HOPE BUILDERS

BUILDING a PATHWAY to PROSPERITY

TALLER SAN JOSE HOPE BUILDERS

Consolidated Financial Statements
and Independent Auditors' Report

June 30, 2023 and 2022

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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 compromise the consolidated statements of financial position as of June 30, 2023 and 2022, 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, 2023 and 2022, 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.

Change in Accounting Principle

As discussed in Note B to the consolidated financial statements, the Organization changed its method of accounting for leases as of July 1, 2022 due to the adoption of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842, *Leases* .

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
December 14, 2023

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 and 2022

	2023			2022		
	Without Donor Restictions	With Donor Restrictions	Total	Without Donor Restictions	With Donor Restrictions	Total
ASSETS						
Cash and cash equivalents	$ 765,391	$ 665,381	$ 1,430,772	$ 989,200	$ 596,458	$ 1,585,658
Accounts receivable	781,206	-	781,206	83,238	-	83,238
Contributions and grants receivable, net	224,333	755,214	979,547	29,588	361,258	390,846
Unbilled labor in progress	115,782	-	115,782	29,003	-	29,003
Inventory	12,178	-	12,178	13,069	-	13,069
Property held for resale	8,000	-	8,000	8,000	-	8,000
Investments	2,726,969	-	2,726,969	2,465,526	-	2,465,526
Property and equipment, net	1,284,313	-	1,284,313	996,151	-	996,151
Other assets	71,049	-	71,049	56,261	-	56,261
Total assets	$ 5,989,221	$ 1,420,595	$ 7,409,816	$ 4,670,036	$ 957,716	$ 5,627,752
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts payable and accrued expenses	$ 706,946	$ -	$ 706,946	$ 307,068	$ -	$ 307,068
Customer deposits	17,262	-	17,262	15,560	-	15,560
Installment contract payable	-	-	-	455	-	455
Operating lease liability	378,370	-	378,370	5,984	-	5,984
Total liabilities	1,102,578	-	1,102,578	329,067	-	329,067
NET ASSETS						
Without donor restrictions	$ 4,886,643	$ -	$ 4,886,643	$ 4,340,969	$ -	$ 4,340,969
With donor restrictions	-	1,420,595	1,420,595	-	957,716	957,716
Total net assets	4,886,643	1,420,595	6,307,238	4,340,969	957,716	5,298,685
Total liabilities and net assets	$ 5,989,221	$ 1,420,595	$ 7,409,816	$ 4,670,036	$ 957,716	$ 5,627,752

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

Operating Activities	Without Donor Restrictions	With Donor Restrictions	Total
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	4,649,399	462,879	5,112,278
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	4,899,828	-	4,899,828
Change in net assets from operations	(250,429)	462,879	212,450
Nonoperating Activities			
Gain from employee retention credit	532,008	-	532,008
Investment return, net	264,095	-	264,095
Change in net assets	545,674	462,879	1,008,553
Net assets, beginning of year	4,340,969	957,716	5,298,685
Net assets, end of year	$ 4,886,643	$ 1,420,595	$ 6,307,238

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, 2022

Operating Activities	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Grants and contributions	$ 747,561	$ 1,432,295	$ 2,179,856
Program service fees	505,725	-	505,725
Special events	754,355	101,150	855,505
Costs of direct benefits to donors	-	-	-
In kind contributions	1,452	-	1,452
Interest and dividends	3,229	-	3,229
Space rental	7,000	-	7,000
Net assets released from restrictions	1,873,346	(1,873,346)	-
Total revenues and other support	3,892,668	(339,901)	3,552,767
Expenses			
Program Activities			
Applicant	525,725	-	525,725
Trainee	1,780,593	-	1,780,593
Career Builder	884,620	-	884,620
Management and general	465,698	-	465,698
Development and fundraising	564,491	-	564,491
Total expenses	4,221,127	-	4,221,127
Change in net assets from operations	(328,459)	(339,901)	(668,360)
Nonoperating Activities			
Gain from PPP loan forgiveness	822,069	-	822,069
Investment return, net	(340,209)	-	(340,209)
Change in net assets	153,401	(339,901)	(186,500)
Net assets, beginning of year	4,187,568	1,297,617	5,485,185
Net assets, end of year	$ 4,340,969	$ 957,716	$ 5,298,685

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, 2023

	Program Services				Supporting Services			
	Applicant	Trainee	Career Builder	Programs Total	Management and General	Development and Fundraising	Supporting Services Total	Total
Compensation and related expenses	$ 447,284	$ 1,058,405	$ 1,021,314	$ 2,527,003	$ 486,799	$ 432,259	$ 919,060	$ 3,446,062
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	15,461	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	91,166
Professional fees	224	1,138	1,740	3,102	86,935	1,266	88,201	91,302
Insurance	1,095	17,319	14,932	33,347	25,321	387	25,708	59,055
Information technology, telephone and internet	15,356	65,012	4,790	85,159	13,676	12,619	26,295	111,453
Interest	7	49	-	56	6	2	9	65
Special events	-	-	-	-	-	45,821	45,821	45,821
Marketing, meetings and conferences	15,763	3,810	3,611	23,183	17,471	126,948	144,419	167,602
Other	-	-	118	118	768	7,963	8,730	8,849
	$ 530,518	$ 1,997,072	$ 1,055,757	$ 3,583,347	$ 673,650	$ 642,831	$ 1,316,483	$ 4,899,828

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, 2022

	Program Services				Supporting Services			
	Applicant	Trainee	Career Builder	Programs Total	Management and General	Development and Fundraising	Supporting Services Total	Total
Compensation and related expenses	$ 424,523	$ 985,088	$ 826,625	$ 2,236,236	$ 329,706	$ 348,893	$ 678,599	$ 2,914,834
Student support	-	233,209	1,780	234,989	-	-	-	234,989
Program supplies and related expenses	11,037	128,065	2,360	141,462	252	2	255	141,717
Supplies, printing and office	2,070	12,737	3,489	18,297	10,203	2,029	12,233	30,529
Occupancy	27,353	204,442	6,108	237,903	14,777	24,457	39,234	277,137
Depreciation	4,449	76,004	7,408	87,861	1,877	3,963	5,840	93,700
Professional fees	3,921	25,792	618	30,330	72,875	966	73,841	104,171
Insurance	902	14,864	18,398	34,164	26,085	804	26,888	61,052
Information technology, telephone and internet	16,942	79,672	7,545	104,159	4,225	18,918	23,143	127,302
Interest	70	476	4	550	29	62	91	641
Special events	-	-	-	-	-	85,425	85,425	85,425
Marketing, meetings and conferences	34,458	20,246	3,120	57,824	4,924	71,288	76,213	134,036
Other	-	-	7,164	7,164	745	7,684	8,429	15,592
	$ 525,725	$ 1,780,593	$ 884,620	$ 3,190,937	$ 465,698	$ 564,491	$ 1,030,190	$ 4,221,127

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, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,008,553	$ (186,500)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	91,166	93,700
Gain on PPP loan forgiveness	-	(822,069)
Unrealized loss (gain) on investments	(261,096)	348,009
Change in operating assets and liabilities:		
Accounts receivable	(697,968)	(36,316)
Contributions and grants receivable	(588,701)	258,629
Unbilled labor in progress	(86,779)	(16,483)
Inventory	890	2,415
Other assets	(14,788)	1,651
Accounts payable and accrued expenses	399,879	(19,106)
Customer deposits	1,702	(950)
NET CASH USED IN OPERATING ACTIVITIES	(147,141)	(377,020)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(6,945)	(26,075)
Reinvested dividends	(347)	(2,019)
NET CASH USED IN INVESTING ACTIVITIES	(7,292)	(28,094)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayments of installment contract payable	(455)	(4,892)
Repayments of capital lease obligation	-	(15,141)
NET CASH USED IN FINANCING ACTIVITIES	(455)	(20,033)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(154,887)	(425,148)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,585,658	2,010,806
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,430,772	$ 1,585,658
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 64	$ 641
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Forgiveness of PPP loans (Note J)	$ -	$ 822,069
Operating leases to property and equipment upon ASC 842 adoption	$ 487,976	$ -
Lease placed in operating lease liability	$ 487,976	$ -

See accompanying notes to the consolidated financial statements.

NOTE A - DESCRIPTION OF THE ORGANIZATION

Taller San Jose Hope Builders (Hope Builders or the Organization) exits 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 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 submited 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 requied 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 workfroce 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 committment 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 expeditures.

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 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.

Reclassification - Certain amounts of the June 30, 2022 consolidated financial statements have been reclassified to conform to the groupings reflected in the June 30, 2023 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk, continued. For the year ended June 30, 2023, the Organization received two contributions that accounted for approximately 31% of total revenue and approximately 15% of receivables. For the year ended June 30, 2022, the Organization received contributions from one contributor that accounted for approximately 9% of revenues.

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, 2023 and 2022 were fully collectable; 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, 2023 and 2022 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, 2023 and 2022 were fully collectible. As of June 30, 2023, $47,387 in pledge discounts were recorded to account for three multi-year foundation grants. As of June 30, 2022, $1,600 in pledge discounts were recorded to account for a $16,000 multi-year pledge.

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 $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.

Payroll Protection Program Loan - The payroll protection program loans were forgiven during fiscal 2022. The loan forgiveness applications for two Hope Builders loans and one HBCC loans were accepted and approved. The debt was extinguished and the gain has been recognized as other income in non-operating activities on the fiscal 2022 consolidated statements of activities. See Note J.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Donated Goods and Services - Donated goods and services (in-kind contributions) are recorded at their estimated market values at the date of receipt. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the years ending June 30, 2023 and 2022, donated goods and services received by the Organization meeting the above criteria were valued at $6,523 and $1,452, 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	Square footage
Depreciation	Direct cost and square footage
Professional fees	Direct cost
Insurance	Direct cost and square footage
Information technology, telephone, and internet	Time and effort
Interest	Direct cost
Special events	Direct cost
Marketing, meetings and conferences	Direct cost
Other	Direct cost

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

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, 2023 and 2022.

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 2020 through 2022 and state tax returns for the tax years 2019 through 2022 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

The Organization adopted the new lease standard Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) Topic 842, *Leases*, as of July 1, 2022 under the modified retrospective approach. Therefore, the consolidated financial statements for the year ended June 30, 2022 have not been adjusted and continued to be reported under previous U.S. GAAP guidance. Under the new lease standard, the Organization determines if an arrangement is a lease at its inception. 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 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 (a component of property and equipment) and operating lease liability in the 2023 consolidated statement of financial position. On July 1, 2022, the Organization recognized operating right-of-use assets at $487,976 and operating lease liability of $487,976 upon adoption of FASB ASC Topic 842.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities: Presentation and Disclosure by Not-for-Profit Entites for Contributed Nonfinancial Assets* (Topic 958). It is intended to improve transpancy 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 adopted this guidance at the beginning of fiscal year 2022 and the adoption did not have a material impact.

In March 2023, the FASB Issued ASU No. 2023-01, *Common-Control Lease Arrangements*. This ASU amends certain provisions of ASC 842, *Leases*, that apply to arrangements between related parties under common control. It is effective for reporting periods beginning after December 15, 2023. The Organization is currently determining the impact of this standard on its consolidated financial statements and related disclosures.

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

NOTE C - AVAILABLE RESOURCES AND LIQUIDITY

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

In addition to financial assets available to meet general expenditures over the next 12 months, Hope Builders operates with a 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, 2023 and 2022, the following financials assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	2023	2022
Total financial assets:		
Cash and cash equivalents	$ 1,430,772	$ 1,585,658
Receivables	1,760,752	474,084
Investments	2,726,969	2,465,526
Total financial assets	5,918,493	4,525,268
Amounts not available to be used within one year:		
Net assets with donor restrictions	1,420,595	957,716
Restrictions expected to be satisfied within one year	(1,332,058)	(889,466)
Net assets with donor restrictions expected to be available within one year	88,537	68,250
Board Designated Sustainability Fund	2,726,969	2,465,526
Total amounts not available to be used within one year:	2,815,506	2,533,776
Net financial assets available to meet general expenditures over the next 12 months.	$ 3,102,988	$ 1,991,492

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.

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, 2023 and 2022:

	Total Fair Value	Level 1	Level 2	Level 3
June 30, 2023				
Fixed income funds	$ 1,090,788	$ -	$ 1,090,788	$ -
Equity funds and common stock	1,636,181	-	1,636,181	-
	$ 2,726,969	$ -	$ 2,726,969	$ -
June 30, 2022				
Fixed income funds	$ 986,210	$ -	$ 986,210	$ -
Equity funds and common stock	1,479,316	-	1,479,316	-
	$ 2,465,526	$ -	$ 2,465,526	$ -

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, 2023, contributions and grants receivable of $384,933 were expected to be received within one year and $594,614 expected within one to five years. As such, the Organization recorded pledge discount of $801 and a foundation grant pledge discount of $46,585 as of June 30, 2023. As of June 30, 2022, contributions and grants receivable of 380,446 were expected to be received within one year. There was an an allowance for doubtful accoutns of $1,600 as of June 30, 2022.

NOTE F - PROPERTY AND EQUIPMENT

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

	2023	2022
Land and building	$ 1,065,584	$ 1,065,584
Building improvements and renovations	839,420	832,574
Equipment, furniture and fixtures	650,357	650,357
Right-of-use assets	487,976	-
Vehicles	54,064	54,064
	3,097,401	2,602,579
Less accumulated depreciation	1,813,088	1,606,428
	$ 1,284,313	$ 996,151

Depreciation expense was $91,166 and $93,700 for the fiscal years ended June 30, 2023 and 2022, respectively.

NOTE G - 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, 2023 and 2022.

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, refurnish, 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, 2023 and 2022, 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, 2023 and 2022, the income to HBCC was $3,000 and $7,800 respectively.

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 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, 2023 and and 2022, the line of credit has a $0 balance.

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, matured on May 1, 2022 and bore 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 used the entire Loan A amount for qualifying expenses.The Organization was authorized full forgiveness of Loan A on August 11, 2021 by the Small Business Administration (SBA)

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 was authorized full forgiveness of Loan B on January 27, 2022 by the SBA.

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 was authorized full forgiveness of Loan C on November 1, 2021 by the SBA. All such forgiveness amounts were recorded as nonoperating activities on the fiscal 2022 consolidated statement of activities.

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%. The contract was paid in full in July 2022.

	2022
Outstanding balance as of June 30:	$ 455

NOTE K - CAPITAL LEASE OBLIGATION

The Company leases certain equipment under a capital lease arrangement. The lease term ran through November 2022. The lease was paid in full in fiscal year 2022.

As of June 30, 2023 and 2022, the gross amount of equipment and related amount of accumulated amortization recorded under the capital lease was as follows:

	2023	2022
Equipment	$ 70,547	$ 70,547
Less Accumulated Amortization	(70,547)	(65,855)
	$ -	$ 4,692

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

NOTE L- RETIREMENT PLAN

The Organization created a new 401k plan effective May 9, 2021 in response to the seperation 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. The plan was amended in June 2022 to reflect a change in the time eligibility requirements.

NOTE L- RETIREMENT PLAN (CONTINUED)

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, 2022 was $33,760. The total match contributions funded and accrued by the Organization for the fiscal year ended June 30, 2022 was $24,071. There was no discretionary contribution made during the fiscal year 2023 for calendar year 2022. The balance will be carried forward until management decides when it will be pertinent to make another discretionary contribution.

NOTE M - NET ASSETS

Net assets as of June 30, 2023 and 2022 are as follows:

	2023	2022
Net assets with donor restrictions:		
Net assets restricted by the passage of time	$ 11,199	$ 660,342
Net assets restricted by passage of programs		
Skills training	364,327	225,247
Anaheim	52,524	43,540
HBCC	151,810	26,513
Capacity Building	125,000	-
Facilities and Security	-	2,073
	693,661	297,374
Net assets restricted by the passage of time and programs		
Skills training	715,736	-
	715,736	-
Total net assets with donor restrictions	$ 1,420,595	$ 957,716
Net assets without donor restrictions:		
Undesignated	$ 2,159,674	$ 1,875,443
Board designated Sustainability Fund	2,726,969	2,465,526
Total net assets without donor restrictions	$ 4,886,643	$ 4,340,969
Total net assets	$ 6,307,238	$ 5,298,685

NOTE N - NET ASSETS RELEASED FROM RESTRICTIONS

	2023	2022
Net assets released from restriction:		
Net assets restricted by the passage of time	$ -	$ 767,500
Net assets restricted by programs:		
Admissions and support services	20,000	-
Skills training	654,105	379,127
Anaheim	166,638	284,943
HBCC	105,717	406,355
Facilities and Security	2,073	25,788
Capacity Building	175,000	-
General Operations	560,342	-
Financial Assistance	-	9,633
	1,683,875	1,105,846
Net assets restricted by the passage of time and programs:		
Skills training	32,679	-
	32,679	-
Total net assets released from restrictions	$ 1,716,553	$ 1,873,346

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 was no longer be the sole member of the Organization.

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.

SSJO has supported the Organization since its inception. For the years ended June 30, 2023 and 2022, SSJO's contributions totaled $2,000 and $4,000 respectively.

Providence and its hospitals also supported the Organization. For the years ended June 30, 2023 and 2022, Providence's contributions totaled $10,000 and $25,000, respectively. In addition, the Organization reimbursed Providence for certain employee benefit related costs and insurance in the amount of $12,634 and $238,716, 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 $31,505 and $32,860 from members of the Board of Directors during the years ended June 30, 2023 and 2022, respectively. In addition, as of June 30, 2023 and 2022, the Organization received contributions totaling $84,249 and $328,185 from organizations affiliated with the board of directors.

Hope Builders management contracted with a consulting firm (the Consultant) in January 2021 to assess the blended learning program set in motion as a response to the COVID-19 pandemic. The Consultant also developed a strategic road map for advancing blended learning practices using data gathered from the assessment, implemented recommendations, and provided professional development with 1 on 1 coaching to Hope Builders intructional team. The total compensation paid was $6,500 during the year ended June 30, 2022. The Consultant is the husband of Hope Builders’ Executive Director.

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.

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).

NOTE P - SUSTAINABILITY FUNDS (CONTINUED)

The composition of net assets for this fund as of June 30, 2023 and 2022 and the changes in endowment net assets for the corresponding years are as follows:

	2023	2022
Fund net assets, beginning	$ 2,465,526	$ 2,811,516
Unrealized gain on investments	261,096	(348,009)
Reinvested dividends	347	2,019
Fund net assets, ending	$ 2,726,969	$ 2,465,526

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, 2023 and 2022, the balance in the Legacy Fund was $108,838 and $98,616 respectively.

NOTE Q - 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. As of June 30, 2023, the right-of-use assets were $372,483 and the lease liability was $372,386, which is reflected on the fiscal 2023 consolidated statement of financial position.

Operating lease liability as of July 1, 2022	$ 487,976
Lease payments	(132,286)
Interest expense on operating lease liability	22,680
Total operating lease liability at June 30, 2023	$ 378,370

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

2024	$ 136,253
2025	140,342
2026	144,192
Total lease payments	420,787
Less: Imputed interest	(42,417)
Total	$ 378,370

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 December 14, 2023 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, 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	1,284,313	-	-	1,284,313
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	$ 599,272	$ 107,673	$ -	$ 706,946
Customer deposits	1,550	15,712	-	17,262
Operating lease liability	378,371	-	-	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

TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
DETAILS OF CONSOLIDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

	Taller San Jose Hope Builders	Hope Builders Career Connections	Consolidating Entries	Consolidated Totals
ASSETS				
Cash and cash equivalents	$ 1,541,869	$ 43,789	$ -	$ 1,585,658
Accounts receivable	1,000.00	82,238	-	83,238
Contributions and grants receivable, net	390,846	-	-	390,846
Unbilled labor in progress	-	29,003	-	29,003
Inventory	8,042	5,027	-	13,069
Property held for resale	8,000	-	-	8,000
Investments	2,465,526	-	-	2,465,526
Property and equipment, net	996,151	-	-	996,151
Due from HBCC	1,443,356	-	(1,443,356)	-
Other assets	56,175	86	-	56,261
Total assets	$ 6,910,965	$ 160,142	$ (1,443,356)	$ 5,627,752
LIABILITIES				
Accounts payable and accrued expenses	$ 269,087	$ 37,980	$ -	$ 307,068
Customer deposits	-	15,560	-	15,560
Installment contract payable	-	455	-	455
Operating lease liability	5,984	-	-	5,984
Due to Taller San Jose Hope Builders	-	1,230,635	(1,230,635)	-
Total liabilities	275,071	1,284,630	(1,230,635)	329,067
NET ASSETS				
Without donor restrictions	5,678,178	(1,124,488)	(212,721)	4,340,969
With donor restrictions	957,716	-	-	957,716
Total net assets	6,635,894	(1,124,488)	(212,721)	5,298,685
Total liabilities and net assets	$ 6,910,965	$ 160,142	$ (1,443,356)	$ 5,627,752

See independent auditors' report.

Schedule III

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		
	Without Donor Restrictions	With Donor Restrictions	Subtotal	Without Donor Restrictions	Consolidating Entries	Total
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 tevenues and other support	3,945,479	462,879	4,408,358	921,182	(217,262)	5,112,278
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	4,279,997	-	4,279,997	837,093	(217,262)	4,899,828
Change in net assets from operations	(334,518)	462,879	128,361	84,089	-	212,450
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	458,585	462,879	921,464	87,089	-	1,008,553
Net assets, beginning of year	5,678,179	957,716	6,635,895	(1,124,488)	(212,721)	5,298,685
Net assets, end of year	$ 6,136,764	$ 1,420,595	$ 7,557,359	$ (1,037,400)	$ (212,721)	$ 6,307,238

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TALLER SAN JOSE HOPE BUILDERS AND SUBSIDIARY
DETAILS OF CONSOLIDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Taller San Jose Hope Builders			Hope Builders Career Connections		
	Without Donor Restrictions	With Donor Restrictions	Subtotal	Without Donor Restrictions	Consolidating Entries	Total
Operating Activities						
Revenues and other support						
Grants and contributions	$ 747,561	$ 1,432,295	$ 2,179,856	$ -	$ -	$ 2,179,856
Program service fees	179,321	-	179,321	526,964	(200,560)	505,725
Special events	754,355	101,150	855,505	-	-	855,505
Costs of direct benefits to donors	-	-	-	-	-	-
In kind contributions	1,452	-	1,452	-	-	1,452
Interest and dividends	3,229	-	3,229	-	-	3,229
Space rental	7,000	-	7,000	-	-	7,000
Net assets released from restrictions	1,873,346	(1,873,346)	-	-	-	-
Total tevenues and other support	3,566,264	(339,901)	3,226,363	526,964	(200,560)	3,552,767
Expenses						
Program Activities						
Applicant	525,725	-	525,725	-	-	525,725
Trainee	1,780,593	-	1,780,593	-	-	1,780,593
Career Builder	369,649	-	369,649	715,531	(200,560)	884,620
Management and general	465,698	-	465,698	-	-	465,698
Development and fundraising	564,491	-	564,491	-	-	564,491
Total expenses	3,706,156	-	3,706,156	715,531	(200,560)	4,221,127
Change in net assets from operations	(139,892)	(339,901)	(479,793)	(188,567)	-	(668,360)
Nonoperating Activities						
Gain on PPP loan forgiveness	778,414	-	778,414	43,655	-	822,069
Investment return, net	(348,009)	-	(348,009)	7,800	-	(340,209)
Change in net assets	290,513	(339,901)	(49,388)	(137,112)	-	(186,500)
Net assets, beginning of year	5,387,664	1,297,617	6,685,281	(987,376)	(212,721)	5,485,185
Net assets, end of year	$ 5,678,179	$ 957,716	$ 6,635,895	$ (1,124,488)	$ (212,721)	$ 5,298,685

See independent auditors' report.