

***BERNAL HEIGHTS
NEIGHBORHOOD CENTER***
A California Nonprofit Public Benefit Corporation

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**
December 31, 2023 and 2022



BERNAL HEIGHTS NEIGHBORHOOD CENTER
FINANCIAL STATEMENTS
December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bernal Heights Neighborhood Center

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Bernal Heights Neighborhood Center, a California nonprofit public benefit corporation, which comprise the statements of financial position as of December 31, 2023 and 2022, 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 referred to above present fairly, in all material respects, the financial position of Bernal Heights Neighborhood Center, as of December 31, 2023 and 2022, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with 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. 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 Bernal Heights Neighborhood Center 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 opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bernal Heights Neighborhood Center'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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 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 Bernal Heights Neighborhood Center'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 Bernal Heights Neighborhood Center'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.

Emphasis of Matter

The financial statements of Bernal Heights Neighborhood Center have been prepared without combining the financial statements of related entities under common control. Combined financial statements will also be issued and those statements are the general-purpose financial statements of the primary reporting entity. Our opinion is not modified with respect to this matter.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 2024 on our consideration of Bernal Heights Neighborhood Center'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 Bernal Heights Neighborhood Center'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 Bernal Heights Neighborhood Center's internal control over financial reporting and compliance.

SNL Partners LLP

Lafayette, California

October 28, 2024

BERNAL HEIGHTS NEIGHBORHOOD CENTER
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 803,408	\$ 243,353
Receivables		
Government grants and contracts	1,124,477	901,707
Related-parties	3,118,999	3,397,510
Prepaid expenses and advances	23,289	30,021
Property and equipment, net	600,872	514,878
Total assets	\$ 5,671,045	\$ 5,087,469
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 363,605	\$ 203,805
Tenant security deposits	4,320	4,320
Deferred revenue	2,936	2,936
Note payable	26,495	45,461
Total liabilities	397,356	256,522
Net assets		
Without donor restrictions	5,269,253	4,826,511
With donor restrictions	4,436	4,436
Total net assets	5,273,689	4,830,947
Total liabilities and net assets	\$ 5,671,045	\$ 5,087,469

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

BERNAL HEIGHTS NEIGHBORHOOD CENTER
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2023 and 2022

	2023	2022
Net assets without donor restrictions		
Support		
Government grants and contracts	\$ 2,256,176	\$ 1,975,455
Contributions	1,695,480	1,418,185
In-kind contributions	108,762	-
Revenue		
Service and other fees	72,892	71,541
Memberships	50	-
Special events and fundraising	13,615	125
Rental income	177,579	168,968
Gain upon debt extinguishment	-	265,047
Interest and other income	12,060	62,360
Total revenue and support	4,336,614	3,961,681
Expenses		
Program services		
Youth and employment	114,287	116,140
Senior services	930,585	803,276
Community engagement and development	134,258	194,631
Housing	1,507,516	1,481,899
Total program services	2,686,646	2,595,946
Management and general	1,113,339	1,164,296
Fundraising and advocacy	93,887	45,380
Total expenses	3,893,872	3,805,622
Change in net assets without donor restrictions	442,742	156,059
Net assets with donor restrictions		
Net assets released from donor restrictions	-	(5,768)
Change in net assets with donor restrictions	-	(5,768)
Change in net assets	442,742	150,291
Net assets - beginning of year	4,830,947	4,680,656
Net assets - end of year	\$ 5,273,689	\$ 4,830,947

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

BERNAL HEIGHTS NEIGHBORHOOD CENTER
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2023 and 2022

	Program Services						2023 Total
	Youth and Employment	Senior Services	Community Engagement and Development	Housing	Management and General	Fundraising and Advocacy	
Salaries	\$ 69,196	\$ 380,172	\$ 82,623	\$ 694,853	\$ 430,225	\$ 39,290	\$ 1,696,359
Payroll taxes and employee benefits	26,468	76,631	9,932	122,840	77,467	7,901	321,239
Consulting and outside services	-	-	-	253,023	289,170	1,321	543,514
Professional fees	-	-	-	-	20,000	-	20,000
Printing and postage	153	909	182	1,550	1,359	144	4,297
Occupancy	1,696	57,341	4,082	16,513	29,806	504	109,942
Utilities	3,331	6,517	161	5,247	2,745	337	18,338
Insurance	3,141	16,014	3,541	55,635	13,786	1,485	93,602
Equipment, repairs and maintenance	4,869	23,997	4,809	47,051	35,144	2,575	118,445
Taxes and licenses	-	-	-	-	5,932	-	5,932
Training, travel, and conferences	1,029	9,326	1,354	8,799	13,580	626	34,714
Program expenses	2,156	274,361	25,226	258,168	106,792	38,124	704,827
Supplies and other costs	854	66,585	1,159	23,906	74,968	1,086	168,558
Depreciation	1,394	18,732	1,189	19,931	12,365	494	54,105
Total expenses	\$ 114,287	\$ 930,585	\$ 134,258	\$ 1,507,516	\$ 1,113,339	\$ 93,887	\$ 3,893,872

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

BERNAL HEIGHTS NEIGHBORHOOD CENTER
STATEMENTS OF FUNCTIONAL EXPENSES (Continued)
Years Ended December 31, 2023 and 2022

	Program Services						2022 Total
	Youth and Employment	Senior Services	Community Engagement and Development	Housing	Management and General	Fundraising and Advocacy	
Salaries	\$ 75,794.00	\$ 372,135	\$ 108,951	\$ 544,847	\$ 434,695	\$ 32,902	\$ 1,569,324
Payroll taxes and employee benefits	25,246	73,686	20,500	108,495	67,737	6,960	302,624
Consulting and outside services	-	-	-	425,715	438,909	-	864,624
Professional fees	-	-	-	-	15,228	-	15,228
Printing and postage	52	1,314	75	262	3,562	35	5,300
Occupancy	1,412	52,765	2,757	12,136	25,028	292	96,840
Utilities	572	6,676	2,866	3,906	2,463	239	16,722
Insurance	3,337	18,658	4,126	42,440	15,924	1,221	85,706
Equipment, repairs, and maintenance	5,248	27,053	8,565	41,388	25,378	2,042	109,674
Taxes and licenses	-	-	-	-	256	-	256
Training, travel, and conferences	1,285	12,489	813	6,656	18,474	515	40,232
Program expenses	1,575	184,706	43,359	259,991	-	-	489,631
Supplies and other costs	272	36,831	342	14,600	109,479	80	159,154
Depreciation	1,347	16,963	2,277	21,463	7,163	1,094	50,307
Total expenses	\$ 116,140	\$ 803,276	\$ 194,631	\$ 1,481,899	\$ 1,164,296	\$ 45,380	\$ 3,805,622

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

BERNAL HEIGHTS NEIGHBORHOOD CENTER
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 442,742	\$ 150,291
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	54,105	50,307
Gain upon debt extinguishment	-	(265,047)
(Increase) decrease in:		
Contracts receivable	(222,770)	46,655
Related-party receivable	278,511	(401,149)
Prepaid expenses and advances	6,732	(25,939)
Increase (decrease) in:		
Accounts payable and accrued expenses	19,701	(9,805)
Net cash provided (used) by operating activities	579,021	(454,687)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable	(18,966)	(49,027)
Net cash used by financing activities	(18,966)	(49,027)
Increase (decrease) in cash and cash equivalents	560,055	(503,714)
Cash and cash equivalents - beginning of year	243,353	747,067
Cash and cash equivalents - end of year	\$ 803,408	\$ 243,353

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

BERNAL HEIGHTS NEIGHBORHOOD CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES

Bernal Heights Neighborhood Center (BHNC or 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.

BHNC administers the following programs:

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. Through youth movements youth leadership program, BHNC has developed effective gang prevention case management, leadership development, civic engagement, and advocacy training, recreation, employment services and food justice education. Youth also participate at weekly food pantry in the Excelsior and work alongside senior volunteers. Youth and their families receive positive alternatives that do make a difference in a young person's life. BHNC also provides year-round youth employment training through the Mayor's Youth Employment and Education Program (MYEEP).

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. BHNC's goal is to provide empowerment and leadership development opportunities for seniors in our community.

Community Engagement and Development

Programs designed to empower, inform, and develop the civic capacity of citizens in the community. BHNC runs and facilitates issue-based campaigns, hosts and facilitates regular community convening, neighborhood hotspot walks, public safety forums and organizes annual community events, such as Fiesta on the Hill, Community Congress, Holiday Toy Giveaway, and the Hillside Garage Sale.

Housing Programs

Programs designed to construct, rehabilitate, and operate affordable housing for individuals and families with low-income and special-needs. BHNC also provides onsite services to include community development, relocation services, community engagement, onsite public safety meetings, and resident leadership training.

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

BERNAL HEIGHTS NEIGHBORHOOD CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES (Continued)

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

1. Basis of Presentation

The accompanying financial statements have been 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.

The board of directors of BHNC appoints the board of directors of Bernal Heights Housing Corporation (BHHC) which preserves and develops affordable housing for low- and moderate-income individuals of Bernal Heights. The board of directors of BHHC appoints four members of the board of directors for 5199 Mission Street Senior Housing, Inc. and St. Peter's Supportive Housing, Inc., and all members of the board of directors for Bernal Gateway Housing Corporation and Boomerang Housing Corporation. Also, BHHC is the sole member of Bernal Housing LLC, a limited liability company. All board members serve without compensation.

BHNC's financial statements do not include the assets, liabilities, revenue or expenses of the related organizations. The financial statements of BHNC have been prepared without combining the financial statements of related entities under common control. Combined financial statements will also be issued and those statements are the general-purpose financial statements of the primary reporting entity.

2. Cash, Cash Equivalents, and Concentration of Credit Risk

Cash is defined as cash on hand and demand deposits with banks. All short-term debt securities purchased with a maturity of three months or less are considered to be cash equivalents. The Organization occasionally maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation limit. The Organization has not experienced any losses in such accounts and believes that it is not exposed to any significant risk of loss.

3. 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, 2023 and 2022.

BERNAL HEIGHTS NEIGHBORHOOD CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES (Continued)

4. 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, 2023 and 2022.

5. Net Assets

BHNC reports information regarding their 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

Net assets without donor restrictions include those assets over which the board of directors has discretionary control in carrying out the operations of BHNC.

Net Assets with Donor Restrictions

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 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. 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 G for detail of net assets with donor restrictions.

6. Fair Value of Assets and Liabilities

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.

7. Revenue Recognition

Government Grants and Contracts

BHNC receives grants from governments, agencies, and others, which are conditioned upon incurring certain qualifying costs or meeting other conditions. The grants are recognized as revenue when the qualifying costs are incurred and the possibilities of not meeting the conditions are remote. Funds received for costs not yet incurred are recorded as deferred revenue. Funds for qualifying costs incurred and recognized as revenue but not yet received are recorded as grants and contracts receivable.

BERNAL HEIGHTS NEIGHBORHOOD CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES (Continued)

7. Revenue Recognition (Continued)

Contributions and Recognition of Donor Restricted Contributions

Contributions, including unconditional promises to give, are reported as revenues in the period they are unconditionally communicated. Unconditional promises to give that are due beyond one year are discounted to reflect the present value of future cash flows using a risk adjusted discount rate assigned in the year the respective pledge originates. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. Conditional promises to give are recognized when the conditions upon which they depend have been substantially met. Contributions restricted for the acquisition of long-lived assets are reported as without donor restricted support when the assets are placed in service.

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 ending December 31, 2023 and 2022, donated assets, consisting of food and other consumables, totaled \$108,762 and \$0, respectively. All donated assets were utilized by BHNC's programs. There were no donor-imposed restrictions associated with the donated assets.

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.

8. Tax Exempt Status

BHNC has been granted tax-exempt status by the Internal Revenue Service under Code Section 501(c)(3) and by the California Franchise Tax Board under Code Section 23701(d). BHNC believes that it does not have any uncertain tax positions that are material to the financial statements. The federal and state information returns for the years ending December 31, 2022, 2021, 2020 and 2019 are subject to examination by regulatory agencies, generally for three years and four years after they were filed for the federal and state returns, respectively.

9. 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.

BERNAL HEIGHTS NEIGHBORHOOD CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES (Continued)

10. Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities and by both nature and function in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates of employees' time incurred and on a usage of resources.

11. Date of Management's Evaluation and Subsequent Events

Management has evaluated subsequent events through October 28, 2024, which is the date the financial statements were available to be issued.

12. Adopted Accounting Standards

On January 1, 2023, BHNC adopted ASU No. 2016-03, *Financial Instruments – Credit Losses (Topic 326)* that affects the accounting for management's estimates of current expected credit losses (CECL). Adopting this standard did not have a significant impact on the financial statements.

NOTE B – RELATED-PARTY TRANSACTIONS

In accordance with the services agreement 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:

	2023	2022
Asset management and other fees	\$ 72,892	\$ 71,541
Lease and other services fees	143,290	141,619
Total related-party fees	\$ 216,182	\$ 213,160

As of December 31, 2023 and 2022, accounts receivable from BHHC relating to the above services totals \$3,118,999 and \$3,397,510, respectively.

In addition, BHHC contributes funds to BHNC for general operating support. For the years ended December 31, 2023 and 2022, included in contributions are amounts received from BHHC totaling \$1,638,346 and \$1,354,791, respectively.

BERNAL HEIGHTS NEIGHBORHOOD CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment as of December 31 is summarized as follows:

	2023	2022
Land	\$ 146,125	\$ 146,125
Building and improvements	1,049,152	929,482
Furniture and equipment	176,538	176,538
Total property and equipment	1,371,815	1,252,145
Less: accumulated depreciation	(770,943)	(737,267)
Total property and equipment, net	\$ 600,872	\$ 514,878

NOTE D – PAYCHECK PROTECTION PROGRAM

On March 2, 2021, BHNC received loan proceeds of \$359,535 from a promissory note issued by City National Bank, under the PPP (PPP2 Loan). The term of the loan is five years and the annual interest rate is 1%. Payments of principal and interest are deferred for the first six months of the loan. Under the terms of the CARES Act, BHNC can apply for forgiveness of the PPP2 Loan and be granted forgiveness for all or a portion of the loan proceeds for payroll costs, rent, utility expenses, and the maintenance of workforce and compensation levels with certain limitations.

During the year ending December 31, 2022, BHNC began making monthly payments on the PPP2 Loan in an amount equal to \$8,171.25 plus 1% interest of the outstanding principal. On January 26, 2023, \$265,047 of the loan was forgiven. BHNC recognized the \$265,047 gain on extinguishment of debt during the year ending December 31, 2022 in accordance with ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*.

Beginning February 15, 2023, monthly payments equal to \$981.30 plus 1% interest of the outstanding principal are due through March 15, 2026. As of December 31, 2023, the outstanding principal balance on the PPP2 Loan is \$26,495.

Principal payments due for each of the next three years ending December 31 are estimated as follows:

2024	\$ 11,772	2026	\$ 2,951
2025	\$ 11,772		

NOTE E – ACCRUED VACATION

As of December 31, 2023 and 2022, BHNC’s liability for employee compensated absences totals \$106,681 and \$95,229, respectively. These amounts are included in accounts payable and accrued expenses in the accompanying statements of financial position.

NOTE F – OPERATING LEASE

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. For the years ended December 31 2023 and 2022, annual lease expense totaled \$59,268 and \$59,268, respectively.

BERNAL HEIGHTS NEIGHBORHOOD CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, net assets with donor restrictions consists of the following:

	2023			
	Beginning of year	Contributions	Releases from restrictions	End of year
Toy drive	\$ 4,436	\$ -	\$ -	\$ 4,436
Total net assets with donor restrictions	\$ 4,436	\$ -	\$ -	\$ 4,436
	2022			
	Beginning of year	Contributions	Releases from restrictions	End of year
Senior services	\$ 5,768	\$ 15,500	\$ (21,268)	\$ -
Toy drive	4,436	-	-	4,436
Total net assets with donor restrictions	\$ 10,204	\$ 15,500	\$ (21,268)	\$ 4,436

NOTE H – GRANTS AND LOAN RECEIVABLE

In connection with various federal, state and city grants and loan programs, BHNC is obligated to operate in accordance with those grant and loan 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 I – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

BHNC regularly monitors the availability of resources required 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.

As of December 31, 2023 and 2022, financial assets available for general expenditure within one year are comprised of the following:

	2023	2022
Cash and cash equivalents	\$ 803,408	\$ 243,353
Contracts receivable	1,124,477	901,707
Total financial assets available	\$ 1,927,885	\$ 1,145,060

BERNAL HEIGHTS NEIGHBORHOOD CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE J – 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. 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.



**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***

To the Board of Directors
Bernal Heights Neighborhood Center

We have audited, in accordance with 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, a California nonprofit public benefit corporation, which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statement, and have issued our report thereon dated October 28, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 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 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*.

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AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
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(Continued)

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.

SNL Partners LLP

Lafayette, California
October 28, 2024

