



BENJAMIN & YOUNG, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

ORANGE COAST INTERFAITH SHELTER

Financial Statements

**As of and for the years ended June 30, 2014 and 2013
Including Independent Auditors' Report**



ORANGE COAST INTERFAITH SHELTER

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Independent Auditors' Report

To the Board of Directors
Orange Coast Interfaith Shelter
Costa Mesa, California

Report on the Financial Statements

We have audited the accompanying financial statements of Orange Coast Interfaith Shelter (the "Organization"), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Orange Coast Interfaith Shelter as of June 30, 2014 and 2013, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

In accordance with *Government Auditing Standards*, we have also issued a report dated February 9, 2015 on our consideration of the Orange Coast Interfaith Shelter internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Benjamin & Young, LLP

Anaheim, California
February 13, 2015

ORANGE COAST INTERFAITH SHELTER

Statements of Financial Position

<i>June 30,</i>	<i>2014</i>	<i>2013</i>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 150,743	\$ 1,203,698
Accounts receivable, net of allowance for bad debt of \$0 and \$0, respectively	35,792	48,416
Investments	1,070,916	-
Prepaid expenses and other current assets	5,183	5,705
Total current assets	1,262,634	1,257,819
Non-current assets:		
Fixed assets, net	444,634	471,758
Total assets	\$ 1,707,268	\$ 1,729,577
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 14,635	\$ 11,623
Accrued expenses	14,417	17,444
Deferred revenue	207	16,685
Line of credit	-	44,500
Total current liabilities	29,259	90,252
Long-term liabilities:		
Security deposits	6,266	8,535
Total liabilities	35,525	98,787
Net assets:		
Unrestricted	1,651,829	1,616,529
Temporarily restricted	19,914	14,261
Total net assets	1,671,743	1,630,790
Total liabilities and net assets	\$ 1,707,268	\$ 1,729,577

See accompanying notes to financial statements.

ORANGE COAST INTERFAITH SHELTER

Statements of Activities - 2014

Year ended June 30,

2014

	Unrestricted Net Assets	Temporary Restricted Net Assets	Total
Support, revenue and gains:			
Contribution	\$ 190,252	\$ 35,000	\$ 225,252
Friends of Orange Coast Interfaith Shelter (FOCIS):			
Contributions	99,532	-	99,532
Direct revenue	83,050	-	83,050
Direct expenses	(34,516)	-	(34,516)
Net support from FOCIS	148,066	-	148,066
Grants	295,759	-	295,759
Rental income	75,600	-	75,600
Other income	6,861	-	6,861
Subtotal support and revenues	716,538	35,000	751,538
Net assets released from restrictions	29,347	(29,347)	-
Total support, revenues and gains	745,885	5,653	751,538
Expenses:			
Program services	667,174	-	667,174
Supporting services:			
General and administrative	21,808	-	21,808
Fundraising	23,284	-	23,284
Total supporting services	45,092	-	45,092
Total expenses	712,266	-	712,266
Changes in net assets from operations	33,619	5,653	39,272
Non-operating activities:			
Net unrealized gains on investments	1,681	-	1,681
Total non-operating activities	1,681	-	1,681
Increase (decrease) in net assets	35,300	5,653	40,953
Net assets at beginning of year	1,616,529	14,261	1,630,790
Net assets at year end	\$ 1,651,829	\$ 19,914	\$ 1,671,743

See accompanying notes to financial statements.

ORANGE COAST INTERFAITH SHELTER

Statements of Activities - 2013

Year ended June 30,

2013

	Unrestricted Net Assets	Temporary Restricted Net Assets	Total
Support, revenue and gains:			
Contribution	\$ 1,110,166	\$ -	\$ 1,110,166
Friends of Orange Coast Interfaith Shelter (FOCIS):			
Contributions	76,131	-	76,131
Direct revenue	77,969	-	77,969
Direct expenses	(27,262)	-	(27,262)
Net support from FOCIS	126,838	-	126,838
Grants	310,705	-	310,705
Rental income	94,126	-	94,126
Other income	5,730	-	5,730
Subtotal support and revenues	1,647,565	-	1,647,565
Net assets released from restrictions	40,795	(40,795)	-
Total support, revenues and gains	1,688,360	(40,795)	1,647,565
Expenses:			
Program services	693,474	-	693,474
Supporting services:			
General and administrative	25,998	-	25,998
Fundraising	24,933	-	24,933
Total supporting services	50,931	-	50,931
Total expenses	744,405	-	744,405
Increase (decrease) in net assets	943,955	(40,795)	903,160
Net assets at beginning of year	672,574	55,056	727,630
Net assets at year end	\$ 1,616,529	\$ 14,261	\$ 1,630,790

See accompanying notes to financial statements.

ORANGE COAST INTERFAITH SHELTER

Statements of Functional Expenses - 2014

Year ended June 30, 2014

	Supporting Services				Total
	Program Services	General and Administrative	Fundraising	Total Supporting Services	
Salaries and benefits	\$ 295,640	\$ 8,310	\$ 17,483	\$ 25,793	\$ 321,433
Professional services	79,120	6,856	5,801	12,657	91,777
Insurance	13,000	684	-	684	13,684
Utilities and telephone	4,843	216	-	216	5,059
Repairs and maintenance	9,001	72	-	72	9,073
Depreciation	33,059	1,740	-	1,740	34,799
Equipment rental	8,743	460	-	460	9,203
Advertising and promotion	589	31	-	31	620
Miscellaneous	8,339	1,535	-	1,535	9,874
Program supplies	12,180	-	-	-	12,180
Transportation	4,411	195	-	195	4,606
Client assistance	157,119	1,260	-	1,260	158,379
Childcare	26,735	-	-	-	26,735
Property taxes	4,558	68	-	68	4,626
Office supplies	3,375	381	-	381	3,756
Renovation	5,048	-	-	-	5,048
Interest expense	1,414	-	-	-	1,414
Total	\$ 667,174	\$ 21,808	\$ 23,284	\$ 45,092	\$ 712,266

See accompanying notes to financial statements.

ORANGE COAST INTERFAITH SHELTER

Statements of Functional Expenses - 2013

Year ended June 30, 2013

	Supporting Services				Total
	Program Services	General and Administrative	Fundraising	Total Supporting Services	
Salaries and benefits	\$ 299,811	\$ 11,297	\$ 18,197	\$ 29,494	\$ 329,305
Professional services	75,748	7,765	6,736	14,501	90,249
Insurance	13,279	699	-	699	13,978
Utilities and telephone	3,043	157	-	157	3,200
Repairs and maintenance	4,928	31	-	31	4,959
Depreciation	35,616	1,875	-	1,875	37,491
Equipment rental	9,477	499	-	499	9,976
Advertising and promotion	755	40	-	40	795
Miscellaneous	3,824	1,649	-	1,649	5,473
Program supplies	5,885	-	-	-	5,885
Transportation	5,019	133	-	133	5,152
Client assistance	154,355	1,462	-	1,462	155,817
Childcare	67,529	-	-	-	67,529
Property taxes	4,369	55	-	55	4,424
Office supplies	4,551	336	-	336	4,887
Interest expense	5,285	-	-	-	5,285
Total	\$ 693,474	\$ 25,998	\$ 24,933	\$ 50,931	\$ 744,405

See accompanying notes to financial statement.

ORANGE COAST INTERFAITH SHELTER

Statements of Cash Flows

<i>Year ended June 30,</i>	<i>2014</i>	<i>2013</i>
Cash flows from operating activities:		
Increase in net assets	\$ 40,953	\$ 903,160
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	34,799	37,490
Unrealized gains on investments	(1,681)	-
Changes in assets and liabilities:		
Accounts receivable	11,826	8,406
Prepaid expenses and other current assets	522	(162)
Accounts payable	3,012	(9,564)
Accrued expenses	(3,027)	3,854
Deferred revenue	(16,478)	8,194
Security deposits	(2,269)	730
Net cash provided by operating activities	67,657	952,108
Cash flows from investing activities:		
Investments	(1,068,437)	-
Purchases of fixed assets	(7,675)	(2,642)
Net cash used in investing activities	(1,076,112)	(2,642)
Cash flows from financing activities:		
Payments on line of credit	(44,500)	(80,000)
Net cash used in financing activities	(44,500)	(80,000)
Net increase (decrease) in cash	(1,052,955)	869,466
Cash and cash equivalents—beginning of year	1,203,698	334,232
Cash and cash equivalents—end of year	\$ 150,743	\$ 1,203,698
Supplemental disclosure of cash flows information:		
Cash paid during the years for:		
Interest paid	\$ 1,414	\$ 5,285

See accompanying notes to financial statements.

ORANGE COST INTERFAITH SHELTER

Notes to Financial Statements

1. Organization

The Orange Coast Interfaith Shelter (OCIS or the “Organization”) has been at the forefront of housing provision, services and advocacy to Orange County's homeless families since 1981. Our mission is to change the lives of homeless families by providing them with the encouragement and the tools for achieving self-sufficiency.

The First Stage Transitional Program is the introductory level of the program. For a maximum of a nine-month period, up to 14 families slowly regain a sense of stability and independence. For an additional 12 to 15 months, in our Second Stage Transitional Program, the continuum of care is completed by gradually lessening the amount of hourly support provided by OCIS, while at the same time continuing to address any family issues.

OCIS was incorporated as a nonprofit organization under the laws of the State of California on June 25, 1985. Operations and activities prior to date have been accounted for as if such operations and activities were those of the incorporated organization.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of Orange Coast Interfaith Shelter (OCIS) have been prepared on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

OCIS follows Accounting Standards Codification (ASC) 958-205, *Presentation of Financial Statements of Not-for-Profit Organizations*. Under ASC 958-205, OCIS is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, OCIS is required to present a statement of cash flows.

The assets, liabilities, and net assets of OCIS are reported in the following net asset groups:

Unrestricted net assets include resources that are not temporarily or permanently restricted by the donor and are available for operations of OCIS without limitation.

Temporarily restricted net assets include those resources whose use is restricted by donor-imposed criteria that either expires with the passage of time or by the actions of OCIS.

Permanently restricted net assets include resources whose use is limited by donor-imposed criteria that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of OCIS.

Advertising Expense

Advertising costs are expensed as incurred. Advertising expense amounted to \$620 and \$795 for the years ended June 30, 2014 and 2013, respectively.

Income Taxes

OCIS is a not-for-profit California corporation exempt from income taxes under Internal Revenue Code Section 501(c)3 and the California Revenue and Taxation Code Section 23701(d) and is classified as other than a private foundation. Accordingly, no provision for income taxes is required.

2. Summary of Significant Accounting Policies (continued)***Cash and Cash Equivalents***

For purposes of the statements of financial position and cash flows, cash equivalents include time deposits, certificates of deposits, and highly liquid investments with original maturities of three months or less.

Donated Services and Materials

Donated materials and other noncash contributions if received, would be reflected in the accompanying statements at their estimated market values at date of receipt. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. OCIS did not receive contributed services for legal services for the years ended June 30, 2014 and 2013. OCIS pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist OCIS with specific assistance programs, campaign, solicitations, and various committee assignments. OCIS receives more than 2,000 volunteer hours per year.

Donated Property and Equipment

Donations of property and equipment are recorded as support at their fair market value at the date of donation. Such donations are reported as unrestricted support 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 restricted support. Absent donor stipulation regarding how long those donated assets must be maintained, OCIS reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. OCIS reclassifies temporarily restricted net assets to unrestricted net assets at that time. There was no donated property or equipment for the years ended June 30, 2014 and 2013.

Fixed assets

Fixed assets are stated at cost. Contributed fixed assets are recorded at estimated fair market value at the time received. Depreciation of fixed assets is computed on the straight-line method, with estimated useful lives ranging from three to forty years. OCIS capitalizes all asset acquisitions over \$1,000.

Restricted and Unrestricted Revenue and Support

In accordance with Accounting Standards Codification (ASC) 095-605, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions.

Unconditional written promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Conditional written promises to give are recognized when the conditions on which they depend are substantially met.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the "Statements of Activities" as net assets released from restrictions.

2. Summary of Significant Accounting Policies (continued)***Functional Allocation of Expenses***

The costs of providing OCIS programs and the administration of the OCIS have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and support services benefited.

Fair Value Measurements

The accounting standards have established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

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

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

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

Concentration of credit risk

OCIS maintains its cash balances at financial institutions. At June 30, 2014 and 2013, all non-interest and interest bearing accounts were covered by Federal Deposit Insurance Corporation (FDIC) insurance up to \$250,000 as a result of the Dodd-Frank Regulatory Reform Legislation. At June 30, 2014, OCIS did not have uninsured amounts held in non-interest and interest bearing account. At June 30, 2013, OCIS did have uninsured amounts of \$390,639 held in non-interest bearing account and \$55,801 held in the interest bearing account.

Grants

OCIS receives a substantial portion of its operating funds from federal grants which are awarded on an annual basis. These funds are deemed to be earned as reimbursable expenses are incurred. OCIS's continued existence is contingent upon continued funding under these grant programs. Grant funding recognized as revenue in the accompanying financial statements are subject to the results of periodic audits performed by the funding agencies.

Deferred Revenue

Deferred revenue is composed of funds received or drawn down from various grantors that have not been spent for the grant specific purpose as of the year end.

ORANGE COST INTERFAITH SHELTER

Notes to Financial Statements

3. Accounts Receivable

OCIS receives grants, both directly and as a sub-recipient, from the U.S. Department of Housing and Urban Development (HUD), the Federal Emergency Management Agency (FEMA), various Orange County cities and the County of Orange to provide temporary housing and shelter for the homeless. In addition, OCIS collects rent fees from residents who are under the temporary housing and shelter program. Accounts receivable consisted of the following:

<i>June 30,</i>	<i>2014</i>	<i>2013</i>
HUD - childcare collaborative	\$ 2,236	\$ 1,266
HUD - supportive housing program	25,606	47,150
Residents' rent fees	7,950	-
Total	\$ 35,792	\$ 48,416

4. Fixed Assets

Fixed assets consisted of the following:

<i>June 30,</i>	<i>2014</i>	<i>2013</i>
Land	\$ 215,453	\$ 215,453
Building improvements	975,497	975,497
Furniture, fixtures, and equipment	120,225	112,550
Total fixed assets	1,311,175	1,303,500
Less – accumulated depreciation	(866,541)	(831,742)
Total fixed assets, net	\$ 444,634	\$ 471,758

Depreciation expense for the years ended June 30, 2014 and 2013 was \$34,799 and \$37,491, respectively.

5. Line of Credit

OCIS has available a bank line of credit for any amount up to \$150,000 with Commercial Bank. The line of credit is secured by a certain real estate owned by OCIS. The interest rate for the line of credit is 5.75%. The line of credit matures on December 31, 2013. The amount outstanding was \$44,500 and had availability of \$105,500 as of June 30, 2013. The line of credit was paid off as of June 30, 2014 and the line of credit was not renewed. Interest expense for the fiscal years ended June 30, 2014 and 2013 was \$1,414 and \$5,285, respectively.

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Notes to Financial Statements

6. Net Assets

Net assets are available for the following purposes:

<i>June 30,</i>	<i>2014</i>	<i>2013</i>
Unrestricted:		
Invested in fixed assets	\$ 444,634	\$ 471,758
Investments	1,070,916	-
Available for operations	136,279	1,144,771
Total unrestricted net assets	1,651,829	1,616,529
Temporarily restricted net assets	19,914	14,261
Total net assets	\$ 1,671,743	\$ 1,630,790

7. Net Assets Released from Restriction

The following net assets that were released from restriction are:

<i>June 30,</i>	<i>2014</i>	<i>2013</i>
Satisfaction of timing restrictions:		
Weingart foundation grant	\$ 14,261	\$ 40,795
Orange County community foundation grant	12,192	-
D&G Stillwell foundation	2,894	-
Total	\$ 29,347	\$ 40,795

8. Grant Revenue

Revenue from grants consisted of the following:

<i>June 30,</i>	<i>2014</i>	<i>2013</i>
HUD - childcare collaborative	\$ 16,559	\$ 26,316
HUD - supportive housing program	279,200	284,389
Total	\$ 295,759	\$ 310,705

ORANGE COST INTERFAITH SHELTER

Notes to Financial Statements

9. Investments

The Organization has adopted an investment policy with the primary investment objective to manage investment risk and to optimize investment returns within acceptable risk parameters. The Organization has created and held the following funds as a separate investment pools: operating fund, operating long-term reserve fund, short-term reserve fund, and long-term reserve fund. The goal is to have the long-term reserve fund realize a total return in excess of the rate of inflation, as measured by the Consumer Price Index.

As explained in the “Fair Value Measurement” section (Note 2), investments measured at fair value in the financial statements are summarized in the following table by the type of inputs applicable to the fair value measurements.

	Total Fair Value	Quoted Prices Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
<i>June 30, 2014</i>				
Cash and money market funds	\$ 539,567	\$ 539,567	\$ -	\$ -
Fixed income	128,854	128,854	-	-
Bond funds	195,598	195,598	-	-
Equity funds	66,239	66,239	-	-
Other investments	140,658	140,658	-	-
Total	\$ 1,070,916	\$ 1,070,916	\$ -	\$ -

Investment earnings detail is as follows:

<i>June 30,</i>	<i>2014</i>	<i>2013</i>
Unrealized changes	\$ 1,681	\$ -
Interest / dividends	1,950	-
Total	\$ 3,631	\$ -

10. Subsequent Events

The management of OCIS have evaluated subsequent events through February 9, 2015 (the date the financial statements were available to be issued). Management believes no events have occurred subsequent to the statement of financial position date and through February 9, 2015 that would require adjustment to or disclosure in OCIS's financial statements other than the following:

- On October 16, 2014, the Organization entered into a real estate property sales agreement with a third party of selling the Organization's Cost Mesa facility for \$2,100,000. This sales transaction closed on December 1, 2014 and the Organization recorded a gain on sale of real estate property in the amount of \$1,551,760.
- On November 20, 2014, the Organization entered into an agreement with an individual, a donor, whereby the Organization is provided with an option requiring the individual to personally make a cash contribution to OCIS equal to OCIS's lease obligation on any and each such unit for each such day, week, or month, if any, after closing of the sale of the property (as referred above), for each day, week, or month that passes between the date any unit of the property is vacated and the date such unit is later re-leased to a third party. The Organization exercised this option after the sale of its real estate property.