</u>	<u>\$ 445,110</u>
Liabilities and Net Assets				
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	\$ 69,269	\$ -	\$ 69,269	\$ 75,777
Current portion of term loan	73,844	-	73,844	71,130
Current portion of operating lease liabilities	133,282	-	133,282	64,739
Deferred grant revenue	72,710	-	72,710	-
Total current liabilities	<u>349,105</u>	<u>-</u>	<u>349,105</u>	<u>211,646</u>
Term loan, net of current portion	23,879	-	23,879	97,313
Operating lease liabilities	217,300	-	217,300	-
Total liabilities	<u>590,284</u>	<u>-</u>	<u>590,284</u>	<u>308,959</u>
Net assets				
Net assets with donor restrictions	-	86,669	86,669	25,000
Net assets without donor restrictions	102,987	-	102,987	111,151
	<u>102,987</u>	<u>86,669</u>	<u>189,656</u>	<u>136,151</u>
Total liabilities and net assets	<u>\$ 693,271</u>	<u>\$ 86,669</u>	<u>\$ 779,940</u>	<u>\$ 445,110</u>

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

Project Hope Alliance
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2024 and 2023

	Without Donor Restrictions	With Donor Restrictions	2024	(Summarized) 2023
Support and revenues				
Gifts and grants				
Gifts and grants - foundations	\$ 740,943	\$ 69,169	\$ 810,112	\$ 719,486
Gifts and grants - corporations and organizations	91,860	2,500	94,360	196,079
Gifts and grants - individuals	531,001	10,000	541,001	595,926
Gifts and grants - faith based	36,880	5,000	41,880	23,938
Grants - government and district	451,320	-	451,320	211,633
Contributions of nonfinancial assets	215,595	-	215,595	246,281
Total gifts and grants	<u>2,067,599</u>	<u>86,669</u>	<u>2,154,268</u>	<u>1,993,343</u>
Earned, special events and other revenue				
Service agreements - district	657,500	-	657,500	633,878
Fundraising events revenue, net of cost of direct benefit to donors of \$84,122 and \$119,926	232,855	-	232,855	166,861
Interest income	6	-	6	75
Other income	500	-	500	1,000
Total earned and special events revenue	<u>890,861</u>	<u>-</u>	<u>890,861</u>	<u>801,814</u>
Net assets released from restriction	25,000	(25,000)	-	-
Total support and revenues	<u>2,983,460</u>	<u>61,669</u>	<u>3,045,129</u>	<u>2,795,157</u>
Expenses				
Program services	2,440,533	-	2,440,533	2,283,912
Supporting services				
General and administrative	209,671	-	209,671	215,875
Fundraising	341,420	-	341,420	383,404
Total expenses	<u>2,991,624</u>	<u>-</u>	<u>2,991,624</u>	<u>2,883,191</u>
Changes in net assets	(8,164)	61,669	53,505	(88,034)
Net assets				
Beginning of year	111,151	25,000	136,151	224,185
End of year	<u>\$ 102,987</u>	<u>\$ 86,669</u>	<u>\$ 189,656</u>	<u>\$ 136,151</u>

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

**Project Hope Alliance
Statements of Functional Expenses
June 30, 2024**

	Program	General and Administrative	Fundraising	Direct Costs of Donor Benefits	2024
Salaries	\$ 1,540,174	\$ 120,249	\$ 204,627	\$ -	\$ 1,865,050
Benefits	213,492	5,475	29,890	-	248,857
Payroll fees	7,204	1,271	2,119	-	10,594
Payroll taxes	95,008	16,766	27,944	-	139,718
Total salaries and related expenses	1,855,878	143,761	264,580	-	2,264,219
Accounting and legal	-	33,904	-	-	33,904
Bank charges	12,178	43	3,044	-	15,265
Client assistance	238,074	-	-	-	238,074
Consultants	3,720	-	1,190	-	4,910
Depreciation	1,128	113	282	-	1,523
Direct costs of donor benefits	-	-	-	84,122	84,122
Events	61,251	-	-	-	61,251
Facilities	119,646	9,527	36,763	-	165,936
Fundraising and stewardship	5,410	1,176	2,842	-	9,428
Insurance	20,495	2,802	5,274	-	28,571
Interest	-	5,961	-	-	5,961
Marketing and public relations	-	-	3,484	-	3,484
Office expense	26,077	6,873	12,379	-	45,329
Printing and promotion	33,333	492	4,242	-	38,067
Staff appreciation	6,990	605	1,574	-	9,169
Staff development	28,936	2,466	15	-	31,417
Technology	27,417	1,948	5,751	-	35,116
Total expenses	2,440,533	209,671	341,420	84,122	3,075,746
Less: Expenses included within revenues, direct cost of donor benefits	-	-	-	(84,122)	(84,122)
Total expenses included in the expense section of the statement of activities	\$ 2,440,533	\$ 209,671	\$ 341,420	\$ -	\$ 2,991,624

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

Project Hope Alliance
Statement of Functional Expenses
June 30, 2023

	Program	General and Administrative	Fundraising	Direct Costs of Donor Benefits	2023
Salaries	\$ 1,356,729	\$ 123,866	\$ 210,501	\$ -	\$ 1,691,096
Benefits	178,057	4,870	20,172	-	203,099
Payroll fees	6,606	1,166	1,943	-	9,715
Payroll taxes	84,754	14,957	24,928	-	124,639
Total salaries and related expenses	1,626,146	144,859	257,544	-	2,028,549
Accounting and legal	-	39,375	-	-	39,375
Bank charges	9,032	16	2,249	-	11,297
Client assistance	280,716	-	-	-	280,716
Consultants	11,753	-	26,600	-	38,353
Depreciation	5,818	543	1,396	-	7,757
Direct costs of donor benefits	-	-	-	119,926	119,926
Events	75,261	-	-	-	75,261
Facilities	129,192	7,443	15,770	-	152,405
Fundraising and stewardship	1,438	3,717	9,459	-	14,614
Insurance	23,772	2,552	4,201	-	30,525
Interest	-	7,676	-	-	7,676
Marketing and public relations	-	-	34,781	-	34,781
Office expense	35,187	7,102	18,666	-	60,955
Printing and promotion	33,174	511	5,087	-	38,772
Staff appreciation	6,573	570	1,702	-	8,845
Staff development	21,991	136	1,251	-	23,378
Technology	23,859	1,375	4,698	-	29,932
Total expenses	2,283,912	215,875	383,404	119,926	3,003,117
Less: Expenses included within revenues, direct cost of donor benefits	-	-	-	(119,926)	(119,926)
Total expenses included in the expense section of the statement of activities	\$ 2,283,912	\$ 215,875	\$ 383,404	\$ -	\$ 2,883,191

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

Project Hope Alliance
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating activities		
Changes in net assets	\$ 53,505	\$ (88,034)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Depreciation	1,523	7,757
Amortization of right-of-use assets	130,001	124,647
Change in operating assets		
Pledges and grants receivable	74,507	(20,509)
Prepaid expenses	(20,766)	5,674
Other noncurrent assets	(1,645)	-
Change in operating liabilities		
Accounts payable and accrued liabilities	(6,508)	13,488
Lease liability	(128,488)	(124,014)
Deferred grant revenue	72,710	-
Net cash provided by (used in) operating activities	<u>174,839</u>	<u>(80,991)</u>
Investing activities		
Purchase of property and equipment	-	(4,353)
Net cash used in investing activities	<u>-</u>	<u>(4,353)</u>
Financing activities		
Repayments on term loan	(70,720)	(68,165)
Net cash used in financing activities	<u>(70,720)</u>	<u>(68,165)</u>
Net change in cash and cash equivalents	104,119	(153,509)
Cash and cash equivalents		
Beginning of year	218,564	372,073
End of year	<u>\$ 322,683</u>	<u>\$ 218,564</u>

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

Project Hope Alliance

Notes to Financial Statements

June 30, 2024 and 2023

1. Summary of Significant Accounting Policies

a. 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, fee-for-service contracts, fundraising events, and donations from individuals, community groups, and corporations, the Organization provides children and youth experiencing homelessness intensive social-emotional, mental health, basic needs, and academic support that meets their individual needs seeing them through their high school graduation, post-secondary journey, and towards a self-sufficient future, thereby 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. In April 2024, the Organization was awarded a 3-year \$2.1 million systems change grant from CalOptima, Orange County’s largest health insurance provider for low-income families, to develop a coordinated system of care of support for Orange County’s 23,000 students experiencing homelessness.

The Organization’s motto is “for the kids”, and by providing long-term wraparound support for the child, the Organization is breaking the cycle of homelessness for future generations.

b. Basis of Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

Financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to donor-imposed restrictions.

The net assets of the Organization 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 donor-imposed restrictions that will be met either by the actions of the Organization or through the passage of time. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from donor restrictions.

c. 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, 2023 from which the summarized information was derived.

Project Hope Alliance
Notes to Financial Statements
June 30, 2024 and 2023

d. 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.

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

e. 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 create or enhance 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 \$215,595 and \$246,281 are recorded as income and expense in the statements of activities and changes in net assets for the years ended June 30, 2024 and 2023, respectively.

f. Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

The Organization maintains cash balances at U.S. banks, which are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000 for each institution. The Organization's cash balances at times exceeded federally insured limits. Any loss incurred or lack of access to such funds could have a significant adverse impact on the Organization's financial condition, results of operations, and cash flows. At June 30, 2024, the Organization's cash accounts exceeded federally insured limits.

g. 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.

**Project Hope Alliance
Notes to Financial Statements
June 30, 2024 and 2023**

Pledges and grants receivable consist of unconditional promises to give cash to the Organization. As of June 30, 2024 and 2023, multiple pledges and one pledge, respectively, were outstanding that included payments extending past the year-end. These amounts of \$62,500 and \$25,000, respectively, are due in the upcoming year, with payments scheduled to be completed through June 2025.

h. Property and Equipment

Property and equipment are recorded at cost and donated assets are recorded at estimated fair value at date of donation. Expenditures for additions, improvements, and other enhancements to property and equipment are capitalized, and minor replacements, maintenance, and repairs that do not extend asset life or add value are charged to expense as incurred. When property and equipment assets are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in results of operations.

The depreciation methods is designed to amortize the cost of the assets over the estimated useful lives of the respective assets as follows:

	Estimated Life (Years)
Computer equipment	3
Furniture	5
Leasehold improvements	5

i. Leasehold Improvements

Leasehold improvements are recorded as components of property and equipment. The cost of leasehold improvements is charged to earnings using the straight-line method over the shorter of (i) the remaining lease term or (ii) the estimated useful lives of the improvements. The Organization considers renewal terms that are deemed reasonably assured when estimating remaining lease terms.

j. 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, 2024 and 2023, no impairment was noted.

k. Advertising Costs

Advertising and promotional costs which are classified as marketing and public relations are charged to operations when incurred. For the years ended June 30, 2024 and 2023, advertising and promotional costs totaled \$3,484 and \$34,781, respectively.

Project Hope Alliance
Notes to Financial Statements
June 30, 2024 and 2023

I. 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.

m. 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.

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 fundraising 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.

n. 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, 2024 and 2023. There were no tax years open to examination by a major tax jurisdiction as of June 30, 2024. Further, there were no income tax related penalties and interest included in these financial statements.

o. 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.

p. Leases

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 recorded in the statements of financial position. The Organization had no finance leases during the years ended June 30, 2024 and 2023.

Project Hope Alliance
Notes to Financial Statements
June 30, 2024 and 2023

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.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (less) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized.

Costs associated with operating lease assets are recognized on a straight-line basis within operating expense over the term of the lease.

q. Subsequent Events

The Organization evaluated subsequent events through October 9, 2024, 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 consists of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Computer equipment	\$ 44,206	\$ 44,207
Furniture	36,321	36,321
Leasehold improvements	77,119	77,119
Property and equipment, gross	<u>157,646</u>	<u>157,647</u>
Less: Accumulated depreciation	(155,539)	(154,017)
Property and equipment, net	<u>\$ 2,107</u>	<u>\$ 3,630</u>

Depreciation expense related to property and equipment was \$1,522 and \$7,757 for the years ended June 30, 2024 and 2023, respectively.

Project Hope Alliance
Notes to Financial Statements
June 30, 2024 and 2023

3. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Accrued payables	\$ 13,214	\$ 20,770
Accrued vacation	56,055	55,007
	<u>\$ 69,269</u>	<u>\$ 75,777</u>

4. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of purpose and time restricted pledges and grants at June 30, 2024 and 2023 as follows:

	<u>2024</u>	<u>2023</u>
Purpose restricted - Memorial fund for specific sites and students	\$ 24,169	\$ -
Time restricted	62,500	25,000
	<u>\$ 86,669</u>	<u>\$ 25,000</u>

For the years ended June 30, 2024 and 2023, net assets of \$25,000 were released from donor restrictions by satisfying the time restrictions specified by donors.

5. Lease Commitments

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 took 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, 2024 and 2023 amounted to \$136,045 and \$128,957, respectively.

**Project Hope Alliance
Notes to Financial Statements
June 30, 2024 and 2023**

The Organization's future minimum annual lease commitments under the lease agreement for June 30, 2024 are as follows:

	Operating Leases
	<u> </u>
2025	\$ 143,724
2026	148,038
2027	75,114
Total future minimum rental payments	<u>366,876</u>
Less: Amounts representing interest	(16,294)
Total operating lease liabilities at June 30, 2024	<u><u>\$ 350,582</u></u>

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, 2024 and 2023 is 3.75%. The weighted-average lease term is 2.5 years as of June 30, 2024. The weighted-average lease term was less than 1 year as of June 30, 2023. Cash paid for operating leases was \$136,045 and \$128,590 for the years ended June 30, 2024 and 2023, respectively.

6. Availability and Liquidity

The following represents the Organization's financial assets at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Financial assets at year end		
Cash and cash equivalents	\$ 322,683	\$ 218,564
Pledges and grants receivable	68,750	143,257
Total financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 391,433</u></u>	<u><u>\$ 361,821</u></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.

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7. Term Loan

The Organization's 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, 2024 and 2023, the outstanding balance on the term loan was \$97,723 and \$168,443, respectively.

The aggregate amounts of principal maturities of the term loan at June 30, 2024 are as follows:

	Future Payments
2025	\$ 73,844
2026	23,879
	<u>\$ 97,723</u>

8. Contributed Nonfinancial Assets

Contributed nonfinancial assets recognized within the statement of changes in net assets included, for the years ended June 30, 2024 and 2023:

	2024	2023
Supplies and gift cards	\$ 160,913	\$ 206,111
Food	38,373	31,870
Experiences	16,309	8,300
	<u>\$ 215,595</u>	<u>\$ 246,281</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.