

**RICHMOND DISTRICT
NEIGHBORHOOD CENTER, INC.
(A California Nonprofit Public Benefit Corporation)**

FINANCIAL STATEMENTS

**For the Years Ended
June 30, 2023 and 2022**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Richmond District
Neighborhood Center, Inc.
San Francisco, California

Opinion

We have audited the accompanying financial statements of the Richmond District Neighborhood Center, Inc. (RDNC) (a California nonprofit public benefit corporation) which comprise the statements of financial position as of June 30, 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 the Richmond District Neighborhood Center, Inc. as of June 30, 2023 and 2022, 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of RDNC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 RDNC'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 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.

INDEPENDENT AUDITOR'S REPORT (continued)

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RDNC'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 RDNC'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.

Bunker & Company LLP

December 20, 2023
Bunker & Company LLP
San Rafael, CA

RICHMOND DISTRICT NEIGHBORHOOD CENTER, INC.
(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

| | 2023 | 2022 |
|--|--------------|--------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents (Note 2) | \$ 4,145,464 | \$ 2,396,409 |
| Restricted cash | 943,154 | 657,103 |
| Accounts receivable (Note 2) | 20,191 | 19,497 |
| Grants and contracts receivable | 530,586 | 1,390,023 |
| Prepaid expenses | 88,474 | 87,948 |
| Right of use assets, current | 30,436 | - |
| Total current assets | 5,758,305 | 4,550,980 |
| Right of use assets, long-term | 87,053 | |
| Property and equipment, net of accumulated depreciation of \$399,177 in 2023 and \$378,109 in 2022 (Note 2 and 3) | 248,634 | 245,987 |
| Total assets | \$ 6,093,992 | \$ 4,796,967 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Accounts payable | \$ 155,210 | \$ 456,819 |
| Accrued expenses | 561,266 | 389,940 |
| Deferred revenue | 39,510 | 13,045 |
| Deposits | 3,675 | 3,675 |
| Lease liabilities, current | 30,436 | - |
| Total current liabilities | 790,097 | 863,479 |
| Lease liabilities, long-term | 87,053 | - |
| Total liabilities | 877,150 | 863,479 |
| Net assets | | |
| Net assets without donor restrictions | 4,273,688 | 3,251,385 |
| Net assets with donor restrictions (Note 4) | 943,154 | 682,103 |
| Total net assets | 5,216,842 | 3,933,488 |
| Total liabilities and net assets | \$ 6,093,992 | \$ 4,796,967 |

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

RICHMOND DISTRICT NEIGHBORHOOD CENTER, INC.
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF ACTIVITIES
For the year ended June 30, 2023

| | Net Assets without Donor Restrictions | Net Assets with Donor Restrictions | Total |
|--|---|--|---------------------|
| REVENUE AND SUPPORT | | | |
| Government grants and contracts | \$ 6,102,424 | \$ - | \$ 6,102,424 |
| Corporate and foundation grants | 95,250 | 550,215 | 645,465 |
| Program service fees | 1,204,745 | - | 1,204,745 |
| Individual contributions | 87,415 | - | 87,415 |
| Rents | 122,881 | - | 122,881 |
| Special events | 142,679 | - | 142,679 |
| Interest income | 19,712 | - | 19,712 |
| In-kind contributions | 2,169,738 | - | 2,169,738 |
| Other income | 21,018 | - | 21,018 |
| Total revenue and support | <u>9,965,862</u> | <u>550,215</u> | <u>10,516,077</u> |
| Net assets released from restriction and transfers | <u>289,164</u> | <u>(289,164)</u> | <u>-</u> |
| Total revenue, support and transfers | <u>10,255,026</u> | <u>261,051</u> | <u>10,516,077</u> |
| EXPENSES | | | |
| Program (Note 5) | 8,340,173 | - | 8,340,173 |
| Management and general | 572,872 | - | 572,872 |
| Fundraising | 319,678 | - | 319,678 |
| Total expenses | <u>9,232,723</u> | <u>-</u> | <u>9,232,723</u> |
| Change in net assets | 1,022,303 | 261,051 | 1,283,354 |
| Net assets, beginning of year | <u>3,251,385</u> | <u>682,103</u> | <u>3,933,488</u> |
| Net assets, end of year | <u>\$ 4,273,688</u> | <u>\$ 943,154</u> | <u>\$ 5,216,842</u> |

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

RICHMOND DISTRICT NEIGHBORHOOD CENTER, INC.
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF ACTIVITIES
For the year ended June 30, 2022

| | Net Assets without Donor Restrictions | Net Assets with Donor Restrictions | Total |
|--|---|--|---------------------|
| REVENUE AND SUPPORT | | | |
| Government grants and contracts | \$ 5,851,232 | \$ - | \$ 5,851,232 |
| Corporate and foundation grants | 128,108 | 101,674 | 229,782 |
| Program service fees | 928,335 | - | 928,335 |
| Individual contributions | 90,103 | - | 90,103 |
| Rents | 110,533 | - | 110,533 |
| Special events | 125,368 | - | 125,368 |
| CARES Act PPP loan forgiveness (Note 11) | 834,276 | - | 834,276 |
| In-kind contributions | 1,796,142 | - | 1,796,142 |
| Other income | 57,098 | - | 57,098 |
| Total revenue and support | <u>9,921,195</u> | <u>101,674</u> | <u>10,022,869</u> |
| Net assets released from restriction and transfers | <u>723,395</u> | <u>(723,395)</u> | <u>-</u> |
| Total revenue, support and transfers | <u>10,644,590</u> | <u>(621,721)</u> | <u>10,022,869</u> |
| EXPENSES | | | |
| Program (Note 5) | 8,325,297 | - | 8,325,297 |
| Management and general | 587,561 | - | 587,561 |
| Fundraising | 245,240 | - | 245,240 |
| Total expenses | <u>9,158,098</u> | <u>-</u> | <u>9,158,098</u> |
| Change in net assets | 1,486,492 | (621,721) | 864,771 |
| Net assets, beginning of year | <u>1,764,893</u> | <u>1,303,824</u> | <u>3,068,717</u> |
| Net assets, end of year | <u>\$ 3,251,385</u> | <u>\$ 682,103</u> | <u>\$ 3,933,488</u> |

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

RICHMOND DISTRICT NEIGHBORHOOD CENTER, INC.
(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF CASH FLOWS
For the years ended June 30, 2023 and 2022

| | 2023 | 2022 |
|--|--------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | <u>\$1,283,354</u> | <u>\$ 864,771</u> |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 21,068 | 26,199 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (694) | (10,424) |
| Grants and contracts receivable | 859,437 | (634,412) |
| Prepaid expenses | (526) | 9,434 |
| Accounts payable | (301,609) | 365,548 |
| Accrued expenses | 171,326 | 131,862 |
| Deferred revenue | 26,465 | 5,545 |
| Total adjustments | <u>775,467</u> | <u>(106,248)</u> |
| Net cash provided by operating activities | <u>2,058,821</u> | <u>758,523</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Change in property and equipment | <u>(23,715)</u> | <u>-</u> |
| Net cash (used) by investing activities | <u>(23,715)</u> | <u>-</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Change in restricted cash | (286,051) | 531,721 |
| CARES Act PPP Loan | - | (834,276) |
| Net cash (used) by financing activities | <u>(286,051)</u> | <u>(302,555)</u> |
| Net change in cash and cash equivalents | 1,749,055 | 455,968 |
| Cash and cash equivalents, beginning of year | <u>2,396,409</u> | <u>1,940,441</u> |
| Cash and cash equivalents, end of year | <u>\$4,145,464</u> | <u>\$ 2,396,409</u> |

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

RICHMOND DISTRICT NEIGHBORHOOD CENTER, INC.
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2023

| | Programs | Management and General | Fundraising | Total |
|-------------------------------------|---------------------|---------------------------|-------------------|---------------------|
| Salaries | \$ 4,248,081 | \$ 388,115 | \$ 86,147 | \$ 4,722,343 |
| Payroll taxes and benefits | 845,042 | 57,383 | 11,410 | 913,835 |
| Professional services | 195,162 | 70,559 | 107,982 | 373,703 |
| Grants and scholarships | 114,476 | - | - | 114,476 |
| Occupancy | 826,532 | 1,547 | 368 | 828,447 |
| Communication | 16,053 | 3,634 | 1,198 | 20,885 |
| Materials and supplies | 88,608 | 1,458 | 191 | 90,257 |
| Furniture and equipment | 36,199 | 1,331 | 1,277 | 38,807 |
| Food | 1,462,005 | - | - | 1,462,005 |
| Youth incentives | 38,788 | - | - | 38,788 |
| Postage and shipping | 902 | 115 | 130 | 1,147 |
| Transportation | 8,734 | 106 | - | 8,840 |
| Hiring and recruitment | 24,799 | 1,326 | 393 | 26,518 |
| Subcontractors | 168,422 | - | - | 168,422 |
| Honoraria | 1,071 | - | - | 1,071 |
| Fundraising | - | - | 93,175 | 93,175 |
| Liability insurance | 20,657 | 6,510 | 384 | 27,551 |
| Staff and volunteer development | 29,526 | 9,400 | 510 | 39,436 |
| Dues, memberships and subscriptions | 25,543 | 27,272 | 7,134 | 59,949 |
| Marketing and outreach | 2,219 | 326 | 5,457 | 8,002 |
| Fieldtrips and events | 140,976 | - | - | 140,976 |
| Taxes and fees | - | 400 | - | 400 |
| Bank and merchant charges | 25,801 | 2,986 | 3,835 | 32,622 |
| Depreciation | 20,577 | 404 | 87 | 21,068 |
| Total | <u>\$ 8,340,173</u> | <u>\$ 572,872</u> | <u>\$ 319,678</u> | <u>\$ 9,232,723</u> |

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

RICHMOND DISTRICT NEIGHBORHOOD CENTER, INC.
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2022

| | Programs | Management and General | Fundraising | Total |
|-------------------------------------|---------------------|---------------------------|-------------------|---------------------|
| Salaries | \$ 4,152,349 | \$ 374,746 | \$ 109,998 | \$ 4,637,093 |
| Payroll taxes and benefits | 901,076 | 56,964 | 18,503 | 976,544 |
| Professional services | 231,138 | 80,947 | 31,461 | 343,546 |
| Grants and scholarships | 81,500 | - | - | 81,500 |
| Occupancy | 461,964 | 1,694 | 783 | 464,441 |
| Communication | 13,282 | 5,346 | 2,540 | 21,168 |
| Materials and supplies | 209,778 | 6,338 | 507 | 216,622 |
| Furniture and equipment | 133,055 | 5,674 | 486 | 139,215 |
| Food | 1,414,276 | - | - | 1,414,276 |
| Youth incentives | 191,617 | - | - | 191,617 |
| Postage and shipping | 1,166 | 112 | 27 | 1,304 |
| Transportation | 9,728 | 199 | - | 9,927 |
| Hiring and recruitment | 35,040 | 17,076 | - | 52,116 |
| Subcontractors | 194,306 | - | - | 194,306 |
| Honoraria | 3,290 | - | - | 3,290 |
| Fundraising | - | - | 63,715 | 63,715 |
| Liability insurance | 17,623 | 7,193 | 550 | 25,366 |
| Staff and volunteer development | 46,402 | 10,645 | 1,035 | 58,083 |
| Dues, memberships and subscriptions | 28,638 | 13,756 | 5,269 | 47,663 |
| Marketing and outreach | 9,330 | - | 4,402 | 13,732 |
| Fieldtrips and events | 144,435 | - | - | 144,435 |
| Taxes and fees | - | 2,913 | - | 2,913 |
| Bank and merchant charges | 19,749 | 3,494 | 5,783 | 29,026 |
| Depreciation | 25,553 | 464 | 182 | 26,199 |
| Total | <u>\$ 8,325,297</u> | <u>\$ 587,561</u> | <u>\$ 245,240</u> | <u>\$ 9,158,098</u> |

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

RICHMOND DISTRICT NEIGHBORHOOD CENTER, INC.
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE 1 ORGANIZATION

Organization - The Richmond District Neighborhood Center, Inc. ("RDNC," or "Corporation") is a California nonprofit public benefit corporation that provides after school and community programs for San Francisco residents in the Richmond District and greater San Francisco area. RDNC is governed by a Board of Directors who serve without benefit of compensation. Sources of income for RDNC include contracts with the City and County of San Francisco, corporate grants, individual contributions and fees for services provided. The Corporation is exempt from federal and state income tax liability under the IRC Section 501(c)(3) and it operates the following programs:

Elementary School Programs - RDNC offers a wide variety of low-cost, supportive before, after school and summer programs for youth at five Richmond District public elementary schools. These programs provide students with support for academics and literacy focusing on science, technology, engineering, arts and math (STEAM), and include recreation, sports and enrichments. RDNC also provides social-emotional learning activities as students continue to recover from pandemic school closures. Monthly fees are based on income level and the programs are completely free for low-income families.

Middle School Programs – RDNC coordinates two middle school Beacon programs based on the community school model which provides comprehensive academic, social and emotional support to students and families throughout the school day, setting participants up for success in every part of their lives. The program uses a shared leadership model with school administration and staff. Programs consist of before and after school programs, transition programs for rising 6th grade students and rising 9th grade students, parent and family engagement, summer camp, and more.

High School Programs – RDNC's three high school programs support the wide range of academic and social and emotional needs of high school youth as they prepare for college, careers, and adulthood. Programs include freshman orientation, teen center, homework help, tutoring groups, SAT prep, college application assistance, youth employment, case management, multicultural and identity based clubs, and family engagement activities.

Community Programs –RDNC's Community Programs address issues of food security, wellness, and community engagement. Our food security programming provides fresh groceries to 1,000 low-income seniors and families every week at three pantries and through a Home Delivered Grocery program. Our community engagement programming provides opportunities for the community and local merchants to get together to share and learn about resources and connect with each other to strengthen the neighborhood, through the Richmond Community Coalition, One Richmond initiative, and events and community workshops on topics from city transportation to housing.

RICHMOND DISTRICT NEIGHBORHOOD CENTER, INC.
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE 1 ORGANIZATION (continued)

In addition, RDNC is home to tenant organizations that broaden the scope of services that RDNC provides to the community. These include Cross Cultural Family Center's childcare program and Community Music Center's sliding-scale music lessons.

Fiscally-Sponsored Projects – RDNC serves as the fiscal sponsor for several community-led groups. These include:

San Francisco Neighborhood Centers Together (SFNCT) - SFNCT is a network for the city's Neighborhood Centers. Neighborhood Centers are anchor institutions that provide programs and services, and build connections between residents, community and neighborhood groups, schools, faith-based groups, merchants, and local public agencies. The SFNCT provides peer support, coaching and training to the Neighborhood Centers.

Service Provider Working Group (SPWG) - Pursuant to City Charter Section 16.108-1, the Children, Youth and Their Families Oversight and Advisory Committee (OAC) created a Service Provider Working Group (SPWG). The purpose of the SPWG is to advise the OAC on funding priorities, policy development, the planning cycle, evaluation design and plans, and any other issues of concern to the SPWG related to the Children and Youth Fund, or the responsibilities of the Department of Children, Youth, and Their Families (DCYF) or other departments receiving monies from the Fund.

Virtual Tutoring - Virtual Tutoring SF is a youth led tutoring program aiming to help students grades 3-8 stay academically engaged in Math and English by providing free online tutoring during this unprecedented pandemic.

Clement Street Merchants - Since 1922, The Clement Street Merchants Association (CSMA) has been composed of merchant volunteers who have supported small business owners and residents in the Inner Richmond by providing community, connection, and advocacy. CSMA is committed to the Inner Richmond being a safe place to work, live and thrive. CSMA is a supportive community and encourages diversity, artistic expression and inclusion. CSMA supports and promotes the neighborhood to residents and visitors by planning and organizing creative and engaging community-focused events.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting – The financial statements of the Corporation are prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, which reflects revenue when earned and expenses as incurred.

RICHMOND DISTRICT NEIGHBORHOOD CENTER, INC.
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents - Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of the acquisition date.

Contributions and Revenue Recognition – Contributions consist of cash contributions as well as in-kind goods and services provided to the Corporation. Contributed services are recognized at their fair value if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. Donated securities are recorded at their fair value at the date of donation.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Revenue is recognized as earned as services are provided to constituencies being served. All revenue received in advance of products or services provided is deferred.

Accounts Receivable – Contracts with government agencies make up a majority of the Corporation's receivables. It is the practice of the Corporation to expense uncollectibles only after exhausting all efforts to collect the amounts due. There is no allowance for doubtful accounts and management believes all amounts will be collected in full.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual future results could differ from those estimates.

Property, Equipment, and Leasehold Improvements - The Corporation records property, equipment, and leasehold improvements at cost of acquisition, or, if donated, the fair market value at the date of donation. Depreciation is recognized using the straight-line method over the useful lives of the assets, which range from three to five years. The Corporation capitalizes all property, equipment, and improvements with a cost in excess of \$5,000.

RICHMOND DISTRICT NEIGHBORHOOD CENTER, INC.
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation – The Corporation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions - Net assets that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year.

Net assets with donor restrictions – Net assets that are restricted by a donor for use for a particular purpose or in a particular period. Some donor imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor’s instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a donor’s restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

As of June 30, 2023 and 2022, there were no net assets with permanent donor restrictions.

Fair Value Measurements – The Corporation carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received if selling an asset or paid if transferring a liability in an orderly transaction between market participants at the measurement date. Fair value measurement standards also require the Corporation to classify these financial instruments into a three-level hierarchy. The Corporation classifies its financial assets and liabilities according to the below three levels, and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 – Quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities, without adjustment.

Level 2 – Quoted prices in markets that are not considered to be active for identical or similar assets or liabilities, quoted prices in active markets of similar assets or liabilities, and inputs other than quoted prices that are observable or can be corroborated by observable market data.

Level 3 – Inputs that are both significant to the fair value measurement and unobservable, including inputs that are not derived from market data or cannot be corroborated by market data.

The Corporation’s carrying amounts of its assets and liabilities, approximate fair value under Level 1 for the years ended June 30, 2023 and 2022.

Advertising Costs – It is the policy of the Corporation to expense advertising costs as incurred.

RICHMOND DISTRICT NEIGHBORHOOD CENTER, INC.
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses - The costs of providing the various programs, supporting services and other activities have been summarized on a functional basis in the Statements of Activities and Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates and analysis of personnel time spent on each program and activity.

Income Taxes - The Corporation is exempt from federal and state taxes under Section 501(c)(3) of the Internal Revenue Service Code and Section 23701d of the California Revenue and Taxation Code, and is considered by the IRS to be an organization other than a Private Foundation. In the opinion of management, there is no unrelated business income.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842). A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. As of June 30, 2023, the Corporation is in compliance with this ASU and has elected to apply the practical expedient of not adjusting prior periods to be in conformity with the new standard and to use the modified retrospective method with consideration of a possible cumulative effect on net assets (see Note 6).

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. Under this ASU, a not-for-profit entity is required to present contributed nonfinancial assets as a separate line-item in the statement of activities, apart from contributions of cash and other financial assets as well as include enhanced disclosures surrounding the nature and valuation techniques of the contributed nonfinancial assets. This ASU is effective for fiscal years beginning after June 15, 2021 and the Center has implemented this ASU.

NOTE 3 PROPERTY AND EQUIPMENT

Property, equipment and leasehold improvements valued at cost as of June 30, 2023 and 2022 are as follows:

| | <u>2023</u> | <u>2022</u> |
|--------------------------------|-------------------|-------------------|
| Leasehold improvements | \$ 522,987 | \$ 499,272 |
| Furniture and equipment | 124,824 | 124,824 |
| Less: accumulated depreciation | <u>(399,177)</u> | <u>(378,109)</u> |
| Total Property and equipment | <u>\$ 248,634</u> | <u>\$ 245,987</u> |

Depreciation expense for the years ended June 30, 2023 and 2022 was \$21,068 and \$26,200, respectively.

RICHMOND DISTRICT NEIGHBORHOOD CENTER, INC.
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE 4 NET ASSETS WITH TEMPORARY DONOR RESTRICTIONS

Net assets with temporary donor restrictions are available to be used within a specific time and/or for a specific purpose and consist of the following as of June 30, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|--|-------------------|-------------------|
| Clement Street Merchants | \$ - | \$ 2,000 |
| Crankstart Foundation | 512,770 | 572,955 |
| Dignity Health | - | 12,753 |
| Kimball Foundation | 25,000 | 25,000 |
| Metta Fund | 346,920 | 55,766 |
| Morris Stulsaft | 25,000 | - |
| National Charity League | - | 800 |
| NCT (Fiscally sponsored) | 2,464 | - |
| S.F. Marin Foodbank | 10,000 | - |
| Virtual tutoring (Fiscally sponsored) | - | 2,829 |
| Washington High PTSA | 20,000 | - |
| Youth leadership | - | 10,000 |
| Baptist Church | 1,000 | - |
| Total net assets with donor restrictions | <u>\$ 943,154</u> | <u>\$ 682,103</u> |

NOTE 5 PROGRAM REVENUES AND EXPENSES

Revenues and expenses by program for the years ended June 30, 2023 and 2022 were as follows:

| <u>Revenue</u> | <u>2023</u> | <u>2022</u> |
|-----------------------------|---------------------|---------------------|
| Elementary School Programs | \$ 3,502,673 | \$ 3,327,242 |
| Middle School Programs | 2,458,952 | 2,724,948 |
| High School Programs | 1,384,858 | 1,354,778 |
| Community Programs | 2,277,962 | 2,268,908 |
| Fiscally sponsored projects | 236,022 | 269,041 |
| | <u>\$ 9,860,467</u> | <u>\$ 9,944,917</u> |
| | | |
| <u>Expenses</u> | <u>2023</u> | <u>2022</u> |
| Elementary School Programs | \$ 2,498,557 | \$ 2,276,474 |
| Middle School Programs | 2,214,082 | 2,493,111 |
| High School Programs | 1,242,649 | 1,239,514 |
| Community Programs | 2,148,863 | 2,047,157 |
| Fiscally sponsored projects | 236,022 | 269,041 |
| Total | <u>\$ 8,340,173</u> | <u>\$ 8,325,297</u> |

RICHMOND DISTRICT NEIGHBORHOOD CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE 6 RIGHT OF USE ASSETS AND LEASE LIABILITIES

As stated in Note 2, the Center has adopted ASU 842 and as such, is recognizing future operating lease payments as right of use assets and corresponding lease liabilities. In accordance with the ASU, a present value discount was considered but was determined to be insignificant. In addition, the Center has elected to apply the ASU retrospectively for the year ended June 30, 2023, and as such, would make an adjustment to net assets to consider the effects of the ASU for the prior period. The amount of the adjustment is considered immaterial to these financial statements and thus, no adjustment was made.

The Corporation is obligated under long-term lease agreements for equipment, and with the San Francisco Unified School District (“SFUSD”) for rent of its site. The leases extend to the year 2027 for equipment and the facility. Under the terms of the agreement with the SFUSD, the site must be used for neighborhood facilities for low to moderate income persons.

Future minimum lease commitments are as follows:

| <u>Fiscal Year End June 30,</u> | |
|---------------------------------|-------------------|
| 2024 | \$ 30,436 |
| 2025 | 29,018 |
| 2026 | 29,018 |
| 2027 | <u>29,018</u> |
| | <u>\$ 117,490</u> |

Rent and equipment lease expense for the years ended June 30, 2023 and 2022 was \$45,614 and \$48,989, respectively.

NOTE 7 PENSION PLAN

Pursuant to Section 403(b) of the Internal Revenue Code, the Corporation contributes to a tax sheltered annuity plan for qualifying employees. Vesting in the plan begins after 12 months of service and partial vesting continues until the employee completes several years of service. Employer matches are determined by the Corporation’s projected budget. Employer matching contributions were \$13,600 and \$16,100 for the years ended June 30, 2023 and 2022, respectively.

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE 8 IN-KIND CONTRIBUTIONS

All in-kind contributions are unrestricted and are reported at donor valuations. The Corporation received donated goods during the years ended June 30, 2023 and 2022 as follows:

| | <u>2023</u> | <u>2022</u> |
|---------------|---------------------|---------------------|
| Food | \$ 1,431,897 | \$ 1,384,780 |
| Facility use | 719,162 | 398,455 |
| Auction items | <u>18,679</u> | <u>12,907</u> |
| | <u>\$ 2,169,738</u> | <u>\$ 1,796,142</u> |

NOTE 9 LINE OF CREDIT

A line of credit was obtained on May 19, 2020 for \$300,000. On August 29, 2022 it was renewed and increased to a line of \$600,000. The line of credit has an interest rate that is floating at the Wall Street Journal Prime rate which was 5.5% and matures on August 19, 2024. No funds have been advanced on the line as of June 30, 2023 and 2022, and the balance on the line of credit is \$0.

NOTE 10 LIQUIDITY MANAGEMENT

As part of the Corporation's liquidity management strategy, the Corporation structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Corporation's working capital and cash flows have cyclical variations during the year attributable to the cash receipts of contract revenues, contributions and grants. The Corporation has sufficient cash and cash equivalents to meet its current needs and investments which can be converted to cash for periods when cash is not available.

The Statement of Financial Position at June 30, 2023 shows liquid assets as follows:

| | |
|--|---------------------|
| Cash and cash equivalents | \$ 4,145,464 |
| Accounts receivable | 20,191 |
| Grants and contracts receivable | <u>530,586</u> |
| Financial assets available for current needs | <u>\$ 4,696,241</u> |

NOTE 11 RECLASSIFICATION OF PRIOR YEAR PRESENTATION

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations. These changes in classification do not affect previously reported cash flows from operating activities in the Statements of Cash Flows.

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE 12 CONCENTRATION OF CREDIT RISK

As of June 30, 2023, the Corporation's financial instruments consisted primarily of cash and cash equivalents, investments and receivables. Cash balances may at times exceed the Federal Deposit Insurance Corporation (FDIC) limits on insurable amounts. The Corporation attempts to mitigate this risk by investing excess cash with major institutions.

The Corporation received approximately 58% of its revenue from various agencies of the City and County of San Francisco for both years ended June 30, 2023 and 2022. Portions of this funding originate with the State of California.

NOTE 13 SUBSEQUENT EVENTS

Management has evaluated all subsequent events through the Auditor's Report date, the date the financial statements were available to be issued.