

THE POTTER'S HANDS FOUNDATION, INC.

ELMIRA, NEW YORK

**REVIEWED CONSOLIDATED FINANCIAL
STATEMENTS**

AND

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

DECEMBER 31, 2021 AND 2020



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
The Potter's Hands Foundation, Inc.

We have reviewed the accompanying consolidated financial statements of The Potter's Hands Foundation, Inc., which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Consolidated 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements 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 reviews.

Accountant's Conclusion

Based on our reviews, 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.

Mengel, Metzger, Barr & Co. LLP

Elmira, New York
October 27, 2022

THE POTTER'S HANDS FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	December 31,	
	2021	2020
<u>CURRENT ASSETS</u>		
Cash	\$ 54,177	\$ 78,737
Money market funds	149,132	158,336
Accounts receivable	4,506	4,237
TOTAL CURRENT ASSETS	207,815	241,310
 <u>PROPERTY AND EQUIPMENT</u>		
Land and improvements	89,825	81,902
Building	861,347	861,347
Furniture	44,248	44,248
Equipment	1,700	1,700
	997,120	989,197
Less allowances for depreciation	125,717	92,976
	871,403	896,221
 <u>OTHER ASSET</u>		
Goodwill, net of accumulated amortization of \$13,504 and \$10,128, respectively	20,256	23,632
TOTAL ASSETS	\$ 1,099,474	\$ 1,161,163
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 3,279	\$ 1,814
Accrued payroll related expenses	4,637	967
Other taxes payable	442	413
TOTAL LIABILITIES	8,358	3,194
 <u>NET ASSETS</u> - without donor restrictions	 1,091,116	 1,157,969
TOTAL LIABILITIES AND NET ASSETS	\$ 1,099,474	\$ 1,161,163

See independent accountant's review report and accompanying notes which are an integral part of the consolidated financial statements.

THE POTTER'S HANDS FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	<u>Year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Support and revenue:		
Contributions	\$ 288,167	\$ 257,641
Special events	14,815	6,488
Grant income	10,875	-
In-kind contributions	4,997	15,211
Sale of baked goods	28,812	19,826
Interest income	841	1,051
Paycheck Protection Program and EIDL loan forgiveness	68,378	49,678
TOTAL REVENUE	<u>416,885</u>	<u>349,895</u>
Expenses:		
Program services	405,137	299,650
Supporting services	78,601	73,111
TOTAL EXPENSES	<u>483,738</u>	<u>372,761</u>
CHANGE IN NET ASSETS	(66,853)	(22,866)
Net assets at beginning of year	<u>1,157,969</u>	<u>1,180,835</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,091,116</u>	<u>\$ 1,157,969</u>

See independent accountant's review report and accompanying notes which are an integral part of the consolidated financial statements.

THE POTTER'S HANDS FOUNDATION, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

(With Comparative Totals for 2020)

	<u>Program Services</u>	<u>Supporting Services</u>	<u>2021 Total</u>	<u>2020 Total</u>
Payroll and related	\$ 317,158	\$ 44,492	\$ 361,650	\$ 261,120
Insurance	6,165	-	6,165	6,562
Depreciation	32,742	-	32,742	32,522
Office supplies and postage	-	9,030	9,030	7,077
E-giving fees	-	2,249	2,249	2,255
Auto and transportation	3,850	-	3,850	980
Advertising	1,256	-	1,256	3,003
Program supplies	3,796	-	3,796	1,943
Utilities	8,985	-	8,985	7,919
Repairs and maintenance	7,338	-	7,338	859
Professional fees	-	6,275	6,275	6,801
Website expenses	-	298	298	377
Training expense	108	-	108	75
Special event expenses	-	16,256	16,256	15,475
Bakery supplies	13,836	-	13,836	7,309
Amortization	3,376	-	3,376	3,376
Sundry	6,528	-	6,528	15,110
	<u>\$ 405,137</u>	<u>\$ 78,601</u>	<u>\$ 483,738</u>	<u>\$ 372,761</u>

See independent accountant's review report and accompanying notes which are an integral part of the consolidated financial statements.

THE POTTER'S HANDS FOUNDATION, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
Payroll and related	\$ 219,992	\$ 41,128	\$ 261,120
Insurance	6,562	-	6,562
Depreciation	32,522	-	32,522
Office supplies and postage	-	7,077	7,077
E-giving fees	-	2,255	2,255
Auto and transportation	980	-	980
Advertising	3,003	-	3,003
Program supplies	1,943	-	1,943
Utilities	7,919	-	7,919
Repairs and maintenance	859	-	859
Professional fees	-	6,801	6,801
Website expenses	-	377	377
Training expense	75	-	75
Special event expenses	-	15,475	15,475
Bakery supplies	7,309	-	7,309
Amortization	3,376	-	3,376
Sundry	15,110	-	15,110
	<u>\$ 299,650</u>	<u>\$ 73,111</u>	<u>\$ 372,761</u>

See independent accountant's review report and accompanying notes which are an integral part of the consolidated financial statements.

THE POTTER'S HANDS FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2021	2020
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ (66,853)	\$ (22,866)
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	32,742	32,522
Amortization	3,376	3,376
Forgiveness of Paycheck Protection Program loan	(59,310)	(49,678)
Changes in certain assets and liabilities affecting operations:		
Accounts receivable	(269)	927
Accounts payable	1,465	(6,033)
Accrued payroll related expenses	3,670	(142)
Other taxes payable	29	200
NET CASH USED FOR OPERATING ACTIVITIES	(85,150)	(41,694)
<u>CASH FLOWS - INVESTING ACTIVITY</u>		
Purchase of property and equipment, net	(7,924)	-
NET CASH USED FOR INVESTING ACTIVITY	(7,924)	-
<u>CASH FLOWS - FINANCING ACTIVITY</u>		
Proceeds from Paycheck Protection Program loan	59,310	49,678
NET CASH PROVIDED FROM FINANCING ACTIVITY	59,310	49,678
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(33,764)	7,984
Cash and cash equivalents at beginning of year	237,073	229,089
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 203,309	\$ 237,073

See independent accountant's review report and accompanying notes which are an integral part of the consolidated financial statements.

THE POTTER'S HANDS FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(See Independent Accountant's Review Report)

DECEMBER 31, 2021 AND 2020

NOTE A: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

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.

Principles of consolidation

The consolidated financial statements include the accounts of The Potter's Hands Foundation, Inc. and its wholly owned subsidiary, Heavenly Treats, LLC. All material intercompany accounts and transactions have been eliminated in consolidation.

Cash and money market funds

Cash and money market funds are considered to be cash equivalents. Cash balances are maintained at a financial institution located in Upstate New York and are insured up to \$250,000. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Foundation has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

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 donated to the Foundation are recorded at the estimated fair value at the date of donation. Purchased property and equipment are stated on the basis of cost. Once assets have been placed in service, depreciation is computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives which range from five to forty years. Expenditures for renewals and betterments are capitalized, while expenditures for repairs and maintenance are charged to operations as incurred.

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, 2021 and 2020.

Net assets

Net assets, revenues and other support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as net assets without donor restrictions or net assets with donor restrictions. At December 31, 2021 and 2020, the Foundation had no net assets with donor restrictions.

THE POTTER'S HANDS FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd
(See Independent Accountant's Review Report)

DECEMBER 31, 2021 AND 2020

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Revenue recognition

Contributions and grants

Contributions are generally available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are recorded as received. Grants and other contributions of cash and other assets are reported as donor restricted 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, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as contributions without donor restrictions.

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 and changes in net assets. The performance obligation is delivery of the event. The Foundation separately presents in Note E the exchange and contribution components of the gross proceeds from special events. The Foundation receives support in the form of both contributions and in-kind contributions in exchange for providing sponsorship benefits. If support is received in a form other than cash, the transaction is recorded as in-kind contribution at the estimated fair value of the item or services received and at the point in time received. The sponsorship benefits occur generally over the same period.

In-kind contributions

In-kind contributions are recorded at their fair value as of the date received and consist primarily of gift certificates and prizes used at special fundraising events. Contributed services are recognized as in-kind contributions if the services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. Contributed services are recorded at the fair value of the services provided. Volunteer services that do not meet the above criteria are not recognized as revenue and are not reported in the accompanying consolidated financial statements.

Sale of baked goods

The Foundation offers a variety of decadent 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 the 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.

THE POTTER'S HANDS FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd
(See Independent Accountant's Review Report)

DECEMBER 31, 2021 AND 2020

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Functional allocation of expenses

The costs of program and supporting service activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Tax exempt status

The Foundation is a not-for-profit organization exempt from federal and state income taxation under Section 501(c)(3) of the Internal Revenue Code. The Foundation has filed for and received income tax exemptions in the various jurisdictions where it is required to do so. The Foundation files a Form 990 tax return in the U.S. federal jurisdiction as well as New York State. With few exceptions, as of December 31, 2021, the Foundation is no longer subject to U.S. federal income tax examinations by tax authorities for years ended prior to December 31, 2018. The tax returns for years 2018 through 2021 are still subject to potential audit by the IRS and the taxing authorities in New York State. Management of the Foundation believes it has no material uncertain tax positions and, accordingly has not recognized any tax liability for unrecognized tax benefits. Heavenly Treats, LLC, as a single member LLC, is included in the filings of the Foundation.

Use of estimates in the preparation of consolidated financial statements

The preparation of consolidated 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 consolidated financial statements and the reported amounts of support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events

The Foundation has conducted an evaluation of potential subsequent events occurring after the consolidated statement of financial position date through October 27, 2022, which is the date the consolidated financial statements are available to be issued. No subsequent events requiring disclosure were noted.

THE POTTER'S HANDS FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd
(See Independent Accountant's Review Report)

DECEMBER 31, 2021 AND 2020

NOTE B: CONTRACT ASSETS AND LIABILITIES

The Foundation has no contract assets or liabilities at December 31, 2021 or 2020. Accounts receivable are recorded when the right to consideration becomes unconditional and the billing process has been completed. Accounts receivable and revenue from contracts with customers are summarized as follows:

	<u>December 31,</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Accounts receivable	<u>\$ 4,506</u>	<u>\$ 4,237</u>	<u>\$ 5,164</u>
	<u>Year ended December 31,</u>		
	<u>2021</u>	<u>2020</u>	
<u>Revenue from contracts with customers</u>			
Sale of baked goods	\$ 28,812	\$ 19,826	
Special events	<u>14,815</u>	<u>6,488</u>	
Total	<u>\$ 43,627</u>	<u>\$ 26,314</u>	

NOTE C: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Cash	\$ 54,177	\$ 78,737
Money market funds	149,132	158,336
Accounts receivable	<u>4,506</u>	<u>4,237</u>
	<u>\$ 207,815</u>	<u>\$ 241,310</u>

As part of the Foundation's liquidity management plan, financial assets are structured to be available as general expenditures, liabilities, and other obligations come due.

THE POTTER'S HANDS FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd
(See Independent Accountant's Review Report)

DECEMBER 31, 2021 AND 2020

NOTE D: NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are as follows:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Undesignated	\$ 219,713	\$ 261,748
Invested in property and equipment	<u>871,403</u>	<u>896,221</u>
	<u>\$ 1,091,116</u>	<u>\$ 1,157,969</u>

NOTE E: SPECIAL EVENTS REVENUE

Gross receipts from special fundraising events recorded by the Foundation consist of exchange transaction revenue and contribution revenue as follows:

	<u>Year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Contributions	\$ 19,650	\$ 17,205
Special event revenue	<u>14,815</u>	<u>6,488</u>
	<u>\$ 34,465</u>	<u>\$ 23,693</u>

NOTE F: FUNCTIONAL EXPENSES

The consolidated financial statements report certain categories of expenses that are attributable to both program and supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated on the basis of estimates of time and effort are payroll and related expenses.

NOTE G: SMALL BUSINESS ADMINISTRATION PROGRAMS

In response to the COVID-19 outbreak, in April 2020, the Foundation applied for and was approved by a bank for a loan of \$49,678 through the Paycheck Protection Program established by the Small Business Administration (SBA). The loan was funded on April 9, 2020 and was forgiven in December 2020. In February 2021, the Foundation applied for and was approved by a bank for a second draw loan of \$59,310 through the Paycheck Protection Program. The loan was funded on March 4, 2021 and was forgiven in June 2021. Additionally, the Foundation received \$9,038 through the SBA Economic Injury Disaster Loan program.