

HEARTS & MINDS ACTIVITY CENTER

FINANCIAL STATEMENTS

JUNE 30, 2023

AND

INDEPENDENT AUDITORS' REPORT



HEARTS & MINDS ACTIVITY CENTER

TABLE OF CONTENTS

Independent Auditors' Report	1 - 2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 15



INDEPENDENT AUDITORS' REPORT

The Board of Directors
Hearts & Minds Activity Center
San Jose, California

Opinion

We have audited the accompanying financial statements of Hearts & Minds Activity Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hearts & Minds Activity Center as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hearts & Minds Activity 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 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 Hearts & Minds Activity Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



Auditors' 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 auditors' 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.

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 Hearts & Minds Activity 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 Hearts & Minds Activity 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.

Report on Summarized Comparative Information

We have previously audited Hearts & Minds Activity Center's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 7, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Johanson & Yau Accountancy Corporation

Campbell, California
October 19, 2023

HEARTS & MINDS ACTIVITY CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(With Comparative Totals as of June 30, 2022)

	ASSETS	
	2023	2022
Current assets		
Cash and cash equivalents	\$ 541,639	\$ 188,227
Investments - Note 5	2,546,812	2,364,956
Accounts receivable	43,049	34,498
Grants receivable - Note 7	109,382	41,330
Prepaid expenses	10,150	28,381
	3,251,032	2,657,392
Property and equipment, net of accumulated depreciation - Note 8	1,522,048	1,619,998
	\$ 4,773,080	\$ 4,277,390
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 39,641	\$ 27,191
Accrued liabilities	132,586	91,893
Deferred revenue	75,814	4,141
	248,041	123,225
Net assets		
Without donor restrictions	4,493,802	4,125,034
With donor restrictions - Note 3	31,237	29,131
	4,525,039	4,154,165
	\$ 4,773,080	\$ 4,277,390

See accompanying notes to financial statements

HEARTS & MINDS ACTIVITY CENTER
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating activities				
Support revenue				
Contributions	\$ 425,787	\$ 4,000	\$ 429,787	\$ 381,458
Government grants and contracts - Note 10	521,709	-	521,709	216,062
Special events, net	153,875	-	153,875	124,890
Contributions - nonfinancial assets - Note 11	240,075	-	240,075	259,306
	<u>1,341,446</u>	<u>4,000</u>	<u>1,345,446</u>	<u>981,716</u>
Other revenue				
Program services fees	1,591,575	-	1,591,575	1,133,289
Interest and dividends	72,518	-	72,518	99,139
Rental income	10,850	-	10,850	2,350
PPP forgiveness - Note 9	-	-	-	110,173
Miscellaneous	-	-	-	15
Net assets released from restrictions	1,894	(1,894)	-	-
Total other revenue	<u>1,676,837</u>	<u>(1,894)</u>	<u>1,674,943</u>	<u>1,344,966</u>
Total support and other revenue	<u>3,018,283</u>	<u>2,106</u>	<u>3,020,389</u>	<u>2,326,682</u>
Expenses				
Program expenses				
Program services	2,439,933	-	2,439,933	1,894,220
Supporting expenses				
General and administrative	237,577	-	237,577	191,325
Fundraising	112,657	-	112,657	120,105
Total expenses	<u>2,790,167</u>	<u>-</u>	<u>2,790,167</u>	<u>2,205,650</u>
Change in net assets from operations	228,116	2,106	230,222	121,032
Non-operating activities				
Loss on asset disposal	(2,177)	-	(2,177)	-
Net realized and unrealized gains (losses) on investment - Note 5	142,829	-	142,829	(521,343)
Change in net assets	368,768	2,106	370,874	(400,311)
Net assets, beginning of year	<u>4,125,034</u>	<u>29,131</u>	<u>4,154,165</u>	<u>4,554,476</u>
Net assets, end of year	<u>\$ 4,493,802</u>	<u>\$ 31,237</u>	<u>\$ 4,525,039</u>	<u>\$ 4,154,165</u>

See accompanying notes to financial statements

HEARTS & MINDS ACTIVITY CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	2023						2022	
	Program Services			Supporting Services			Total	Total
	Adult Day Care	Child Care	Total Program Services	Management & General	Fundraising	Total Supporting Services		
Salaries	\$ 950,327	\$ 277,653	\$ 1,227,980	\$ 123,320	\$ 44,155	\$ 167,475	\$ 1,395,455	\$ 1,033,354
Payroll taxes	83,676	23,639	107,315	9,566	3,041	12,607	119,922	92,135
Employee benefits	135,841	74,971	210,812	27,233	7,465	34,698	245,510	163,266
Subtotal compensation	1,169,844	376,263	1,546,107	160,119	54,661	214,780	1,760,887	1,288,755
Occupancy	330,470	53,978	384,448	5,570	2,430	8,000	392,448	372,754
Depreciation - Note 8	76,850	12,165	89,015	6,758	-	6,758	95,773	109,467
Food	108,372	8,603	116,975	-	22,639	22,639	139,614	103,907
Professional fees	129,777	25,966	155,743	35,242	16,379	51,621	207,364	147,442
Supplies	39,002	4,347	43,349	367	786	1,153	44,502	25,245
Telephone and internet	9,295	2,552	11,847	993	425	1,418	13,265	19,471
Insurance	14,983	3,746	18,729	1,457	624	2,081	20,810	31,720
Equipment rental and maintenance	21,007	5,694	26,701	676	290	966	27,667	25,609
Membership dues	18,274	1,855	20,129	3,610	10,458	14,068	34,197	32,438
Staff recognition and education	7,905	2,343	10,248	198	281	479	10,727	5,279
Advertising	5,780	1,368	7,148	12	5	17	7,165	6,739
Postage and shipping	2,453	610	3,063	247	102	349	3,412	3,283
Meetings and travel	1,038	55	1,093	92	74	166	1,259	138
Meals and entertainment	3,155	-	3,155	-	-	-	3,155	2,015
Bad debt	289	-	289	-	-	-	289	452
Bank & credit card fees	-	-	-	22,236	3,503	25,739	25,739	15,451
Scholarships & subsidies	1,144	750	1,894	-	-	-	1,894	279
Donated event expenses	-	-	-	-	-	-	-	15,206
	<u>\$ 1,939,638</u>	<u>\$ 500,295</u>	<u>\$ 2,439,933</u>	<u>\$ 237,577</u>	<u>\$ 112,657</u>	<u>\$ 350,234</u>	<u>\$ 2,790,167</u>	<u>\$ 2,205,650</u>

See accompanying notes to financial statements

HEARTS & MINDS ACTIVITY CENTER
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
Cash flow from operating activities		
Change in net assets	\$ 370,874	\$ (400,311)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	95,773	109,467
Contributions of property	-	(3,500)
PPP forgiveness	-	(110,173)
Loss on disposal of assets	2,177	-
Net realized and unrealized loss (gain) from investments	(142,829)	521,343
Bad debts	289	452
(Increase) decrease in assets		
Receivables	(76,892)	(1,208)
Prepaid expenses	18,231	(9,671)
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	35,634	(44,914)
Deferred revenue	71,673	(18,939)
	<u>374,930</u>	<u>42,546</u>
 Cash flows from investing activities		
Purchase of property and equipment	-	(44,389)
Purchase of marketable securities	(21,518)	(304,905)
Proceeds from sale of investments	-	311,145
	<u>(21,518)</u>	<u>(38,149)</u>
 Net increase in cash and cash equivalents	353,412	4,397
 Cash and cash equivalents, beginning of year	<u>188,227</u>	<u>183,830</u>
 Cash and cash equivalents, end of year	<u>\$ 541,639</u>	<u>\$ 188,227</u>

See accompanying notes to financial statements

**HEARTS & MINDS ACTIVITY CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization - Hearts & Minds Activity Center (the Organization) is a California nonprofit corporation that has operated for over 30 years with the mission of supporting those affected by Alzheimer's disease and other dementias. The Organization achieves its mission by creating a sense of community for clients, families, and caregivers through services for the Adult Day Care program and the Child Care program. The Organization's primary source of revenue and support is from contributions and program fees.

Adult Day Care provides a therapeutic activity program and socialization to individuals with Alzheimer's disease and related memory loss. The services that are provided include assistance with activities of daily living, respite for caregivers, health monitoring, support services and education, and nutritional monitoring. Intergenerational programming brings together young children and individuals with Alzheimer's disease for a therapeutic, stimulating, and beneficial environment for both.

Child Care accepts children from the age of two through entry into first grade, and takes a child-centered approach to learning. Intergenerational programming brings together young children and individuals with Alzheimer's disease for a therapeutic, stimulating, and beneficial environment for both.

The Organization formally changed its name from Respite and Research for Alzheimer's Disease in November 2018.

Basis of Accounting - The financial statements have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation - The Organization follows standards of accounting and financial reporting for not-for-profit organizations as prescribed by the American Institute of Certified Public Accountants and the Financial Accounting Standards Board. The Organization reports its financial position and operational activities according to the following net asset classifications:

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 stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Measure of Operations - The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing program services and interest and dividends earned on investments. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

HEARTS & MINDS ACTIVITY CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition - Contributions and grants are recognized when the donor makes a promise to the Organization that is, in substance, unconditional. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Program service revenue and event income are recognized in the period as earned.

PPP loan recorded as refundable advance is a conditional grant. Revenue is recognized as forgiveness conditions are met.

Rental income includes daily rental of spaces without long term lease agreements and are recognized in the period as earned.

Deferred Revenue - Deferred revenue consists of prepayments for future program service and event income.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Organization considers cash and cash equivalents to include all cash accounts held in banks and other financial institutions.

Investments - Investments are reported in the Statements of Financial Position at fair value, which is determined using quoted market prices. Interest and dividends are accrued as earned and recorded as revenue without donor restrictions unless income is restricted by the donor. Unrealized gains and losses are included in the change in net assets.

Accounts Receivable and Allowance for Doubtful Accounts - Accounts receivable consist of receivables related to services provided. An allowance for doubtful accounts is recorded, as considered necessary, based on management's analysis of specific receivables and on the Organization's prior experience. As of June 30, 2023, there was no allowance for doubtful accounts. When accounts prove to be uncollectible based on efforts of the Organization, the Organization will write off the receivable. There were \$289 of accounts receivable write offs for the year ended June 30, 2023.

Grants Receivable - Grants receivable represent amounts awarded that have not been received by the Organization. Grants receivable are stated at the amount management expects to collect from outstanding balances.

HEARTS & MINDS ACTIVITY CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment - Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation.

Depreciation of property and equipment is provided on estimated useful lives of the assets essentially as follows:

Buildings and improvements	7-30 years
Furniture and equipment	5-10 years
Website	3 years

Contributed Nonfinancial Assets - The Organization records various types of contributed nonfinancial assets support including professional services and tangible assets. Contributed professional services are recognized 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 of tangible assets are recognized at fair value when received.

Additionally, the Organization receives contributed time that does not meet the recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

Use of 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 results could differ from those estimates.

Prior Year Information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Income Taxes - The Organization is exempt from federal and state income taxes under provisions of section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Organization's tax filings are subject to audit by various taxing authorities.

Concentration of Credit Risk - The Organization maintains cash deposits in excess of federally insured limits.

**HEARTS & MINDS ACTIVITY CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses - The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services and supporting services. Such allocations are determined by management on an equitable basis. Significant categories of expenses that are allocated include the following:

<u>Expense</u>	<u>Method of allocation</u>
Salaries and related expenses	Percentage of direct costs
Occupancy	Percentage of direct costs
Depreciation	Actual usage
Food	Actual usage
Professional fees	Percentage of direct costs and actual usage
Supplies	Actual usage
Telephone and internet	Percentage of direct costs
Insurance	Percentage of direct costs
Equipment rental and maintenance	Percentage of direct costs and actual usage
Membership dues	Percentage of direct costs and actual usage
Staff recognition and education	Percentage of direct costs and actual usage
Advertising	Actual usage
Bank & credit card fees	Actual usage

New Accounting Pronouncement - In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). The new guidance requires lessees to recognize right-of-use lease assets and lease liabilities for all leases with terms more than 12 months in the statement of financial position and disclose key information about leasing agreements. This new guidance is effective for annual reporting periods beginning after December 15, 2021. The Organization adopted this new accounting guidance on July 1, 2022. The adoption of the new lease accounting guidance did not have an effect on the Financial Statements because the Organization had no long-term lease agreements existing at July 1, 2022, the date of adoption.

Subsequent Events - Subsequent events were evaluated through October 19, 2023, the date the financial statements were available to be issued.

HEARTS & MINDS ACTIVITY CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at June 30, 2023:

Financial assets at year end:	
Cash and cash equivalents	\$ 541,639
Investments	2,546,812
Accounts receivable	43,049
Grants receivable	<u>109,382</u>
 Total financial assets	 3,240,882
 Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>31,237</u>
 Financial assets available to meet general expenditures over the next year	 <u>\$ 3,209,645</u>

The Organization's goal is to secure its financial assets to be available for its general expenditures, liabilities and other obligations as they become due. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts, mutual funds and exchange traded funds.

NOTE 3 - NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets consisted of the following at June 30, 2023:

Specific Purpose:	
Scholarship funds	<u>\$ 31,237</u>

Net assets released from restrictions for the year ended June 30, 2023 were \$1,894.

NOTE 4 - CONCENTRATION OF RISK

Three donors represented 68% of total receivables as of June 30, 2023. Two of these donors represented 30% of total contributed support revenue for the year ended June 30, 2023.

HEARTS & MINDS ACTIVITY CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 - INVESTMENTS

Investments consisted of the following at June 30, 2023:

Mutual funds	\$ 1,411,929
Exchange traded funds and closed-end funds	<u>1,134,883</u>
	<u><u>\$ 2,546,812</u></u>

Net investment return during the year ended June 30, 2023 is summarized as follows:

Realized and unrealized gains	\$ 160,539
Management fees	<u>(17,710)</u>
	<u><u>\$ 142,829</u></u>

NOTE 6 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a hierarchy to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the assets based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Values are unadjusted quoted prices for identical assets or liabilities in active markets accessible at the measurement date.

Level 2 – Inputs included in quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

HEARTS & MINDS ACTIVITY CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 - FAIR VALUE MEASUREMENTS (Continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value at June 30, 2023.

Mutual funds: Valued at the net asset value (NAV) of shares held at year end.

Exchange traded funds and closed-end funds: Valued at the NAV of shares held at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In accordance with generally accepted accounting principles, the following table represents the Organization's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of June 30, 2023.

	Level 1	Level 2	Level 3	Total Amount
Mutual funds	\$ 1,411,929	\$ -	\$ -	\$ 1,411,929
Exchange traded funds and closed-end funds	1,134,883	-	-	1,134,883
Total investments at fair value	\$ 2,546,812	\$ -	\$ -	\$ 2,546,812

NOTE 7 - GRANTS RECEIVABLE

Grants receivable represents amounts due from the following as of June 30, 2023:

County of Santa Clara (General Fund)	\$ 5,356
California Department of Aging	41,429
Sourcewise - OARR	33,438
Family Caregiver Support Program (Sourcewise)	29,159
	\$ 109,382

**HEARTS & MINDS ACTIVITY CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2023:

Buildings and improvements	\$	3,553,434
Furniture and equipment		176,849
Website		28,000
		3,758,283
Less accumulated depreciation		2,236,235
		\$ 1,522,048

Depreciation expense for the year ended June 30, 2023 was \$95,773.

NOTE 9 - REFUNDABLE ADVANCE

On April 21, 2020, the Organization received \$340,272 under the United States Small Business Administration's Paycheck Protection Program (PPP) through Heritage Bank of Commerce, as a result of the public health emergency brought on by the novel Corona virus (COVID-19). On February 3, 2021, the Organization received the 2nd draw PPP loan in the amount of \$110,173. The terms of the promissory note and funding agreement state that the loan proceeds must be used to fund or offset qualifying expenses. Principal and accrued interest at 1% are due in two years, April 21, 2022. The loan, including accrued interest, may be forgiven in whole or in part upon completion of the agreed-upon terms. The amount forgiven will be considered an unrestricted contribution. On January 13, 2021, the 1st draw PPP loan in the amount of \$340,272 was forgiven. On October 25, 2021, the 2nd draw PPP loan in the amount of \$110,173 was forgiven and was reported as other revenue during the year.

NOTE 10 - GOVERNMENT GRANTS AND CONTRACTS

The Organization's programs are supported by grants and contracts from federal, state and local governments requiring services to be rendered to be eligible individuals. These grants are recorded as an increase in unrestricted revenue. Government grants and contracts for the year ended June 30, 2023 consists of amounts as follows:

County of Santa Clara (General Fund)	\$	64,272
California Department of Aging		252,659
Family Caregiver Support Program (Sourcewise)		154,636
Sourcewise - OARR		50,142
		\$ 521,709

HEARTS & MINDS ACTIVITY CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11 - CONTRIBUTED NONFINANCIAL ASSETS

For the year ended June 30, 2023, contributed nonfinancial assets recognized within the statement of activities include:

Balloon Decor for 2023 Annual Gala	\$ 75
Land lease equivalent	<u>240,000</u>
	<u><u>\$ 240,075</u></u>

NOTE 12 - FACILITIES

The Organization has an agreement with the County of Santa Clara to use 1.84 acres of County land with no payments due. The fair value of the use of the land has been reflected in the statement of activities as contributed nonfinancial assets as well as additional occupancy expenses. Also see Note 11. The lease expires in November 2037.

NOTE 13 - RETIREMENT PLANS

The Organization has a 403(b) retirement plan that covers all eligible employees. Each participant may elect to contribute up to the maximum allowed by federal law. The Organization may, in its sole discretion, make a matching contribution in an amount determined by the Organization. Employer contributions totaled \$15,820 for the year ended June 30, 2023.

NOTE 14 - UNCERTAINTIES

The COVID-19 outbreak is disrupting operations and affecting a range of industries. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on its members, employees and vendors, all of which are uncertain and cannot be predicted. As of the date of this report, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain. No adjustments relating to the effects of the pandemic have been recorded in the accompanying financial statements.