PROJECT HOPE ALLIANCE

Financial Statements

For the Years Ended June 30, 2014 and 2013

with

Independent Auditors' Report

PROJECT HOPE ALLIANCE

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PROJECT HOPE ALLIANCE

MISSION STATEMENT

The Mission of Project Hope Alliance is to equip homeless children with tools and opportunities to learn their way to a better tomorrow.

VISION STATEMENT

The Vision of Project Hope Alliance is to end the cycle of homelessness, one child at a time.

ALMICH & ASSOCIATES
AN ACCOUNTANCY CORPORATION
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Project Hope Alliance:

Report on Financial Statements

We have audited the accompanying financial statements of Project Hope Alliance (a California nonprofit public benefit corporation), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Project Hope Alliance as of June 30, 2014, 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.

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Other Matter

The financial statements of Project Hope Alliance as of and for the year ended June 30, 2013, were audited by another auditor who expressed an unmodified opinion on those statements on February 10, 2014.

Aldrich & Associates

Lake Forest, California
January 23, 2015

PROJECT HOPE ALLIANCE
Statements of Financial Position
June 30, 2014 and 2013

Assets

	2014	2013
Current assets:		
Cash	$ 271,001	$ 386,167
Gifts and grants receivable	87,956	-
Total current assets	358,957	386,167
Property and equipment, net of accumulated depreciation and amortization of $7,123 for 2014 and $1,601 for 2013	19,256	14,693
Deposit	3,200	-
Total assets	$ 381,413	$ 400,860

Liabilities and Net Assets

	2014	2013
Current liabilities:		
Accounts payable	$ 2,189	$ 3,109
Accrued liabilities	3,677	-
Total current liabilities	5,866	3,109
Net assets:		
Unrestricted	317,508	397,751
Temporarily restricted	58,039	-
Total net assets	375,547	397,751
Total liabilities and net assets	$ 381,413	$ 400,860

See notes to financial statements

PROJECT HOPE ALLIANCE
Statement of Activities
For the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support:			
Gifts and grants - foundations	$ 488,177	$ 58,039	$ 546,216
Gifts and grants - corporations and individuals	400,354	-	400,354
Fundraising events revenue, net of costs of direct benefits to donors of $158,051	56,409	-	56,409
Interest income	417	-	417
Total revenues, gains and other support	945,357	58,039	1,003,396
Expenses:			
Program	853,277	-	853,277
General and administrative	101,457	-	101,457
Fundraising	70,866	-	70,866
Total expenses	1,025,600	-	1,025,600
Change in net assets	(80,243)	58,039	(22,204)
Net assets, beginning of year	397,751	-	397,751
Net assets, end of year	$ 317,508	$ 58,039	$ 375,547

See notes to financial statements

PROJECT HOPE ALLIANCE
Statement of Activities
For the Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support:			
Gifts and grants - corporations and individuals	$ 646,439	$ -	$ 646,439
Interest income	194	-	194
Total revenues, gains and other support	646,633	-	646,633
Net assets released from restrictions	9,130	(9,130)	-
	655,763	(9,130)	646,633
Expenses:			
Program	639,021	-	639,021
General and administrative	103,809	-	103,809
Fundraising	43,044	-	43,044
Total expenses	785,874	-	785,874
Change in net assets	(130,111)	(9,130)	(139,241)
Net assets, beginning of year	527,862	9,130	536,992
Net assets, end of year	$ 397,751	$ -	$ 397,751

See notes to financial statements

PROJECT HOPE ALLIANCE
Statements of Cash Flows
For the Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ (22,204)	$ (139,241)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	5,522	1,126
Donated equipment	-	(5,510)
Changes in assets and liabilities:		
Gifts and grants receivable	(87,956)	-
Deposit	(3,200)	-
Accounts payable	(920)	(20,064)
Accrued liabilities	3,677	-
Net cash used by operating activities	(105,081)	(163,689)
Cash flows from investing activities:		
Purchases of property and equipment	(10,085)	(7,364)
Net cash used by investing activities	(10,085)	(7,364)
Decrease in cash	(115,166)	(171,053)
Cash, beginning of year	386,167	557,220
Cash, end of year	$ 271,001	$ 386,167

PROJECT HOPE ALLIANCE
Statement of Functional Expenses
For the Year Ended June 30, 2014

	Program	General and Administrative	Fundraising	Total
Salaries and related	$ 345,378	$ 25,586	$ 49,825	$ 420,789
Accounting and audit	-	18,038	-	18,038
After school program	33,492	-	-	33,492
Bank charges	-	6,833	-	6,833
Blended learning lab	2,662	-	-	2,662
Development/stewardship	-	7,469	17,428	24,897
Facilities	45,358	5,040	-	50,398
Educational programs	58,811	-	-	58,811
Family assistance	205,577	-	-	205,577
Insurance	3,449	6,033	336	9,818
Marketing and public relations	14,515	1,771	1,416	17,702
Miscellaneous	5,780	23,311	564	29,655
Music program	12,668	-	-	12,668
Payroll service	988	121	96	1,205
Printing and promotion	7,780	949	759	9,488
Training and conferences	3,836	5,754	-	9,590
Transportation	108,455	-	-	108,455
	848,749	100,905	70,424	1,020,078
Depreciation and amortization	4,528	552	442	5,522
	$ 853,277	$ 101,457	$ 70,866	1,025,600
Costs of direct benefits to donors at special events				158,051
				$ 1,183,651

PROJECT HOPE ALLIANCE
Statement of Functional Expenses
For the Year Ended June 30, 2013

	Program	General and Administrative	Fundraising	Total
Salaries and related	$ 187,069	$ 20,569	$ 22,960	$ 230,598
Accounting and audit	-	19,703	-	19,703
After school program	48,076	-	-	48,076
Bank charges	-	1,601	-	1,601
Counseling	68,691	-	-	68,691
Development/stewardship	-	2,294	5,575	7,869
Family assistance	101,943	-	-	101,943
Field trips	11,670	-	-	11,670
Fundraising	-	-	14,509	14,509
Insurance	-	5,869	-	5,869
Marketing	2,838	10,044	-	12,882
Miscellaneous	-	28,285	-	28,285
Music program	12,187	-	-	12,187
Payroll service	-	7,083	-	7,083
Postage	526	526	-	1,052
Printing and promotion	2,737	2,737	-	5,474
School makeover	97,520	-	-	97,520
Teacher projects	9,764	-	-	9,764
Transportation	96,000	-	-	96,000
Website	-	3,972	-	3,972
	639,021	102,683	43,044	784,748
Depreciation and amortization	-	1,126	-	1,126
	$ 639,021	$ 103,809	$ 43,044	785,874

See notes to financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Project Hope School Foundation was incorporated in California on October 11, 2002 under the nonprofit public benefit corporation law. In December 2011, the organization formally changed its name to Project Hope Alliance (the Organization). The Organization develops and implements rapid rehousing and educational programs and services that are ending the cycle of homelessness, one child at a time. Through grants, fundraising events, and donations from corporations and individuals, the Organization is ending homelessness tomorrow by providing homeless children with the tools and opportunities they need to achieve an exceptional education and a brighter future. The Organization is ending homelessness today by rapidly rehousing working-poor families and guiding them toward financial independence and self-sufficiency.

Basis of Presentation

The Organization reports amounts in the accompanying financial statements classified for accounting and reporting purposes into net asset categories according to externally (donor)-imposed restrictions. A description of the net asset categories is as follows:

> **Unrestricted net assets** – net assets not subject to donor-imposed stipulations.
>
> **Temporarily restricted net assets** – net assets subject to donor-imposed stipulations that may or will be met by the occurrence of an event and/or by the passage of time.
>
> **Permanently restricted net assets** – net assets subject to donor-imposed stipulations that will not be met by the occurrence of an event and/or the passage of time.

The Organization reports donations of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated asset. In the case of temporarily restricted support, when a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization's temporarily restricted net assets as of June 30, 2014 are to be used for community support programs. There were no temporarily restricted net assets as of June 30, 2013. The Organization had no permanently restricted net assets as of June 30, 2014 and 2013.

Property and Equipment

Purchased property and equipment are recorded at cost and donated assets are recorded at estimated fair value at date of donation. It is the Organization's policy to capitalize all additions with a purchase cost or estimated fair market value at date of gift of $500 or more. Depreciation and amortization is provided using the straight-line method over the estimated useful lives of the assets, which range from 3 to 5 years for furniture and equipment. When property and equipment are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, with any resulting gain or loss being reflected in operations for the period. Maintenance, repairs, and minor renewals and betterments are expensed as incurred.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When such factors indicate that assets should be evaluated for possible impairment, management would prepare an analysis comparing the carrying value of the assets to future undiscounted cash flows of the underlying assets. The net book value of the underlying assets is adjusted to fair value if the sum of the expected undiscounted future cash flows is less than book value. To date, management has not identified any such factors pertaining to the Organization's long-lived assets.

Donated Materials and Services

The value of significant donated materials and equipment is reflected as contributions in the accompanying financial statements if an objective basis was available to measure the fair value of such material and equipment at the date of the donation.

Contributed services are recognized if the services received either create or enhance long-lived assets, or require specialized skills and would typically need to be purchased if not provided by donation. The Organization records donated services that meet the above criteria at the fair market value of the services at the time the services were provided.

The Organization received no such donated materials or services during the years ended June 30, 2014 and 2013. Donated equipment with an estimated fair value of $5,510 was received by the Organization during the year ended June 30, 2013.

Gifts and Contributions

Unrestricted gifts and other revenue are classified as unrestricted. Unconditional promises to give cash and other assets are recognized in the period the promise is made. Conditional promises are recognized when they become unconditional. Restricted gifts, contributions, and other restricted resources are classified as either temporarily or permanently restricted. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from California income taxes. The Organization currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Management does not believe that the Organization has any uncertain tax positions. The Organization evaluates its tax positions and would recognize a loss contingency associated with an uncertain tax position when it is probable that a liability has been incurred as of the statement of financial position date and the amount of the loss can be reasonably estimated. The amount recognized would be subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. The years open for tax authority examination are 2011 through 2014 for federal purposes and 2010 through 2014 for state purposes.

Fair Value Measurements

The carrying value of the Organization's financial instruments approximates fair value due to the relative short-term nature of these instruments.

The Organization uses a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either observable directly or indirectly through market corroboration, for substantially the full term of the financial instrument; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The Organization has no financial instruments utilizing Level 2 or Level 3 inputs for measurement of fair value.

Expense Allocation

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with the program and supporting service are allocated based on evaluation by the Organization's management.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated subsequent events through the date of the auditors' report, January 23, 2015, which is the date the accompanying financial statements were available to be issued.

NOTE 2 – GIFTS AND GRANTS RECEIVABLE

Gifts and grants receivable consist of unconditional promises to give cash to the Organization. As of June 30, 2014, all receivables were expected to be collected in less than one year. There were no receivables as of June 30, 2013.

As of June 30, 2014, 88% of the Organization's gifts and grants receivable were due from the largest donor. Management continually monitors collectability issues associated with the Organization's gifts and grants receivable and, when necessary, records an allowance for doubtful accounts and a corresponding charge to bad debt expense; management does not believe there are any collectability concerns associated with the Organization's receivables.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2014	2013
Equipment	$ 20,781	$ 11,349
Furniture	5,598	4,945
	26,379	16,294
Less: accumulated depreciation and amortization	(7,123)	(1,601)
	$ 19,256	$ 14,693

Depreciation and amortization expense related to property and equipment for the years ended June 30, 2014 and 2013 was $5,522 and $1,126, respectively.

NOTE 4 – COMMITMENTS

The Organization leases its operating facility under the terms of a non-cancelable lease agreement that expires in April 2015; future minimum payments as of June 30, 2014 were $32,000. Facility rent expense under the above described agreement for the years ended June 30, 2014 and 2013 was approximately $36,000 and $3,000, respectively, and is included within rent expense in the accompanying statements of functional expenses.

NOTE 5 – CONCENTRATION OF CREDIT RISK

At certain times during the year ended June 30, 2014, the Organization maintained cash balances with a bank in excess of the federally insured amount. At June 30, 2013, the Organization maintained cash balances with a bank in excess of the federally insured amount.