ACCOUNTING + CONSULTING

PROJECT HOPE ALLIANCE

Communication of Internal Control Related Matters
For the Year Ended June 30, 2018

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ACCOUNTING + CONSULTING

COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS

To the Board of Directors of
Project Hope Alliance

In planning and performing our audit of the financial statements of Project Hope Alliance (the Organization) as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be significant deficiencies, as defined above.

Our consideration of internal control was for the limited purpose described in the preceding paragraphs and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

This communication is intended solely for the information and use of management, the Board of Directors, others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

KSJG, LLP

September 10, 2018

ACCOUNTING + CONSULTING

PROJECT HOPE ALLIANCE

Communication With Those Charged With Governance
For the Year Ended June 30, 2018

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Directors of
Project Hope Alliance

We have audited the financial statements of Project Hope Alliance (the Organization) as of and for the year ended June 30, 2018, and have issued our report thereon dated September 5, 2018. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated August 14, 2018, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Organization solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team and others in our firm, as appropriate, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Organization's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Organization is included in Note 1 to the financial statements. There has been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's Estimate	Management's Basis for the Estimate
Functional Expense Allocations	Expense allocation between program, management and general are based on a variety of estimated expenses incurred.
Allowance for Doubtful Accounts	Based on the assessment of the current status of individual accounts and trends of historical write-offs.
Depreciation	Based on estimated useful lives of equipment.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The disclosures in the financial statements are neutral, consistent and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no uncorrected misstatements identified during the audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. Appendix A summarizes misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Organization's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the letter dated September 5, 2018.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with the Organization, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Organization's auditors.

* * * * * * *

This report is intended solely for the information and use of the Board of Directors, and management of the Organization and is not intended to be and should not be used by anyone other than these specified parties.

KSJG, LLP

September 10, 2018

APPENDIX A

CORRECTED MISSTATEMENTS

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
To roll Retained Earnings to agree to prior year issued financial statements			
720-70	Development: Miscellaneous	25.00	
32000	Unrestricted Net Assets		25.00
Total		**25.00**	**25.00**
Adjusting Journal Entries JE # 2			
Provided by Client: To reclassify revenues originally recorded as donations to special events revenues (earned at Anti-Gala)			
425-00	Donations: Corporate Donations	17,500.00	
425-00	Donations: Corporate Donations	75,000.00	
430-00	Donations: Individual Donations	63,358.89	
440-00	Donations: Foundational Donations	344,500.00	
470-00	Special Events Revenue		500,358.89
Total		**500,358.89**	**500,358.89**

ACCOUNTING + CONSULTING

PROJECT HOPE ALLIANCE

Financial Statements
For Year Ended June 30, 2018
(with Summarized Comparative Information for the Year Ended June 30, 2017)

(With Independent Auditor's Report Thereon)

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ACCOUNTING + CONSULTING

MISSION STATEMENT

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

VISION STATEMENT

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

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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, 2018, 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.

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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, 2018, and the changes in their net assets and their 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 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 11, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KSJG, LLP

September 5, 2018

KSJG, LLP
100 Spectrum Center Drive, Suite 1000, Irvine, California 92618

PROJECT HOPE ALLIANCE

Statement of Financial Position
June 30, 2018
(with summarized comparative information as of June 30, 2017)

ASSETS

	Unrestricted	Temporarily Restricted	Total 2018	Total 2017
Current assets:				
Cash and cash equivalents	$ 480,128	$ 2,500	$ 482,628	$ 483,052
Pledges and grants receivable	--	150,000	150,000	59,045
Prepaid expense	23,972	--	23,972	21,910
Total current assets	504,100	152,500	656,600	564,007
Property and equipment (net of accumulated depreciation of $74,860 for 2018 and $53,402 for 2017 (Note 2)	71,278	--	71,278	34,182
Other assets:				
Deposit	6,684	--	6,684	7,458
Total assets	$ 582,062	$ 152,500	$ 734,562	$ 605,647

LIABILITIES AND NET ASSETS

	Unrestricted	Temporarily Restricted	Total 2018	Total 2017
Current liabilities:				
Accounts payable and accrued liabilities (Note 3)	$ 150,768	$ --	$ 150,768	$ 51,090
Commitments (Note 5)				
Net assets:				
Unrestricted	431,294	--	431,294	268,197
Temporarily restricted (Note 4)	--	152,500	152,500	286,360
Total net assets	431,294	152,500	583,794	554,557
Total liabilities and net assets	$ 582,062	$ 152,500	$ 734,562	$ 605,647

See accompanying notes to financial statements

PROJECT HOPE ALLIANCE

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2018
(with summarized comparative information as of June 30, 2017)

			Temporarily		**Total**		
		Unrestricted	**Restricted**		**2018**		**2017**
Revenues, gains and other support							
Gift and grants - foundations	$	1,393,594	$ 152,500	$	1,546,094	$	851,345
Gift and grants - corporations		150,848	--		150,848		153,467
Gift and grants - individuals		108,716	--		108,716		305,163
Gift and grants - faith based		114,598	--		114,598		--
Fundraising events revenue, net of cost of direct benefit to donors of $128,620 and $134,082, respectively		478,819	--		478,819		591,659
Interest income		46	--		46		81
Contributed services and materials		104,132	--		104,132		96,543
Total contributions		2,350,753	152,500		2,503,253		1,998,258
Net assets released from restrictions		286,360	(286,360)		--		--
Total support and revenues		2,637,113	(133,860)		2,503,253		1,998,258
Expenses:							
Program services		1,673,938	--		1,673,938		1,425,150
Supporting services:							
General and administrative		261,643	--		261,643		194,193
Fundraising		538,435	--		538,435		227,909
Total expenses		2,474,016	--		2,474,016		1,847,252
Change in net assets		163,097	(133,860)		29,237		151,006
Net assets at beginning of year		268,197	286,360		554,557		403,551
Net assets at end of year	$	431,294	$ 152,500	$	583,794	$	554,557

See accompanying notes to financial statements

PROJECT HOPE ALLIANCE

Statement of Functional Expenses
Year Ended June 30, 2018
(with summarized comparative information as of June 30, 2017)

	Program	General and Administrative	Fundraising	Total Expenses 2018	Total Expenses 2017
Salaries	$ 934,084	$ 133,879	$ 254,477	$ 1,322,440	$ 922,749
Benefits	102,809	14,480	27,512	144,801	98,343
Payroll fees	2,480	349	664	3,493	1,727
Payroll taxes	72,217	10,171	19,326	101,714	72,575
Total salaries and related expenses	1,111,590	158,879	301,979	1,572,448	1,095,394
Accounting and audit	--	16,382	--	16,382	37,858
Bank charges	--	11,083	--	11,083	15,685
Bright start meals	1,917	--	--	1,917	2,707
Consultants	94,013	17,740	48,505	160,258	152,402
Curriculum	15,515	--	--	15,515	27,425
Depreciation	14,377	3,004	4,077	21,458	18,099
Development/stewardship	--	--	--	--	40,741
Enrichment	14,443	--	--	14,443	3,729
Facilities	111,428	15,651	29,737	156,816	118,196
Fundraising and Stewardship	10,848	--	113,906	124,754	--
Gifts in-kind	81,223	22,909	--	104,132	96,543
Housing assistance	111,145	--	--	111,145	76,884
Insurance	10,963	1,544	2,934	15,441	24,840
Miscellaneous	7,832	26	4,038	11,896	22,503
Printing and promotion	2,118	298	17,080	19,496	12,815
Staff appreciation	6,337	893	1,696	8,926	4,098
Supplies	17,846	1,948	3,701	23,495	10,919
Technology	13,074	--	--	13,074	11,973
Training and conferences	--	5,841	--	5,841	6,322
Travel	13,390	669	1,708	15,767	46,354
Vacation	33,909	4,776	9,074	47,759	17,597
Volunteer	1,970	--	--	1,970	4,168
	$ 1,673,938	$ 261,643	$ 538,435	$ 2,474,016	$ 1,847,252

PROJECT HOPE ALLIANCE

Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 29,237	$ 151,006
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation	21,458	18,099
Change in assets and liabilities		
(Increase) decrease in assets:		
Pledges and grants receivable	(90,955)	97,500
Prepaid expense	(2,062)	(17,793)
Deposit	774	(774)
(Decrease) increase in liabilities:		
Accounts payable and accrued liabilities	99,678	(30,096)
Net cash provided from operating activities	58,130	217,942
Cash flows from investing activities:		
Acquisition of property and equipment	(58,554)	(1,601)
Net cash (applied to) investing activities	(58,554)	(1,601)
Net (decrease) increase in cash and cash equivalents	(424)	216,341
Cash and cash equivalents, beginning of year	483,052	266,711
Cash and cash equivalents, end of year	$ 482,628	$ 483,052

See accompanying notes to financial statements

PROJECT HOPE ALLIANCE

Notes to Financial Statements
June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Project Hope School Foundation was incorporated in California on October 11, 2002. In December 2011, the Organization formally changed its name to Project Hope Alliance (the "Organization"). The Organization's mission is to end the cycle of homelessness, one child at a time. Through grants, fundraising events, and donations from corporations and individuals, the Organization provides homeless children and youth intensive support through education that meets their individual academic and psychosocial needs, and rapidly re-houses their families into safe, stable, and permanent homes. The Organization's motto is "children first", and by providing wraparound support for the child, the Organization plans on breaking the cycle of homelessness for future generations.

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, 2018 and 2017, Project Hope Alliance temporarily restricted net assets consist primarily of contributions that have been pledged, but not yet received and restricted for specific programs, but had yet to be spent.
- 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, 2018 and 2017.

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 creates or enhances 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, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Services and Materials (Continued) - The Organization received donations of various noncash assets, such as services that were used for operating activities. Contributed services and materials in the amounts of $104,132 and $96,543 are recorded as income and expense in the statement of activities for the years ended June 30, 2018 and 2017, respectively.

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.

Pledges and Grants Receivable - Pledges and grants receivable consist of unconditional promises to give cash to the Organization. As of June 30, 2018, 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 $1,000 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, 2018 and 2017

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, 2018 and 2017, advertising and promotional costs totaled $19,496 and $12,815, 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, 2018 and 2017. The organization is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before 2014. There were no tax years open to examination by a major tax jurisdiction as of June 30, 2018.

(Note 1 continued on the following page)

PROJECT HOPE ALLIANCE

Notes to Financial Statements
(Continued)
June 30, 2018 and 2017

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, 2017 from which the summarized information was derived.

Recent Accounting Pronouncements – In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Under ASU No. 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019.

The Organization is currently evaluating the impact of the provisions of ASU 2016-02 on the presentation of its combined financial statements.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers:* Topic 606. Under Topic 606, an entity is required to recognize revenue upon transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. The Organization is currently assessing the impact of Topic 606 on the financial statements. Topic 606 is effective for the Organization's year ended December 31, 2019.

(Note 1 continued on the following page)

PROJECT HOPE ALLIANCE

Notes to Financial Statements
(Continued)
June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued) - In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under ASU No. 2016-14, not-for-profit entities will be required to provide additional information as follows:

- Transition to a two-class net asset classification;
- Liquidity and availability disclosures;
- Expense reporting presented by function and nature and the allocation methodology disclosed;
- Investment returns will be required to be presented, net of all investment expenses; and
- Statement of cash flows changes where the direct method no longer needs the indirect reconciliation.

ASU No. 2016-14 is effective for fiscal years beginning after December 15, 2017. The Organization is in the process of assessing the potential impact of ASU 2016-14 on its combined financial statements.

Subsequent Events - The Organization evaluated subsequent events through September 5, 2018, 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.

PROJECT HOPE ALLIANCE

Notes to Financial Statements
(Continued)
June 30, 2018 and 2017

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and consist of the following at June 30, 2018 and 2017:

	2018	2017
Computer equipment	$ 33,603	$ 32,413
Furniture	35,416	32,908
Leasehold improvements	77,119	22,263
Total property and equipment	146,138	87,584
Less: accumulated depreciation	(74,860)	(53,402)
Net property and equipment	$ 71,278	$ 34,182

Total depreciation expenses for the years ended June 30, 2018 and 2017 were $21,458 and $18,099, respectively.

NOTE 3 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2018 and 2017 consist of the following:

	2018	2017
Accounts payable	$ 9,338	$ 6,580
Accrued payable	7,323	6,913
Vacation	47,760	17,597
Salaries and related	86,347	20,000
	$ 150,768	$ 51,090

PROJECT HOPE ALLIANCE

Notes to Financial Statements
(Continued)
June 30, 2018 and 2017

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS AND SUBSEQUENT EVENT

Temporarily restricted net assets at June 30, 2018 and 2017 consist of the following:

	2018	2017
Family Stability	$ 2,500	$ 37,500
Promotor Pathway	--	177,000
Time restricted pledges and donations for general use	150,000	71,860
Total temporarily restricted net assets	$ 152,500	$ 286,360

Subsequent to year-end, the temporarily restricted net asset balance of $152,500 was released from restriction due to collection of pledges and passage of time.

NOTE 5 - LEASE COMMITMENTS

The Organization leases its operating facility under a noncancelable lease agreement that expires in March 2020 and provides for monthly rental payments of $9,322 to $9,462.

Lease expense for the years ended June 30, 2018 and 2017 amounted to approximately $110,662 and $79,050, respectively.

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

Year ending June 30:	
2019	$ 112,284
2020	85,158
	$ 197,442