



PROJECT HOPE ALLIANCE

Financial Statements
For Year Ended June 30, 2016
(with Summarized Comparative Information for the Year Ended June 30, 2015)

(With Independent Auditor's Report Thereon)

TABLE OF CONTENTS**PAGE NO.**

Mission Statement and Vision Statement	1
Independent Auditor's Report.....	2 - 3
Statement of Financial Position - June 30, 2016 and 2015 (Summarized)	4
Statement of Activities and Changes in Net Assets - Year Ended June 30, 2016 and 2015 (Summarized)	5
Statement of Functional Expenses -Year Ended June 30, 2016 and 2015 (Summarized)	6
Statements of Cash Flows - Years Ended June 30, 2016 and 2015	7
Notes to Financial Statements - June 30, 2016 and 2015	8 - 13

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.



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Project Hope Alliance

We have audited the accompanying financial statements of Project Hope Alliance, (the Organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, functional expenses and cash flows 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.

Auditor's 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 auditor's 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2016, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 23, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kushner Smith Joanou ; Gregson, LLP

October 18, 2016

Kushner, Smith, Joanou, and Gregson, LLP
100 Spectrum Center Drive, Suite 1000, Irvine, California 92618

PROJECT HOPE ALLIANCE

Statement of Financial Position

June 30, 2016

(with summarized comparative information as of June 30, 2015)

ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2016</u>	<u>2015</u>
Current assets:				
Cash and cash equivalents	\$ 248,794	\$ 17,917	\$ 266,711	\$ 246,947
Pledges and grants receivable	19,245	137,300	156,545	82,995
Prepaid expense	4,117	--	4,117	6,404
Total current assets	<u>272,156</u>	<u>155,217</u>	<u>427,373</u>	<u>336,346</u>
Property and equipment (net of accumulated depreciation of \$36,904 for 2016 and \$17,272 for 2015) (Note 2)	<u>50,680</u>	<u>--</u>	<u>50,680</u>	<u>62,014</u>
Other assets:				
Deposit	<u>6,684</u>	<u>--</u>	<u>6,684</u>	<u>6,684</u>
Total assets	<u>\$ 329,520</u>	<u>\$ 155,217</u>	<u>\$ 484,737</u>	<u>\$ 405,044</u>

LIABILITIES AND NET ASSETS

Current liabilities:				
Accounts payable and accrued liabilities (Note 3)	\$ <u>81,186</u>	\$ <u>--</u>	\$ <u>81,186</u>	\$ <u>15,224</u>
Commitments (Note 5)				
Net assets:				
Unrestricted	248,334	--	248,334	295,320
Temporarily restricted (Note 4)	<u>--</u>	<u>155,217</u>	<u>155,217</u>	<u>94,500</u>
Total net assets	<u>248,334</u>	<u>155,217</u>	<u>403,551</u>	<u>389,820</u>
Total liabilities and net assets	<u>\$ 329,520</u>	<u>\$ 155,217</u>	<u>\$ 484,737</u>	<u>\$ 405,044</u>

See accompanying notes to financial statements

PROJECT HOPE ALLIANCE

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2016

(with summarized comparative information as of June 30, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2016</u>	<u>2015</u>
Revenues, gains and other support				
Gift and grants - foundations	\$ 971,492	\$ 52,917	\$ 1,024,409	\$ 733,276
Gift and grants - corporations and individuals	264,746	102,300	367,046	390,415
Fundraising events revenue, net of cost of direct benefit to donors of \$57,651 and \$46,363, respectively	301,054	--	301,054	60,694
Interest income	350	--	350	209
Contributed services and materials	150,874	--	150,874	--
Total contributions	<u>1,688,516</u>	<u>155,217</u>	<u>1,843,733</u>	<u>1,184,594</u>
Net assets released from restrictions	94,500	(94,500)	--	--
Total support and revenues	<u>1,783,016</u>	<u>60,717</u>	<u>1,843,733</u>	<u>1,184,594</u>
Expenses:				
Program services	1,400,817	--	1,400,817	924,706
Supporting services:				
General and administrative	189,994	--	189,994	102,628
Fundraising	239,191	--	239,191	142,987
Total expenses	<u>1,830,002</u>	<u>--</u>	<u>1,830,002</u>	<u>1,170,321</u>
Change in net assets	(46,986)	60,717	13,731	14,273
Net assets at beginning of year	<u>295,320</u>	<u>94,500</u>	<u>389,820</u>	<u>375,547</u>
Net assets at end of year	<u>\$ 248,334</u>	<u>\$ 155,217</u>	<u>\$ 403,551</u>	<u>\$ 389,820</u>

See accompanying notes to financial statements

PROJECT HOPE ALLIANCE

Statement of Functional Expenses

Year Ended June 30, 2016

(with summarized comparative information as of June 30, 2015)

				<u>Total Expenses</u>	
	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2016</u>	<u>2015</u>
Accounting and audit	\$ --	\$ 17,135	\$ --	\$ 17,135	\$ 14,144
After school program	--	--	--	--	32,520
Art Factor program	5,840	--	--	5,840	--
Bank charges	--	841	--	841	3,728
Bright start program	87,798	--	--	87,798	--
Consultants	7,099	1,200	1,700	9,999	--
Development/stewardship	20,651	14,250	53,283	88,184	68,434
Facilities	107,419	11,935	--	119,354	75,508
Education and Opportunities	25,351	--	--	25,351	24,991
Enrichment	7,462	--	--	7,462	--
Family assistance	145,680	--	--	145,680	147,595
Insurance	8,444	1,427	2,022	11,893	15,969
Marketing and public relations	8,106	1,737	1,737	11,580	13,413
Miscellaneous	7,614	2,277	1,823	11,714	13,464
Music program	14,305	--	--	14,305	12,000
Payroll service	1,086	184	260	1,530	1,332
Payroll tax	50,774	8,581	12,157	71,512	43,317
Printing and promotion	2,482	420	594	3,496	1,816
Promotor pathway program	30,275	--	--	30,275	--
Salaries and related	669,121	110,007	161,962	941,090	570,500
Training and conferences	13,876	771	771	15,418	12,961
Transportation	--	--	--	--	108,480
Travel	8,835	491	491	9,817	--
UCI R&D program	13,500	--	--	13,500	--
Vacation	9,987	1,688	2,391	14,066	--
Volunteer	1,657	--	--	1,657	--
Gifts in-kind	135,786	15,087	--	150,873	--
Depreciation and amortization	17,669	1,963	--	19,632	10,149
	<u>\$ 1,400,817</u>	<u>\$ 189,994</u>	<u>\$ 239,191</u>	<u>\$ 1,830,002</u>	<u>\$ 1,170,321</u>

See accompanying notes to financial statements

PROJECT HOPE ALLIANCE
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 13,731	\$ 14,273
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	19,632	10,149
Donated assets	--	(10,000)
Change in assets and liabilities		
(Increase) decrease in assets:		
Gifts and grants receivable	(73,550)	4,961
Prepaid expense	2,287	(6,404)
Deposit	--	(3,484)
Increase in liabilities:		
Accounts payable and accrued liabilities	65,962	9,358
Net cash provided from operating activities	<u>28,062</u>	<u>18,853</u>
Cash flows from investing activities:		
Purchases of capital assets	<u>(8,298)</u>	<u>(42,907)</u>
Net cash (applied to) investing activities	<u>(8,298)</u>	<u>(42,907)</u>
Net increase (decrease) in cash and cash equivalents	19,764	(24,054)
Cash and cash equivalents, beginning of year	<u>246,947</u>	<u>271,001</u>
Cash and cash equivalents, end of year	<u>\$ 266,711</u>	<u>\$ 246,947</u>

See accompanying notes to financial statements

PROJECT HOPE ALLIANCE

Notes to Financial Statements June 30, 2016 and 2015

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 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 accompanying financial statements have been prepared on the accrual basis of accounting. Net assets are classified based on the existence or absence of third-party donor restrictions and are reported as follows:

- Unrestricted net assets represent the portion of expendable funds available for support of operations.
- Temporarily restricted net assets are classified as such based on donor stipulations that they be used in a later period, be used for a specific purpose, or both. As donor restrictions are satisfied, amounts are reclassified to the unrestricted class as net assets released from restrictions. At year ended June 30, 2016, Project Hope Alliance temporarily restricted net assets consist primarily of contributions that have been pledged, but not yet received.
- Permanently restricted net assets represent an endowment to be held in perpetuity. Investment income earned on this endowment is unrestricted. The Organization had no permanently restricted net assets as of June 30, 2016 and 2015.

The Organization records gifts of cash and other assets as temporarily restricted contributions 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from donor restrictions. Contributions with donor-imposed restrictions that are received and spent in the same year have been recorded as unrestricted in the accompanying statement of activities.

Contributed Services and Materials - Donated materials and other noncash contributions are reflected in the accompanying statements at their estimated market values at date of receipt. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements as there is no objective basis of deriving their value.

(Note 1 continued on the following page)

PROJECT HOPE ALLIANCE

Notes to Financial Statements (Continued) June 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Services and Materials (Continued) - The Organization received donations of various noncash assets, such as entertainment or services that were used for operating activities. Contributed services and materials in the amounts of \$150,873 are recorded as income and expense in the statement of activities for the years ended June 30, 2016. There were no contributed services or materials for the year ended June 30, 2015.

Cash and Cash Equivalents - The Organization considers all highly liquid investments with maturity dates of three months or less to be cash and cash equivalents.

Concentration of Credit Risk - The Organization maintains cash deposits with a major bank, which is FDIC insured up to \$250,000. At certain times of the year, the Organization may have monies deposited in excess of the FDIC insurance limit.

As of June 30, 2015, 92% of the Organization's gifts and grants receivable were due from one of the Organization's grantors. No such concentrations existed as of June 30, 2016.

Pledges and Grants Receivable - Gifts and grants receivable consist of unconditional promises to give cash to the Organization. As of June 30, 2016, all gifts and grants receivable are expected to be collected in less than one year. 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.

Property and Equipment - Property and equipment are stated 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 expenses are calculated on the straight-line method. The depreciation and amortization methods are designed to amortize the cost of the assets over the estimated useful lives, in years, of the respective assets as follows:

Computer equipment	3 years
Furniture	5 years
Leasehold improvements	5 years

Maintenance and repairs are charged to expense as incurred. Renewals and improvements of a major nature are capitalized. At the time of retirement or other disposition of property and equipment, or once the property and equipment have been fully depreciated, the cost and accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in income.

(Note 1 continued on the following page)

PROJECT HOPE ALLIANCE**Notes to Financial Statements
(Continued)
June 30, 2016 and 2015****NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of - 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. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest) expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Advertising Expense - Advertising and promotional costs are charged to operations when incurred. For the years ended June 30, 2016 and 2015, advertising and promotional costs totaled \$15,076 and \$15,229, respectively.

Use of 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 support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes - The Organization is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code and is generally not subject to federal and state income taxes. However, the Organization is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption.

The Organization has adopted the accounting standards relating to accounting and reporting for uncertainty in income taxes. For the Organization, these standards could be applicable to the incurrence of any unrelated business income attributable to the Organization. Because the Organization's general tax-exempt status, management believes there are no material uncertain tax positions that require recognition in the accompanying financial statements at June 30, 2016 and 2015. The organization is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before 2012. There were no tax years open to examination by a major tax jurisdiction as of June 30, 2016.

(Note 1 continued on the following page)

PROJECT HOPE ALLIANCE

Notes to Financial Statements (Continued) June 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vacation Expense - Hourly and salary employees earn credits during the current year for future vacation benefits. The expense and corresponding liability are accrued when earned rather than when paid.

Comparative Data - The financial statements include 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015 from which the summarized information was derived.

Subsequent Events - The Organization evaluated subsequent events through October 18, 2016, the date these financial statements were issued. Except for the event described in Note 4, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and consist of the following at June 30, 2016 and 2015:

	2016	2015
Computer equipment	\$ 32,413	\$ 28,241
Furniture	32,908	30,442
Leasehold improvements	22,263	20,603
Total property and equipment	87,584	79,286
Less: accumulated depreciation	(36,904)	(17,272)
Net property and equipment	\$ 50,680	\$ 62,014

Total depreciation and amortization expenses for the years ended June 30, 2016 and 2015 were \$19,632 and \$10,149, respectively.

PROJECT HOPE ALLIANCE

**Notes to Financial Statements
(Continued)
June 30, 2016 and 2015**

NOTE 3 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Accounts Payable	\$ 43,000	\$ 4,561
Insurance	--	6,543
Vacation	18,186	4,120
Salaries and related	<u>20,000</u>	<u>--</u>
	\$ <u>81,186</u>	\$ <u>15,224</u>

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Educational Training & Support	\$ --	\$ 5,000
Family Stability	--	20,000
High School Diploma for Parents	--	32,000
Rapid Rehousing	--	37,500
Time restricted pledges for general use	<u>155,217</u>	<u>--</u>
Total temporarily restricted net assets	\$ <u>155,217</u>	\$ <u>94,500</u>

Subsequent to year-end, the temporarily restricted net asset balance of \$155,217 was released from restriction due to collection of pledges and passage of time.

PROJECT HOPE ALLIANCE**Notes to Financial Statements
(Continued)
June 30, 2016 and 2015****NOTE 5 - LEASE COMMITMENTS**

The Organization leases its operating facility under a noncancelable lease agreement that expired in April 2015, which provided for monthly rental payments of \$3,000 to \$3,200. The lease was renewed and includes expansion of the facility. The lease expires March 2018 and provides for monthly rental payments of \$6,300 to \$6,684.

Lease expense for the years ended June 30, 2016 and 2015 amounted to approximately \$75,600 and \$50,300, respectively.

The expected future minimum lease payments over the term of the aforementioned leases are as follows:

Years ending June 30:	
2017	\$ 78,453
2018	<u>60,156</u>
	\$ <u><u>138,609</u></u>