



**SANCTUARY OF HOPE**  
(A Non-Profit Corporation)

**AUDITED FINANCIAL STATEMENTS**

**For The Year Ended June 30, 2016**

*with*

**INDEPENDENT AUDITORS' REPORT THEREON**

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**CERTIFIED PUBLIC ACCOUNTANTS**

**SANCTUARY OF HOPE**  
**(A Non-Profit Corporation)**

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## **Independent Auditors' Report**

To the Board of Directors  
Sanctuary of Hope

We have audited the accompanying financial statements of Sanctuary of Hope (the "Organization," a non-profit corporation), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, 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.

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 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 Sanctuary of Hope as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

PDM, LLP

Torrance, California  
April 20, 2017

**SANCTUARY OF HOPE**  
**(A Non-Profit Corporation)**

**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2016**

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**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$	18,225
Contributions receivable		50,745
Prepaid expense		1,084
		<u>70,054</u>

**PROPERTY AND EQUIPMENT, net** 29,353

**DEPOSITS AND OTHER ASSETS** 8,333

\$ 107,740

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$	33,417
Resident savings		900
		<u>34,317</u>

**NET ASSETS**

Unrestricted		38,423
Temporarily restricted		35,000
		<u>73,423</u>

\$ 107,740

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*The accompanying notes are an  
integral part of these financial statements*

**SANCTUARY OF HOPE**  
**(A Non-Profit Corporation)**

**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2016**

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Government contracts	\$ 126,907	\$ -	\$ 126,907
Foundation grants and contributions	173,104	35,000	208,104
Program revenue	7,100	-	7,100
Other income	8	-	8
Net assets released from restrictions	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>
	<u>332,119</u>	<u>10,000</u>	<u>342,119</u>
<b>FUNCTIONAL EXPENSES</b>			
Program services	279,278	-	279,278
Supporting services	44,839	-	44,839
Fundraising	<u>15,617</u>	<u>-</u>	<u>15,617</u>
	<u>339,734</u>	<u>-</u>	<u>339,734</u>
<b>CHANGE IN NET ASSETS</b>	(7,615)	10,000	2,385
<b>NET ASSETS, beginning of year</b>	<u>46,038</u>	<u>25,000</u>	<u>71,038</u>
<b>NET ASSETS, end of year</b>	<u>\$ 38,423</u>	<u>\$ 35,000</u>	<u>\$ 73,423</u>

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integral part of these financial statements*

**SANCTUARY OF HOPE**  
(A Non-Profit Corporation)

**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2016**

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ 1,379	\$ -	\$ 345	\$ 1,724
Client assistance	5,467	-	-	5,467
Depreciation and amortization	2,097	-	-	2,097
Fundraising	-	-	2,842	2,842
Information technology	8,580	-	-	8,580
Insurance	5,860	1,375	-	7,235
Licenses, permits and fees	-	1,343	-	1,343
Office	9,895	2,473	-	12,368
Other	-	3,065	-	3,065
Payroll taxes	6,245	781	780	7,806
Professional fees	25,684	12,788	385	38,857
Rent	24,000	6,000	-	30,000
Rent assistance - clients	91,333	-	-	91,333
Repair and maintenance	-	4,231	-	4,231
Salaries and wages	87,136	10,892	10,892	108,920
Travel and meeting	2,979	372	373	3,724
Utilities	8,623	1,519	-	10,142
	<u>\$ 279,278</u>	<u>\$ 44,839</u>	<u>\$ 15,617</u>	<u>\$ 339,734</u>

*The accompanying notes are an  
integral part of these financial statements*

**SANCTUARY OF HOPE**  
**(A Non-Profit Corporation)**

**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2016**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 2,385
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization	2,097
Changes in operating assets and liabilities:	
Grants and contracts receivable	24,922
Prepaid expense	2,489
Deposits	(2,450)
Accounts payable and accrued expenses	7,580
Resident savings	579
Net cash flows from operating activities	<u>37,602</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of property and equipment	<u>(31,450)</u>
Net cash flows from investing activities	<u>(31,450)</u>

Net change cash and cash equivalents	6,152
Cash and cash equivalents, beginning of year	<u>12,073</u>
Cash and cash equivalents, end of year	<u>\$ 18,225</u>

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*The accompanying notes are an  
integral part of these financial statements*



## **NOTE 1 - ORGANIZATION**

Sanctuary of Hope (the “Organization,” a non-profit corporation), was established in 2010 by a group of South Los Angeles professionals to eliminate intergenerational poverty by promoting the value of higher education and housing stabilization. The Organization serves vulnerable Transition Age Youth (“TAY”), ages 16-25, who have diverse histories of foster care, homelessness, and being at-risk. The Organization provides life coaching, mentoring, independent living, college access and retention, emergency services, and financial assistance with the sole purpose of helping youth and young adults become self-sufficient.

Since its inception, the Organization helped over 600 youth and young adults with housing, education, basic needs, and leadership development services.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation** - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations. These assets are available to support the Organization’s activities and operations at the discretion of the Board of Directors.

*Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that will be met either by actions of the donor, the Organization, and/or the passage of time. The Organization had \$35,000 of temporarily restricted net assets as of June 30, 2016.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that the corpus be maintained permanently by the Organization. The donors of these assets permit the Organization to use all or part of the income or gains earned on related investments for general (unrestricted) or specific (temporarily restricted) purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

**SANCTUARY OF HOPE**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**Funding** - The Organization's activities are primarily funded by county and city government contracts and by direct contributions from foundations, individuals, and corporations.

**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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Government contract revenue** - The Organization receives a significant portion of its total revenue and support under various government contracts that pay the Organization based upon reimbursable costs as defined by the contract. Reimbursements recorded under these contracts are subject to audit. Management believes that material adjustments will not result from subsequent audits.

**Contributions** - Contributions are recognized at fair value when the donor makes an unconditional promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets, or that require specialized skills, are provided by the individual possessing those skills and would typically need to be purchased, if not provided by donation, are recorded at the fair values in the period received. Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

**Fair value of financial instruments** - Financial instruments primarily consist of contracts receivable. The Organization estimates that the fair value of its financial instruments at June 30, 2016 do not differ materially from its aggregate carrying value recorded in the accompanying statement of financial position. Considerable judgment is required in interpreting market data to develop the estimates of fair value and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

**SANCTUARY OF HOPE**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**Fair value measurement** - The Organization defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization measures fair value under a framework that provides a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1), moderate priority to valuations based on observable inputs, such as market prices of similar assets and liabilities (level 2), and the lowest priority to unobservable inputs (level 3).

**Cash and cash equivalents** - For the purpose of reporting cash flows, cash and cash equivalents include operating cash held in banks, money market funds, and investments with an original maturity of 90 days or less. The Organization maintains its cash balances in financial institutions, the balances of which may, at times, exceed federally insured limits.

**Grant and contracts receivable** - The Organization's grant and contracts receivable consists, primarily, of amounts due from contracted government grant reimbursement requests. It is the policy of management to review outstanding contracts receivable at year-end, as well as any historical bad debt write-offs, to establish an allowance for uncollectible amounts. Management believes that contracts receivable are fully collectible at June 30, 2016, and as such, no allowance for uncollectible accounts has been recorded.

Receivables due from government agencies are subject to government audit. Management believes that no material adjustments will result from subsequent audits, if any, by government agencies.

**Property and equipment** - Property and equipment is recorded at cost with the exception of donated equipment, which is stated at fair market value at the date of receipt. The Organization capitalizes all expenditures for equipment in excess of \$5,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, as determined by management.

When equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and the resulting gain or loss is credited or charged to operations. Normal repairs and maintenance are expensed as incurred. Expenditures which materially adapt, improve, or alter the nature of the underlining assets are capitalized.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Management of the Organization assesses the recoverability of property and equipment whenever a triggering event occurs by determining whether the depreciation of such assets over their remaining lives can be recovered through projected undiscounted cash flows. The amount of impairment, if any, is measured based on fair value (projected discounted cash flows) and is charged to operations in the period in which such impairment is determined by management. To date, management has not identified any impairment of property and equipment.

**Expense allocation** - The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. During the year, costs are categorized into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support activities by the method that best measures the relative degree of benefit.

*Program services* - Expenses include costs that primarily relate to client services and programs.

*Supporting services* - Expenses include costs that primarily relate to management and general administration.

*Fundraising expenses* - Expenses include costs that primarily relate to fundraising activities to obtain grants and generate revenue through contributions.

**Income taxes** - The Organization is a public charity that has obtained an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "IRC") and California state income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision has been made for federal or state income taxes. During the year ended June 30, 2016, the Organization had no unrelated business income.

In accordance with accounting principles generally accepted in the United States of America, the Organization recognizes the impact of tax positions in the financial statements if that position is more likely than not of being sustained in an audit, based on the technical merits of the position. To date, the Organization has not recorded any uncertain tax positions. The Organization recognizes potential accrued interest and penalties related to uncertain tax positions in income tax expense. During the year ended June 30, 2016, the Organization did not recognize any amount in potential interest and penalties associated with uncertain tax positions.

As of June 30, 2016, all federal tax returns since 2013 and state tax returns since 2012 are still subject to adjustment upon audit. No tax returns are currently being examined by taxing authorities.

**SANCTUARY OF HOPE**  
(A Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS  
**JUNE 30, 2016**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**Risks and uncertainties** - Certain services of the Organization are governed by grants and contracts from governmental agencies and private sources. There can be no assurance that the Organization will be able to obtain future grants as deemed necessary by management, although management believes that there is no current indication that grants and contracts are in jeopardy. The loss of certain current grants, or the inability to obtain future grants, could have an adverse effect on the Organization's financial position and results of operations. Failure of the Organization to comply with applicable regulatory requirements can result in, among other things, loss of funding, warning letters, fines, injunctions, and civil penalties.

**Subsequent events** - Subsequent events have been evaluated by the Organization through April 20, 2017, which is the date these financial statements were issued, and no subsequent events have arisen, other than those described in these financial statements, that would require disclosure.

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment as of June 30, 2016 consists of:

Vehicle	\$ 31,450
Less accumulated depreciation	<u>(2,097)</u>
	<u>\$ 29,353</u>

**NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following for the year ended June 30, 2016:

<u>Purpose</u>	<u>Available June 30, 2015</u>	<u>Additions</u>	<u>Releases</u>	<u>Available June 30, 2016</u>
Fiscal 2016 Operations	\$ 25,000	\$ -	\$ (25,000)	\$ -
Fiscal 2017 Operations	<u>-</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>
	<u>\$ 25,000</u>	<u>\$ 35,000</u>	<u>\$ (25,000)</u>	<u>\$ 35,000</u>

**SANCTUARY OF HOPE**  
**(A Non-Profit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 5 - COMMITMENTS AND CONTINGENCIES**

**Legal** - The Organization may be involved, from time-to-time, in various claims, lawsuits and disputes with third parties, actions involving allegations or discrimination, or breach of contract actions incidental in the normal operations of the business. The Organization is currently not involved in any such litigation which management believes could have a material adverse effect on its financial position or results of operations.

**Indemnities and guarantees** - The Organization has made certain indemnities and guarantees, under which it may be required to make payments to a guaranteed or indemnified party, in relation to certain transactions. The Organization indemnifies its directors, officers, employees and agents to the maximum extent permitted under the laws of the State of California. The duration of the guarantees and indemnities varies, and in many cases is indefinite. These guarantees and indemnities do not provide for any limitation of the maximum potential future payments the Organization could be obligated to make. Historically, the Organization has not been obligated to make any payments for these obligations and, as a result, no liabilities have been recorded for these indemnities and guarantees in the accompanying statement of financial position.