

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

Year Ended June 30, 2014
(With Comparative Totals to June 30, 2013)



Gurseley | Schneider ^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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CERTIFIED
PUBLIC ACCOUNTANTS
& ADVISORS

Independent Auditor's Report

Board of Directors
A Place Called Home
Los Angeles, California

We have audited the accompanying financial statements of A Place Called Home (a California nonprofit public benefit corporation) which comprises the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the June 30, 2013 financial statements of APCH and in our report dated February 10, 2014, we expressed an unqualified opinion on those 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.

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Board of Directors
A Place Called Home
Independent Auditor's Report
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of A Place Called Home as of June 30, 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gursey | Schneider LLP

February 6, 2015
Los Angeles, California

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Statements of Financial Position
June 30, 2014
(With Comparative Totals for June 30, 2013)

ASSETS

	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,966,484	\$ 1,301,007
Certificate of deposit, restricted	-	212,448
Contributions receivable	587,644	673,359
Program goods inventory	73,057	-
Deposits, prepaid expenses and other assets	43,667	75,241
Total Current Assets	3,670,852	2,262,055
OTHER ASSETS		
Contributions receivable	33,334	205,500
Property and equipment, net	2,896,069	2,834,267
Total Other Assets	2,929,403	3,039,767
TOTAL ASSETS	\$ 6,600,255	\$ 5,301,822

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 15,764	\$ 23,989
Accrued payroll and related liabilities	231,752	156,240
Total Liabilities	247,516	180,229
NET ASSETS		
Unrestricted	4,683,588	3,723,306
Unrestricted - board designated reserves	350,323	250,168
Temporarily restricted	1,118,828	948,119
Permanently restricted	200,000	200,000
Total Net Assets	6,352,739	5,121,593
TOTAL LIABILITIES AND NET ASSETS	\$ 6,600,255	\$ 5,301,822

See Accompanying Notes to Financial Statements

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Statements of Activities
For the Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	<u>2014</u>			<u>2013</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUES AND SUPPORT					
Contribution and grants	\$ 1,956,317	\$ 1,980,807	\$ -	\$ 3,937,124	\$ 2,283,898
In-kind goods and services	1,119,900	184,979	-	1,304,879	1,053,796
Interest income	1,065	809	-	1,874	2,486
Other income	38,076	-	-	38,076	24,450
Fundraising events:					
Gross revenue	1,329,028	-	-	1,329,028	1,357,557
Less: Direct costs	(212,721)	-	-	(212,721)	(209,294)
Fundraising events, net	1,116,307	-	-	1,116,307	1,148,263
Released from restriction	1,995,886	(1,995,886)	-	-	-
TOTAL REVENUE AND SUPPORT	<u>6,227,551</u>	<u>170,709</u>	<u>-</u>	<u>6,398,260</u>	<u>4,512,893</u>
EXPENSES					
Program services	3,916,343	-	-	3,916,343	3,636,740
Supporting services	560,238	-	-	560,238	456,594
Fundraising	690,533	-	-	690,533	659,969
TOTAL EXPENSES	<u>5,167,114</u>	<u>-</u>	<u>-</u>	<u>5,167,114</u>	<u>4,753,303</u>
CHANGE IN NET ASSETS	1,060,437	170,709	-	1,231,146	(240,410)
NET ASSETS - Beginning of year	<u>3,973,474</u>	<u>948,119</u>	<u>200,000</u>	<u>5,121,593</u>	<u>5,362,003</u>
NET ASSETS - End of year	<u>\$ 5,033,911</u>	<u>\$ 1,118,828</u>	<u>\$ 200,000</u>	<u>\$ 6,352,739</u>	<u>\$ 5,121,593</u>

See Accompanying Notes to Financial Statements

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Statements of Functional Expenses
For the Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	2014			2013	
	Program Expenses	Support Services	Fundraising Expenses	Total Expenses	Total Expenses
Salaries and Expenses					
Salaries and wages	\$ 1,529,190	\$ 320,939	\$ 325,698	\$ 2,175,827	\$ 1,896,044
Payroll taxes	109,599	23,263	22,426	155,288	138,972
Employee benefits	219,514	49,446	46,766	315,726	215,650
Total Salaries and Expenses	1,858,303	393,648	394,890	2,646,841	2,250,666
Other Expenses					
Advertising	200	2,283	1,240	3,723	3,927
Auto expense	19,868	226	1,466	21,560	15,390
Bank charges	-	1,794	16,079	17,873	20,940
Depreciation	76,317	11,255	18,498	106,070	92,160
Dues and subscriptions	1,467	999	1,125	3,591	5,241
Education and training	13,593	5,177	245	19,015	12,333
Equipment rental	3,597	940	2,878	7,415	8,454
Food costs	32,924	743	475	34,142	42,522
In-kind goods	710,370	676	37,813	748,859	951,941
Insurance	37,008	7,411	529	44,948	44,051
Office expenses	45,741	21,950	22,874	90,565	64,313
Outside services	100,594	4,133	67,714	172,441	155,764
Postage	9,290	1,953	19,549	30,792	21,669
Printing	32,447	2,308	30,070	64,825	53,592
Professional fees	269,976	74,975	65,096	410,047	233,361
Program related expenses	143,633	-	-	143,633	169,481
Repairs and maintenance	29,786	803	853	31,442	46,761
Scholarships	396,628	-	-	396,628	374,944
Stipends	24,262	-	-	24,262	29,474
Supplies	40,746	328	741	41,815	31,409
Taxes and licenses	9,367	24,973	2,800	37,140	37,924
Telephone	7,091	1,843	1,183	10,117	19,155
Travel	8,128	345	2	8,475	3,806
Utilities	45,007	1,475	1,398	47,880	55,545
Website development	-	-	3,015	3,015	8,480
Total Other Expenses	2,058,040	166,590	295,643	2,520,273	2,502,637
TOTAL EXPENSES	\$ 3,916,343	\$ 560,238	\$ 690,533	\$ 5,167,114	\$ 4,753,303

See Accompanying Notes to Financial Statements

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Statements of Cash Flows
For the Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,231,146	\$ (240,410)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	106,070	92,160
(Increase) decrease in:		
Contributions receivable	257,881	281,263
Inventory	(73,057)	-
Deposits, prepaid expenses and other assets	31,574	(21,891)
Increase (decrease) in:		
Accounts payable and accrued expenses	(8,225)	(19,126)
Accrued payroll and related liabilities	75,512	23,959
	<u>1,620,901</u>	<u>115,955</u>
<i>Net Cash Provided by Operating Activities</i>		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of certificate of deposit	-	(1,045)
Purchases of property and equipment	(167,872)	(432,540)
Proceeds from maturity of certificate of deposit	212,448	-
	<u>44,576</u>	<u>(433,585)</u>
<i>Net Cash Provided by (Used in) Investing Activities</i>		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,665,477	(317,630)
CASH AND CASH EQUIVALENTS - Beginning of year	<u>1,301,007</u>	<u>1,618,637</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 2,966,484</u>	<u>\$ 1,301,007</u>

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2014

NOTE 1 — ORGANIZATION

A Place Called Home (APCH) is a California nonprofit public benefit corporation. APCH is a safe haven in South Central Los Angeles where underserved youth are empowered to take ownership of the quality and direction of their lives through programs in education, arts, and well-being and are inspired to make a meaningful difference in their community and the world. APCH operates a community youth center providing educational, vocational, and social support services to children and young adults. APCH receives its funding from grants and contributions by private foundations, corporations, and individuals.

APCH's celebrated its 21st year of operations in 2014. Over two decades, APCH has served more than 18,000 youth and provided college scholarships for 283 students; a majority of whom are first-generation college attendees. Significant program accomplishments include:

- Serving an average of 300 young people each day and more than 1,200 each year, and thousands more family and community members at our large community events.
- Providing 5,000 – 6,000 fresh meals each month, and thousands of pounds of groceries to hundreds of families each year.
- Hosting up to 1,000 volunteers who collectively contribute up to 25,000 hours of service annually.
- Providing more than 3,200 hours of mental health counseling each year.

All services are provided free of charge.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation — The accompanying financial statements have been prepared on the accrual basis of accounting; consequently revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Comparative Totals — The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the APCH's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Use of Estimates — The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of 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.

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2014

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Cash and Cash Equivalents — Cash and cash equivalents include cash held in money market and checking accounts which are insured up to the federal limit by the Federal Deposit Insurance Corporation. Cash and cash equivalents have maturities at date of purchase of three months or less. At times, the cash balance maintained at a single financial institution may exceed federally insured limits. APCH has not experienced any losses in these accounts. Included in cash and cash equivalents are board-designated reserves of \$350,323 and \$250,168 at June 30, 2014 and 2013, respectively.

Net Asset Accounting — To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of APCH are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- **Unrestricted Net Assets.** Net assets are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by actions of the board of directors, or may otherwise be limited by contractual agreements with outside parties. During the year ended June 30, 2014, the board has designated \$350,323 of unrestricted net assets as restricted for long-term purposes.
- **Temporarily Restricted Net Assets.** APCH reports gifts of cash and other assets as temporarily restricted support 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 the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions. At June 30, 2014, APCH had temporarily restricted net assets of \$1,118,828.
- **Permanently Restricted Net Assets.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit APCH to expend all of the income (or other economic benefits) derived from the donated assets. At June 30, 2014, APCH had \$200,000 in permanently restricted net assets.

Contributions — Contributions, including unconditional promises to give, are recorded in the period made. All contributions are available for unrestricted use, unless specifically restricted by the donor. Conditional promises to give are recognized when the condition on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their undiscounted carrying value. Unconditional promises to give due in the subsequent years are not discounted as such amounts are not deemed material. An estimate for uncollectible contributions is recorded against contributions. APCH has determined that no allowance against the contributions receivable is required as of June 30, 2014.

Functional Allocations of Expenses – The costs of providing APCH's programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting services on the basis of benefits received.

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2014

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

In-Kind Donations —

- **Donated Goods, Property and Equipment** — Donations of goods, property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. APCH received approximately of \$720,000 of program goods and services distributed to benefit the community, approximately \$90,000 of donated goods and services used for fundraising purposes, and approximately \$52,000 of donated goods and services that had donor restrictions. These amounts are reflected as “in-kind goods and services” in the statement of functional expenses.
- **Donated Services** — Contributed services are recognized if the services received (a) increase or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended June 30, 2014, APCH received approximately \$430,000 of professional donated services for legal, architectural design, counseling and classroom instruction services. These amounts are reflected as professional fees in the statement of functional expenses.

Program Goods Inventory – In-kind donations, which consist of donated equipment, school supplies and other goods, totaling \$73,057 were held as of June 30, 2014. These were distributed to benefit the community subsequent to year-end.

Scholarships— APCH awards renewable scholarships for up to five years if the scholar fulfills all scholarship renewal requirements each year. Scholarship recipients may receive up to \$15,000 in scholarships per year. Students are required to provide a progress report annually and meet certain academic performance and other criteria in order to receive subsequent year awards after the initial award without having to re-apply. Scholarship budget is subject to availability of funds received. All scholarships are awarded and paid out during the fiscal year. Therefore, no commitments are made for future years and no scholarship liability is accrued as of June 30, 2014.

Property and Equipment – Acquisition of property and equipment in excess of \$1,000 is capitalized at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed over the estimated useful lives of the assets ranging from five to thirty-nine years, using the straight-line method.

Income Taxes — APCH is a public charity exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision has been made for federal and state income taxes in the accompanying financial statements.

APCH's accounting policy is to provide liabilities for uncertain tax positions (including penalties and interest) when a tax position would not be considered “more likely than not” to be upheld by a tax authority examination. Management is not aware of any violation of its tax status (being exempt from income taxes), nor any exposure to unrelated business income tax. The Organization's federal income tax and informational returns for tax years 2011 and subsequent remain subject to examination by the Internal Revenue Service. The returns for California, the Organization's most significant jurisdiction, remain subject to examination by the California Franchise Tax Board for years 2010 and subsequent.

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2014

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Concentrations of Risk — There are four donors that make up approximately 95% of the unconditional promises to give. Each of these donors either has long-standing associations with APCH or has provided substantial financial support to APCH.

Subsequent Events – Subsequent events were evaluated through February 6, 2015, the date the financial statements were available to be issued.

NOTE 3 — CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2014 are composed of the following:

Receivable in less than one year	\$ 587,644
Receivable in one to five years	33,334
Receivable in over five years	<u>-</u>
Total contributions receivable	<u><u>\$ 620,978</u></u>

In addition, APCH has one conditional pledge for \$200,000 that will be collectible upon the commencement of a capital improvement project.

NOTE 4 — PROPERTY AND EQUIPMENT

Property and equipment held for use by APCH is comprised of the following at June 30, 2014:

Building improvements	\$ 1,651,690
Land	1,000,865
Building	643,000
Computer equipment	164,524
Vehicles	129,815
Recording studio equipment	73,288
Equipment	71,600
Furniture	<u>31,096</u>
	3,765,878
Less: Accumulated depreciation	<u>(869,809)</u>
Total Property and Equipment, Net	<u><u>\$ 2,896,069</u></u>

Depreciation expense for the year ended June 30, 2014 was \$106,070.

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2014

NOTE 5 — TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2014 consist of the following:

Purpose restricted - scholarships	\$ 83,933
Purpose restricted - Teen Center	586,135
Purpose restricted - capital purchase	60,000
Time-restricted	<u>388,760</u>
 Total Temporarily Restricted Net Assets	 <u><u>\$ 1,118,828</u></u>

The time-restricted net assets will be available for general uses in future years and released from restriction as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2015	\$ 314,593
2016	65,833
2017	<u>8,334</u>
	<u><u>\$ 388,760</u></u>

During the year ended June 30, 2014, temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes or time restriction:

Award of scholarships	\$ 396,305
Capital projects	26,182
Passage of time restrictions	<u>1,573,399</u>
 Net Assets Released from Restrictions	 <u><u>\$ 1,995,886</u></u>

Permanently restricted net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, APCH classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2014

NOTE 5 — TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS – (CONTINUED)

In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the donor-restricted endowment funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies.

During the year ended June 30, 2014, APCH had the following endowment related activities:

Endowment Assets Investments, at fair value	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	\$ -	\$ 2,448	\$ 200,000	\$ 202,448
Contributions	-	-	-	-
Investment income	-	809	-	809
Program expenditures	-	-	-	-
End of year	<u>\$ -</u>	<u>\$ 3,257</u>	<u>\$ 200,000</u>	<u>\$ 203,257</u>

Endowment assets are invested a money market account.

NOTE 6 — RETIREMENT PLAN

APCH sponsors a qualified pension plan that covers substantially all full-time employees meeting certain eligibility requirements. Employees may contribute a portion of their annual compensation to the plan, limited to the maximum annual amount as set periodically by the Internal Revenue Service. APCH has elected to satisfy certain safe-harbor provisions of administering the plan by contributing up to 4.0% of each eligible employee's annual compensation to the plan as a non-elective contribution. During the year ended June 30, 2014, the Company recognized an expense of \$38,115 for employees that are fully vested in the safe-harbor contributions.

NOTE 7 — LEASE COMMITMENT

APCH leases office equipment under a non-cancelable operating lease that expires in 2016. Rental equipment expenses for the year ended June 30, 2014 were \$4,472, which is included in the Equipment rental expense in Statement of Functional expense. The future minimum lease payments for the successive years are \$4,472 (2015) and \$1,756 (2016).

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2014

NOTE 8 – RELATED PARTY TRANSACTIONS

During the year ended June 30, 2014, APCH received donated professional services from an architect that is related to management totaling \$132,000. Additionally, APCH received donated legal services from a law firm affiliated with a former board member totaling approximately \$36,500. At June 30, 2014, pledges receivable from various board members totaled \$5,000.