

**PROJECT HOPE ALLIANCE**  
**Financial Statements**  
**June 30, 2020**  
**With Independent Auditor's Report**

**Project Hope Alliance  
Table of Contents  
June 30, 2020**

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<b>Mission Statement and Vision Statement</b>	1
<b>Independent Auditor's Report</b>	2-3
<b>Financial Statements</b>	
Statement of Financial Position	4
Statement of Activities and Changes in Net Assets	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8-13

### **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.

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,  
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, 2020, 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.

### 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, 2020, 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.

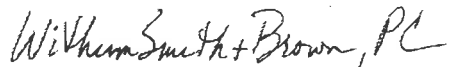
## **Emphasis of Matter**

### *COVID-19*

As disclosed in Note 1 of the financial statements, management is currently evaluating the impact of the COVID-19 virus on its customers and donors and the potential effect on the Organization's revenues. While it is reasonably possible that the virus could have a negative effect on its financial condition and results of operations, the specific impact is not readily determinable as of the date of these financial statements. Our opinion is not modified with respect to these matters.

### *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, as of June 30, 2020, the Organization adopted new accounting guidance in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, Not-for-Profit Entities (Topic 958) – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.



October 2, 2020

**Project Hope Alliance**  
**Statement of Financial Position**  
**Year Ended June 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 644,035	\$ -	\$ 644,035
Pledges and grants receivable	10,087	150,500	160,587
Prepaid expense	16,609	-	16,609
Total current assets	<u>670,731</u>	<u>150,500</u>	<u>821,231</u>
Property and equipment, net	<u>32,516</u>	<u>-</u>	<u>32,516</u>
Other assets			
Pledges and grants receivable, net of current portio	-	75,000	75,000
Deposit	<u>6,684</u>	<u>-</u>	<u>6,684</u>
Total assets	<u>\$ 709,931</u>	<u>\$ 225,500</u>	<u>\$ 935,431</u>
<b>Liabilities and Net Assets</b>			
Current liabilities			
Accounts payable and accrued liabilities	\$ 162,378	\$ -	\$ 162,378
Line of credit	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Total current liabilities	<u>462,378</u>	<u>-</u>	<u>462,378</u>
Long-term liabilities			
Payroll protection program loan	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Total liabilities	<u>762,378</u>	<u>-</u>	<u>762,378</u>
Net assets			
Without donor restrictions	(52,447)	-	(52,447)
With donor restrictions	<u>-</u>	<u>225,500</u>	<u>225,500</u>
Total net assets	<u>(52,447)</u>	<u>225,500</u>	<u>173,053</u>
Total liabilities and net assets	<u>\$ 709,931</u>	<u>\$ 225,500</u>	<u>\$ 935,431</u>

The Notes to Financial Statements are an integral part of this statement.

**Project Hope Alliance**  
**Statement of Activities and Changes in Net Assets**  
**Year Ended June 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and other support			
Gift and grants - foundations	\$ 1,413,250	\$ 220,000	\$ 1,633,250
Gift and grants - corporations and organizations	155,341	500	155,841
Gift and grants - individuals	245,839	5,000	250,839
Gift and grants - faith based	54,766	-	54,766
Fundraising events revenue, net of cost of direct benefit to donors of \$83,731	62,631	-	62,631
Interest income	91	-	91
Other income	11,350	-	11,350
Contributed services and materials	<u>150,245</u>	-	<u>150,245</u>
Total contributions	2,093,513	225,500	2,319,013
Net assets released from restrictions	<u>73,660</u>	<u>(73,660)</u>	<u>-</u>
Total support and revenues	<u>2,167,173</u>	<u>151,840</u>	<u>2,319,013</u>
Expenses			
Program services	1,737,614	-	1,737,614
Supporting services			
General and administrative	239,753	-	239,753
Fundraising	<u>329,862</u>	-	<u>329,862</u>
Total expenses	<u>2,307,229</u>	-	<u>2,307,229</u>
Other expenses			
Loss on disposal of property and equipment	<u>(1,362)</u>	-	<u>(1,362)</u>
Total other expenses	<u>(1,362)</u>	-	<u>(1,362)</u>
Change in net assets	(141,418)	151,840	10,422
Net assets			
Beginning of year	<u>88,971</u>	<u>73,660</u>	<u>162,631</u>
End of year	<u>\$ (52,447)</u>	<u>\$ 225,500</u>	<u>\$ 173,053</u>

The Notes to Financial Statements are an integral part of this statement.

**Project Hope Alliance  
Statement of Functional Expenses  
Year Ended June 30, 2020**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,048,003	\$ 142,800	\$ 206,355	\$ 1,397,158
Benefits	115,446	5,193	27,106	147,745
Payroll fees	2,857	390	557	3,804
Payroll taxes	<u>80,906</u>	<u>10,787</u>	<u>15,505</u>	<u>107,198</u>
 Total salaries and related expenses	 1,247,212	 159,170	 249,523	 1,655,905
Accounting and legal	-	20,478	-	20,478
Bank charges	1,304	1,027	5,083	7,414
Client assistance	142,590	-	-	142,590
Consultants	-	3,600	-	3,600
Events	24,890	-	83,731	108,621
Facilities	78,787	17,548	30,140	126,475
Fundraising and stewardship	1,144	706	1,568	3,418
Insurance	12,570	2,194	3,208	17,972
Interest	-	15,084	-	15,084
Marketing and public relations	5,308	-	14,578	19,886
Office expense	11,616	3,486	6,143	21,245
Printing and promotion	14,643	1,547	3,287	19,477
Staff appreciation	1,266	2,711	565	4,542
Staff development	3,460	4,036	1,794	9,290
Technology	33,675	2,115	7,442	43,232
Gifts in-kind	<u>145,738</u>	<u>3,005</u>	<u>1,502</u>	<u>150,245</u>
 Total expenses before depreciation	 1,724,203	 236,707	 408,564	 2,369,474
Depreciation	<u>13,411</u>	<u>3,046</u>	<u>5,029</u>	<u>21,486</u>
Total expenses	1,737,614	239,753	413,593	2,390,960
Less: Expenses included within revenues				
Direct cost of donor benefits	<u>-</u>	<u>-</u>	<u>(83,731)</u>	<u>(83,731)</u>
Total expenses included in the expense section of the statement of activities	<u>\$ 1,737,614</u>	<u>\$ 239,753</u>	<u>\$ 329,862</u>	<u>\$ 2,307,229</u>

The Notes to Financial Statements are an integral part of this statement.



**Project Hope Alliance  
Statement of Cash Flows  
Year Ended June 30, 2020**

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**Operating activities:**

Changes in net assets	\$ 10,422
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Depreciation	21,486
Loss on sale of property and equipment	1,362
Changes in assets and liabilities:	
Pledges and grants receivable	(196,719)
Prepaid expense	6,373
Accounts payable and accrued liabilities	<u>27,805</u>
Net cash used in operating activities	<u>(129,271)</u>

**Financing activities:**

Net activity from line of credit	5,000
Acquisition of note payable	<u>300,000</u>
Net cash provided by financing activities	<u>305,000</u>

Net change in cash and cash equivalents 175,729

**Cash and cash equivalents**

Beginning of year	<u>468,306</u>
End of year	<u>\$ 644,035</u>

The Notes to Financial Statements are an integral part of this statement.

**Project Hope Alliance**  
**Notes to Financial Statements**  
**June 30, 2020**

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**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 seeing them through high school graduation and into a financially independent future ending generational homelessness. Through 2019 they rapidly re-housed these youth and their families into safe, stable, and permanent homes. In 2020 the Organization discontinued this program to focus all efforts on helping children and youth succeed in their schools and communities. 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 and changes in net assets.

**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.

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 \$150,245 are recorded as income and expense in the statement of activities and changes in net assets for the year ended June 30, 2020.

**Project Hope Alliance**  
**Notes to Financial Statements**  
**June 30, 2020**

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**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, 2020, one pledge was made including payments extending longer than one year. These amounts are due in the amount of \$25,000 for the next four years, with payments concluding in February 2024. 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 expense is calculated on the straight-line method. The depreciation methods is 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.

**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 which are classified as marketing and public relations are charged to operations when incurred. For the year ended June 30, 2020, advertising and promotional costs totaled \$19,886. \$5,308 and \$14,578 were included in program and fundraising expenses, respectively on the statement of functional expenses for the year ended June 30, 2020.

**Project Hope Alliance**  
**Notes to Financial Statements**  
**June 30, 2020**

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**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 statements of activities, changes in net assets, 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:

Certain expenses reported on the accompanying statement of functional expenses, such as accounting and legal, bank charges, consulting, client assistance, depreciation, and interest have been allocated to programs, administrative, and retail based on direct usage. Expenses including facilities and equipment, and insurance are allocated based on square footage of the location where expenses are incurred. The majority of the remaining natural expenses have generally been allocated to the program and supporting services based on time and effort of the employees involved. For certain expenses including events, technology, marketing and public relations, fundraising and stewardship, office, printing and promotion, staff appreciation, and staff development, the cost directly attributable to program or supporting services have been allocated as such, with the remaining amount of shared cost being allocated based on the 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. Further, there were no income tax related penalties and interest included in these financial statements

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, 2020. The organization is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before 2016. There were no tax years open to examination by a major tax jurisdiction as of June 30, 2020.

**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.

**Project Hope Alliance**  
**Notes to Financial Statements**  
**June 30, 2020**

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**Recent Accounting Pronouncements Issued Not Yet Adopted**

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 our fiscal year June 30, 2023.

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

**Recent Accounting Pronouncements Adopted in the current year**

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. We have implemented the provisions of ASU 2018-08 applicable to contributions received in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

**Subsequent Events**

The Organization evaluated subsequent events through October 2, 2020, the date these financial statements were issued. Management is currently considering the impact of the COVID-19 virus on its ability to continue serving clients. While it is reasonably possible that the virus could have a negative effect on the Organization's financial condition, results of operations, and cash flows, the specific impact is not readily determinable as of the date of these financial statements. Our opinion is not modified with respect to this matter.

**2. PROPERTY AND EQUIPMENT**

Property and equipment are recorded at cost and consist of the following at June 30, 2020:

Computer equipment	\$	38,556
Furniture		36,321
Leasehold improvements		<u>77,119</u>
Total property and equipment		151,996
Less: Accumulated depreciation		<u>(119,480)</u>
Net property and equipment	\$	<u>32,516</u>

Total depreciation expenses for the year ended June 30, 2020 was \$21,486.

**Project Hope Alliance**  
**Notes to Financial Statements**  
**June 30, 2020**

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**3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities at June 30, 2020 consisted of the following:

Accrued payables	\$ 22,522
Interest	435
Vacation	41,030
Salaries and related	<u>98,391</u>
	<u>\$ 162,378</u>

**4. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at June 30, 2020 consisted of the following:

COVID-19 Response	\$ 120,500
Time restricted pledges and donations for general use	<u>105,000</u>
Total net assets with donor restrictions	<u>\$ 225,500</u>

Subsequent to year-end, net assets with donor restriction balance of \$25,000 was released from restriction due to collection of pledges and passage of time.

**5. LEASE COMMITMENTS**

The Organization leases its operating facility under a month-to-month lease agreement and provides for monthly rental payments of \$9,462.

Lease expense for the year ended June 30, 2020 amounted to approximately \$113,544.

**6. AVAILABILITY AND LIQUIDITY**

The following represents the Organization's financial assets at June 30, 2020:

Financial assets at year end:

Cash and cash equivalents	\$ 644,035
Pledges and grants receivable	<u>160,587</u>
Total financial assets	<u>804,622</u>

Less financial assets not available for general expenditures:

Assets restricted for COVID-19 Relief program	<u>(120,500)</u>
Total assets not available to be used for general expenditures	<u>(120,500)</u>

Financial assets available to meet general expenditures over the next twelve months	<u>\$ 684,122</u>
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**Project Hope Alliance**  
**Notes to Financial Statements**  
**June 30, 2020**

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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.

**7. LINE OF CREDIT**

At June 30, 2020, 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 4.50% (prime rate at June 30, 2020 was 3.25%). This bank borrowing is collateralized by certain assets of the Organization and is set to expire on March 5, 2021. At June 30, 2020, the outstanding balance on this line of credit was \$300,000.

**8. PAYROLL PROTECTION PROGRAM LOAN**

In May 2020, the Organization received a loan in the amount of \$300,000 under the Payroll Protection Program (PPP) of the CARES Act. This loan is guaranteed by the Small Business Administration and is for a 2 year term at a 1.0% interest rate. Under the PPP, the Organization can have the entire loan forgiven if the proceeds are used to fund payroll and other allowable expenses. The Organization intends to follow the PPP restrictions so that the entire loan will be forgiven. As of June 30, 2020, the Organization had not yet applied for reimbursement and the outstanding amount due on the loan remained \$300,000.