

**HOPE Services and
The Foundation for HOPE**

**Combined Financial Statements
and Supplemental Information**

June 30, 2011 and 2010

Board of Directors
HOPE Services and The Foundation for HOPE
San Jose, California

Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

New York
Palo Alto
San Francisco
San Jose
St. Helena

We have audited the accompanying combined statements of financial position of HOPE Services and The Foundation for HOPE (collectively HOPE) as of June 30, 2011 and 2010, and the related combined statements of activities, functional expenses and cash flows for the years then ended. These combined financial statements are the responsibility of HOPE's management. Our responsibility is to express an opinion on these combined 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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of HOPE Services and The Foundation for HOPE as of June 30, 2011 and 2010, and the change in their net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Frank, Rimerman + Co. LLP

October 26, 2011

HOPE Services and The Foundation for HOPE
Combined Statements of Financial Position

	June 30,	
	2011	2010
	<u> </u>	<u> </u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 482,149	\$ 660,674
Accounts receivable, net of allowance for doubtful accounts of \$303,200 (\$394,200 in 2010)	3,847,292	4,037,983
Pledges receivable	38,566	28,321
Investments	4,781,480	3,962,922
Prepaid expenses and other current assets	122,089	166,233
	<u>9,271,576</u>	<u>8,856,133</u>
Assets Limited as to Use		
Cash restricted for debt service	728,126	722,737
Investments restricted for endowment	940,943	289,776
Cash restricted for endowment	156,484	802,551
	<u>1,825,553</u>	<u>1,815,064</u>
Pledge Receivable	87,093	87,093
Property and Equipment, net	14,344,253	14,790,750
Bond Issuance Costs	289,857	320,913
Other Assets	129,401	112,469
	<u>129,401</u>	<u>112,469</u>
Total assets	<u>\$ 25,947,733</u>	<u>\$ 25,982,422</u>

(continued)

HOPE Services and The Foundation for HOPE
Combined Statements of Financial Position (continued)

	June 30,	
	2011	2010
LIABILITIES AND NET ASSETS		
Current Liabilities		
Bank overdraft	\$ 256,661	\$ 522,861
Line of credit	1,606,513	762,337
Accounts payable	1,207,110	1,002,190
Accrued liabilities	2,341,219	2,419,877
Notes payable, current maturities	196,468	272,090
Serial bonds, current maturities	300,000	290,000
Total current liabilities	<u>5,907,971</u>	<u>5,269,355</u>
Long-Term Liabilities		
Notes payable	675,855	873,798
Serial bonds	1,350,000	1,650,000
Term bonds due 2020	2,115,000	2,115,000
Total long-term liabilities	<u>4,140,855</u>	<u>4,638,798</u>
Total liabilities	10,048,826	9,908,153
Commitments (Notes 5, 6 and 7)		
Net Assets		
Unrestricted		
Designated	2,501,601	2,496,212
Undesignated	12,067,498	12,261,264
Temporarily restricted	232,381	224,466
Permanently restricted	1,097,427	1,092,327
Total net assets	<u>15,898,907</u>	<u>16,074,269</u>
Total liabilities and net assets	<u>\$ 25,947,733</u>	<u>\$ 25,982,422</u>

See Notes to Combined Financial Statements

HOPE Services and The Foundation for HOPE
Combined Statements of Activities
Years Ended June 30, 2011 and 2010

	2011			2010				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support								
State and county funding	\$ 23,982,992	\$ -	\$ -	\$ 23,982,992	\$ 23,976,905	\$ -	\$ -	\$ 23,976,905
Commercial contract services	7,597,444	-	-	7,597,444	7,441,865	-	-	7,441,865
In-kind donations of professional services	962,739	-	-	962,739	1,295,628	-	-	1,295,628
Wholesale sales of salvage	4,676,643	-	-	4,676,643	4,929,471	-	-	4,929,471
Retail sales of salvage	783,989	-	-	783,989	731,041	-	-	731,041
In-kind donations of salvage	5,460,632	-	-	5,460,632	5,660,512	-	-	5,660,512
Contributions and pledges	554,376	104,990	5,100	664,466	579,580	89,469	-	669,049
Contributed use of facilities	285,996	-	-	285,996	285,996	-	-	285,996
United Way allocations and designations	27,850	35,900	-	63,750	16,112	5,643	-	21,755
Special events	95,366	-	-	95,366	126,819	-	-	126,819
Rental income	207,458	-	-	207,458	187,367	-	-	187,367
Other	64,030	-	-	64,030	99,410	-	-	99,410
Net assets released from restrictions	132,975	(132,975)	-	-	234,318	(234,318)	-	-
Total revenues, gains and other support	44,832,490	7,915	5,100	44,845,505	45,565,024	(139,206)	-	45,425,818
Expenses								
Program services	30,560,146	-	-	30,560,146	30,451,449	-	-	30,451,449
Support services								
General and administrative	4,206,321	-	-	4,206,321	4,019,847	-	-	4,019,847
Fund raising								
Salvage solicitation	4,964,269	-	-	4,964,269	4,791,927	-	-	4,791,927
Other	545,451	-	-	545,451	477,646	-	-	477,646
Cost of goods sold (salvage)	5,460,632	-	-	5,460,632	5,660,512	-	-	5,660,512
Total expenses	45,736,819	-	-	45,736,819	45,401,381	-	-	45,401,381
Increase (Decrease) in Net Assets from Operations	(904,329)	7,915	5,100	(891,314)	163,643	(139,206)	-	24,437
Investment Income	715,952	-	-	715,952	393,881	-	-	393,881
Change in Net Assets	(188,377)	7,915	5,100	(175,362)	557,524	(139,206)	-	418,318
Net Assets, beginning of year	14,757,476	224,466	1,092,327	16,074,269	14,199,952	363,672	1,092,327	15,655,951
Net Assets, end of year	\$ 14,569,099	\$ 232,381	\$ 1,097,427	\$ 15,898,907	\$ 14,757,476	\$ 224,466	\$ 1,092,327	\$ 16,074,269

See Notes to Combined Financial Statements

HOPE Services and The Foundation for HOPE
Combined Statement of Functional Expenses
Year Ended June 30, 2011

	Support Services				Total Expenditures	Non-Cash Cost of Goods Sold (Salvage)	Total Expenses
	Program Services	General and Administrative	Fund Raising				
			Salvage Solicitation	Other			
Personnel Costs:							
Salaries and wages	\$ 16,928,309	\$ 1,740,855	\$ 1,897,779	\$ 300,754	\$ 20,867,697	\$ -	\$ 20,867,697
Benefits	4,271,190	665,600	504,358	88,951	5,530,099	-	5,530,099
Payroll taxes	1,240,058	121,737	137,609	22,499	1,521,903	-	1,521,903
Donated services	962,736	-	-	-	962,736	-	962,736
Total personnel costs	23,402,293	2,528,192	2,539,746	412,204	28,882,435	-	28,882,435
Cost of Goods Sold (Salvage)	-	-	-	-	-	5,460,632	5,460,632
Occupancy	2,259,200	137,536	447,471	15,752	2,859,959	-	2,859,959
Operating Supplies	1,345,781	58,963	67,909	4,488	1,477,141	-	1,477,141
Purchased Services	1,366,460	677,081	1,140,000	60,002	3,243,543	-	3,243,543
Communications	279,135	66,153	39,401	11,745	396,434	-	396,434
Interest	206,738	110,195	-	2,539	319,472	-	319,472
Depreciation and Amortization	605,889	258,381	48,414	1,619	914,303	-	914,303
Travel and Transportation	633,960	49,105	580,359	6,541	1,269,965	-	1,269,965
Equipment Rental	147,062	39,312	20,013	4,136	210,523	-	210,523
Printing and Publications	18,840	146,786	5,421	18,251	189,298	-	189,298
Bond Expenses	25,661	10,308	-	443	36,412	-	36,412
Bad Debt Expense	5,594	-	-	-	5,594	-	5,594
Insurance	228,531	48,726	58,247	2,478	337,982	-	337,982
Other Expenses	35,002	75,583	17,288	5,253	133,126	-	133,126
Total expenses	<u>\$ 30,560,146</u>	<u>\$ 4,206,321</u>	<u>\$ 4,964,269</u>	<u>\$ 545,451</u>	<u>\$ 40,276,187</u>	<u>\$ 5,460,632</u>	<u>\$ 45,736,819</u>
Percentage of total expenditures	<u>76%</u>	<u>11%</u>	<u>12%</u>	<u>1%</u>	<u>100%</u>		

See Notes to Combined Financial Statements

HOPE Services and The Foundation for HOPE
Combined Statement of Functional Expenses
Year Ended June 30, 2010

	Support Services				Total Expenditures	Non-Cash Cost of Goods Sold (Salvage)	Total Expenses
	Program Services	General and Administrative	Fund Raising				
			Salvage Solicitation	Other			
Personnel Costs:							
Salaries and wages	\$ 16,863,723	\$ 1,895,452	\$ 1,834,536	\$ 261,820	\$ 20,855,531	\$ -	\$ 20,855,531
Benefits	4,047,108	686,579	432,515	72,691	5,238,893	-	5,238,893
Payroll taxes	1,243,995	137,464	130,855	19,526	1,531,840	-	1,531,840
Donated services	1,295,628	-	-	-	1,295,628	-	1,295,628
Total personnel costs	23,450,454	2,719,495	2,397,906	354,037	28,921,892	-	28,921,892
Cost of Goods Sold (Salvage)	-	-	-	-	-	5,660,512	5,660,512
Occupancy	2,311,942	141,759	441,504	14,959	2,910,164	-	2,910,164
Operating Supplies	1,306,754	56,044	70,430	3,748	1,436,976	-	1,436,976
Purchased Services	1,311,386	363,242	1,093,018	31,335	2,798,981	-	2,798,981
Communications	283,580	80,264	40,388	11,049	415,281	-	415,281
Interest	224,757	76,559	-	2,401	303,717	-	303,717
Depreciation and Amortization	610,510	268,537	46,934	1,283	927,264	-	927,264
Travel and Transportation	581,554	37,848	537,821	8,276	1,165,499	-	1,165,499
Equipment Rental	153,053	27,770	24,061	5,658	210,542	-	210,542
Printing and Publications	13,384	136,102	1,309	13,054	163,849	-	163,849
Bond Expenses	25,697	10,378	-	395	36,470	-	36,470
Bad Debt Benefit	(103,502)	-	54,066	-	(49,436)	-	(49,436)
Insurance	256,211	49,703	74,964	2,211	383,089	-	383,089
Other Expenses	25,669	52,146	9,526	29,240	116,581	-	116,581
Total expenses	\$ 30,451,449	\$ 4,019,847	\$ 4,791,927	\$ 477,646	\$ 39,740,869	\$ 5,660,512	\$ 45,401,381
Percentage of total expenditures	<u>77%</u>	<u>10%</u>	<u>12%</u>	<u>1%</u>	<u>100%</u>		

See Notes to Combined Financial Statements

HOPE Services and The Foundation for HOPE
Combined Statements of Cash Flows

	Years Ended June 30,	
	2011	2010
Cash Flows from Operating Activities		
Change in net assets	\$ (175,362)	\$ 418,318
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision (benefit) for uncollectible receivables	5,594	(49,436)
Depreciation and amortization	914,303	927,264
Amortization of bond issuance costs	31,056	31,056
Net realized and unrealized gain on investments	(576,955)	(338,658)
Loss (gain) on disposition of property and equipment	17,554	(49,539)
Changes in operating assets and liabilities:		
Accounts receivable	185,097	(468,275)
Pledges receivable	(10,245)	1,965,727
Prepaid expenses and other assets	27,212	(43,350)
Accounts payable	204,920	132,762
Accrued liabilities	(78,658)	1,417
Net cash provided by operating activities	544,516	2,527,286
Cash Flows from Investing Activities		
Proceeds from maturities and sales of investments	1,494,319	3,685,541
Purchase of investments	(2,387,089)	(4,421,591)
Proceeds from sale of property and equipment	3,900	94,800
Purchase of property and equipment	(489,260)	(461,560)
Net cash used in investing activities	(1,378,130)	(1,102,810)
Cash Flows from Financing Activities		
Change in bank overdraft	(266,200)	211,858
Repayment of notes and bonds payable	(563,565)	(503,589)
Net proceeds from (repayment of) line of credit	844,176	(417,669)
Net cash provided by (used in) financing activities	14,411	(709,400)
Net increase (decrease) in cash and cash equivalents	(819,203)	715,076
Cash and Cash Equivalents, beginning of year	2,185,962	1,470,886
Cash and Cash Equivalents, end of year	<u>\$ 1,366,759</u>	<u>\$ 2,185,962</u>
Reconciliation of Cash to Cash and Cash Equivalents		
Cash and cash equivalents	\$ 482,149	\$ 660,674
Cash restricted for debt service	728,126	722,737
Cash restricted for endowment	156,484	802,551
	<u>\$ 1,366,759</u>	<u>\$ 2,185,962</u>

(continued)

HOPE Services and The Foundation for HOPE
Combined Statements of Cash Flows (continued)

	Years Ended June 30,	
	<u>2011</u>	<u>2010</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 321,600</u>	<u>\$ 305,700</u>
Supplemental Schedule of Noncash Investing and Financing Activities		
Equipment and vehicles financed through notes payable	<u>\$ -</u>	<u>\$ 265,729</u>

See Notes to Combined Financial Statements

HOPE Services and The Foundation for HOPE
Notes to Combined Financial Statements

1. Nature of Activities and Significant Accounting Policies

Nature of Activities

HOPE Services, a private, nonprofit, tax-exempt organization, provides services to more than 2,500 individuals with developmental and other disabilities and their families. HOPE Service's clients may have autism spectrum disorders, mental retardation, Down's syndrome and other related conditions. Services include a range of employment and job training programs, developmental activities, professional counseling, infant services, senior services, supported and independent living services and mobility training for children, adults and seniors in five Northern California counties. The Foundation for HOPE (the Foundation), a private, nonprofit, tax-exempt organization, is dedicated to raising funds to further the goals of HOPE Services. HOPE Services approves all nominations to the Board of Trustees of the Foundation.

Significant Accounting Policies

Basis of Presentation:

The combined financial statements include the accounts of HOPE Services and the Foundation (collectively HOPE). All significant balances and transactions between the entities have been eliminated.

HOPE segregates its assets and liabilities, and operations into three categories: unrestricted, temporarily restricted and permanently restricted. HOPE's net assets and changes therein are classified and reported as follows:

Unrestricted net assets consist of net assets for which there are no donor-imposed restrictions or such donor-imposed restrictions were temporary and expired during the current or previous years. Certain cash limited as to its use, certain investments and a pledge receivable are reflected as designated unrestricted net assets at June 30, 2011 and June 30, 2010.

Temporarily restricted net assets consist of amounts receivable or received that are restricted for specific purposes or for subsequent periods. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Combined Statements of Activities as net assets released from restrictions.

HOPE Services and The Foundation for HOPE
Notes to Combined Financial Statements

1. Nature of Activities and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Basis of Presentation: (continued)

Permanently restricted net assets consist of all contributions receivable or received from donors that are subject to restrictions requiring the funds to be maintained permanently for the purpose of producing support for HOPE. Income from these assets is recorded as unrestricted net assets unless otherwise restricted by donor stipulations.

Reclassifications:

Certain reclassifications have been made to prior year balances to conform with current year presentation.

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, disclosure of contingent assets and liabilities and reported amounts of revenues and expenses in the combined financial statements and accompanying notes. Actual results could differ from those estimates.

Contract Service Revenues:

Revenue from state and county funding is recognized based on the terms of the respective fee for service contract. Most contracts provide that HOPE will be paid at pre-established rates based on attendance of clients, coaching hours provided, or other measures. Revenue from contract services provided by HOPE clients to commercial organizations is recognized upon completion of services or based on quantities of piecework completed.

Contributions:

HOPE recognizes contributions and unconditional promises to give (pledges) as revenue at their fair value in the period the contribution or pledge is made. HOPE distinguishes among contributions that increase any of the three categories of net assets, with recognition being made of the expiration of donor-imposed restrictions in the period in which the restrictions expire.

HOPE Services and The Foundation for HOPE
Notes to Combined Financial Statements

1. Nature of Activities and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

In-Kind Donations:

HOPE records various types of in-kind donations including professional services, tangible assets and the use of tangible assets. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets, or the use thereof, are recognized when promised or received, whichever is earlier. The amounts reflected in the accompanying combined financial statements as in-kind donations are offset by like amounts of expenses or in the case of long-term assets, over the period benefited. Additionally, HOPE receives a significant amount of contributed time, which does not meet the recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying combined financial statements.

Retail Sales:

HOPE operates a retail store in Fremont, California under a non-cancelable operating lease to facilitate the sale of donated clothing and other household items. Sales to customers are unconditional and returns are not allowed.

Cost of Goods Sold (Salvage):

HOPE collects donated items from the general public for sale to a third party retailer of used goods and in HOPE's Fremont store. As the value of donated items is not determinable at the time of donation, HOPE has historically recorded in-kind revenue from its salvage operations equal to the annual revenue generated from wholesale and retail salvage sales, with a corresponding in-kind charge to cost of goods sold (salvage), to report its collection efforts in the Combined Statements of Activities.

Cash Equivalents:

HOPE considers all short-term, highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents restricted by donors for use for certain purposes or restricted for debt service under the terms of the debt agreement are not considered to be available for current use, and are not included in cash and cash equivalents for purposes of the Combined Statements of Financial Position.

HOPE Services and The Foundation for HOPE
Notes to Combined Financial Statements

1. Nature of Activities and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Concentrations of Credit Risk:

Financial instruments that potentially subject HOPE to concentrations of credit risk consist primarily of cash and cash equivalents, investments, accounts receivable and pledges receivable. Risks associated with cash and cash equivalents and investments are mitigated by maintaining deposits in multiple credit-worthy financial institutions. From time to time, the cash balances at the financial institutions are in excess of the Federal Deposit Insurance Corporation insurable limit. HOPE's investment balances exceed the level insured by the Securities Investor Protection Corporation. HOPE's investment portfolio and invested cash are managed by HOPE's Board of Directors and Investment Committee.

Accounts receivable consist primarily of public funding and contract service revenues. Contract service revenues are primarily from companies located in Northern California. Approximately 68% of accounts receivable at June 30, 2011 are from government agencies (65% at June 30, 2010). Pledges receivable represent amounts committed by donors that have not been received by HOPE. HOPE makes judgments as to the ability to collect all of its outstanding receivables and provides allowances for amounts when collection becomes doubtful. Provisions are made based upon a specific review of past due and other outstanding balances for which collection is considered uncertain.

Investments:

Investments in marketable securities are reported at fair value based on quoted market prices. Unrealized gains and losses are included in investment income or loss. Income and gains on restricted investments are reported as increases in unrestricted net assets unless otherwise restricted by the donor.

Investments classified as current assets are readily marketable and are available for conversion to cash within one year of the date of the Combined Statements of Financial Position.

HOPE Services and The Foundation for HOPE
Notes to Combined Financial Statements

1. Nature of Activities and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Inventory:

Inventory, consisting of donated clothing and other household items, is sold through HOPE's retail store or directly to other thrift stores and is valued at donated value. For slow-moving or non-salable items, necessary provisions are recorded to reduce inventory to net realizable value. At June 30, 2011, inventory of \$27,000 (\$28,100 at June 30, 2010), is included in prepaid expenses and other current assets on the Combined Statements of Financial Position.

Property and Equipment:

HOPE capitalizes property and equipment acquisitions over \$1,000. Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at their estimated fair value. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets ranging from three to forty years. Leasehold improvements are amortized over the shorter of the asset life or the remaining lease term.

Donations of property and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Donations of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Accounting for Impairment of Long-Lived Assets:

HOPE reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. When it is determined the carrying value of long-lived assets may not be recoverable, HOPE measures any impairment based on projected discounted cash flows using a discount rate commensurate with the risk inherent in its current operation model. To date, HOPE has not recorded any impairment of its long-lived assets as a result of this analysis.

HOPE Services and The Foundation for HOPE
Notes to Combined Financial Statements

1. Nature of Activities and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Income Taxes:

HOPE has been determined to be exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (Code) as an organization described in Section 501(c)(3) of the Code. HOPE is also exempt from California income taxes under Section 23701(d) of the California Revenue and Taxation Code.

Although HOPE is recognized as tax exempt, it is still liable for tax on any unrelated business taxable income (UBI). HOPE does not believe it has UBI that should have been reported for tax purposes.

HOPE applies the provisions set forth in Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 740 to account for uncertainty in income taxes. HOPE has assessed all income tax positions taken where the statute of limitation remained open. Examples of these tax positions include the HOPE's tax exempt status and potential sources of unrelated business taxable income. HOPE believes that its tax filing positions will be sustained upon tax examinations; therefore, no liability for unrecognized income tax benefits has been recorded at June 30, 2011.

HOPE's federal exempt organization business income tax return (Form 990) is subject to examination, generally for three years after it is filed with the Internal Revenue Service.

Functional Expenses:

The costs of providing HOPE's various programs and services have been summarized on a functional basis in the combined Statements of Functional Expenses. Directly identifiable expenses are charged to the related program or service benefited. Indirect expenses are allocated to programs and services based principally on the percentage of personnel time spent in each area.

Advertising:

Costs associated with advertising are expensed when incurred. Advertising expenses were \$155,100 in fiscal 2011 (\$131,300 in fiscal 2010).

HOPE Services and The Foundation for HOPE
Notes to Combined Financial Statements

2. Pledges Receivable

One pledge represents 69% of pledges receivable at June 30 2011 (75% at June 30, 2010). The pledge relates to an estate, which was recorded as a receivable based on available financial information in 2008. The estate was settled during 2009 and the pledge is expected to be received within two years.

3. Investments and Fair Value Measurements

HOPE categorizes its investments into a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date. HOPE defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The three-level hierarchy for fair value measurements is defined as follows:

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

In January 2010, the FASB issued Accounting Standard Update No. 2010-06, *Improving Disclosures about Fair Value Measurements* (ASU 2010-06) to add new disclosures about investment transfers into and out of Level 1 and 2 measurements and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. HOPE adopted ASU 2010-06, effective July 1, 2010, with no material impact on its financial statements.

HOPE Services and The Foundation for HOPE
Notes to Combined Financial Statements

3. Investments and Fair Value Measurements (continued)

The following table presents HOPE's investments reported at fair value and classified as Level 1 investments under the three-level hierarchy as of June 30:

	<u>2011</u>	<u>2010</u>
Equity Securities:		
Consumer goods	\$ 491,201	\$ 315,721
Energy and precious metals	382,972	230,306
Financial services	355,151	255,040
Healthcare	316,712	203,547
Manufacturing	191,352	143,975
Technology	317,408	179,755
Telecommunication services	97,055	61,166
Utilities	117,859	51,618
Retail services	241,873	173,469
Foreign stock and other miscellaneous	<u>25,819</u>	<u>-</u>
Total equity securities	<u>2,537,402</u>	<u>1,614,597</u>
Fixed Income Securities:		
Government bonds	508,391	532,138
Corporate bonds	962,645	795,023
Foreign bonds	<u>107,816</u>	<u>109,227</u>
Total fixed income securities	<u>1,578,852</u>	<u>1,436,388</u>
Mutual Funds:		
Blend funds	163,530	258,639
Bond funds	1,044,557	892,487
Index funds	11,928	-
Value funds	<u>17,390</u>	<u>4,239</u>
Total mutual funds	<u>1,237,405</u>	<u>1,155,365</u>
Exchange-Traded Funds	<u>368,764</u>	<u>46,348</u>
Total investments at fair value	<u>\$ 5,722,423</u>	<u>\$ 4,252,698</u>

HOPE Services and The Foundation for HOPE
Notes to Combined Financial Statements

3. Investments and Fair Value Measurements (continued)

Investments are classified as follows at June 30:

	<u>2011</u>	<u>2010</u>
Unrestricted and temporarily restricted investments	\$ 4,781,480	\$ 3,962,922
Investments restricted for endowment	<u>940,943</u>	<u>289,776</u>
Total	<u>\$ 5,722,423</u>	<u>\$ 4,252,698</u>

Unrestricted investment income is comprised of the following for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Dividends and interest	\$ 200,674	\$ 110,687
Net realized and unrealized gain	<u>576,955</u>	<u>338,658</u>
	777,629	449,345
Less investment expenses	<u>(61,677)</u>	<u>(55,464)</u>
Total	<u>\$ 715,952</u>	<u>\$ 393,881</u>

4. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Land	\$ 5,294,109	\$ 5,294,109
Building and improvements	11,493,270	11,493,270
Office furniture and equipment	501,358	471,893
Equipment and tools	501,134	492,312
Computer equipment	1,954,535	1,604,296
Transportation equipment	1,832,965	1,830,465
Leasehold improvements	<u>493,398</u>	<u>454,333</u>
	22,070,769	21,640,678
Accumulated depreciation and amortization	<u>(7,726,516)</u>	<u>(6,849,928)</u>
Property and equipment, net	<u>\$ 14,344,253</u>	<u>\$ 14,790,750</u>

HOPE Services and The Foundation for HOPE
Notes to Combined Financial Statements

5. Borrowing Arrangements

Bonds Payable:

Bonds payable consist of California Health Facilities Financing Authority Insured Health Facility Refunding Revenue Bonds, as follows at June 30:

	<u>2011</u>	<u>2010</u>
4.45% - 4.90% Serial Bonds	\$ 1,650,000	\$ 1,940,000
5.375% Term Bonds	<u>2,115,000</u>	<u>2,115,000</u>
Total bonds payable	3,765,000	4,055,000
Less current maturities	<u>(300,000)</u>	<u>(290,000)</u>
Long-term bonds payable	<u>\$ 3,465,000</u>	<u>\$ 3,765,000</u>

In May 2002, the California Health Facilities Financing Authority (the Authority) issued \$5,845,000 Series A Bonds to refinance all of HOPE's previously outstanding bonds. The term bonds are due on November 1, 2020, and require mandatory sinking fund payments beginning in 2016. The serial bonds require annual principal payments due each November 1, with interest payments due each November 1 and May 1. Bonds maturing on or after November 1, 2011, are subject to redemption prior to their respective dates at the option of the Authority and at the direction of HOPE. HOPE has pledged unrestricted gross revenues, as defined, under the bond agreement. The obligation is secured by deeds of trust on HOPE's facilities.

The full amount of principal and interest on the serial bonds is insured by the Office of Statewide Health Planning and Development (OSHPD) of the State of California. The bond agreement provides for various restrictive covenants including, among other things, maintaining a minimum debt coverage ratio, timely financial reporting and repaying all outstanding short-term indebtedness for a 30-day period during the year. At June 30, 2011, HOPE was not in compliance with two covenants that are calculated on an annual basis, and was in technical default. In a letter dated subsequent to June 30, 2011, OSHPD agreed to defer any action against HOPE for the year ended June 30, 2011, and not accelerate the bonds prior to July 1, 2012, as a result of these covenant violations at June 30, 2011.

HOPE Services and The Foundation for HOPE
Notes to Combined Financial Statements

5. Borrowing Arrangements (continued)

Bonds Payable: (continued)

In addition, HOPE is required to maintain a bond reserve account in an amount equal to the maximum annual bond service requirement under the bond agreement. As a result, cash of \$728,126 at June 30, 2011 has been restricted for debt service to satisfy this requirement (\$722,737 at June 30, 2010).

Future maturities of bonds payable are as follows:

Year ending June 30,

2012	\$	300,000
2013		315,000
2014		330,000
2015		345,000
2016		360,000
Thereafter		<u>2,115,000</u>
Total	\$	<u>3,765,000</u>

HOPE Services and The Foundation for HOPE
Notes to Combined Financial Statements

5. Borrowing Arrangements (continued)

Notes Payable:

Notes payable consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Mortgage note with bank, payable in monthly installments of \$2,549 plus variable interest at the bank's prime rate (3.25% at June 30, 2011), with all principal due in January 2015; secured by deed of trust on real property.	\$ 113,220	\$ 143,808
Mortgage note with bank, payable in monthly installments of \$2,342, including interest at 9.7% through July 2011; secured by deed of trust on real property.	3,961	28,169
Vehicle notes, payable in monthly installments of \$16,075, including interest from 1.9% - 11.1%, due at various dates through July 2015; secured by vehicles.	316,011	504,223
Equipment note, non-interest bearing, payable in quarterly installments of \$3,807, due through January 2012; secured by equipment.	7,614	22,842
Mortgage note with bank, payable in monthly installments of \$1,960, including interest at 7.25% through December 2026; secured by deed of trust on real property.	218,618	225,997
Mortgage note with bank, payable in monthly installments of \$952, including interest at 7.25% through December 2026; secured by deed of trust on real property.	106,224	109,809
Mortgage note with individuals, payable in monthly installments of \$1,000, including interest at 7.0% through June 2025; secured by deed of trust on real property.	<u>106,675</u>	<u>111,040</u>
Total	872,323	1,145,888
Less current maturities	<u>(196,468)</u>	<u>(272,090)</u>
	<u>\$ 675,855</u>	<u>\$ 873,798</u>

HOPE Services and The Foundation for HOPE
Notes to Combined Financial Statements

5. Borrowing Arrangements (continued)

Notes Payable: (continued)

Aggregate principal payments required are as follows:

Year ending June 30,	
2012	\$ 196,468
2013	127,868
2014	105,127
2015	83,833
2016	22,999
Thereafter	<u>336,028</u>
Total	<u>\$ 872,323</u>

Line of Credit:

HOPE has a \$2,500,000 line of credit with a bank bearing interest at the London Inter-Bank Offered Rate plus 2.5% (4.5% at June 30, 2011). Borrowings against the line of credit were \$1,606,500 at June 30, 2011 (\$762,300 at June 30, 2010).

The line of credit is subject to renewal on February 1, 2013. The line of credit is collateralized by HOPE's investments with that bank.

6. Lease Arrangements

HOPE leases 15 separate facilities under operating lease agreements, many with renewal options, which expire at various dates through 2053. Management expects that in the normal course of business the leases will be renewed, or replaced, either by other leases or by acquisition or construction of similar facilities. HOPE also leases equipment and vehicles under operating lease agreements of five years or less.

HOPE Services and The Foundation for HOPE
Notes to Combined Financial Statements

6. Lease Arrangements (continued)

Future minimum lease payments, net of sublease income, for equipment, vehicles and facilities are as follows:

Year ending June 30,	
2012	\$ 1,478,000
2013	1,188,000
2014	866,000
2015	691,000
2016	663,000
Thereafter	<u>9,975,000</u>
Total	<u>\$ 14,861,000</u>

Facilities rent expense under operating leases was \$1,336,100 in 2011 (\$1,422,600 in 2010), exclusive of in-kind rent. Equipment rent expense under operating leases was \$110,700 in 2011 (\$121,500 in 2010).

HOPE leases a building in San Jose under an agreement expiring in 2022, which provides for annual rent of \$1. The lessor has the right to terminate this agreement upon 180 days written notice. The fair value of this rent in 2011 and 2010, has been estimated by HOPE at \$276,800, and is reflected as contributed use of facilities revenue and rent expense.

A small portion of the Children's Discovery Museum of San Jose is leased for the purpose of providing a training program for HOPE clients. This program provides food service for museum visitors. The lease agreement provides for annual rent of \$2,400, plus one-half of the surplus of program income (should there be any) net of all expenses, including general, administrative and overhead costs. The lease agreement expires in August 2013. The fair value of this rent for 2011 and 2010, has been estimated by HOPE at \$9,200, and is reflected as contributed use of facilities revenue and rent expense.

The land which houses the Whittier facility is leased under a 48-year operating lease agreement which expires in 2038. Basic monthly rental payments under this lease are subject to two possible adjustments: (1) a consumer price index (CPI) based adjustment which occurs every three years, and (2) a market value adjustment which can occur, at the option of either the landlord or HOPE, every 10 years.

HOPE Services and The Foundation for HOPE
Notes to Combined Financial Statements

6. Lease Arrangements (continued)

The CPI-based adjustment is determined by the increase in CPI during the previous three-year period. Every market value adjustment is the starting point for subsequent CPI-based adjustments. The CPI-based adjustment is subject to a three-to-five percent collar, such that annual rent must increase at least 3% but no more than 5%. The market value adjustment is determined by an appraisal that can occur every ten years at the option of the landlord or HOPE. The market value adjustment establishes the new base rent although the appraised value of the property can never result in a base rent that is less than the rent determined in the appraisal from 10 years earlier. The last appraisal and market value adjustment took place in June 2001. During 2010, the landlord waived his right to revalue the base rent in 2010. However, the landlord retained his right to the future lease adjustments under the lease. There was no increase in rent in 2011. Future minimum lease payments of this lease have been computed and are included in the above schedule based on the June 2001 market value base rent amount.

7. Employee Retirement Plans

Defined Contribution Retirement Plan:

HOPE has a defined contribution retirement plan for employees meeting certain employment service requirements. Contributions are based on varying percentages of eligible employees' compensation, as defined. The benefits vest upon contribution. Retirement benefits expense related to the plan was \$584,400 in 2011 (\$536,900 in 2010).

Deferred Compensation Plan:

HOPE has a deferred compensation plan covering certain key employees. Annual contributions to the plan are determined by HOPE's Executive Committee. HOPE contributed \$121,000 to the plan in 2011 (\$120,000 in 2010).

Retirement Pensions:

HOPE currently provides one former employee with a retirement pension. The actuarially computed present value of the benefit was expensed over the period from the inception of the agreement through the employee's retirement date. Accrued retirement payable and pension cost were not material as of and for the years ended June 30, 2011 or 2010. Retirement benefits were fully vested and unfunded at June 30, 2011 and 2010.

HOPE Services and The Foundation for HOPE
Notes to Combined Financial Statements

8. Net Assets

Temporarily restricted net assets are restricted by donors for the purposes and periods described below. Temporarily restricted net assets consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
United Way receivable (time restrictions)	\$ 27,095	\$ 5,643
Program services (time and purpose restrictions)	200,286	211,323
Pledges receivable (time and purpose restrictions)	<u>5,000</u>	<u>7,500</u>
	<u>\$ 232,381</u>	<u>\$ 224,466</u>

Permanently restricted net assets of \$1,097,427 at June 30, 2011 (\$1,092,327 at June 30, 2010), consist of cash and investments held in perpetuity.

9. Endowment

HOPE's endowment consists of both contributions receivable or received with donor-restrictions and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

HOPE's Board of Directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, HOPE 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 in temporarily restricted net assets until those amounts are appropriated for expenditure by HOPE in a manner consistent with the standard of prudence prescribed by SPMIFA.

HOPE Services and The Foundation for HOPE
Notes to Combined Financial Statements

9. Endowment (continued)

In accordance with SPMIFA, HOPE 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 HOPE 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 HOPE;
- (7) HOPE's investment policies.

Endowment net assets consist of the following at June 30, 2011 :

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,097,427	\$ 1,097,427
Board-designated endowment funds	<u>1,576,422</u>	<u>-</u>	<u>1,576,422</u>
	<u>\$ 1,576,422</u>	<u>\$ 1,097,427</u>	<u>\$ 2,673,849</u>

Endowment net assets consist of the following at June 30, 2010:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,092,327	\$ 1,092,327
Board-designated endowment funds	<u>1,576,422</u>	<u>-</u>	<u>1,576,422</u>
	<u>\$ 1,576,422</u>	<u>\$ 1,092,327</u>	<u>\$ 2,668,749</u>

The unrestricted endowment funds of \$1,576,422 relates to a portion of proceeds from an estate received or receivable (Note 2) that the Board of Directors established as an endowment fund in 2009.

HOPE Services and The Foundation for HOPE
Notes to Combined Financial Statements

9. Endowment (continued)

HOPE has adopted an investment policy for endowment assets with the primary objective to preserve principal, while generating a competitive rate of return and maintaining liquidity. Under this policy, funds are invested in cash and cash equivalents, and readily marketable equity and fixed income securities, unless otherwise approved by HOPE's Board of Directors. Limiting risks and protecting principal is an integral part of the investment policy objectives.

HOPE has not appropriated any endowment funds for expenditure at June 30, 2011. Endowment investment income and gains in 2011 and 2010 have been classified as unrestricted net assets to capture endowment investment losses recorded as unrestricted net assets in prior years.

10. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors, including the passage of time. Net assets were released from restrictions as follows for the years ended June 30:

	<u>2011</u>	<u>2010</u>
United Way receivable (time restrictions)	\$ 14,789	\$ 127,643
Program services (time and purpose restrictions)	<u>118,186</u>	<u>106,675</u>
	<u>\$ 132,975</u>	<u>\$ 234,318</u>

11. Related Parties

In 1997, South County/Hope Villa Esperanza, Inc. (SCHVE), a nonprofit organization, was incorporated with a mission to build and maintain a housing facility for persons with disabilities financed by the U.S. Department of Housing and Urban Development. Representatives from HOPE and South County Housing Corporation serve as directors of SCHVE. While HOPE has control through majority representation on the Board of Directors, it does not have an economic interest in, or any financial commitments to, SCHVE. Therefore, SCHVE operations are not combined into HOPE's financial statements. For purposes of making this determination, control is defined as the direct or indirect ability to determine the direction of management and policies through ownership, contract, or otherwise. Economic interest is defined as an interest in SCHVE that exists if (a) SCHVE holds or utilizes significant resources that must be used for the unrestricted or restricted purposes of HOPE, either directly or indirectly by producing income or providing services, or (b) HOPE is responsible for the liabilities of SCHVE.

HOPE Services and The Foundation for HOPE
Notes to Combined Financial Statements

11. Related Parties (continued)

Condensed financial information from SCHVE's financial statements is audited by other auditors and as follows as of and for the year ended June 30:

	<u>2011</u>	<u>2010</u>
Current assets	\$ 18,190	\$ 6,311
Deposits and funded reserves	119,580	114,324
Land, buildings, equipment, and fixtures, net	<u>2,595,574</u>	<u>2,680,658</u>
Total assets	2,733,344	2,801,293
Current liabilities	(19,056)	(22,408)
Long-term liabilities	<u>(1,563,068)</u>	<u>(1,539,942)</u>
Unrestricted net assets	<u>\$ 1,151,220</u>	<u>\$ 1,238,943</u>
Total revenues	\$ 139,787	\$ 135,855
Total operating expenses	<u>(142,426)</u>	<u>(148,270)</u>
Excess expenses over revenues before depreciation	(2,639)	(12,415)
Depreciation expense	<u>(85,084)</u>	<u>(85,084)</u>
Change in unrestricted net assets	<u>\$ (87,723)</u>	<u>\$ (97,499)</u>

A current member of HOPE's Board of Directors is the owner of the firm that brokered life insurance and long-term disability benefits for certain HOPE employees. There were no administrative fees paid directly by HOPE to the Board member's firm in fiscal 2011 or 2010.

The above related party transactions have been reviewed and approved by HOPE's Board of Directors.

12. Subsequent Events

Subsequent events have been evaluated through the date of the independent auditors' report, which is the date the financial statements were approved by HOPE and available to be issued.

Supplemental Information

Board of Directors
HOPE Services and The Foundation for HOPE
San Jose, California

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION

We have audited the combined financial statements of HOPE Services and The Foundation for HOPE as of June 30, 2011 and 2010 and for the years then ended, and issued our report thereon dated October 26, 2011, which expressed an unqualified opinion on those combined financial statements. Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying combining statement of financial position as of June 30, 2011, and combining statement of activities for the year then ended are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2011 combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.



Frank, Rimerman + Co. LLP

Palo Alto, California
October 26, 2011

HOPE Services and The Foundation for HOPE
Combining Statement of Financial Position
June 30, 2011

	<u>HOPE Services</u>	<u>The Foundation for HOPE</u>	<u>Combined</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 482,149	\$ -	\$ 482,149
Accounts receivable, net of allowance for doubtful accounts of \$303,000	3,847,292	-	3,847,292
Pledges receivable	38,566	-	38,566
Due from (to) affiliate	151,602	(151,602)	-
Investments	4,188,219	593,261	4,781,480
Prepaid expenses and other current assets	122,089	-	122,089
Total current assets	8,829,917	441,659	9,271,576
Assets Limited as to Use			
Cash restricted for debt service	728,126	-	728,126
Investments restricted for endowment	-	940,943	940,943
Cash restricted for endowment	-	156,484	156,484
Total assets limited as to use	728,126	1,097,427	1,825,553
Pledge Receivable	87,093	-	87,093
Property and Equipment, net	14,344,253	-	14,344,253
Bond Issuance Costs	289,857	-	289,857
Other Assets	129,401	-	129,401
Total assets	<u>\$ 24,408,647</u>	<u>\$ 1,539,086</u>	<u>\$ 25,947,733</u>

(continued)

HOPE Services and The Foundation for HOPE
Combining Statement of Financial Position (continued)
June 30, 2011

	<u>HOPE Services</u>	<u>The Foundation for HOPE</u>	<u>Combined</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Bank overdraft	\$ 256,661	\$ -	\$ 256,661
Line of credit	1,606,513	-	1,606,513
Accounts payable	1,207,110	-	1,207,110
Accrued liabilities	2,341,219	-	2,341,219
Notes payable, current maturities	196,468	-	196,468
Serial bonds, current maturities	300,000	-	300,000
Total current liabilities	<u>5,907,971</u>	-	<u>5,907,971</u>
Long-Term Liabilities			
Notes payable	675,855	-	675,855
Serial bonds	1,350,000	-	1,350,000
Term bonds due 2020	2,115,000	-	2,115,000
Total long-term liabilities	<u>4,140,855</u>	-	<u>4,140,855</u>
Total liabilities	<u>10,048,826</u>	-	<u>10,048,826</u>
Net Assets			
Unrestricted			
Designated	2,461,601	40,000	2,501,601
Undesignated	11,665,839	401,659	12,067,498
Temporarily restricted	232,381	-	232,381
Permanently restricted	-	1,097,427	1,097,427
Total net assets	<u>14,359,821</u>	<u>1,539,086</u>	<u>15,898,907</u>
Total liabilities and net assets	<u>\$ 24,408,647</u>	<u>\$ 1,539,086</u>	<u>\$ 25,947,733</u>

HOPE Services and The Foundation for HOPE
Combining Statement of Activities
Year Ended June 30, 2011

	HOPE Services			The Foundation for HOPE			Combined
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Permanently Restricted	Total	
Revenues, Gains and Other Support							
State and county funding	\$ 23,982,992	\$ -	\$ 23,982,992	\$ -	\$ -	\$ -	\$ 23,982,992
Commercial contract services	7,597,444	-	7,597,444	-	-	-	7,597,444
In-kind donations of services	962,739	-	962,739	-	-	-	962,739
Wholesale sales of salvage	4,676,643	-	4,676,643	-	-	-	4,676,643
Retail sales of salvage	783,989	-	783,989	-	-	-	783,989
In-kind donations of salvage	5,460,632	-	5,460,632	-	-	-	5,460,632
Contributions and pledges	554,376	104,990	659,366	-	5,100	5,100	664,466
Contributed use of facilities	285,996	-	285,996	-	-	-	285,996
United Way allocations and designations	27,850	35,900	63,750	-	-	-	63,750
Special events	95,366	-	95,366	-	-	-	95,366
Rental income	207,458	-	207,458	-	-	-	207,458
Other	64,030	-	64,030	-	-	-	64,030
Net assets released from restrictions	132,975	(132,975)	-	-	-	-	-
Total revenues, gains and other support	44,832,490	7,915	44,840,405	-	5,100	5,100	44,845,505
Expenses							
Program services	30,560,146	-	30,560,146	-	-	-	30,560,146
Support services							
General and administrative	4,206,321	-	4,206,321	-	-	-	4,206,321
Fund raising							
Salvage solicitation	4,964,269	-	4,964,269	-	-	-	4,964,269
Other	545,451	-	545,451	-	-	-	545,451
Cost of goods sold (salvage)	5,460,632	-	5,460,632	-	-	-	5,460,632
Total expenses	45,736,819	-	45,736,819	-	-	-	45,736,819
Increase (Decrease) in Net Assets from Operations	(904,329)	7,915	(896,414)	-	5,100	5,100	(891,314)
Investment Income	511,036	-	511,036	204,916	-	204,916	715,952
Change in Net Assets	(393,293)	7,915	(385,378)	204,916	5,100	210,016	(175,362)
Net Assets, beginning of year	14,520,733	224,466	14,745,199	236,743	1,092,327	1,329,070	16,074,269
Net Assets, end of year	\$ 14,127,440	\$ 232,381	\$ 14,359,821	\$ 441,659	\$ 1,097,427	\$ 1,539,086	\$ 15,898,907