



BUILDING *a* PATHWAY *to* PROSPERITY

TALLER SAN JOSE HOPE BUILDERS

Consolidated Financial Statements
and Independent Auditors' Report

June 30, 2024 and 2023

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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

Opinion

We have audited the 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, 2024 and 2023, 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.

In our opinion, the accompanying 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, 2024 and 2023, 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.

Basis for Opinion

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

Responsibilities of Management for the Consolidated 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, and for 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.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
 - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organizations's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary 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
November 7, 2024

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS						
Cash and cash equivalents	\$ 91,821	\$ 761,506	\$ 853,327	\$ 765,391	\$ 665,381	\$ 1,430,772
Accounts receivable	541,538	21,162	562,700	781,206	-	781,206
Contributions and grants receivable, net	87,000	1,465,298	1,552,298	224,333	755,214	979,547
Unbilled labor in progress	302,068	83,141	385,209	115,782	-	115,782
Inventory	1,832	-	1,832	12,178	-	12,178
Property held for resale	8,000	-	8,000	8,000	-	8,000
Investments	3,087,592	-	3,087,592	2,726,969	-	2,726,969
Property and equipment, net	880,333	-	880,333	911,830	-	911,830
Operating lease assets	251,093	-	251,093	372,483	-	372,483
Other assets	47,281	-	47,281	71,049	-	71,049
Total assets	\$ 5,298,558	\$ 2,331,107	\$ 7,629,665	\$ 5,989,221	\$ 1,420,595	\$ 7,409,816
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts payable and accrued expenses	\$ 662,697	\$ -	\$ 662,697	\$ 695,301	\$ -	\$ 695,301
Customer deposits	223,075	-	223,075	28,907	-	28,907
Operating lease liability	258,898	-	258,898	378,370	-	378,370
Total liabilities	1,144,670	-	1,144,670	1,102,578	-	1,102,578
NET ASSETS						
Without donor restrictions	\$ 4,153,888	\$ -	\$ 4,153,888	\$ 4,886,643	\$ -	\$ 4,886,643
With donor restrictions	-	2,331,107	2,331,107	-	1,420,595	1,420,595
Total net assets	4,153,888	2,331,107	6,484,995	4,886,643	1,420,595	6,307,238
Total liabilities and net assets	\$ 5,298,558	\$ 2,331,107	\$ 7,629,665	\$ 5,989,221	\$ 1,420,595	\$ 7,409,816

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, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities			
Revenues and other support			
Grants and contributions	\$ 867,260	\$ 3,127,977	\$ 3,995,237
Program service fees	1,973,428	110,841	2,084,269
Special events	555,506	211,464	766,970
Costs of direct benefits to donors	-	-	-
Contribution of nonfinancial assets	17,000	-	17,000
Interest and dividends	102,470	-	102,470
Space rental	10,096	-	10,096
Net assets released from restrictions	2,539,770	(2,539,770)	-
Total revenues and other support	<u>6,065,530</u>	<u>910,512</u>	<u>6,976,042</u>
Expenses			
Program Activities			
Applicant	674,969	-	674,969
Trainee	2,720,478	-	2,720,478
Career Builder	2,038,890	-	2,038,890
Management and general	821,646	-	821,646
Development and fundraising	837,934	-	837,934
Total expenses	<u>7,093,917</u>	<u>-</u>	<u>7,093,917</u>
Change in net assets from operations	<u>(1,028,387)</u>	<u>910,512</u>	<u>(117,875)</u>
Nonoperating Activities			
Investment return, net	295,632	-	295,632
Change in net assets	<u>(732,755)</u>	<u>910,512</u>	<u>177,757</u>
Net assets, beginning of year	<u>4,886,643</u>	<u>1,420,595</u>	<u>6,307,238</u>
Net assets, end of year	<u>\$ 4,153,888</u>	<u>\$ 2,331,107</u>	<u>\$ 6,484,995</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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities			
Revenues and other support			
Grants and contributions	\$ 1,211,058	\$ 2,112,233	\$ 3,323,291
Program service fees	979,836	-	979,836
Special events	719,716	67,199	786,915
Costs of direct benefits to donors	-	-	-
In kind contributions	6,523	-	6,523
Interest and dividends	13,388	-	13,388
Space rental	2,325	-	2,325
Net assets released from restrictions	1,716,553	(1,716,553)	-
Total revenues and other support	<u>4,649,399</u>	<u>462,879</u>	<u>5,112,278</u>
Expenses			
Program Activities			
Applicant	530,518	-	530,518
Trainee	1,997,072	-	1,997,072
Career Builder	1,055,757	-	1,055,757
Management and general	673,650	-	673,650
Development and fundraising	642,831	-	642,831
Total expenses	<u>4,899,828</u>	<u>-</u>	<u>4,899,828</u>
Change in net assets from operations	<u>(250,429)</u>	<u>462,879</u>	<u>212,450</u>
Nonoperating Activities			
Gain from employee retention credit	532,008	-	532,008
Investment return, net	264,095	-	264,095
Change in net assets	<u>545,674</u>	<u>462,879</u>	<u>1,008,553</u>
Net assets, beginning of year	<u>4,340,969</u>	<u>957,716</u>	<u>5,298,685</u>
Net assets, end of year	<u>\$ 4,886,643</u>	<u>\$ 1,420,595</u>	<u>\$ 6,307,238</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, 2024

	Program Services			Supporting Services			Total	
	Applicant	Trainee	Career Builder	Programs Total	Management and General	Development and Fundraising		Supporting Services Total
Compensation and related expenses	\$ 537,700	\$ 1,475,978	\$ 1,920,990	\$ 3,934,668	\$ 511,864	\$ 468,819	\$ 980,683	\$ 4,915,351
Student support	225	450,182	19,350	469,757	-	1,125	1,125	470,882
Program supplies and related expenses	60,511	351,148	135	411,794	4,638	3,795	8,433	420,227
Supplies, printing and office	6,237	10,671	3,664	20,572	6,573	7,716	14,289	34,861
Occupancy	31,262	228,659	2,058	261,979	19,359	7,651	27,010	288,989
Depreciation	1,985	54,651	-	56,636	1,156	328	1,484	58,120
Professional fees	18,365	111,412	70,992	200,769	219,239	16,373	235,612	436,381
Insurance	839	10,008	18,861	29,708	31,244	139	31,383	61,091
Information technology, telephone and internet	2,334	15,226	-	17,560	8,455	381	8,836	26,396
Interest	-	-	-	-	4,143	-	4,143	4,143
Special events	-	-	-	-	-	57,980	57,980	57,980
Marketing, meetings and conferences	15,511	12,503	2,840	30,854	8,045	267,908	275,953	306,807
Other	-	40	-	40	6,930	5,719	12,649	12,689
	<u>\$ 674,969</u>	<u>\$ 2,720,478</u>	<u>\$ 2,038,890</u>	<u>\$ 5,434,337</u>	<u>\$ 821,646</u>	<u>\$ 837,934</u>	<u>\$ 1,659,580</u>	<u>\$ 7,093,917</u>

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services			Supporting Services			Total	
	Applicant	Trainee	Career Builder	Programs Total	Management and General	Development and Fundraising		Supporting Services Total
Compensation and related expenses	\$ 447,284	\$ 1,058,405	\$ 1,021,314	\$ 2,527,003	\$ 486,799	\$ 432,259	\$ 919,058	\$ 3,446,061
Student support	-	292,297	4,963	297,260	-	-	-	297,260
Program supplies and related expenses	14,037	203,921	282	218,240	41	-	41	218,281
Supplies, printing and office	1,437	11,618	2,405	15,460	9,366	1,543	10,909	26,369
Occupancy	30,693	262,842	1,601	295,136	29,018	12,390	41,408	336,544
Depreciation	4,622	80,662	-	85,284	4,249	1,634	5,883	91,167
Professional fees	224	1,138	1,740	3,102	86,935	1,266	88,201	91,303
Insurance	1,095	17,319	14,932	33,346	25,321	387	25,708	59,054
Information technology, telephone and internet	15,356	65,012	4,791	85,159	13,676	12,619	26,295	111,454
Interest	7	48	-	55	6	2	8	63
Special events	-	-	-	-	-	45,821	45,821	45,821
Marketing, meetings and conferences	15,763	3,810	3,611	23,184	17,471	126,948	144,419	167,603
Other	-	-	118	118	768	7,962	8,730	8,848
	<u>\$ 530,518</u>	<u>\$ 1,997,072</u>	<u>\$ 1,055,757</u>	<u>\$ 3,583,347</u>	<u>\$ 673,650</u>	<u>\$ 642,831</u>	<u>\$ 1,316,481</u>	<u>\$ 4,899,828</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, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 177,757	\$ 1,008,553
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	58,120	91,166
Unrealized loss (gain) on investments	(295,631)	(261,096)
Non-cash lease expense	121,390	-
Change in operating assets and liabilities:		
Accounts receivable	218,506	(697,968)
Contributions and grants receivable	(572,752)	(588,701)
Unbilled labor in progress	(269,427)	(86,779)
Inventory	10,347	890
Other assets	23,768	(14,788)
Accounts payable and accrued expenses	(5,797)	399,879
Customer deposits	167,361	1,705
Operating lease liability	(119,473)	-
NET CASH USED IN OPERATING ACTIVITIES	(485,831)	(147,139)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(26,623)	(6,945)
Purchase of investments	(64,991)	(347)
NET CASH USED IN INVESTING ACTIVITIES	(91,614)	(7,292)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayments of installment contract payable	-	(455)
NET CASH USED IN FINANCING ACTIVITIES	-	(455)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(577,445)	(154,886)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,430,772	1,585,658
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 853,327	\$ 1,430,772
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 4,143	\$ 64
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Operating leases to property and equipment upon ASC 842 adoption	\$ -	\$ 487,976

See accompanying notes to the consolidated financial statements.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE A - DESCRIPTION OF THE ORGANIZATION

Taller San Jose Hope Builders (Hope Builders or the Organization) exists to build a pathway to prosperity for young adults (18-28 years of age) impacted by chronic poverty. 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 secure a quality job with 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. Hope Builders was founded by the Sisters of Joseph of Orange (SSJO) in 1995 and continues today as an independent non-profit (501c3) in the tradition of the Sisters of St. Joseph and in keeping with their values of hospitality, community, dignity, inclusivity and justice.

Hope Builders Career Connections (dba HBCC) exists to help local employers fill their staffing needs with trained, vetted, diverse and reliable talent. It connects young adults who become workforce ready through Hope Builders' workforce training programs to local employers offering quality jobs. HBCC is a separate but related entity incorporated under the laws of the State of California on May 24, 2006. On December 26, 2012, it reorganized as a nonprofit public benefit corporation and received tax-exempt status under federal law as a subordinate organization as defined in Section 501(c)(3) of the Internal Revenue Code. Taller San Jose Hope Builders is the only member.

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 thoroughly vet and screen each applicant to identify those who are motivated to change their current circumstances 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 in one of the job training pathways (Construction, Child Development, 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 \$100 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 successfully met workforce readiness standards and are now taking steps to enter the workforce. Workforce ready candidates work closely with staff to secure a quality job within a career pathway. Through HBCC, employers who can offer a pathway to a living wage are recruited and matched with workforce ready candidates. HBCC focuses on supporting employers with a pipeline of adequate and reliable workforce. 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. HBCC continues to offer job retention support after a job placement is secured. 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.

The consolidated statements 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.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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 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.

Reclassification - Certain amounts of the June 30, 2023 consolidated financial statements have been reclassified to conform to the groupings reflected in the June 30, 2024 consolidated financial statements.

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.

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. Concentration of Credit Risk, continued. For the year ended June 30, 2024, the Organization received three contributions and a government contract that accounted for approximately 62% of total revenue and approximately 60% of receivables. For the year ended June 30, 2023, the Organization received two contributions that accounted for approximately 31% of revenues and 62% of receivables.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 expected credit losses 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, 2024 and 2023 were fully collectable; therefore, no allowance for credit losses 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, 2024 and 2023 were fully collectable; 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, 2024 and 2023 were fully collectible. As of June 30, 2023, \$81,854 in pledge discounts were recorded to account for one multi-year foundation grant and for an individual contribution. As of June 30, 2023, \$47,387 in pledge discounts were recorded to account for a multi-year pledge. The discount rate used as of June 30, 2024 and 2023 was 4.86% and 5.40% respectively.

Unbilled Labor in Progress - Unbilled labor in progress relates to work in progress for HBCC and represents revenues recognized in excess of amounts billed for certain government contracts with Hope Builders.

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. Amount reported on the Consolidated Statements of Financial Position.

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 \$5,000 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.

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, 2024 AND 2023

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.

Contributions of Nonfinancial Assets - Contributions of nonfinancial assets 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, 2024 and 2023, donated goods and services received by the Organization meeting the above criteria were valued at \$17,000 and \$6,523, respectively, which were primarily related to donated professional services, and services for the annual 10 Day Campaign special event.

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	Direct cost and time and effort
Depreciation	Direct cost and time and effort
Professional fees	Direct cost
Insurance	Direct cost and time and effort
Information technology, telephone, and internet	Direct cost and 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.

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, 2024 and 2023.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2021 through 2023 and state tax returns for the tax years 2020 through 2021 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.

Advertising costs - Advertising costs are expensed as incurred. Advertising expenses were approximately \$322,000 and \$183,000 during the year ended June 30, 2024 and 2023, and are included in sales, marketing, and administration in the accompanying consolidated statement of income.

Leases - The Organization determines whether an arrangement has a lease at inception. Specifically, the Organization considers whether it controls the underlying asset and has the right to obtain substantially all of the economic benefits or outputs from that asset. If the contractual arrangement has a lease, the Company determines the classification of the lease. Right-of-use (ROU) assets and operating lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses its estimated incremental borrowing rate in determining the present value of lease payments considering the term of the lease, which is derived from information available at the lease commencement date. The lease term includes renewal options when it is reasonably certain that the option will be exercised, and excludes termination options. The Organization does not believe that the option to renew is reasonably certain of being exercised, and therefore did not include it in the computations of the present value of the remaining lease payments at lease commencement. The Organization has elected not to recognize ROU assets and operating lease liabilities that arise from short-term (12 months or less) leases for any class of underlying asset. Operating leases are included in operating lease ROU assets and operating lease liability in the consolidated statement of financial position. The Organization has elected to separate lease components from non-lease components, and accounts for the lease and non-lease component separately.

Employee Retention Credit - The Organization applied for and was awarded an Employee Retention Credit (ERC) in the amount of \$532,008 as of June 30, 2023. This amount is included in the nonoperating activities portion of the consolidated statement of activities.

Recent Accounting Pronouncements - In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments*, which significantly changes how entities will measure credit losses for most financial assets and certain other instruments. ASU 2016-13 introduces a new model for recognizing credit losses, known as the current expected credit loss (CECL) model, which is based on expected losses rather than incurred losses. Under the CECL model, entities will be required to estimate all expected credit losses over the life of the asset. This update applies to all entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. This ASU is effective for private companies for fiscal years beginning after December 15, 2022. The Company adopted the amendments in this update during the current year and the adoption did not have a material impact on its financial statements.

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.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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 Board approved 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, 2024 and 2023, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	2024	2023
Total financial assets:		
Cash and cash equivalents	\$ 853,327	\$ 1,430,772
Receivables	2,114,998	1,760,753
Unbilled labor receivables	385,209	115,782
Investments	3,087,592	2,726,969
Total financial assets	6,441,126	6,034,276
Amounts not available to be used within one year:		
Net assets with donor restrictions	2,331,107	1,420,595
Restrictions expected to be satisfied within one year	(1,409,543)	(1,332,058)
Net assets with donor restrictions expected to be available within one year	921,564	88,537
Board Designated Sustainability Fund	3,087,592	2,726,969
Total amounts not available to be used within one year:	4,009,156	2,815,506
Net financial assets available to meet general expenditures over the next 12 months.	\$ 2,431,970	\$ 3,218,771

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 five 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, 2024 AND 2023

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, 2024 and 2023:

	Total Fair Value	Level 1	Level 2	Level 3
June 30, 2024				
Fixed income funds	\$ 1,235,037	\$ -	\$ 1,235,037	\$ -
Equity funds and common stock	1,852,555	-	1,852,555	-
	<u>\$ 3,087,592</u>	<u>\$ -</u>	<u>\$ 3,087,592</u>	<u>\$ -</u>
June 30, 2023				
Fixed income funds	\$ 1,090,788	\$ -	\$ 1,090,788	\$ -
Equity funds and common stock	1,636,181	-	1,636,181	-
	<u>\$ 2,726,969</u>	<u>\$ -</u>	<u>\$ 2,726,969</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, 2024, contributions and grants receivable of \$1,292,852 were expected to be received within one year and \$904,000 were expected within two to five years. As such, the Organization recorded pledge discount of \$362 and a foundation grant pledge discount of \$81,493 as of June 30, 2024. As of June 30, 2023, contributions and grants receivable of \$1,335,139 were expected to be received within one year and \$473,000 were expected within two to five years. There was an a pledge discount of \$801 and a foundation grant pledge discount of \$46,585 as of June 30, 2023.

The future contribution and grant receivables were as follows as of June 30:

	2024	2023
2025	\$ 1,292,852	\$ 1,335,139
2026	276,474	152,069
2027	272,836	138,572
2028	272,836	134,973
Total	<u>\$ 2,114,998</u>	<u>\$ 1,760,753</u>

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE F - CONTRACT BALANCES

The beginning and ending contract balances were as follows on June 30:

	2024	2023
Accounts receivables	\$ 562,700	\$ 781,206
Contributions and grants receivables, net	1,552,298	979,547
Unbilled labor in progress	385,209	115,782
Total	<u>\$ 2,500,207</u>	<u>\$ 1,876,535</u>

NOTE G - PROPERTY AND EQUIPMENT

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

	2024	2023
Land and building	\$ 1,065,584	\$ 1,065,584
Building improvements and renovations	839,420	839,420
Equipment, furniture and fixtures	676,980	650,357
Vehicles	54,064	54,064
	<u>2,636,048</u>	<u>2,609,425</u>
Less accumulated depreciation	1,755,715	1,697,595
	<u>\$ 880,333</u>	<u>\$ 911,830</u>

Depreciation expenses were \$58,120 and \$91,166 for the fiscal years ended June 30, 2024 and 2023, respectively.

NOTE H - PROPERTY HELD FOR RESALE

The Organization owns one undeveloped residential property donated by a lender through a distressed property program. It has a carrying value of \$8,000 as of June 30, 2024 and 2023. The amount is reported on the consolidated statements of financial position.

NOTE I - 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, 2024 and 2023, 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, 2024 and 2023, the income to HBCC was \$0 and \$3,000 respectively.

NOTE J - LINE OF CREDIT

In April 2008, the Organization secured a line of credit with St. Joseph Health System that has been renewed every three years.

The line was amended with Providence St. Joseph Health Investment Trust in April 2023 to maintain the limit to \$600,000, the interest rate to 5.17% per annum, and extend the maturity date to April 2026. The line is secured by a Deed of Trust recorded on the building which houses the Organization's construction program. As of June 30, 2024 and 2023, the line of credit has a \$0 balance.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE K- RETIREMENT PLAN

The Organization created a new 401k plan effective May 9, 2021 in response to the separation from SSJO. See Note N. 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. The plan was amended in June 2022 to reflect a change in the time eligibility requirements.

Employees are able to participate after a 90 day waiting period to 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. The total match contributions funded by the Organization for the fiscal year ended June 30, 2024 was \$28,934 plus an additional \$22,180 in 2023 QNEC payment for a total of \$51,114. The total match contributions funded by the Organization for the fiscal year ended June 30, 2023 was \$33,760.

NOTE L - NET ASSETS

Net assets as of June 30, 2024 and 2023 are as follows:

	2024	2023
Net assets with donor restrictions:		
Net assets restricted by the passage of time	\$ 157,637	\$ 11,199
Net assets restricted by passage of programs		
Skills training	398,456	364,327
Anaheim	-	52,524
HBCC	-	151,810
Capacity Building	25,000	125,000
	423,456	693,661
Net assets restricted by the passage of time and programs		
Skills training	1,750,014	715,736
	1,750,014	715,736
Total net assets with donor restrictions	\$ 2,331,107	\$ 1,420,595
Net assets without donor restrictions:		
Undesignated	\$ 1,066,296	\$ 2,159,674
Board designated Sustainability Fund	3,087,592	2,726,969
Total net assets without donor restrictions	\$ 4,153,888	\$ 4,886,643
Total net assets	\$ 6,484,995	\$ 6,307,238

NOTE M - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restriction:		
Net assets restricted by the passage of time	\$ 279,000	\$ -
Net assets restricted by programs:		
Admissions and support services	-	20,000
Skills training	974,193	654,105
Anaheim	57,524	166,638
HBCC	151,810	105,717
Facilities and Security	-	2,073
Capacity Building	100,000	175,000
General Operations	-	560,342
	1,283,527	1,683,875
Net assets restricted by the passage of time and programs:		
Skills training	977,244	32,679
	977,244	32,679
Total net assets released from restrictions	\$ 2,539,770	\$ 1,716,553

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE N - RELATED PARTY TRANSACTIONS

The Organization shares a history of founding and support with Providence St. Joseph Health (Providence). Historically, the Organization has relied upon this organization to supplement its operations through grants and loans.

SSJO has supported the Organization since its inception. For the years ended June 30, 2024 and 2023, SSJO's contributions totaled \$2,000 and \$4,000 respectively.

Providence and its hospitals also supported the Organization. For the years ended June 30, 2024 and 2023, Providence's contributions totaled \$10,000 and \$15,000, respectively.

The Organization received contributions totaling \$37,684 and \$31,505 from members of the Board of Directors during the years ended June 30, 2024 and 2023, respectively. In addition, as of June 30, 2024 and 2023, the Organization received contributions totaling \$79,147 and \$84,249 from organizations affiliated with the board of directors.

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.

Management and the Finance Committee agreed to move the Sustainability Fund from six different equity and fixed income funds to one specialized fund called Magnus 60/40 Beta offered by CBIS in August 2021. The Magnus 60/40 Beta is a comprehensive, diversified asset management in a single fund with disciplined rebalancing handled by CBIS and not by Hope Builders management staff. Another advantage is that expense ratio will decrease from .80% (with the previous portfolio) to the estimated .56% to .71% ratios (with Magnus 60/40 Beta fund).

The composition of net assets for this fund as of June 30, 2024 and 2023 and the changes in endowment net assets for the corresponding years are as follows:

	2024	2023
Fund net assets, beginning	\$ 2,726,969	\$ 2,465,526
Unrealized gain on investments	295,632	261,096
Reinvested dividends	64,991	347
Fund net assets, ending	\$ 3,087,592	\$ 2,726,969

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, 2024 and 2023, the balance in the Legacy Fund was \$123,100 and \$108,838 respectively.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE P - OPERATING LEASE COMMITMENTS

The Organization entered into a 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 right-of-use assets and lease liability as of July 1, 2022 (the implementation date of Topic 842) was \$487,876.

Components of the lease expense were as follows for the years ended June 30:

	2024	2023
Operating lease costs	\$ 138,171	\$ 138,171
Variable lease cost	13,926	10,184
	<u>\$ 152,097</u>	<u>\$ 148,355</u>

Supplemental cash flow information related to leases was as follows for the years ended June 30:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 132,253	\$ 132,286

Operating lease costs are included in occupancy expenses in the accompanying consolidated statement of activities.

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

2025	\$ 140,342
2026	132,295
Total lease payments	<u>272,637</u>
Less: Imputed interest	<u>(13,739)</u>
Total	<u>\$ 258,898</u>

The discount rate was 5.17% based on the Organization's estimate of its incremental borrowing rate, as the discount rate implicit in the lease could not be readily determined. As the Organization does not have any outstanding debt, the Organization estimated the incremental borrowing rate based on available market information. The remaining term of the lease is two years.

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 October 30, 2024 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.

SUPPLEMENTARY INFORMATION

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
 DETAILS OF CONSOLIDATION
 STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2024

	Taller San Jose Hope Builders	Hope Builders Career Connections	Consolidating Entries	Consolidated Totals
ASSETS				
Cash and cash equivalents	428,093	\$ 425,234	\$ -	\$ 853,327
Accounts receivable	447,003	210,487	(94,790)	562,700
Contributions and grants receivable, net	1,552,298	-	-	1,552,298
Unbilled labor in progress	83,141	302,068	-	385,209
Inventory	1,832	-	-	1,832
Property held for resale	8,000	-	-	8,000
Investments	3,087,592	-	-	3,087,592
Property and equipment, net	880,333	-	-	880,333
Operating lease assets	251,093	-	-	251,093
Due from HBCC	1,729,802	-	(1,729,802)	-
Other assets	47,281	-	-	47,281
Total assets	\$ 8,516,468	\$ 937,789	\$ (1,824,592)	\$ 7,629,665
LIABILITIES				
Accounts payable and accrued expenses	\$ 519,616	\$ 276,324	\$ (133,243)	\$ 662,697
Customer deposits	40,643	143,979	38,453	223,075
Operating lease liability	258,898	-	-	258,898
Due to Taller San Jose Hope Builders	-	1,517,081	(1,517,081)	-
Total liabilities	819,157	1,937,384	(1,611,871)	1,144,670
NET ASSETS				
Without donor restrictions	5,366,204	(999,595)	(212,721)	4,153,888
With donor restrictions	2,331,107	-	-	2,331,107
Total net assets	7,697,311	(999,595)	(212,721)	6,484,995
Total liabilities and net assets	\$ 8,516,468	\$ 937,789	\$ (1,824,592)	\$ 7,629,665

See independent auditors' report.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
 DETAILS OF CONSOLIDATION
 STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2023

	Taller San Jose Hope Builders	Hope Builders Career Connections	Consolidating Entries	Consolidated Totals
ASSETS				
Cash and cash equivalents	1,413,593	\$ 17,179	\$ -	\$ 1,430,772
Accounts receivable	627,067	154,139	-	781,206
Contributions and grants receivable, net	979,547	-	-	979,547
Unbilled labor in progress	-	115,782	-	115,782
Inventory	7,151	5,027	-	12,178
Property held for resale	8,000	-	-	8,000
Investments	2,726,969	-	-	2,726,969
Property and equipment, net	911,830	-	-	911,830
Operating lease assets	372,483	-	-	372,483
Due from HBCC	1,608,356	-	(1,608,356)	-
Other assets	71,049	-	-	71,049
Total assets	\$ 8,726,045	\$ 292,127	\$ (1,608,356)	\$ 7,409,816
LIABILITIES				
Accounts payable and accrued expenses	\$ 587,628	\$ 107,673	\$ -	\$ 695,301
Customer deposits	13,195	15,712	-	28,907
Operating lease liability	378,370	-	-	378,370
Due to Taller San Jose Hope Builders	-	1,395,635	(1,395,635)	-
Total liabilities	979,193	1,519,020	(1,395,635)	1,102,578
NET ASSETS				
Without donor restrictions	6,326,257	(1,226,893)	(212,721)	4,886,643
With donor restrictions	1,420,595	-	-	1,420,595
Total net assets	7,746,852	(1,226,893)	(212,721)	6,307,238
Total liabilities and net assets	\$ 8,726,045	\$ 292,127	\$ (1,608,356)	\$ 7,409,816

See independent auditors' report.

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
 DETAILS OF CONSOLIDATION
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2024

	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	\$ 867,260	\$ 3,127,977	\$ 3,995,237	\$ -	\$ -	\$ 3,995,237
Program service fees	53,600	110,841	164,441	2,044,042	(124,214)	2,084,269
Special events	555,506	211,464	766,970	-	-	766,970
Costs of direct benefits to donors	-	-	-	-	-	-
Contribution of nonfinancial assets	17,000	-	17,000	-	-	17,000
Interest and dividends	102,470	-	102,470	-	-	102,470
Space rental	10,096	-	10,096	-	-	10,096
Net assets released from restrictions	2,539,770	(2,539,770)	-	-	-	-
Total revenues and other support	<u>4,145,702</u>	<u>910,512</u>	<u>5,056,214</u>	<u>2,044,042</u>	<u>(124,214)</u>	<u>6,976,042</u>
Expenses						
Program Activities						
Applicant	674,969	-	674,969	-	-	674,969
Trainee	2,720,478	-	2,720,478	-	-	2,720,478
Career Builder	180,292	-	180,292	1,982,812	(124,214)	2,038,890
Management and general	798,221	-	798,221	23,425	-	821,646
Development and fundraising	837,934	-	837,934	-	-	837,934
Total expenses	<u>5,211,894</u>	<u>-</u>	<u>5,211,894</u>	<u>2,006,237</u>	<u>(124,214)</u>	<u>7,093,917</u>
Change in net assets from operations	<u>(1,066,192)</u>	<u>910,512</u>	<u>(155,680)</u>	<u>37,805</u>	<u>-</u>	<u>(117,875)</u>
Nonoperating Activities						
Investment return, net	295,632	-	295,632	-	-	295,632
Change in net assets	<u>(770,560)</u>	<u>910,512</u>	<u>139,952</u>	<u>37,805</u>	<u>-</u>	<u>177,757</u>
Net assets, beginning of year	<u>6,136,764</u>	<u>1,420,595</u>	<u>7,557,359</u>	<u>(1,037,400)</u>	<u>(212,721)</u>	<u>6,307,238</u>
Net assets, end of year	<u>\$ 5,366,204</u>	<u>\$ 2,331,107</u>	<u>\$ 7,697,311</u>	<u>\$ (999,595)</u>	<u>\$ (212,721)</u>	<u>\$ 6,484,995</u>

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TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
 DETAILS OF CONSOLIDATION
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2023

	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	\$ 1,211,058	\$ 2,112,233	\$ 3,323,291	\$ -	\$ -	\$ 3,323,291
Program service fees	275,916	-	275,916	921,182	(217,262)	979,836
Special events	719,716	67,199	786,915	-	-	786,915
Costs of direct benefits to donors	-	-	-	-	-	-
In kind contributions	6,523	-	6,523	-	-	6,523
Interest and dividends	13,388	-	13,388	-	-	13,388
Space rental	2,325	-	2,325	-	-	2,325
Net assets released from restrictions	1,716,553	(1,716,553)	-	-	-	-
Total revenues and other support	<u>3,945,479</u>	<u>462,879</u>	<u>4,408,358</u>	<u>921,182</u>	<u>(217,262)</u>	<u>5,112,278</u>
Expenses						
Program Activities						
Applicant	530,518	-	530,518	-	-	530,518
Trainee	1,997,072	-	1,997,072	-	-	1,997,072
Career Builder	435,926	-	435,926	837,093	(217,262)	1,055,757
Management and general	673,650	-	673,650	-	-	673,650
Development and fundraising	642,831	-	642,831	-	-	642,831
Total expenses	<u>4,279,997</u>	<u>-</u>	<u>4,279,997</u>	<u>837,093</u>	<u>(217,262)</u>	<u>4,899,828</u>
Change in net assets from operations	<u>(334,518)</u>	<u>462,879</u>	<u>128,361</u>	<u>84,089</u>	<u>-</u>	<u>212,450</u>
Nonoperating Activities						
Gain on employee retention credit	532,008	-	532,008	-	-	532,008
Investment return, net	261,095	-	261,095	3,000	-	264,095
Change in net assets	<u>458,585</u>	<u>462,879</u>	<u>921,464</u>	<u>87,089</u>	<u>-</u>	<u>1,008,553</u>
Net assets, beginning of year	<u>5,678,179</u>	<u>957,716</u>	<u>6,635,895</u>	<u>(1,124,489)</u>	<u>(212,721)</u>	<u>5,298,685</u>
Net assets, end of year	<u>\$ 6,136,764</u>	<u>\$ 1,420,595</u>	<u>\$ 7,557,359</u>	<u>\$ (1,037,400)</u>	<u>\$ (212,721)</u>	<u>\$ 6,307,238</u>

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