

**POTRERO HILL
NEIGHBORHOOD HOUSE, INC.
(A NON-PROFIT CORPORATION)
AUDITED FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2022**

Tang & Lee, LLP
Certified Public Accountants

POTRERO HILL NEIGHBORHOOD HOUSE, INC.

(A NON-PROFIT CORPORATION)

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Potrero Hill Neighborhood House, Inc.
San Francisco, CA

Opinion

We have audited the accompanying financial statements of **POTRERO HILL NEIGHBORHOOD HOUSE, INC. (PHNH) (the Organization)**, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in its net assets, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PHNH as of June 30, 2022, and the statement of activities and 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. 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 PHNH and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

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

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 PHNH's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility

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 generally accepted auditing standards 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 generally accepted auditing standards, 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 PHNH'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 PHNH'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 PHNH's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 21, 2022. 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 Matters

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on pages 17 is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Tang & Lee, LLP

Burlingame, California
April 3, 2023

POTRERO HILL NEIGHBORHOOD HOUSE, INC
(A NON-PROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	2022	2021
<u>ASSETS</u>				
Current Assets				
Cash	\$ 219,475	\$ 93	\$ 219,568	\$ 211,739
Grants receivable	140,603	-	140,603	93,473
Prepaid expenses	10,164	-	10,164	-
Total current assets	<u>370,242</u>	<u>93</u>	<u>370,335</u>	<u>305,212</u>
Fixed Assets				
Building	1,786,409	-	1,786,409	1,786,409
Equipment	278,046	-	278,046	213,474
Improvement	124,990	-	124,990	109,990
Less: accumulated depreciation	(2,060,633)	-	(2,060,633)	(2,038,607)
Total fixed assets	<u>128,812</u>	<u>-</u>	<u>128,812</u>	<u>71,266</u>
Other Assets				
Loan charges	17,461	-	17,461	17,461
Less: accumulated amortization	(17,461)	-	(17,461)	(17,461)
Total other assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 499,054</u>	<u>\$ 93</u>	<u>\$ 499,147</u>	<u>\$ 376,478</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities				
Accounts payable	\$ 5,311	\$ -	\$ 5,311	\$ 23,427
Line of credit from bank	39,139	-	39,139	45,575
Accrued payroll taxes and accrued expenses	5,487	-	5,487	23,423
Advance from key employee	14,856	-	14,856	19,822
Deferred revenue	-	-	-	14,498
Total current liabilities	<u>64,793</u>	<u>-</u>	<u>64,793</u>	<u>126,745</u>
Long-Term Liabilities				
Note payable	350,000	-	350,000	350,000
Total long-term liabilities	<u>350,000</u>	<u>-</u>	<u>350,000</u>	<u>350,000</u>
Total liabilities	414,793	-	414,793	476,745
Net Assets				
Without donor restrictions	84,261	-	84,261	(100,360)
With donor restrictions	-	93	93	93
Total net assets	<u>84,261</u>	<u>93</u>	<u>84,354</u>	<u>(100,267)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 499,054</u>	<u>\$ 93</u>	<u>\$ 499,147</u>	<u>\$ 376,478</u>

The accompanying notes are an integral part of these financial statements.

POTRERO HILL NEIGHBORHOOD HOUSE, INC
(A NON-PROFIT CORPORATION)
STATEMENT OF ACTIVITIES AND CHANGES OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
<u>SUPPORT AND REVENUES</u>				
Grants	\$ 921,063	\$ -	\$ 921,063	\$ 697,341
Foundation and Donations	42,357	-	42,357	65,200
Building use fees	219,591	-	219,591	181,232
Fundraising	122,800	-	122,800	71,200
Tax exempt income-PPP loan forgiven	-	-	-	112,800
Other incomes	14,718	-	14,718	7,298
Total support and revenues	1,320,529	-	1,320,529	1,135,071
<u>EXPENSES</u>				
Program services	782,381	-	782,381	649,794
Management and general	192,199	-	192,199	245,034
Fundraising	161,328	-	161,328	106,544
Total expenses	1,135,908	-	1,135,908	1,001,372
CHANGES IN NET ASSETS	184,621	-	184,621	133,699
NET ASSETS, beginning of year	(100,360)	93	(100,267)	(233,966)
NET ASSETS, end of year	\$ 84,261	\$ 93	\$ 84,354	\$ (100,267)

The accompanying notes are an integral part of these financial statements.

POTRERO HILL NEIGHBORHOOD HOUSE, INC
(A NON-PROFIT CORPORATION)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>2022</u>	(Summarized) <u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase/(Decrease) in net assets	\$ 184,621	\$ 133,699
Adjustments to reconcile the change in net assets to net cash provided (used) by operating activities:		
Depreciation & Amortization	22,026	22,637
(Increase) decrease in:		
Grants receivable	(47,130)	(20,591)
Prepaid expenses	(10,164)	-
Increase (decrease) in:		
Accounts payable	(18,116)	(4,191)
Deferred revenue	(14,498)	14,498
Accrued payroll taxes and accrued expenses	<u>(17,936)</u>	<u>(8,056)</u>
Net cash provided (used) by operating activities	98,803	137,996
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	<u>(79,572)</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>(79,572)</u>	<u>-</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Increase (decrease) in line of credit from bank	(6,436)	(1,111)
Advance from key employee	(4,966)	-
Paycheck protection program loan	<u>-</u>	<u>(112,800)</u>
Net cash provided (used) by financing activities	(11,402)	(113,911)
NET INCREASE/(DECREASE) IN CASH	<u>7,829</u>	<u>24,085</u>
CASH		
Beginning of year	<u>211,739</u>	<u>187,654</u>
End of year	<u>\$ 219,568</u>	<u>\$ 211,739</u>
Cash paid for interests	<u>\$ 21,000</u>	<u>\$ 21,000</u>

The accompanying notes are an integral part of these financial statements.

POTRERO HILL NEIGHBORHOOD HOUSE, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE A – NATURE OF ORGANIZATION

Organization

Potrero Hill Neighborhood House, Inc. (PHNH) (“the Organization”) was incorporated in 1956 pursuant to the General Non-Profit Corporation Law of the State of California. The Organization’s primary purpose is to provide substance abuse services, employment guidance, educational services after classes and summer camp activities to youngsters. Due to cost and budget analysis, the management and the Board have terminated social development program for handicapped and senior adults on March 31, 2018.

PHNH offers a variety of program opportunities to the community, including:

(1) *Head Start*

The PHNH provides pre-school education through its leasing of its child care facility to Wu Yee Children's Services. The Head Start Program at Wu Yee fosters children's growth and development through play-based curriculum that supports cultural diversity and dual language learning. The program uses creative curriculum to address the needs of all children in the neighborhood.

(2) *Summer in The City + Program*

The summer program offered by The Nabe provides year-round extracurricular education to children aged 6-13 through its summer camp and after-school program. The summer program includes academic enrichment and excursions to various places beyond Potrero Hill, where the children are taught how to use public transportation. The after-school program offers homework assistance, tutoring, STEAM activities including science, technology, engineering, arts and mathematics.

(3) *Experiment in Diversity*

Experiment in Diversity (EID) is a year-round college and career awareness program for middle school students aged 12-15. The program provides tutoring support and project-based learning to spark curiosity in new fields. EID helps students map out their future education plans. The program promotes cultural understanding and community service through the PHNH’s weekly Food Pantry program. EID also provides career planning and job application skills, including workshops on interviewing, public speaking, leadership, and civic engagement. Students visit local businesses, attend panel discussions, and take field trips to various workplaces.

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(4) *Transitional Age Youth*

The Transitional Age Youth (TAY) program serves young adults between the ages of 16 and 25 and helps them transition successfully into adulthood. The program offers intensive outreach, one-on-one coaching, and helps link participants to education, employment, housing, medical care, and parenting resources.

(5) *Peer Counseling*

The Peer Counseling program provides mentorship, support, and resource connection for justice-involved youth who are detained in juvenile detention. The program takes a spiritual approach to self-transformation and psychological awakening, empowering youth to make different lifestyle choices upon release from incarceration. It offers peer-to-peer support and helps juveniles process and cope with trauma. The program operates five days and two evenings per week.

(6) *Food Pantry*

The Food Pantry program operates weekly to provide fresh produce to over 150 families and seniors in the community in partnership with the San Francisco-Marín Food Bank and SF Food Runners.

(7) *Health & Wellness*

The Health & Wellness program at PHNH community offers participants in the nearby communities various exercise classes such as Tai Chi, Karate, Yoga and Mambo throughout the week.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Principles Updates

- 1) In 2019, The Auditing Standards Board (ASB) of the American Institute of Certified Public Accountants (AICPA) issued Statement on Auditing Standards (SAS) No. 134, Auditor Reporting and Amendments, which includes amendments to address disclosures in the Audit of Financial Statements. The new standard makes fundamental changes in the layout of the audit report as well as the information required to be presented in all auditor reports issued under generally accepted auditing standards (GAAS). The standard is effective for the reporting periods ending on or after December 15, 2020. However, in May 2020, AICPA issued SAS No. 141 to amend the effective date of No. 134. The SAS becomes

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effective for audits of financial statements for periods ending on or after December 15, 2021.

- 2) In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) was issued to replace the leases requirements in Topic 840, Leases. The main difference between previous generally accepted accounting principles (GAAP) and Topic 842 is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. The accounting applied by a lessor is largely unchanged from that applied under previous GAAP. Topic 842 will be effective for annual reporting periods beginning after December 15, 2018, including interim periods within those annual periods and is to be retrospectively applied. For private company and non-profit entities, the amendments in this update are effective for the fiscal years beginning after December 15, 2021.

Basis of Accounting and Presentation

The accompanying financial statements are prepared on the accrual basis of accounting, whereby expenditures are recorded when the liabilities are incurred and revenues are recorded when earned. PHNH prepares its financial statements to focus on PHNH as a whole and to present net assets and revenues, expenses, gains and losses classified based on the existence of imposed restrictions. In accordance to ASU 2016-14, net assets and changes therein are classified 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 PHNH. These net assets may be used at the discretion of PHNH's management and the board of directors.

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

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets

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with donor restrictions to net assets without donor restrictions in the statements of activities.

Income Tax Status and Accounting for Uncertain Tax Positions

The Organization is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

The Organization's tax returns are subject to examination by Federal taxing authorities for a period of three years from the date they are filed and a period of four years for California taxing authorities.

Revenue Recognition

a. Government Grants

Revenues from government grants are recognized in the year in which all eligible requirements have been satisfied. Eligibility considerations include timing requirements, which specify the year when the resources are required to be used; matching requirements, in which PHNH must provide resources to be used for a specified purpose; and expenditure requirements, in which the sources are provided to PHNH on a reimbursement basis.

b. Contributions

Contributions are recognized as revenue when received or unconditionally promised. Gifts of cash and other assets are reported as restricted support if received with donor stipulations that limit the use, either for time and/or purpose, for the donated assets. Donor-restricted contributions, whose restrictions are met in the same reporting period as the contribution is recorded, are reported as contributions with donor restrictions with a corresponding release of restriction. Conditional promises to give are not recognized as revenue until the donor conditions are substantially met. At June 30, 2022, PHNH did not have any conditional promises to give.

c. Building Use Fees

PHNH meets criteria in revenue recognition under ASC 606 - Revenue from contracts with customers. Generally accepted accounting principles (GAAP) require that revenues are recognized according to the revenue recognition principles, a feature of accrued accounting.

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This mean that revenue is recognized on the income statement in the period when realized and earned not necessarily when cash is received. PHNH has the contract with lessee for building use over service period. Contracts narrate performance obligations, service price and allocation of service price to performance obligation over service period. PHNH recognizes building use revenue when services are performed and satisfied.

d. Fundraising Revenue

PHNH meets criteria in revenue recognition under ASC 606 - Revenue from contracts with customers. Generally accepted accounting principles (GAAP) require that revenues are recognized according to the revenue recognition principles, a feature of accrued accounting. This mean that revenue is recognized on the income statement in the period when realized and earned not necessarily when cash is received. PHNH has the contract with festival organizers for sponsorship over service period. Contracts narrate performance obligations, service price and allocation of service price to performance obligation over service period. PHNH recognizes fundraising revenue when sponsorship services are performed and satisfied.

e. Other Incomes

Other incomes primarily consist of income from festival booths and refund from Recology Waste Management Company.

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2021 Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net assets 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 PHNH's financial statements for the year ended June 30, 2021 from which the summarized information was derived.

POTRERO HILL NEIGHBORHOOD HOUSE, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Cash and Equivalents

Cash and equivalents consist of amounts held with banks, highly liquid money market funds and other short-term investments with original maturities of 90 days or less.

Fixed Assets

1) Land, Building and Improvement

The land and buildings located on DeHaro and Carolina streets were donated in October 1920 and January 1928, respectively. The fair value of these properties at the date of donation was not determined; therefore, the value of the properties- \$263,000- is based on the full cash value shown on the 1973-74 property assessment.

Since that time, improvements have been made from grants received from the City and County of San Francisco, as supplied by HUD and the Environment Commission.

2) Computers and Equipment

Equipment is depreciated over its estimated useful life on a straight-line basis and is charged to the related program activity.

In certain situations, PHNH acquires computers and other equipment utilizing specific grant funds. Such purchases are expensed upon acquisition. The effect of such expensing on PHNH's net assets is not material.

Depreciation is computed using the straight-line method over the estimated useful lives of these assets as follows:

	<u>Lives In Years</u>
Buildings and improvements	20
Equipment	5
Furniture	7

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The total fixed assets are categorized as the follows:

Fixed assets	Beginning balances	New additions	Ending balances
Building	1,786,409	-	1,786,409
Equipment	213,474	64,572	278,046
Improvement	109,990	15,000	124,990
Accumulated depreciation	(2,038,607)	(22,026)	(2,060,633)

Loan Charges

A new loan was obtained on April 10, 2018. As a result, a new loan charge in the amount of \$17,461 is amortized over 23 months periods on a straight-line basis. As of June 31, 2022, the balance was fully amortized.

Functional Expense Allocations

The costs of providing program services of PHNH have been summarized on a functional basis. Certain costs, not directly attributable to a particular program, have been allocated among all other programs, general and support services based upon service statistics and estimates made by PHNH's management.

Employee Retirement Plan

The Organization has a 403(b) tax-deferred annuity retirement plan, which is funded by contributions from its employee. The Organization has no liability for the administration or payment of benefits of the plan and, accordingly, the present value of the related vested benefits is not reflected in these financial statements.

Fair Value Measurements

GAAP provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets.

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets.

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Level 3 inputs - estimates using best information available when there is little or no market.

PHNH uses appropriate valuation techniques based on the available inputs to measure the fair value of the financial assets. There have been no changes in the methodologies used during the year ended June 30, 2022.

PHNH's financial assets measured at fair value on a recurring basis at June 30, 2022 are classified within Level 1 of the fair value hierarchy.

Subsequent Events

The management of the Organization has reviewed the results of operations and evaluated subsequent events for the period of time from its year ended June 30, 2022 through April 3, 2023, the date the financial statements were available to be issued.

NOTE C – GRANTS RECEIVABLE FROM COST REIMBURSEMENT CONTRACTS

PHNH receives a substantial portion of its funds under several cost reimbursement contracts with government agencies. These contracts provide for the reimbursement of qualifying costs at either the time or the costs are incurred shortly thereafter. The amounts due from cost reimbursement contracts at June 30, 2022 were \$140,603.

NOTE D – LOAN CHARGES

Loan charges were incurred when the Organization obtained a new loan. As of June 30, 2022, the loan charges were fully amortized.

NOTE E – LINE OF CREDIT FROM BANK

PHNH has secured a business line of credit of \$50,000 from Wells Fargo Bank. The Line of Credit is currently at a rate equal to 14.00% in annual interest rate. As of June 30, 2022, the total balance was \$39,139.

NOTE F – ADVANCE FROM KEY EMPLOYEE

This is an advance that the key employee has forgone to pay himself when PHNH faced difficulties over finance. As of June 30, 2022, this amount has reached to \$14,856, which has not yet been paid to that key employee.

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NOTE G – PREPAID EXPENSES

PHNH has paid the program expenses in advance for July, 2022. As of June 30, 2022, total prepaid program expenses as the costs to amusement parks were \$10,164.

NOTE H – NOTE PAYABLE

On April 10, 2018, PHNH has obtained an increase in short-term loan from a private trust, the total note amount is \$350,000. The note is secured by the deed of trust on property located at 824 Carolina Street, San Francisco, CA 94107 and, calls for a new monthly interest payment of \$1,750 only, starting from June 01, 2018 to May 01, 2020. The note had been extended since May 1, 2020. The new note calls for interest payment only on month-to-month basis without maturity date. The interest rate remains at 6% per annum.

The following is a schedule of interest payments after June 30, 2022:

<u>Year ending June 30,</u>	<u>Amount</u>
<u>2023</u>	<u>21,000</u>
Total	<u>\$ 21,000</u>

NOTE I – SIGNIFICANT GRANTORS AND CONCENTRATION OF RISK

During the year ended June 30, 2022, approximately 70% of revenues came from the local and state governmental agencies. The operation of these programs at present levels is dependent upon continued funding from the local governmental agencies. In addition, PHNH depends on the service provided for youth and adult under cost reimbursement contracts with governmental agencies (as described in Note C).

PHNH is potentially subject to the risk from concentration of government funding.

NOTE J– AVAILABILITY AND LIQUIDITY

This presentation is required by the newly adopted ASU 2016-14 which is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The following represents PHNH’s financial assets as of June 30, 2022:

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Financial assets at year end:	
Cash	\$ 219,568
Grant receivable	140,603
Total financial assets	<u>360,171</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>93</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 360,078</u>

PHNH's goal is generally to maintain financial assets to meet 90 days of operating expenses. As of June 30, 2022, the management believes that PHNH will be able to meet the current obligation.

NOTE K – CONTINGENT LIABILITIES

Conditions contained within the various contracts awarded to PHNH are subject to the funding agencies' criteria and regulations under which expenditures may be charged against and are subject to audits under such regulations and criteria. Occasionally, such audits may determine that certain costs incurred against the grants may not comply with established criteria that govern them. In such cases, PHNH could be held responsible for repayments to the funding agency for the costs or be subject to the reductions of future funding. Management does not anticipate any material questioned costs for the contracts and grants administered during the period.

NOTE L – SUBSEQUENT EVENTS

The management of the Organization reviewed the results of operations and evaluated subsequent events for the period of time from its year end June 30, 2022 through April 3, 2023, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

POTRERO HILL NEIGHBORHOOD HOUSE, INC
(A NON-PROFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising/ Facility</u>	<u>Total 2022</u>	<u>(Summarized) 2021</u>
Expenses:					
Salaries	503,070	43,958	47,047	594,075	597,335
Payroll taxes and benefits	<u>59,351</u>	<u>21,356</u>	<u>2,619</u>	<u>83,326</u>	<u>90,931</u>
Total payroll costs	562,421	65,314	49,666	677,401	688,266
Contractors	32,780	-	24,396	57,176	46,308
Programs	24,582	-	9,623	34,205	7,157
Nutritional meals	5,443	-	-	5,443	2,310
Transportation	23,286	-	-	23,286	3,038
Professional fees	51,910	24,935	8,056	84,901	54,640
Government fees and property taxes	-	-	-	-	103
Insurance	-	24,416	-	24,416	25,741
Interest & other charges	139	5,669	1,658	7,466	-
Administrative expenses	2,580	2,844	985	6,409	11,921
Marketing and promotion	4,670	897	10,194	15,761	11,483
Utilities	696	13,852	21,152	35,700	30,470
Repairs and maintenances	128	701	14,129	14,958	19,533
Depreciation and amortization	-	22,026	-	22,026	22,637
Equipment rental/purchase	49	-	-	49	3,274
Program supplies	10,928	4,505	2,790	18,223	17,322
Penalty	-	1,392	-	1,392	16,641
Client Awards/Stipends	60,350	612	12,119	73,081	10,760
Mortgage expenses	-	21,000	-	21,000	21,000
Other expenses	<u>2,419</u>	<u>4,036</u>	<u>6,560</u>	<u>13,015</u>	<u>8,768</u>
 Total	 <u>\$ 782,381</u>	 <u>\$ 192,199</u>	 <u>\$ 161,328</u>	 <u>\$ 1,135,908</u>	 <u>\$ 1,001,372</u>