# BERNAL HEIGHTS NEIGHBORHOOD CENTER

# FINANCIAL STATEMENTS

# DECEMBER 31, 2025 AND 2024

**BERNAL HEIGHTS NEIGHBORHOOD CENTER**

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**BERNAL HEIGHTS NEIGHBORHOOD CENTER**
**STATEMENTS OF FINANCIAL POSITION**
**DECEMBER 31, 2025 AND 2024**

## ASSETS

| | 2025 | 2024 |
|---|---|---|
| **Current assets:** | | |
| Cash and cash equivalents | $ 779,417 | $ 1,181,242 |
| Receivables | | |
| Government grants and contracts | 826,709 | 810,578 |
| Related party | 2,603,548 | 2,861,365 |
| Prepaid expenses and advances | 35,974 | 30,485 |
| Total current assets | 4,245,648 | 4,883,670 |
| **Property and equipment, net** | 511,788 | 543,418 |
| Total assets | $ 4,757,436 | $ 5,427,088 |

## LIABILITIES AND NET ASSETS

| | | |
|---|---|---|
| **Current liabilities:** | | |
| Accounts payable and accrued expenses | $ 396,107 | $ 243,275 |
| Tenant security deposits | - | 4,320 |
| Deferred revenue | 2,936 | 2,936 |
| Note payable | 2,944 | 13,738 |
| Total current liabilities | 401,987 | 264,269 |
| Total liabilities | 401,987 | 264,269 |
| **Net assets:** | | |
| Without donor restrictions | 4,351,013 | 5,158,383 |
| With donor restrictions | 4,436 | 4,436 |
| Total net assets | 4,355,449 | 5,162,819 |
| Total liabilities and net assets | $ 4,757,436 | $ 5,427,088 |

See notes to the financial statements

**BERNAL HEIGHTS NEIGHBORHOOD CENTER**
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**
**FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

| | 2025 | 2024 |
|---|---|---|
| **Revenues and other support:** | | |
| Contributions | $ 3,572,035 | $ 3,455,151 |
| In-kind contributions | 127,992 | 161,509 |
| Service and other fees | 69,757 | 75,322 |
| Special events and fundraising | 15,818 | 1,675 |
| Rental Income | 153,802 | 181,077 |
| Interest and other income | 20,711 | 4,797 |
| Net assets released from restrictions | - | - |
| Total revenues and other support | 3,960,115 | 3,879,531 |
| **Expenses:** | | |
| Program services | | |
| Youth and employment | 117,186 | 107,856 |
| Senior services | 1,094,235 | 914,307 |
| Community engagement and development | 156,257 | 103,684 |
| Housing | 1,849,267 | 1,672,962 |
| Total program services | 3,216,945 | 2,798,809 |
| Supporting services | | |
| Management and general | 1,388,496 | 1,062,444 |
| Fundraising and advocacy | 162,044 | 129,148 |
| Total expenses | 4,767,485 | 3,990,401 |
| Change in net assets without donor restrictions | (807,370) | (110,870) |
| Net assets without donor restrictions - beginning of year | 5,158,383 | 5,269,253 |
| Net assets without donor restrictions - end of year | 4,351,013 | 5,158,383 |
| Net assets with donor restrictions - beginning of year | 4,436 | 4,436 |
| Net assets with donor restriction - end of year | 4,436 | 4,436 |
| Net assets at end of year | $ 4,355,449 | $ 5,162,819 |

See notes to the financial statements

**BERNAL HEIGHTS NEIGHBORHOOD CENTER**
**STATEMENT OF FUNCTIONAL EXPENSES**
**FOR THE YEAR ENDED DECEMBER 31, 2025**

| | Program Services | | | | | Supporting Services | | |
|---|---|---|---|---|---|---|---|---|
| | Youth and employment | Senior services | Community engagement and development | Housing | Total Program Services | Management and general | Fundraising and advocacy | Total |
| Salaries | $ 85,088 | $ 579,847 | $ 69,668 | $ 1,012,434 | $ 1,747,037 | $ 764,931 | $ 75,831 | $ 2,587,799 |
| Payroll taxes and benefits | 18,182 | 119,585 | 14,992 | 185,444 | 338,203 | 136,790 | 12,849 | 487,842 |
| Consulting and outside services | - | - | - | 107,256 | 107,256 | 203,665 | 9,135 | 320,056 |
| Professional fees | - | - | - | - | - | 17,500 | - | 17,500 |
| Printing and postage | 81 | 647 | 63 | 758 | 1,549 | 954 | 35 | 2,538 |
| Occupancy | - | 46,818 | 16,767 | 11,862 | 75,447 | 964 | - | 76,411 |
| Utilities | 1,403 | 17,163 | 3,180 | 21,384 | 43,130 | 14,068 | 553 | 57,751 |
| Insurance | 2,557 | 18,927 | 1,996 | 25,536 | 49,016 | 15,872 | 1,576 | 66,464 |
| Equipment, repairs and maintenance | 4,706 | 59,383 | 18,063 | 75,289 | 157,441 | 131,615 | 7,744 | 296,800 |
| Taxes and licenses | - | - | - | - | - | 1,236 | 1,782 | 3,018 |
| Training, travel and conferences | 1,243 | 9,631 | 5,948 | 20,831 | 37,653 | 29,137 | 2,570 | 69,360 |
| Program expenses | 1,604 | 213,159 | 15,740 | 319,007 | 549,510 | 16,179 | 40,498 | 606,187 |
| Supplies and other | 1,500 | 16,836 | 8,731 | 58,759 | 85,826 | 49,413 | 8,890 | 144,129 |
| Depreciation expense | 822 | 12,239 | 1,109 | 10,707 | 24,877 | 6,172 | 581 | 31,630 |
| Total | $ 117,186 | $ 1,094,235 | $ 156,257 | $ 1,849,267 | $ 3,216,945 | $ 1,388,496 | $ 162,044 | $ 4,767,485 |

See notes to the financial statements

**BERNAL HEIGHTS NEIGHBORHOOD CENTER**
**STATEMENT OF FUNCTIONAL EXPENSES**
**FOR THE YEAR ENDED DECEMBER 31, 2024**

| | Program Services | | | | | Supporting Services | | |
|---|---|---|---|---|---|---|---|---|
| | Youth and employment | Senior services | Community engagement and development | Housing | Total Program Services | Management and general | Fundraising and advocacy | Total |
| Salaries | $ 75,796 | $ 447,001 | $ 48,057 | $ 877,209 | $ 1,448,063 | $ 569,182 | $ 47,811 | $ 2,065,056 |
| Payroll taxes and benefits | 16,075 | 96,999 | 10,303 | 153,404 | 276,781 | 97,103 | 9,169 | 383,053 |
| Consulting and outside services | - | - | - | 107,649 | 107,649 | 122,859 | 21,836 | 252,344 |
| Professional fees | - | - | - | 13,870 | 13,870 | 17,656 | - | 31,526 |
| Printing and postage | 169 | 932 | 110 | 1,466 | 2,677 | 1,766 | 80 | 4,523 |
| Occupancy | 328 | 43,980 | 1,193 | 2,089 | 47,590 | 17,462 | 204 | 65,256 |
| Utilities | 2,349 | 25,947 | 5,095 | 19,487 | 52,878 | 13,230 | 1,149 | 67,257 |
| Insurance | 2,866 | 16,895 | 1,700 | 53,740 | 75,201 | 14,098 | 1,751 | 91,050 |
| Equipment, repairs and maintenance | 5,045 | 39,930 | 9,061 | 49,162 | 103,198 | 74,518 | 3,081 | 180,797 |
| Taxes and licenses | - | - | - | 509 | 509 | 2,771 | - | 3,280 |
| Training, travel and conferences | 1,417 | 7,524 | 1,319 | 14,185 | 24,445 | 19,090 | 484 | 44,019 |
| Program expenses | 1,128 | 192,583 | 19,990 | 317,410 | 531,111 | 18,235 | 37,664 | 587,010 |
| Supplies and other | 1,526 | 15,064 | 5,411 | 50,355 | 72,356 | 88,116 | 5,630 | 166,102 |
| Depreciation expense | 1,157 | 27,452 | 1,445 | 12,427 | 42,481 | 6,358 | 289 | 49,128 |
| Total | $ 107,856 | $ 914,307 | $ 103,684 | $ 1,672,962 | $ 2,798,809 | $ 1,062,444 | $ 129,148 | $ 3,990,401 |

See notes to the financial statements

**BERNAL HEIGHTS NEIGHBORHOOD CENTER**
**STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

| | 2025 | 2024 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net loss | $ (807,370) | (110,870) |
| Adjustments to reconcile net loss to net cash (used in) provided by operating activities | | |
| Depreciation | 31,630 | 49,128 |
| Loss on disposal of fixed assets | - | 8,326 |
| (Increase) decrease in assets: | | |
| Government grants and contracts | (16,131) | 313,899 |
| Related party receivables | 257,817 | 257,634 |
| Prepaid expenses and advances | (5,489) | (7,196) |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | 152,832 | (120,330) |
| Tenant security deposits | (4,320) | - |
| Net cash provided (used) by operating activities | (391,031) | 390,591 |
| **Cash flows from financing activities** | | |
| Principal payments on note payable | (10,794) | (12,757) |
| Net cash used in financing activities | (10,794) | (12,757) |
| Net (decrease) increase in cash and cash equivalents | (401,825) | 377,834 |
| Cash and cash equivalents, beginning of year | 1,181,242 | 803,408 |
| Cash and cash equivalents, end of year | $ 779,417 | $ 1,181,242 |

**Supplemental disclosure of cash flow information**

| | 2025 | 2024 |
|---|---|---|
| Cash paid during the year for: | | |
| Interest | $ 93 | $ 224 |
| Income taxes | - | - |

See notes to the financial statements

## Note 1
## Nature of Organization:

Organization:

Bernal Heights Neighborhood Center (the "Organization") was established in 1978 as a community-based organization dedicated to preserving and enhancing the ethnic, cultural, and economic diversity of Bernal Heights and surrounding neighborhoods, and promoting community action to build a just and equitable community for all. BHNC receives grants and contributions from governmental agencies, private foundations, and other public support to administer programs to accomplish these goals.

Program services include the following:

Youth and Employment Programs:

To meet and overcome the challenges faced by teens and young adults, programs were developed that create a network of comprehensive, supportive services to provide empowerment and leadership development opportunities for youth.

Senior Services:

Programs designed to improve the quality of life of elders through services including daily lunch service, home food delivery, food pantry, educational and recreational programming, health and wellness programs, home safety training, and social services for elders coping with difficult problems.

Community Engagement and Development:

Programs designed to empower, inform, and develop the civic capacity of citizens in the community.

Housing Programs:

Programs designed to provide onsite services that include community development, relocation services, community engagement, onsite public safety meetings, and resident leadership training.

## Note 2
## Summary of Significant Accounting Policies

Basis of Accounting and Presentation:

The financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Revenues and support are recorded in the period when earned and expenses when incurred, regardless of timing of payments. In addition, BHNC reports information regarding its financial position and activities according to two classes of net assets, as applicable: net assets with or without donor restrictions depending on the nature of any donor imposed restrictions.

**Note 2**
**Summary of Significant Accounting Policies (Continued)**

Financial Statement Presentation:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and 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 restrictions and for which the applicable restrictions were not met as of the end of the current reporting period. Some donor-imposed 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 restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished) net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. If donors' restrictions are satisfied in the same period that the contribution is received, the contribution is reported as support without donor restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. See Note 6 for detail of net assets with donor restrictions.

Cash and Cash Equivalents:

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

Concentration of Credit Risk Arising from Cash Deposits in Excess of Insured Limits:

The Organization maintains cash balances at two commercial banks, these balances can at times exceed the FDIC insured deposit limit of $250,000 per financial institution. The Organization has not experienced any losses in these accounts through the date when the financial statements were available to be issued.

**Note 2**
**Summary of Significant Accounting Policies (Continued)**

Government Grants and Contracts Receivable and Allowance for Doubtful Accounts:

Government grants and contract receivable consists of billed amounts due for expenditures incurred in excess of payments received under grants and contracts received from various entities that are recorded as receivables when earned. Receivables are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established for amounts where there is doubt as to whether an amount will be fully collected. The determination of this allowance is an estimate based on BHNC's historical experience, review of account balances and expectations relative to collections. Management determined that an allowance was not necessary at December 31, 2025 and 2024.

Property and Equipment:

Property and equipment is stated at cost of acquisition or fair market value as of the date of donation in the case of gifts. The cost of maintenance and repairs is charged to operations when incurred. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method, 5 to 30 years for building and improvements and 5 years for furniture and equipment. BHNC reviews property and equipment for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. Impairment losses, if any, are recognized when the estimated future cash flows derived from property and equipment are less than their carrying values. No losses were recognized in the years ending December 31, 2025 and 2024.

Fair Value Measurements:

The carrying value of cash and cash equivalents approximates fair value due to the short-term maturity of these instruments. It is not practicable for management to estimate the fair value of accounts receivable, accounts payable, and notes payable because of the nature of such instruments and because there is no readily available market information for financial instruments with similar terms.

Contributions:

BHNC assesses all revenue agreements and sources for classification as an exchange transaction or contribution. Revenue is classified as a contribution if the funder does not receive direct commensurate value from BHNC. Contributions are recognized as revenue when they are unconditionally funded. Contributions are reported as with donor restrictions if they are subject to time or donor-imposed restrictions. 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 when a stipulated time restriction ends, purpose restriction is accomplished, or both. Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Government Grants and Contracts - BHNC receives various grants and contributions in support of its mission. Revenue is generally recognized as qualifying expenses are incurred or when specific donor stipulations are accomplished by BHNC.

**Note 2**
**Summary of Significant Accounting Policies (Continued)**

Conditional Contributions - BHNC has been conditionally awarded grant funding from government agencies, such grant funding will be recognized as unconditional contribution revenue as the Organization satisfies the underlying donor-imposed conditions. Any funding received in advance of satisfaction of such conditions is recorded as a refundable advance liability until recognized as revenue.

In-kind Contributions - Contributions of donated non-cash assets are recorded at their fair value in the period received. Donated goods are valued at the wholesale prices that would be received for selling similar products. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. For the years ended December 31, 2025 and 2024, donated assets, consisting of food and other consumables, totaled $127,992 and $161,509, respectively. Food contributions received as pass-through contributions from USDA are valued based on the average price per pound for food only items from the Feeding America Product Valuation Methodology Survey in the USDA donated foods catalog and the cost per pound equal to $1.72 and $1.69 for December 31, 2025 and 2024, respectively. All donated assets were utilized by BHNC's programs. There were no donor-imposed restrictions associated with the donated assets.

Revenue Recognition:

Rental Income - Rental income is recognized on a straight-line basis over the term of the related lease agreement. Lease payments received in advance are recorded as deferred revenue until earned.

Services and Other Fees - BHNC provides asset management, lease-up, relocation, and management services to related entities. BHNC also provides marketing and other services. Income is earned in accordance with the terms of the agreements and recorded as revenue when performance obligations are met and collectability is reasonably assured.

Tax Exempt Status:

The Organization is a nonprofit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and by the California Franchise Tax Board under Code Section 23701 9(d). BHNC is subject to taxes on unrelated business activities. BHNC generated no unrelated business income for the years ended December 31, 2025 and 2024.

BHNC evaluates uncertainty in income tax positions on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of December 31, 2025 and 2024, there were no accruals for uncertain tax positions. If applicable, BHNC records interest and penalties as a component of income tax expense. Tax years from December 31, 2022 through the current year remain open for examination by federal and state tax authorities.

**Note 2**
**Summary of Significant Accounting Policies (Continued)**

Use of Estimates:

The preparation of financial statements in conformity with GAAP 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.

Functional Expense Allocation:
The costs of providing the programs have been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting activities benefited. Such allocations are determined by management on an equitable basis. Expenses that are allocated based on time and effort include the following: salaries, payroll taxes and benefits, occupany, insurance, and supplies and other costs.

**Note 3**
**Related Party Transactions**

Bernal Heights Housing Corporation ("BHHC"), a California nonprofit public benefit organization related to BHNC by common members on the board of directors have executed various service agreements. In accordance with the services agreements between BHNC and BHHC, BHNC provides asset management, incentive management, housing development, and similar services to rental properties owned or controlled by BHHC, and allowable per various agreements with the City and County of San Francisco. Also, BHHC contributes to BHNC income earned from leasing facilities at rental properties owned by BHHC. In addition, in accordance with a services agreement between BHNC and BHHC, BHNC has provided project management services related to the Holly Courts and Alemany Housing developments.

The following fees were earned by BHNC for the above services:

| | 2025 | 2024 |
|---|---|---|
| Asset management fees | $ 69,757 | $ 75,322 |
| Lease income | 147,309 | 147,309 |
| Total related-party fees | $ 217,066 | $ 222,631 |

As of December 31, 2025 and 2024, accounts receivable from BHHC relating to the above services totals $2,504,356 and $2,811,705, respectively, and is included in Receivables - Related Parties on the Statement of Financial Position.

In addition, BHHC contributes funds to BHNC for general operating support. For the years ended December 31, 2025 and 2024, included in contributions are amounts received from BHHC totaling $1,340,771 and $1,528,756, respectively.

**Note 3**
**Related Party Transactions (Continued)**

As of December 31, 2025 and 2024, also incuded in Receivables - Related Parties on the Statement of Financial Position are amounts due from affiliates of BHHC totaling $99,192 and $49,660, respectively, for tenant services provided by BHNC to the affiliates of BHHC.

**Note 4**
**Liquidity and Availability of Resources**

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following as of December 31, 2025 and 2024:

| | 2025 | 2024 |
|---|---|---|
| Financial assets available for general expenditure within one year: | | |
| Cash and cash equivalents | $ 779,417 | $ 1,181,242 |
| Government grants and contracts receivable | 826,709 | 810,578 |
| Related party receivables | 2,603,548 | 2,861,365 |
| Total financial assets available for general expenditure within one year | $ 4,209,674 | $ 4,853,185 |

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments. BHNC receives contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, BHNC considers all expenditures related to its ongoing programs, as well as the conduct of services undertaken to support those activities, to be general expenditures.

**Note 5**
**Property and Equipment**

The following is a summary of property and equipment at cost at December 31, 2025 and 2024:

| | 2025 | 2024 |
|---|---|---|
| Land | $ 146,125 | $ 146,125 |
| Building and improvements | 1,049,152 | 1,049,152 |
| Furniture and equipment | 166,131 | 166,131 |
| | 1,361,408 | 1,361,408 |
| Less: accumulated depreciation | (849,620) | (817,990) |
| Property and equipment, net | $ 511,788 | $ 543,418 |

Depreciation expense for the years ended December 31, 2025 and 2024, totaled $31,630 and $49,128, respectively.

**Note 6**
**Net Assets With Donor Restrictions**

As of December 31, 2025 and 2024, net assets with donor restrictions totaled $4,436, representing a contribution restricted for the toy drive. There were no releases from restrictions during the years ended December 31, 2025 and 2024.

**Note 7**
**Lease Commitments**

BHNC entered into a five year lease agreement effective October 13, 2014, subsequently extended to June 30, 2023, currently month to month with payments of $4,939, to rent office space from BHHC at 4468 Mission Street in San Francisco. BHNC has also entered into month to month agreements for storage and other one time event rentals that have been included in occupany costs. For the years ended December 31, 2025 and 2024, total occupany costs consisting of lease payments, short-term rentals, and miscellanous occupancy costs totaled $76,411 and $65,256, respectively.

**Note 8**
**Retirement Plan**

BHNC sponsors a tax-deferred retirement plan under Section 403(b) of the Internal Revenue Code covering substantially all eligible employees. Eligible employees may make elective salary deferrals subject to limitations established by the Internal Revenue Service.

The Organization provides employer matching contributions equal to 100% of employee contributions up to 3% of eligible compensation. Employer contributions vest immediately upon contribution.

For the years ended December 31, 2025 and 2024, BHNC recognized retirement plan expense of approximately $53,493 and $-, respectively, related to employer contributions to the Plan.

**Note 9**
**Accrued Vacation**

As of December 31, 2025 and 2024, BHNC's liability for employee compensated absences totals $169,782 and $139,025, respectively. These amounts are included in accounts payable and accrued expenses in the accompanying statements of financial position.

**Note 10**
**Grants**

In connection with various federal, state and city grants programs, BHNC is obligated to operate in accordance with those grant requirements and are subject to audit by those agencies. In cases of noncompliance, the agencies involved may require that BHNC refund payment of program funds. The amount, if any, of expenditures that may be disallowed by the agencies cannot be determined at this time, although BHNC expects such amounts, if any, to be immaterial.

## Note 11
## Vulnerability Due to Concentration of Revenue and Receivables

BHNC derives a majority of its support and revenue from grant agreements awarded by the City and County of San Francisco ("CCSF"), from contracts with nonprofits that are funded through CCSF, and nonprofits that operate in San Francisco, CA. BHNC has no reason to believe that the relationship with CCSF will be discontinued in the foreseeable future. For the years ended December 31, 2025 and 2024 BHNC's grant agreements with CCSF comprised approximately 95% and 86%, respectively, of total third party contributions. As of December 31, 2025 and 2024 BHNC's government grants and contracts receivable from CCSF comprised approximately 82% and 88%, respectively, of government grants and contracs receivable. BHNC’s current CCSF grant agreements have varying terms running through June 30, 2027. However, any interruption of this relationship may result in a decrease in revenue.

## Note 12
## Subsequent Events

Management considered all events through September 21, 2026, the date the financial statements were available for release, in preparing the financial statements and the related disclosures. The Organization is not aware of any other significant events that occurred subsequent to December 31, 2025, but prior to the issuance of this report, that would have a material impact on the financial statements.

## INDEPENDENT AUDITORS' 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*

To the Board of Directors
Bernal Heights Neighborhood Center

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 Bernal Heights Neighborhood Center, which comprise the statements of financial position as of December 31, 2025, 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, and have issued our report thereon dated September 21, 2026.

### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bernal Heights Neighborhood Center'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 the Bernal Heights Neighborhood Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bernal Heights Neighborhood Center'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 the Bernal Heights Neighborhood Center'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Walnut Creek, California
September 21, 2026