



TALLER SAN JOSE HOPE BUILDERS

Consolidated Financial Statements
and Independent Auditors' Report

June 30, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Audit Committee of the Board of Directors of:
Taller San Jose Hope Builders
Santa Ana, California

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Taller San Jose Hope Builders (a California nonprofit organization, the Organization) and its subsidiary, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Taller San Jose Hope Builders and its subsidiary as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating information included in the accompanying Schedules I through IV is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Ramirez Jimenez International CPAs

Irvine, California
September 26, 2019

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS						
Cash and cash equivalents	\$ 185,095	\$ 742,586	\$ 927,680	\$ (438,264)	\$ 835,304	\$ 397,040
Accounts receivable	19,171	-	19,171	75,945	-	75,945
Contributions and grants receivable, net	127,505	1,353,777	1,481,282	103,209	1,300,905	1,404,114
Unbilled labor in progress	17,850	-	17,850	-	-	-
Inventory	24,124	-	24,124	7,729	-	7,729
Property held for resale	8,000	-	8,000	15,799	-	15,799
Investments	258,693	-	258,693	215,207	-	215,207
Property and equipment, net	1,151,906	-	1,151,906	1,166,260	-	1,166,260
Other assets	24,505	-	24,505	24,025	-	24,025
Total assets	<u>\$ 1,816,849</u>	<u>\$ 2,096,363</u>	<u>\$ 3,913,211</u>	<u>\$ 1,169,910</u>	<u>\$ 2,136,209</u>	<u>\$ 3,306,119</u>
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts payable and accrued expenses	\$ 179,901	\$ -	\$ 179,900	\$ 185,789	\$ -	\$ 185,789
Customer deposits	17,520	-	17,520	-	-	-
Line of credit	310,504	-	310,504	300,948	-	300,948
Installment contract payable	14,305	-	14,305	18,377	-	18,377
Obligation under capital lease	49,757	-	49,757	62,676	-	62,676
Total liabilities	<u>571,987</u>	<u>-</u>	<u>571,986</u>	<u>567,790</u>	<u>-</u>	<u>567,790</u>
NET ASSETS						
Without donor restrictions	1,244,862	-	1,244,862	602,120	-	602,120
With donor restrictions	-	2,096,363	2,096,363	-	2,136,209	2,136,209
Total net assets	<u>1,244,862</u>	<u>2,096,363</u>	<u>3,341,225</u>	<u>602,120</u>	<u>2,136,209</u>	<u>2,738,329</u>
Total liabilities and net assets	<u>\$ 1,816,849</u>	<u>\$ 2,096,363</u>	<u>\$ 3,913,211</u>	<u>\$ 1,169,910</u>	<u>\$ 2,136,209</u>	<u>\$ 3,306,119</u>

See accompanying notes to the consolidated financial statements.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities			
Revenues and other support			
Grants and contributions	\$ 646,527	\$ 2,223,647	\$ 2,870,174
Program service fees	401,658	-	401,658
Special events	614,898	149,334	764,232
Costs of direct benefits to donors	(73,420)	-	(73,420)
In kind contributions	141,026	-	141,026
Interest and dividends	3,851	-	3,851
Net assets released from restrictions	2,412,827	(2,412,827)	-
Gain on disposition of property and equipment	6,048	-	6,048
Total revenues and other support	<u>4,153,415</u>	<u>(39,846)</u>	<u>4,113,569</u>
Expenses			
Program Activities			
Admissions and support	673,790	-	673,790
Skills training	1,108,868	-	1,108,868
Placement	255,972	-	255,972
Jobs Works	419,521	-	419,521
Management and general	424,455	-	424,455
Development and fundraising	633,186	-	633,186
Total expenses	<u>3,515,792</u>	<u>-</u>	<u>3,515,792</u>
Change in net assets from operations	<u>637,623</u>	<u>(39,846)</u>	<u>597,777</u>
Nonoperating Activities			
Investment return, net	5,119	-	5,119
Change in net assets	<u>642,742</u>	<u>(39,846)</u>	<u>602,896</u>
Net assets, beginning of year	<u>602,120</u>	<u>2,136,209</u>	<u>2,738,329</u>
Net assets, end of year	<u>\$ 1,244,862</u>	<u>\$ 2,096,363</u>	<u>\$ 3,341,225</u>

See accompanying notes to the consolidated financial statements.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities			
Revenues and other support			
Grants and contributions	\$ 945,072	\$ 2,217,860	\$ 3,162,932
Program service fees	737,724	-	737,724
Special events	731,136	149,000	880,136
Costs of direct benefits to donors	(73,543)	-	(73,543)
In kind contributions	208,768	-	208,768
Interest and dividends	6,451	-	6,451
Net assets released from restrictions	2,514,935	(2,514,935)	-
Gain on disposition of property and equipment	(3,035)	-	(3,035)
Total revenues and other support	<u>5,067,508</u>	<u>(148,075)</u>	<u>4,919,433</u>
Expenses			
Program Activities			
Admissions and support	912,111	-	912,111
Skills training	1,714,689	-	1,714,689
Placement	680,789	-	680,789
Jobs Works	930,774	-	930,774
Management and general	<u>399,155</u>	<u>-</u>	<u>399,155</u>
Development and fundraising	<u>632,087</u>	<u>-</u>	<u>632,087</u>
Total expenses	<u>5,269,605</u>	<u>-</u>	<u>5,269,605</u>
Change in net assets from operations	<u>(202,097)</u>	<u>(148,075)</u>	<u>(350,172)</u>
Nonoperating Activities			
Investment return, net	38,505	-	38,505
Change in net assets	<u>(163,592)</u>	<u>(148,075)</u>	<u>(311,667)</u>
Net assets, beginning of year	<u>765,712</u>	<u>2,284,284</u>	<u>3,049,996</u>
Net assets, end of year	<u>\$ 602,120</u>	<u>\$ 2,136,209</u>	<u>\$ 2,738,329</u>

See accompanying notes to the consolidated financial statements.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services					Supportive Services			Total
	Admissions and Support	Skills Training	Placement	Jobs Work	Programs Total	Management and General	Development and Fundraising	Supportive Services Total	
Compensation and related expenses	\$ 556,266	\$ 461,976	\$ 215,086	\$ 363,034	\$ 1,596,362	\$ 322,274	\$ 393,245	\$ 715,519	\$ 2,311,881
Student support	21,617	194,732	3,595	-	219,944	-	-	-	219,944
Program supplies and related expenses	7,260	113,723	7,159	5,835	133,977	-	-	-	133,977
Supplies, printing and office	3,534	11,835	836	1,475	17,680	9,853	8,819	18,672	36,352
Occupancy	40,701	179,962	9,229	12,218	242,110	23,242	28,421	51,663	293,773
Depreciation	10,559	69,514	2,097	9,980	92,150	4,135	9,271	13,406	105,556
Professional fees	1,939	2,908	3,939	2,908	11,694	21,818		21,818	33,512
Insurance	10,717	20,468	4,231	13,472	48,888	15,733	9,536	25,269	74,157
Information technology, telephone and internet	16,468	48,545	6,587	6,546	78,146	5,968	25,995	31,963	110,109
Interest	466	1,243	7	1,461	3,177	9,665	589	10,254	13,431
Special events	-	-	-	-	-	-	85,140	85,140	85,140
Marketing, meetings and conferences	4,263	3,962	3,206	1,983	13,414	10,475	69,851	80,326	93,740
Other	-	-	-	609	609	1,292	2,319	3,611	4,220
	<u>\$ 673,790</u>	<u>\$ 1,108,868</u>	<u>\$ 255,972</u>	<u>\$ 419,521</u>	<u>\$ 2,458,151</u>	<u>\$ 424,455</u>	<u>\$ 633,186</u>	<u>\$ 1,057,641</u>	<u>\$ 3,515,792</u>

See accompanying notes to the consolidated financial statements.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Admissions and Support	Skills Training	Placement	Jobs Work	Programs Total	Management and General	Development and Fundraising	Supportive Services Total	Total
Compensation and related expenses	\$ 702,731	\$ 646,587	\$ 460,946	\$ 586,887	\$ 2,397,151	\$ 302,693	\$ 376,076	\$ 678,769	\$ 3,075,920
Subcontractors and Construction Materials	-	-	-	248,682	248,682	-	-	-	248,682
Student support	80,580	416,891	8,505	-	505,976	-	-	-	505,976
Program supplies and related expenses	9,033	178,433	9,278	1,472	198,216	-	-	-	198,216
Supplies, printing and office	16,925	39,388	18,155	3,433	77,901	11,626	9,447	21,073	98,974
Occupancy	71,810	273,111	38,775	5,278	388,974	18,897	18,896	37,793	426,767
Depreciation	14,308	82,686	13,867	18,177	129,038	656	-	656	129,694
Professional fees	-	-	107,000	-	107,000	22,923	56,844	79,767	186,767
Insurance	3,405	40,602	4,426	33,736	82,169	11,392	506	11,898	94,067
Information technology, telephone and internet	5,536	28,300	10,757	777	45,370	7,954	10,656	18,610	63,980
Interest	339	1,092	433	4,642	6,506	10,154	-	10,154	16,660
Special events	-	-	-	-	-	-	85,966	85,966	85,966
Marketing, meetings and conferences	7,444	7,599	8,647	25,883	49,573	9,885	73,281	83,166	132,739
Other	-	-	-	1,807	1,807	2,975	415	3,390	5,197
	<u>\$ 912,111</u>	<u>\$ 1,714,689</u>	<u>\$ 680,789</u>	<u>\$ 930,774</u>	<u>\$ 4,238,363</u>	<u>\$ 399,155</u>	<u>\$ 632,087</u>	<u>\$ 1,031,242</u>	<u>\$ 5,269,605</u>

See accompanying notes to the consolidated financial statements.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 602,896	\$ (311,667)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	105,556	129,694
Donated property and equipment	-	(12,120)
Gain on disposition of property and equipment	2,767	17,784
Unrealized (gain) on investments	(10,018)	(38,505)
Impairment provision	7,799	-
Accrued interest on lines of credit	9,556	5,464
Change in operating assets and liabilities:		
Accounts receivable	56,774	48,574
Contributions and grants receivable	(77,168)	44,654
Unbilled labor in progress	(17,850)	-
Inventory	(16,395)	18,602
Other assets	(480)	17,995
Accounts payable and accrued expenses	(5,888)	(306,999)
Customer deposits	17,520	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	675,069	(386,524)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(93,970)	(66,146)
Proceeds from board designated Sustainability Fund	-	635,000
Purchase of investments for designated gifts	(30,000)	(173,992)
Reinvested dividends	(3,468)	(3,114)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(127,438)	391,748
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from installment contract payable	-	21,807
Principal repayments of installment contract payable	(4,072)	(3,430)
Repayments of capital lease obligation	(12,919)	(7,871)
Borrowings on line of credit	-	55,000
Repayments of note payable	-	(32,249)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(16,991)	33,257
NET INCREASE IN CASH AND CASH EQUIVALENTS	530,640	38,481
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	397,040	358,559
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 927,680	\$ 397,040
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 3,875	\$ 11,196
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Property and equipment acquired by entering into capital lease arrangement	\$ -	\$ 70,547

See accompanying notes to the consolidated financial statements.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE A - DESCRIPTION OF THE ORGANIZATION

Taller San Jose Hope Builders (Hope Builders or the Organization) opened in 1995 to ensure youth (18-28 years of age) have the skills needs to thrive economically. The Organization offers innovative workforce training programs at training centers in Santa Ana and Anaheim, California. Disconnected youth and young adults in Orange County who have not completed their secondary education and who do not have sufficient job skills to earn a living wage are provided the opportunity to develop specific marketable job skills, stabilize their lives, and advance their educational status empowering them to move on to productive adulthood. The Organization was incorporated in August 2005. The sole member of the Organization is the Sisters of St. Joseph of Orange (SSJO). As such, SSJO fully controls the Organization.

Hope Builders Construction Company (HBCC), a separate but related entity, was incorporated under the laws of the State of California on May 24, 2006. It was originally incorporated as a profit-making corporation, but on December 26, 2012, it reorganized as a nonprofit public benefit corporation. As part of the reorganization, it became a membership organization, and Taller San Jose Hope Builders is the only member. HBCC received tax-exempt status under federal law as a subordinate organization as defined in Section 501(c)(3) of the Internal Revenue Code.

From 2006-2018, HBCC operated as a licensed general contracting venture which provided employment opportunities for graduates of the Organization in an effort to further refine their skills and enhance their ability for a productive future. In March 2018, HBCC closed its general contracting services and launched a new business line called Jobs Work.

There are four major components to the Hope Builders model:

Skills Training: Academies in Business Administration, Construction, Healthcare and Information Technology model real-world experiences, pay trainees a weekly \$75 stipend and require them to demonstrate that they are responsible and respectful by showing up every day, on time, drug free, dressed professionally and with a good attitude. Hope Builders' training is conducted over 16-20 weeks and is delivered in a "boot camp" style to support completion and allow youth to transition in a short period of time to the workplace and higher wages. Career technical training, basic literacy enrichment, financial assistance for childcare and transportation and 32 hours of both life skills and job readiness training are embedded into the curriculum.

Admissions and Support: Hope Builders knows that skills training or employment placement alone do not meet the needs of disconnected youth. Rather, programming must include a mix of life skills and supportive services designed to build workforce readiness which enables youth to retain employment. Applicants must demonstrate their readiness to make life changes as part of the admissions process. At enrollment, each trainee is matched with a Support Specialist, who works directly with youth to address barriers that may prevent them from successfully completing the program and/or retaining employment. The goal of these services is to help youth achieve life stability through increased social and self-awareness, self-management and healthy behaviors.

Placement: Hope Builders' Career and Education Services and Employment Services teams works with youth who have completed a training program to ensure they secure a quality job and retain it for a minimum of six months. This is accomplished through regular outreach and engagement of youth, paid internship opportunities, as well as job placement. Staff works with youth for up to 24 months after training completion and supports employed youth in continuing to find opportunities for growth/advancement through promotions and job changes. Additionally, the Career and Education Services team helps youth access on-ramps to post-secondary education, apprenticeship career technical certification programs.

Jobs Work via HBCC: In partnership with employers, interns are placed at employer job sites as a continuation of their training. Employers pay a fee to HBCC based on placements. Jobs Work helps program participants to strengthen work experience with the goal of securing permanent employment in a quality job.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE A - DESCRIPTION OF THE ORGANIZATION (CONTINUED)

In April 2016, the Organization expanded its operations with a new facility in Anaheim, California and anticipated significant program expansion. The strategic plan projected a gap in revenue in the early years and anticipated the use of the Organization's sustainability fund. During that period, revenues increased in support of the expansion, but at a slower rate than projected. The decrease in net assets of approximately \$312,000 for the year ended June 30, 2018 reflected a decrease of \$63,000 from its primary operations, and \$249,000 from HBCC, its social enterprise. Additionally, in December 2017, the Board of Directors and management for HBCC decided to cease contracting operations in March 2018. In fiscal year 2019, we curtailed certain expenditures to a balanced budget with a conservative revenue projection, and any additional program expansion has been postponed until revenues grow. The current increase in net assets in fiscal year 2019 reflects the success of this strategy, and we continue to budget to build reserves to achieve our liquidity goals.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Contributions are recognized as revenues in the period received. Net assets, revenues, gains and losses are classified base on existence of donor-imposed restrictions as prescribed for not-for-profit organizations by the Financial Accounting Standards Board (FASB). Accordingly, the net assets of the Organization are classified and reported as follows:

Net assets without donor restrictions: Net assets consist of resources that generally result from revenue generated from providing services, collecting interest on investments, and receiving contributions without donor restriction, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions: Net assets consist of gifts of cash and other assets that were 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activates and changes as net assets released from restrictions.

Other net assets that are restricted by donors who stipulate that resources are to be maintained permanently but permit the Organization to expend all of the income (or other economic benefits) derived from the donated assets. Hope Builders has elected to transfer funds with permanent restrictions to the Orange Catholic Foundation. See Note O.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Measure of operations - The consolidated statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to Hope Builders' ongoing workforce training programs and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Principles of Consolidation - The consolidated financial statements include the accounts of the Taller San Jose Hope Builders and its subsidiary, Hope Builders Construction Company together, the Organization. All material inter-organization transactions and balances have been eliminated in consolidation.

Reclassification - Certain amounts in the fiscal year 2018 consolidated financial statements have been reclassified to conform to the fiscal year 2019 presentation and the FASB issued Accounting Standards Update (ASU) 2016-14, *Not for Profit Entities* (Topic 958).

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents -For purposes of the consolidated statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents, except for those amounts that are held in the Sustainability Fund which is invested for long term purposes. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Concentration of Credit Risk - Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, deposits of up to \$250,000 at FDIC-insured financial institutions are covered by FDIC insurance. At times, deposits may be in excess of the FDIC insurance limits; however, management does not believe the Organization is exposed to any significant related credit risks.

Accounts Receivable - Accounts receivable are recorded when contract provisions are met, and the supporting organization is obligated to remit payments to the Organization. Management performs periodic credit evaluations of its receivable balances and records an allowance for doubtful accounts when it is probable that all or a portion of the receivable will not be collected. Management believes that all accounts receivable as of June 30, 2019 and 2018 were fully collectible; therefore, no allowance for doubtful accounts has been recorded.

Grants Receivable - Grants receivable are recorded when an obligation from a granting agency is committed in writing and when qualifying expenditures are made in connection with grants that provide for reimbursement of such expenditures. Management believes that all grants receivable as of June 30, 2019 and 2018 were fully collectible; therefore, no allowance for doubtful grants has been recorded.

Promises to Give - Unconditional promises to give are reported at fair value at the date the promise is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Management believes that all promises to give as of June 30, 2019 and 2018 were fully collectible; therefore, no allowance for doubtful promises to give has been recorded.

Unbilled Labor in Progress - Unbilled labor in progress relates to work in progress for HBCC and represents revenues recognized in excess of amounts billed.

Property Held for Resale - Property held for resale is recorded at cost, if purchased, or fair value on the date of receipt, if donated, and is reduced to its estimated fair value.

Inventory - Inventory is stated at the lower of cost and net realizable value, determined using the first-in, first-out method.

Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restriction, unless the donor has restricted the donated asset to a specific purpose or stipulated how long the assets must be used. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

The Organization has elected to capitalize all property with a value of \$1,000 or more and with a useful life expectancy of at least 3 years. Expenditures for repairs and maintenance are expensed as incurred. Purchased property and equipment are stated at cost. Property and equipment are depreciated using the straight-line method over their estimated useful lives. Assets under capital lease arrangements are recorded at the present value of the minimum lease payments and are amortized on the straight-line method over the shorter of the useful life or the lease term.

Investments - Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the consolidated statements of financial position and changes in fair value are reported as investment return in the statements of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the consolidated statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue - Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. All donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Donated Goods and Services - Donated goods and services (in-kind contributions) are recorded at their estimated market values at the date of receipt. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the years ending June 30, 2019 and 2018, donated goods and services received by the Organization meeting the above criteria were valued at \$141,026 and \$208,768, respectively, which were primarily related to donated professional services, auction items for the annual Light Up a Life special event, and instructors and tutors for the Organization's programs.

Functional Allocation of Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Expenses are recorded in departments indicative of our programs and organization structure. To the greatest extent possible, expenses are allocated to the lowest level department. The method of allocation for these expenses is direct cost. For salaries and other expenses where the expense may benefit more than one department, except occupancy, costs will be allocated based on the time and effort spent. For occupancy and depreciation, costs that benefit more than one department will be allocated based on a modified square footage basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Compensation and related expenses	Time and effort
Student support	Direct cost
Program supplies, and related expense	Direct cost
Supplies, printing and office	Direct cost
Occupancy	Square footage
Depreciation	Direct cost and square footage
Professional fees	Direct cost
Insurance	Direct cost and square footage
Information technology, telephone, and internet	Time and effort
Interest	Direct cost
Special events	Direct cost
Marketing, meetings and conferences	Direct cost
Other	Direct cost

Management Estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financials statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long Lived Assets - Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected future cash flow from the use of the asset and its eventual disposition is less than the carrying amount of the asset, an impairment loss is recognized and measured using the fair value of the related asset. During the year ended June 30, 2019, the Organization recognized an impairment loss on investment property as described in Note G.

Income Tax Status - The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and similar provisions of the State of California Revenue and Taxation Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose, if any, is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170b(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

HBCC received tax-exempt status under federal law as a subordinate organization defined in Section 501 (c)(3) of the Internal Revenue Code, and similar status under provisions of the State of California Revenue and Taxation Code.

U.S. federal tax returns for the tax years 2015 through 2018 and state tax returns for the tax years 2014 through 2018 remain open to examination.

The FASB, Accounting Standards Codification (ASC) 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for a tax position taken or expected to be taken in a tax return that is not certain to be realized. The Organization believes that it has appropriate support for income tax positions taken, therefore, management has not identified any uncertain income tax positions.

Recent Accounting Pronouncements

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which is effective for non-public entities for annual reporting periods beginning after December 15, 2018, as amended. The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization is currently evaluating the potential impact this standard will have on their consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which will require lessees to recognize almost all leases on their balance sheet as a right-of-use asset and a lease liability. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Classification will be based on criteria that are largely similar to those applied in current lease accounting pronouncements today, but without explicit bright lines. Lessor accounting is similar to the current model, but updated to align with certain changes to the lessee model and the new revenue recognition standard. This ASU is effective for non-public entities for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Organization is currently evaluating the potential impact this standard will have on their consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-14; *Not-for-Profit Entities* (Topic 958), which addresses the complexity and understandability of net asset classification and the information presented in financial statements and notes about a not-for-profit entity's (NFP's) liquidity, financial performance, and cash flows. The FASB's Not-for-Profit Advisory Committee (NAC) and other stakeholders indicated that existing standards for financial statements of NFPs are sound, but could be improved to provide more useful information to donors, grantors, creditors, and other users of financial statements. The Organization has adopted this ASU in fiscal 2019 and has adjusted the presentation of these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows* (Topic 230): Restricted Cash, which will require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. It will be effective on a retrospective basis for fiscal years beginning after December 15, 2018. The Organization is currently evaluating the potential impact this standard will have on their consolidated financial statements and related disclosures.

Management does not believe any other recently issued but not yet effective accounting pronouncement, if adopted, would have a material effect on the Organization's present or future consolidated financial statements.

NOTE C - AVAILABLE RESOURCES AND LIQUIDITY

Hope Builders regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Hope Builders has various sources of liquidity at its disposal, including cash and cash equivalents, investments, and a line of credit. See Note I for information about the line of credit. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Hope Builders considers all expenditures related to its ongoing activities for workforce development, as well as, the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, Hope Builders operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the consolidated statements of cash flows which identifies the sources and uses of the Organization's cash and cash equivalents.

As of June 30, 2019 and 2018, the following financials assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	2019	2018
Total financial assets:		
Cash and cash equivalents	\$ 927,680	\$ 397,040
Receivables	1,518,303	1,480,059
Investments	258,693	215,207
Total financial assets	2,704,676	2,092,306
Amounts not available to be used within one year:		
Net assets with donor restrictions	2,096,363	2,136,209
Restrictions expected to be satisfied within one year	(1,306,120)	(1,497,367)
Net assets with donor restrictions expected to be available within one year	790,243	638,842
Board Designated Sustainability Fund	258,693	215,207
Total amounts not available to be used within one year:	1,048,936	854,049
Net financial assets available to meet general expenditures over the next 12 months.	\$ 1,655,740	\$ 1,238,257

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE C - AVAILABLE RESOURCES AND LIQUIDITY (CONTINUED)

Hope Builders' governing Board has a liquidity policy of maintaining three months of operating expenses available in cash and cash equivalents. Additionally, it has set a target of an additional three months of operating expenses in the Board designated Sustainability Fund and the line of credit balance at zero. The Sustainability Fund may be undesignated by Board action. Once all goals for financial assets are achieved, a budgeted portion of the Sustainability Fund may be used for operations. To achieve these targets, Hope Builders forecasts its future cash flows and monitors its liquidity on a bi-weekly basis, and monitors its reserves on a bi-monthly basis.

NOTE D - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization determines the fair market values of its investments based on the fair value hierarchy established in FASB ASC Topic 820, *Fair Value Measurements*. The statement requires fair value to be classified and disclosed in one of the following three categories:

Level 1 - Quoted prices in active markets for identical assets and liabilities, including equity and debt securities and derivative contracts that are traded in an active exchange market.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2019 and 2018:

	Total	Level 1	Level 2	Level 3
June 30, 2019				
Fixed income funds	\$ 103,480	\$ -	\$ 103,480	\$ -
Equity funds and common stock	155,213	-	155,213	-
	<u>\$ 258,693</u>	<u>\$ -</u>	<u>\$ 258,693</u>	<u>\$ -</u>
June 30, 2018				
Fixed income funds	\$ 86,088	\$ -	\$ 86,088	\$ -
Equity funds and common stock	129,119	-	129,119	-
	<u>\$ 215,207</u>	<u>\$ -</u>	<u>\$ 215,207</u>	<u>\$ -</u>

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE E - CONTRIBUTIONS AND GRANTS RECEIVABLE

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met.

As of June 30, 2019, contributions and grants receivable of \$1,103,122 were expected to be received within one year, and \$408,160 is expected within one to five years. There is a discount for long term pledges of \$30,000, and no allowance for doubtful accounts, as management expects they are fully collectable. As of June 30, 2018, contributions and grants receivable of \$928,114 were expected to be received within one year, and \$520,000 is expected within one to five years. There is a discount for long term pledges of \$44,000, and no allowance for doubtful accounts, as management expects they are fully collectable.

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	2019	2018
Land and building	\$ 1,065,584	\$ 1,065,584
Building improvements and renovations	807,622	735,020
Equipment, furniture and fixtures	566,667	622,436
Vehicles	90,399	149,998
	<u>2,530,272</u>	<u>2,573,038</u>
Less accumulated depreciation	<u>1,378,365</u>	<u>1,406,777</u>
	<u><u>\$ 1,151,906</u></u>	<u><u>\$ 1,166,260</u></u>

Depreciation expense was \$105,556 and \$129,694 for the fiscal years ended June 30, 2019 and 2018, respectively.

NOTE G - PROPERTY HELD FOR RESALE

The Organization owns one undeveloped residential property donated by a lender through a distressed property program. During the year ended June 30, 2019, management determined, based on market analysis, that the Organization should recognize an impairment loss of \$7,799 on this asset. It has a carrying value of \$8,000 and \$15,799 as of June 30, 2019 and 2018, respectively.

NOTE H - INVESTMENTS

HBCC is a 50.1 % owner and one of three members of HBCV, LLC, (the LLC) which was organized in August 2014 to purchase, refurbish, and develop housing for low-income families and seniors while offering work experience and employment opportunities to young adults. One of the other members has been appointed the Manager, who controls day to day operations and financial policies of the LLC. TSJHB, while it owns 50.1%, does not control any aspect of the LLC, and as a result, its has not been consolidated into these consolidated financial statements.

As of June 30, 2019 and 2018, HBCV, LLC has purchased and is operating one home as an affordable housing unit. The purchase price and rehabilitation costs were financed by the County of Orange, with a 55 year nonrecourse loan. The LLC collects the rent and subsidy on the property, pays all expenses, and distributes the proportionate share of the excess to the members according to their ownership annually, after reserving an appropriate amount for working capital. For the years ending June 30, 2019 and 2018, the income to HBCC was \$3,000 and \$2,400, respectively.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE I - LINE OF CREDIT

In April 2008, the Organization secured a line of credit with St. Joseph Health System that has been renewed every five years. As of July 1, 2016, the line of credit carried a limit of \$300,000 and bore interest at 2.17% per annum and maturity date of April 2018.

The line was amended with Providence St. Joseph Health Investment Trust in April 2018 to increase the limit to \$600,000, the interest rate to 3.0% per annum, and extend the maturity date to April 2023. The line is secured by a Deed of Trust recorded on the building which houses the Organization's construction program. As of June 30, 2019 and 2018, \$310,504 and \$300,948, respectively, was outstanding under this line of credit.

NOTE J - INSTALLMENT CONTRACT PAYABLE

The Organization entered into an installment contract payable in connection with the acquisition of a vehicle, payable in monthly installments of principal and interest of \$430, bearing interest at 6.69%, and due July 2022.

	2019	2018
Outstanding balance as of June 30:	\$ 14,305	\$ 18,377

NOTE K - CAPITAL LEASE OBLIGATION

The Company leases certain equipment under a capital lease arrangement. The lease term runs through November 2022.

Future minimum lease payments are as follows for the years ending June 30:	2020	\$ 15,782
	2021	15,782
	2022	15,782
	2023	6,048
Total minimum lease payments		53,395
Less amount representing interest at 4.5%		(3,638)
Present value of net minimum capital lease payments		\$ 49,757

As of June 30, 2019 and 2018, the gross amount of equipment and related amount of accumulated amortization recorded under the capital lease was as follows:

	2019	2018
Equipment	\$ 70,547	\$ 70,547
Less Accumulated Amortization	(22,340)	(8,231)
	\$ 48,207	\$ 62,316

Amortization of assets held under capital lease is included within depreciation expense.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE L- RETIREMENT PLAN

The Organization offers employees the opportunity for participation in a contributory retirement plan. The Organization matches employees' contributions up to 1% of their regular salary, and also contributes up to 8% of their salary, based on years of service. The expense to the Organization under this arrangement for the fiscal years ended June 30, 2019 and 2018 was \$77,603 and \$100,464, respectively.

NOTE M - NET ASSETS

Net assets as of June 30, 2019 and 2018 are as follows:

	2019	2018
Net assets with donor restrictions:		
Net assets restricted by the passage of time	\$ 675,418	\$ 757,765
Net assets restricted by the passage of time and programs:		
Admissions and support	-	25,000
Skills training	382,606	408,583
Anaheim	594,400	905,861
Jobs Work	443,939	9,000
Sustainability Fund	-	30,000
	<u>1,420,945</u>	<u>1,378,444</u>
Total net assets with donor restrictions	<u>\$ 2,096,363</u>	<u>\$ 2,136,209</u>
Net assets without donor restrictions:		
Undesignated	\$ 986,169	\$ 386,913
Board designated Sustainability Fund	<u>258,693</u>	<u>215,207</u>
Total net assets without donor restrictions	<u>1,244,862</u>	<u>602,120</u>
Total net assets	<u><u>\$ 3,341,225</u></u>	<u><u>\$ 2,738,329</u></u>
Net assets released from restriction:		
Net assets restricted by the passage of time	\$ 1,060,848	\$ 705,532
Net assets restricted by the passage of time and programs:		
Admissions and Support services	164,927	214,969
Skills training	614,030	963,240
Placement	-	20,000
Anaheim	425,461	589,594
Jobs Work	117,561	21,600
Sustainability Fund	<u>30,000</u>	<u>-</u>
	<u>1,351,979</u>	<u>1,809,403</u>
Total net assets released from restrictions	<u><u>\$ 2,412,827</u></u>	<u><u>\$ 2,514,935</u></u>

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE N - RELATED PARTY TRANSACTIONS

The Organization has transactions with SSJO, which is related due to common control and members of Boards of Directors. The Organization does not have the right, however, to appoint Board members for those organizations. SSJO has the right to appoint Board members of Hope Builders and approval rights to certain transactions. SSJO also controls the St. Joseph Healthcare Foundation (SJHF). The Organization also shares a history of founding and support with Providence St. Joseph Health (PSJH). Historically, the Organization has relied upon these organizations to supplement its operations through grants, loans, and loan guarantees. During the years ended June 30, 2019 and 2018, the Organization reimbursed SSJO for certain staff and employee benefit related costs in the amount of \$12,394 and \$91,409, respectively. These costs are included as a component of compensation and related expenses and marketing, meetings, and conferences in the accompanying consolidated financial statements.

SSJO has supported the Organization since its inception and continues to do so. For the years ended June 30, 2019 and 2018, SSJO's contributions totaled \$203,370 and \$168,653 respectively.

PSJH and its hospitals and SJHF also support the Organization. For the years ended June 30, 2019 and 2018, SJH's contributions totaled \$98,397 and \$166,697 respectively. In addition, the Organization reimbursed SJH for certain employee benefit related costs and insurance in the amount of \$340,211 and \$557,649, respectively. These costs are included as a component of compensation and related expenses and insurance in the accompanying consolidated financial statements. SJH also provides a line of credit to the Organization (See Note I).

The Organization received contributions totaling \$479,294 and \$98,840 from members of the Board of Directors during the years ended June 30, 2019 and 2018, respectively.

NOTE O - SUSTAINABILITY FUNDS

Board Designated Sustainability Fund

The Board of Directors established an endowment fund (quasi-endowment) in 2001. It was designated by the Board of Directors to be maintained as an endowment fund subject to the Organization's investment and spending policies. In March, 2017, the Board determined the intent was actually for a sustainability fund, to support the operations of the Organization. The Fund was renamed the Sustainability Fund. It continues to be Board-designated, and requires Board approval for additions and withdrawals.

Sustainability funds are invested in marketable securities pursuant to the Organization's investment and spending objectives of preserving capital, maintaining liquidity, maximizing long-term total return, and exercising principled purchasing in accordance with the values of the Organization. The disbursement policy calls for transferring 3.5% of the value of the fund each year according to a moving average formula, once the balance exceeds the required months of working capital. The Board of Directors may elect to increase this amount through its annual budgeting process.

The composition of net assets for this fund as of June 30, 2019 and 2018 and the changes in endowment net assets for the corresponding years are as follows:

	2019	2018
Fund net assets, beginning	\$ 215,207	\$ 634,596
Unrealized gain on investments	13,486	41,619
Amounts contributed for sustainability	30,000	173,992
Amounts appropriated for expenditure	-	(635,000)
	<hr/>	<hr/>
Fund net assets, ending	\$ 258,693	\$ 215,207
	<hr/>	<hr/>

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE O - SUSTAINABILITY FUNDS (CONTINUED)

Permanent Endowment Fund

The Organization received contributions in 2009 (referred to as the Legacy Fund) that were permanently restricted by the donors. In 2011, the Legacy Fund was transferred to the Orange Catholic Foundation (OCF) to be held in perpetuity. The income earned from the Legacy Fund investments is available to be expended to support the various programs and ministries of the Organization once the balance reaches \$250,000. As of June 30, 2019 and 2018, the balance in the Legacy Fund was \$83,595 and \$77,566 respectively.

NOTE P - OPERATING LEASE COMMITMENTS

The Organization leases its office facility in Anaheim under a five year operating lease that expires in January 2021. Total rent expense for the years ended June 30, 2019 and 2018 was \$175,044 and \$241,459, respectively.

Future minimum rental obligations under this lease is as follows for the years ending June 30:

2020	180,293
2021	106,988
	<hr/>
	\$ 287,281

NOTE Q - CONTINGENCIES

The Organization receives a significant portion of its revenues from government grants and contracts, which are subject to audit by the grant making agencies. Until such audits have been completed and final settlements determined, there exists a contingency to refund any amount received in excess of allowable costs. Management believes that no material liability will result from such audits.

The Organization is periodically involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Organization's consolidated financial position or the results of its operations.

NOTE R - SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 26, 2019 the date the consolidated financial statements were available to be issued and determined there are no material subsequent events that require recognition or disclosure in the consolidated financial statements.

SUPPLEMENTAL SCHEDULES

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
DETAILS OF CONSOLIDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2019

	Taller San Jose Hope Builders	Hope Builders Construction Company	Consolidating Entries	Consolidated Totals
ASSETS				
Cash and cash equivalents	\$ 877,043	\$ 50,636	\$ -	\$ 927,680
Accounts receivable	-	19,171	-	19,171
Contributions and grants receivable, net	1,481,282	-	-	1,481,282
Unbilled labor in progress	-	17,850	-	17,850
Inventory	19,097	5,027	-	24,124
Property held for resale	8,000	-	-	8,000
Investments	258,693	-	-	258,693
Property and equipment, net	1,130,520	21,386	-	1,151,906
Due from Hope Builders				
Construction Company	1,388,575	-	(1,388,575)	-
Other assets	24,505	-	-	24,505
Total assets	\$ 5,187,715	\$ 114,070	\$ (1,388,575)	\$ 3,913,211
LIABILITIES				
Accounts payable and accrued expenses	\$ 171,974	\$ 7,926	\$ -	\$ 179,900
Customer deposits	-	17,520	-	17,520
Line of credit	310,504	-	-	310,504
Obligation under capital lease	49,757	-	-	49,757
Installment contract payable	-	14,305	-	14,305
Due to Taller San Jose Hope Builders	-	1,175,853	(1,175,853)	-
Total liabilities	532,235	1,215,604	(1,175,853)	571,986
NET ASSETS				
Without donor restrictions	2,559,117	(1,101,534)	(212,721)	1,244,862
With donor restrictions	2,096,363	-	-	2,096,363
Total net assets	4,655,480	(1,101,534)	(212,721)	3,341,225
Total liabilities and net assets	\$ 5,187,715	\$ 114,070	\$ (1,388,574)	\$ 3,913,211

See independent auditors' report.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
DETAILS OF CONSOLIDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2018

	Taller San Jose Hope Builders	Hope Builders Construction Company	Consolidating Entries	Consolidated Totals
ASSETS				
Cash and cash equivalents	\$ 332,960	\$ 64,080	\$ -	\$ 397,040
Accounts receivable	68,987	6,958	-	75,945
Contributions and grants receivable, net	1,404,114	-	-	1,404,114
Inventory	7,729	-	-	7,729
Property held for resale	15,799	-	-	15,799
Investments	215,207	-	-	215,207
Property and equipment, net	1,137,746	28,514	-	1,166,260
Due from Hope Builders Construction Company	1,394,010	-	(1,394,010)	-
Other assets	24,025	-	-	24,025
Total assets	\$ 4,600,577	\$ 99,552	\$ (1,394,010)	\$ 3,306,119
LIABILITIES				
Accounts payable and accrued expenses	\$ 149,567	\$ 36,221	\$ -	\$ 185,789
Line of credit	300,948	-	-	300,948
Obligation under capital lease	62,676	-	-	62,676
Installment contract payable	-	18,377	-	18,377
Due to Taller San Jose Hope Builders	-	1,181,289	(1,181,289)	-
Total liabilities	513,191	1,235,887	(1,181,289)	567,790
NET ASSETS				
Without donor restrictions	1,951,177	(1,136,335)	(212,721)	602,120
With donor restrictions	2,136,209	-	-	2,136,209
Total net assets	4,087,386	(1,136,335)	(212,721)	2,738,329
Total liabilities and net assets	\$ 4,600,577	\$ 99,552	\$ (1,394,010)	\$ 3,306,119

See independent auditors' report.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
DETAILS OF CONSOLIDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Taller San Jose Hope Builders			Hope Builders Construction Company		
	Without Donor Restrictions	With Donor Restrictions	Subtotal	Without Donor Restrictions	Consolidating Entries	Total
Operating Activities						
Revenues and other support						
Grants and Contributions	\$ 646,527	\$ 2,223,647	\$ 2,870,174	\$ -	\$ -	\$ 2,870,174
Program Service Fees	150,686	-	150,686	262,972	(12,000)	401,658
Special Events	614,898	149,334	764,232	-	-	764,232
Costs of direct benefits to donors	(73,420)	-	(73,420)	-	-	(73,420)
In kind contributions	141,026	-	141,026	-	-	141,026
Interest and Dividends	3,851	-	3,851	-	-	3,851
Net assets released from restrictions	2,412,827	(2,412,827)	-	-	-	-
Gain disposition of properties & equipment	6,048	-	6,048	-	-	6,048
Total revenues and other support	<u>3,902,443</u>	<u>(39,846)</u>	<u>3,862,597</u>	<u>262,972</u>	<u>(12,000)</u>	<u>4,113,569</u>
Expenses						
Program Activities						
Admissions and support	673,790	-	673,790	-	-	673,790
Skills training	1,108,868	-	-	-	-	1,108,868
Placement	255,972	-	-	-	-	255,972
Jobs Works	200,351	-	200,351	231,170	(12,000)	419,521
Management and General	424,455	-	424,455	-	-	424,455
Development and Fundraising	633,186	-	633,186	-	-	633,186
Total expenses	<u>3,296,622</u>	<u>-</u>	<u>3,296,622</u>	<u>231,170</u>	<u>(12,000)</u>	<u>3,515,792</u>
Change in net assets from operations	<u>605,821</u>	<u>(39,846)</u>	<u>565,975</u>	<u>31,802</u>	<u>-</u>	<u>597,777</u>
Nonoperating Activities						
Investment return, net	2,119	-	2,119	3,000	-	5,119
Change in net assets	<u>607,940</u>	<u>(39,846)</u>	<u>568,094</u>	<u>34,802</u>	<u>-</u>	<u>602,896</u>
Net assets, beginning of year	<u>1,951,177</u>	<u>2,136,209</u>	<u>4,087,386</u>	<u>(1,136,336)</u>	<u>(212,721)</u>	<u>2,738,329</u>
Net assets, end of year	<u>\$ 2,559,117</u>	<u>\$ 2,096,363</u>	<u>\$ 4,655,480</u>	<u>\$ (1,101,534)</u>	<u>\$ (212,721)</u>	<u>\$ 3,341,225</u>

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TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
DETAILS OF CONSOLIDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Taller San Jose Hope Builders			Hope Builders Construction Company		
	Without Donor Restrictions	With Donor Restrictions	Subtotal	Without Donor Restrictions	Consolidating Entries	Total
Operating Activities						
Revenues and other support						
Grants and Contributions	\$ 945,072	\$ 2,217,860	\$ 3,162,932	\$ 100,000	\$ (100,000)	\$ 3,162,932
Program Service Fees	207,141	-	207,141	596,775	(66,192)	737,724
Special Events	731,136	149,000	880,136	-	-	880,136
Costs of direct benefits to donors	(73,543)	-	(73,543)	-	-	(73,543)
In kind contributions	208,768	-	208,768	-	-	208,768
Interest and Dividends	3,141	-	3,141	3,310	-	6,451
Net assets released from restrictions	2,514,935	(2,514,935)	-	-	-	-
Loss disposition of properties & equipment	(3,035)	-	(3,035)	-	-	(3,035)
Total revenues and other support	<u>4,533,615</u>	<u>(148,075)</u>	<u>4,385,540</u>	<u>700,085</u>	<u>(166,192)</u>	<u>4,919,433</u>
Expenses						
Program Activities						
Admissions and support	912,111	-	912,111	-	-	912,111
Skills training	1,714,689	-	1,714,689	-	-	1,714,689
Placement	680,789	-	680,789	-	-	680,789
Jobs Works	147,878	-	147,878	949,088	(166,192)	930,774
Management and General	399,155	-	399,155	-	-	399,155
Development and Fundraising	632,087	-	632,087	-	-	632,087
Total expenses	<u>4,486,709</u>	<u>-</u>	<u>4,486,709</u>	<u>949,088</u>	<u>(166,192)</u>	<u>5,269,605</u>
Change in net assets from operations	<u>46,906</u>	<u>(148,075)</u>	<u>(101,169)</u>	<u>(249,003)</u>	<u>-</u>	<u>(350,172)</u>
Nonoperating Activities						
Investment return, net	38,505	-	38,505	-	-	38,505
Change in net assets	<u>85,411</u>	<u>(148,075)</u>	<u>(62,664)</u>	<u>(249,003)</u>	<u>-</u>	<u>(311,667)</u>
Net assets, beginning of year	<u>1,865,766</u>	<u>2,284,284</u>	<u>4,150,050</u>	<u>(887,333)</u>	<u>(212,721)</u>	<u>3,049,996</u>
Net assets, end of year	<u>\$ 1,951,177</u>	<u>\$ 2,136,209</u>	<u>\$ 4,087,386</u>	<u>\$ (1,136,336)</u>	<u>\$ (212,721)</u>	<u>\$ 2,738,329</u>

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