

BUILD FUTURES
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2014

BUILD FUTURES

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To the Board of Directors
Build Futures
Huntington Beach, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of **Build Futures** which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses and cash flow for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the organization's 2013 financial statements and in our report dated January 28, 2015 an unqualified opinion was expressed on those 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 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 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 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 opinion.

Opinion

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

Hell, Morgan and Associates, LLP

Carson, California
March 15, 2015

BUILD FUTURES
STATEMENT OF FINANCIAL POSITION
As of December 31, 2014
(With comparative totals as of December 31, 2013)

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 59,327	\$ 57,023
Due from officer	165	
Security deposit	500	1,095
Total current assets	59,992	58,118
Property and equipment:		
Furniture and equipment	1,565	1,565
Less: accumulated depreciation	(780)	(624)
Net property and equipment	785	941
TOTAL ASSETS	\$ 60,777	\$ 59,059
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$	\$ 231
Total current liabilities		231
Total liabilities		231
Net Assets:		
Unrestricted net assets	60,777	58,828
Total net assets	60,777	58,828
TOTAL LIABILITIES AND NET ASSETS	\$ 60,777	\$ 59,059

The accompanying notes are an integral part of these financial statements.

BUILD FUTURES
STATEMENT OF ACTIVITIES
For the year ended December 31, 2014
(With comparative totals for the year ended December 31, 2013)

	<u>2014</u>	<u>2013</u>
SUPPORT AND REVENUES:		
Contributions	\$ 56,141	\$ 66,078
Bike program	1,824	2,591
Donated services	<u>187,697</u>	<u>157,500</u>
Total support and revenues	<u>245,662</u>	<u>226,169</u>
EXPENSES:		
Program services	241,313	208,747
Management and general	<u>2,400</u>	<u>2,564</u>
Total expenses	<u>243,713</u>	<u>211,311</u>
Decrease in net assets	1,949	14,858
Net assets, beginning of the year	<u>58,828</u>	<u>43,970</u>
Net assets, end of the year	<u><u>\$ 60,777</u></u>	<u><u>\$ 58,828</u></u>

The accompanying notes are an integral part of these financial statements.

BUILD FUTURES
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2014
(With comparative totals for the year ended December 31, 2013)

	<u>Programs</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>2014 Total expenses</u>	<u>2013 Total expenses</u>
EXPENSES:					
Accounting	\$	\$	952	\$	\$
Bike program	7,904			7,904	7,254
Books, subscriptions, education	213	65		278	341
Business registration fees		60		60	120
Computer expenses	96			96	207
Clothing	969			969	1,145
Documentation	395			395	331
Depreciation		156		156	156
Donated services	187,697			187,697	157,500
Employment costs					222
Food	1,113			1,113	1,533
Gas	329			329	340
Hygeine	683			683	562
Housing	29,078			29,078	25,775
Internet		185		185	680
Medical	100			100	291
Membership dues	25			25	
OCTA bus pass	4,930			4,930	4,851
Other expense	633			633	3,044
Phones	5,476	802		6,278	4,941
Printing and copying	210			210	130
Supplies	871	180		1,051	619
Travel and meeting	546			546	229
Volunteer expense	45			45	87
Total expenses	<u>\$ 241,313</u>	<u>\$ 2,400</u>	<u>\$</u>	<u>\$ 243,713</u>	<u>\$ 211,311</u>

The accompanying notes are an integral part of these financial statements

BUILD FUTURES
STATEMENT OF CASH FLOWS
For the year ended December 31, 2014
(With comparative totals for the year ended December 31, 2013)

	2014	2013
Cash flows from operating activities:		
Increase in net assets	\$ 1,949	\$ 14,858
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	156	156
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable		
Due from officer	(165)	
Security deposit	595	(500)
Increase (decrease) in liabilities:		
Accounts payable	(231)	(582)
Net cash provided by operating activities	2,304	13,932
Net increase in cash	2,304	13,932
Cash - beginning of the year	57,023	43,091
Cash - end of the year	\$ 59,327	\$ 57,023

The accompanying notes are an integral part of these financial statements.

BUILD FUTURES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Build Futures began in 2009 when the founder, Kathy Tillotson, identified a large gap in services and housing options for homeless youth ages 18 to 24 in Orange County. Coming from a business background, Kathy developed a structured, step-by-step program of intervention tailored to each client combined with a one-on-one supportive relationship based on compassion to move homeless youth from surviving on the streets to self-sufficiency called “Steps to Success”. Stable housing and employment are the keys to the success of our clients. Kathy received Senator Correa’s Women Making a Difference award in 2011. Kathy is a 2013 Honoree for National Philanthropy Day.

We have served more than 380 homeless youth in the last four years; we began housing our clients the last two years as our funding increased. We housed 31 homeless youth last year, 12 were women and 23 were chronically homeless. We have housed 48 homeless youth so far this year, 24 of them were women. We now provide emergency or temporary housing to all the homeless youth referred to us who want to work to become self-sufficient, most often the same day. We do not turn anyone away or have a waiting list. There is a severe need for emergency housing for homeless women. There is currently no emergency shelter for homeless women in Orange County or a family. We recently housed a couple with a one-year-old child who had nowhere else to turn. When the two-winter emergency shelters open, it is still a very scary place for a single woman and does not offer the services and employment support we provide. In the shelter, young women have to sleep on the floor on mats in a large room with homeless men and women who may have mental health or drug addiction problems. There is a great need for our program.

Many of our youth clients have experienced extraordinarily high levels of abuse and victimization before, during, and after episodes of homelessness and live with ongoing dangers and threats. The longer a youth is homeless, the higher the risk they will become a chronically homeless adult.

The unemployment rate for youth 16 to 24 is the highest in history and it is much worse for those who are homeless. Without employment, many homeless youth have no choice but to turn to drugs, survival sex, prostitution and crime. Without the housing and support Build Futures provides, the barriers for homeless youth seeking and obtaining employment are often too difficult to overcome.

These notes are an integral part of the preceding financial statements.

BUILD FUTURES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Build Futures is a 100% volunteer-run organization, with over 50 active volunteers from a wide range of backgrounds and interns contributing countless hours. Every semester we have four or more interns from local colleges. We have eight members on our Board of Directors. The Board is made up of seven women and one man. Their backgrounds include finance, business, information technology, marketing, Department of Probation, faith and community outreach. In 2012, 96% of every dollar donated went to client program expenses.

Our goal is to never turn a homeless youth away who needs help in Orange County. Our objective is to provide or connect our clients to the housing, services, resources and support they need to enable them to obtain and maintain stable housing, employment, self-sufficiency and long term independence to have a future free from homelessness and poverty. Build Futures' housing and support services will enable our homeless youth clients to be taken off the street and safely housed while they obtain employment and self-sufficiency. We connect the youth we serve with medical, mental health, legal and substance abuse resources and develop a plan for higher education.

All of our youth are referred to us by 211, nonprofits, schools, social services, homeless court, faith based organizations and other homeless youth and individuals. Since 2012, we have helped every homeless youth who was referred to us which was over 100 last year and is already over 100 this year. We go to the clients where they are since most do not have transportation or a way to contact us. We house and provide basic needs, mentorship and support services to those willing to work toward becoming self sufficient often the same day of the referral. We provide outreach support services and mentorship for those not ready to put in the effort needed or ready to leave the street. We support these youth on a case-by-case basis with bus passes and phones if they prefer to stay on the street. We stress they are always welcome to come to us when they want to work to get a job and we will continue to mentor them and help with food, basic needs and resource referrals for the long term until they are ready to move forward.

These notes are an integral part of the preceding financial statements.

BUILD FUTURES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Build Futures Services:

Rapid Rehousing: We take homeless youth off the streets and house them, often the same day we are contacted, if they want to get a job and work at getting off the street, we give them a chance to show it. With the rising drug problem and human trafficking in the county, we feel it is really important to get these kids off the street as quickly as possible and safe. We meet with them wherever they are. With a significant lack of affordable housing in Orange County, finding these youth a place to live requires a personalized approach. We subsidize their rent and support them to obtain employment so they can pay their own rent as soon as possible.

Support Services:

- Secure ID: California Id and social security card;
- Secure Employment: We work with employment partners and staffing agencies for job search, skill training and job placement;
- Basic Necessities: food, bus passes, phone, clothing, basic needs;
- Address and/or resolve legal, medical and/or mental health issues;
- Case management: Extensive initial client specific one on one case management in the first two or three months and long term follow up one on one case management based on our “Steps to Success” self-sufficiency plan.

Homeless youth face a combination of obstacles to employment typically not experienced by other unemployed workers. A single homeless youth may have to overcome many if not all of the following:

- No permanent residence;
- No strong adult guidance or support system;
- No “right to work” documentation;
- Inability to pay for transportation or cell phones;
- No previous job experience;
- Limited or no social and workplace skills;
- Being stigmatized for being homeless;
- Poor nutrition and limited access to food;
- No high school education or gaps in education;
- No experience with money, a bank account, etc.;
- Legal issues;
- Depression or other mental health issues.

Youth this age have unique requirements; contrary to popular belief, they are not yet adults. Young people disproportionately suffer from serious health, behavioral, and emotional problems and homeless youth suffer to a higher degree. An important

These notes are an integral part of the preceding financial statements.

BUILD FUTURES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

component of promoting social and emotional well being in our youth clients includes knowledge of the impact of trauma, which can have a profound effect on the overall functioning of the youth we serve. A trauma-informed approach involves understanding the symptoms of chronic interpersonal trauma and traumatic stress as well as the behavioral and mental health consequences of trauma. Using national evidence-informed practices derived from the best available research and professional expertise, our program focuses on boosting the "protective factors" around homeless youth. Protective factors are the positive influences that reduce the effects of stressful life events on young people, increase their ability to make good decisions, and promote the social and emotional competence that will help them thrive now and in the future. To address these obstacles and provide "protective factors", we first address the immediate needs of homeless youth (food, clothing, shelter, etc.) through direct intervention or appropriate referrals. Then we work on improving the behavioral, psychological, and physical health of our youth clients, and providing them with employment and educational supports.

A critical component of our program is working collaboratively with existing non-profit organizations, community services, faith based organizations, educational institutions and volunteers to close the gap in the service continuum. Build Futures compliments, enhances and extends these existing services to provide complete and unique case management and wraparound support unique to each youth's needs.

Build Futures only exists to fill gaps in services not duplicate any existing services or resources. We have developed a searchable online resource database of over 800 resources in Orange County on our website that is available to the public and that we use to make referrals to existing services and nonprofits whenever possible to increase resources for our clients; this is continually being updated. We network with homeless service providers in the county to monitor housing openings and any new programs funded. We are very involved in the Commission to End Homelessness implementation groups for Rapid Rehousing and Employment.

We partner with the Salvation Army in Santa Ana so that we can place one male a day if needed into their emergency shelter if referred prior to 3pm for a two-week stay. We also refer clients to their Adult Rehab facility in Anaheim when applicable. We work closely with the managers of several sober living houses to make immediate housing placements. At all times we work on referring our clients to mental health and medical services including medical insurance.

These notes are an integral part of the preceding financial statements.

BUILD FUTURES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

We have partnerships with job placement agencies including Goodwill, Women Helping Women/Men to Work, Second Chance/Illumination Foundation, Career Wise, Workforce Investment Board, Economic Development Dept., Conservation Corps and others. We also work with the community colleges and certification programs like Taller San Jose.

Currently there is no emergency shelter for the homeless except for the Salvation Army for a limited number of men and the First Baptist Church in Buena Park for one night. Build Futures provides immediate emergency/rapid rehousing for those referred to us. For youth 18 to 24, especially if single, the options are extremely limited for any supportive housing except if they are emancipated foster youth, which has only been about 10% of the youth, referred to us. The population we serve has unique characteristics, which can make them difficult to serve and undesirable clients for most transitional living and employment programs. In addition, the unemployment rate is the highest in history for this group. Our employment partners require we guarantee housing, transportation and a phone to the clients for a minimum of four to eight weeks before referrals to assure positive outcomes for their programs. In addition, many of our clients initially do not have their California ids or social security cards which are required for employment and transitional living programs. We are the only ones we are aware of that will house these homeless youth while they are obtaining these documents except the Salvation Army. Many programs also require 30 to 90 days of sobriety prior to serving clients; we do not have that criteria. We also go to the youth where they are since most do not have any form of transportation or communication.

To our knowledge and according to 211, there are no other programs like ours and we are filling a gap in services for these youth. We remove the barriers to getting help and housing for these youth. Orange County organizations serve those with severe mental health issues or disabilities, which we do not serve. Other housing programs serve adults but most are not targeted to this population and their unique needs.

Build Futures is finalizing our implementation of a Salesforce client information management and tracking system. Our client information system provides the information related to client needs and services provided. This system collects and tracks client progress and program effectiveness. Reports generated from the database will provide data that will allow analysis of outcomes and effectiveness of Build Futures' program and services. The measurements are based on our "Steps to Success" self-sufficiency plan.

These notes are an integral part of the preceding financial statements.

BUILD FUTURES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The outcome measurement will be determined in two ways. The first will be progress made in obtaining and maintaining a job, stable housing, job skill development or education to facilitate increased earning power measured by participation and completion in one or both of these areas, services obtained while in the program including full right to work documentation, mental health counseling, medical, dental, vision, legal, food stamps, cash aid, WIC, general relief, and MediCal or MSI. The second outcome will be the increased number of youth served. Reports will be generated to track client needs, services received and outcomes and promote monitoring and analysis of client progress in their self-sufficiency plans. It will promote the identification of client service needs and areas for additional focus. Our volunteer management system will be integrated with the client management system for coordination and management of mentors and clients and improving volunteer involvement in meeting client needs. Information provided will increase coordination with other nonprofit organizations to better serve our clients and help expand awareness of the organizations and volunteer activities making the most significant impact on our clients.

These youth are particularly challenging and measuring success in a standard way does not tell the full story. There are fits and starts on the path to self-sufficiency, the length of time these youth are employed and housed will be calculated.

Client progress made in obtaining and maintaining a job, stable housing, job skill development or education to facilitate increased earning power (measured by participation and completion in one or both of these areas), services obtained while in the program including full right to work documentation, mental health counseling, medical, dental, vision, legal, food stamps, cash aid, WIC, general relief, and MediCal or MSI. Maintaining housing is the first specific measurement.

Housing without employment is not sustainable. We have found many of our youth clients need added support to learn how to not only obtain a job but also keep it. Several of the programs are geared toward those who need a "learn to work" program before job placement. In the past, there has been a problem with our clients keeping their jobs. These programs are designed to address this issue. This does require a longer time for housing support.

These notes are an integral part of the preceding financial statements.

BUILD FUTURES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL STATEMENT PRESENTATION

The accompanying financial statements are prepared on the accrual basis in accordance with the AICPA's Audit and Accounting Guide, "Not-for-Profit Organizations."

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions that could affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For the purpose of the Statement of Cash Flows, Build Futures considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

INCOME TAXES

Build Futures is a not-for-profit organization that is exempt from Federal and state income taxes under the Internal Revenue Code Section 501(c) (3) and the California State Revenue and Taxation Code 23701 (d) except on net income derived from unrelated business activities. Build Futures' management believes that it has support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Build Futures' Forms 990, Return of Organization Exempt from Income Tax for the years ending December 31, 2011, 2012, 2013 and 2014 are subject to examination by the Internal Revenue Service, generally for four years after they were filed.

PROPERTY AND EQUIPMENT

Property and equipment is capitalized at cost or fair market value on the date of receipt in the case of donated property. Depreciation is provided on the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years. Leasehold improvements are depreciated over the lease term (including options) or the useful life. Major additions are capitalized, and repairs and maintenance that do not improve or extend the life of the assets are expensed. When assets are sold or retired their cost and the related accumulated depreciation are removed from the accounts with the resulting gain or loss reflected in the Statement of Activities.

These notes are an integral part of the preceding financial statements.

BUILD FUTURES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Build Futures financial statements for the year ended December 31, 2013 from which the summarized information was derived.

NOTE 2 - SUBSEQUENT EVENTS

Build Futures' Management has evaluated subsequent events for the period from December 31, 2014 through March 15, 2014, the date the financial statements were available to be issued. Management did not identify any transactions that require disclosure or that would have an impact on the financial statements.

These notes are an integral part of the preceding financial statements.