

A PLACE CALLED HOME
(a California Nonprofit Benefit Corporation)
FINANCIAL STATEMENTS

June 30, 2012

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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, 2012, 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 prior year summarized comparative information has been derived from the June 30, 2011 financial statements of APCH and in our report dated February 7, 2012, we expressed an unqualified opinion on those financial statements.

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, 2012, 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 14, 2013
Los Angeles, California

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
 Statements of Financial Position
 June 30, 2012
 (With Comparative Totals for June 30, 2011)

ASSETS

	2012	2011
CURRENT ASSETS		
Cash	\$ 1,618,637	\$ 1,374,392
Investments (endowment assets, see note 7)	211,403	210,000
Contributions receivable	735,122	300,096
Other receivables	3,347	8,587
Deposits and prepaid expenses	50,003	49,037
Total Current Assets	2,618,512	1,942,112
OTHER ASSETS		
Contributions receivable	425,000	420,372
Property and equipment, net	2,493,887	2,233,395
Total Other Assets	2,918,887	2,653,767
TOTAL ASSETS	\$ 5,537,399	\$ 4,595,879

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 43,115	\$ 47,569
Accrued payroll and related liabilities	132,281	130,828
TOTAL LIABILITIES	175,396	178,397
NET ASSETS		
Unrestricted	3,814,196	3,300,840
Temporarily restricted	1,347,807	916,642
Permanently restricted	200,000	200,000
	5,362,003	4,417,482
TOTAL LIABILITIES AND NET ASSETS	\$ 5,537,399	\$ 4,595,879

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
 Statements of Activities
 For the Year Ended June 30, 2012
 (With Comparative Totals for the Year Ended June 30, 2011)

	2012			Total	2011
	Unrestricted	Temporarily Restricted	Permanently Restricted		
REVENUES AND SUPPORT					
Contribution and grants	\$ 1,482,135	\$ 1,290,603	\$ -	\$ 2,772,738	\$ 2,777,348
In-kind goods and services	1,346,729			1,346,729	758,596
Rental revenue	20,591	-	-	20,591	65,452
Interest income	3,175	-	-	3,175	1,296
Other income	9,871	-	-	9,871	25,303
Realized gain (loss)	-	-	-	-	(74)
Fundraising events:					
Gross revenue	1,521,612	-	-	1,521,612	1,181,314
Less: Direct costs	(204,932)	-	-	(204,932)	(194,124)
Fundraising events, net	1,316,680	-	-	1,316,680	987,190
Restrictions released	859,438	(859,438)	-	-	-
TOTAL REVENUE AND SUPPORT	5,038,619	431,165	-	5,469,784	4,615,111
EXPENSES					
Program services	3,543,308	-	-	3,543,308	2,542,136
Supporting services	382,458	-	-	382,458	360,723
Fundraising	599,497	-	-	599,497	457,256
TOTAL EXPENSES	4,525,263	-	-	4,525,263	3,360,115
CHANGE IN NET ASSETS	513,356	431,165	-	944,521	1,254,996
NET ASSETS - Beginning of year	3,300,840	916,642	200,000	4,417,482	3,162,486
NET ASSETS - End of year	\$ 3,814,196	\$ 1,347,807	\$ 200,000	\$ 5,362,003	\$ 4,417,482

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, 2012
 (With Comparative Totals for the Year Ended June 30, 2011)

	2012			2011	
	Program Expenses	Support Services	Fundraising Expenses	Total Expenses	Total Expenses
Salaries and Expenses					
Salaries and wages	\$ 1,158,836	\$ 196,651	\$ 242,033	\$ 1,597,520	\$ 1,287,903
Payroll taxes	85,188	13,955	16,794	115,937	96,374
Employee benefits	138,348	15,572	18,060	171,980	97,753
Total Salaries and Expenses	<u>1,382,372</u>	<u>226,178</u>	<u>276,887</u>	<u>1,885,437</u>	<u>1,482,030</u>
Other Expenses					
Advertising	-	450	1,186	1,636	1,131
Auto expense	20,887	182	344	21,413	11,349
Bank charges	2,010	3,881	13,911	19,802	16,457
Depreciation	66,520	7,324	15,207	89,051	95,800
Dues and subscriptions	2,239	1,238	100	3,577	3,391
Education and training	8,463	3,217	792	12,472	12,170
Equipment rental	4,804	-	951	5,755	6,224
Food costs	39,314	305	1,584	41,203	37,275
In-kind goods and services	1,165,467	48,094	133,168	1,346,729	758,001
Insurance	30,342	6,722	630	37,694	27,165
Office expenses	37,202	11,450	6,568	55,220	30,576
Outside services	77,658	15,988	50,173	143,819	127,677
Postage	1,771	3,472	15,097	20,340	14,422
Printing	6,578	2,204	25,940	34,722	24,253
Professional fees	22,638	38,956	49,477	111,071	140,372
Program related expenses	141,444	-	-	141,444	98,999
Repairs and maintenance	33,347	781	1,074	35,202	44,259
Scholarships	361,848	-	-	361,848	245,998
Stipends	31,002	-	-	31,002	11,316
Supplies	39,490	-	1,723	41,213	50,429
Taxes and licenses	2,733	9,387	130	12,250	36,405
Telephone	4,144	1,487	699	6,330	10,496
Travel	10,189	155	677	11,021	6,839
Utilities	50,666	987	1,467	53,120	64,523
Website development	180	-	1,712	1,892	2,558
Total Other Expenses	<u>2,160,936</u>	<u>156,280</u>	<u>322,610</u>	<u>2,639,826</u>	<u>1,878,085</u>
TOTAL EXPENSES	<u>\$ 3,543,308</u>	<u>\$ 382,458</u>	<u>\$ 599,497</u>	<u>\$ 4,525,263</u>	<u>\$ 3,360,115</u>

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, 2012
 (With Comparative Totals for the Year Ended June 30, 2011)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 944,521	\$ 1,254,996
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Non-cash donation of investments	(24,978)	(5,019)
Realized loss	-	74
Depreciation	89,051	95,800
(Increase) decrease in:		
Contributions receivable	(439,654)	(465,124)
Other receivables	5,240	3,761
Deposits and prepaid expenses	(966)	11,001
Increase (decrease) in:		
Accounts payable and accrued expenses	(4,454)	(41,288)
Accrued payroll and related liabilities	1,453	(36,652)
	570,213	817,549
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of certificate of deposit	(1,403)	(210,000)
Purchases of property and equipment	(349,543)	(198,065)
Proceeds from sale of investments	24,978	4,945
	(325,968)	(403,120)
NET INCREASE IN CASH	244,245	414,429
CASH - Beginning of year	1,374,392	959,963
CASH - End of year	\$ 1,618,637	\$ 1,374,392

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2012

NOTE 1 — ORGANIZATION

A Place Called Home (APCH) is a California nonprofit public benefit corporation. A Place Called Home 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.

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, 2011, 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, 2012, APCH had unrestricted net assets of \$3,814,196.
- **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, 2012, APCH had temporarily restricted net assets of \$1,347,807.
- **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, 2012, 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, 2012

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, 2012.

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, 2012, APCH received approximately \$125,751 of professional donated services.

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.

Rental Income — APCH subleased a portion of their facility to tenants. Rental income was recognized as revenue over the rental period. The space formerly rented has now been redesignated for APCH's programmatic and administrative use.

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, 2012

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 2008 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 2007 and subsequent.

Concentrations of Risk — Financial instruments that potentially subject APCH to concentrations of credit risk consist of contributions 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 (except through December 31, 2012, the FDIC provided unlimited protection on non-interest bearing deposits). 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 14, 2013, 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.

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2012

NOTE 3 — FAIR VALUE MEASUREMENTS – (CONTINUED)

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.

Investments at June 30, 2012, 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 0.55%, due 12/15/2012	\$ -	\$ 211,403	\$ 211,403

NOTE 4 — CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2012 are composed of the following:

Receivable in less than one year	\$ 735,122
Receivable in one to five years	405,000
Receivable in over five years	<u>20,000</u>
Total contributions receivable	<u>\$ 1,160,122</u>

NOTE 5 — PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following at June 30, 2012:

Building improvements	\$ 1,215,022
Land	1,000,865
Building	643,000
Computer equipment	165,490
Furniture	68,895
Recording studio equipment	57,707
Equipment	90,829
Vehicles	<u>63,659</u>
Subtotal	3,305,467
Less: Accumulated depreciation	<u>(811,580)</u>
Total Property and Equipment, Net	<u>\$ 2,493,887</u>

Depreciation expense for the year ended June 30, 2012 was \$89,051.

A PLACE CALLED HOME
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Notes to Financial Statements
June 30, 2012

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, 2012 were \$5,755. As of June 30, 2012, the total remaining minimum lease payments was \$291 per month through November 2015, totaling \$10,179.

APCH subleased non-contiguous properties under short-term leases. Total rental income received during the year ended June 30, 2012 was \$20,591.

NOTE 7 — TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily and permanently restricted net assets as of June 30, 2012 consist of the following:

<u>Temporarily Restricted - Specific Purpose</u>	
Scholarships	\$ 191,885
Time-restricted	<u>1,155,922</u>
 Total Temporarily Restricted Net Assets	 <u><u>\$ 1,347,807</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 June 30,</u>	<u>Amount</u>
2013	\$ 730,913
2014	283,009
2015	101,000
2016	11,000
2017	10,000
Thereafter	<u>20,000</u>
	<u><u>\$ 1,155,922</u></u>

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2012

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

During the year ended June 30, 2012, temporarily net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes (or time restriction):

<u>Temporarily Restricted - Specific Purpose</u>	
Scholarships	\$ 43,242
Site improvements	56,900
Music department	36,000
Vehicle purchase	30,000
Other	8,000
	<u>174,142</u>
Time-restricted	<u>685,296</u>
Total Temporarily Restricted Net Assets	<u>\$ 859,438</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.

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, 2012, 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
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Notes to Financial Statements
June 30, 2012

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

During the year ended June 30, 2012, 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	1,403	-	-	1,403
Net appreciation	-	-	-	-
Program expenditures	-	-	-	-
Endowment net assets, end of year	<u>\$ 11,403</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 211,403</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, 2012, the Company recognized an expense of \$39,301. Employees are fully vested in the safe-harbor contributions.