



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

**AUDITED FINANCIAL STATEMENTS**

**For The Year Ended June 30, 2020**

*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, 2020, 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, 2020, 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  
October 14, 2020

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

**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2020**

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**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 178,995
Government grants receivable	297,988
Grants and contributions receivable	18,459
Clients deposits	18,462
Prepaid expenses	39,543
	<u>553,447</u>

**PROPERTY AND EQUIPMENT, net** 4,193

**SECURITY DEPOSITS AND OTHER ASSETS** 9,254

\$ 566,894

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 47,900
Client deposits	18,462
Deferred revenue	255,707
CARES Act forgivable note payable	133,385
	<u>455,454</u>

**NET ASSETS**

Without donor restrictions	(43,134)
With donor restrictions	154,574
	<u>111,440</u>

\$ 566,894

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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, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUE AND SUPPORT</b>			
Government grants	\$ 1,461,023	\$ -	\$ 1,461,023
Grants and contributions	161,321	188,000	349,321
Other income	552	-	552
Net assets released from restrictions	<u>33,426</u>	<u>(33,426)</u>	<u>-</u>
	<u>1,656,322</u>	<u>154,574</u>	<u>1,810,896</u>
<b>FUNCTIONAL EXPENSES</b>			
Program services	1,384,071	-	1,384,071
Supporting services	284,354	-	284,354
Fundraising	<u>13,962</u>	<u>-</u>	<u>13,962</u>
	<u>1,682,387</u>	<u>-</u>	<u>1,682,387</u>
<b>CHANGE IN NET ASSETS</b>	(26,065)	154,574	128,509
<b>NET ASSETS, beginning of year</b>	<u>(17,069)</u>	<u>-</u>	<u>(17,069)</u>
<b>NET ASSETS, end of year</b>	<u>\$ (43,134)</u>	<u>\$ 154,574</u>	<u>\$ 111,440</u>

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

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

**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2020**

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and wages	\$ 647,724	\$ 79,070	\$ 9,597	\$ 736,391
Payroll taxes	54,395	6,281	699	61,375
Employee benefits	<u>62,350</u>	<u>4,636</u>	<u>910</u>	<u>67,896</u>
	764,469	89,987	11,206	865,662
Rental assistance	287,274	-	-	287,274
Professional fees	68,192	78,229	553	146,974
Supplies and printing	71,421	8,851	17	80,289
Rent	-	76,368	-	76,368
Students' travel expenses	75,756	-	-	75,756
Repair and maintenance	38,334	8,298	-	46,632
Information technology	16,261	3,435	892	20,588
Utilities	19,760	559	-	20,319
Travel and meeting	17,234	2,695	50	19,979
Insurance	7,774	6,702	86	14,562
Other	8,574	556	85	9,215
Client Support	6,620	121	-	6,741
Depreciation and amortization	-	6,290	-	6,290
Outreach	1,803	837	1,052	3,692
Licenses, permits and fees	<u>599</u>	<u>1,426</u>	<u>21</u>	<u>2,046</u>
	<u>\$1,384,071</u>	<u>\$ 284,354</u>	<u>\$ 13,962</u>	<u>\$ 1,682,387</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, 2020**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 128,509
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 contributions receivable	(9,685)
Prepaid expenses	(34,274)
Accounts payable and accrued expenses	(42,181)
Deferred revenue	<u>(12,459)</u>
Net cash flows from operating activities	<u>36,200</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Increase in security deposits and other assets	<u>(315)</u>
Net cash flows from investing activities	<u>(315)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from borrowings from forgivable note payable	<u>133,385</u>
Net cash flows from financing activities	<u>133,385</u>

Net change cash and cash equivalents	169,270
Cash and cash equivalent, beginning of year	<u>9,725</u>
Cash and cash equivalent, end of year	<u>\$ 178,995</u>

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



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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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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, juvenile justice involvement, homelessness, and being at-risk. The Organization provides basic needs, life coaching, mentoring, housing, 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 4,000 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**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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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, 2020, 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 grants and contributions receivable. The Organization estimates that the fair value of its financial instruments at June 30, 2020 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, 2020**

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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 three months or less. 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, 2020, 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, 2020**

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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, 2020, 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, 2020, the Organization did not recognize any amount in potential interest and penalties associated with uncertain tax positions.

As of June 30, 2020, all federal tax returns since 2017 and state tax returns since 2016 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, 2020**

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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 October 14, 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, 2020 consists of:

Vehicle	\$ 31,450
Less accumulated depreciation	<u>(27,257)</u>
	<u>\$ 4,193</u>

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

The following reflects the Organization's liquid financial assets as June 30, 2020:

Cash and cash equivalent	\$ 178,995
Government grants receivable	297,988
Grants and contributions receivable	<u>18,459</u>
Total financial assets	495,442
Net assets with donor restrictions:	<u>(154,574)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 340,868</u>

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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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 \$141,000 per month given full programmatic expenditures. With the current expenditures, the Organization possesses sufficient financial assets for over two months of expenditures to meet its philanthropic mission.

During March 2020, the World Health Organization declared the spread of Coronavirus disease, or COVID-19, a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets supply chains, businesses and communities. COVID-19 had affected the Organization's 2020 operations, and it could negatively impact the Organization's 2021 operations as well. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Management believes the Organization is taking appropriate actions to mitigate the potential negative financial impact, including participation in the Paycheck Protection Program (the "PPP Loan") funded by the U.S Small Business Administration ("SBA"). Through the program, the Organization obtained a \$133,385 unsecured loan in May 2020 which is payable bearing interest at 1% due in monthly installments commencing the date that the SBA remits the Organization's loan forgiveness amount to the lender, with an option to extend to May 2025. Under certain circumstances the loan is forgivable, although the amount of forgiveness is uncertain.

**NOTE 5 – CARES ACT FORGIVABLE NOTE PAYABLE**

In May 2020, the Organization obtained a loan in the amount of \$133,385 from Union Bank, in connection with the SBA's Paycheck Protection Program (the "PPP Loan"). A portion of the PPP Loan may be forgiven based on the Organization's use of the proceeds of the PPP Loan for its payroll costs and other expenses in accordance with the requirements of the Paycheck Protection Program. If the PPP Loan is not fully forgiven, the Organization will remain liable for the full and punctual payment of the outstanding principal balance plus accrued and unpaid interest. The PPP Loan accrues interest at a rate per annum equal to 1.00%, the outstanding principal balance accrued and unpaid interest is payable in monthly installments commencing the date that the SBA remits the Organization's loan forgiveness amount to the lender. The note must be repaid within 24 months of funding, which would be May 2022, but the Organization may have an option to extend the maturity date, based on approval of the lending institution, for up to a total of 60 months from the date of initial funding, which would be May 2025. The PPP Loan is unsecured. The PPP Loan may be prepaid at any time prior to maturity with no prepayment penalties.

**SANCTUARY OF HOPE**  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following for the year ended June 30, 2020:

	June 30, 2019	Additions	Releases	June 30, 2020
With Donor Restriction				
Technology enhancement	\$ -	\$ 50,000	\$ -	\$ 50,000
Youth development	-	138,000	(33,426)	104,574
	\$ -	\$ 188,000	\$ (33,426)	\$ 154,574

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

**Los Angeles lease** - The Organization maintains a lease for an administrative office in West Adams neighborhood in Los Angeles, California requiring monthly rents of \$4,500 through March 2021, with annual incremental rent increases each year thereafter through March 2022, then decrease to \$2,000 through March 2023.

**Hawthorne office lease** - The Organization maintains a lease for an administrative office in Hawthorne, California requiring monthly rents of \$2,364 through September 2021, with annual incremental rent increases each year thereafter through September 2023.

**Hawthorne housing lease** - The Organization maintains a lease for a temporary housing for clients in Hawthorne, California requiring monthly rents of \$5,892 through May 2021.

In addition to the leases above, the Organization maintains short-term leases for temporary housing for clients throughout and nearby area of South Los Angeles.

Future minimum lease payments under all operating lease agreements for years ending June 30 are:

2021	\$ 148,676
2022	80,219
2023	47,503
	\$ 276,398

Total rental expense, including short-term leases for client housing, was \$363,642 for the year ended June 30, 2020.