

**UPWARD BOUND HOUSE  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2015  
WITH COMPARATIVE TOTALS AT DECEMBER 31, 2014**

UPWARD BOUND HOUSE  
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May 24, 2016

## INDEPENDENT AUDITORS' REPORT

To The Board of Directors  
Upward Bound House  
Santa Monica, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Upward Bound House (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, 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 States of America; 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.

### **Auditors' 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 of America. 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 Upward Bound House'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 Upward Bound House'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.

## INDEPENDENT AUDITORS' REPORT (CONT.)

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Upward Bound House as of December 31, 2015, and the changes in its net assets and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited Upward Bound House's 2014 financial statements, and our report dated May 12, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*NSBN LLP*

NSBN LLP  
Los Angeles, California

UPWARD BOUND HOUSE  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2015  
WITH COMPARATIVE TOTALS AT DECEMBER 31, 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 1,550,989	\$ 1,555,908
Certificates of deposit	151,190	150,517
Grants receivable	388,139	267,201
Due from affiliate	18,756	7,455
Investments	45,151	45,152
Prepaid expenses	<u>7,052</u>	<u>26,522</u>
<b>TOTAL CURRENT ASSETS</b>	<b>2,161,277</b>	<b>2,052,755</b>
Other Assets		
Lease acquisition costs, net	154,582	156,446
Operating and replacement reserves	258,207	249,866
Client savings accounts	835	10,915
Deposits and other assets	<u>12,075</u>	<u>9,412</u>
<b>TOTAL OTHER ASSETS</b>	<b>425,699</b>	<b>426,639</b>
Property and equipment, net	<u>5,473,857</u>	<u>5,620,320</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>8,060,833</u></b>	<b>\$ <u>8,099,714</u></b>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	\$ 97,380	\$ 6,126
Accrued salaries	21,822	60,263
Accrued vacation	32,021	32,313
Accrued liabilities	1,039	2,200
Client savings accounts	836	10,915
Tenant security deposits	5,420	5,880
Deferred revenues	<u>47,084</u>	<u>9,868</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>205,602</b>	<b>127,565</b>
Long-term Liabilities		
Notes payable	2,990,000	2,990,000
Accrued interest payable	<u>394,638</u>	<u>394,638</u>
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>3,384,638</b>	<b>3,384,638</b>
<b>TOTAL LIABILITIES</b>	<b><u>3,590,240</u></b>	<b><u>3,512,203</u></b>
<b>NET ASSETS</b>		
Unrestricted - undesignated	1,771,582	1,803,743
Unrestricted - used by property and equipment	2,483,857	2,630,320
Temporarily restricted	138,828	83,902
Permanently restricted	<u>76,326</u>	<u>69,546</u>
<b>TOTAL NET ASSETS</b>	<b><u>4,470,593</u></b>	<b><u>4,587,511</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>8,060,833</u></b>	<b>\$ <u>8,099,714</u></b>

See accompanying auditors' report.  
The notes are an integral part of these financial statements.

UPWARD BOUND HOUSE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015  
WITH COMPARATIVE TOTALS AT DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015</u>	<u>2014</u>
<b>REVENUE AND PUBLIC SUPPORT</b>					
Government contracts and grants	\$ 1,522,109	\$ -	\$ -	\$ 1,522,109	\$ 1,448,375
Contributions	768,139	138,117	6,780	913,036	639,875
Special events	180,528	-	-	180,528	71,959
Management fee revenue	57,235	-	-	57,235	57,754
In-kind revenue	28,296	-	-	28,296	-
Unrealized gain (loss) on investments	2,135	-	-	2,135	(255)
Interest and other income	6,010	1,006	-	7,016	7,988
Net assets released from restrictions:					
Capital expenditures	2,000	(2,000)	-	-	-
Satisfaction of program restrictions	82,197	(82,197)	-	-	-
<b>TOTAL REVENUE AND PUBLIC SUPPORT</b>	<u>2,648,649</u>	<u>54,926</u>	<u>6,780</u>	<u>2,710,355</u>	<u>2,225,696</u>
<b>EXPENSES</b>					
Program services	2,131,063	-	-	2,131,063	1,800,286
General and administrative	255,347	-	-	255,347	175,456
Fundraising	440,863	-	-	440,863	301,570
<b>TOTAL EXPENSES</b>	<u>2,827,273</u>	<u>-</u>	<u>-</u>	<u>2,827,273</u>	<u>2,277,312</u>
<b>CHANGE IN NET ASSETS</b>	(178,624)	54,926	6,780	(116,918)	(51,616)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>4,434,063</u>	<u>83,902</u>	<u>69,546</u>	<u>4,587,511</u>	<u>4,639,127</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 4,255,439</u>	<u>\$ 138,828</u>	<u>\$ 76,326</u>	<u>\$ 4,470,593</u>	<u>\$ 4,587,511</u>

See accompanying auditors' report.  
The notes are an integral part of these financial statements.

UPWARD BOUND HOUSE  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2015  
WITH COMPARATIVE TOTALS AT DECEMBER 31, 2014

	Program Services					Supporting Services		2015	2014	
	Family Place	Family Shelter	Rapid Rehousing	Cross-Program	Food Pantry	Total	General and Administrative			Fundraising
Salaries	\$ 255,554	\$ 355,160	\$ 213,771	\$ -	\$ 6,881	\$ 831,366	\$ 92,159	\$ 222,023	\$ 1,145,548	\$ 1,059,874
Payroll taxes and benefits	51,297	93,580	47,303	-	2,125	194,305	15,965	37,767	248,037	201,592
Total salary related expense	306,851	448,740	261,074	-	9,006	1,025,671	108,124	259,790	1,393,585	1,261,466
Client expenses	60,787	17,805	516,725	14,837	4,101	614,255	-	-	614,255	435,663
Consultants	28,965	18,504	8,865	2,840	-	59,174	118,278	36,375	213,827	117,012
Occupancy	57,393	35,302	1,236	1,776	-	95,707	2,665	445	98,817	79,012
Repairs and maintenance	42,682	21,632	4,395	5,226	324	74,259	675	-	74,934	76,579
Special events expense	-	-	-	-	-	-	-	73,864	73,864	43,563
Marketing	-	-	-	-	-	-	-	47,211	47,211	4,984
Office expenses and supplies	4,147	5,568	3,302	-	-	13,017	10,513	12,130	35,660	20,638
Travel	4,563	8,782	8,197	622	1,344	23,508	7,391	1,460	32,359	21,153
In-kind expense	-	-	-	28,296	-	28,296	-	-	28,296	653
Insurance	3,772	5,158	3,062	-	101	12,093	1,337	3,171	16,601	21,256
Training and human resources	1,491	1,180	282	-	-	2,953	3,389	1,852	8,194	5,525
Miscellaneous expense	26	131	-	75	-	232	2,800	4,550	7,582	6,028
Taxes and licenses	2,330	4,719	-	-	-	7,049	175	15	7,239	7,689
Expenses before depreciation and amortization	513,007	567,521	807,138	53,672	14,876	1,956,214	255,347	440,863	2,652,424	2,101,221
Depreciation and amortization	89,788	85,061	-	-	-	174,849	-	-	174,849	176,091
Total expenses	\$ 602,795	\$ 652,582	\$ 807,138	\$ 53,672	\$ 14,876	\$ 2,131,063	\$ 255,347	\$ 440,863	\$ 2,827,273	\$ 2,277,312

See accompanying auditors' report.  
The notes are an integral part of these financial statements.

UPWARD BOUND HOUSE  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
WITH COMPARATIVE TOTALS AT DECEMBER 31, 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (116,918)	\$ (51,616)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	174,849	176,091
Investment (gain) loss	(2,135)	255
(Increase) decrease in assets:		
Grants receivable	(120,938)	31,655
Due from affiliate	(11,301)	2,919
Prepaid expenses	19,470	(6,259)
Client savings accounts	10,080	5,676
Deposits and other assets	(2,663)	385
Increase (decrease) in liabilities:		
Accounts payable	91,254	(13,677)
Accrued salaries	(38,441)	12,023
Accrued vacation	(292)	5,247
Accrued liabilities	(1,161)	(5,167)
Client savings accounts	(10,079)	(5,676)
Tenant security deposits	(460)	(440)
Deferred revenues	37,216	9,868
NET CASH PROVIDED BY OPERATING ACTIVITIES	28,481	161,284
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(26,522)	-
Deposits to (withdrawals from) reserves, net	(8,341)	(21,049)
Purchases of certificates of deposit	(673)	(635)
Purchases of investments	2,136	(2,470)
NET CASH USED IN INVESTING ACTIVITIES	(33,400)	(24,154)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
NET INCREASE (DECREASE) IN CASH	(4,919)	137,130
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,555,908	1,418,778
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,550,989	\$ 1,555,908

See accompanying auditors' report.  
The notes are an integral part of these financial statements.



UPWARD BOUND HOUSE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

Note 1 ORGANIZATION

Incorporated in 1990, Upward Bound House's (Organization) mission is to eliminate homelessness among families with children in Los Angeles by providing housing, supportive services, and advocacy. The Organization offers homeless families short-term and medium-term crisis housing as well as rapid re-housing services that help them move into permanent housing as quickly as possible. Short-term crisis housing is provided at Family Shelter, an 18-unit emergency shelter in Culver City; medium-term crisis housing is provided at Family Place, a 21-unit transitional housing facility in Santa Monica. Families receive wraparound services including, case management, housing search and placement, tutoring, individual and family counseling, children's services, and food services. Over 50 volunteers complement 30 full and part-time staff.

Since its inception, the organization has helped more than 900 families – including nearly 1,700 children – transition from homelessness into permanent housing, with over 95% of these families still in their homes more than a year after placement.

In addition, the Organization manages and operates Upward Bound Senior Villa, Inc. (Senior Villa), a 70-unit facility for low-income seniors. Senior Villa is a separate nonprofit California corporation and is not included in the Organization's financial statements.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting-

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation-

Accounting principles generally accepted in the United States of America require that the Organization report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted -

The unrestricted class is the portion of the net assets of the Organization that are not subject to donor-imposed stipulations. The only limits on unrestricted net assets are broad limits resulting from the nature of the Organization and the purposes specified in its articles of incorporation or bylaws and, perhaps, limits resulting from contractual agreements.

Temporarily Restricted-

The temporarily restricted class is the portion of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. The majority of contributions with restrictions are stipulated to be used as funding for specific production projects.

UPWARD BOUND HOUSE  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Permanently Restricted-

The permanently restricted class is the portion used to record resources received that are permanently restricted as to use by the donor or grantor.

Cash and Cash Equivalents-

For the purposes of the financial statement, the Organization considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents.

Grants Receivable-

Accounts receivable are expected to be collected in full by the Organization's management. Therefore, no allowance for doubtful accounts have been provided.

Contributions-

As required by accounting principles generally accepted in the United States of America, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Services and Materials-

Consistent with accounting principles generally accepted in the United States of America, the Organization recognizes as support only those donated services which create or enhance non-financial assets or which require specialized skills which the Organization would otherwise have paid for. Donated materials are recognized as contributions at their fair values at the date of donation. No amounts have been reflected in the financial statements for donated services or materials as of December 31, 2015.

Property and Equipment-

Property and equipment are recorded at historical cost and are being depreciated using the straight-line method over the estimated useful life of the assets. The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments are capitalized. The following lives have been assigned:

Classification	Life
Buildings and improvements	30 Years
Furniture and equipment	3-15 Years
Leasehold interest in land	99 Years

Lease Acquisition Costs-

Lease acquisition costs are being amortized over 99 years at \$1,864 per year.

Advertising-

Advertising costs are charged to operations when incurred and are included in functional expenses.

UPWARD BOUND HOUSE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Tax Status-

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and is exempt from California franchise taxes under Section 23701(d) of the State Revenue and Taxation Code.

The Organization files IRS Form 990 and State Forms 199 and RRF-1. Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management of the Organization does not believe the financial statements include any uncertain tax positions. With few exceptions, the Organization is no longer subject to U.S. federal and state examinations by tax authorities for the years before 2012 and 2011, respectively.

Use of Estimates-

The preparation of 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, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses-

The costs of providing the program and the supporting services have been summarized on a functional basis in the statement of activities, and in the statement of functional expenses. Accordingly, certain costs have been allocated between the program and the supporting services in reasonable ratios determined by management.

Summarized Comparative Financial Information-

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 of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Reclassifications-

Certain 2014 financial information has been reclassified to conform to the 2015 presentation. The reclassifications have no impact on the previously reported changes in net assets.

Occupancy Expense-

Occupancy expense is incurred in programs as rent and utilities are paid. The administrative and development offices are operated in a separate building (Senior Villa) and does not pay rent and other occupancy related costs

UPWARD BOUND HOUSE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Subsequent Events-

Management has evaluated subsequent events through May 24, 2016, the date the financial statements were available to be issued.

Note 3 OPERATING AND REPLACEMENT RESERVES

The Organization has entered into a Regulatory Agreement with the City of Santa Monica (City) that requires the Organization to establish separate operating reserve and replacement reserve accounts related to Family Place. The City requires the Organization to fund the operating reserve to the extent of \$2,700 per year, and the replacement reserve to the extent of \$7,700 per year. Activity in the reserve accounts for the year ended December 31, 2015 is as follows:

	Operating Reserve	Replacement Reserve
Balance - beginning of year	\$ 75,664	\$ 174,202
Additions	-	7,709
Interest	219	423
Withdrawals and transfers	-	-
	\$ 75,883	\$ 182,334
Balance - end of year	\$ 75,883	\$ 182,334

Note 4 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Land	\$ 2,504,109
Building and improvements	4,938,637
Furniture and equipment	267,167
	7,709,913
Less: Accumulated depreciation	(2,236,056)
Total property and equipment, net	\$ 5,473,857

Note 5 INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments at December 31, 2015 consist of the following:

Equity mutual funds	\$ 45,151
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UPWARD BOUND HOUSE  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

Note 5 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONT.)

Accounting principles generally accepted in the United States of America defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction, prioritizes the use of market based information over entity specific information and establishes a three level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

Fair values determined by Level 1 inputs utilize quoted prices in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset and include situations where there is little, if any market activity for the asset.

The fair values of assets measured on a recurring basis at December 31, 2015 are as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Equity mutual funds	\$ 45,151	\$ -	\$ -

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

Note 6 NOTES PAYABLE

Note payable to State of California Department of Housing and Community Development, secured by land and building, bearing interest at 3% with all principal and interest to be forgiven at maturity on the ten-year anniversary date of commencement of operations, which was April 19, 2010, provided the Organization complies with applicable use and regulatory agreements through the maturity of the loan

\$ 1,000,000

Note payable to City of Santa Monica, secured by building, land leasehold trust deed, and assignment of rents, bearing interest at 8.27% through maturity, with annual principal and interest payments from Residual Receipts, as defined, to begin in August 2026 through maturity; initial maturity occurs in August 2046 with a one-time extension available to the borrower for an additional 25 years or other mutually agreed upon extended maturity date; at the end of the extension period, any remaining principal and interest is to be forgiven provided the Organization complies with applicable use and regulatory agreements through the maturity of the loan

990,000

UPWARD BOUND HOUSE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

Note 6 NOTES PAYABLE (CONT.)

<p>Note payable to City of Santa Monica, secured by land and building, bearing no interest with principal payments due from Residual Receipts, as defined, through maturity; initial maturity occurs 55 years from commencement of operations which was April 19, 2010, with a one-time extension available to the borrower for an additional 25 years; at the end of the extension period, any remaining principal and interest is to be forgiven provided the Organization complies with applicable use and regulatory agreements through the maturity of the loan</p>	400,000
<p>Note payable to City of Los Angeles Community Development Department, secured by land and building, bearing no interest with principal forgiven on the ten-year anniversary date of commencement of operations, which was April 19, 2010</p>	400,000
<p>Note payable to City of Beverly Hills, secured by land and building, bearing no interest with principal to be forgiven at maturity on the ten-year anniversary date of commencement of operations, which was April 19, 2010, provided the Organization complies with applicable use and regulatory agreements through the maturity of the loan</p>	<u>200,000</u>
	<u>\$ 2,990,000</u>

Total maturities of notes payable due after December 31, 2017 are \$2,990,000.

The Organization has a contingent interest liability of \$1,801,574 relating to its note payable to the City of Santa Monica, of which \$394,638 has been accrued at December 31, 2015. Management believes that this accrual is sufficient to cover any interest liability. In accordance with the loan agreement, all interest related to this loan will be forgiven provided the Organization remains in compliance with its regulatory agreement. It is the intent of the Organization to fully comply with all agreements and therefore believes it will never be liable for the interest.

Note 7 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Capital improvements	\$	44,839
Rapid rehousing program		34,870
Family shelter program		20,000
Family place program		17,901
Senior Villa programs		9,000
Program administration		7,500
Client purchases		<u>4,719</u>
Total	\$	<u>138,829</u>

UPWARD BOUND HOUSE  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

Note 8 NET ASSETS RELEASED FROM RESTRICTION

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by donors.

Purpose Restrictions Accomplished:

Family place program	\$	31,194
Program administration		22,500
Rapid rehousing program		20,130
Senior Villa programs		7,000
Capital improvements		2,000
Release of endowment income		1,006
Family shelter program		<u>367</u>
Total	\$	<u><u>84,197</u></u>

Note 9 LEASEHOLD INTEREST IN LAND

On July 1, 1996, the Board of Trustees of the Church transferred a 99 year leasehold interest in the land and air rights for property located at 1020 12th Street, Santa Monica, California (known as Family Place) to the Organization. This leasehold interest has been independently valued at \$700,000. The deed restrictions recognize that the property must be used as transitional family housing for not less than 10 years and must remain as affordable housing for up to 55 years.

Note 10 CASH IN BANK - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances at financial institutions. The aggregate balances maintained at the financial institutions may, at times, exceed the federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Note 11 CONTINGENCY

The Organization's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The potential exists for disallowance of previously funded program costs or approval of income due to funding shifts. Liabilities, if any, which may result from governmental audits cannot be reasonably estimated and, accordingly, the Organization has no provisions for the possible disallowance of program costs on its financial statements.

Note 12 RELATED PARTY TRANSACTIONS

The Organization provides management services for Senior Villa at a rate of 12.2% of rental revenue collected. In connection with this agreement, the Organization earned property management fees of \$57,235 for the year ended December 31, 2015.

UPWARD BOUND HOUSE  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

Note 13 ENDOWMENT FUND

The Organization's endowment consists of one donor-restricted endowment gift known as the Davis Garden Endowment Fund (Fund). The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the State of California as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

The Fund is invested approximately 50% in an equity market index fund and 50% in cash equivalents; earnings from the Fund are restricted to fund projects at Upward Bound House selected by the Davis Endowment Committee. Earnings are defined as dividends and interest earned on the Fund. Activity in the endowment related accounts during the year ended December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 69,546
Contributions	-	1,006	6,780
Investment income	-	-	1,006
Net appreciation	-	-	-
Amounts appropriated for expenditure	<u>-</u>	<u>(1,006)</u>	<u>(1,006)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,326</u>