

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

FINANCIAL STATEMENTS

Year Ended June 30, 2022
(With Comparative Totals to June 30, 2021)



Gurseley | Schneider LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of A Place Called Home (APCH), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of APCH as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of APCH and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about APCH's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 APCH's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about APCH's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited APCH's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 20, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gursey | Schneider LLP

February 6, 2023
Los Angeles, California

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Statements of Financial Position
June 30, 2022
(With Comparative Totals for June 30, 2021)

	2022	2021
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,662,514	\$ 7,742,602
Investments, at fair value	5,344,252	991,729
Contributions receivable, current portion	2,737,612	2,363,245
Program goods inventory	-	23,777
Prepaid expenses and other assets	57,588	42,486
Total Current Assets	12,801,966	11,163,839
OTHER ASSETS		
Contributions receivable, net of current portion	1,071,647	2,108,287
Property and equipment, net	6,089,446	6,340,061
Total Other Assets	7,161,093	8,448,348
TOTAL ASSETS	\$ 19,963,059	\$ 19,612,187
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 341,482	\$ 92,307
Accrued payroll and related liabilities	527,372	389,596
Loan payable - Paycheck Protection Program	-	869,905
Total Liabilities	868,854	1,351,808
NET ASSETS		
Without donor restrictions	8,450,483	8,992,034
Without donor restrictions - board-designated reserves	2,000,000	-
With donor restrictions	8,643,722	9,268,345
Total Net Assets	19,094,205	18,260,379
TOTAL LIABILITIES AND NET ASSETS	\$ 19,963,059	\$ 19,612,187

See Accompanying Notes to Financial Statements

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Statements of Activities and Changes in Net Assets
For the Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES AND SUPPORT				
Contributions and grants	\$ 4,992,616	\$ 3,447,617	\$ 8,440,233	\$ 5,440,690 *
Contributions of non-financial assets	1,593,539	-	1,593,539	2,052,957
Program revenue	199,544	-	199,544	278,990
Investment income (loss), net	(807,400)	-	(807,400)	35,632
PPP loan forgiveness and other	881,557	-	881,557	988,719
Special events:				
Gross revenue	629,989	-	629,989	730,531
Less: direct costs	(101,729)	-	(101,729)	(101,340)
Fundraising events, net	528,260	-	528,260	629,191
Released from restriction	4,072,240	(4,072,240)	-	-
TOTAL REVENUE AND SUPPORT	<u>11,460,356</u>	<u>(624,623)</u>	<u>10,835,733</u>	<u>9,426,179</u>
EXPENSES				
Program services	7,749,976	-	7,749,976	7,487,107
Supporting services	1,120,489	-	1,120,489	1,007,819
Fundraising	1,131,442	-	1,131,442	1,083,408
TOTAL EXPENSES	<u>10,001,907</u>	<u>-</u>	<u>10,001,907</u>	<u>9,578,334</u>
CHANGE IN NET ASSETS	1,458,449	(624,623)	833,826	(152,155)
NET ASSETS - Beginning of Year	<u>8,992,034</u>	<u>9,268,345</u>	<u>18,260,379</u>	<u>18,412,534</u>
NET ASSETS - End of Year	<u>\$ 10,450,483</u>	<u>\$ 8,643,722</u>	<u>\$ 19,094,205</u>	<u>\$ 18,260,379</u>

* Contributions revenue shown for the year ended June 30, 2022 includes one large, \$2.0 million grant award.

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Statements of Functional Expenses
For the Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	2022			2021	
	Program Expenses	Support Services	Fundraising Expenses	Total Expenses	Total Expenses
SALARIES AND EXPENSES					
Salaries and wages	\$ 3,311,087	\$ 412,302	\$ 785,118	\$ 4,508,507	\$ 4,119,908
Payroll taxes	256,178	29,495	57,226	342,899	318,725
Employee benefits	289,353	101,541	63,426	454,320	387,630
Total Salaries and Expenses	3,856,618	543,338	905,770	5,305,726	4,826,263
OTHER EXPENSES					
Advertising	-	50	4,928	4,978	15,788
Auto expense	135	28,211	324	28,670	9,791
Bad debt expense	-	-	5,896	5,896	95,000
Bank charges	2,608	5,498	24,265	32,371	43,647
Charitable contributions	-	-	-	-	6,350
Contributed non-financial assets	1,589,233	-	2,172	1,591,405	2,059,884
Depreciation	281,688	10,028	6,233	297,949	280,560
Dues and subscriptions	1,568	2,231	759	4,558	7,445
Education and training	19,720	23,318	4,291	47,329	25,449
Equipment and other rentals	23,368	104,426	469	128,263	22,636
Food and nutrition costs	77,332	2,240	245	79,817	64,025
Insurance	58,904	6,545	7,271	72,720	73,957
Office	178,947	78,494	41,194	298,635	227,011
Outside services	179,900	51,853	50,331	282,084	274,444
Postage, printing and publications	688	1,185	21,276	23,149	7,798
Professional fees	127,629	216,862	28,068	372,559	185,409
Professional fees donated	1,795	3,360	15,810	20,965	19,580
Program related expenses	584,924	-	-	584,924	561,227
Repairs and maintenance	39,612	4,905	842	45,359	43,999
Scholarships and stipends	473,879	-	-	473,879	413,244
Supplies and materials	112,305	16,492	-	128,797	144,368
Taxes and licenses	13,957	5,642	292	19,891	58,457
Telephone	36,773	4,273	4,540	45,586	45,000
Travel	14,523	8,889	-	23,412	4,957
Utilities	73,870	2,629	1,635	78,134	57,415
Website hosting	-	20	4,831	4,851	4,630
Total Other Expenses	3,893,358	577,151	225,672	4,696,181	4,752,071
TOTAL EXPENSES (2022)	\$ 7,749,976	\$ 1,120,489	\$ 1,131,442	\$ 10,001,907	
<i>Percent of total expenses</i>	<i>77%</i>	<i>12%</i>	<i>11%</i>	<i>100%</i>	
TOTAL EXPENSES (2021)	\$ 7,487,107	\$ 1,007,819	\$ 1,083,408		\$ 9,578,334
<i>Percent of total expenses</i>	<i>78%</i>	<i>11%</i>	<i>11%</i>		<i>100%</i>

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, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 833,826	\$ (152,155)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	297,949	280,560
Unrealized (gains) losses on investments	638,180	7,432
Realized (gains) losses on investments	342,790	-
Forgiveness of Paycheck Protection Program loan	(869,905)	(966,688)
(Increase) decrease in assets:		
Contributions receivable	662,273	1,053,110
Program goods inventory	23,777	26,507
Prepaid expenses and other assets	(15,102)	(30,189)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	249,175	(46,511)
Accrued payroll and related liabilities	137,776	113,430
	2,300,739	285,496
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(47,334)	(94,026)
Purchases of investments	(7,909,102)	(999,161)
Proceeds from sales of investments	2,575,609	-
	(5,380,827)	(1,093,187)
CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from loan - Paycheck Protection Program	-	869,905
	(3,080,088)	62,214
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(3,080,088)	62,214
CASH AND CASH EQUIVALENTS - Beginning of Year	7,742,602	7,680,388
CASH AND CASH EQUIVALENTS - End of Year	\$ 4,662,514	\$ 7,742,602

See Accompanying Notes to Financial Statements

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2022

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 and family services center providing educational, vocational, and social support programs to children, youth, and families. APCH receives its funding from fundraisers, grants and contributions from private foundations, corporations, and individuals.

Over more than two decades, APCH has served more than 22,000 youth and provided college scholarships for more than 500 students; a majority of whom are first-generation college attendees.

In response to the COVID-19 global pandemic, APCH was able to adapt its service modality to provide all its programs online via the internet and was also able to expand its services to respond to urgent needs that emerged for its constituents.

Significant ongoing and new program accomplishments for the 2021-2022 fiscal year included:

- Retrofitting all campus facilities for health, safety, and security;
- Supporting 80 staff and over 500 members in returning to campus full-time starting in March 2022;
- Providing COVID education, testing and safety equipment to staff and members;
- Serving an average of 250 young people each week with virtual and in-person programs;
- Providing an average of 100 virtual classes per week;
- Providing dozens of laptop computers for youth;
- Serving an average of 300 families per week with deliveries of thousands of bags of groceries, household essentials and program supplies for youth;
- Providing support for rent and utilities for hundreds of families that were falling behind on their bills;
- Hosting more than 500 volunteers;
- Providing on-call mental health services for dozens of members and their families;
- Hosting Da Vinci RISE High School at APCH, where students recover credits, obtain high school diplomas, prepare for the GED examination, participate in college, and career training, finding internships, receive counseling, and access extracurricular activities. *Da Vinci RISE High at APCH* fortifies A Place Called Home's commitment to reach the most at-risk young people in our community with the services necessary to turn their lives in a positive direction;
- Providing college scholarships to 68 young people, most the first in their families to go to college;
- Providing a combination of virtual events for members, families, and community members; and events on campus from March to June as in-person programming returned; and
- Providing toys and other gifts for hundreds of families over the holidays.

All services are provided free of charge.

A PLACE CALLED HOME
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Notes to Financial Statements
June 30, 2022

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, 2021, 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.

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.

Investments - Investments are stated at fair value with unrealized gains and losses on investments resulting from fair value fluctuations recorded in the statement of activities in the period that such fluctuations occur. Purchases and sales of investments are recorded on the trade date. Dividend income is recorded based on the recorded 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.

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:

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2022

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

- **Without Donor Restrictions** - Net assets are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by actions of the board of directors or may otherwise be limited by contractual agreements with outside parties. On June 30, 2022, APCH had net assets without donor restrictions of \$10,450,483. Of this amount, the board of directors has designated \$2,000,000 (approximately 3-month reserve) to enable APCH to sustain operations should there be an interruption to funding due to unforeseen economic circumstances that would otherwise jeopardize programming, and to allow APCH to build capacity, which may include non-recurring expenses and staff development.
- **With Donor Restrictions** - Net assets that are subject to donor-imposed restrictions that limit the use of their contributions. Donor restrictions may result in *temporarily restricted net assets*, where the use of contributions is limited by donor-imposed stipulations that either expire by the passage of time or when used for specified purposes. Donor restrictions may also result in *permanently restricted net assets*, where the donor stipulates those resources are to be maintained permanently but permits APCH to expend all of the income (or other economic benefits) derived from the donated assets. At June 30, 2022, the Organization had \$8,443,722 in temporarily restricted, donor-restricted net assets, and \$200,000 in permanently restricted, donor-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 discounted at a rate approximating the risk-free interest rate of 0.4%. 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, 2022.

Special Event Income - APCH hosts an annual gala and other events to raise funds that will be used to support the programs and general operations of the center. Contributions and other income that relate to these events are recognized as event income in the fiscal year the events are held. The different types of income from these events include ticket sales, dinner sponsors, advertising, cash donations and pledges. Costs associated with these events are presented net of the corresponding revenues. Total costs were \$101,729 and consist of direct event supplies, production and technical costs, and items directly incurred to produce the event.

Program Goods Inventory - In-kind donations, which consist of donated equipment, clothing, school supplies and other goods, totaling \$23,777 as of June 30, 2021 were distributed to benefit the community during the year. The Organization did not hold any program goods inventory as of June 30, 2022.

Scholarships - APCH awards renewable scholarships for up to six years if the scholar fulfills all scholarship renewal requirements each year. Scholarship recipients may receive up to \$15,000 in scholarships per year to cover tuition, housing, and other educational expenses. 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, 2022.

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Notes to Financial Statements
June 30, 2022

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Contributions of Non-Financial Assets –

In September 2020, The FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The purpose of ASU 2020-07 is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by not-for-profit organizations. It is important to note that ASU 2020-07 does not change the accounting and recognition of nonfinancial assets but rather the presentation and disclosure requirements in the financial statements. This accounting standards update is effective for fiscal years beginning after June 15, 2021. During the year ended June 30, 2022, APCH adopted the presentation and disclosure requirements under ASU 2020-07.

- *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. Refer to Note 6 for details about donated goods.
- *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. Refer to Note 6 for details about donated services.

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. Costs related to program and support services are charged directly to the functional category. Indirect costs not directly chargeable to a functional category have been allocated. Management allocates salaries and related employee benefits to functional categories based on approximation of labor hours spent between program and supporting services and allocates facilities and overhead costs based on approximate square footage of facilities usage. Management believes labor hours and space utilization is the most representative allocation for indirect costs.

Property and Equipment - Acquisition of property and equipment in excess of \$1,500 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 may be subject to unrelated business income tax for income from operating activities not related to their exempt purpose. Unrelated business income is taxed based on the applicable statutory federal and state income tax rates for for-profit organizations. Management does not anticipate any income being subject to unrelated business income tax during the current year.

A PLACE CALLED HOME
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Notes to Financial Statements
June 30, 2022

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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. APCH's federal income tax and informational returns for tax years 2019 and subsequent remain subject to examination by the Internal Revenue Service. The returns for California, APCH's most significant jurisdiction, remain subject to examination by the California Franchise Tax Board for years 2018 and subsequent.

Concentrations of Risk – One donor contributed approximately 21% of revenues during the year ended June 30, 2022. One donor comprises approximately 49% of the contributions receivable on June 30, 2022. No other donor comprises more than 10% of the total.

Reclassifications - Certain accounts and amounts from prior years have been reclassified to conform to the current year classification.

Subsequent Events – Management has reviewed subsequent events through February 6, 2023, the date that the financial statements were available to be issued.

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets consist of cash and cash equivalents, investments, and contributions receivable. The following table summarizes the Organization's financial assets as of June 30, 2022, reduced by amounts not available for general use within one year.

Cash and cash equivalents	\$ 4,662,514
Investments	5,344,252
Contributions receivable, current portion	<u>2,737,612</u>
Subtotal	12,744,378
Less assets unavailable for general expenditures within one year:	
Restricted by donors with purpose restrictions	(7,681,029)
Board designated reserves	(2,000,000)
Endowment net assets	<u>(200,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,863,349</u>

The Organization has an investment policy authorized by the board of directors that provides that the Organization maintain an adequate level of cash to meet on-going operational and liquidity requirements. All liquid assets are invested in cash and cash equivalents and investments on June 30, 2022.

A PLACE CALLED HOME
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Notes to Financial Statements
June 30, 2022

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

APCH accounts for the fair value of its marketable securities in accordance with FASB ASC Topic 820, “Fair Value Measurements.” ASC Topic 820 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.

APCH utilized market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the evaluation technique. These inputs can be readily observable, market corroborated, or generally unobservable. APCH classifies fair value balances based on the observability of those inputs. ASC Topic 820 established a fair value hierarchy that prioritizes the inputs 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 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy defined by ASC Topic 820 are as follows:

- Level 1: Observable inputs such as quoted prices for identical instruments in active markets.
- Level 2: Inputs other than quoted prices in active markets that are observable either directly or indirectly through corroboration with observable market data.
- Level 3: Unobservable inputs in which there is little or no market data, which would require APCH to develop its own assumptions.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. ASC Topic 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. These methods are used on a consistent basis and APCH has not made changes in the valuation techniques used.

The following is a summary of investments by fair value hierarchy:

	Fair Value	Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Mutual Funds	\$ 2,924,900	\$ 2,924,900	\$ -	\$ -
Equities Securities	668,310	668,310	-	-
Exchange Traded Funds	855,479	855,479	-	-
Fixed Income Securities	895,563	-	895,563	-
	<u>\$ 5,344,252</u>	<u>\$ 4,448,689</u>	<u>\$ 895,563</u>	<u>\$ -</u>

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2022

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS – (CONTINUED)

Investment income (loss) for the year ended June 30, 2022, is summarized as follows:

Interest and dividend income	\$ 181,909
Realized losses	(342,790)
Unrealized losses	(638,180)
Investment fees	<u>(8,339)</u>
	<u><u>\$ (807,400)</u></u>

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term. Such changes could materially affect the amounts reported in the statements of financial position and statements of activities.

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable on June 30, 2022 are composed of the following:

Receivable due in less than one year	\$ 2,737,612
Receivable due in one to five years	<u>1,136,663</u>
	3,874,275
Less: present value discount	<u>(65,016)</u>
Total contributions receivable, net	<u><u>\$ 3,809,259</u></u>

NOTE 6 - CONTRIBUTED NON-FINANCIAL ASSETS

For the year ended June 30, 2022, contributed non-financial assets recognized in the statements of activities included:

	Program Expenses	Support Services	Fundraising Expenses	Total
RISE program services	\$ 1,201,981	\$ -	\$ -	\$ 1,201,981
Professional services	1,795	3,360	15,810	20,965
Program supplies	44,510	38,233	1,652	84,395
Event tickets	48,618	711	520	49,849
Food and goods to distribute	<u>231,347</u>	<u>55</u>	<u>4,947</u>	<u>236,349</u>
	<u><u>\$ 1,528,251</u></u>	<u><u>\$ 42,359</u></u>	<u><u>\$ 22,929</u></u>	<u><u>\$ 1,593,539</u></u>

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NOTE 6 - CONTRIBUTED NON-FINANCIAL ASSETS – (CONTINUED)

APCH recognized contributed non-financial assets as a separate line item in the accompanying statement of activities. Unless otherwise noted, contributed non-financial assets did not have donor-imposed restrictions.

RISE Program Services – APCH hosts the Da Vinci RISE High School, where students recover credits, obtain high school diplomas, prepare for the GED examination, participate in college, and career training, finding internships, receive counseling, and access extracurricular activities. Contributed RISE program services are valued and reported at the estimated fair value based on current rates for similar services. RISE program services were valued at \$1,201,981 for the year ended June 30, 2022.

Professional Services – The contributed services recognized are comprised of professional services from attorneys advising APCH on various administrative legal matters, consultation and design services for programs, and subscriptions for the education services department. Contributed services are valued and reported at the estimated fair value based on current rates for similar services. Contributed professional services were valued at \$20,965 for the year ended June 30, 2022.

Program Supplies – These program supplies are used to operate the community youth and family services center providing educational, vocational, and social support programs to children, youth, and families. These supplies are for school, art programs, personal protective equipment (masks, gloves, hand sanitizers), and the urban agriculture program. Contributed program supplies were valued based on estimated whole-sale prices for identical or similar products if purchased in the region. Contributed program supplies were valued at \$84,395 for the year ended June 30, 2022.

Event Tickets – These event tickets are used primarily for the mentoring program. The tickets are mainly for sporting events and festivals in LA county. Contributed event tickets are valued and reported at the estimated fair value based on current rates for similar sporting and festival events. Contributed event tickets were valued at \$49,849 for the year ended June 30, 2022.

Food and Goods to Distribute – APCH receives food and goods donations from non-government sources and distributes the food and goods to members of the community. Contributed food and goods were valued based on estimated whole-sale prices for identical or similar food and good products if purchased in the region. Contributed food and goods were valued at \$236,349 for the year ended June 30, 2022.

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NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following on June 30, 2022:

Building improvements	\$	4,937,856
Land		1,796,703
Building		643,000
Equipment		552,050
Computer equipment		453,615
Vehicles		132,315
Recording studio equipment		124,362
Construction in progress		62,946
Furniture		<u>80,410</u>
		8,783,257
Less: accumulated depreciation		<u>(2,693,811)</u>
Total property and equipment, net	\$	<u><u>6,089,446</u></u>

All property and equipment are held for use. Depreciation expense for the year ended June 30, 2022 was \$297,949.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTION

Temporarily restricted net assets as of June 30, 2022 consists of the following:

	June 30, 2021	New Restricted Contributions	Restriction Releases	June 30, 2022
Purpose restricted - scholarships	\$ 421,271	\$ 450,000	\$ (471,271)	\$ 400,000
Purpose restricted - tech transformation	-	755,553	(22,675)	732,878
Purpose restricted - campus renovations	3,562,123	-	(62,874)	3,499,249
Purpose restricted - specific programs	4,498,761	1,377,312	(2,827,171)	3,048,902
Time - restricted	<u>586,190</u>	<u>864,752</u>	<u>(688,249)</u>	<u>762,693</u>
	<u>\$ 9,068,345</u>	<u>\$ 3,447,617</u>	<u>\$ (4,072,240)</u>	<u>\$ 8,443,722</u>

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

Years Ending	
<u>June 30,</u>	
2023	\$ 612,693
2024	<u>150,000</u>
	<u><u>\$ 762,693</u></u>

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NOTE 8 - NET ASSETS WITH DONOR RESTRICTION – (CONTINUED)

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.

In accordance with SPMIFA, the organization considers the following factors in deciding 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
- ther resources of the organization
- The investment policies.

Permanently restricted net assets consist of the following:

Endowment	<u><u>\$ 200,000</u></u>
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During the year ended June 30, 2022, APCH had the following endowment related activities:

Endowment Assets Investments, at fair value	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	\$ 1,615	\$ -	\$ 200,000	\$ 201,615
Investment income	5,128	-	-	5,128
End of year	\$ 6,743	\$ -	\$ 200,000	\$ 206,743

Endowment assets are invested in one money market bank account.

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NOTE 9 - RETIREMENT PLAN

APCH sponsors a qualified pension plan that covers substantially all full-time employees attaining age 19 and having completed one year of service. 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 a non-elective match contribution equal to 100% of the employees' salary deferral up to 3% of their plan compensation, plus 50% of their salary deferral up to the next 2% of their plan compensation. During the year ended June 30, 2022, APCH recognized an expense of \$72,153. Employees are fully vested in these safe-harbor contributions.

NOTE 10 - COMMITMENTS

APCH leases office equipment under non-cancelable operating leases that expire through 2027. Rental equipment expenses for the year ended June 30, 2022 were \$128,263. The future minimum lease payments are as follows:

<u>Years Ending June 30,</u>	
2023	\$ 34,284
2024	31,226
2025	15,936
2026	15,936
Thereafter	<u>9,296</u>
	<u>\$ 106,678</u>

NOTE 11 - PAYCHECK PROTECTION PROGRAM LOAN

Second PPP Loan - On March 15, 2021, APCH borrowed a second loan of \$869,905 under the Paycheck Protection Program ("PPP") offered by the United States Small Business Administration ("SBA"). During the year ended June 30, 2022, APCH satisfied the forgiveness criteria for this loan. The accompanying statement of activities reflect this amount as full loan forgiveness income during the year ended June 30, 2022.