

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

FINANCIAL STATEMENTS

June 30, 2011

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& 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, 2011, 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.

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, 2011, 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.

Gursey | Schneider LLP

February 7, 2012
Los Angeles, California

* Accredited in Business Valuation
† Certified in Financial Forensics

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
 Statements of Financial Position
 June 30, 2011
 (With Comparative Totals for June 30, 2010)

ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash	\$ 1,374,392	\$ 959,963
Investments (endowment assets, see note 7)	210,000	-
Contributions receivable	300,096	83,844
Other receivables	8,587	12,348
Deposits and prepaid expenses	49,037	60,038
	<u>1,942,112</u>	<u>1,116,193</u>
OTHER ASSETS		
Contributions receivable	420,372	171,500
Property and equipment, net	2,233,395	2,131,130
	<u>2,653,767</u>	<u>2,302,630</u>
TOTAL ASSETS	<u>\$ 4,595,879</u>	<u>\$ 3,418,823</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 47,569	\$ 88,857
Accrued payroll and related liabilities	130,828	167,480
	<u>178,397</u>	<u>256,337</u>
NET ASSETS		
Unrestricted	3,300,840	2,520,010
Temporarily restricted	916,642	442,476
Permanently restricted	200,000	200,000
	<u>4,417,482</u>	<u>3,162,486</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,595,879</u>	<u>\$ 3,418,823</u>

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Statement of Activities
For the Year Ended June 30, 2011
(With Comparative Totals for the Year Ended June 30, 2010)

	2011			Total	2010
	Unrestricted	Temporarily Restricted	Permanently Restricted		
REVENUES AND SUPPORT					
Contribution and grants	\$ 1,787,100	\$ 990,248	\$ -	\$ 2,777,348	\$ 1,695,223
In-kind goods and services	758,596			758,596	976,514
Rental revenue	65,452	-	-	65,452	71,517
Interest income	1,296	-	-	1,296	1,930
Other income	25,303	-	-	25,303	7,494
Realized gain (loss)	(74)	-	-	(74)	-
Fundraising events:					
Gross revenue	1,181,314	-	-	1,181,314	1,012,119
Less: Direct costs	(194,124)	-	-	(194,124)	(164,053)
Fundraising events, net	987,190	-	-	987,190	848,066
Restrictions released	516,082	(516,082)	-	-	-
TOTAL REVENUE AND SUPPORT	4,140,945	474,166	-	4,615,111	3,600,744
EXPENSES					
Program services	2,542,136	-	-	2,542,136	2,674,755
Supporting services	360,723	-	-	360,723	272,890
Fundraising	457,256	-	-	457,256	501,334
TOTAL EXPENSES	3,360,115	-	-	3,360,115	3,448,979
CHANGE IN NET ASSETS	780,830	474,166	-	1,254,996	151,765
NET ASSETS - Beginning of year	2,520,010	442,476	200,000	3,162,486	3,010,721
NET ASSETS - End of year	\$ 3,300,840	\$ 916,642	\$ 200,000	\$ 4,417,482	\$ 3,162,486

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended June 30, 2011
(With Comparative Totals for the Year Ended June 30, 2010)

	2011			2010	
	Program Expenses	Support Services	Fundraising Expenses	Total Expenses	Total Expenses
Salaries and Expenses					
Salaries and wages	\$ 932,794	\$ 154,901	\$ 200,208	\$ 1,287,903	\$ 1,095,170
Payroll taxes	69,734	12,345	14,295	96,374	79,223
Employee benefits	75,693	11,454	10,606	97,753	85,759
Total Salaries and Expenses	1,078,221	178,700	225,109	1,482,030	1,260,152
Other Expenses					
Accounting	-	31,046	-	31,046	65,000
Advertising	251	175	705	1,131	547
Auto expense	11,331	-	18	11,349	9,137
Bank charges	502	1,863	14,092	16,457	10,839
Depreciation	67,980	10,146	17,674	95,800	89,771
Dues and subscriptions	757	1,632	1,002	3,391	1,649
Education and training	9,947	1,923	300	12,170	3,772
Equipment rental	4,494	357	1,373	6,224	5,642
Food costs	35,976	643	656	37,275	44,296
In-kind goods and services	651,369	47,056	59,576	758,001	976,339
Insurance	20,007	6,396	762	27,165	27,061
Litigation settlement	-	-	-	-	48,000
Office expenses	17,526	8,453	4,597	30,576	54,129
Outside services	85,883	18,859	22,935	127,677	147,512
Postage	2,652	2,950	8,820	14,422	16,700
Printing	33	1,423	22,797	24,253	32,863
Professional fees	1,504	39,041	68,781	109,326	109,362
Program related expenses	98,999	-	-	98,999	72,261
Repairs and maintenance	41,313	2,353	593	44,259	48,709
Scholarships	245,998	-	-	245,998	188,974
Stipends	10,720	596	-	11,316	15,901
Supplies	50,429	-	-	50,429	32,357
Taxes and licenses	33,094	2,621	690	36,405	73,467
Telephone	6,080	3,124	1,292	10,496	12,829
Travel	6,631	122	86	6,839	14,526
Utilities	60,028	1,235	3,260	64,523	84,501
Website development	411	9	2,138	2,558	2,683
Total Other Expenses	1,463,915	182,023	232,147	1,878,085	2,188,827
TOTAL EXPENSES	\$ 2,542,136	\$ 360,723	\$ 457,256	\$ 3,360,115	\$ 3,448,979

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, 2011
(With Comparative Totals for the Year Ended June 30, 2010)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,254,996	\$ 151,765
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Non-cash donation of investments	(5,019)	-
Realized loss	74	-
Depreciation	95,800	89,771
(Increase) decrease in:		
Contributions receivable	(465,124)	(190,344)
Other receivables	3,761	17,160
Deposits and prepaid expenses	11,001	(36,070)
Increase (decrease) in:		
Accounts payable and accrued expenses	(41,288)	6,227
Accrued payroll and related liabilities	(36,652)	25,819
	<u>817,549</u>	<u>64,328</u>
<i>Net Cash Provided by Operating Activities</i>		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of certificate of deposit	(210,000)	-
Purchases of property and equipment	(198,065)	(38,493)
Proceeds from sale of investments	4,945	-
	<u>(403,120)</u>	<u>(38,493)</u>
<i>Net Cash Used by Investing Activities</i>		
NET INCREASE IN CASH	414,429	25,835
CASH - Beginning of year	<u>959,963</u>	<u>934,128</u>
CASH - End of year	<u>\$ 1,374,392</u>	<u>\$ 959,963</u>

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2011

NOTE 1 — ORGANIZATION

A Place Called Home (APCH) is a California nonprofit public benefit corporation. APCH's mission is to provide services "to empower 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

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, 2010, from which the summarized information was derived.

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, 2011, APCH had unrestricted net assets of \$3,300,840.
- **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, 2011, APCH had temporarily restricted net assets of \$916,642.
- **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, 2011, APCH had \$200,000 in permanently restricted net assets.

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2011

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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.

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, 2011.

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, 2011, APCH received approximately \$35,000 of donated legal services and \$28,000 of other donated specialized services.

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.

Investments — APCH carries investments in marketable securities with readily determinable fair values, certificates of deposits with maturity dates greater than three months, and all investments in debt securities at their fair values in the statement of financial position. Purchases and sales of investments are recorded on the trade date. Dividend income is recorded based on the record date. Interest income is recorded as earned on an accrual basis. Bond premiums and discounts are amortized to the first call date using a method that approximates the effective interest method. Realized gains and losses are recorded upon disposition of securities. Investment income and realized and unrealized gains and losses are recognized as unrestricted net assets, unless their use is temporarily or permanently restricted by donors to a specified purpose or future period.

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2011

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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 2007 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 2006 and subsequent.

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.

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.

Subsequent Events – Subsequent events were evaluated through February 7, 2012, the date the financial statements were available to be issued.

NOTE 3 — FAIR VALUE MEASUREMENTS

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. The hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The levels are 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.

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2011

NOTE 3 — FAIR VALUE MEASUREMENTS – (CONTINUED)

Investments at June 30, 2011, and their fair value level, consist of the following (at fair value):

<u>Investments, at fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Certificate of deposit 0.8%, due 12/11/2011	\$ -	\$ 210,000	\$ 210,000

NOTE 4 — CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2011 are composed of the following:

Receivable in less than one year	\$ 300,096
Receivable in one to five years	390,372
Receivable in over five years	<u>30,000</u>
Total contributions receivable	<u>\$ 720,468</u>

NOTE 5 — PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following at June 30, 2011:

	<u>Held for Use</u>	<u>Held for Investment</u>	<u>Total</u>
Building improvements	\$ 931,172	\$ -	\$ 931,172
Land	235,865	765,000	1,000,865
Building	208,000	435,000	642,999
Computer equipment	160,010	-	160,010
Furniture	62,613	-	62,613
Recording studio equipment	57,707	-	57,707
Equipment	73,352	-	73,352
Vehicles	<u>27,206</u>	<u>-</u>	<u>27,206</u>
Subtotal	1,755,924	1,200,000	2,955,924
Less: Accumulated depreciation	<u>(612,690)</u>	<u>(109,839)</u>	<u>(722,529)</u>
Total Property and Equipment, Net	<u>\$ 1,143,234</u>	<u>\$ 1,090,161</u>	<u>\$ 2,233,395</u>

Depreciation expense for the year ended June 30, 2011 was \$95,800.

A PLACE CALLED HOME
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Notes to Financial Statements
June 30, 2011

NOTE 6 — LEASE COMMITMENT

APCH leases office equipment under a non-cancelable operating lease that expires in 2015. Rental equipment expenses for the year ended June 30, 2011 were \$6,224. As of June 30, 2011, the total remaining minimum lease payments was \$291 per month through November 2015, totaling \$13,669.

APCH subleases non-contiguous properties under short-term leases. Total rental income received during the year ended June 30, 2011 was \$65,452.

NOTE 7 — TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily and permanently restricted net assets as of June 30, 2011 consist of the following:

<u>Temporarily Restricted - Specific Purpose</u>	
Transportation	\$ 30,000
Scholarships	153,868
Executive assistant	8,000
Creative Expressions Program	<u>4,310</u>
	196,178
Time-restricted	<u>720,464</u>
Total Temporarily Restricted Net Assets	<u><u>\$ 916,642</u></u>
 <u>Permanently Restricted</u>	
Endowment	<u><u>\$ 200,000</u></u>

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

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2012	301,720
2013	240,500
2014	127,244
2015	11,000
2016	10,000
Thereafter	<u>30,000</u>
	<u><u>\$ 720,464</u></u>

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2011

NOTE 7 — TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS – (CONTINUED)

During the year ended June 30, 2011, temporarily net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes (or time restriction):

Scholarships	\$ 286,502
Technology	95,204
Counseling	70,686
Creative Expressions Program	20,690
Garden	20,000
Executive assistant	12,000
General use	11,000
	<hr/>
	\$ 516,082
	<hr/> <hr/>

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.

During 2002, APCH received a \$200,000 endowment from a donor which was subsequently liquidated, with the permission of the donor, to retire mortgage debt on its real estate property. During the year ended June 30, 2011, APCH fully replenished the endowment funds in order to continue the original intent of the gift. The funds were invested in a certificate of deposit wherein the investment earnings will be available for unrestricted purposes.

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2011

NOTE 7 — TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS – (CONTINUED)

During the year ended June 30, 2011, APCH had the following endowment related activities:

<u>Investments, at fair value</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 200,000	\$ 200,000
Contributions	10,000	-	-	10,000
Investment income	143	-	-	143
Net appreciation	-	-	-	-
Program expenditures	<u>(143)</u>	<u>-</u>	<u>-</u>	<u>(143)</u>
Endowment net assets, end of year	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 210,000</u>

NOTE 8 — 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, 2011, the Company recognized an expense of \$19,469. Employees are fully vested in the safe-harbor contributions.