

THE POTTER'S HANDS FOUNDATION, INC.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
The Potter's Hands Foundation, Inc.
Penn Yan, New York

We have reviewed the accompanying consolidated financial statements of The Potter's Hands Foundation, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of The Potter's Hands Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on 2021 Consolidated Financial Statements

The financial statements of The Potter's Hands Foundation, Inc. as of December 31, 2021, were reviewed by other accountants whose report dated October 27, 2022, stated that based on their procedures, they are not aware of any material modifications that should be made to the consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Rochester, New York
June 29, 2023

THE POTTER'S HANDS FOUNDATION, INC.
Consolidated Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash	\$ 83,394	\$ 54,177
Money market funds	147,146	149,132
Accounts receivable	3,903	4,506
Total current assets	234,443	207,815
Property and Equipment		
Land and improvements	89,825	89,825
Building	861,347	861,347
Furniture	44,248	44,248
Vehicles	13,184	1,700
Sub-total	1,008,604	997,120
Less, accumulated depreciation	(162,595)	(125,717)
Total property and equipment - net	846,009	871,403
Goodwill - net	16,880	20,256
Total Assets	\$ 1,097,332	\$ 1,099,474
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 503	\$ 3,279
Accrued expenses	18,805	4,637
Other taxes payable	89	442
Total current liabilities	19,397	8,358
Net Assets		
Net assets without donor restrictions	1,077,935	1,091,116
Total Liabilities and Net Assets	\$ 1,097,332	\$ 1,099,474

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

THE POTTER'S HANDS FOUNDATION, INC.
Consolidated Statements of Activities
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Support and Revenue		
Contributions	\$ 359,406	\$ 288,167
Special events	43,818	14,815
Grant income	48,200	10,875
Contributed nonfinancial assets	-	4,997
Sales of baked goods	39,094	28,812
Interest income	1,038	841
Paycheck Protection Program and EIDL loan forgiveness	-	68,378
Total support and revenue	491,556	416,885
Expenses		
Program services	421,543	405,137
Management and general	83,194	78,601
Total expenses	504,737	483,738
Change in Net Assets	(13,181)	(66,853)
Net Assets Without Donor Restrictions - Beginning	1,091,116	1,157,969
Net Assets Without Donor Restrictions - Ending	\$ 1,077,935	\$ 1,091,116

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

THE POTTER'S HANDS FOUNDATION, INC.
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Payroll and related	\$ 316,067	\$ 44,339	\$ 360,406
Insurance	3,026	-	3,026
Depreciation	36,878	-	36,878
Office supplies and postage	-	8,802	8,802
E-giving fees	-	1,001	1,001
Auto and transportation	6,759	-	6,759
Donations	4,000	-	4,000
Advertising	273	-	273
Program supplies	2,684	-	2,684
Utilities	10,780	-	10,780
Repairs and maintenance	12,395	-	12,395
Professional fees	-	8,986	8,986
Website expenses	-	501	501
Special events expenses	-	19,565	19,565
Bakery supplies	12,047	-	12,047
Amortization	3,376	-	3,376
Sundry	13,258	-	13,258
Total functional expenses	<u>\$ 421,543</u>	<u>\$ 83,194</u>	<u>\$ 504,737</u>

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

THE POTTER'S HANDS FOUNDATION, INC.
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Payroll and related	\$ 317,158	\$ 44,492	\$ 361,650
Insurance	6,165	-	6,165
Depreciation	32,742	-	32,742
Office supplies and postage	-	9,031	9,031
E-giving fees	-	2,249	2,249
Auto and transportation	3,850	-	3,850
Advertising	1,256	-	1,256
Program supplies	3,796	-	3,796
Utilities	8,985	-	8,985
Repairs and maintenance	7,338	-	7,338
Professional fees	-	6,275	6,275
Website expenses	-	298	298
Training	108	-	108
Special events expenses	-	16,256	16,256
Bakery supplies	13,836	-	13,836
Amortization	3,376	-	3,376
Sundry	6,527	-	6,527
Total functional expenses	<u>\$ 405,137</u>	<u>\$ 78,601</u>	<u>\$ 483,738</u>

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

THE POTTER'S HANDS FONDATION, INC.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (13,181)	\$ (66,853)
Adjustments		
Depreciation	36,878	32,742
Amortization	3,376	3,376
Forgiveness of debt	-	(59,310)
Changes in accounts receivable	603	(269)
Changes in accounts payable	(2,776)	1,465
Changes in accrued expenses	14,168	3,670
Changes in other taxes payable	(353)	29
Net cash flows from operating activities	<u>38,715</u>	<u>(85,150)</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(11,484)	(7,924)
Cash Flows from Financing Activities		
Proceeds from Paycheck Protection loan	<u>-</u>	<u>59,310</u>
Net Change in Cash and Cash Equivalents	27,231	(33,764)
Cash and Cash Equivalents - Beginning	<u>203,309</u>	<u>237,073</u>
Cash and Cash Equivalents - Ending	<u>\$ 230,540</u>	<u>\$ 203,309</u>
Cash and Cash Equivalents:		
Cash	\$ 83,394	\$ 54,177
Money market funds	147,146	149,132
Total cash and cash equivalents	<u>\$ 230,540</u>	<u>\$ 203,309</u>

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

THE POTTER'S HANDS FOUNDATION, INC.
Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies and Nature of Foundation

Nature of Foundation - The Potter's Hands Foundation, Inc. (the "Foundation") is a non-profit organization incorporated on October 15, 2013, with a mission to help females who have been involved in abusive situations to find wholeness, healing and a sense of self-worth, while providing them a place to grow, heal and be free from the cruelty they have endured. The Foundation provides a residential safe house environment at no cost to victims of severe sexual exploitation and human trafficking. The Foundation is funded primarily through individual donors and grants from churches and other non-profit organizations. The program became operational in January 2018. In 2018, the Foundation acquired, through donation, Heavenly Treats, LLC., which prepares and sells baked goods for the benefit of the Foundation.

Consolidation Policy - The accompanying consolidated financial statements include the accounts of The Potter's Hands Foundation, Inc. and its wholly owned subsidiary, Heavenly Treats, LLC. Intercompany transactions and balances have been eliminated in consolidation.

Method of Accounting - The Foundation maintains its books and prepares its financial statements on the accrual basis of accounting.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation - In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, "Not-for-Profit Entities (Topic 958) Presentation of Financial Statement of Not-for-Profit Entities." ASU 2016-14 contains several provisions that change the presentation of and disclosures within the financial statements of a not-for-profit entity. These changes include an updated net asset classification scheme from three classes to two classes, quantitative and qualitative disclosures regarding liquidity and disclosure of expenses by functional classification.

Net Assets Without Donor Restriction - Net assets without donor restriction represent net assets that are not subject to donor imposed stipulations and are generally available for support of the Foundation's activities. The Board of Directors has discretionary control over these resources to carry out the operations of the Foundation in accordance with its by-laws. The Foundation had net assets without donor restrictions of \$1,077,935 and \$1,091,116 as of December 31, 2022 and 2021, respectively.

Net Assets With Donor Restriction - Net assets with donor restriction represent net assets that are subject to donor imposed stipulations. The Foundation had no net assets with donor restrictions for the years ended December 31, 2021 and 2020, respectively.

Liquidity - The Foundation has \$234,443 of financial assets available within one year of the statement of financial position date consisting of \$230,540 of cash and cash equivalents and \$3,903 of receivables. There were no financial assets subject to donor or contractual restricts that make them unavailable for general expenditures within one year of the statement of financial position date.

THE POTTER'S HANDS FOUNDATION, INC.
Notes to Consolidated Financial Statements

Cash and Cash Equivalents - For the purposes of the statements of financial position and statements of cash flows, cash and cash equivalents include cash and money market funds. The Foundation maintains cash and cash equivalents at financial institutions which periodically may exceed federally insured limits.

Accounts Receivable - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management reviews accounts receivable periodically to determine if any receivables will potentially be uncollectible. After all attempts to collect a receivable have failed, the receivable is written off.

Property and Equipment - Property and equipment are recorded at cost, if purchased, or at fair market value, if donated, less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives of the respective assets ranging from five to forty years. Maintenance and repairs are charged to expense. The cost of property and equipment retired or otherwise disposed of and related accumulated depreciation is removed from the accounts.

Goodwill - Goodwill is being amortized on a straight-line basis over ten years. Amortization of goodwill amounted to \$3,376 for both of the years ended December 31, 2022 and 2021.

Contributions and Grants - The Foundation's financial statements are presented in accordance with the provisions of ASU 2018-08, "Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made". ASU 2018-08 provides clarification for determining if grants and contracts should be considered contributions or exchange transactions, as well as guidance for determining if a contribution is conditional.

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. Grants and other contributions are reported as either donor restricted support if they are received with donor stipulations that limit the use of the donated assets and without donor restrictions if they are received without donor stipulations. In the absence of donor specification that income and gains on donated funds are restricted, such income and gains are reported as net assets without donor restrictions.

Donated Goods and Services - In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, "Presentation and Disclosures for Not-for-Profit Entities for Contributed Nonfinancial Assets." ASU 2020-107 requires new presentation and disclosure for gift-in-kind donations to improve transparency on how those assets are used and valued. FLO has not recorded donated goods and services as revenue and expense as such services do not meet the criteria for recognition under GAAP.

Revenue Recognition - Under Accounting Standards Update (ASU) No 2014-09 (Topic 606) - Revenue from Contracts with Customers ("ASU 2014-09" or "Topic 606"), revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Foundation expects to be entitled in exchange for these goods or services. The Foundation utilizes a five-step framework as identified in ASU 2014-09.

Special Events Revenue - The Foundation conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event, the exchange component, and a portion represents a contribution to the Foundation. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Foundation, are recorded as costs of direct benefits to donors in the statement of activities. The performance obligation is the delivery of the event. The Foundation separately presents in Note 3 the exchange and contribution components of the gross proceeds from special events. Any sponsorship benefits generally occur over the same period.

THE POTTER'S HANDS FOUNDATION, INC.
Notes to Consolidated Financial Statements

Sale of Baked Goods - The Foundation offers a variety of fudge and candy products, handmade by volunteers, to solicit and distribute contributions in support of the Foundation's mission. Revenues are recognized at the point in time when the customer obtains control of the goods, which is at the time of on-site purchase or delivery of goods to the customer. The Foundation records a liability for sales tax whenever a taxable sale is recognized. No recognition of related taxes is made in sales or cost of sales.

Contract Assets and Liabilities - The Foundation has no contract assets or liabilities at December 31, 2022 or 2021. Accounts receivable are recorded when the right to consideration becomes unconditional and the billing process has been completed.

Accounts receivable and revenue from customers are summarized as of and for the years ended December 31:

	<u>2022</u>		<u>2021</u>		<u>2020</u>
Accounts receivable	\$ 3,903	\$	4,506	\$	4,237
Sale of baked goods	\$ 39,094	\$	28,812	\$	19,826
Special events	\$ 43,818	\$	14,815	\$	6,488

Income Tax Status - The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income.

In accordance with ASC 740-10-50, the Foundation recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities. Management believes that the Foundation is currently operating in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no liability for unrecognized tax benefits has been included on the Foundation's financial statements. The exempt Foundation's informational returns are subject to audit by various taxing authorities.

Advertising - The Foundation charges advertising to expense during the year in which they were incurred.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events - The Foundation has evaluated subsequent events through the date of the report, which is the date the financial statements were available to be issued.

Note 2. Note Payable - Paycheck Protection Program

During February 2021, the Foundation received a loan in the amount of \$59,310 under the Paycheck Protection Program that was designed by the United States Small Business Administration ("SBA") to provide direct incentive for small businesses to keep their workers on payroll due to COVID-19. During June 2021, the Foundation received full loan forgiveness, and the funds are shown as income on the statement of activities. Additionally the Foundation received \$9,038 through the SBA Economic Injury Disaster Loan program, which was forgiven during the year ended December 31, 2021.

THE POTTER'S HANDS FOUNDATION, INC.
Notes to Consolidated Financial Statements

Note 3. Special Events Revenue

Gross receipts from special fundraising events consist of exchange transaction revenue and contribution revenue as following for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Contribution	\$ 38,042	\$ 19,650
Special events revenue	43,818	14,815
Total	<u>\$ 81,860</u>	<u>\$ 34,465</u>