

**ROHI ALTERNATIVE COMMUNITY OUTREACH, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED AUGUST 31, 2009 AND 2008**

**AND**

**INDEPENDENT AUDITORS' REPORT**

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Rohi Alternative Community Outreach, Inc.  
San Jose, California

We have audited the accompanying statements of financial position of Rohi Alternative Community Outreach, Inc. (the Organization) as of August 31, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 misstatements. 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 our audit provides 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 Rohi Alternative Community Outreach, Inc. as of August 31, 2009 and 2008, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

July 21, 2010

**ROHI ALTERNATIVE COMMUNITY OUTREACH, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AUGUST 31, 2009 AND 2008**

**ASSETS**

	<b>2009</b>	<b>2008</b>
Current Assets		
Investments	\$ 2,147	\$ 2,384
Grants and contract receivables	124,101	62,832
Prepaid expenses and deposits	582	1,047
	126,830	66,263
Property and equipment, net of accumulated depreciation - Note 2	4,779	6,178
	\$ 131,609	\$ 72,441

**LIABILITIES AND NET ASSETS**

Current liabilities		
Bank overdraft	\$ 60,086	\$ 4,405
Accounts payable and accrued expenses	24,378	22,939
Loan payable - Note 4	10,000	-
	94,464	27,344
Net assets		
Unrestricted net assets	23,026	30,978
Temporary restricted net assets	14,119	14,119
	37,145	45,097
	\$ 131,609	\$ 72,441

See accompanying notes to financial statements

**ROHI ALTERNATIVE COMMUNITY OUTREACH, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEAR ENDED AUGUST 31, 2009**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2008**

	2009			2008
	Unrestricted	Temporarily Restricted	Total	Total
Revenues and support from operations				
Contributions	\$ 8,783	\$ -	\$ 8,783	\$ 11,228
Grants and contracts	218,946	-	218,946	243,982
Fundraising	7,498	-	7,498	-
Net unrealized gain on investments	(237)	-	(237)	(603)
	234,990	-	234,990	254,607
Net assets released from restrictions	-	-	-	-
Operating expenses				
Program services	181,878	-	181,878	206,549
Supporting services				
Management and general	46,511	-	46,511	47,638
Fundraising	14,553	-	14,553	15,426
Total operating expenses	242,942	-	242,942	269,613
Change in net assets	(7,952)	-	(7,952)	(15,006)
Net assets, beginning of year	30,978	14,119	45,097	60,103
Net assets, end of year	\$ 23,026	\$ 14,119	\$ 37,145	\$ 45,097

See accompanying notes to financial statements

**ROHI ALTERNATIVE COMMUNITY OUTREACH, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEAR ENDED AUGUST 31, 2009**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2008**

	<b>2009</b>				<b>2008</b>
	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>	<u>Total</u>
		<u>General &amp; Administrative</u>	<u>Fundraising</u>		
Salaries, payroll taxes, and benefits	\$ 82,575	\$ 15,061	\$ 7,689	\$ 105,325	\$ 166,307
Contract labor	49,874	-	-	49,874	31,352
<b>Total salaries and related expenses</b>	<b>132,449</b>	<b>15,061</b>	<b>7,689</b>	<b>155,199</b>	<b>197,659</b>
Rent	30,862	5,629	2,874	39,365	34,888
Professional fees	-	19,800	-	19,800	11,260
Supplies	343	62	32	437	274
Telephone	1,996	364	186	2,546	2,271
Insurance	3,530	644	329	4,502	3,080
Utilities	1,911	348	178	2,437	1,906
Payroll service	-	312	-	312	-
Printing and reproduction	358	65	33	457	-
Van maintenance	-	-	-	-	278
Trophies and awards	2,041	-	-	2,041	1,154
Tutoring and counseling	964	-	-	964	1,746
Homework Center	-	-	-	-	766
Program aid	3,030	-	-	3,030	-
Funding raising expense	-	-	3,059	3,059	-
Postage and delivery	383	70	36	488	536
Bank charges	-	1,925	-	1,925	1,705
Conferences and workshops	48	-	-	48	128
Dues and fees	-	-	-	-	108
Practice facilities	2,337	-	-	2,337	2,688
Office equipment	150	-	-	150	1,026
License and permits	379	69	35	484	650
Scholarships	-	-	-	-	1,731
Software	-	-	-	-	586
Advertising	-	-	-	-	75
Penalties	-	969	-	969	3,389
Miscellaneous	-	993	-	993	-
Property taxes	-	-	-	-	370
<b>Total expenses before depreciation</b>	<b>180,781</b>	<b>46,311</b>	<b>14,451</b>	<b>241,543</b>	<b>268,274</b>
Depreciation	1,097	200	102	1,399	1,339
<b>Total functional expenses</b>	<b>\$ 181,878</b>	<b>\$ 46,511</b>	<b>\$ 14,553</b>	<b>\$ 242,942</b>	<b>\$ 269,613</b>

See accompanying notes to financial statements

**ROHI ALTERNATIVE COMMUNITY OUTREACH, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED AUGUST 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Cash flow from operating activities		
Change in net assets	\$ (7,952)	\$ (15,006)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	1,399	1,339
Unrealized loss on investments	237	603
(Increase) decrease in assets		
Accounts and pledges receivable	(61,269)	(53,373)
Prepaid expenses and deposits	465	(116)
Increase (decrease) in liabilities		
Bank overdraft	55,681	4,405
Accounts payable and accrued expenses	1,439	20,190
Net cash used for operating activities	<u>(10,000)</u>	<u>(41,958)</u>
Cash flows from investing activities		
Purchase of property and equipment	-	(6,993)
Net cash used for investing activities	<u>-</u>	<u>(6,993)</u>
Cash flows from financing activities		
Proceeds from loan payable	<u>10,000</u>	-
Net cash provided by financing activities	<u>10,000</u>	-
Net decrease in cash	-	(48,951)
Cash and cash equivalents, beginning of year	<u>-</u>	<u>48,951</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements

**ROHI ALTERNATIVE COMMUNITY OUTREACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2009 AND 2008**

**NOTE 1 - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

General Information - Rohi Alternative Community Outreach, Inc. is a Non-for-Profit organization, formed in the state of California in 1997 to serve as a liaison between youth, adults, churches, city officials and community organizations by developing, implementing, and maintaining positive programs that promote education, health, spiritual, arts, cultural, social, economic, community and civic awareness in Santa Clara County and surrounding areas. The Organization also provides leadership opportunities as an alternative to gangs, drugs, high school drop-out and negative social ills that plague today's youths through mentoring, counseling, tutoring, and community outreach. The Organization's support comes primarily from various government grants and individual donors' contributions. The programs consist of:

Midnight Basketball League - An outreach program designed to use basketball as a tool to draw in at risk, inner-city teens from San Jose, California and provide them with an alternative to the drugs, alcohol, violence, gangs and social pressures that encompass inner-city life. Through the Organization's winter and summer leagues, it is able to mentor and develop young people into socially responsible leaders of tomorrow. The young adults of the program are able to learn through workshops, coaches, mentors as well as other players that they can overcome obstacles and realize their full potential.

Young Ladies Diversion Program (YLD) - A mentoring program for young ladies ages 12-18. The purpose of the program is to develop self-esteem by making participants aware of positive alternatives to gangs, violence, criminal activity, drug/alcohol abuse, suicide and teen pregnancy. Participants meet once a month in workshops that focus on self-esteem development, drug/alcohol/gang awareness, healthy living, goal setting, college and career advising. The young women have opportunities to venture on fun outings such as ballet, theaters, theme parks, museums and sporting events.

Boys to Men Mentoring Program (BTM) - A mentoring program for young men ages 12-18. BTM and YLD participants both inaugurate with a weekend retreat. The young men are mentored by older males that serve as role models for the young gentlemen. In addition to fun outings to amusement parks, the movies, go-carting and sporting events, they must attend weekend workshops targeted in the areas of gang, violence and criminal intervention/prevention, drug/alcohol abuse, suicide, sex and health.

THRIVE - Many of the youth of the Organization's programs lack computers, internet access, and other facilities and resources needed in order for them to succeed academically. Therefore, the Organization provides tutoring four nights per week to over 185 participants. Tutoring is Monday - Thursday from 3:30pm - 5:30pm. At the homework center students have access to computers and personal tutors to help them with homework assignments.

Basis of Presentation - Financial statement presentation follows generally accepted accounting principles to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**ROHI ALTERNATIVE COMMUNITY OUTREACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2009 AND 2008**  
**(Continued)**

**NOTE 1 - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

- Unrestricted net assets are unrestricted resources available to support the Organization's activities and temporarily restricted resources that become available for use by the Organization in accordance with the intentions of the donors. Board designated funds and net investment in property and equipment are included in this category. Board designated funds are established by the Board of Directors and represent unrestricted funds which are to be used for future needs of the Organization.
- Temporarily restricted net assets consist of donor-restricted contributions for which the applicable restriction was not met as of the end of the current year. The Organization does not imply a time restriction on gifts of long-lived assets.
- Permanently restricted net assets include those assets which are subject to non-expiring donor restrictions, such as endowments.

Basis of Accounting - The financial statements have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

Contributions - Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted depending on the nature of donor imposed restrictions, if any, and upon whether the restrictions are met in the current year.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Cash and Cash Equivalents - Cash and cash equivalents include highly liquid investments and investments with original maturity dates of three months or less.

Grants, Contracts, and Pledge Receivables and Allowance for Doubtful Pledges - Grants, contracts, and pledge receivables consist of unconditional promises to give. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of their future cash flows. An allowance for uncollectible pledges is recorded, as considered necessary, based on management's analysis of specific unconditional pledges and on the Organization's prior experience. There were no allowances for uncollectible pledges recorded as of August 30, 2009 and 2008.

**ROHI ALTERNATIVE COMMUNITY OUTREACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2009 AND 2008**  
**(Continued)**

**NOTE 1 - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

Concentrations - During the years ended August 31, 2009 and 2008, the Organization received approximately 93% and 90% of its annual budget either directly or indirectly from the city of San Jose through grants and contracts, respectively.

At August 31, 2009 and 2008, 100% of the Organization's grants and contracts receivable were from the city of San Jose.

Investments - Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Dividends and interest are accrued as earned and recorded as unrestricted revenue unless income is restricted by the donor. Any unrealized gains or losses for the current period are reported as investment income.

Generally accepted accounting principles establishes a hierarchy to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values detected using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reject the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Values be unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reject the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Use of Estimates - In accordance with generally accepted accounting principles, management has made estimates and assumptions that affect certain amounts and disclosures which could differ from actual results.

**ROHI ALTERNATIVE COMMUNITY OUTREACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2009 AND 2008**  
**(Continued)**

**NOTE 1 - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

Property, Equipment and Depreciation - Property and equipment are recorded at cost or, if contributed, at the estimated fair value when donated. The Organization generally capitalizes additions of property and equipment with a cost or fair market value in excess of \$500. Depreciation is computed using the straight-line method over the estimated useful life of 5 years. Depreciation expense for the years ended August 31, 2009 and 2008 totaled \$1,399 and \$1,339, respectively.

Prior Year 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended August 31, 2008, from which the summarized information was derived.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and support services benefited based on management's estimates.

Income Taxes - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and from state income taxes under Section 23701(d) of the Revenue and Taxation Code for California. The Organization is not classified as a private foundation.

Subsequent Events - Subsequent events were evaluated through July 21, 2010.

**NOTE 2 - PROPERTY AND EQUIPMENT**

At August 31, property and equipment consisted of the following:

	<u>2009</u>	<u>2008</u>
Automobile	\$ 800	\$ 800
Storage shed	4,042	4,042
Equipment	48,515	48,515
Computer equipment	42,625	42,625
	<u>95,982</u>	<u>95,982</u>
Less accumulated depreciation	<u>(91,203)</u>	<u>(89,804)</u>
Net property and equipment	<u>\$ 4,779</u>	<u>\$ 6,178</u>

**ROHI ALTERNATIVE COMMUNITY OUTREACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2009 AND 2008**  
**(Continued)**

**NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS**

At August 31, the Organization's donor restricted funds consisted of the following:

Purpose/Time restriction:	2009	2008
General Support for 2007/2008	\$ 14,119	\$ 14,119
	\$ 14,119	\$ 14,119

**NOTE 4 - LOAN PAYABLE**

During the year ended August 31, 2009, the Organization received interest free loans from another entity to cover cash flow shortages. The Organization's executive director is also a pastor of the loaning entity (a church). The amounts outstanding at August 31, 2009 totaled \$10,000. There was no balance outstanding as of August 31, 2008.

**NOTE 5 - OFFICE LEASE**

The Organization leases office space on a month to month basis from the County of Santa Clara. Rent expense charged to operations for the years ended August 31, 2009 and 2008 totaled \$38,996 and \$33,628, respectively.

**NOTE 6 - CONTINGENCIES**

Grants and contracts awarded to Rohi Alternative Community Outreach, Inc. are subject to funding agencies' criteria, contract terms and regulations under which expenditures may be charged and are subject to audit under such terms, regulations and criteria. Occasionally, such audits may determine that certain costs incurred in connection with the grants do not comply with the established criteria that govern them. In such cases, the Organization could be held responsible for repayments to the funding agency for the costs or be subject to a reduction of future funding in the amount of the costs. Management does not anticipate any material questioned costs for the contracts and the grants administered during the period.