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**HOPE OF THE VALLEY RESCUE MISSION
FINANCIAL STATEMENTS
December 31, 2014 and 2013
And For The Years Then Ended**

Together with Independent Auditor's Report

Outstanding Items:

1. MRL
2. Functional Expense Allocations

Hope of the Valley Rescue Mission

December 31, 2014 and 2013
And for the Years Then Ended

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Hope of the Valley Rescue Mission:

We have audited the accompanying statements of financial position of Hope of the Valley Rescue Mission (the "Mission"), as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mission as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

STANISLAWSKI & HARRISON

September 29, 2015

Hope of the Valley Rescue Mission
Statements of Financial Position
December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 627,722	\$ 589,336
Accounts receivable	37,870	14,445
Pledges receivable	72,120	-
Inventory	218,436	129,339
Prepaid expenses and other assets	138,435	89,959
Restricted cash	84,606	184,114
Property and equipment, net (Note 3)	<u>2,487,507</u>	<u>748,416</u>
 Total assets	 <u><u>\$ 3,666,696</u></u>	 <u><u>\$ 1,755,609</u></u>
 LIABILITIES		
Accounts payable and accrued expenses	\$ 255,353	\$ 109,327
Notes payable (Note 4)	<u>2,262,081</u>	<u>592,976</u>
 Total liabilities	 <u>2,517,434</u>	 <u>702,303</u>
 Lease commitments (Note 6)		
 NET ASSETS		
Unrestricted	1,064,656	869,192
Temporarily restricted (Note 7)	<u>84,606</u>	<u>184,114</u>
 Total net assets	 <u>1,149,262</u>	 <u>1,053,306</u>
 Total liabilities and net assets	 <u><u>\$ 3,666,696</u></u>	 <u><u>\$ 1,755,609</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements

Hope of the Valley Rescue Mission
Statement of Activities
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	Unrestricted	Temporarily Restricted	Total	
			2014	2013
REVENUE AND SUPPORT				
Contributions	\$ 780,051	\$ 318,086	\$ 1,098,137	\$ 960,446
In-kind contributions (Note 8)	551,008	-	551,008	478,085
Thrift stores	1,348,611	-	1,348,611	1,191,280
Contract fees	169,115	-	169,115	36,090
Special events, net of expenses of \$39,401 for 2014 and \$67,278 for 2013 (Note 9)	74,300	-	74,300	79,535
Net assets released from restrictions (Note 7)	417,594	(417,594)	-	-
Total revenue and support	<u>3,340,679</u>	<u>(99,508)</u>	<u>3,241,171</u>	<u>2,745,436</u>
EXPENSES				
Program	2,507,763	-	2,507,763	2,060,599
Management and general	376,207	-	376,207	178,627
Fundraising	261,245	-	261,245	354,180
Total expenses	<u>3,145,215</u>	<u>-</u>	<u>3,145,215</u>	<u>2,593,406</u>
Increase (decrease) in net assets	<u>195,464</u>	<u>(99,508)</u>	<u>95,956</u>	<u>152,030</u>
NET ASSETS – Beginning of year	<u>869,192</u>	<u>184,114</u>	<u>1,053,306</u>	<u>901,276</u>
NET ASSETS – End of year	<u>\$ 1,064,656</u>	<u>\$ 84,606</u>	<u>\$ 1,149,262</u>	<u>\$ 1,053,306</u>

The Accompanying Notes are an Integral Part of These Financial Statements

Hope of the Valley Rescue Mission
Statements of Activities
For the Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Contributions	\$ 845,627	\$ 114,819	\$ 960,446
In-kind contributions (Note 8)	478,085	-	478,085
Thrift stores	1,191,280	-	1,191,280
Contract fees	36,090	-	36,090
Special events, net of expenses of \$67,278 (Note 9)	79,535	-	79,535
Net assets released from restrictions (Note 7)	180,565	(180,565)	-
 Total revenue and support	 <u>2,811,182</u>	 <u>(65,746)</u>	 <u>2,745,436</u>
EXPENSES			
Program	2,060,599	-	2,060,599
Management and general	178,627	-	178,627
Fundraising	354,180	-	354,180
 Total expenses	 <u>2,593,406</u>	 <u>-</u>	 <u>2,593,406</u>
 Increase (decrease) in net assets	 <u>217,776</u>	 <u>(65,746)</u>	 <u>152,030</u>
 NET ASSETS – Beginning of year	 <u>651,416</u>	 <u>249,860</u>	 <u>901,276</u>
 NET ASSETS – End of year	 <u><u>\$ 869,192</u></u>	 <u><u>\$ 184,114</u></u>	 <u><u>\$ 1,053,306</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements

Hope of the Valley Rescue Mission
Statement of Functional Expenses
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	Program	Management & general	Fundraising	Total	
				2014	2013
EMPLOYEE COMPENSATION					
Salaries	\$ 859,326	\$ 85,860	\$ 14,310	\$ 959,496	\$ 919,084
Payroll taxes	74,069	5,182	864	80,115	75,950
Employee benefits	83,623	10,091	1,682	95,396	55,224
Total employee compensation	<u>1,017,018</u>	<u>101,133</u>	<u>16,856</u>	<u>1,135,007</u>	<u>1,050,258</u>
OTHER EXPENSES					
Food and program supplies	459,522	-	-	459,522	433,456
Occupancy	476,677	89,059	-	565,736	362,076
Advertising and promotion	141,761	49,168	195,893	386,822	226,054
Office expenses	71,711	21,800	2,379	95,890	141,804
Depreciation and amortization	53,613	40,685	-	94,298	79,679
Insurance	89,170	14,212	-	103,382	68,595
Travel	56,197	1,907	-	58,104	62,804
Professional fees	16,310	33,603	45,017	94,930	41,452
Program expenses	59,842	-	262	60,104	40,014
Information technology	8,546	8,556	-	17,102	14,203
Cost of goods sold	22,741	-	838	23,579	5,597
Conferences, conventions and meetings	1,271	1,271	-	2,542	4,312
Other expenses	33,384	14,813	-	48,197	63,102
Total other expenses	<u>1,490,745</u>	<u>275,074</u>	<u>244,389</u>	<u>2,010,208</u>	<u>1,543,148</u>
Total expenses	<u>\$ 2,507,763</u>	<u>\$ 376,207</u>	<u>\$ 261,245</u>	<u>\$ 3,145,215</u>	<u>\$ 2,593,406</u>

The Accompanying Notes are an Integral Part of These Financial Statements

**Hope of the Valley Rescue Mission
Statement of Functional Expenses
For the Year Ended December 31, 2013**

	<u>Program</u>	<u>Management & general</u>	<u>Fundraising</u>	<u>Total</u>
EMPLOYEE COMPENSATION				
Salaries	\$ 744,031	\$ 70,021	\$ 105,032	\$ 919,084
Payroll taxes	65,776	4,070	6,104	75,950
Employee benefits	39,924	6,120	9,180	55,224
Total employee compensation	<u>849,731</u>	<u>80,211</u>	<u>120,316</u>	<u>1,050,258</u>
OTHER EXPENSES				
Food and program supplies	433,456	-	-	433,456
Occupancy	345,951	10,175	5,950	362,076
Advertising and promotion	38,215	727	187,112	226,054
Office expenses	105,814	24,623	11,367	141,804
Depreciation and amortization	79,679	-	-	79,679
Insurance	43,648	24,947	-	68,595
Travel	61,776	1,028	-	62,804
Professional fees	5,244	15,231	20,977	41,452
Program expenses	40,014	-	-	40,014
Information technology	4,434	5,582	4,187	14,203
Cost of goods sold	5,597	-	-	5,597
Conferences, conventions and meetings	23	4,289	-	4,312
Other expenses	47,017	11,814	4,271	63,102
Total other expenses	<u>1,210,868</u>	<u>98,416</u>	<u>233,864</u>	<u>1,543,148</u>
Total expenses	<u>\$ 2,060,599</u>	<u>\$ 178,627</u>	<u>\$ 354,180</u>	<u>\$ 2,593,406</u>

The Accompanying Notes are an Integral Part of These Financial Statements

Hope of the Valley Rescue Mission
Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 95,956	\$ 152,030
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	91,964	79,679
Change in assets and liabilities		
Accounts receivable	(23,425)	(14,445)
Pledges receivable	(72,120)	46,000
Inventory	(89,097)	(15,739)
Prepaid expenses and other assets	(48,476)	(42,784)
Accounts payable and accrued expenses	<u>146,026</u>	<u>25,701</u>
Total adjustments	<u>4,872</u>	<u>78,412</u>
Net cash provided by operating activities	<u>100,828</u>	<u>230,442</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(1,831,054)</u>	<u>(150,355)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	2,124,000	-
Payments on notes payable	<u>(454,896)</u>	<u>(2,488)</u>
Net cash provided by (used in) financing activities	<u>1,669,104</u>	<u>(2,488)</u>
Net (decrease) increase in cash	(61,122)	77,599
CASH - Beginning of year	<u>773,450</u>	<u>695,851</u>
CASH - End of year	<u>\$ 712,328</u>	<u>\$ 773,450</u>
Recap of cash		
Cash	\$ 627,722	\$ 589,336
Restricted cash	<u>84,606</u>	<u>184,114</u>
	<u>\$ 712,328</u>	<u>\$ 773,450</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 25,983</u>	<u>\$ 28,475</u>

The Accompanying Notes are an Integral Part of These Financial Statements

Hope of the Valley Rescue Mission
Notes to Financial Statements
December 31, 2014 and 2013

(1) ORGANIZATION

The Hope of the Valley Rescue Mission (the "Mission"), a California nonprofit corporation located in Sun Valley, California, was formed in the summer of 2009. Its mission is to attract people and resources to assist in the effort of meeting the needs of every hungry and homeless man, woman and child in the San Fernando Valley and surrounding areas. Through strategic partnerships and services, the Mission empowers its clients with the faith, knowledge, resources and skills to lead a life of wholeness and self-sufficiency.

The Mission's vision is to tangibly demonstrate God's love to the Hungry, Homeless and Hurting of the San Fernando Valley by offering **Hope**, **Hot Meals**, **Housing**, **Health Services** and **Healing** to those in need.

- **Hope** - A message of love, support and freedom for a better tomorrow
- **Hot Meals** - Food distribution to the hungry
- **Housing** - Emergency/transitional shelter to the situational and chronically homeless
- **Health Services** - Resources for basic human needs
- **Healing** - Proven programs that lead to wholeness and self-sufficiency

As a faith-based compassion ministry, the Mission focuses on the spiritual, emotional, physical, relational, occupational and financial needs of our clients. The Mission's leadership seeks to operate in and promote an atmosphere that is entrepreneurial, strategic and practical. The Mission develops well thought out strategies and implements them through teams of skilled and faithful staff and volunteer workers. Partnering with individuals, businesses, civic organizations, faith based organizations and government agencies, the Mission expects to grow and serve ever greater numbers of those in need.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation - The financial statements of the Mission have been prepared in conformity to accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Mission and changes therein have been classified and are reported as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations; donor-restricted contributions whose restrictions are met in the same reporting period; and net assets designated by the Board of Directors or management for specific purposes.

Hope of the Valley Rescue Mission
Notes to Financial Statements
December 31, 2014 and 2013

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Mission and/or by the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Mission. Generally, the donors of these assets permit the Mission to use all or part of the income earned on related investments for general or specific purposes. The Mission had no permanently restricted net assets as of December 31, 2014 and 2013.

Pledges 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 fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible pledges is estimated by management based on such factors as prior collection history, type of contribution and the nature of the fundraising activity.

Revenue and Expense Recognition - Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

Contributions - Unconditional promises (pledges) to give are recorded as receivables and revenues. For financial reporting purposes, the Mission distinguishes between contributions of unrestricted assets, temporarily restricted assets and permanently restricted assets. Contributions on which donors have imposed restrictions which limit the use of the donated assets are reported as restricted. When such donor-imposed restrictions are met in subsequent reporting periods, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Contributed assets which are subject to perpetual donor restrictions and from which only the current income may be used are classified as permanently restricted assets. Contributed assets for which donors have not stipulated restrictions, as well as contributions on which donors have placed restrictions which are met within the same reporting period, are reported as unrestricted contributions.

Expiration of Donor-Imposed Restrictions - The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Hope of the Valley Rescue Mission
Notes to Financial Statements
December 31, 2014 and 2013**

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Services - Contributed services are recognized as contributions in accordance with ASC 958-605, *Not-for-Profit Entities, Revenue Recognition*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Mission. Many volunteers provide services throughout the year that are not recognized as contributions in the financial statements, because the recognition criteria under ASC 958-605 was not met. It is impracticable to determine the fair market value of all donated services by the volunteers of the Mission beyond those required to be recognized as income.

In-Kind Contributions - In-kind contributions are tangible noncash gifts reported at fair value.

Contract Fees - Contract fees revenue is revenue earned by providing emergency housing to single mothers and children at the Genesis House referred to by Los Angeles Homeless Services Authority. Revenue earned and not collected at year end was reported as Accounts Receivable, which is reported at net realizable value.

Acquisition Costs - Acquisition costs are related to soliciting potential customers and are expensed as incurred. These costs are included in the advertising and promotion expense line item on the Statement of Functional Expenses.

Cash - Cash includes cash in checking and savings accounts.

Concentration of Credit Risk - Financial instruments that potentially subject the Mission to credit risk are cash. The Federal Deposit Insurance Corporation insures cash accounts held in banks up to statutory limits. The Mission's cash accounts may exceed insured limits at times and has not experienced any losses in such accounts.

Property and Depreciation - Properties purchased are recorded at cost. Donated assets are capitalized at fair market value on the date of the gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	30 Years
Leasehold Improvements	Shorter of lease term or 2 - 5 Years
Furniture and Fixtures	7 Years
Vehicles	4 Years

Inventory - Contributed inventory for the thrift stores are stated at fair value which is measured at the average thrift store sale price per item during the month of December.

Restricted Cash - Restricted cash consists of cash restricted by donor-imposed restrictions for specific programs.

Hope of the Valley Rescue Mission
Notes to Financial Statements
December 31, 2014 and 2013

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes - The Mission is a nonprofit public benefit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Mission has received favorable determination letters indicating it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California franchise taxes under Section 23701 of the California Revenue Taxation Code.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes all of the positions taken by the Mission are more likely than not to be sustained upon examination. The returns are subject to examination by federal and state taxing authorities generally three and four years, respectively, after they are filed.

Functional Allocation of Expenses - The cost of providing the various programs and other activities has been summarized on a functional basis in the statements of activities. Accordingly, certain costs has been allocated among the programs and supporting services.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles may require management to make estimates and assumptions regarding the reported amounts of assets, liabilities, contingent assets and liabilities at the date of the financial statements and those estimates also affect the amounts of revenues and expenses reported during the period. Actual results could differ from those estimates.

Subsequent Events - Subsequent events have been evaluated through **September 29, 2015**, the date that these financial statements were available to be issued. There were no subsequent events that would require adjustments or disclosures in these financial statements.

The Mission continued development of their owned building located on Sepulveda Blvd. in Mission Hills, CA. They anticipate the new building, which will serve as a 30-bed recuperative care shelter and new administrative headquarters for the Mission, will be open by early 2016.

Hope of the Valley Rescue Mission
Notes to Financial Statements
December 31, 2014 and 2013

(3) PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2014 and 2013, is as follows:

	<u>2014</u>	<u>2013</u>
Land	\$ 555,700	\$ 240,700
Buildings	1,813,224	432,578
Building and leasehold improvements	171,160	156,627
Vehicles	121,845	63,225
Furniture and fixtures	<u>69,456</u>	<u>7,200</u>
	2,731,385	900,330
Accumulated depreciation	<u>(243,878)</u>	<u>(151,914)</u>
	<u>\$ 2,487,507</u>	<u>\$ 748,416</u>

(4) NOTES PAYABLE

In November 2011, the Mission entered into a note payable agreement with a board member in the amount of \$190,000 to purchase a house (House of Hope). The interest rate of the note is 6% and is due in November 2016 with monthly principal and interest payments of \$1,139. The note contains an early payment penalty of 2% and is secured by the deed of trust. The payments are made to the board member's retirement fund custodian, Millennium Trust Company, LLC.

In May 2012, the Mission entered into an interest-only note payable with a board member in the amount of \$308,000 to purchase a house (Genesis House). The principal balance was due May 15, 2013 with monthly interest payments at 4% and is secured by the deed of trust. The Mission was on a month-to-month extension thereafter. This loan was paid in full in August 2014.

In October 2012, the Mission entered into two unsecured interest-only notes payable in the amount of \$50,000 each for the purpose of developing a thrift shop located on Chatsworth Street. Both interest-only notes bear interest rate at 6% with monthly payments of \$250. Principal balances are due in October 2014 and October 2017. Both loans were paid in full in 2014.

In August 2014, the Mission entered into a new secured loan for the amount of \$450,000 for purposes of refinancing the purchase of the Genesis House maturing September 1, 2019. This loan is secured by the deed of trust and requires monthly payments of \$2,467 through September 1, 2019 which includes both principal and interest with an interest rate of 4.303%, as defined.

Hope of the Valley Rescue Mission
Notes to Financial Statements
December 31, 2014 and 2013

(4) NOTES PAYABLE (Continued)

In May 2014, the Mission obtained a \$1,674,000 loan with its bank that matures on June 1, 2029. The loan bears interest at a fixed rate of 3.714% through May 31, 2019. On June 1, 2019 and June 1, 2024, the interest rate will be adjusted to the greater of 3.5% or the five year Treasury Rate plus 1.99%. Commencing July 1, 2014, interest and principal is payable in equal monthly installments through June 1, 2029, at which time all outstanding principal and interest is due. Monthly installment amounts will be adjusted on June 1, 2019 and June 1, 2024. The loan is secured by deed of trust and security agreement.

At December 31, 2014 and 2013, notes payable balances were as follows:

	<u>2014</u>	<u>2013</u>
Mortgage payable, with CNB, interest 3.714%, due June 2029	\$ 1,632,198	\$ -
Mortgage payable, with CNB, interest 4.3%, due September 2019	447,488	-
Note payable, board member, interest 6% due November 2016	182,395	184,976
Note payable, board member, interest only at 4% due May 2013	-	308,000
Note payable, unsecured interest only at 6%, due October 2017	-	50,000
Note payable, unsecured interest only at 6%, due October 2014	-	50,000
	<u>\$ 2,262,081</u>	<u>\$ 592,976</u>

At December 31, 2014, future principal payments on the outstanding notes payable are as follows:

<u>Year Ending December 31</u>	
2015	\$ 99,796
2016	280,765
2017	104,830
2018	108,859
2019	113,044
Thereafter	<u>1,554,787</u>
	<u>\$ 2,262,081</u>

(5) RETIREMENT PLAN

As of January 1, 2012, the Mission has a non-ERISA 403(b) defined contribution retirement plan for eligible employees. Eligibility begins immediately and participants can make voluntary tax-deferred contributions to the plan up to statutory limits. The Mission does not contribute to the plan.

**Hope of the Valley Rescue Mission
Notes to Financial Statements
December 31, 2014 and 2013**

(6) LEASE COMMITMENTS

In August 2012, the Mission extended a facility lease for its administrative office and thrift shop located on San Fernando Road expiring in December 15, 2014. Monthly minimum lease payments are \$8,890 for 2014. The Mission had until September 15, 2014 to extend the lease for an additional two years. The Mission did not extend the lease as of September 15, 2014 and was on a month-to-month cancelable lease. The lease was amended on August 2015, expiring on October 2016, with a monthly lease payment of \$9,335.

In August 2012, the Mission entered into a five year facility lease agreement for a second thrift shop located on Chatsworth Street. The agreement expires in November 2017 with monthly base rent of \$11,711 and additional fees at \$0.18 per square foot. The agreement provides rent for the 13th and 25th months to be reduced by 50% as long as all payments have been made and has a 3% annual rent increase.

In October 2012, the Mission entered into a one year facility use agreement with a nonprofit organization to use their kitchen located in Sylmar, California. The kitchen is used to provide meals to the homeless. The agreement has monthly rent of \$725. Currently the lease is on a month-to month basis.

In February 2015, the Mission entered into a three-year facility lease agreement for a third thrift shop located in Santa Clarita Valley. The agreement expires in January 2018 with monthly base rent of \$14,345 and additional fees of \$3,873 for Common Area Maintenance and \$574 for advertising. The agreement has an option to extend the lease for two three-year options. The agreement is subject to a 3% annual rent increase.

In April 2015, the Mission entered into a five year facility lease agreement with a Church to use the building and property located in Van Nuys, California. The agreement expires in March 2020 with a monthly base rent of \$4,806 and 3% annual increase.

At December 31, 2014, future minimum lease payments under the four non-cancelable facility lease agreements are as follows:

Year Ending December 31		
2015	\$	506,635
2016		533,015
2017		439,284
2018		82,497
2019		64,438
Thereafter		<u>16,228</u>
	<u>\$</u>	<u>1,642,097</u>

Hope of the Valley Rescue Mission
Notes to Financial Statements
December 31, 2014 and 2013

(7) TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2014 and 2013, temporarily restricted net assets were available for the following purposes:

	<u>2014</u>	<u>2013</u>
Purpose restricted for programs:		
Capital Campaign	\$ 928	\$ -
Genesis House	83,678	184,114
	<u>\$ 84,606</u>	<u>\$ 184,114</u>

During the fiscal years ended December 31, 2014 and 2013, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2014</u>	<u>2013</u>
Purpose restricted for programs:		
Capital Campaign	\$ 226,503	\$ -
Genesis House	188,891	149,500
House of Hope	2,200	21,065
Time restrictions	-	10,000
	<u>\$ 417,594</u>	<u>\$ 180,565</u>

(8) IN-KIND CONTRIBUTIONS

For the years ended December 31, 2014 and 2013, in-kind contributions included donations to the thrift stores, food, drinks, household goods, and toiletries in the amount of \$537,683 and \$432,360, respectively, used for homeless recovery programs and Thanksgiving and Christmas meals.

Hope of the Valley Rescue Mission
Notes to Financial Statements
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(9) SPECIAL EVENTS

The Mission engaged in various fundraising activities during the years ended December 31, 2014 and 2013, as follows:

<u>2014</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Net Revenue</u>
Dinner auction	\$ 57,423	\$ 7,082	\$ 50,341
Thanksgiving	22,693	1,010	21,683
Comedy night	21,118	20,327	791
Other events	12,467	10,982	1,485
	<u>\$ 113,701</u>	<u>\$ 39,401</u>	<u>\$ 74,300</u>
<u>2013</u>			
Dinner auction	\$ 60,192	\$ 18,518	\$ 41,674
Thanksgiving	35,426	1,290	34,136
Poker night	16,995	15,044	1,951
Comedy night	10,512	2,495	8,017
Backpack giveaway	4,044	7,962	(3,918)
Other events	19,644	21,969	(2,325)
	<u>\$ 146,813</u>	<u>\$ 67,278</u>	<u>\$ 79,535</u>

(10) THRIFT STORES

For the years ended December 31, 2014 and 2013, the Mission operated three thrift stores in the San Fernando Valley. The items sold in the thrift stores are mainly donated items. For the years ended December 31, 2014 and 2013, thrift stores revenue were \$1,348,611 and \$1,191,280, respectively, and expenses were \$952,486 and \$872,830, respectively.

(11) RELATED PARTY TRANSACTIONS

During the year ended December 31, 2014, the Mission paid approximately \$25,000 to a family member that is related to the Executive Director for fundraising consulting services.