



BENJAMIN & YOUNG, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

OC Gateway to Housing

Financial Statements

As of and for the years ended June 30, 2015 and 2014
Including Independent Auditors' Report



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Independent Auditors' Report

To the Board of Directors
OC Gateway to Housing
Costa Mesa, California

Report on the Financial Statements

We have audited the accompanying financial statements of OC Gateway to Housing, which comprise the statements of financial position as of June 30, 2015 and 2014, 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 OC Gateway to Housing as of June 30, 2015 and 2014, 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 January 18, 2016 on our consideration of the OC Gateway to Housing 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.

Anaheim, California
January 18, 2016

OC Gateway to Housing
Statements of Financial Position

<i>June 30,</i>	<i>2015</i>	<i>2014</i>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 98,461	\$ 150,743
Accounts receivable, net of allowance for bad debt of \$0 and \$0, respectively	37,484	35,792
Investments	3,066,564	1,070,916
Prepaid expenses and other current assets	14,876	5,183
Total current assets	3,217,385	1,262,634
Non-current assets:		
Fixed assets, net	7,029	444,634
Total assets	\$ 3,224,414	\$ 1,707,268
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 3,457	\$ 14,635
Accrued expenses	11,899	14,417
Deferred revenue	207	207
Total current liabilities	15,563	29,259
Long-term liabilities:		
Security deposits	5,584	6,266
Total liabilities	21,147	35,525
Net assets:		
Unrestricted	3,203,267	1,651,829
Temporarily restricted	-	19,914
Total net assets	3,203,267	1,671,743
Total liabilities and net assets	\$ 3,224,414	\$ 1,707,268

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

OC Gateway to Housing
Statements of Activities - 2015

Year ended June 30,

2015

	Unrestricted Net Assets	Temporary Restricted Net Assets	Total
Support, revenue and gains:			
Contributions	\$ 315,834	\$ -	\$ 315,834
Friends of Orange Coast Interfaith Shelter (FOCUS):			
Contributions	74,551	-	74,551
Direct revenue	43,786	-	43,786
Direct expenses	(16,379)	-	(16,379)
Net support from FOCUS	101,958	-	101,958
Grants	125,346	-	125,346
Rental income	51,207	-	51,207
Interest income	78,583	-	78,583
Other income	6,433	-	6,433
Subtotal support and revenues	679,361	-	679,361
Net assets released from restrictions	19,914	(19,914)	-
Total support, revenues and gains	699,275	(19,914)	679,361
Expenses:			
Program services	625,438	-	625,438
Supporting services:			
General and administrative	38,900	-	38,900
Fundraising	21,251	-	21,251
Total supporting services	60,151	-	60,151
Total expenses	685,589	-	685,589
Changes in net assets from operations	13,686	(19,914)	(6,228)
Non-operating activities:			
Gain on sale of building	1,558,645	-	1,558,645
Net unrealized losses on investments	20,893	-	20,893
Total non-operating activities	1,537,752	-	1,537,752
Increase (decrease) in net assets	1,551,438	(19,914)	1,531,524
Net assets at beginning of year	1,651,829	19,914	1,671,743
Net assets at year end	\$ 3,203,267	\$ -	\$ 3,203,267

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

OC Gateway to Housing
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
Interest income	1,950	-	1,950
Other income	4,911	-	4,911
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

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

OC Gateway to Housing

Statements of Functional Expenses - 2015

Year ended June 30, 2015

	Supporting Services				Total
	Program Services	General and Administrative	Fundraising	Total Supporting Services	
Salaries and benefits	\$ 261,881	\$ 8,738	\$ 17,483	\$ 26,221	\$ 288,102
Professional services	67,127	4,613	3,768	8,381	75,508
Insurance	10,431	549	-	549	10,980
Utilities and telephone	6,025	317	-	317	6,342
Repairs and maintenance	6,199	525	-	525	6,724
Depreciation	16,763	882	-	882	17,645
Bad debt	-	7,950	-	7,950	7,950
Equipment rental	9,378	494	-	494	9,872
Miscellaneous	38,840	10,106	-	10,106	48,946
Program supplies	11,468	-	-	-	11,468
Rent	9,614	-	-	-	9,614
Transportation	2,702	112	-	112	2,814
Client assistance	173,623	4,374	-	4,374	177,997
Childcare	4,946	-	-	-	4,946
Property taxes	3,075	28	-	28	3,103
Office supplies	3,366	212	-	212	3,578
Total	\$ 625,438	\$ 38,900	\$ 21,251	\$ 60,151	\$ 685,589

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

OC Gateway to Housing

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

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

OC Gateway to Housing

Statements of Cash Flows

<i>Year ended June 30,</i>	<i>2015</i>	<i>2014</i>
Cash flows from operating activities:		
Increase in net assets	\$ 1,531,524	\$ 40,953
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	17,645	34,799
Gains from disposition of building	(1,558,644)	-
Unrealized gains (losses) on investments	20,893	(1,681)
Changes in assets and liabilities:		
Accounts receivable	(1,692)	11,826
Prepaid expenses and other current assets	(9,694)	522
Accounts payable	(11,178)	3,012
Accrued expenses	(2,519)	(3,027)
Deferred revenue	-	(16,478)
Security deposits	(680)	(2,269)
Net cash provided by (used in) operating activities	(14,345)	67,657
Cash flows from investing activities:		
Investments	(2,016,541)	(1,068,437)
Proceeds from disposal of building	1,978,604	-
Purchases of fixed assets	-	(7,675)
Net cash used in investing activities	(37,937)	(1,076,112)
Cash flows from financing activities:		
Payments on line of credit	-	(44,500)
Net cash used in financing activities	-	(44,500)
Net decrease in cash	(52,282)	(1,052,955)
Cash and cash equivalents– beginning of year	150,743	1,203,698
Cash and cash equivalents– end of year	\$ 98,461	\$ 150,743
Supplemental disclosure of cash flows information:		
Cash paid during the years for:		
Interest paid	\$ -	\$ 1,414

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

1. Organization

The OC Gateway to Housing (OCGH 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 OCGH, while at the same time continuing to address any family issues.

OCGH was incorporated as a nonprofit organization with name of “Orange Coast Interfaith Shelter” under the laws of the State of California on June 25, 1985. The Organization’s name has been changed to “OC Gateway to Housing” (OCGH) effective on September 15, 2015.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of OC Gateway to Housing (OCGH) 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

OCGH follows Accounting Standards Codification (ASC) 958-205, *Presentation of Financial Statements of Not-for-Profit Organizations*. Under ASC 958-205, OCGH 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, OCGH is required to present a statement of cash flows.

The assets, liabilities, and net assets of OCGH 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 OCGH 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 OCGH.

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 OCGH.

Advertising Expense

Advertising costs are expensed as incurred. Advertising expense amounted to \$0 and \$620 for the years ended June 30, 2015 and 2014, respectively.

Income Taxes

OCGH 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 are 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. OCGH did not receive contributed services for legal services for the years ended June 30, 2015 and 2014. OCGH pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist OCGH with specific assistance programs, campaign, solicitations, and various committee assignments. OCGH 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, OCGH reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. OCGH 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, 2015 and 2014.

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. OCGH capitalizes all asset acquisitions over \$1,000.

Restricted and Unrestricted Revenue and Support

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.

Restricted and Unrestricted Revenue and Support (Continued)

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 OCGH programs and the administration of the OCGH 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

OCGH maintains its cash balances at financial institutions. At June 30, 2015 and 2014, 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. OCGH did not have uninsured amounts held in non-interest and interest bearing accounts for the years ended June 30, 2015 and 2014.

Grants

OCGH 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. OCGH'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.

Fund Raising

Friends of Orange Coast Interfaith Shelter (FOCUS) is a volunteer auxiliary which was formed to raise fund for the agency in 1983. The raised fund is transferring to OCGH's bank account after taking consideration of all of incurred expenses in regard to the money raised. FOCUS is under OCGH's FEIN, however FOCUS maintains a separate bank account and their own Board of Directors and members. The president of FOCUS is on OCGH's board.

2. Summary of Significant Accounting Policies (continued)

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.

3. Accounts Receivable

OCGH 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, OCGH collects rent fees from residents who are under the temporary housing and shelter program. Accounts receivable consisted of the following:

<u>June 30,</u>	<u>2015</u>	<u>2014</u>
HUD – CHILDCARE COLLABORATIVE	\$ -	\$ 2,236
HUD – SUPPORTIVE HOUSING PROGRAM	-	25,606
HUD – RAPID RE HOUSING	34,551	-
Pathways of Hope	2,370	-
Residents’ rent fees	563	7,950
Total accounts receivable	37,484	35,792
Allowance for bad debts	-	-
Total accounts receivable, net	\$ 37,484	\$ 35,792

4. Fixed Assets

Fixed assets consisted of the following:

<u>June 30,</u>	<u>2015</u>	<u>2014</u>
Land	\$ -	\$ 215,453
Building improvements	-	975,497
Furniture, fixtures, and equipment	22,087	120,225
Total fixed assets	22,087	1,311,175
Less – accumulated depreciation	(15,058)	(866,541)
Total fixed assets, net	\$ 7,029	\$ 444,634

Depreciation expense for the years ended June 30, 2015 and 2014 was \$17,645 and \$34,799, respectively.

During the year ended on June 30, 2015, OCGH recognized a gain of \$1,558,645 related to the real estate property sales with a third party of selling the organization’s Costa Mesa facility for \$2,100,000. This gain is recorded as a component of Non-Operating Expenses (Income).

OC Gateway to Housing
Notes to Financial Statements

5. Net Assets

Net assets are available for the following purposes:

<i>June 30,</i>	<i>2015</i>	<i>2014</i>
Unrestricted:		
Invested in fixed assets	\$ 7,029	\$ 444,634
Investments	3,066,564	1,070,916
Available for operations	129,674	136,279
Total unrestricted net assets	3,203,267	1,651,829
Temporarily restricted net assets	-	19,914
Total net assets	\$ 3,203,267	\$ 1,671,743

6. Net Assets Released from Restriction

The following net assets that were released from restriction are:

<i>June 30,</i>	<i>2015</i>	<i>2014</i>
Satisfaction of timing restrictions:		
Weingart foundation grant	\$ -	\$ 14,261
Orange County community foundation grant	-	12,192
Marisla Foundation	12,808	-
D&G Stillwell foundation	7,106	2,894
Total	\$ 19,914	\$ 29,347

7. Grant Revenue

Revenue from grants consisted of the following:

<i>June 30,</i>	<i>2015</i>	<i>2014</i>
HUD – CHILDCARE COLLABORATIVE	\$ 4,348	\$ 16,559
HUD – SUPPORTIVE HOUSING PROGRAM	79,727	279,200
Pathways of Hope	6,720	-
HUD – RAPID RE HOUSING	34,551	-
Total	\$ 125,346	\$ 295,759

8. 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>As of June 30, 2015</i>				
Cash and money market funds	\$ 224,204	\$ 224,204	\$ -	\$ -
Fixed income	1,211,813	1,211,813	-	-
Bond funds	673,166	673,166	-	-
Equity funds	540,525	540,525	-	-
Other investments	416,856	416,856	-	-
Total	\$ 3,066,564	\$ 3,066,564	\$ -	\$ -

	Total Fair Value	Quoted Prices Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
<i>As of 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>2015</i>	<i>2014</i>
Unrealized gain (loss)	\$ (20,893)	\$ 1,681
Interest / dividends	78,583	1,950
Total	\$ 57,690	\$ 3,631

9. Subsequent Events

The Organization has evaluated subsequent events that may have occurred for potential recognition and disclosure in the financial statements after the balance sheet date through the date the financial statements are issued. The Organization believes no events have occurred subsequent to the balance sheet through the date the financials are issued that would require adjustment to or disclosure in OCGH's financial statements other than the following:

- On October 22, 2015, the Organization purchased a condominium real estate property for \$340,000 including other expenses. The purchase of this property was to house homeless families with children as a of the Transitional Housing Program.