SAN DIEGO SECOND CHANCE PROGRAM

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

Leaf & Cole, LLP
Certified Public Accountants

SAN DIEGO SECOND CHANCE PROGRAM
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

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Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
San Diego Second Chance Program

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of San Diego Second Chance Program, which comprise the consolidated statement of financial position as of June 30, 2021 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

2810 Camino Del Rio South, Suite 200, San Diego, California 92108-3820
619.294.7200, 619.294.7077 fax, www.leaf-cole.com, leafcole@leaf-cole.com

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of San Diego Second Chance Program as of June 30, 2021 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 22 to 23 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Leaf & Cole LLP

San Diego, California
October 31, 2023

SAN DIEGO SECOND CHANCE PROGRAM
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

Current Assets: (Notes 2, 3 and 5)		
Cash and cash equivalents	$	769,063
Accounts receivable		309,196
Deposits and other assets		14,367
Total Current Assets		1,092,626
Noncurrent Assets: (Notes 2, 4, 6, 7 and 8)		
Property and equipment, net		5,878,693
Investments		277,227
Total Noncurrent Assets		6,155,920
TOTAL ASSETS	$	7,248,546

LIABILITIES AND NET ASSETS

Current Liabilities: (Notes 2 and 8)		
Accounts payable and accrued expenses	$	503,404
Deferred revenue		11,028
Accrued interest payable		14,321
Current portion of notes payable		92,420
Total Current Liabilities		621,173
Noncurrent Liabilities: (Notes 2 and 8)		
Notes payable, net of current portion		2,735,653
Total Noncurrent Liabilities		2,735,653
Total Liabilities		3,356,826
Commitments and Contingency (Note 11)		
Net Assets: (Notes 2, 9 and 10)		
Without Donor Restrictions		3,539,404
With Donor Restrictions:		
Purpose restriction		175,089
Time restriction		47,227
Perpetual in nature		130,000
Total Net Assets With Donor Restrictions		352,316
Total Net Assets		3,891,720
TOTAL LIABILITIES AND NET ASSETS	$	7,248,546

The accompanying notes are an integral part of the consolidated financial statements.

SAN DIEGO SECOND CHANCE PROGRAM
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Grant and contract revenue	$ 3,398,493	$ -	$ 3,398,493
Contributions	485,106	163,025	648,131
Other income	601,045	-	601,045
Housing	364,355	-	364,355
Investment income	5,071	34,407	39,478
Net assets released from restriction	309,617	(309,617)	-
Total Support and Revenue	5,163,687	(112,185)	5,051,502
Expenses			
Program services:			
Workforce development	1,694,735	-	1,694,735
Youth services	1,363,298	-	1,363,298
Housing	576,189	-	576,189
Total Program Services	3,634,222	-	3,634,222
Supporting Services:			
Administration	1,135,133	-	1,135,133
Development	355,202	-	355,202
Total Supporting Services	1,490,335	-	1,490,335
Total Expenses	5,124,557	-	5,124,557
Change in Net Assets	39,130	(112,185)	(73,055)
Net Assets at Beginning of Year	3,500,274	464,501	3,964,775
NET ASSETS AT END OF YEAR	$ 3,539,404	$ 352,316	$ 3,891,720

The accompanying notes are an integral part of the consolidated financial statements.

SAN DIEGO SECOND CHANCE PROGRAM
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services				Supporting Services			
	Workforce Development	Youth Services	Housing	Total Program Services	Administration	Development	Total Supporting Services	Total
Salaries and Related Expenses:								
Salaries, taxes and benefits	$ 1,006,640	$ 953,859	$ 298,357	$ 2,258,856	$ 762,500	$ 222,935	$ 985,435	$ 3,244,291
Total Salaries and Related Expenses	1,006,640	953,859	298,357	2,258,856	762,500	222,935	985,435	3,244,291
Nonsalary Related Expenses:								
Conference/staff development	8,581	2,117	-	10,698	654	1,391	2,045	12,743
Consulting/subcontracts	339,571	146,968	1,760	488,299	105,630	8,847	114,477	602,776
Consumables/postage	7,975	3,517	13,167	24,659	21,769	7,587	29,356	54,015
Dues/fees	125	86,074	31,850	118,049	19,067	2,979	22,046	140,095
Insurance	51,793	10,759	14,464	77,016	36,477	6,387	42,864	119,880
Lease expense	-	-	-	-	3,777	-	3,777	3,777
Mortgage/other interest	-	-	86,320	86,320	65,326	-	65,326	151,646
Participant support	213,509	69,721	14,222	297,452	2,891	84,656	87,547	384,999
Repair and maintenance/equipment	-	715	25,761	26,476	44,154	-	44,154	70,630
Utilities	61,930	27,868	36,177	125,975	19,679	19,949	39,628	165,603
Vehicle/travel	4,611	6,140	2,751	13,502	3,689	471	4,160	17,662
Total Nonsalary Related Expenses	688,095	353,879	226,472	1,268,446	323,113	132,267	455,380	1,723,826
Total Expenses Before Depreciation and Program Administration	1,694,735	1,307,738	524,829	3,527,302	1,085,613	355,202	1,440,815	4,968,117
Program Administration	-	55,560	-	55,560	(55,560)	-	(55,560)	-
Depreciation	-	-	51,360	51,360	105,080	-	105,080	156,440
TOTAL PROGRAM AND SUPPORTING SERVICES	$ 1,694,735	$ 1,363,298	$ 576,189	$ 3,634,222	$ 1,135,133	$ 355,202	$ 1,490,335	$ 5,124,557

The accompanying notes are an integral part of the consolidated financial statements.

SAN DIEGO SECOND CHANCE PROGRAM
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

Cash Flows From Operating Activities:	
Change in net assets	$ (73,055)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	156,440
Amortization of debt issuance costs	3,243
Net realized and unrealized gains on investments	(34,407)
Debt forgiveness	(578,200)
(Increase) Decrease in:	
Accounts receivable	414,517
Deposits and other assets	19,847
Increase (Decrease) in:	
Accounts payable and accrued expenses	(128,713)
Deferred revenue	(80,007)
Accrued interest payable	3,409
Net Cash Used in Operating Activities	(296,926)
Cash Flows From Investing Activities:	
Purchase of property and equipment	(252,898)
Net Cash Used in Investing Activities	(252,898)
Cash Flows From Financing Activities:	
Payments on notes payable	(99,738)
Net Cash Used in Financing Activities	(99,738)
Net Decrease in Cash and Cash Equivalents	(649,562)
Cash and Cash Equivalents at Beginning of Year	1,418,625
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 769,063
Supplemental Disclosure of Cash Flow Information:	
Cash paid for interest	$ 144,994
Cash paid for taxes	$ 5,200

The accompanying notes are an integral part of the consolidated financial statements.

Note 1 - Organization:

The consolidated financial statements of the Organization include the following entities:

San Diego Second Chance Program

San Diego Second Chance Program ("Second Chance") is a California Nonprofit Corporation incorporated in 1993. Second Chance creates opportunities for self-sufficiency by providing the chronically unemployed with job readiness and life skills training, case management, systems navigation, employment placement, and safe affordable transitional housing.

Hope Housing Works, LLC

San Diego Second Chance Properties, LLC was established as a wholly owned tax exempt LLC on May 13, 2008 to acquire, own, hold for investment, develop, entitle, operate, improve, maintain, refinance, manage and lease certain residential properties contributed to it by its member or acquired at the member's direction. San Diego Second Chance Properties, LLC changed its name to Hope Housing Works, LLC on August 2, 2018. Second Chance is the sole member of Hope Housing Works, LLC.

Imperial Headquarters, LLC

San Diego Second Chance Headquarters, LLC was established as a wholly owned tax exempt LLC on June 29, 2010 for the purpose of holding title to property on Imperial Avenue, collecting income therefrom, and turning over the entire amount thereof, less expenses, to the member. San Diego Second Chance Headquarters, LLC changed its name to Imperial Headquarters, LLC on April 30, 2018. Second Chance is the sole member of Imperial Headquarters, LLC.

The following is a brief description of the Organization's programs:

Youth Services

STRIVE Future Leaders focuses on supporting and addressing the educational and employment barriers faced by court-involved youth while helping them attain life-skills and in-demand occupational and employment skills needed to obtain livable wage jobs. The Second Chance Youth Garden provides young people (14-21) with a supportive, structured environment that helps to prepare them for success in the job market, high school, and higher education. Through paid transitional employment, youth receive job readiness training, learn positive communication skills, and engage in leadership training/development. Through hands-on, garden-based education, youth learn to seed, cultivate and harvest the fruits of their labor and share this bounty with the community through our neighborhood farm stands. In partnership with Community Schools, the program combines in-class and experiential learning to increase youth awareness of urban agriculture and food justice and helps move them towards successful high school graduation. The Youth Offender Rehabilitation Program uses evidence based curricula and cognitive behavioral training to aid incarcerated youth.

Note 1 - Organization: (Continued)

Workforce Development

Job Readiness Training provides four weeks of pre-employment attitudinal and soft-skill training, job search, job placement assistance and post-placement services to lead people to permanent employment and self-sufficiency. Reentry Works is a team-based case management program. Partnering with San Diego Sheriff's Department and San Diego County Probation, Second Chance staff delivers employment services at East Mesa Reentry Facility and Las Colinas Detention and Reentry Facility. These Job Centers expand upon services already offered by local government, community corrections and workforce development agencies by uniting resources to break the cycle of recidivism, build stronger communities and promote public safety.

Housing

The Organization operates five sober living properties. Goals are to foster personal responsibility, restore self-esteem and self-confidence, and eliminate isolation by creating a community atmosphere with the goal of staying clean and sober while transitioning to independent living.

Note 2 - Significant Accounting Policies:

Consolidated Financial Statements

The consolidated financial statements of the Organization include San Diego Second Chance Program as well as Hope Housing Works, LLC and Imperial Headquarters, LLC, which are collectively referred to as the "Organization". All material intercompany transactions have been eliminated in consolidation.

Accounting Method

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes thereon are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

- Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Note 2 - Significant Accounting Policies: (Continued)

Estimates

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

Risks and Uncertainties

The Organization invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position.

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.

- Level 3 inputs are unobservable inputs for the investment.

The Organization's consolidated statement of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Beneficial interest in endowment funds held at Jewish Community Foundation, Rancho Santa Fe Foundation and the San Diego Foundation are considered Level 2 assets and are reported at fair value based on the fair value of the underlying assets in the funds as reported by the fund managers, Jewish Community Foundation, Rancho Santa Fe Foundation and the San Diego Foundation, since these funds are valued monthly by the fund manager and are not traded in an active market.

- The Organization also has a nonrecurring fair value measurement based upon proposals from several real estate professionals for undeveloped land that is considered a Level 3 asset. Management made the undeveloped land available for sale in 2013 and it was considered to be impaired. The land was written down at that time.

Note 2 - Significant Accounting Policies: (Continued)

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. Management believes that all accounts receivable were fully collectible; therefore, no allowance for doubtful accounts receivable was recorded at June 30, 2021.

Capitalization and Depreciation

The Organization capitalizes all expenditures in excess of $5,000 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

Buildings	27.5 - 39 years
Improvements	39 years
Furniture and equipment	3 - 7 years
Vehicles	3 years

Depreciation totaled $156,440 for the year ended June 30, 2021.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property and equipment, the asset account is relieved of the cost and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

The Organization has property that was available for sale totaling $100,000 which is included in investments at June 30, 2021.

Impairment of Real Estate

The Organization reviews its investment in real estate for impairment whenever events and changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future undiscounted net cash flows expected to be generated by the property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There were no impairment losses recognized in 2021.

Note 2 - Significant Accounting Policies: (Continued)

Debt Issuance Costs

Debt issuance costs are incurred in order to obtain financing for the Organization. Debt issuance costs are amortized on a straight-line basis over the term of the related loan, which approximates the interest method. Unamortized debt issuance costs are presented as a direct reduction from the carrying value of the related obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and totaled $3,243 for the year ended June 30, 2021.

Compensated Absences

Accumulated unpaid vacation totaling $111,366 at June 30, 2021, is accrued when incurred and included in accounts payable and accrued expenses.

Revenue Recognition

Contributions

Contributions are recognized when the donor makes a promise to give in writing to the Organization that is in substance, unconditional. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions are recorded as without donor restriction or with donor restriction, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When the stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Grants and Contract Revenue

Grants and contract revenue is recognized in the period in which the related work is performed in accordance with the terms of the grant or contract. Accounts receivable are recorded when revenue earned under a grant or contract exceeds the cash received. Deferred revenue is recorded when cash received under a grant or contract exceeds the revenue earned. Grants and contracts receivable totaled $297,363 at June 30, 2021 and is included in accounts receivable Deferred revenue totaled $11,028 at June 30, 2021.

Housing

Rental income is recognized as it accrues. Advance receipts of rental income are deferred or classified as liabilities until earned. There were no advance rental payments received at June 30, 2021.

Other Income

Other income consists of garden sales recognized at the time of the sale as well as $578,200 in proceeds from a Paycheck Protection Program ("PPP") loan from the small business administration that was forgiven during the year ended June 30, 2021.

Note 2 - Significant Accounting Policies: (Continued)

Donated Services and Materials

The Organization utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services for the year ended June 30, 2021, did not meet the requirements above, therefore no amounts were recognized in the consolidated financial statements.

Functional Allocation of Expenses

The consolidated statement of functional expenses presents expenses by function and natural classification. The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or supporting services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by the Organization's management.

Income Taxes

San Diego Second Chance Program is a public charity and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Second Chance believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. San Diego Second Chance Program is not a private foundation.

Hope Housing Works, LLC and Imperial Headquarters, LLC are disregarded entities for tax purposes. No provision or benefit for Federal income taxes for the LLC's has been included in these consolidated statements, since taxable income (loss) passes through to, and is reportable by, the member individually. Hope Housing Works, LLC and Imperial Headquarters, LLC are subject to an $800 California minimum tax and a Limited Liability Company fee. The provision for state taxes and fees totaled $5,200 for the year ended June 30, 2021.

San Diego Second Chance Program's Return of Organization Exempt from Income Tax for the years ended June 30, 2021, 2020, 2019 and 2018 and the LLC's tax returns for the years ended June 30, 2021, 2020, 2019 and 2018, are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts and money market funds which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Approximately 64% of the Organization's revenues from contracts and grants are earned from the County of San Diego and 88% of the Organization's accounts receivable are due from two entities. Discontinuance of these contracts and grants could negatively impact the Organization.

Note 2 - Significant Accounting Policies: (Continued)

Cash and Cash Equivalents and Restricted Cash

For purposes of the consolidated statement of cash flows, the Organization considers all highly liquid investment instruments available for current year with an initial maturity of three months or less to be cash equivalents. Certificates of deposits that may be redeemed without a significant penalty are considered cash and cash equivalents regardless of the maturity.

Subsequent Events

The Organization has evaluated subsequent events through October 31, 2023, which is the date the consolidated financial statements are available for issuance, and concluded that there were no events or transactions that needed to be disclosed, except as disclosed in Note 12.

Note 3 - Liquidity and Availability:

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization considers contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Cash and cash equivalents	$ 769,063
Accounts receivable	309,196
	$ 1,078,259

In addition, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Appropriations of endowment fund earnings are made in accordance with the spending policy as described in Note 11. Donor-restricted endowment funds that must be held in perpetuity are not available for general expenditure.

Note 4 - Fair Value Measurements:

The following table summarizes assets measured at fair value by classification within the fair value hierarchy at June 30, 2021:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2021
Beneficial interest in endowment funds (Note 7)	$ -	$ 177,227	$ -	$ 177,227
Land available for sale (Note 7)	-	-	100,000	100,000
	$ -	$ 177,227	$ 100,000	$ 277,227

The reconciliation for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are included in the notes as indicated above.

The following table represents the Organization's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the range of values for those inputs for the years ended June 30, 2021:

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Land	$ 100,000	Valuation of underlying assets as provided by real estate professionals	Carrying value	N/A

Note 5 - Accounts Receivable:

Accounts receivable consist of the following at June 30, 2021:

STRIVE Future Leaders	$ 141,212
County of San Diego - Re-Entry Court	121,051
Service Management Essentials – SDGE Contribution	25,000
County of San Diego - Probation Department	10,100
County of San Diego - Transitional Housing	8,284
County of San Diego - Formal Youth	1,950
Other	1,599
Total Accounts Receivable	$ 309,196

Note 6 - Property and Equipment:

Property and equipment consists of the following at June 30, 2021:

Land	$	2,085,196
Buildings		3,024,704
Improvements		2,714,952
Furniture and equipment		173,544
Vehicles		77,642
Subtotal		8,076,038
Less: Accumulated depreciation		(2,197,345)
Property and Equipment, Net	$	5,878,693

Note 7 - Investments:

Beneficial Interest in Endowment Funds

The Organization has a beneficial interest in the following endowment funds at June 30, 2021:

San Diego Foundation	$	80,154
Rancho Santa Fe Foundation		54,205
Jewish Community Foundation		42,868
Total	$	177,227

The beneficial interest in endowment funds held at the San Diego Foundation is invested in a portfolio of equity and debt securities which is invested for long-term return consisting of 47.9% global equity, 14.1% fixed income, 14.0% hedge funds, 12.0% private equity, 6.2% real assets, 5.5% real estate and 0.3% cash and cash equivalents.

The beneficial interest in endowment funds held at the Rancho Santa Fe Foundation is invested in a portfolio of equity and debt securities which is structured for long-term total return consisting of 38.0% domestic equities, 24.2% bonds, 17.0% international equities, 15% cash and cash equivalents and 5.8% emerging markets.

The beneficial interest in endowment funds held at the Jewish Community Foundation are held in an investment pool, which is structured for long-term, total return consisting of 75.5% domestic and international equities, 12.5% hedge funds and 12% fixed income.

Land Available for Sale

The Organization received a contribution of undeveloped land in 2008. The land contribution was recorded at fair value at the time of donation. During 2013, management made the undeveloped land available for sale. Management selected several real estate professionals to give proposals on the marketing of the property. Through these proposals, management has estimated that the fair value of the land has decreased to $100,000 and adjusted the carrying value of the land accordingly. Management believes this to be the best estimate of the fair market value. No change to assets measured at fair value on a recurring basis using significant unobservable inputs was recorded for the year ended June 30, 2021.

Note 7 - Investments: (Continued)

The following schedule summarizes the investment return which is included in investment income for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	$ 5,071	$ -	$ 5,071
Net realized and unrealized gains on investments	-	34,407	34,407
Total Investment Income	$ 5,071	$ 34,407	$ 39,478

Note 8 - Notes Payable:

Notes payable consist of the following at June 30, 2021:

Note payable - Endeavor Bank, payable in monthly principal and interest payments of $7,571 through May 2028, interest at 5.28% per annum, collateralized by real property. Accrued interest totaled $5,143 at June 30, 2021.	$ 1,168,783
Note payable - Bank of America, payable in monthly principal and interest payments of $3,199 through January 2037, interest at 4.25% per annum, collateralized by real property. Accrued interest totaled $1,546 at June 30, 2021.	436,687
Note payable - Neighborhood National Bank, payable in monthly principal and interest payments of $2,558 through September 2027, interest at 5.5% per annum, collateralized by real property. Accrued interest totaled $1,950 at June 30, 2021.	425,359
Note payable - Bank of America, payable in monthly principal and interest payments of $2,352 through February 2037, interest at 4.25% per annum, collateralized by real property. Accrued interest totaled $1,141 at June 30, 2021.	322,286
Note payable - Bank of America, payable in monthly principal and interest payments of $4,541 through July 2037, interest at 4.25% per annum, collateralized by real property. Accrued interest totaled $4,541 at June 30, 2021.	298,439
Note payable - Union Bank, payable in monthly principal and interest payments of $1,129 through December 2044, interest at 4.25% per annum, collateralized by real property. Accrued interest totaled $-0- at June 30, 2021.	199,998
Total Notes Payable	2,851,552
Less: Unamortized debt issuance costs	(23,479)
Notes Payable, Net	$ 2,828,073

Note 8 - Notes Payable: (Continued)

Debt issuance costs total $39,470, less accumulated amortization of $15,991 at June 30, 2021.

The future principal payments are as follows:

Years Ended June 30		
2022	$	92,420
2023		96,224
2024		100,842
2025		105,684
2026		110,761
Thereafter		2,345,621
Total	$	2,851,552

Note 9 - Net Assets With Donor Restrictions:

Net assets with donor restrictions represent contributions and other inflows received by the Organization, which are limited in their use by the donor-imposed stipulations. Net assets with donor restrictions are available for the following purposes at June 30, 2021:

Subject to Expenditure for Specified Purpose:		
Adult programs	$	141,088
Youth programs		34,001
Total Subject to Expenditure for Specified Purpose		175,089
Subject to the Passage of Time:		
Accumulated earnings on endowment assets		47,227
Perpetual in Nature:		
Endowments (Note 11)		130,000
Total Net Assets With Donor Restrictions	$	352,316

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors are as follows for the year ended June 30, 2021:

Purpose Restrictions Accomplished:		
Youth programs	$	293,756
Adult programs		15,861
	$	309,617

Note 10 - Endowment Net Assets:

The Organization's endowment was established to provide general support. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. The Organization holds its endowment funds as a beneficial interest in endowment funds held by Jewish Community Foundation ("JCF"), Rancho Santa Fe Foundation ("RSFF") and San Diego Foundation ("SDF").

The beneficial interest in endowment funds held by JCF, RSF and SDF are managed in accordance with the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The investment objectives are to maintain the purchasing power (real value) of the endowment funds. However, from time to time, the fair value of the assets in the endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration.

The Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. The Organization has no underwater endowment funds at June 30, 2021.

Net assets with donor restrictions in perpetuity are comprised of:

- The original value of gifts donated to the fund
- The original value of the Organization funds transferred to the fund
- The original value of subsequent gifts donated to the fund
- Investment income and realized and unrealized gains and losses on investments
- Less: Distributions from the fund in accordance with the spending policy

Investment and spending policies have been adopted for endowment funds that:

- Protect the invested assets
- Preserve spending capacity of the fund income
- Maintain a diversified portfolio of assets that meet investment return objectives while keeping risk at a level commensurate with that of the median fund in comparable foundations
- Comply with applicable laws

JCF's endowment funds are invested in a diversified portfolio of equity and debt securities, which is structured for long-term total return. JCF's spending policy is to disburse 5% of the value of the fund annually, based on a historical average value of the fund. The calculation is based on the average value of the fund for twelve quarters prior to the date of the distribution.

RSF's endowment funds are invested in a diversified portfolio of equity and debt securities, which is structured for long-term total return. RSF's spending policy is to disburse the amount requested by the Fund Advisors and shall be made at such times and in such amounts are may be determined by RSF Board of Directors.

Note 10 - Endowment Net Assets: (Continued)

SDF's endowment funds are invested in a diversified portfolio of equity and debt securities, which is structured for long-term total return. SDF's spending policy is to disburse 5% annually, based upon endowment principal market value over the last 36 months. These calculations are made on a monthly basis (1/12 of the annual distribution rate). If the market value of the Endowment Principal of any fund, at the end of each month, is less than the initial value of all contributions made to the Endowment Principal, then distributions will be limited to interest and dividends received.

Endowment composition by type of fund at June 30, 2021:

	With Donor Restrictions Perpetual
Beneficial interest in endowment funds	$ 130,000

Changes in endowment net assets for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions - Time	Permanently Restrictions - Perpetual	Total
Endowment Net Assets at June 30, 2020	$ -	$ 12,820	$ 130,000	$ 142,820
Investment income	-	34,407	-	34,407
Endowment Net Assets at June 30, 2021	$ -	$ 47,227	$ 130,000	$ 177,227

Note 11 - Commitments and Contingency:

Building Commitment

Second Chance accepted funds from the City of San Diego as part of the City's Community Development Block Grant (CDBG) Program to help fund renovations to Second Chance's Imperial Avenue building. As a condition for accepting funds from the City, Second Chance was required to continue to use the building as noted in the terms of the grant agreement with the City. If Second Chance sold the building before five years, it was required to pay back to the City all funds originally received from the CDBG Program. Second Chance's use of the building has exceeded the five-year requirement and the CDBG grant was recognized as contribution revenue during the year ended June 30, 2020.

Note 11 - Commitments and Contingency: (Continued)

Coronavirus Pandemic Contingency

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad impact on commerce and financial markets around the world. The United States and global markets experienced significant fluctuations in value resulting from uncertainty caused by the pandemic. The Organization is closely monitoring its investment portfolio and its liquidity and is actively working to minimize any negative impact fluctuating markets may have on the Organization's investments. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization's donors, customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

Payroll Protection Program Loan

In April 2020, Hope Housing Works, LLC., received a loan totaling $578,200 from the U.S. Small Business Administration, under the CARES Act Paycheck Protection Program ("PPP"). The loan is forgivable to the extent that Hope Housing Works, LLC., meets the terms and conditions of the PPP. Any portion of the loan that is not forgiven bears interest at 1% and is due in April 2022. Hope Housing Works, LLC., has recognized $578,200 as revenue for the year ended June 30, 2021 due to forgiveness being granted by the U.S. Small Business Administration on January 2021.

Note 12 - Subsequent Events:

In October 2021, San Diego Second Chance Program, Inc. entered into an unsecured promissory note with one of its board members. The note bears no interest and is due 180 days from the date of the note. The unsecured promissory note was fully repaid in January 2022.

In November 2021, Imperial Headquarters, LLC entered into a note payable with Fidelity Bridge Loans, LLC in the amount of $1,600,000 to pay the outstanding balance on the note payable to Endeavor Bank including any title or lender charges and provide additional capital. The note payable bears interest at 7.5%, is secured by a deed of trust. The note requires interest only payments for 36 months and matures in November 2024.

In December 2021, Hope Housing Works, LLC sold its Flicker Street residential property and paid the outstanding balance on the $298,439 note payable securing the property.

In April 2022, San Diego Second Chance Program entered into a loan agreement with the Small Business Administration thorough the Economic Injury Disaster Loan (EIDL) Program in the amount of $500,000. Monthly installment payments of $2,244 including principal and interest at 2.75% begin April 2024. The note matures in March 2052.

Note 12 - Subsequent Events: (Continued)

In December 2022, Hope Housing Works, LLC., entered into a commercial promissory note with Lendspark Corporation in the original amount of $70,000. The loan amount was subsequently increased to $190,000. The Commercial Promissory Note is for a 12-month term with monthly payments due of interest only at 18%.

In May 2023, Hope Housing Works, LLC received $318,475 in Employee Retention Credits from the Internal Revenue Service.

SAN DIEGO SECOND CHANCE PROGRAM
SUPPLEMENTARY CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

	San Diego Second Chance Program	Hope Housing Works LLC	Imperial Headquarters, LLC	Eliminations	Consolidated
Current Assets:					
Cash and cash equivalents	$ 383,262	$ 308,964	$ 76,837	$ -	$ 769,063
Accounts receivable	298,422	577,918	2,467,931	(3,035,075)	309,196
Deposits and other assets	31,839	28	-	(17,500)	14,367
Total Current Assets	713,523	886,910	2,544,768	(3,052,575)	1,092,626
Noncurrent Assets:					
Property and equipment, net	2,079	2,329,747	3,546,867	-	5,878,693
Investments	2,277,227	-	-	(2,000,000)	277,227
Total Noncurrent Assets	2,279,306	2,329,747	3,546,867	(2,000,000)	6,155,920
TOTAL ASSETS	$ 2,992,829	$ 3,216,657	$ 6,091,635	$ (5,052,575)	$ 7,248,546

LIABILITIES AND NET ASSETS

	San Diego Second Chance Program	Hope Housing Works LLC	Imperial Headquarters, LLC	Eliminations	Consolidated
Current Liabilities:					
Accounts payable and accrued expenses	$ 3,495,619	$ 21,847	$ 38,513	$ (3,052,575)	$ 503,404
Deferred revenue	11,028	-	-	-	11,028
Accrued interest payable	-	9,178	5,143	-	14,321
Current portion of notes payable	-	62,401	30,019	-	92,420
Total Current Liabilities	3,506,647	93,426	73,675	(3,052,575)	621,173
Noncurrent Liabilities:					
Notes payable, net of current portion	-	1,611,303	1,124,350	-	2,735,653
Total Noncurrent Liabilities	-	1,611,303	1,124,350	-	2,735,653
Total Liabilities	3,506,647	1,704,729	1,198,025	(3,052,575)	3,356,826
Net Assets:					
Without donor restrictions	(866,134)	1,511,928	4,893,610	(2,000,000)	3,539,404
With donor restrictions	352,316	-	-	-	352,316
Total Net Assets	(513,818)	1,511,928	4,893,610	(2,000,000)	3,891,720
TOTAL LIABILITIES AND NET ASSETS	$ 2,992,829	$ 3,216,657	$ 6,091,635	$ (5,052,575)	$ 7,248,546

SAN DIEGO SECOND CHANCE PROGRAM
SUPPLEMENTARY CONSOLIDATING SCHEDULE OF ACTIVITIES
JUNE 30, 2021

	San Diego Second Chance Program	Hope Housing Works LLC	Imperial Headquarters, LLC	Eliminations	Consolidated
Support and Revenue:					
Grants and contract revenue	$ 3,398,493	$ -	$ -	$ -	$ 3,398,493
Contributions	644,981	3,150	-	-	648,131
Housing	-	424,614	12,569	(72,828)	364,355
Other income	78,086	578,462	342,669	(398,172)	601,045
Investment income	39,025	453	-	-	39,478
Total Support and Revenue	4,160,585	1,006,679	355,238	(471,000)	5,051,502
Expenses:					
Program Services:					
Youth services	1,401,894	-	-	(38,596)	1,363,298
Workforce development	1,943,563	-	-	(248,828)	1,694,735
Housing	-	637,737	-	(61,548)	576,189
Total Program Services	3,345,457	637,737	-	(348,972)	3,634,222
Supporting Services:					
Administration	954,745	-	272,282	(91,894)	1,135,133
Development	385,336	-	-	(30,134)	355,202
Total Supporting Services	1,340,081	-	272,282	(122,028)	1,490,335
Total Expenses	4,685,538	637,737	272,282	(471,000)	5,124,557
Change in Net Assets	(524,953)	368,942	82,956	-	(73,055)
Net Assets at Beginning of Year	11,135	1,142,986	4,810,654	(2,000,000)	3,964,775
NET ASSETS AT END OF YEAR	$ (513,818)	$ 1,511,928	$ 4,893,610	$ (2,000,000)	$ 3,891,720