

BOYS HOPE GIRLS HOPE OF CALIFORNIA, INC.
(a not-for-profit corporation)

FINANCIAL STATEMENTS

AND INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2014

BOYS HOPE GIRLS HOPE OF CALIFORNIA, INC.
(a not-for-profit corporation)
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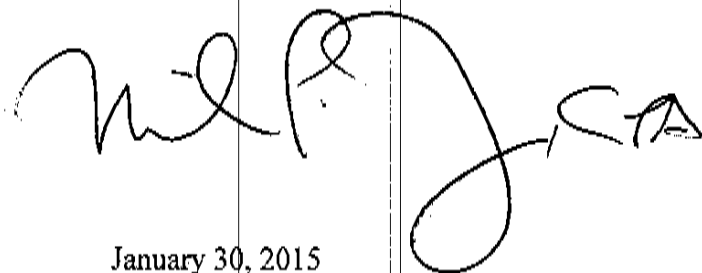
Board of Directors
Boys Hope Girls Hope of California, Inc.

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying statement of financial position of Boys Hope Girls Hope of California, Inc. (a not-for-profit corporation) (the "Organization") as of June 30, 2014 and the related statements of activity, functional expenses and of cash flows for the fiscal year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2014 and the changes in net assets and cash flows for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.



January 30, 2015

BOYS HOPE GIRLS HOPE OF CALIFORNIA, INC.*(A not-for-profit corporation)***STATEMENT OF FINANCIAL POSITION****JUNE 30, 2014**

| <u>ASSETS</u> | |
|--|-------------------|
| Current Assets: | |
| Cash and cash equivalents | \$ 27,464 |
| Pledges receivable | 14,473 |
| Prepaid expenses | 5,502 |
| Total Current Assets | <u>47,439</u> |
| Property and Equipment, net | <u>798,907</u> |
| Total Assets | <u>\$ 846,346</u> |
| <u>LIABILITIES AND NET ASSETS</u> | |
| Current Liabilities: | |
| Accounts payable and accrued expenses | \$ 251,644 |
| Line of credit | 79,886 |
| Total Current Liabilities | <u>331,530</u> |
| Net Assets: | |
| Unrestricted | 513,180 |
| Temporarily restricted | 1,636 |
| Total Net Assets | <u>514,816</u> |
| Total Liabilities and Net Assets | <u>\$ 846,346</u> |

See accompanying notes to the financial statements.

BOYS HOPE GIRLS HOPE OF CALIFORNIA, INC.**(A not-for-profit corporation)****STATEMENT OF ACTIVITY****FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|-------------------|
| <u>Revenue and Public Support:</u> | | | | |
| Contributions | \$ 515,968 | \$ 36,350 | \$ - | \$ 552,318 |
| Event Revenues, net of direct costs of \$ 105,199 | 50,416 | - | - | 50,416 |
| | 566,384 | 36,350 | - | 602,734 |
| Net Assets Released From Restrictions | 61,414 | (61,414) | - | - |
| Total Revenue and Public Support | <u>627,798</u> | <u>(25,064)</u> | <u>-</u> | <u>602,734</u> |
| <u>Expenses:</u> | | | | |
| Program Services | <u>593,819</u> | <u>-</u> | <u>-</u> | <u>593,819</u> |
| Support Services: | | | | |
| Management and General | 75,789 | - | - | 75,789 |
| Fundraising | 61,546 | - | - | 61,546 |
| Total Support Services | <u>137,334</u> | <u>-</u> | <u>-</u> | <u>137,334</u> |
| Total Expenses | <u>731,153</u> | <u>-</u> | <u>-</u> | <u>731,153</u> |
| Change in Net Assets | (103,355) | (25,064) | - | (128,419) |
| Net Assets, July 1, 2013 | <u>616,535</u> | <u>26,700</u> | <u>-</u> | <u>643,235</u> |
| Net Assets, June 30, 2014 | <u>\$ 513,180</u> | <u>\$ 1,636</u> | <u>\$ -</u> | <u>\$ 514,816</u> |

See accompanying notes to the financial statements

BOYS HOPE GIRLS HOPE OF CALIFORNIA, INC.*(A not-for-profit corporation)***STATEMENT OF FUNCTIONAL EXPENSES****FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | Program Services | | Support Services | | Total Support | Combined Total |
|-------------------------------|------------------|------------------------|------------------|------------|---------------|----------------|
| | Direct Program | Management and General | Fund-raising | | | |
| Payroll | \$ 255,910 | \$ 44,110 | \$ 44,110 | \$ 88,220 | \$ 344,130 | |
| Payroll Taxes and Benefits | 77,709 | 13,394 | 13,394 | 26,789 | 104,498 | |
| Subtotal | 333,619 | 57,504 | 57,504 | 115,009 | 448,628 | |
| Assistance to Children | 66,761 | - | - | - | 66,761 | |
| Office Rent | 9,821 | 2,619 | 655 | 3,274 | 13,094 | |
| Administrative Fees - BHGHI | 22,721 | 2,673 | 1,337 | 4,010 | 26,730 | |
| Equipment Rental | - | 1,162 | 1,162 | 2,324 | 2,324 | |
| Insurance | 15,634 | 2,759 | - | 2,759 | 18,393 | |
| Building Expense | 29,399 | - | - | - | 29,399 | |
| Bank fees | 3,046 | 1,015 | - | 1,015 | 4,061 | |
| Administration | 2,200 | 440 | 293 | 733 | 2,933 | |
| Transportation Expense - Home | 16,284 | - | - | - | 16,284 | |
| Miscellaneous | 541 | 180 | - | 180 | 721 | |
| Staff Education | 642 | - | - | - | 642 | |
| Travel | 3,808 | 1,269 | - | 1,269 | 5,077 | |
| Telephone | 2,251 | 750 | - | 750 | 3,001 | |
| Building Furnishings | 30,044 | - | - | - | 30,044 | |
| Domestic Supplies | 1,995 | - | - | - | 1,995 | |
| Postage | 995 | 332 | - | 332 | 1,327 | |
| Dues and Subscriptions | - | 350 | - | 350 | 350 | |
| Printing and Stationery | 878 | 176 | 117 | 293 | 1,170 | |
| Professional Fees | 5,913 | 1,971 | - | 1,971 | 7,884 | |
| Office Supplies | 204 | 68 | - | 68 | 272 | |
| Interest | 6,127 | 2,042 | - | 2,042 | 8,169 | |
| Subtotal | 552,881 | 75,311 | 61,068 | 136,378 | 689,259 | |
| Depreciation | 40,938 | 478 | 478 | 956 | 41,894 | |
| Total Functional Expenses | \$ 593,819 | \$ 75,789 | \$ 61,546 | \$ 137,334 | \$ 731,153 | |

See accompanying notes to the financial statements.

BOYS HOPE GIRLS HOPE OF CALIFORNIA, INC.**(A not-for-profit corporation)****STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED JUNE 30, 2014**

| | |
|---|------------------|
| Operating Activities: | |
| Change in Net Assets | \$ (128,419) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation and Amortization | 41,894 |
| Changes in Other Operating Items: | |
| Pledges receivable | (14,473) |
| Accounts payable and accrued expenses | 46,803 |
| Cash (Used) for Operating Activities | <u>(54,195)</u> |
| Investing Activities: | |
| Purchases of Property and Equipment | <u>(2,117)</u> |
| Cash (Used) for Investing Activities | <u>(2,117)</u> |
| Financing Activities: | |
| Loan proceeds from line of credit | <u>30,835</u> |
| Cash Provided by Financing Activities | <u>30,835</u> |
| Change in Cash and Cash Equivalents | (25,477) |
| Cash and Cash Equivalents, July 1, 2013 | <u>52,941</u> |
| Cash and Cash Equivalents, June 30, 2014 | <u>\$ 27,464</u> |

See accompanying notes to the financial statements.

BOYS HOPE GIRLS HOPE OF CALIFORNIA, INC.
(a not-for-profit corporation)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 – Summary of Significant Accounting Policies

Organization

Boys Hope Girls Hope of California, Inc. (Company) is a not-for-profit corporation that offers a structured program to help children who are in-need, yet academically capable, to realize their potential by providing value-centered family-like programs and a quality education through college. The Company is entirely funded by private contributions.

The Company is affiliated with Boys Hope Girls Hope, Inc. (BHGHI), its sponsoring national organization (see Note 4).

A summary of significant accounting policies follows:

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made* and SFAS No. 117, *Financial Statements for Not-for-Profit Organizations*, applicable to nonprofit organizations.

Under these provisions, net assets and revenues, expenses, gains, and losses are classified and reported as follows:

Unrestricted net assets – net assets that are not subject to donor imposed stipulations.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations. Or income earned on permanently restricted assets that may or will be met either by actions of the Company or the passage of time.

Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by the Company.

BOYS HOPE GIRLS HOPE OF CALIFORNIA, INC.
(a not-for-profit corporation)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions, including unconditional promises to give, are recorded as received and allowances are provided for contributions estimated to be uncollectible.

Property and Equipment

Property and equipment are stated at cost at date of acquisition or at fair value at date of gift. Depreciation is calculated using the straight-line method based on the following estimated useful lives: automobiles, 3 years; and furniture and equipment, 5 years. The cost of leasehold improvements is amortized generally over the term of the related lease.

The provisions of SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of*, requires that long-lived assets and certain identifiable intangibles be 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 expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the excess of the carrying amount of the assets over the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Tax status

The Organization is a nonprofit tax-exempt organization under Section 501(c) 3 of the United States Internal Revenue Code; therefore, no tax provision has been recorded.

BOYS HOPE GIRLS HOPE OF CALIFORNIA, INC.
(a not-for-profit corporation)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

Functional allocation of costs

The costs of providing program and other services have been summarized on a functional basis in the statement of activities. Accordingly, costs are allocated to program and support service expenses based on actual use or estimated use if actual use is not readily determinable.

Tax status

The Organization is a nonprofit tax-exempt organization under Section 501(c) 3 of the United States Internal Revenue Code; therefore, no tax provision has been recorded.

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Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

The Organization places its cash and temporary cash investment with high quality financial institutions.

Revenue Recognition

A contribution is recognized when a donor makes a promise to give to the Organization or Institute which is in substance an unconditional promise. Conditional promises to give are recognized when the conditions upon which they depend are substantially met. Cash from conditional gifts that is received prior to the conditions being met is classified as deferred income.

BOYS HOPE GIRLS HOPE OF CALIFORNIA, INC.
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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

Fair value of financial instruments

The carrying amounts of cash and cash equivalents and accounts payable are reasonable estimates of the fair value of these financial instruments.

NOTE 2 - Property and equipment:

The Articles of Incorporation of the Company state that, upon dissolution of BHGH-SF, all property and equipment (or the proceeds from the sale remaining after settlement of all liabilities) revert to Boys Hope Girls Hope, Inc.

Property and equipment at June 30, 2014 consist of the following:

| | |
|--|-------------------|
| Automotive equipment | \$ 127,472 |
| Land | 329,641 |
| Buildings | 451,275 |
| Building Improvements | 380,379 |
| Furniture and equipment | 61,018 |
| | <u>1,349,785</u> |
| Less – accumulated depreciation and amortization | (550,878) |
| | <u>\$ 798,907</u> |

NOTE 3 – Lease commitment:

The Company rents office space on a month to month basis. Consequently, the Company has no lease obligations.

NOTE 4 – Affiliations:

The Company is affiliated with Boys Hope Girls Hope, Inc. (BHGH), its sponsoring national organization. BHGH-SF obtains programmatic, administrative, and fundraising assistance from BHGH. In return, BHGH-SF under an affiliation agreement pays an annual fee for such services. As of June 30, 2014, the Company owed \$206,044. The Company is presently in negotiations regarding the terms of paying back the obligation.