



**TALLER SAN JOSE HOPE BUILDERS**

Consolidated Financial Statements  
and Independent Auditors' Report

June 30, 2021 and 2020

## TABLE OF CONTENTS

Independent Auditors' Report	2-3
Consolidated Financial Statements for the Years Ended June 30, 2021 and 2020	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5-6
Consolidated Statements of Functional Expenses	7-8
Consolidated Statements of Cash Flows	9
Notes to the Consolidated Financial Statements	10-21
Supplementary Information	
Schedule I - Consolidating Statement of Financial Position - June 30, 2021	23
Schedule II - Consolidating Statement of Financial Position - June 30, 2020	24
Schedule III - Consolidating Statement of Activities - Year Ended June 30, 2021	25
Schedule IV - Consolidating Statement of Activities - Year Ended June 30, 2020	26



18012 Sky Park Circle, Suite 200  
Irvine, California 92614  
tel 949-852-1600  
fax 949-852-1606  
www.rjicpas.com

## 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, 2021 and 2020, 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, 2021 and 2020, 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  
October 4, 2021

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,216,589	\$ 794,217	\$ 2,010,806	\$ 979,681	\$ 734,750	\$ 1,714,431
Accounts receivable	46,922	-	46,922	20,925	-	20,925
Contributions and grants receivable, net	146,075	503,400	649,475	120,586	1,997,698	2,118,284
Unbilled labor in progress	12,520	-	12,520	13,208	-	13,208
Inventory	15,484	-	15,484	17,269	-	17,269
Property held for resale	8,000	-	8,000	8,000	-	8,000
Investments	2,811,516	-	2,811,516	1,333,887	-	1,333,887
Property and equipment, net	1,063,776	-	1,063,776	1,070,294	-	1,070,294
Other assets	57,912	-	57,912	23,957	-	23,957
<b>Total assets</b>	<b>\$ 5,378,794</b>	<b>\$ 1,297,617</b>	<b>\$ 6,676,411</b>	<b>\$ 3,587,807</b>	<b>\$ 2,732,448</b>	<b>\$ 6,320,255</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	\$ 326,174	\$ -	\$ 326,174	\$ 306,642	\$ -	\$ 306,642
Customer deposits	16,510	-	16,510	21,232	-	21,232
Line of credit	-	-	-	542,000	-	542,000
Payroll protection program loan	822,069	-	822,069	409,227	-	409,227
Installment contract payable	5,347	-	5,347	9,979	-	9,979
Obligation under capital lease	21,126	-	21,126	35,602	-	35,602
<b>Total liabilities</b>	<b>1,191,226</b>	<b>-</b>	<b>1,191,226</b>	<b>1,324,682</b>	<b>-</b>	<b>1,324,682</b>
<b>NET ASSETS</b>						
Without donor restrictions	\$ 4,187,568	\$ -	\$ 4,187,568	\$ 2,263,125	\$ -	\$ 2,263,125
With donor restrictions	-	1,297,617	1,297,617	-	2,732,448	2,732,448
<b>Total net assets</b>	<b>4,187,568</b>	<b>1,297,617</b>	<b>5,485,185</b>	<b>2,263,125</b>	<b>2,732,448</b>	<b>4,995,573</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,378,794</b>	<b>\$ 1,297,617</b>	<b>\$ 6,676,411</b>	<b>\$ 3,587,807</b>	<b>\$ 2,732,448</b>	<b>\$ 6,320,255</b>

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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Activities</b>			
Revenues and other support			
Grants and contributions	\$ 600,060	\$ 2,122,087	\$ 2,722,147
Program service fees	429,004	-	429,004
Special events	655,933	50,000	705,933
Costs of direct benefits to donors	(3,501)	-	(3,501)
In kind contributions	26,510	-	26,510
Interest and dividends	23,614	-	23,614
Space rental	12,014	-	12,014
Net assets released from restrictions	3,606,918	(3,606,918)	-
Total revenues and other support	<u>5,350,552</u>	<u>(1,434,831)</u>	<u>3,915,721</u>
Expenses			
Program Activities			
Applicant	417,274	-	417,274
Trainee	1,800,428	-	1,800,428
Career Builder	673,150	-	673,150
Management and general	397,604	-	397,604
Development and fundraising	594,711	-	594,711
Total expenses	<u>3,883,167</u>	<u>-</u>	<u>3,883,167</u>
Change in net assets from operations	<u>1,467,385</u>	<u>(1,434,831)</u>	<u>32,554</u>
<b>Nonoperating Activities</b>			
Investment return, net	457,058	-	457,058
Change in net assets	<u>1,924,443</u>	<u>(1,434,831)</u>	<u>489,612</u>
Net assets, beginning of year	<u>2,263,125</u>	<u>2,732,448</u>	<u>4,995,573</u>
Net assets, end of year	<u>\$ 4,187,568</u>	<u>\$ 1,297,617</u>	<u>\$ 5,485,185</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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Activities</b>			
<b>Revenues and other support</b>			
Grants and contributions	\$ 678,877	\$ 1,599,724	\$ 2,278,601
Sustainability grant	-	\$ 2,000,000	2,000,000
Program service fees	407,306	-	407,306
Special events	444,530	175,633	620,163
Costs of direct benefits to donors	(78,226)	-	(78,226)
In kind contributions	110,671	-	110,671
Interest and dividends	12,848	-	12,848
Space rental	8,000	-	8,000
Net assets released from restrictions	3,139,272	(3,139,272)	-
Gain on disposition of property and equipment	685	-	685
Total revenues and other support	<u>4,723,963</u>	<u>636,085</u>	<u>5,360,048</u>
<b>Expenses</b>			
<b>Program Activities</b>			
Applicant	417,813	-	417,813
Trainee	1,688,186	-	1,688,186
Career Builder	650,089	-	650,089
Management and general	450,789	-	450,789
Development and fundraising	567,260	-	567,260
Total expenses	<u>3,774,137</u>	<u>-</u>	<u>3,774,137</u>
Change in net assets from operations	<u>949,826</u>	<u>636,085</u>	<u>1,585,911</u>
<b>Nonoperating Activities</b>			
Investment return, net	68,437	-	68,437
Change in net assets	<u>1,018,263</u>	<u>636,085</u>	<u>1,654,348</u>
Net assets, beginning of year	<u>1,244,862</u>	<u>2,096,363</u>	<u>3,341,225</u>
Net assets, end of year	<u>\$ 2,263,125</u>	<u>\$ 2,732,448</u>	<u>\$ 4,995,573</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, 2021

	Program Services			Supportive Services			Total	
	Applicant	Trainee	Career Builder	Programs Total	Management and General	Development and Fundraising		Supportive Services Total
Compensation and related expenses	\$ 346,434	\$ 1,016,812	\$ 596,357	\$ 1,959,603	\$ 278,489	\$ 307,555	\$ 586,044	\$ 2,545,647
Student support	-	264,675	3,855	268,530	-	-	-	268,530
Program supplies and related expenses	10,160	101,552	3,950	115,662	-	-	-	115,662
Supplies, printing and office	571	4,289	320	5,180	7,014	2,567	9,581	14,761
Occupancy	17,825	180,775	13,189	211,789	13,252	16,657	29,909	241,698
Depreciation	4,044	74,810	9,950	88,804	2,461	3,855	6,316	95,120
Professional fees	3,416	42,924	5,577	51,917	56,431	678	57,109	109,026
Insurance	6,293	31,102	10,973	48,368	15,225	5,738	20,963	69,331
Information technology, telephone and internet	17,296	77,581	15,806	110,683	3,999	15,968	19,967	130,650
Interest	101	978	70	1,149	15,084	96	15,180	16,329
Special events	-	-	-	-	-	87,221	87,221	87,221
Marketing, meetings and conferences	11,134	4,930	4,612	20,676	5,324	125,545	130,869	151,545
Other	-	-	8,491	8,491	325	28,831	29,156	37,647
	<u>\$ 417,274</u>	<u>\$ 1,800,428</u>	<u>\$ 673,150</u>	<u>\$ 2,890,852</u>	<u>\$ 397,604</u>	<u>\$ 594,711</u>	<u>\$ 992,315</u>	<u>\$ 3,883,167</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, 2020

	Program Services			Supportive Services			Total	
	Applicant	Trainee	Career Builder	Programs Total	Management and General	Development and Fundraising		Supportive Services Total
Compensation and related expenses	\$ 358,837	\$ 910,181	\$ 560,291	\$ 1,829,309	\$ 329,567	\$ 371,620	\$ 701,187	\$ 2,530,496
Student support	-	206,044	698	206,742	-	-	-	206,742
Program supplies and related expenses	6,984	119,538	4,715	131,237	-	-	-	131,237
Supplies, printing and office	1,120	8,379	2,663	12,162	10,298	9,543	19,841	32,003
Occupancy	17,969	223,687	21,179	262,835	24,792	12,289	37,081	299,916
Depreciation	5,170	68,618	13,180	86,968	4,158	5,801	9,959	96,927
Professional fees	6,771	49,595	11,122	67,488	43,105	15,710	58,815	126,303
Insurance	7,720	26,369	13,413	47,502	15,140	7,499	22,639	70,141
Information technology, telephone and internet	9,274	67,548	15,149	91,971	6,733	17,840	24,573	116,544
Interest	-	-	832	832	11,842	-	11,842	12,674
Special events	-	-	-	-	-	59,728	59,728	59,728
Marketing, meetings and conferences	3,968	8,227	3,504	15,699	4,889	65,314	70,203	85,902
Other	-	-	3,343	3,343	265	1,916	2,181	5,524
	<u>\$ 417,813</u>	<u>\$ 1,688,186</u>	<u>\$ 650,089</u>	<u>\$ 2,756,088</u>	<u>\$ 450,789</u>	<u>\$ 567,260</u>	<u>\$ 1,018,049</u>	<u>\$ 3,774,137</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, 2021 AND 2020

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 489,612	\$ 1,654,348
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	95,120	96,927
Loss on disposition of property and equipment	521	2,963
Unrealized (gain) on investments	(454,058)	(62,588)
Accrued interest on lines of credit	15,023	(10,504)
Change in operating assets and liabilities:		
Accounts receivable	(25,997)	(1,754)
Contributions and grants receivable	1,468,809	(637,002)
Unbilled labor in progress	688	4,642
Inventory	1,785	6,855
Other assets	(33,956)	548
Accounts payable and accrued expenses	19,533	126,741
Customer deposits	(4,722)	3,712
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,572,358</b>	<b>1,184,888</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(89,123)	(18,277)
Purchase of investments for designated gifts	(1,000,000)	(1,000,000)
Reinvested dividends	(23,571)	(12,606)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,112,694)</b>	<b>(1,030,883)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from payroll protection program loan	412,842	409,227
Principal repayments of installment contract payable	(4,632)	(4,326)
Repayments of capital lease obligation	(14,476)	(14,155)
Borrowings (repayments) on line of credit	(557,023)	242,000
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>(163,289)</b>	<b>632,746</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>296,375</b>	<b>786,751</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1,714,431</b>	<b>927,680</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 2,010,806</b>	<b>\$ 1,714,431</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for interest	\$ 16,855	\$ 20,404

See accompanying notes to the consolidated financial statements.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

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 was the Sisters of St. Joseph of Orange (SSJO) through June 30, 2021. As such, SSJO fully controlled the Organization through June 30, 2021. However, this will no longer be the case for fiscal year 2021-2022. Please refer to Note O below for further details.

Hope Builders Career Connections dba HBCC, formerly known as Hope Builders Construction Company, was rebranded during 2021 to further align to the mission of the Organization. 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. HBCC exists to help local employers fill their staffing needs with trained, vetted, diverse and reliable talent.

There are four major stages to the Hope Builders model:

**Applicant:** The applicant stage includes all those who submitted an application to Hope Builders. Applicants need to be between the ages of 18-28, with right-to-work documents. Hope Builders casts a wide net to recruit as many applicants as possible. We carefully vet and screen each applicant to identify those who are motivated, most likely to complete the program, and excited to start building their career. Applicants, who complete all steps of the process, are invited to orientation. An applicant who completes this stage must agree to the TRAINEE pledge and renew their commitment to becoming a Hope Builder.

**Trainee:** The trainee stage includes those who successfully complete the application process and enroll into one of three job training academies (Construction, IT, or Healthcare). The goal of this stage is to get young adults workforce ready. The training simulates the workplace and reinforces employer expectations. Hope Builders believes that skills training must also include coaching and mentoring to address the underlying barriers to successful employment. Each training academy includes life skills training, case management, basic skill enrichment, employment readiness, and technical skills. Trainees receive a weekly \$75 stipend and have access to transportation and childcare vouchers, as needed. Workforce readiness is assessed weekly. Those who have not yet met required level or who experience a set back in readiness are provided supplemental services to address barriers. A trainee who completes this stage must agree to the CAREER BUILDER pledge and renew their commitment to becoming a Hope Builder.

**Career Builder:** The career builder stage includes the young adults, who have completed their training, are workforce ready, and are now taking steps to enter the workforce. Those who meet workforce readiness requirements work with employment services to take the steps needed to secure a job within a career pathway. Through the social enterprise, HBCC, Hope Builders recruits employers who can offer a pathway to a living wage. Also, Hope Builders supports these employers as they build their workforce. These services generate 25% of the Organization's revenue to support its nonprofit services. A career builder who completes this stage must agree to the HOPE BUILDER pledge and renew their commitment to becoming a Hope Builder.

**Hope Builder:** The Hope Builder stage includes those young adults, who have proven that they have developed the skills needed to remain in a career pathway. These young adults join a community of other successful Hope Builders, who have found and retained a quality job – the kind that provides a career pathway and has led to living-wage employment. Hope Builders considers six months of retention in a career pathway, with a living-wage salary, to be the ultimate marker of success; research tells us that when someone is employed for six months, they are most likely to remain in the workforce. Throughout this stage, staff follows up with both the employed student and the employer at specific intervals to ensure employment retention. A HOPE BUILDER continues their journey of growth out in the community and their commitment to the program as a spokesperson for Hope Builders.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

NOTE A - DESCRIPTION OF THE ORGANIZATION (CONTINUED)

The consolidated statement of activities found in the accompanying consolidated financial statements reflect the expenditures related to the Applicant, Trainee, and Career Builder stages. The Hope Builder stage does not have any material expenditures.

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 activities 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 P.

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 consolidated 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, HBCC together, the Organization. All material inter-organization transactions and balances have been eliminated in consolidation.

**Implementation of New Program Model** - In fiscal year 2021, Hope Builders' Board and management implemented a new program model composed of the four stages described in Note A. This program model is referred as "THE JOURNEY towards HOPE." The purpose of the new program model is to better align the Organization to meet its goals. Prior year functional expenses reflect the reclassification of expenses under this new program model.

**Risks and Uncertainties** - In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 which continued throughout 2020 and 2021 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Organization is unable to determine if it will have a material impact to its operations and cash flows.

**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.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Restricted Cash** - Other than donor restrictions for program or time, there are no other restricted funds. If they existed, they would be separately designated on the consolidated statements of financial position.

**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.

For the year ended June 30, 2021, the Organization received contributions from one contributor. This contributor accounted for 14% of revenues and 56% of grants receivable as of June 30, 2021. For the year ended June 30, 2020, the Organization received a special contribution from one contributor, a related party, for the Sustainability Fund which accounted for 41% of revenues and represented 47% of contributions and grants receivable. See Note O.

**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, 2021 and 2020 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, 2021 and 2020 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, 2020 were fully collectible. As of June 30, 2021, a \$1,600 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 consolidated statements of activities.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 JUNE 30, 2021 AND 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

**Payroll Protection Program Loan** - The payroll protection program loan is recored as debt in the year received. Upon approval of its loan forgiveness application, the debt will be recognized as loan forgiveness income.

**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, 2021 and 2020, donated goods and services received by the Organization meeting the above criteria were valued at \$26,510 and \$110,671, respectively, which were primarily related to donated professional services, auction items for the annual 25 Day Campaign and Light Up a Life special events, 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 program model 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

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**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. No impairment losses were recorded during the years ended June 30, 2021 and 2020.

**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 170(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 2017 through 2020 and state tax returns for the tax years 2016 through 2020 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, 2019, 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 adopted ASU 2014-09 in fiscal year 2021 and the impact of the adoption was not material to the consolidated financial statements.

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, as amended, is effective for non-public entities for fiscal years beginning after December 15, 2021, 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 June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. This update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2019, and early adoption is permitted. The Organization adopted this guidance at the beginning of 2021 and the adoption did not have a material impact.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 JUNE 30, 2021 AND 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities: Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). It is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. It is effective for reporting periods beginning after June 30, 2021. The Organization intends to adopt this guidance at the beginning of 2022 and is currently evaluating the potential impact this standard will have on their consolidated financial statements accordingly.

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, 2021 and 2020, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2021</u>	<u>2020</u>
Total financial assets:		
Cash and cash equivalents	\$ 2,010,806	\$ 1,714,431
Receivables	696,397	2,139,209
Investments	<u>2,811,516</u>	<u>1,333,887</u>
Total financial assets	<u>5,518,719</u>	<u>5,187,527</u>
Amounts not available to be used within one year:		
Net assets with donor restrictions	1,297,617	2,732,448
Restrictions expected to be satisfied within one year	<u>(1,159,075)</u>	<u>(2,424,948)</u>
Net assets with donor restrictions expected to be available within one year	<u>138,542</u>	<u>307,500</u>
Board Designated Sustainability Fund	<u>2,811,516</u>	<u>1,333,887</u>
Total amounts not available to be used within one year:	<u>2,950,058</u>	<u>1,641,387</u>
Net financial assets available to meet general expenditures over the next 12 months.	<u>\$ 2,568,661</u>	<u>\$ 3,546,140</u>

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.



TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

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, 2021 and 2020:

	Total Fair Value	Level 1	Level 2	Level 3
June 30, 2021				
Fixed income funds	\$ 1,127,559	\$ -	\$ 1,127,559	\$ -
Equity funds and common stock	1,683,957	-	1,683,957	-
	<u>\$ 2,811,516</u>	<u>\$ -</u>	<u>\$ 2,811,516</u>	<u>\$ -</u>
June 30, 2020				
Fixed income funds	\$ 533,485	\$ -	\$ 533,485	\$ -
Equity funds and common stock	800,402	-	800,402	-
	<u>\$ 1,333,887</u>	<u>\$ -</u>	<u>\$ 1,333,887</u>	<u>\$ -</u>

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, 2021, contributions and grants receivable of \$649,475 were expected to be received within one year. As such, there is no discount for pledges. Management recorded an allowance for doubtful accounts of \$1,600 as of June 30, 2021. As of June 30, 2020, contributions and grants receivable of \$2,098,284 were expected to be received within one year, and \$20,000 is expected within one to five years. There is a discount for long term pledges of \$1,600, 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:

	2021	2020
Land and building	\$ 1,065,584	\$ 1,065,584
Building improvements and renovations	806,498	806,498
Equipment, furniture and fixtures	650,357	561,872
Vehicles	54,064	54,064
	<u>2,576,503</u>	<u>2,488,018</u>
Less accumulated depreciation	<u>1,512,727</u>	<u>1,417,724</u>
	<u>\$ 1,063,776</u>	<u>\$ 1,070,294</u>

Depreciation expense was \$95,120 and \$96,927 for the fiscal years ended June 30, 2021 and 2020, respectively.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

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 as of June 30, 2021 and 2020.

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, 2021 and 2020, 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, 2021 and 2020, the income to HBCC was \$3,000.

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.

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, 2020, \$542,000 was outstanding under this line of credit. As of June 30, 2021, the line of credit was paid in full.

NOTE J - NOTE PAYABLE

On May 1, 2020, the Organization was granted a loan (Loan A) from JPMorgan Chase Bank, N.A. in the aggregate amount of \$409,227, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loan A, which was in the form of a Note dated May 1, 2020 issued by the borrower, matures on May 1, 2022 and bears interest at a rate of 0.98% per annum, payable monthly commencing on December 1, 2020. The Note may be prepaid by the borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan A may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. Under the terms of the PPP, certain amounts of the Loan A may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Organization intends to use the entire Loan A amount for qualifying expenses and anticipates that the loan will be forgiven upon request. The Organization was authorized full forgiveness of Loan A on August 11, 2021 by the Small Business Administration (SBA). See Note S.

On March 25, 2021, the Organization was granted a second loan (Loan B) from JPMorgan Chase Bank, N.A. in the aggregate amount of \$369,187, pursuant to the PPP under Division A, Title I of the CARES Act, which was enacted March 20, 2020.

The Loan B, which was in the form of a Note dated March 25, 2021 issued by the borrower, matures on March 25, 2026 and bears interest at a rate of .98% per annum. Loan payments will be deferred for borrowers who apply for loan forgiveness until SBA remits the borrower's loan forgiveness amount to the lender. If a borrower does not apply for loan forgiveness, payments are deferred 10 months after the end of the covered period for the borrower's loan forgiveness (between 8 and 24 weeks). The Note may be prepaid by the borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan B may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. Under the terms of the PPP, certain amounts of the Loan B may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Organization intends to use the entire Loan B amount for qualifying expenses and anticipates that the loan will be forgiven upon request.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 JUNE 30, 2021 AND 2020

NOTE J - NOTE PAYABLE (CONTINUED)

On May 18, 2021, the Organization's subsidiary, HBCC, was granted a loan (Loan C) from JPMorgan Chase Bank, N.A. in the aggregate amount of \$43,655, pursuant to the PPP under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loan C, which was in the form of a Note dated May 18, 2021 issued by the borrower, matures on May 18, 2026 and bears interest at a rate of 1% per annum. Loan payments will be deferred for borrowers who apply for loan forgiveness until SBA remits the borrower's loan forgiveness amount to the lender. If a borrower does not apply for loan forgiveness, payments are deferred 10 months after the end of the covered period for the borrower's loan forgiveness (between 8 and 24 weeks). The Note may be prepaid by the borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan C may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. Under the terms of the PPP, certain amounts of the Loan C may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Organization intends to use the entire Loan C amount for qualifying expenses and anticipates that the loan will be forgiven upon request.

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.

	2021	2020
Outstanding balance as of June 30:	\$ 5,347	\$ 9,979

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:	2022	\$ 15,782
	2023	6,047
Total minimum lease payments		21,829
Less amount representing interest at 4.5%		(703)
Present value of net minimum capital lease payments		\$ 21,126

As of June 30, 2021 and 2020, the gross amount of equipment and related amount of accumulated amortization recorded under the capital lease was as follows:

	2021	2019
Equipment	\$ 70,547	\$ 70,547
Less Accumulated Amortization	(50,559)	(36,449)
	\$ 19,988	\$ 34,098

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

NOTE L- RETIREMENT PLAN

The Organization offers employees the opportunity for participation in a contributory retirement plan. The Organization matched employees' contributions up to 1% of their gross compensation, and also contributed up to 8% of their gross compensation, based on years of service.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

NOTE L- RETIREMENT PLAN (CONTINUED)

As of January 1, 2020, the plan changed to match contributions up to 3% of gross wages and a discretionary contribution of up to 6% of gross wages, based on years of service. The matching contributions are made with every paycheck and the discretionary contributions are incurred in calendar year periods and are paid out 3-5 months after the end of the calendar year. The total match contributions funded by the Organization for the fiscal year ended June 30, 2020 was \$33,129. The total match contributions funded and accrued by the Organization for the fiscal year ended June 30, 2021 was \$31,707. In May 2021, there was a discretionary contribution made for a total of 65,747 for calendar year 2020. In addition, \$17,926 has been accrued as the estimate of employer discretionary profit sharing contributions for the six months ended June 30, 2021.

The Organization created a new 401k plan effective May 9, 2021 in response to the separation from SSJO. See Note O. Prior to May 2021, the 401K plan assets were managed by Providence St Joseph Retirement and Fidelity served as the custodian. Hope Builders became the new trustee with Paychex as the record keeper of the 401(k) assets. All 401k plan assets were transferred successfully from Fidelity to Paychex in May 2021. The new 401k plan was created to assimilate the plan with Providence St Joseph Retirement. Employees are able to participate upon hire and receive a match contributions up to 3% of gross wages and a discretionary contribution of up to 6% of gross wages, based on years of service.

NOTE M - NET ASSETS

Net assets as of June 30, 2021 and 2020 are as follows:

	2021	2020
Net assets with donor restrictions:		
Net assets restricted by the passage of time	\$ 812,292	\$ 580,721
Net assets restricted by the passage of time and programs		
Skills training	168,175	262,667
Anaheim	106,733	426,560
HBCC	210,417	462,500
Sustainability Fund	-	1,000,000
	485,325	2,151,727
Total net assets with donor restrictions	\$ 1,297,617	\$ 2,732,448
Net assets without donor restrictions:		
Undesignated	\$ 1,376,052	\$ 929,238
Board designated Sustainability Fund	2,811,516	1,333,887
Total net assets without donor restrictions	\$ 4,187,568	\$ 2,263,125
Total net assets	\$ 5,485,185	\$ 4,995,573

NOTE N - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restriction:		
Net assets restricted by the passage of time	\$ 1,068,429	\$ 553,335
Net assets restricted by the passage of time and programs:		
Admissions and Support services	208,123	138,132
Skills training	583,456	843,526
Anaheim	369,827	322,840
HBCC	377,083	281,439
Sustainability Fund	1,000,000	1,000,000
	2,538,489	2,585,937
Total net assets released from restrictions	\$ 3,606,918	\$ 3,139,272

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

NOTE O - RELATED PARTY TRANSACTIONS

During the early part of fiscal 2021 SSJO and Hope Builders mutually agreed that a full separation was appropriate given that Hope Builders has operated independently for over ten years and is financially independent. This follows a trend across the country related to mature community benefit organizations founded by religious congregations. Hope Builders and SSJO retain great affection for the other and remain connected by their shared values and founding history. Hope Builders continues in the tradition of the Sisters of St. Joseph of Orange. Effective July 1, 2021, SSJO will no longer be the sole member of the Organization.

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. The Organization also shares a history of founding and support with Providence St. Joseph Health (Providence). Historically, the Organization has relied upon these organizations to supplement its operations through grants and loans. During the years ended June 30, 2021 and 2020, the Organization reimbursed SSJO for certain staff and employee benefit related costs in the amount of \$0 and \$4,555, 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 had supported the Organization since its inception. For the years ended June 30, 2021 and 2020, SSJO's contributions totaled \$0 and \$2,203,000 respectively.

For the year ended June 30, 2020, the Organization received a special contribution from SSJO for the Sustainability Fund which accounted for 41% of revenues and 47% of contributions and grants receivable.

Providence and its hospitals also supported the Organization. For the years ended June 30, 2021 and 2020, SJH's contributions totaled \$20,000. In addition, the Organization reimbursed Providence for certain employee benefit related costs and insurance in the amount of \$238,716 and \$246,929, respectively. These costs are included as a component of compensation and related expenses, interest and insurance in the accompanying consolidated financial statements. Providence also provides a line of credit to the Organization. See Note I.

The Organization received contributions totaling \$68,160 and \$66,080 from members of the Board of Directors during the years ended June 30, 2021 and 2020, respectively.

NOTE P - 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, 2021 and 2020 and the changes in endowment net assets for the corresponding years are as follows:

	2021	2020
Fund net assets, beginning	\$ 1,333,887	\$ 258,693
Unrealized gain on investments	454,058	62,588
Reinvested dividends	23,571	12,606
Amounts contributed for sustainability	1,000,000	1,000,000
Amounts appropriated for expenditure	-	-
Fund net assets, ending	<u>\$ 2,811,516</u>	<u>\$ 1,333,887</u>

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

NOTE P - 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, 2021 and 2020, the balance in the Legacy Fund was \$112,083 and \$88,166 respectively.

NOTE Q - OPERATING LEASE COMMITMENTS

The Organization entered into a new lease agreement for its office facility in Anaheim as of February 1, 2021. It is a five year and five month operating lease that expires in June 2026. Total rent expense for the years ended June 30, 2021 and 2020 was \$106,988 and \$180,293, respectively. The Organization entered into a lease agreement for equipment on December 19, 2017. It is a five year operating lease that expires in December 2026. Total rent paid for the copier for the years ended June 30, 2021 and 2020 was \$14,476 and \$14,154, respectively.

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

2022	\$	144,216
2023		140,177
2024		136,253
2025		140,342
2026		144,549
		144,549
	\$	705,537

NOTE R - 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 S - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 4, 2021 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 except as follows:

Effective July 1, 2021, the SSJO is no longer the sole member of the Organization. See Note O.

The Organization was authorized full forgiveness of Loan A on August 11, 2021 by the Small Business Administration (SBA). See Note J.

## **SUPPLEMENTARY INFORMATION**

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY  
 DETAILS OF CONSOLIDATION  
 STATEMENT OF FINANCIAL POSITION  
 JUNE 30, 2021

	Taller San Jose Hope Builders	Hope Builders Career Connections	Consolidating Entries	Consolidated Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,920,688	\$ 90,118	\$ -	\$ 2,010,806
Accounts receivable	-	46,922	-	46,922
Contributions and grants receivable, net	649,475	-	-	649,475
Unbilled labor in progress	-	12,520	-	12,520
Inventory	10,457	5,027	-	15,484
Property held for resale	8,000	-	-	8,000
Investments	2,811,516	-	-	2,811,516
Property and equipment, net	1,056,646	7,130	-	1,063,776
Due from HBCC	1,285,822	-	(1,285,822)	-
Other assets	57,205	707	-	57,912
<b>Total assets</b>	<b>\$ 7,799,809</b>	<b>\$ 162,424</b>	<b>\$ (1,285,822)</b>	<b>\$ 6,676,411</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 312,987	\$ 13,187	\$ -	\$ 326,174
Customer deposits	2,000	14,510	-	16,510
Payroll protection program loan	778,414	43,655	-	822,069
Installment contract payable	-	5,347	-	5,347
Obligation under capital lease	21,126	-	-	21,126
Due to Taller San Jose Hope Builders	-	1,073,101	(1,073,101)	-
<b>Total liabilities</b>	<b>1,114,527</b>	<b>1,149,800</b>	<b>(1,073,101)</b>	<b>1,191,226</b>
<b>NET ASSETS</b>				
Without donor restrictions	5,387,665	(987,376)	(212,721)	4,187,569
With donor restrictions	1,297,617	-	-	1,297,617
<b>Total net assets</b>	<b>6,685,282</b>	<b>(987,376)</b>	<b>(212,721)</b>	<b>5,485,186</b>
<b>Total liabilities and net assets</b>	<b>\$ 7,799,810</b>	<b>\$ 162,424</b>	<b>\$ (1,285,822)</b>	<b>\$ 6,676,412</b>

See independent auditors' report.



TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY  
 DETAILS OF CONSOLIDATION  
 STATEMENT OF FINANCIAL POSITION  
 JUNE 30, 2020

	Taller San Jose Hope Builders	Hope Builders Career Connections	Consolidating Entries	Consolidated Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,684,842	\$ 29,589	\$ -	\$ 1,714,431
Accounts receivable	-	20,925	-	20,925
Contributions and grants receivable, net	2,118,284	-	-	2,118,284
Unbilled labor in progress	-	13,208	-	13,208
Inventory	12,242	5,027	-	17,269
Property held for resale	8,000	-	-	8,000
Investments	1,333,887	-	-	1,333,887
Property and equipment, net	1,056,036	14,258	-	1,070,294
Due from HBCC	1,297,871	-	(1,297,871)	-
Other assets	23,957	-	-	23,957
<b>Total assets</b>	<b>\$ 7,535,119</b>	<b>\$ 83,007</b>	<b>\$ (1,297,871)</b>	<b>\$ 6,320,255</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 297,526	\$ 9,115	\$ -	\$ 306,641
Customer deposits	2,000	19,232	-	21,232
Line of credit	542,000	-	-	542,000
Payroll protection program loan	409,227	-	-	409,227
Installment contract payable	-	9,979	-	9,979
Obligation under capital lease	35,603	-	-	35,603
Due to Taller San Jose Hope Builders	-	1,085,150	(1,085,150)	-
<b>Total liabilities</b>	<b>1,286,356</b>	<b>1,123,476</b>	<b>(1,085,150)</b>	<b>1,324,682</b>
<b>NET ASSETS</b>				
Without donor restrictions	3,516,315	(1,040,469)	(212,721)	2,263,125
With donor restrictions	2,732,448	-	-	2,732,448
<b>Total net assets</b>	<b>6,248,763</b>	<b>(1,040,469)</b>	<b>(212,721)</b>	<b>4,995,573</b>
<b>Total liabilities and net assets</b>	<b>\$ 7,535,119</b>	<b>\$ 83,007</b>	<b>\$ (1,297,871)</b>	<b>\$ 6,320,255</b>

See independent auditors' report.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY  
 DETAILS OF CONSOLIDATION  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2021

	Taller San Jose Hope Builders			Hope Builders Career Connections	Consolidating Entries	Total
	Without Donor Restrictions	With Donor Restrictions	Subtotal	Without Donor Restrictions		
Operating Activities						
Revenues and other support						
Grants and contributions	\$ 600,060	\$ 2,122,087	\$ 2,722,147	\$ -	\$ -	\$ 2,722,147
Program service fees	88,907	-	88,907	386,405	(46,308)	429,004
Special events	655,933	50,000	705,933	-	-	705,933
Costs of direct benefits to donors	(3,501)	-	(3,501)	-	-	(3,501)
In kind contributions	26,510	-	26,510	-	-	26,510
Interest and dividends	23,614	-	23,614	-	-	23,614
Space rental	12,014	-	12,014	-	-	12,014
Net assets released from restrictions	3,606,918	(3,606,918)	-	-	-	-
Total revenues and other support	<u>5,010,455</u>	<u>(1,434,831)</u>	<u>3,575,624</u>	<u>386,405</u>	<u>(46,308)</u>	<u>3,915,721</u>
Expenses						
Program Activities						
Applicant	417,274	-	417,274	-	-	417,274
Trainee	1,800,428	-	1,800,428	-	-	1,800,428
Career Builder	386,646	-	386,646	332,812	(46,308)	673,150
Management and general	394,104	-	394,104	3,500	-	397,604
Development and fundraising	594,711	-	594,711	-	-	594,711
Total expenses	<u>3,593,163</u>	<u>-</u>	<u>3,593,163</u>	<u>336,312</u>	<u>(46,308)</u>	<u>3,883,167</u>
Change in net assets from operations	<u>1,417,292</u>	<u>(1,434,831)</u>	<u>(17,539)</u>	<u>50,093</u>	<u>-</u>	<u>32,554</u>
Nonoperating Activities						
Investment return, net	454,058	-	454,058	3,000	-	457,058
Change in net assets	<u>1,871,350</u>	<u>(1,434,831)</u>	<u>436,519</u>	<u>53,093</u>	<u>-</u>	<u>489,612</u>
Net assets, beginning of year	<u>3,516,315</u>	<u>2,732,448</u>	<u>6,248,763</u>	<u>(1,040,469)</u>	<u>(212,721)</u>	<u>4,995,573</u>
Net assets, end of year	<u>\$ 5,387,665</u>	<u>\$ 1,297,617</u>	<u>\$ 6,685,282</u>	<u>\$ (987,376)</u>	<u>\$ (212,721)</u>	<u>\$ 5,485,186</u>

See independent auditors' report.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY  
 DETAILS OF CONSOLIDATION  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2020

	Taller San Jose Hope Builders			Hope Builders Career Connections	Consolidating Entries	Total
	Without Donor Restrictions	With Donor Restrictions	Subtotal	Without Donor Restrictions		
Operating Activities						
Revenues and other support						
Grants and contributions	\$ 678,877	\$ 1,599,724	\$ 2,278,601	\$ -	\$ -	\$ 2,278,601
Sustainability grant	-	2,000,000	2,000,000	-	-	2,000,000
Program service fees	123,639	-	123,639	304,252	(20,585)	407,306
Special events	444,530	175,633	620,163	-	-	620,163
Costs of direct benefits to donors	(78,226)	-	(78,226)	-	-	(78,226)
In kind contributions	110,671	-	110,671	-	-	110,671
Interest and dividends	12,848	-	12,848	-	-	12,848
Space rental	8,000	-	8,000	-	-	8,000
Net assets released from restrictions	3,139,272	(3,139,272)	-	-	-	-
Gain disposition of properties & equipment	685	-	685	-	-	685
Total revenues and other support	<u>4,440,296</u>	<u>636,085</u>	<u>5,076,381</u>	<u>304,252</u>	<u>(20,585)</u>	<u>5,360,048</u>
Expenses						
Program Activities						
Applicant	417,812	-	417,812	-	-	417,812
Trainee	1,688,186	-	-	-	-	1,688,186
Career Builder	423,987	-	423,987	246,687	(20,585)	650,089
Management and general	448,289	-	448,289	2,500	-	450,789
Development and fundraising	567,260	-	567,260	-	-	567,260
Total expenses	<u>3,545,535</u>	<u>-</u>	<u>3,545,535</u>	<u>249,187</u>	<u>(20,585)</u>	<u>3,774,137</u>
Change in net assets from operations	<u>894,761</u>	<u>636,085</u>	<u>1,530,846</u>	<u>55,065</u>	<u>-</u>	<u>1,585,911</u>
Nonoperating Activities						
Investment return, net	62,437	-	62,437	6,000	-	68,437
Change in net assets	<u>957,198</u>	<u>636,085</u>	<u>1,593,283</u>	<u>61,065</u>	<u>-</u>	<u>1,654,348</u>
Net assets, beginning 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>
Net assets, end of year	<u>\$ 3,516,315</u>	<u>\$ 2,732,448</u>	<u>\$ 6,248,763</u>	<u>\$ (1,040,469)</u>	<u>\$ (212,721)</u>	<u>\$ 4,995,573</u>

See independent auditors' report.