

WeHOPE

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2021 AND 2020

WeHOPE
(A California Nonprofit Public Benefit Corporation)
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITOR’S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of WeHOPE, a California nonprofit public benefit corporation, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of WeHOPE as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. 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 WeHOPE 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, 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 WeHOPE’s ability to continue as a going concern within 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 and *Government 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, including omissions, 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 and *Government 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 WeHOPE'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 WeHOPE'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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2023 on our consideration of WeHOPE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of WeHOPE's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WeHOPE's internal control over financial reporting and compliance.

Sindquist, von Husen and Joyce LLP

June 14, 2023

WeHOPE
(A California Nonprofit Public Benefit Corporation)
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Current assets:		
Cash	\$ 295,227	\$ 505,131
Receivables		
Grants – current portion (Note 4)	1,604,356	1,590,772
Related-party (Note 3)	8,495	58,019
Other	4,471	-
Prepaid expenses	1,756	1,600
Total current assets	1,914,305	2,155,522
Grants receivable – net of current portion (Note 4)	-	20,000
Restricted cash	19,596	-
Client funds held in trust	47,838	33,434
Property and equipment – net (Note 5)	2,599,544	2,572,465
Other assets	56,743	69,580
Total assets	\$ 4,638,026	\$ 4,851,001
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 285,130	\$ 420,626
Client funds held in trust	45,534	32,555
Deferred revenue	9,195	30,081
Line of credit	140	140
Notes payable – current portion (Note 7)	7,635	48,892
Total current liabilities	347,634	532,294
Notes payable – net of current portion (Note 7)	681,077	737,642
Paycheck Protection Program note payable (Note 8)	300,480	298,402
Total liabilities	1,329,191	1,568,338
Net assets:		
Without donor restrictions	2,331,300	2,453,940
With donor restrictions (Note 9)	977,535	828,723
Total net assets	3,308,835	3,282,663
Total liabilities and net assets	\$ 4,638,026	\$ 4,851,001

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

WeHOPE
(A California Nonprofit Public Benefit Corporation)
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Support and revenue:						
Grants and contributions	\$ 6,961,871	\$ 208,000	\$ 7,169,871	\$ 6,003,703	\$ 297,298	\$ 6,301,001
Debt forgiveness income (Note 8)	347,469	-	347,469	-	-	-
Interest	90	-	90	13	-	13
Other income	109,500	-	109,500	18,958	-	18,958
Net assets released from restriction (Note 9)	59,188	(59,188)	-	138,109	(138,109)	-
Total support and revenue	<u>7,478,118</u>	<u>148,812</u>	<u>7,626,930</u>	<u>6,160,783</u>	<u>159,189</u>	<u>6,319,972</u>
Expenses:						
Program services	6,615,820	-	6,615,820	4,506,488	-	4,506,488
Management and general	738,664	-	738,664	644,061	-	644,061
Fundraising	246,274	-	246,274	214,687	-	214,687
Total expenses	<u>7,600,758</u>	<u>-</u>	<u>7,600,758</u>	<u>5,365,236</u>	<u>-</u>	<u>5,365,236</u>
Change in net assets	(122,640)	148,812	26,172	795,547	159,189	954,736
Net assets, beginning of year, as restated (Note 13)	<u>2,453,940</u>	<u>828,723</u>	<u>3,282,663</u>	<u>1,658,393</u>	<u>669,534</u>	<u>2,327,927</u>
Net assets, end of year	<u>\$ 2,331,300</u>	<u>\$ 977,535</u>	<u>\$ 3,308,835</u>	<u>\$ 2,453,940</u>	<u>\$ 828,723</u>	<u>\$ 3,282,663</u>

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

WeHOPE
(A California Nonprofit Public Benefit Corporation)
 STATEMENTS OF FUNCTIONAL EXPENSES
 YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			
	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>
Salaries and related expenses	\$ 4,790,915	\$ 604,992	\$ 201,664	\$ 5,597,571
Supplies	684,948	53,028	17,676	755,652
Depreciation	266,373	20,622	6,874	293,869
Repairs and maintenance	159,860	12,376	4,125	176,361
Services and professional fees	146,825	11,367	3,789	161,981
Insurance	104,958	8,126	2,709	115,793
Utilities	77,684	6,014	2,004	85,702
Telephone and internet	38,880	3,010	1,003	42,893
Rent	34,218	2,649	883	37,750
Travel, meals, and entertainment	23,654	1,831	610	26,095
Interest	10,253	794	264	11,311
Training and conferences	7,809	605	202	8,616
License and permit fees	3,010	233	78	3,321
Miscellaneous	266,433	13,017	4,393	283,843
Total expenses	\$ 6,615,820	\$ 738,664	\$ 246,274	\$ 7,600,758

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

WeHOPE
(A California Nonprofit Public Benefit Corporation)
 STATEMENTS OF FUNCTIONAL EXPENSES
 YEARS ENDED DECEMBER 31, 2021 AND 2020

	2020			
	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>
Salaries and related expenses	\$ 2,906,844	\$ 530,677	\$ 176,892	\$ 3,614,413
Supplies	520,103	40,008	13,336	573,447
Services and professional fees	287,424	12,444	4,148	304,016
Depreciation	239,020	18,386	6,129	263,535
Repairs and maintenance	137,154	10,550	3,517	151,221
Insurance	83,582	6,429	2,143	92,155
Utilities	63,520	4,886	1,629	70,035
Rent	44,186	3,399	1,133	48,718
Telephone and internet	27,916	2,147	716	30,779
Travel, meals, and entertainment	18,685	1,437	479	20,601
Interest	11,153	858	286	12,297
License and permit fees	1,611	124	41	1,776
Training and conferences	1,605	124	41	1,770
Miscellaneous	163,685	12,591	4,197	180,473
Total expenses	\$ 4,506,488	\$ 644,061	\$ 214,687	\$ 5,365,236

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

WeHOPE
(A California Nonprofit Public Benefit Corporation)
 STATEMENTS OF CASH FLOWS
 YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 26,172	\$ 736,803
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	293,869	263,535
Debt forgiveness income	(347,469)	-
(Increase) decrease in assets:		
Grant receivable	6,416	(789,565)
Related-party	49,524	(24,746)
Other receivable	(4,471)	1,349
Prepaid expenses	(156)	10,913
Client funds held in trust – cash	(14,404)	26,439
Other assets	12,837	(67,580)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(135,496)	73,524
Client funds held in trust	12,979	(24,481)
Deferred revenue	(20,886)	17,701
Net cash provided by (used in) operating activities	(121,085)	223,892
Cash flows from investing activity:		
Additions to property and equipment	(320,948)	(532,619)
Net cash used in investing activity	(320,948)	(532,619)
Cash flows from financing activities:		
Paycheck Protection Program loan proceeds	300,480	298,402
Payments of notes payable	(48,755)	(12,867)
Net cash provided by financing activities	251,725	285,535
Net decrease in cash and restricted cash	(190,308)	(23,192)
Cash and restricted cash, beginning of year	505,131	528,323
Cash and restricted cash, end of year	\$ 314,823	\$ 505,131
Cash	\$ 295,227	\$ 505,131
Restricted cash	19,596	-
Total cash and restricted cash shown in the statements of cash flows	\$ 314,823	\$ 505,131

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

WeHOPE
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

WeHOPE (“the Organization”), a California nonprofit public benefit corporation, was founded in 1999 with a mission to help people become healthy, employed and housed using innovative solutions.

WeHOPE helps unhoused, homeless and those at-risk in rebuilding their lives through a Supportive Housing Program customized to the needs of each individual. WeHOPE’s programs include:

Mobile Homeless Services:

Dignity on Wheels (DOW), a mobile hygiene service, provides free showers and laundry services to the homeless throughout the Bay Area.

Vehicle Safe Parking provides safe overnight parking, toilets, showers, laundry services, meals and comprehensive case management to assist in securing permanent supportive housing.

Emergency Food and Shelter:

WeHOPE Shelter is a 24-hour facility located in East Palo Alto that provides emergency and transitional housing for homeless individuals. The program provides hot meals, shelter beds, access to medical care, hot showers, laundry service, transportation and comprehensive case management.

Family Harvest provides free healthy food to individuals and families in need.

Job Training and Life Skills:

HOPE Jobs provides job training and certification programs designed to provide dignified employment and a livable wage to those facing underemployment or unemployment throughout the Bay Area. HOPE Jobs provides free certification courses taught by nationally certified instructors within their professional industry.

Dignity @Work is a re-entry program that helps the formerly incarcerated individuals successfully transition into society with proper education, support and resources.

The Organization is vulnerable to inherent risks associated with revenue that is substantially dependent on governmental funding, public support and contributions. The continued growth and well-being of the Organization is contingent upon successful achievement of its long-term revenue-raising goals.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method

The Organization uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

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(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets, as applicable: net assets without donor restrictions and net assets with donor restrictions.

- Net assets without donor restrictions include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization.
- Net assets with donor restrictions include those assets subject to donor restrictions and for which the applicable restrictions were not met as of the end of the current reporting period. 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. When a donor restriction expires – that is, when a stipulated time restriction ends or purpose restriction is accomplished – net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as *net assets released from restrictions*. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. The Organization had no assets with non-expiring donor restrictions as of December 31, 2021 and 2020.

Revenue Recognition

Contributions are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions are recognized when the donor makes a promise to give; that is, in substance, an unconditional promise. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are recognized when the conditions on which they depend are substantially met. Consequently, at December 31, 2021 and 2020, contributions of approximately \$6,768,000 and \$5,804,000 were not recognized in the accompanying statement of activities because the condition on which they depend has not yet been met. Contributions are recorded at their fair value as support without donor restrictions or support with donor restrictions, depending on the absence or existence of donor-imposed restrictions as applicable. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as *net assets released from restrictions*.

Government contracts, which are funded on a reimbursement basis, are shown as revenue without donor restriction.

Rental income is shown at its maximum gross potential based on the term of the lease agreement. Rental income is included in other income in the accompanying statements of activities.

Cash and Restricted Cash

Cash is defined as cash in demand deposit accounts as well as cash on hand. The Organization occasionally maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation limit. The uninsured cash balance was approximately \$18,000 as of December 31, 2021. The Organization has not experienced any losses in such accounts.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

Receivables

Management elects to record bad debts using the direct write off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write off method is not materially different from the result that would have been obtained had the allowance method been followed.

Grants and other receivable within one year are recorded at net realizable value. Grants receivable expected to be received in the future years are recorded at present value of their estimated cash flows. No allowance for uncollectible accounts has been provided since the receivables are all deemed to be collectible.

Client Funds Held in Trust

The Organization is holding client funds in trust in separate bank accounts. The total amount was \$47,838 and \$33,434 as of December 31, 2021 and 2020, respectively.

Property and Equipment

Property and equipment are stated at cost of acquisition, construction or fair value if donated. Assets costing at least \$2,000 are capitalized. The cost of maintenance and repairs is charged to expense as incurred. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets.

The useful lives of the assets are estimated as follows:

Building and improvements	7 to 30 years
Furniture and equipment	3 to 7 years
Vehicles	5 years

Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and the related California code sections.

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's federal and state information tax returns for the years 2017 through 2020 are subject to examination by regulatory agencies, generally for three years and four years after they were filed for federal and state, respectively.

Functional Expenses Allocation

The costs of providing program services and supporting services are summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs are allocated among program services and supporting services based on estimates of employees' time incurred and on usage of resources. Directly identifiable expenses are charged to programs and supporting services.

Subsequent Events

Management has evaluated subsequent events through June 14, 2023, the date on which the financial statements were available to be issued.

WeHOPE

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 3 – RELATED-PARTY TRANSACTIONS

All related party transactions for the years ending December 31, 2021 and 2020 occurred between the Organization and Action Associates, a company owned by an immediate family of its board member and founder.

In September 2018, the Organization purchased the commercial property at 1836 and 1854 Bay Road from Action Associates for \$1,600,000. The property was purchased with a tenancy in common agreement whereas the Organization and Action Associates each owns an undivided interest in the property. The property is comprised of two building structures: the 1836 Bay Road building with approximately 19,800 square feet currently occupied by Action Associates, which is referred to as the applicable owner of the 1836 Bay Road building per tenancy in common agreement; and the 1854 Bay Road building with approximately 9,900 square feet currently occupied by the Organization, which is referred to as the applicable owner of the 1854 Bay Road building per tenancy in common agreement. The percentage of undivided interest is based on the square footage of each building. The undivided interest of the Organization and Action Associate is 33% and 67%, respectively (see Note 5). The co-owners are currently in the process of subdividing the parcel to bisect the southern portion of the property that includes the 1854 Bay Road building from the northern portion of the property that includes 1836 Bay Road building.

Related-party transactions are summarized as follows:

Nature of transaction:

	2021	2020
Facility lease ⁽¹⁾	\$ 12,000	\$ 12,000
Property taxes and insurance ⁽²⁾	8,495	58,019

⁽¹⁾ The Organization leases its recuperative care facility at 1836 Bay Road from Action Associates under a five-year agreement that expires in September 2024. Recuperative care facility rent expense was \$12,000 in 2021 and 2020, (see Note 11).

⁽²⁾ The Organization pays the property taxes and insurance of the property and receives reimbursement from Action Associates for its share of the costs. The costs are prorated based on the square footage of the buildings. The full amount is included in related-party receivable as of December 31, 2021 and 2020.

NOTE 4 – GRANTS RECEIVABLE

Grants receivable are summarized as follows:

	2021	2020
City of Oakland	\$ 321,031	\$ 231,298
City and County of San Francisco Department of Homelessness and Supportive Housing	253,957	234,814
San Mateo County Human Services Agency	197,968	306,933
San Mateo County Department of Housing	112,237	-
Silicon Valley Community Foundation	100,400	-
City of East Palo Alto	99,883	116,833
County of Santa Clara	95,241	67,232
City of San Jose	76,623	252,655
City of Berkeley	72,136	35,554
Givebutter	69,274	-

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Stanley and Joyce Black Family Foundation	50,000	100,000
County of San Mateo – Public Planning and Health	29,592	-
County of Alameda	27,404	18,480
City of Sunnyvale	22,195	-
Amgen Foundation	20,000	40,000
New Beginnings Community Church	10,000	-
Saint Samuel C.O.G.I.C.	8,750	-
Mountain View Community Services Agency	7,932	8,233
Interfaith Council of Alameda County	5,040	-
Fidelity Charitable	5,000	4,250
National Christian Foundation	-	50,064
Rammler’s Family Fund	-	50,000
County of San Mateo HEAP Funding	-	45,785
Emergency Food and Shelter Program	-	24,000
Vehicle Triage Center	-	10,236
Homefirst Services of Santa Clara County	-	3,000
Others	19,693	11,405
	<u>19,693</u>	<u>11,405</u>
Grants receivable	<u>\$ 1,604,356</u>	<u>\$ 1,610,772</u>
Amounts due in:		
Less than one year	<u>\$ 1,604,356</u>	<u>\$ 1,590,772</u>
One year or more	<u>\$ -</u>	<u>\$ 20,000</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	2021	2020
Land	\$ 843,478	\$ 843,478
Buildings and improvements	968,815	968,815
Furniture, fixtures and equipment	1,759,585	1,398,564
	<u>3,571,878</u>	<u>3,210,857</u>
Less: accumulated depreciation	975,210	(681,341)
	<u>2,596,668</u>	<u>2,529,516</u>
Construction in progress	2,876	42,949
	<u>2,876</u>	<u>42,949</u>
Total property and equipment	<u>\$ 2,599,544</u>	<u>\$ 2,572,465</u>

The Organization purchased an undivided interest in real property located at 1836 and 1854 Bay Road in September 2018 for \$1,600,000 (see Note 3). The property is comprised of two building structures: the 1836 Bay Road building with approximately 19,800 square feet currently occupied by Action Associates, and the 1854 Bay Road building with approximately 9,900 square feet currently occupied by the Organization. The 1836 Bay Road building is divided into eight units that are currently under various leases. The lease contracts of these units are with Action Associate therefore no rental income is recognized by the Organization.

WeHOPE

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 6 – LINE OF CREDIT

In September 2018, the Organization obtained a revolving line of credit in the amount of \$100,000, of which \$140 was outstanding at December 31, 2021 and 2020. Advances on the line of credit are payable monthly and carry an initial interest rate of 6.25% per annum. The line of credit is secured by various assets of the Organization as specified in the commercial security agreement and matures in September 2023. Interest expense was \$1,767 and \$-0- in 2021 and 2020, respectively.

NOTE 7 – NOTES PAYABLE

Notes payable consist of the following:

	2021		2020	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
Avid Bank, in the original amount of \$270,000, bears interest from 3.75% to 5.50%. Payments of principal and interest of \$1,396 is due monthly which commenced in October 2018 and \$1,602 commencing October 2025. A balloon payment of approximately \$197,000 is due in September 2028. Interest expense was \$9,544 and \$9,956 in 2021 and 2020, respectively.	\$ -	\$ 247,106	\$ -	\$ 254,323
County of San Mateo, in the original amount of \$490,673, non-interest bearing loan. Payments of principal are deferred and all outstanding principal will be forgiven at a rate of 10% of the loan amount every three years until September 2048. An amount of \$49,067 was recognized as forgiven during 2021 and is included in debt forgiveness income in the accompanying statements of financial position.	-	441,606	-	490,673
LENDonate CA, LLC, in the original amount of \$52,500, bore interest at 4.85% per annum. Payments of principal and interest in the amount of \$553 was due monthly through April 2020 and \$545 thereafter. The remaining amount was full paid in 2021. Interest expense was \$-0- and \$2,341 in 2021 and 2020, respectively.	-	-	-	41,538
Total	-	688,712	-	786,534
Less: current portion	-	(7,635)	-	(48,892)
Long-term portion	\$ -	\$ 681,077	\$ -	\$ 737,642

WeHOPE

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

Principal payments on notes payable for the next five years are subject to changes in net cash flow and are estimated as follows:

2022	\$	7,635
2023		7,926
2024		8,228
2025		8,216
2026		7,613

NOTE 8 – PAYCHECK PROTECTION PROGRAM

In April 2020, the Organization applied for and received loan funds totaling \$298,402 from Santa Cruz County Bank under the Paycheck Protection Program (PPP), a program authorized under the CARES Act and the PPP Flexibility Act, to support ongoing operations and to retain workers and maintain payroll. Loan funds are fully guaranteed by the U.S. Small Business Administration (SBA) and eligible for forgiveness if used on eligible costs during the covered period not to exceed 24 weeks after the loan proceeds were obtained, including the requirement to maintain staff and compensation levels as described in the Acts. Unforgiven funds were due by April 2022 extended for a term up to five years. In June 2021, the total loan amount of \$298,402 was forgiven by Santa Cruz County Bank and the SBA, which was recognized as other income from loan forgiveness in the accompanying financial statements.

In March 2021, the Organization applied for and received a second PPP loan in the amount of \$300,480 from Santa Cruz County Bank. Loan payments are deferred for the covered period not to exceed 24 weeks, plus 10 months from the date of disbursement. Any unforgiven balance will bear interest at 1% and will be due by March 2026, unless forgiven.

NOTE 9 – NET ASSETS

Net assets with donor restrictions are for the following purpose:

	<i>December 31,</i> <i>2020</i>	<i>Contributions</i>	<i>Releases from</i> <i>Restrictions</i>	<i>December 31,</i> <i>2021</i>
Dignity at Work	\$ 115,111	\$ 30,000	\$ (1,200)	\$ 143,911
Capital Campaign – building purchase and addition of recuperative unit	586,691	-	-	586,691
COVID-19 Relief	126,205	1,500	(36,074)	91,631
Mobile Homeless Services – Dignity on Wheels	716	18,800	(19,516)	-
Mobile Homeless Services – Safe Parking	-	110,000	-	110,000
Emergency Food and Shelter	-	25,200	(200)	25,000
HOPE Jobs	-	22,500	(2,198)	20,302
	<u>\$ 828,723</u>	<u>\$ 208,000</u>	<u>\$ (59,188)</u>	<u>\$ 977,535</u>

WeHOPE

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<i>December 31,</i> <i>2019</i>	<i>Contributions</i>	<i>Releases from</i> <i>Restrictions</i>	<i>December 31,</i> <i>2020</i>
Dignity at Work	\$ 148,082	\$ -	\$ (32,791)	\$ 115,111
Capital Campaign – building purchase and addition of recuperative unit	521,452	65,239	-	586,691
COVID-19 Relief	-	229,559	(103,354)	126,205
Mobile Homeless Services	-	2,500	(1,784)	716
	<u>\$ 669,534</u>	<u>\$ 297,298</u>	<u>\$ (138,109)</u>	<u>\$ 828,723</u>

NOTE 10 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restriction limiting their use, within one year of the statement of financial position date comprise the following:

	<u>2021</u>	<u>2020</u>
Financial assets at end of year available within one year:		
Cash	\$ 295,227	\$ 505,131
Grants receivable	1,604,356	1,590,772
Related-party receivable	8,495	58,019
Other receivable	4,471	-
	<u>1,912,549</u>	<u>2,153,922</u>
Less financial assets not available for general expenditures:		
Cash subject to expenditure for specific purpose	<u>(977,535)</u>	<u>(828,723)</u>
Financial assets available for general expenditures within one year	<u>\$ 935,014</u>	<u>\$ 1,325,199</u>

Financial assets include amounts that will be used to pay accounts payable, accrued expenses and other payables from operating cash flow, if any, in the subsequent year. An amount of \$977,535 and \$828,723 of the financial assets in 2021 and 2020, respectively, is subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. As part of its liquidity management, the Organization monitors liquidity in order to fulfill its operating cash needs. The Organization has various sources that provide liquidity during the year such as contract revenue, program fees, interest income, and grants and contributions. The Organization operates within a budget and anticipates collecting sufficient revenue to cover general expenditures.

NOTE 11 – OPERATING LEASES

Lease Income

The Organization leases a portion of its premises to Saint Samuel Church under a five-year agreement that expires in December 2024. The Organization also receives rental income from the use of its premises. Rental income was \$6,000 and \$5,800 in 2021 and 2020, respectively.

WeHOPE
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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

Future minimum lease payments to be received are estimated as follows:

	<i>Year Ending December 31,</i>	
2022	\$	6,000
2023		6,000
2024		6,000
2025 – 2026		-
	\$	18,000

Lease Commitments

The Organization leases its recuperative care facility from Action Associates, under a five-year agreement that expires in September 2024. The monthly lease payment is \$1,000 (see Note 3).

The Organization leases a portion of a parking lot from Ravenswood Family Health Center, under a two-year agreement that expired in February 2022. The monthly lease payment of \$2,750 include \$2,500 base rent plus a standard 3% increase starting the second year of the agreement.

Total rent expense was \$37,750 and \$48,718 in 2021 and 2020, respectively.

Future minimum lease payments are estimated as follows:

	<i>Year Ending December 31,</i>	
2022	\$	17,150
2023		12,000
2024		9,000
2025 – 2026		-
	\$	38,150

NOTE 12 – COMMITMENTS, CONTINGENCIES AND OTHER

County of San Mateo Forgivable Loan

In September 2018, the Organization purchased an undivided interest in the commercial property located at 1836 and 1854 Bay Road with loan proceeds from County of San Mateo in the amount of \$490,673. The loan is secured by the property and bears no interest. Repayment of principal shall be deferred and the outstanding loan balance shall be decreased by 10% after every three years throughout the life of the loan which is 30 years, as long as the facility is operating as an emergency shelter in compliance with the terms of the regulatory agreement. As of December 31, 2021, 10% of the loan amounting to \$49,067 was forgiven.

Fiscal Sponsorship

The Organization entered into a fiscal sponsorship with the East Palo Alto Greyhounds for its program to provide physical activities to underserved youth in the surrounding communities. The Organization is authorized to collect dues, contributions and grants to cover associated expenses. The total revenue and corresponding expense for the program were \$57,600 and \$51,837, respectively, in 2021.

WeHOPE

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

COVID-19 Pandemic

The emergence and spread of the coronavirus (COVID-19) during the first quarter of 2020 has affected businesses and economic activities in the U.S. and beyond. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the effects on individual and government contributors, service providers, employees, and business partners, and changes in business practices, all of which are uncertain and cannot be determined at this time.

NOTE 13 – PRIOR PERIOD ADJUSTMENT

Certain error resulting in an understatement of previously reported grants and contributions were discovered during 2021. Accordingly, an adjustment of \$217,933 was made during 2021 which resulted in an increase in the balance of net assets without donor restrictions. Details follow:

	<i>Net Assets Without Donor Restrictions</i>	<i>Net Assets With Donor Restrictions</i>	<i>Total</i>
Balance, December 31, 2020, as previously reported	\$ 2,236,007	\$ 828,723	\$ 3,064,730
Adjustment for understatement of grants and contributions	217,933	-	217,933
Balance, December 31, 2020, as restated	<u>\$ 2,453,940</u>	<u>\$ 828,723</u>	<u>\$ 3,282,663</u>



CHARLOTTE SIEW-KUN TAY

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KYLE F. GANLEY

Board of Directors
WeHOPE
San Francisco, California

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of WeHOPE, which comprise the statements of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 14, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered WeHOPE's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WeHOPE's internal control. Accordingly, we do not express an opinion on the effectiveness of WeHOPE's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether WeHOPE's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lindquist, von Husen and Joyce LLP

June 14, 2023

WeHOPE
(A California Nonprofit Public Benefit Corporation)
SCHEDULE OF CURRENT YEAR FINDING
YEAR ENDED DECEMBER 31, 2021

Finding No. 2021-1 – Accounting and Reporting of Grants and Contributions - Material Weakness

Criteria:

Management is responsible for establishing and maintaining effective internal control over financial reporting. A strong internal control system will ensure that all material transactions have been recorded timely and accurately. This includes properly identifying and correcting reporting errors, reviewing and recording grants and contributions received and having adequate supporting documentations.

Condition:

During our audit, we noted that the Organization received a significant amount of government grants and contributions revenues during the year. A reimbursement grant for services provided in 2020 totaling \$167,869 was mistakenly voided from the books. We also noted that a material contribution totaling \$50,064 was committed close to the fiscal year ended December 31, 2020. Based on our discussion with management and upon review of the supporting documents, the contribution was unconditional and not subject to stipulation on the timing, uses and other conditions therefore the amount of \$50,064 should have been recognized as contribution revenue for fiscal year ended December 31, 2020.

Cause:

Accounting for contributions and government contracts can be complicated and is subject to the interpretation of grant and contract terms. Additionally, capacity constraints within the accounting department limited the Organization's ability to implement proper oversight of financial reporting and to timely record and review grants and contributions.

Effect:

Due to improper recognition of contribution revenues, material adjustments were made to the financial statements as follows:

- Net asset beginning balance

The two grants totaling \$217,933 were awarded in 2020 but were not recognized as revenue until the year ended December 31, 2021. The net assets beginning balance was understated and required prior period adjustments to increase net assets without donor restrictions by \$217,933 and decrease grants and contributions revenue for the year ended December 31, 2021.

Repeat Finding:

Yes, prior year finding 2020-001

Recommendation:

We recommend that management strengthen its understanding relating to the accounting standards for contributions and enhance its current policies and procedures by ensuring that a thorough review of contributions received are done and revenues are properly recognized.

Views of responsible officials and planned corrective actions:

As of this date, the prior year recommendation has been reviewed and implemented. A CFO consultant has been hired to establish proper month-end close cut-off procedures and internal controls that will ensure transactions are not voided in the system. The CFO consultant has trained the Finance department regarding proper accounting procedures to mitigate this risk in the future. The use of a contract ledger to manage the various grants has also been implemented and reviewed against the accounting records on a monthly basis.

WeHOPE
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SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2021

Finding No. 2020-1 – Accounting for Grants Contributions

Condition:

During our 2020 testing of revenue account balances, we had noted that the Organization received a significant amount under a multi-year grant which was subject to stipulations on the timing, uses and other conditions required by the donor. The grant totaling \$150,000 was improperly recognized as conditional grant, and only \$50,000 was recognized as contribution revenue in 2020. Upon review of the grant agreement, the grant stipulations appear to have had restrictions or timing of payments rather than conditions. Therefore, the total contribution amount should have been recognized as contributions revenue for the fiscal year ended December 31, 2020. Due to improper recognition of contribution revenues, a material adjustment was made to increase the revenue by 100,000.

Status:

During the 2021 audit, we had likewise proposed material adjustments to the books. We continue to make the above recommendations. See current year finding 2021-001.

Corrective action:

See current year finding 2021-01.

Finding No. 2018-1 – Financial Accounting and Reporting Process

Condition:

During our 2018 audit, we had noted that the Organization's financial reporting process did not have adequate internal controls to ensure the accuracy of the financial statements. This includes properly identifying and correcting reporting errors, maintaining accurate and updated general ledger and having adequate supporting documentations. Due to this, material adjustments were made to the financial statements as follows:

- **Net Asset Beginning Balance**

During our 2018 audit, we had noted that the net asset beginning balance did not agree to the ending balance reported in the 2017 audited financial statements. Additionally, the Organization was not able to directly identify the transactions that caused the variance. Due to this, the net asset beginning balance required an adjustment in the amount of \$24,765 and recorded as miscellaneous revenue.

- **Accrued Vacation Liability**

During our 2018 audit of accrued payroll liabilities, we had noted that the accrued vacation was not recorded correctly in the general ledger. The organization initially recorded \$50,465 of accrued vacation liability, however this balance appeared to be the accrued payroll salaries for the month ending December 2018. An adjustment of \$5,584 was made to properly record the accrued vacation liability in 2018.

Likewise, the prior year accrued vacation was also not recorded properly, resulting into a prior period year adjustment of \$43,284 to recognize the accrued vacation liability.

WeHOPE

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SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2021

- **Property and Equipment**

In 2018, the Organization purchased a commercial property from Action Associates, a company owned by an immediately family of its board member and president Pastor Paul Bains. The property was purchased by the Organization for \$1,600,000 and was allocated to land and building at 25% and 75% of purchased price, respectively. However, upon further inquiry, it was noted that the Organization did not have a proper support for the basis of the allocation. We requested a copy of the property tax assessment to use as the basis and recalculated the allocation. An adjustment of approximately \$400,000 was made to properly allocate the purchase price between land and building.

- **Inadequate Supporting Documentation**

During our 2018 audit, we had noted several transactions were recorded but did not have adequate supporting documentation in the Organization's records. Likewise, we also had noted considerable delay in providing supporting documentation during our audit process.

Status:

During the 2021 audit, we had likewise proposed material adjustments to the books. We continue to make the above recommendations. See current year finding 2021-001.

Corrective action:

See current year finding 2021-01.