

Audited Financial Statements

**Heart of
Los Angeles
Youth, Inc.**

June 30, 2011 and 2010

Quigley & Miron

HEART OF LOS ANGELES YOUTH, INC.
AUDITED FINANCIAL STATEMENTS
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June 30, 2011 and 2010

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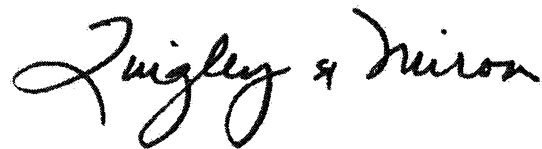
INDEPENDENT AUDITOR'S REPORT

Board of Directors
Heart of Los Angeles Youth, Inc.
Los Angeles, California

We have audited the accompanying statements of financial position of Heart of Los Angeles Youth, Inc. (HOLA), a nonprofit organization, as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of HOLA's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements referred to above present fairly, in all material respects, the financial position of Heart of Los Angeles Youth, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Los Angeles, California
April 12, 2012

HEART OF LOS ANGELES YOUTH, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 369,226	\$ 805,165	\$ 1,174,391
Investments	658,522	163,134	821,656
Contributions receivable, net	14,691	620,217	634,908
Prepaid expenses	81,980		81,980
Leaseholder's prepaid right to facilities	714,849		714,849
Property and equipment, net	<u>236,723</u>		<u>236,723</u>
TOTAL ASSETS	<u>\$ 2,075,991</u>	<u>\$ 1,588,516</u>	<u>\$ 3,664,507</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued expenses	\$ 58,263	\$	\$ 58,263
Deferred revenue related to fundraising event	61,500		61,500
City of Los Angeles gift payable	<u>61,310</u>		<u>61,310</u>
TOTAL LIABILITIES	181,073		181,073
COMMITMENTS AND CONTINGENCIES			
NET ASSETS			
Unrestricted	1,894,918		1,894,918
Temporarily restricted	<u></u>	<u>1,588,516</u>	<u>1,588,516</u>
TOTAL NET ASSETS	<u>1,894,918</u>	<u>1,588,516</u>	<u>3,483,434</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,075,991</u>	<u>\$ 1,588,516</u>	<u>\$ 3,664,507</u>

See notes to financial statements.

HEART OF LOS ANGELES YOUTH, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 634,270	\$ 908,977	\$ 1,543,247
Investments	263,627	97,438	361,065
Contributions receivable, net	26,721	994,950	1,021,671
Prepaid expenses	68,071		68,071
Leaseholder's prepaid right to facilities	722,070		722,070
Property and equipment, net	<u>222,800</u>		<u>222,800</u>
TOTAL ASSETS	<u>\$ 1,937,559</u>	<u>\$ 2,001,365</u>	<u>\$ 3,938,924</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued expenses	\$ 97,497	\$	\$ 97,497
City of Los Angeles gift payable	<u>362,070</u>		<u>362,070</u>
TOTAL LIABILITIES	459,567		459,567
COMMITMENTS AND CONTINGENCIES			
NET ASSETS			
Unrestricted	1,477,992		1,477,992
Temporarily restricted	<u></u>	<u>2,001,365</u>	<u>2,001,365</u>
TOTAL NET ASSETS	<u>1,477,992</u>	<u>2,001,365</u>	<u>3,479,357</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,937,559</u>	<u>\$ 2,001,365</u>	<u>\$ 3,938,924</u>

See notes to financial statements.

HEART OF LOS ANGELES YOUTH, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT			
Contributions			
Corporate	\$ 141,713	\$ 1,000	\$ 142,713
Foundations	553,790	1,086,109	1,639,899
Individuals	157,487	2,000	159,487
Government agencies	18,000		18,000
In-kind donations	<u>118,253</u>		<u>118,253</u>
TOTAL SUPPORT	989,243	1,089,109	2,078,352
REVENUE			
Fundraising events, net	242,294		242,294
Interest and dividends	10,656	5,349	16,005
Gain on investments	<u>12,335</u>	<u>3,183</u>	<u>15,518</u>
TOTAL REVENUE	265,285	8,532	273,817
NET ASSETS RELEASED FROM RESTRICTIONS	<u>1,510,490</u>	<u>(1,510,490)</u>	
TOTAL SUPPORT, REVENUE, AND NET ASSETS RELEASED FROM RESTRICTIONS	2,765,018	(412,849)	2,352,169
EXPENSES			
Program services			
Athletic programs	268,934		268,934
Arts programs	619,995		619,995
Education programs	<u>1,129,903</u>		<u>1,129,903</u>
TOTAL PROGRAMS SERVICES	2,018,832		2,018,832
Supporting services			
Administrative	149,992		149,992
Fundraising	<u>179,268</u>		<u>179,268</u>
TOTAL SUPPORTING SERVICES	<u>329,260</u>		<u>329,260</u>
TOTAL EXPENSES	<u>2,348,092</u>		<u>2,348,092</u>
CHANGE IN NET ASSETS	416,926	(412,849)	4,077
NET ASSETS AT BEGINNING OF YEAR	<u>1,477,992</u>	<u>2,001,365</u>	<u>3,479,357</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,894,918</u>	<u>\$ 1,588,516</u>	<u>\$ 3,483,434</u>

See notes to financial statements.

HEART OF LOS ANGELES YOUTH, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT			
Contributions			
Corporate	\$ 56,956	\$ 35,168	\$ 92,124
Foundations	451,003	937,191	1,388,194
Individuals	231,742		231,742
Government agencies	29,000		29,000
In-kind donations	<u>85,008</u>		<u>85,008</u>
TOTAL SUPPORT	853,709	972,359	1,826,068
REVENUE			
Fundraising events, net	201,762		201,762
Interest and dividends	9,422	6,019	15,441
Gain on investments	<u>1,609</u>	<u>1,477</u>	<u>3,086</u>
TOTAL REVENUE	212,793	7,496	220,289
NET ASSETS RELEASED FROM RESTRICTIONS	<u>922,896</u>	<u>(922,896)</u>	
TOTAL SUPPORT, REVENUE, AND NET ASSETS RELEASED FROM RESTRICTIONS	1,989,398	56,959	2,046,357
EXPENSES			
Program services			
Athletic programs	250,229		250,229
Arts programs	333,015		333,015
Education programs	<u>1,023,694</u>		<u>1,023,694</u>
TOTAL PROGRAMS SERVICES	1,606,938		1,606,938
Supporting services			
Administrative	107,509		107,509
Fundraising	<u>143,914</u>		<u>143,914</u>
TOTAL SUPPORTING SERVICES	251,423		251,423
TOTAL EXPENSES	<u>1,858,361</u>		<u>1,858,361</u>
CHANGE IN NET ASSETS	131,037	56,959	187,996
NET ASSETS AT BEGINNING OF YEAR	<u>1,346,955</u>	<u>1,944,406</u>	<u>3,291,361</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,477,992</u>	<u>\$ 2,001,365</u>	<u>\$ 3,479,357</u>

See notes to financial statements.

HEART OF LOS ANGELES YOUTH, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2011 and 2010

	Program Services			Supporting Services		
	Athletic Programs	Arts Programs	Education Programs	Administrative	Fund-raising	Total
2011:						
Salaries and wages	\$ 148,473	\$ 380,712	\$ 601,763	\$ 62,179	\$ 109,437	\$ 1,302,564
Payroll taxes	11,231	29,103	45,883	4,693	8,343	99,253
Employee benefits	9,022	15,988	33,093	9,652	8,323	76,078
Activities and supplies	59,672	32,666	237,956	45,701	28,769	404,764
Rent	3,611	116,395	114,605	1,800		236,411
Professional fees	20,986	21,737	21,824	8,886	19,049	92,482
Depreciation	8,812	8,811	43,376	3,389	3,388	67,776
Insurance	3,676	4,355	12,761	9,123	887	30,802
Repairs and maintenance	2,093	7,525	11,853	3,962	352	25,785
Telephone	1,358	2,703	6,789	607	720	12,177
TOTALS	\$ 268,934	\$ 619,995	\$ 1,129,903	\$ 149,992	\$ 179,268	\$ 2,348,092
2010:						
Salaries and wages	\$ 141,605	\$ 202,771	\$ 563,814	\$ 59,485	\$ 75,303	\$ 1,042,978
Payroll taxes	10,786	15,507	42,963	4,469	5,753	79,478
Employee benefits	11,969	11,166	41,856	8,887	8,772	82,650
Activities and supplies	31,598	23,948	182,002	9,704	29,142	276,394
Rent	16,142	40,389	92,525	1,546	1,546	152,148
Professional fees	22,897	23,364	24,031	6,101	18,142	94,535
Depreciation	8,405	8,405	41,376	3,233	3,232	64,651
Insurance	3,748	3,749	19,069	4,737	1,168	32,471
Repairs and maintenance	2,047	2,684	10,898	8,990	499	25,118
Telephone	1,032	1,032	5,160	357	357	7,938
TOTALS	\$ 250,229	\$ 333,015	\$ 1,023,694	\$ 107,509	\$ 143,914	\$ 1,858,361

See notes to financial statements.

HEART OF LOS ANGELES YOUTH, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 4,077	\$ 187,996
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	67,776	64,651
Gain on investments	(15,518)	(3,086)
Changes in operating assets and liabilities:		
Contributions receivable, net	386,763	147,279
Prepaid expenses	(13,909)	2,217
Leaseholder's prepaid right to facilities	7,221	
Accounts payable and accrued expenses	(39,234)	24,134
Deferred revenue related to fundraising event	61,500	
City of Los Angeles gift payable	(300,760)	
NET CASH PROVIDED BY OPERATING ACTIVITIES	157,916	423,191
INVESTING ACTIVITIES		
Purchases of property and equipment	(81,699)	(22,164)
Purchases of investments	(583,455)	(286,035)
Donations of held common stock	(506)	(462)
Proceeds from sales and maturities of investments	138,888	30,257
NET CASH USED IN INVESTING ACTIVITIES	(526,772)	(278,404)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(368,856)	144,787
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,543,247	1,398,460
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,174,391</u>	<u>\$ 1,543,247</u>

SUPPLEMENTARY DISCLOSURES

Interest paid	\$	\$
Income tax paid	\$	\$

See notes to financial statements.

HEART OF LOS ANGELES YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization--Heart of Los Angeles Youth, Inc. is a California nonprofit corporation, incorporated on June 26, 1992. Each year Heart of Los Angeles (HOLA) provides more than 2,400 underserved youth with free exceptional after-school programming in academics, arts and athletics within a nurturing environment, empowering them to develop their potential, pursue their education and strengthen their communities.

HOLA's primary objective is to ensure that at-risk youth living in the inner-city are eligible and prepared for post-secondary education. HOLA's academic programs focus on building strong foundations in reading, writing, math, arts and science, providing critical support to youth and their families throughout their primary and secondary school years. The academic needs for youth ages 6-18 years are addressed through HOLA's SmartStart elementary school program, Bridges middle school program, and Rites of Passage Encounter (ROPE) high school program. HOLA students receive individualized instruction from credentialed teachers, staff and volunteers who hold over 37 Doctorates, 52 Masters and 198 Bachelors degrees. HOLA's academic programs are enhanced by a wide variety of enrichment activities provided through HOLA's Arts and Culture, Science and Technology, and Athletics and Outdoor Activities programs.

Arts programming at HOLA includes over 25 quarterly visual arts classes, private lessons, a youth orchestra and chorus, dance, photography, ceramics, and many unique opportunities to experience art in the greater community.

HOLA offers an extensive recreation and sports program. Elementary and middle school youth can participate in exercise, fitness and dance class, nutrition/healthy cooking, and play a variety of sports including flag football, tennis, soccer, and basketball. Competitive league play is available through the Lakers Youth Foundation's Junior Jumpshot Leagues and the Central City Athletic Association which organizes soccer for boys and girls (ages 6-18) and basketball (ages 11-18).

HOLA's four-building and 24,000 square foot campus includes multiple classrooms, an art gallery, library and studios, music/orchestra rooms, a dance studio, a science and technology center, digital media center, and wireless computer lab. HOLA's precedent-setting partnership with the City of Los Angeles, Department of Recreation & Parks offers combined programming at the newly-renovated and expanded Lafayette Park Community Center's state-of-the-art facilities, complete with field turf playing fields and skate plaza, and brand new multipurpose classroom spaces, a technology lab and a full-court gymnasium built to LEED certification standards.

Contributions--Non-reciprocal contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

HEART OF LOS ANGELES YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS--Continued

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Investments--Investments in securities and mutual funds are carried at market value.

Property and Equipment--Certain items of property and equipment have been donated to HOLA. To the extent a fair market value could be determined for these items as of the date of donation, the fair market value has been recorded for financial statement purposes. Items purchased have been recorded at cost. It is HOLA's policy to expense items purchased or donated with values less than \$500.

Property and equipment are depreciated on a straight-line basis over their estimated useful lives, ranging from 5 to 31.5 years.

Cash Equivalents--HOLA considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Reclassifications--Certain amounts in 2010 have been reclassified to conform with the 2011 financial statement presentation.

Income Taxes--HOLA is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code). Accordingly, no provision for income taxes is included in the financial statements. In addition, HOLA has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Under Accounting Standards Codification (ASC) 740, *Income Taxes*, an organization must evaluate its tax positions and provide for a liability for any positions that would not be considered "more likely than not" to be upheld under a tax authority examination. Management has evaluated its tax positions using the guidance of ASC Topic 450, *Contingencies*, and has concluded that a provision for a tax liability is not necessary at June 30, 2011 and 2010.

Concentrations of Credit Risk--Financial instruments which potentially subject HOLA to concentrations of credit risk consist of cash and cash equivalents, investments, and contributions receivable. HOLA maintains cash balances at seven high quality financial institutions, where accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash balances of HOLA did not exceed the FDIC limit at June 30, 2011. Management of HOLA has assessed the credit risk associated with the investments held at June 30, 2011 and 2010 and has determined that an allowance for potential losses due to credit risk in the investment portfolio is not necessary. Contributions receivable at June 30, 2011 and 2010 are due from nonprofit organizations, businesses, and individuals well-known to HOLA, with favorable past payment histories. Management of HOLA has assessed the credit risk associated with these contributions receivable and has determined that an allowance for potential uncollectible amounts is not necessary.

HEART OF LOS ANGELES YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS--Continued

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Use of Estimates--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2--INVESTMENTS

HOLA's investments carried at quoted market values at June 30, 2011 and 2010 are summarized as follows:

	<u>Cost Basis</u>	<u>Fair Market Value</u>	<u>Accumulated Unrealized Gain (Loss)</u>
June 30, 2011:			
Fixed income	\$ 458,084	\$ 463,143	\$ 5,059
Equities	241,434	245,110	3,676
Real assets	66,315	67,938	1,623
Complementary strategies	<u>44,713</u>	<u>45,465</u>	<u>752</u>
TOTALS	<u>\$ 810,546</u>	<u>\$ 821,656</u>	<u>\$ 11,110</u>
June 30, 2010:			
Fixed income	\$ 358,566	\$ 355,263	\$ (3,303)
Equities	<u>6,880</u>	<u>5,802</u>	<u>(1,078)</u>
TOTALS	<u>\$ 365,446</u>	<u>\$ 361,065</u>	<u>\$ (4,381)</u>

NOTE 3--CONTRIBUTIONS RECEIVABLE, NET

Net contributions receivable at June 30, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Foundations	\$ 627,317	\$ 1,003,500
Corporate and individuals	<u>14,691</u>	<u>26,721</u>
GROSS CONTRIBUTIONS RECEIVABLE	642,008	1,030,221
Less discount at 3%	<u>(7,100)</u>	<u>(8,550)</u>
NET CONTRIBUTIONS RECEIVABLE	<u>\$ 634,908</u>	<u>\$ 1,021,671</u>

HEART OF LOS ANGELES YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS--Continued

NOTE 3--CONTRIBUTIONS RECEIVABLE, NET-Continued

Contributions receivable at June 30, 2011 and 2010 are due as follows:

	<u>2011</u>	<u>2010</u>
Receivables due in less than one year	\$ 592,008	\$ 930,221
Receivables due in one to five years	<u>50,000</u>	<u>100,000</u>
GROSS CONTRIBUTIONS RECEIVABLE	<u>\$ 642,008</u>	<u>\$ 1,030,221</u>

NOTE 4--PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Office equipment	\$ 97,731	\$ 97,731
Computer equipment	165,135	123,172
Program equipment	75,283	54,054
Vehicles	32,407	32,407
Leasehold improvements	<u>381,623</u>	<u>363,116</u>
	752,179	670,480
Less accumulated depreciation	<u>(515,456)</u>	<u>(447,680)</u>
NET	<u>\$ 236,723</u>	<u>\$ 222,800</u>

NOTE 5--TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2011 and 2010 consist of amounts restricted by donor-imposed stipulations to fund expenses in the following programs areas:

	<u>2011</u>	<u>2010</u>
Athletic programs	\$ 246,674	\$ 249,830
Arts programs	150,589	12,053
Education programs	924,487	480,650
Lafayette Park Community Center Project	18,567	640,000
General and supporting services	<u>248,199</u>	<u>618,832</u>
TOTALS	<u>\$ 1,588,516</u>	<u>\$ 2,001,365</u>

HEART OF LOS ANGELES YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS--Continued

NOTE 6--IN-KIND DONATIONS

In-kind donations consist of the following for the years ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Rent	\$ 53,000	\$ 30,917
Equipment, supplies and services	64,747	53,629
Held common stock	<u>506</u>	<u>462</u>
TOTALS	<u>\$ 118,253</u>	<u>\$ 85,008</u>

Rent included in in-kind donations represents the fair value of facility space utilized by HOLA at the Bryson Apartments complex for the years ended June 30, 2011 and 2010, respectively. All other in-kind donations are valued at their estimated fair market at the date of gift.

NOTE 7--FUNDRAISING EVENTS, NET

Net fundraising events income for the years ended June 30, 2011 and 2010, consists of the following:

	<u>2011</u>	<u>2010</u>
Holiday of the Heart dinner	\$ 308,250	\$ 243,192
Less related expenses	<u>(65,956)</u>	<u>(60,822)</u>
NET HOLIDAY OF THE HEART DINNER	242,294	182,370
Other fundraising events		28,740
Less related expenses		<u>(9,348)</u>
NET OTHER FUNDRAISING EVENTS		<u>19,392</u>
NET FUNDRAISING EVENTS	<u>\$ 242,294</u>	<u>\$ 201,762</u>

HEART OF LOS ANGELES YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS--Continued

NOTE 8--COMMITMENTS

In addition to the facility space provided free of charge to HOLA by the Bryson Apartments complex (see Note 6), HOLA leases program space in adjacent buildings under two noncancellable operating lease agreements, one of which expires in August 2011, the other in May 2015. Future minimum annual rental payments under these lease agreements are as follows:

<u>Year Ending June 30,</u>	
2012	\$ 57,645
2013	38,040
2014	38,040
2015	<u>34,870</u>
	TOTAL \$ <u>168,595</u>

Payments related to the above lease agreements totaled approximately \$175,000 and \$120,000, respectively, during the years ended June 30, 2011 and 2010.

NOTE 9--LAFAYETTE PARK COMMUNITY CENTER PROJECT

In 2006, HOLA, together with the City of Los Angeles, Department of Recreation and Parks (City) launched the "Building for the Future" project. Funds raised through this public/private partnership secured working capital for several short- and long-term needs, programmatic expansion, and the renovation and expansion of the Lafayette Park Community Center (Community Center).

In November 2006, HOLA received a grant of \$1 million (Grant) from The Everychild Foundation (Foundation). The Grant was restricted to certain capital renovations that were made by the City to the Community Center, and to increase and expand the programs offered by HOLA to children at the Community Center. Through this support, HOLA was able to leverage additional funds for program expansion from other private sources.

In December 2007, HOLA entered into a Gift Agreement (Gift) with the City to provide \$722,070 of the Foundation's Grant to the City for the Community Center construction project. In exchange for the Gift, the City entered into a Memorandum of Agreement (Agreement) with HOLA to provide nontransferable use of a portion of the Community Center facilities, including utilities and general maintenance, for a term of 25 years, commencing March 2011. The Agreement requires HOLA to provide youth development programming at the Community Center, at its own cost, including programs such as Athletics, HOLA Bridges, ROPE, and a Science and Technology Center.

HEART OF LOS ANGELES YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS--Continued

NOTE 9--LAFAYETTE PARK COMMUNITY CENTER PROJECT--Continued

HOLA recorded the Grant as a restricted gift with the amount committed to the City recorded as a leaseholder's prepaid right to facilities. As of June 30, 2011, the amounts remaining to be amortized into rent expense are as follows:

<u>Year Ending June 30,</u>	
2012	\$ 28,883
2013	28,883
2014	28,883
2015	28,883
2016	28,883
Thereafter	<u>570,434</u>
	TOTAL \$ <u>714,849</u>

During the year ended June 30, 2011, HOLA recorded \$7,221 in rent expense related to the amortization of the leaseholder's prepaid right to facilities.

During the year ended June 30, 2011, HOLA paid \$300,760 to the City as part of its original commitment of \$722,070 for the Community Center construction project; no payment was made during the year ended June 30, 2010. At June 30, 2011, \$61,310 remains owed and is recorded as a gift payable to the City of Los Angeles.

The completion of the Lafayette Park Community Center project enables HOLA to provide an expanded range of educational and recreational programs to over 2,300 youth. As of June 30, 2011, the projected annual budget for program services provided at the Community Center by HOLA is approximately \$1,000,000.

NOTE 10--CONTINGENCIES

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although, that is a possibility, the Board deems the contingency remote, since by accepting a grant and its terms, the Board is acknowledging the requirements of the grantor at the time of receipt of the grant.

HEART OF LOS ANGELES YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS--Continued

NOTE 11--FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, Fair Value Measurements and Disclosures, defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements.

Fair value, as defined, is the amount that would be received to sell an asset, or would be paid to transfer a liability, in an orderly transaction between market participants at the measurement date (i.e., the exit price). ASC Topic 820 establishes a fair value hierarchy that prioritizes and ranks the level of market price observability used in measuring fair value. Market price observability is impacted by a number of factors including type of instrument, the characteristics specific to the instrument, and the state of the markets (including the existence and transparency of transactions between market participants). Instruments with readily available, actively quoted prices, or for which fair value can be measured from actively quoted prices in an orderly market, will generally have a higher degree of market price observability and a lesser degree of judgment used in measuring value. Financial instruments measured and reported at fair value are classified and disclosed in one of the following three levels of the fair value hierarchy:

Level 1--Quoted market prices in active markets for identical assets or liabilities. The types of financial instruments generally having level 1 inputs include listed equity securities.

Level 2--Observable market-based inputs, either directly or indirectly, but are other than quoted prices in actively traded markets. Fair value is determined through observable trading activity reported at net asset value or through the use of models or other valuation methodologies. The types of financial instruments generally having level 2 inputs include corporate fixed income securities and publicly traded securities with restrictions on disposition.

Level 3--Unobservable inputs, including situations with little, if any, market activity for the financial instrument. The determination of fair value requires significant judgment or estimation by the organization. The types of financial instruments generally having level 3 inputs include debt and equity securities issued by private entities and real estate.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, determination of the most appropriate category within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement in its entirety.

HEART OF LOS ANGELES YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS--Continued

NOTE 11--FAIR VALUE MEASUREMENTS--Continued

The balances of assets measured at fair value on a recurring basis by hierarchy level at June 30, 2011 and 2010, are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2011:				
Fixed income	\$ 463,143	\$ 200,627	\$ 262,516	\$
Equities	245,110	245,110		
Real assets	67,938	67,938		
Complementary strategies	<u>45,465</u>	<u>45,465</u>		
TOTALS	<u>\$ 821,656</u>	<u>\$ 559,140</u>	<u>\$ 262,516</u>	<u>\$</u>
June 30, 2010:				
Fixed income	\$ 355,263	\$	\$ 355,263	\$
Equities	<u>5,802</u>	<u>5,802</u>		
TOTALS	<u>\$ 361,065</u>	<u>\$ 5,802</u>	<u>\$ 355,263</u>	<u>\$</u>

For assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period, ASC Topic 820 requires reconciliation of the beginning and ending balances, separately for each major category of assets and liabilities, except for derivative assets and liabilities, which may be presented net. For the years ended June 30, 2011 and 2010, no Level 3 activity occurred that required the reconciliation of HOLA's assets measured at fair value on a recurring basis using significant unobservable inputs.

NOTE 12--RELATED PARTY TRANSACTIONS

During the years ended June 30, 2011 and 2010, HOLA paid a member of the Board of Directors \$17,000 and \$8,000, respectively, in compensation for supporting services provided to its fundraising department.

NOTE 13--SUBSEQUENT EVENTS

Management evaluated all activity of HOLA through April 12, 2012 and concluded that no material subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.