



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

**AUDITED FINANCIAL STATEMENTS**

**For The Year Ended June 30, 2019**

*with*

**INDEPENDENT AUDITORS' REPORT THEREON**

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**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, 2019, 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, 2019, 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  
February 19, 2020

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

**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019**

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**ASSETS**

**CURRENT ASSETS**

Cash	\$ 9,725
Government grants receivable	151,762
Grants receivable	155,000
Clients deposits	10,114
Prepaid expense	<u>5,269</u>
	331,870

**PROPERTY AND EQUIPMENT, net** 10,483

**DEPOSITS AND OTHER ASSETS** 8,939

\$ 351,292

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 90,081
Client deposit	10,114
Deferred revenue	<u>268,166</u>
	<u>368,361</u>

**NET ASSETS**

Without donor restrictions (17,069)

(17,069)

\$ 351,292

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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, 2019**

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	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUE AND SUPPORT</b>			
Government grants	\$ 1,072,311	\$ -	\$ 1,072,311
Grants and contributions	230,680	30,000	260,680
Net assets released from restrictions	<u>30,000</u>	<u>(30,000)</u>	<u>-</u>
	<u>1,332,991</u>	<u>-</u>	<u>1,332,991</u>
<b>FUNCTIONAL EXPENSES</b>			
Program services	1,126,727	-	1,126,727
Supporting services	182,735	-	182,735
Fundraising	<u>16,348</u>	<u>-</u>	<u>16,348</u>
	<u>1,325,810</u>	<u>-</u>	<u>1,325,810</u>
<b>CHANGE IN NET ASSETS</b>	7,181	-	7,181
<b>NET ASSETS, beginning of year</b>	<u>(24,250)</u>	<u>-</u>	<u>(24,250)</u>
<b>NET ASSETS, end of year</b>	<u>\$ (17,069)</u>	<u>\$ -</u>	<u>\$ (17,069)</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, 2019**

	<b>Program</b>	<b>Supporting</b>	<b>Fundraising</b>	<b>Total Expenses</b>
Salaries and wages	\$ 530,176	\$ 77,348	\$ 12,907	\$ 620,431
Payroll taxes	41,419	5,711	902	48,032
Employee benefit	25,642	2,804	501	28,947
	597,237	85,863	14,310	697,410
Rent	357,684	8,231	-	365,915
Professional fees	13,278	63,830	580	77,688
Office	61,332	1,683	76	63,091
Repair and maintenance	24,991	602	-	25,593
Insurance	17,465	4,392	229	22,086
Information technology	13,747	6,525	105	20,377
Utilities	16,098	829	22	16,949
Travel and meeting	11,491	150	46	11,687
Outreach	6,716	198	968	7,882
Other	5,187	2,425	-	7,612
Depreciation and amortization	-	6,290	-	6,290
Licenses, permits and fees	1,501	1,717	12	3,230
	<b>\$1,126,727</b>	<b>\$ 182,735</b>	<b>\$ 16,348</b>	<b>\$ 1,325,810</b>

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**SANCTUARY OF HOPE**  
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**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2019**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 7,181
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization	6,290
Changes in operating assets and liabilities:	
Grants and contracts receivable	(171,646)
Prepaid expense	502
Accounts payable and accrued expenses	36,194
Deferred revenue	128,783
Net cash flows from operating activities	<u>7,304</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Increase in deposits	<u>(5,245)</u>
Net cash flows from investing activities	<u>(5,245)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Paid down of debt payable	<u>(500)</u>
Net cash flows from financing activities	<u>(500)</u>

Net change cash and cash equivalents	1,559
Cash, beginning of year	<u>8,166</u>
Cash, end of year	<u>\$ 9,725</u>

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**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 3,500 youth and young adults with housing, education, basic needs, and leadership development services.

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

**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:

*Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor or grantor restrictions.

*Net assets with donor restrictions* - Net assets with donor restrictions are assets subject to donor or grantor-imposed restrictions, some of which are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, while others are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of net assets with donor restrictions are reported as reclassifications between the applicable classes of net assets.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**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 grants 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 and pledges** - Contributions and pledges are recognized at fair value when the donor makes an unconditional promise to give to the Organization. Contributions and pledges that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions and pledges are recognized.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. At June 30, 2019, no allowance for doubtful pledge receivable was recorded.

**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 reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**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, 2019 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.

**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** - The Organization maintains its cash balances in financial institutions, the balances of which may, at times, exceed federally insured limits.

**Grants receivable** - The Organization's grants receivable consists, primarily, of amounts due from contracted government grant reimbursement requests. It is the policy of management to review outstanding receivable at year-end, as well as any historical bad debt write-offs, to establish an allowance for uncollectible amounts. Management believes that grants receivable are fully collectible at June 30, 2019, 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 are 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 property and equipment in excess of \$5,000. Depreciation and amortization is calculated using the straight-line method over the estimated useful lives of the assets.

When property and 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 underlying assets are capitalized.

**SANCTUARY OF HOPE**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

Management of the Organization assesses the recoverability of property and equipment whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate. The evaluation is performed by determining whether the depreciation and amortization 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 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 long-lived assets. There can be no assurance, however, that market conditions will not change or demand for the Organization's products will continue, which could result in impairment of long-lived assets in the future.

**Expense allocation** - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement 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.

**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, 2019, 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, 2019, the Organization did not recognize any amount in potential interest and penalties associated with uncertain tax positions.

As of June 30, 2019, all federal tax returns since 2016 and state tax returns since 2015 are still subject to adjustment upon audit. No tax returns are currently being examined by taxing authorities.

**SANCTUARY OF HOPE**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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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 February 19, 2020, 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, 2019 consists of:

Vehicle	\$ 31,450
Less accumulated depreciation	<u>(20,967)</u>
	<u>\$ 10,483</u>

**NOTE 4 - LIQUIDITY AND AVAILABILITY OF RESOURCES**

The following reflects the Organization's financial assets as June 30, 2019.

Cash	\$ 9,725
Government grants receivable	151,762
Grants receivable	<u>155,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$316,487</u>

**SANCTUARY OF HOPE**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE 4 - LIQUIDITY AND AVAILABILITY OF RESOURCES, Continued**

The Organization's goal is to maintain financial assets on hand to meet at least two months of normal operating expenses which, on average, totals approximately \$110,000 per month given full programmatic expenditures. With the current expenditures, the Organization possesses sufficient financial assets for over two and a half months of expenditures to meet its philanthropic mission.

**NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following for the year ended June 30, 2019:

	<b>June 30, 2018</b>	<b>Additions</b>	<b>Releases</b>	<b>June 30, 2019</b>
With Donor Restriction				
Facility Renovations	-	30,000	(30,000)	-
	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ (30,000)</u>	<u>\$ -</u>