ACCOUNTING + CONSULTING

PROJECT HOPE ALLIANCE

Financial Statements
For Year Ended June 30, 2019

(With Independent Auditor's Report Thereon)

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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.

KSJG ACCOUNTING + CONSULTING

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, 2019, 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, 2019, 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.

KSJG, LLP

November 6, 2019

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

PROJECT HOPE ALLIANCE

Statement of Financial Position
June 30, 2019

ASSETS

	Without Donor Restrictions	With Donor Restrictions	Total
Current assets:			
Cash and cash equivalents	$ 419,646	$ 48,660	$ 468,306
Pledges and grants receivable	13,868	25,000	38,868
Prepaid expense	22,982	--	22,982
Total current assets	456,496	73,660	530,156
Property and equipment (net of accumulated depreciation of $99,085) (Note 2)	55,364	--	55,364
Other assets:			
Deposit	6,684	--	6,684
Total assets	$ 518,544	$ 73,660	$ 592,204

LIABILITIES AND NET ASSETS

	Without Donor Restrictions	With Donor Restrictions	Total
Current liabilities:			
Accounts payable and accrued liabilities (Note 3)	$ 134,573	$ --	$ 134,573
Line of credit (Note 7)	295,000	--	295,000
Total liabilities	429,573	--	429,573
Commitments (Note 5)			
Net assets:			
Without donor restrictions	88,971	--	88,971
With donor restrictions (Note 4)	--	73,660	73,660
Total net assets	88,971	73,660	162,631
Total liabilities and net assets	$ 518,544	$ 73,660	$ 592,204

PROJECT HOPE ALLIANCE

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Gift and grants - foundations	$ 953,449	$ 175,000	$ 1,128,449
Gift and grants - corporations	85,482	--	85,482
Gift and grants - individuals	159,625	--	159,625
Gift and grants - faith based	30,714	--	30,714
Fundraising events revenue, net of cost of direct benefit to donors of $128,620	545,359	--	545,359
Interest income	3,088	--	3,088
Contributed services and materials	150,086	--	150,086
Total contributions	1,927,803	175,000	2,102,803
Net assets released from restrictions	253,840	(253,840)	--
Total support and revenues	2,181,643	(78,840)	2,102,803
Expenses:			
Program services	1,856,527	--	1,856,527
Supporting services:			
General and administrative	271,221	--	271,221
Fundraising	396,218	--	396,218
Total expenses	2,523,966	--	2,523,966
Change in net assets	(342,323)	(78,840)	(421,163)
Net assets at beginning of year	431,294	152,500	583,794
Net assets at end of year	$ 88,971	$ 73,660	$ 162,631

See accompanying notes to financial statements

PROJECT HOPE ALLIANCE

Statement of Functional Expenses
Year Ended June 30, 2019

	Program	General and Administrative	Fundraising	Total
Salaries	$ 1,101,447	$ 157,487	$ 206,118	$ 1,465,052
Benefits	128,913	18,432	24,124	171,469
Payroll fees	3,671	525	687	4,883
Payroll taxes	85,548	12,232	16,009	113,789
Total salaries and related expenses	1,319,579	188,676	246,938	1,755,193
Accounting and legal	--	21,023	--	21,023
Bank charges	--	887	11,024	11,911
Consultants	8,238	14,393	2,070	24,701
Curriculum	9,760	--	--	9,760
Depreciation	16,107	2,929	5,189	24,225
Enrichment	19,889	--	--	19,889
Facilities	104,610	19,023	33,703	157,336
Fundraising and stewardship	--	--	35,324	35,324
Gifts in-kind	150,086	--	--	150,086
Housing assistance	101,407	--	--	101,407
Insurance	17,387	2,516	2,974	22,877
Interest	--	7,977	--	7,977
Marketing and public relations	25,650	--	38,317	63,967
Miscellaneous	16,795	897	1,591	19,283
Printing and promotion	2,319	232	8,073	10,624
Staff appreciation	--	7,792	--	7,792
Staff development	4,034	--	1,426	5,460
Supplies	12,842	515	773	14,130
Technology	15,208	--	5,088	20,296
Training and conferences	3,838	4,016	1,071	8,925
Transportation assistance	13,177	--	--	13,177
Travel	15,601	345	2,657	18,603
	$ 1,856,527	$ 271,221	$ 396,218	$ 2,523,966

PROJECT HOPE ALLIANCE

Statements of Cash Flows
Year Ended June 30, 2019

		Total
Cash flows from operating activities:		
Change in net assets	$	(421,163)
Adjustments to reconcile change in net assets to net cash		
(applied to) operating activities:		
Depreciation		24,225
Change in assets and liabilities		
Decrease in assets:		
Pledges and grants receivable		111,132
Prepaid expense		990
(Decrease) in liabilities:		
Accounts payable and accrued liabilities		(16,195)
Net cash (applied to) operating activities		(301,011)
Cash flows from investing activities:		
Acquisition of property and equipment		(8,311)
Net cash (applied to) investing activities		(8,311)
Cash flows from financing activities:		
Net activity from line of credit		295,000
Net cash provided from financing activities		295,000
Net (decrease) in cash and cash equivalents		(14,322)
Cash and cash equivalents, beginning of year		482,628
Cash and cash equivalents, end of year	$	468,306

See accompanying notes to financial statements

PROJECT HOPE ALLIANCE

Notes to Financial Statements
June 30, 2019

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:

- *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.
- *Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The Organization records gifts of cash and other assets as contributions with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 contributions without donor restrictions 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, 2019

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 $150,086 are recorded as income and expense in the statement of activities for the year ended June 30, 2019.

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 including at year end, 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, 2019, 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, 2019

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 year ended June 30, 2019, advertising and promotional costs totaled $10,624.

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 and the statement of functional expense. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and benefits	Time and effort
Consultants	Time and effort
Depreciation	Square footage
Enrichment	Time and effort
Facilities	Square footage
Gifts in-kind	Direct usage
Insurance	Direct usage
Marketing and public relations	Direct usage
Other	Direct usage

(Note 1 continued on the following page)

PROJECT HOPE ALLIANCE

Notes to Financial Statements
(Continued)
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses (Continued) - Certain expenses reported on the accompanying statement of functional expenses, such as Insurance, marketing and public relations, gifts in-kind, and other expenses have been allocated to programs based on direct usage. For certain expenses including depreciation and amortization, and facilities, the cost directly attributable to program or supporting services have been allocated based on the square footage each process consumes. Salaries and benefits have been allocated to the program and supporting services based on time and effort of the employees involved.

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, 2019. The organization is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before 2015. There were no tax years open to examination by a major tax jurisdiction as of June 30, 2019.

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.

(Note 1 continued on the following page)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020.

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 June 30, 2020.

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Made*. This update requires a recipient of funds from a resource provider to determine if those funds should be classified as a reciprocal exchange transaction or as a contribution based on the value that the resource provider is receiving from the transaction. Additionally, the update requires recipient organizations to determine whether a contribution is conditional based on if the agreement includes barriers that must be overcome, and either a right of return of assets transferred, or a right of release of a resource provider’s obligation to transfer assets. If the agreement includes both characteristics, the recipient is not entitled to the transferred assets, and therefore does not recognize the associated revenues, until the barrier is overcome. ASU No. 2018-08 will be effective for the Organization’s fiscal year ending December 31, 2020.

(Note 1 continued on the following page)

PROJECT HOPE ALLIANCE

Notes to Financial Statements
(Continued)
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events - The Organization evaluated subsequent events through November 6, 2019, 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, 2019:

Computer equipment	$	39,807
Furniture		37,523
Leasehold improvements		77,119
Total property and equipment		154,449
Less: accumulated depreciation		(99,085)
Net property and equipment	$	55,364

Total depreciation expenses for the year ended June 30, 2019 was $24,225.

NOTE 3 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2019 consisted of the following:

Accrued payable	$	15,335
Vacation		43,374
Salaries and related		75,864
	$	134,573

PROJECT HOPE ALLIANCE

Notes to Financial Statements
(Continued)
June 30, 2019

NOTE 4 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2019 consisted of the following:

Bright start	$	48,660
Time restricted pledges and donations for general use		25,000
Total net assets with donor restrictions	$	73,660

Subsequent to year-end, the net asset with donor restriction balance of $25,000 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.

Lease expense for the year ended June 30, 2019 amounted to approximately $112,162.

The expected future minimum lease payments over the term of the aforementioned leases are $83,898 for the year ending June 30, 2020.

PROJECT HOPE ALLIANCE

Notes to Financial Statements
(Continued)
June 30, 2019

NOTE 6 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at June 30, 2019:

Financial assets at year end:		
Cash and cash equivalents	$	468,306
Pledges and grants receivable		38,868
Total financial assets		507,174
Less financial assets not available for general expenditures:		
Assets restricted for Bright Start program		(48,660)
Total assets not available to be used for general expenditures		(48,660)
Financial assets available to meet general expenditures over the next twelve months	$	458,514

The Organization receives significant unrestricted revenue from private foundations and grantors which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization receives contributions and promises to give which are restricted by donors for program use. Management of liquidity and reserves are conducted under three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. The Organization typically has lower reserves towards year end as many of their contributions are received at the beginning of the fiscal year and intended for use in the upcoming school year. As part of the liquidity plan, excess cash is currently invested in short-term investments, such as money market accounts. The Organization forecasts its future cash flows, and monitors liquidity bi-monthly and monitors reserves annually during the budget review.

NOTE 7 - LINE OF CREDIT

At June 30, 2019, the Organization had a $300,000 revolving line of credit with a bank to be drawn down upon as needed with a variable interest rate of 0.75% above prime rate with a floor rate of 5.75% (prime rate at June 30, 2019 was 5.50%). This bank borrowing is collateralized by certain assets of the Organization and is set to expire on February 27, 2020. At June 30, 2019, the outstanding balance on this line of credit was $295,000.