

New Hope for Youth

Financial Statements

For the year ended June 30, 2018

with

Report of Independent Auditors



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Report of Independent Auditors
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To the Board of Directors
New Hope for Youth

We have audited the accompanying financial statements of New Hope for Youth which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of New Hope for Youth as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Report on Summarized Comparative Information

We have previously audited New Hope for Youth's June 30, 2017 financial statements and, in our report dated March 1, 2018, we expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

WMB2
WMB2, LLP
Larkspur, California
August 5, 2019

New Hope for Youth
Statement of Financial Position
As of June 30, 2018,
with comparable totals as of June 30, 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current assets		
Cash	\$ 192,932	\$ 123,488
Accounts receivable	85,448	72,771
Prepaid expenses	<u>2,294</u>	<u>1,233</u>
Total current assets	280,674	197,492
Property and equipment, at cost		
Vehicles	6,010	6,010
Accumulated depreciation	<u>(4,007)</u>	<u>(2,805)</u>
Property and equipment, net	2,003	3,205
Deposits	<u>2,478</u>	<u>2,478</u>
Total assets	<u><u>\$ 285,155</u></u>	<u><u>\$ 203,175</u></u>
 Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 779	\$ 3,804
Accrued liabilities	1,456	12,556
Deferred revenue	<u>62,614</u>	<u>46,640</u>
Total current liabilities	64,849	63,000
Net assets		
Without donor restrictions	220,306	140,175
With donor restrictions	<u>-</u>	<u>-</u>
Total net assets	<u>220,306</u>	<u>140,175</u>
Total liabilities and net assets	<u><u>\$ 285,155</u></u>	<u><u>\$ 203,175</u></u>

See accompanying notes.

New Hope for Youth
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2018,
with comparable totals for the year ended June 30, 2017

	<u>2018</u>			<u>2017</u>
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>	
Revenue and support				
Contributions	\$ 6,261	\$ 5,000	\$ 11,261	\$ 5,100
Government grants and contracts	410,407	-	410,407	293,846
School services and other fees	167,100	-	167,100	125,750
Other income	762	-	762	-
Net assets released from donor restrictions	5,000	(5,000)	-	-
Total revenue and support	589,530	-	589,530	424,696
Expenses				
Programs	449,434	-	449,434	321,533
General and administrative	55,394	-	55,394	41,938
Fundraising	4,571	-	4,571	3,128
Total expenses	509,399	-	509,399	366,599
Change in net assets	80,131	-	80,131	58,097
Net assets, beginning of year	140,175	-	140,175	82,078
Net assets, end of year	<u>\$ 220,306</u>	<u>\$ -</u>	<u>\$ 220,306</u>	<u>\$ 140,175</u>

See accompanying notes.

New Hope for Youth
Statement of Functional Expenses
For the year ended June 30, 2018,
with comparable totals for the year ended June 30, 2017

	2018				2017
	<u>Programs</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Totals</u>	<u>Totals</u>
Salaries	\$ 331,051	\$ 5,381	\$ 3,201	\$ 339,633	\$ 253,905
Payroll taxes	27,136	380	620	28,136	25,516
Client expenses	42,244	565	-	42,809	30,835
Depreciation	-	1,202	-	1,202	1,202
Dues and subscriptions	60	45	8	113	1,023
Equipment rental and maintenance	6,064	778	152	6,994	5,227
Insurance	1,255	903	80	2,238	2,597
Meetings	47	-	-	47	102
Miscellaneous	2,322	920	-	3,242	983
Occupancy	3,167	3,047	56	6,270	4,400
Office supplies	2,997	348	149	3,494	2,697
Postage & delivery	578	-	-	578	296
Printing and copying	1,110	-	-	1,110	536
Professional services	580	38,769	-	39,349	19,975
Program staff mileage	13,325	173	-	13,498	9,005
Staff uniform	66	-	-	66	825
Telecommunications	4,760	2,577	297	7,634	3,726
Training supplies	2,849	306	8	3,163	2,831
Travel	9,823	-	-	9,823	918
Total expenses	<u>\$ 449,434</u>	<u>\$ 55,394</u>	<u>\$ 4,571</u>	<u>\$ 509,399</u>	<u>\$ 366,599</u>

See accompanying notes.

New Hope for Youth
Statement of Cash Flows
For the year ended June 30, 2018,
with comparable totals for the year ended June 30, 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 80,131	\$ 58,097
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	1,202	1,202
Changes in current assets and liabilities		
Accounts receivable	(12,677)	(72,771)
Prepaid expenses	(1,061)	855
Accounts payable	(3,025)	1,649
Accrued liabilities	(11,100)	(1,492)
Deferred revenue	<u>15,974</u>	<u>38,874</u>
Net cash provided by operating activities	69,444	26,414
Cash flows from investing activities		
Net change in deposits	<u>-</u>	<u>(1,334)</u>
Net cash used by investing activities	<u>-</u>	<u>(1,334)</u>
Net increase in cash	69,444	25,080
Cash, beginning of year	<u>123,488</u>	<u>98,408</u>
Cash, end of year	<u><u>\$ 192,932</u></u>	<u><u>\$ 123,488</u></u>

See accompanying notes.

New Hope for Youth
Notes to Financial Statements
June 30, 2018

Note 1 – Organization and nature of activities

New Hope for Youth, is a non-profit corporation organized under the laws of the State of California. New Hope for Youth is dedicated to serving and reaching out to all gang impacted as well as at-risk youth, young adults, their families and communities. Activities are accomplished by means of educational programs, individual and family care, support and resource opportunities that support a healthy, positive, and productive lifestyle. New Hope for Youth was established on June 13, 2013 and is located in San Jose, California.

Current service locations of New Hope for Youth include the county and city areas of Santa Clara and San Jose. Service components, which New Hope for Youth provides within one or more of its service locations, include:

Leadership Development Services

Provide youth with new opportunities for personal growth through exposure to new role models, social and recreational alternatives, leadership projects and participation in life skills and support groups.

School-Based Services

Provide student assistance services, truancy intervention services, conflict resolution and mediation and student gang outreach services in comprehensive and alternative school settings.

Youth Intervention/Case Management Services

Work with parents and their youth who are involved in the juvenile justice system and are exhibiting high-risk and gang-impacted behaviors. New Hope for Youth provides case management, community re-entry services, gang outreach and diversion services and parent education and support services.

Note 2 – Summary of significant accounting policies

Basis of accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (U.S. GAAP). New Hope for Youth records revenues when earned and expenses when incurring the related obligations. New Hope for Youth records revenues from reimbursable cost contracts when incurring the related expenses.

New Hope for Youth
Notes to Financial Statements
June 30, 2018

Note 2 – Summary of significant accounting policies

New pronouncements

Effective July 1, 2017, New Hope for Youth adopted FASB ASU 2016-14 *Presentation of Financial Statements of Not for Profit Entities*. The new pronouncement changed the presentation of certain information in the financial statements and footnote disclosures.

Basis of presentation

Certain support for the programs of New Hope for Youth may be directed by the donors to specific periods or programs. New Hope for Youth classifies such amounts as revenues and net assets with donor restrictions in the accompanying financial statements. When donor restrictions expire or are otherwise met, New Hope for Youth reclassifies the net assets to those without donor restrictions under the heading "net assets released from donor restrictions" in the statement of activities and changes in net assets.

Cash

Cash consists of cash on hand and on deposit with a commercial bank, available on demand. Amounts on deposit are in both interest and non-interest bearing accounts.

Accounts receivable

Accounts receivable, all due within one year, consist of amounts due from grants and contracts.

Allowance for uncollectible receivables

New Hope for Youth uses the allowance method to account for uncollectible receivables. Under this method, New Hope for Youth reviews all receivables for any problems with collectability. If New Hope for Youth feels that there may be a problem with collections, an allowance is provided for the receivable. When attempts to collect a specific receivable are unsuccessful, the account is considered uncollectible and is written off against the allowance. As of June 30, 2018, New Hope for Youth concluded that an allowance for doubtful accounts was not necessary.

New Hope for Youth
Notes to Financial Statements
June 30, 2018

Note 2 – Summary of significant accounting policies (continued)

Property and equipment

Property and equipment consist of a vehicle. New Hope for Youth capitalizes purchased and donated property and equipment at cost and fair value, respectively, when such cost or fair value exceeds \$5,000. Maintenance and repair costs are expensed as incurred. New Hope for Youth depreciates property and equipment using the straight-line method over the estimated useful lives of the property and equipment. The estimated useful live of the vehicle is five years.

Deferred revenue

Deferred revenue consists of amounts advanced or drawn down under fee for service contracts that exceed revenue earned.

Revenue recognition

Government grants and contracts are conditional cost-reimbursement contracts. New Hope for Youth does not recognize support from these contracts until it fulfills the conditions, generally by expending costs and performing services to accomplish the requirements of the contracts.

School services are fee for service cost-reimbursement contracts. New Hope for Youth recognizes revenues from cost-reimbursement contracts when incurring the related expenses.

Income taxes

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Interpretation Number 48 (FIN 48), "Accounting for Uncertainty in Income Taxes", an interpretation of FASB Accounting Standards Codification (ASC) 740. Under FIN 48, New Hope for Youth is required to report information regarding its exposure to various tax positions taken by New Hope for Youth and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold.

Management believes that New Hope for Youth has adequately addressed all tax positions and that there are no unrecorded tax liabilities. Tax years 2014 to 2017 are open for examination by the Internal Revenue Service and years 2013 to 2017 by the California Franchise Tax Board.

New Hope for Youth
Notes to Financial Statements
June 30, 2018

Note 2 – Summary of significant accounting policies (continued)

Governmental authorities have informed New Hope for Youth that it is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and section 23701d of the California Revenue and Taxation Code. Additionally, governmental authorities have classified New Hope for Youth as an organization that is not a private foundation under IRC section 509(a)(1) and 170(b)(1)(A)(vi). Consequently, donors are entitled to the highest charitable income tax deduction allowed by law. The management of New Hope for Youth believes that no activities of New Hope for Youth jeopardized its exemption from income taxes or its classification as a "public charity." Consequently, New Hope for Youth provided no income tax provision herein.

Allocation of functional expenses

Functional expenses of New Hope for Youth include program and supporting expenses. Supporting expenses include management and general and fundraising. New Hope for Youth records expenses that directly benefit an activity to that specific activity. New Hope for Youth allocates expenses that do not directly benefit an activity between program and supporting based on estimates of the relative benefits to each. New Hope for Youth bases its estimates on either time spent by personnel on various activities or space used by various activities, whichever New Hope for Youth deems more relevant to the particular expense. The management of New Hope for Youth reviews and adjusts the estimates and bases at least annually.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires the management of New Hope for Youth to make estimates and assumptions that affect certain amounts and disclosures reported herein. Although New Hope for Youth bases estimates on its knowledge of current events and plans for the future, actual results may vary from estimates.

Comparative totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the audited financial statements for the year ended June 30, 2017, from which the summarized information was derived.

New Hope for Youth
Notes to Financial Statements
June 30, 2018

Note 2 – Summary of significant accounting policies (continued)

Subsequent events

New Hope for Youth evaluated subsequent events for recognition and disclosure through August 5, 2019, the date on which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2018 that required recognition or disclosure in such financial statements.

Note 3 – Accounts receivable

Accounts receivables as of June 30, 2018 consisted of \$74,356 due from the City of San Jose and \$11,092 due from the County of Santa Clara.

Note 4 – Deferred revenue

Deferred revenue as of June 30, 2018 consisted of amounts received in advance on two contracts with the City of San Jose.

Note 5 – Concentrations, credit and market risk

Accounts receivable are subject to collection risk. Collection risk is the probability that the financial condition or other circumstances of a grantor or contractor may change, reducing or eliminating the subsequent collection of accounts receivable.

Revenue and support from the City of San Jose totaled 65% of total revenue and support received for the year ended June 30, 2018. A significant reduction in this level of revenue and support, if this were to occur, could have an adverse impact on the extent of the activities of New Hope for Youth.

Note 6 – Commitments and contingencies

New Hope for Youth leases office space in San Jose, California on a month to month basis. Rent expense for the year ended June 30, 2018 was \$5,400.

New Hope for Youth
Notes to Financial Statements
June 30, 2018

Note 6 – Commitments and contingencies (continued)

New Hope for Youth has received support that may be subject to audit or review by the grantor agencies. Management believes that New Hope for Youth has complied with all aspects of the grant provisions and that disallowed costs, if any, would be insignificant to the financial position of New Hope for Youth.

Note 7 – Liquidity and availability of financial assets

The following reflects New Hope for Youth's financial assets as of June 30, 2018 available to meet cash needs for general expenditures within one year from June 30, 2018:

Cash	\$ 192,932
Accounts receivable	<u>85,448</u>
Total	<u><u>\$ 278,380</u></u>