

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

FINANCIAL STATEMENTS

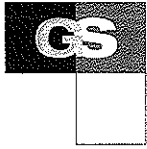
June 30, 2010



Gurseley | Schneider LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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Independent Auditors' Report

To the Board of Directors
A Place Called Home
Los Angeles, California

We have audited the accompanying statement of financial position of A Place Called Home (a California nonprofit public benefit corporation) (APCH) as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of APCH's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of APCH as of June 30, 2009 were audited by other auditors whose report dated April 6, 2010 expressed an unqualified opinion on those statements. As disclosed in Note 2, APCH has restated its June 30, 2009 financial statements to conform to generally accepted accounting principles. The other auditors reported on the June 30, 2009 financial statements prior to the restatement.

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 of 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the APCH as of June 30, 2010, and the changes in its net assets, functional expenses, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. We also audited the adjustments, described in Note 2, that were applied to restate the June 30, 2009 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

Gursey | Schneider LLP

March 3, 2011
Los Angeles, California

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
 Statements of Financial Position
 June 30, 2010
 (With Comparative Totals for 2009, as Restated)

	<u>ASSETS</u>	
	<u>2010</u>	<u>(Restated) 2009</u>
CURRENT ASSETS		
Cash	\$ 959,963	\$ 934,128
Contributions receivable	83,844	65,000
Other receivables	12,348	29,508
Deposits and prepaid expenses	60,038	23,968
	<u>1,116,193</u>	<u>1,052,604</u>
OTHER ASSETS		
Contributions receivable	171,500	-
Property and equipment, net	2,131,130	2,182,408
	<u>2,302,630</u>	<u>2,182,408</u>
TOTAL ASSETS	<u>\$ 3,418,823</u>	<u>\$ 3,235,012</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 88,857	\$ 82,630
Accrued payroll and related liabilities	167,480	141,661
	<u>256,337</u>	<u>224,291</u>
NET ASSETS		
Unrestricted	2,520,010	2,679,971
Temporarily restricted	442,476	130,750
Permanently restricted	200,000	200,000
	<u>3,162,486</u>	<u>3,010,721</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,418,823</u>	<u>\$ 3,235,012</u>

See Auditors' Report and Notes to Financial Statements

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Statement of Activities
For the Year Ended June 30, 2010
(With Comparative Totals for 2009, as Restated)

	2010			Total	(Restated) 2009
	Unrestricted	Temporarily Restricted	Permanently Restricted		
REVENUES AND SUPPORT					
Contribution and grants	\$ 1,110,223	\$ 585,000	\$ -	\$ 1,695,223	1,628,840
In-kind revenue	976,514	-	-	976,514	1,023,050
Rental revenue	71,517	-	-	71,517	94,440
Interest income	1,930	-	-	1,930	4,291
Other income	7,494	-	-	7,494	788
Gain (loss) on sale of assets	-	-	-	-	400
Fundraising events:					
Gross revenue	1,012,119	-	-	1,012,119	1,373,569
Less: Direct costs	(164,053)	-	-	(164,053)	(301,508)
Fundraising events, net	848,066	-	-	848,066	1,072,061
Restrictions released	273,274	(273,274)	-	-	-
TOTAL REVENUE AND SUPPORT	3,289,018	311,726	-	3,600,744	3,823,870
EXPENSES					
Program services	2,674,755	-	-	2,674,755	2,841,551
Support services	272,890	-	-	272,890	478,879
Fundraising	501,334	-	-	501,334	191,877
TOTAL EXPENSES	3,448,979	-	-	3,448,979	3,512,307
CHANGE IN NET ASSETS	(159,961)	311,726	-	151,765	311,563
NET ASSETS - Beginning of year	2,679,971	130,750	200,000	3,010,721	2,699,158
NET ASSETS - End of year	\$ 2,520,010	\$ 442,476	\$ 200,000	\$ 3,162,486	\$ 3,010,721

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended June 30, 2010
(With Comparative Totals for 2009, as Restated)

	2010			(Restated)
	Program Expenses	Support Services	Fundraising Expenses	2009 Total Expenses
Salaries and Expenses				
Salaries and wages	\$ 799,492	\$ 61,724	\$ 233,954	\$ 1,095,170
Payroll taxes	58,285	5,069	15,869	79,223
Employee benefits	66,378	8,006	11,375	85,759
Total Salaries and Expenses	<u>924,155</u>	<u>74,799</u>	<u>261,198</u>	<u>1,260,152</u>
Other Expenses				
Accounting	-	65,000	-	65,000
Advertising	95	367	85	547
Auto expense	9,038	32	67	9,137
Bank charges	90	8,618	2,131	10,839
Depreciation	66,899	6,265	16,607	89,771
Dues and subscriptions	492	588	569	1,649
Education and training	2,814	630	328	3,772
Equipment rental	5,228	100	314	5,642
Food costs	42,632	164	1,500	44,296
In-kind goods and services	914,787	35,103	26,449	976,339
Insurance	18,894	7,570	597	27,061
Litigation settlement	27,773	20,227	-	48,000
Office expenses	39,609	24,126	8,030	71,765
Outside services	125,460	730	21,322	147,512
Postage	239	1,731	14,730	16,700
Printing	1,605	1,645	29,613	32,863
Professional fees	-	14,892	94,470	109,362
Program related expenses	71,924	-	-	71,924
Repairs and maintenance	30,335	939	136	31,410
Scholarships	188,974	-	-	188,974
Stipends	15,842	59	-	15,901
Supplies	32,496	(250)	111	32,357
Taxes and licenses	57,659	4,124	11,684	73,467
Telephone	9,317	1,416	2,096	12,829
Travel	9,798	2,368	2,360	14,526
Utilities	76,266	1,647	6,588	84,501
Website development	2,334	-	349	2,683
Total Other Expenses	<u>1,750,600</u>	<u>198,091</u>	<u>240,136</u>	<u>2,188,827</u>
TOTAL EXPENSES	<u>\$ 2,674,755</u>	<u>\$ 272,890</u>	<u>\$ 501,334</u>	<u>\$ 3,448,979</u>
				<u>\$ 3,512,307</u>

See Auditors' Report and Notes to Financial Statements

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Statement of Cash Flows
For the Year Ended June 30, 2010
(With Comparative Totals for 2009, As Restated)

	2010	(Restated) 2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 151,765	\$ 311,563
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	89,771	86,872
Gain on sale of fixed assets	-	(500)
(Increase) decrease in:		
Contributions receivable	(190,344)	110,000
Other receivables	17,160	(11,283)
Deposits and prepaid expenses	(36,070)	(9,997)
Increase (decrease) in:		
Accounts payable and accrued expenses	6,227	7,813
Accrued payroll and related liabilities	25,819	(19,734)
<i>Net Cash Provided by Operating Activities</i>	64,328	474,734
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of fixed assets	-	500
Purchases of property and equipment	(38,493)	(12,587)
<i>Net Cash Used by Investing Activities</i>	(38,493)	(12,087)
<i>NET INCREASE IN CASH</i>	25,835	462,647
CASH - Beginning of year	934,128	471,481
CASH - End of year	\$ 959,963	\$ 934,128

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2010

NOTE 1 — ORGANIZATION

A Place Called Home (APCH) is a California nonprofit public benefit corporation. APCH's mission is to provide services "to enable inner-city, multi-ethnic youth to find their dreams and lead a more self-reliant life." APCH operates a community youth center in South Los Angeles providing educational, vocational, and social support services to children and young adults. APCH receives its funding from grants and contribution by private foundations, corporations, and individuals.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES

Restatements — The financial statements as of and for the year ended June 30, 2009 have been restated to reflect the correction of three errors as follows:

- Permanently restricted net assets were increased by \$200,000 to reflect the net assets from an unfunded endowment that was not previously reported in the prior year financial statements. These amounts were classified as unrestricted net assets in prior year's financial statements.
- Temporarily restricted net assets were increased by \$126,000 to reflect contributions received with donor-imposed restrictions during the year ended June 30, 2009 that were classified as unrestricted net assets at June 30, 2009.
- Contributions revenue and cash increased by \$60,000 to reflect donations that were received but not recorded in the June 30, 2009 financial statements.

The following table illustrates the impact of these three adjustments on net assets at June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
As originally reported	\$ 2,945,971	\$ 4,750	\$ -	\$ 2,950,721
Adjustments	(266,000)	126,000	200,000	60,000
As restated	<u>\$ 2,679,971</u>	<u>\$ 130,750</u>	<u>\$ 200,000</u>	<u>\$ 3,010,721</u>

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2010

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

The following tables illustrate the impact of these three adjustments on the change in net assets during the year ended June 30, 2009:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
As originally reported	\$ 346,813	\$ (95,250)	\$ -	\$ 251,563
Adjustments	(66,000)	126,000		60,000
As restated	<u>\$ 280,813</u>	<u>\$ 30,750</u>	<u>\$ -</u>	<u>\$ 311,563</u>

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, 2009, from which the summarized information was derived.

Accounting Standards Codification — Effective for 2009, as required by the Financial Accounting Standards Board, the Organization has implemented the new codification as the source of authoritative accounting principles generally accepted in the United States of America, for financial statements with interim and annual periods ending after September 15, 2009. All existing and future accounting pronouncements will now be arranged by topics and referred to within these financial statements as Accounting Standards Codification ("ASC") Topics.

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.

Concentrations of Risk — Financial instruments that potentially subject APCH to concentrations of credit risk consist of contribution receivable and uninsured cash balances. APCH maintains its cash in bank deposit accounts which, at times may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000. At times, APCH's cash balances will exceed these insured limits.

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2010

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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 net realized value. Unconditional promises to give due in the subsequent years are reported at the present value of their net realizable value, using risk free interest rates applicable to the years in which the promises are to be received. 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, 2010.

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.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions. At June 30, 2010, APCH had unrestricted net assets of \$2,520,010.
- **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, 2010, APCH had temporarily restricted net assets of \$442,476.
- **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, 2010, APCH has \$200,000 in permanently restricted net assets.

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, 2010

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Property and Equipment — Acquisition of property and equipment in excess of \$1,000 are 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.

Rental Income — APCH subleases a portion of their facility to unrelated third parties. Rental income is recognized as revenue over the rental period.

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.
- **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, 2010, APCH received approximately \$30,000 of donated legal services.

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.

Effective for 2009, APCH has adopted the changes to ASC Topic Income Taxes, which requires the APCH to evaluate its tax positions and recognize a liability for any positions that would not be considered “more likely than not” to be upheld under a tax authority examination. If such issues exist, the APCH’s policy will be to recognize any tax liability so recorded, including applicable interest and penalties, as a component of income tax expense.

APCH’s federal income tax and informational returns for tax years 2006 and subsequent remain subject to examination by the Internal Revenue Service. The tax returns for California remain subject to examination by the California Franchise Tax Board for years 2005 and subsequent.

A PLACE CALLED HOME
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Notes to Financial Statements
June 30, 2010

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Fair Value Measurements — The fair value of a financial instrument is the amount 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 exit price). Financial assets and financial liabilities recorded at fair value are categorized based on the reliability of inputs to the valuation techniques as follows:

Level 1 - Financial assets and financial liabilities whose values are based on unadjusted quoted prices in active markets for identical assets.

Level 2 - Financial assets and financial liabilities whose values are based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in non-active markets; or valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.

Level 3 - Financial assets and financial liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect estimates of the assumptions that market participants would use in valuing the financial assets and financial liabilities.

The hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. All investments at June 30, 2010 were measured using Level 1 inputs.

Reclassifications – Certain amounts in the 2009 financial statement totals were reclassified to conform to the 2010 reporting format.

NOTE 3 — CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2010 are composed of the following:

Receivable in less than one year	\$ 83,844
Receivable in one to five years	<u>171,500</u>
Total contributions receivable	<u><u>\$ 255,344</u></u>

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2010

NOTE 4 — PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following at June 30, 2010:

<i>Property Held For Use</i>	
Building improvements	\$ 817,868
Land	235,865
Building	208,000
Computer equipment	93,534
Furniture	60,993
Recording studio equipment	57,707
Equipment	56,687
Vehicles	<u>27,206</u>
Subtotal	1,557,860
Less: Accumulated depreciation	<u>(531,456)</u>
Subtotal - Held for Use	<u>1,026,404</u>
<i>Property Held for Investment</i>	
Building	435,000
Land	<u>765,000</u>
Subtotal	1,200,000
Less: Accumulated depreciation	<u>(95,274)</u>
Subtotal - Held for Investment	<u>1,104,726</u>
Total Property and Equipment, Net	<u><u>\$ 2,131,130</u></u>

Depreciation expense for the year ended June 30, 2010 was \$89,771.

NOTE 5 — LEASE COMMITMENT

APCH leases office equipment under a non-cancelable operating lease. Rental equipment expenses for the year ended June 30, 2010 were \$3,584. As of June 30, 2010, the total remaining minimum lease payments required are \$1,866 in 2011 and \$1,711 in 2012.

APCH subleases non-contiguous properties under short-term leases. Total rental income received during the year ended June 30, 2010 was \$71,517.

A PLACE CALLED HOME
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Notes to Financial Statements
June 30, 2010

NOTE 6 — TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily and permanently restricted net assets as of June 30, 2010 consist of the following specific purposes:

<u>Temporarily Restricted - Specific Purpose</u>	
Scholarships	\$ 276,871
Counseling	61,902
Technology Upgrades	45,000
Digital Technology Training	18,703
	<hr/>
	402,476
Time-restricted	40,000
	<hr/>
Total Temporarily Restricted Net Assets	<u>\$ 442,476</u>
<u>Permanently Restricted</u>	
Endowment	<u>\$ 200,000</u>

APCH also had temporarily restricted net assets available for general uses in future years will be release from restriction as follows:

Year Ending June 30,	Amount
2011	\$ 10,000
2012	10,000
2013	10,000
2014	10,000
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	<u>\$ 40,000</u>

A PLACE CALLED HOME
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Notes to Financial Statements
June 30, 2010

**NOTE 6 — TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS —
(CONTINUED)**

During the year ended June 30, 2010, temporarily net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes (or time restriction):

Scholarships	\$ 228,879
Digital Technology Training	21,296
Counseling	13,098
General use	<u>10,000</u>
	<u>\$ 273,274</u>

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.

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.

APCH, with the permission of the donor, used the endowment assets to retire mortgage debt on its real estate property and had not, as of June 30, 2010, replenished the endowment fund. APCH committed to the donor that APCH would replenish the endowment funds at the rate of \$10,000 per month and expects the endowment fund to be fully replenished by the end of the June 30, 2011 fiscal year. Investment earnings on fund assets will be available for unrestricted purposes once the fund is fully replenished.

A PLACE CALLED HOME
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Notes to Financial Statements
June 30, 2010

NOTE 7 — 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 3 1/2% of each eligible employee's annual compensation to the plan as a non-elective contribution. During the years ended June 30, 2010, the Company recognized an expense of \$15,929. Employees are fully vested in the safe-harbor contributions.

NOTE 8 — SUBSEQUENT EVENTS

Subsequent events were evaluated through March 3, 2011, the date the financial statements were available to be issued.