



**stafford & warren**  
certified public accountants

To the Senior Management and  
The Board of Directors of  
Thomas House Temporary Shelter

In planning and performing our audit of the financial statements of Thomas House Temporary Shelter for the year ended June 30, 2013, we considered the organization's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated September 4, 2013 on the financial statements of Thomas House Temporary Shelter. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

### **Cash Disbursements**

#### Observation

The organization has a policy which requires two signatures on checks written in excess of \$3,500. We noted on two occasions that there were sequential checks written on the same day to the same vendor, which combined to be greater than the \$3,500 threshold that would require dual signatures. It appears as though this internal control may have been intentionally circumvented.

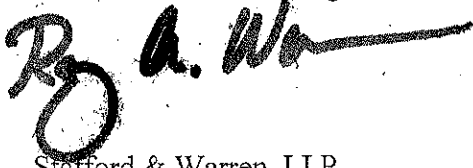
#### Recommendation

We recommend that the Organization ensure that the dual party check signing policy is understood and followed by check signers and not circumvented by splitting a vendors' payment to get under the threshold.

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We wish to thank the Organization for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization.

A handwritten signature in black ink, appearing to read "R. A. Warren". The signature is written in a cursive style with a long horizontal stroke extending to the right.

Stafford & Warren, LLP  
September 4, 2013

September 4, 2013

To the Board of Directors  
Thomas House Temporary Shelter

We have audited the financial statements of Thomas House Temporary Shelter for the year end June 30, 2013, and have issued our report thereon September 4, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 19, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Finding

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Thomas House Temporary Shelter are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year end June 30, 2013. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financials statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Grants Receivable and depreciation

*Difficulties Encountered in Performing Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 4, 2013.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statement or a determination of the type of auditors opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Finding or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our response were not a condition to our retention.

This information is intended solely for the use of Board of Directors and management of Thomas House Temporary Shelter and is not intended to be and should be used by anyone other than these specified parties.

erely, *R. A. Warren*

Roger A. Warren, CPA  
Of Stafford & Warren, LLP

**Thomas House Temporary Shelter**  
**Financial Statements**  
**Years Ended June 30, 2013 and 2012**

**Stafford and Warren, LLP**  
**17310 Red Hill Ave., Ste. 290**  
**Irvine, CA 92614**

To the Board of Directors  
Thomas House Temporary Shelter

We have audited the accompanying financial statements of Thomas House Temporary Shelter (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, statements of cash flows, and statements of functional expenses 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

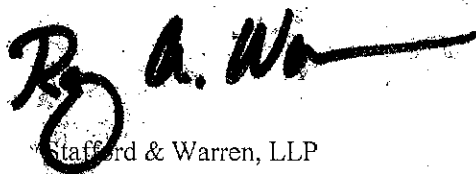
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the risk 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 Thomas House Temporary Shelter as of June 30, 2013 and 2012, 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.



Stafford & Warren, LLP  
Irvine, CA  
September 4, 2013

THOMAS HOUSE TEMPORARY SHELTER  
 STATEMENTS OF FINANCIAL POSITION  
 June 30, 2013 and 2012

|   | <u>2013</u>         | <u>2012</u>         |
|---|---------------------|---------------------|
| <b>ASSETS</b>   |                     |                     |
| Cash and cash equivalents (Note A)                                  | \$ 220,139          | \$ 109,568          |
| Investments (Note B)  | -                   | 133,693             |
| Grants receivable   | 34,492              | 15,909              |
| Other receivable  | 2,977               | -                   |
| Deposits  | 1,331               | 1,603               |
| Prepays   | 6,248               | 6,211               |
| Property and equipment, net of<br>accumulated depreciation (Note C) | <u>1,509,737</u>    | <u>1,563,963</u>    |
| <b>TOTAL ASSETS</b>   | <u>\$ 1,774,924</u> | <u>\$ 1,830,947</u> |
| <b>LIABILITIES</b>  |                     |                     |
| Accounts payable  | \$ 17,189           | \$ 61,168           |
| Accrued payroll and payroll taxes                                   | 11,003              | 11,769              |
| Accrued expenses  | 15,752              | 13,153              |
| Deferred revenue  | 24,418              | -                   |
| Accrued interest (Note D)   | 337,320             | 303,390             |
| Long-term debt (Note D)   | <u>1,131,000</u>    | <u>1,131,000</u>    |
| <b>TOTAL LIABILITIES</b>  | 1,536,682           | 1,520,480           |
| <b>NET ASSETS</b>   |                     |                     |
| Unrestricted  | 238,242             | 310,467             |
| Temporarily Restricted (Note E)                                     | <u>-</u>            | <u>-</u>            |
| <b>TOTAL NET ASSETS</b>   | <u>238,242</u>      | <u>310,467</u>      |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                             | <u>\$ 1,774,924</u> | <u>\$ 1,830,947</u> |

THOMAS HOUSE TEMPORARY SHELTER  
 STATEMENTS OF ACTIVITIES  
 Years Ended June 30, 2013 and 2012

|  | <u>2013</u>       | <u>2012</u>       |
|--|-------------------|-------------------|
| <b>UNRESTRICTED NET ASSETS</b>                           |                   |                   |
| Support and Revenue                                      |                   |                   |
| Contributions and donations                              | \$ 395,738        | \$ 346,238        |
| Government grants  | 206,068           | 195,742           |
| Laundry room and miscellaneous income                    | 3,692             | 11,972            |
| Program service fees                                     | 940               | 1,605             |
| Interest income  | 187               | 914               |
| Realized gain (loss) on investments                      | -                 | 10,442            |
| Net assets released from restriction                     | -                 | 235,024           |
|  | <u>606,625</u>    | <u>801,937</u>    |
| Subtotal Support and Revenue                             |                   |                   |
| Fundraising Activity                                     |                   |                   |
| Fundraising revenue                                      | 226,216           | 111,636           |
| Direct fundraising costs                                 | <u>(102,886)</u>  | <u>(56,071)</u>   |
|  | <u>123,330</u>    | <u>55,565</u>     |
| Net Fundraising Activity                                 |                   |                   |
| Total Support and Revenue                                | 729,955           | 857,502           |
| Expenses   |                   |                   |
| Housing and Living Skills                                | 663,616           | 679,484           |
| Management and General                                   | 96,055            | 89,628            |
| Fundraising  | <u>42,509</u>     | <u>40,010</u>     |
|  | <u>802,180</u>    | <u>809,122</u>    |
| Total Expenses   |                   |                   |
| INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS           | (72,225)          | 48,380            |
| <b>TEMPORARILY RESTRICTED NET ASSETS</b>                 |                   |                   |
| Contributions  | -                 | 142,700           |
| Net assets released from restrictions                    | -                 | <u>(235,024)</u>  |
|  | <u>-</u>          | <u>(92,324)</u>   |
| INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS |                   |                   |
| NET INCREASE (DECREASE) IN NET ASSETS                    | (72,225)          | (43,944)          |
| NET ASSETS AT BEGINNING OF YEAR                          | <u>310,467</u>    | <u>354,411</u>    |
| NET ASSETS AT END OF YEAR                                | <u>\$ 238,242</u> | <u>\$ 310,467</u> |



THOMAS HOUSE TEMPORARY SHELTER  
 STATEMENTS OF CASH FLOWS  
 Years Ended June 30, 2013 and 2012

|   | <u>2013</u>       | <u>2012</u>       |
|---|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                   |                   |
| Increase (decrease) in net assets   | \$ (72,225)       | \$ (43,944)       |
| Adjustments to reconcile change in net assets to net cash provided operating activities |                   |                   |
| Depreciation  | 54,227            | 43,878            |
| In-kind contributions of property and equipment   | -                 | (52,025)          |
| Decrease (increase) in grants receivable  | (18,583)          | 13,396            |
| Decrease (increase) in other receivable   | (2,977)           | 978               |
| Decrease (increase) in prepaids   | (37)              | (815)             |
| Decrease (increase) in deposits   | 272               | (310)             |
| (Decrease) increase in accounts payable   | (43,979)          | 39,364            |
| (Decrease) increase in accrued payroll and payroll taxes                                | (766)             | (2,329)           |
| (Decrease) increase in accrued expenses   | 2,599             | 13,153            |
| (Decrease) increase in deferred revenue   | 24,418            | -                 |
| (Decrease) increase in accrued interest   | 33,930            | 33,930            |
|   | <u>          </u> | <u>          </u> |
| NET CASH PROVIDED BY<br>OPERATING ACTIVITIES  | (23,121)          | 45,276            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                   |                   |
| Acquisition of property and equipment   | -                 | (139,689)         |
| Purchase of investments   | -                 | (640)             |
| Redemption of investments   | 133,692           | 15,361            |
|   | <u>          </u> | <u>          </u> |
| NET CASH USED FOR<br>INVESTING ACTIVITIES   | 133,692           | (124,968)         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                   |                   |
| Payments on long-term debt  | -                 | -                 |
|   | <u>          </u> | <u>          </u> |
| NET CASH USED FOR<br>FINANCING ACTIVITIES   | -                 | -                 |
|   | <u>          </u> | <u>          </u> |
| NET INCREASE (DECREASE) IN CASH<br>AND CASH EQUIVALENTS                                 | 110,571           | (79,692)          |
| BEGINNING CASH AND CASH EQUIVALENTS   | <u>109,568</u>    | <u>189,260</u>    |
| ENDING CASH AND CASH EQUIVALENTS  | <u>\$ 220,139</u> | <u>\$ 109,568</u> |
| <b>Supplemental Disclosure of Noncash Activities</b>                                    |                   |                   |
| Donated materials and services  | <u>\$ 59,717</u>  | <u>\$ 96,737</u>  |
| Cash paid during the year for interest  | <u>\$ -</u>       | <u>\$ 203</u>     |

THOMAS HOUSE TEMPORARY SHELTER  
 STATEMENTS OF FUNCTIONAL EXPENSES  
 Years Ended June 30, 2013 and 2012

|                         | Program Services          | Supporting Services    |                  | 2013              | 2012              |
|-------------------------|---------------------------|------------------------|------------------|-------------------|-------------------|
|                         | Housing and Living Skills | Management and General | Fundraising      | Total             | Total             |
| Auto/transportation     | \$ 4,774                  | \$ -                   | \$ -             | \$ 4,774          | \$ 6,668          |
| Bank charges            | -                         | 3,554                  | -                | 3,554             | 1,788             |
| Child care              | 39,901                    | -                      | -                | 39,901            | 52,680            |
| Children's Program      | 2,545                     | -                      | -                | 2,545             | 7,915             |
| Clothing                | 5,661                     | -                      | -                | 5,661             | 5,723             |
| Counseling              | 12,515                    | -                      | -                | 12,515            | 17,205            |
| Depreciation            | 52,600                    | 1,627                  | -                | 54,227            | 43,878            |
| Dues and subscriptions  | 994                       | -                      | -                | 994               | 1,290             |
| Food                    | 31,279                    | -                      | -                | 31,279            | 38,580            |
| Furnishing & appliances | 10,252                    | -                      | -                | 10,252            | 3,065             |
| Insurance               | 35,736                    | 5,045                  | 1,261            | 42,042            | 40,130            |
| Interest                | 32,912                    | 1,018                  | -                | 33,930            | 34,133            |
| Internet/ related fees  | 1,655                     | -                      | -                | 1,655             | 1,908             |
| Laundry                 | 1,008                     | -                      | -                | 1,008             | 1,008             |
| Licence and permits     | -                         | 11                     | -                | 11                | 714               |
| Move-in expense         | 1,550                     | -                      | -                | 1,550             | 3,189             |
| Parenting classes       | 1,691                     | -                      | -                | 1,691             | 2,948             |
| Payroll Service         | 2,542                     | 318                    | 318              | 3,178             | 2,880             |
| Payroll taxes           | 20,476                    | 2,559                  | 2,559            | 25,594            | 23,335            |
| Postage                 | 1,921                     | 360                    | 120              | 2,401             | 2,178             |
| Prevention program      | 25,523                    | -                      | -                | 25,523            | -                 |
| Printing & newsletter   | -                         | 1,213                  | 6,339            | 7,552             | 2,252             |
| Professional fees       | 29,941                    | 43,282                 | -                | 73,223            | 87,135            |
| Program development     | 12,356                    | 223                    | -                | 12,579            | 15,847            |
| Promotion               | -                         | -                      | 1,128            | 1,128             | 144               |
| Property tax            | 3,895                     | 120                    | -                | 4,015             | 3,463             |
| Repairs                 | 29,772                    | 921                    | -                | 30,693            | 30,045            |
| Salaries                | 233,385                   | 29,173                 | 29,173           | 291,731           | 273,480           |
| Security                | 2,196                     | -                      | -                | 2,196             | 2,196             |
| Storage                 | 2,376                     | -                      | -                | 2,376             | 2,387             |
| Supplies                | 20,379                    | 595                    | 179              | 21,153            | 49,844            |
| Telephone               | 9,877                     | 305                    | -                | 10,182            | 11,539            |
| Travel                  | -                         | 3,605                  | -                | 3,605             | 2,448             |
| Utilities               | 22,451                    | 694                    | -                | 23,145            | 23,703            |
| Workman's Compensation  | 11,453                    | 1,432                  | 1,432            | 14,317            | 13,424            |
| <b>TOTAL EXPENSES</b>   | <b>\$ 663,616</b>         | <b>\$ 96,055</b>       | <b>\$ 42,509</b> | <b>\$ 802,180</b> | <b>\$ 809,122</b> |

## THOMAS HOUSE TEMPORARY SHELTER

### Notes to Financial Statements

June 30, 2013 and 2012

#### Note A - Summary of Significant Accounting Policies

##### Nature of Activities

Thomas House Temporary Shelter (the Organization) is a nonprofit organization established under the general nonprofit corporation laws of the State of California. The Organization (Thomas House) was established to provide temporary shelter and housing for the poor and needy in the County of Orange, California. Families stay in facilities owned by the Organization and are provided with counseling services to help them obtain employment, financial assistance, and eventually, permanent housing. The Organization's primary source of revenue is through public support in the form of donations, grants, and fundraising. It is governed by a Board of Directors appointed according to the provisions of the bylaws.

##### Basis of Presentation

The organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Organization is required 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. In addition, the Organization is required to present a statement of cash flows.

##### Functional Expenses

Expenses are charged to each program based on direct expenditures incurred. Certain costs have been allocated among program and supporting services. Fundraising costs are considered to be supporting services.

##### Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

##### Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of donor restrictions.

Contributions of donated materials are recorded at their fair values in the period received if there is an objective basis available to measure their value. Contributions of donated services meeting the criteria for recognition in the financial statements are recorded at their fair value. Donated materials amounted to \$59,717 and \$96,737 for years ended June 30, 2013 and 2012, respectively.

**THOMAS HOUSE TEMPORARY SHELTER**

**Notes to Financial Statements**

**June 30, 2013 and 2012**

**Note A - Summary of Significant Accounting Policies, Continued**

Recognition of Donor Restricted Contributions

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 donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Estimates

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

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the statement of activities.

Income Taxes

The organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes.

**Note B - Investments**

Investments are stated at market value and consist of certificate of deposits and securities. The fair values of investments that are measured on a recurring basis are listed below. The values presented are based on quoted prices in active markets (Level 1 inputs) as follows:

|                        | <u>2013</u> | <u>2012</u>       |
|------------------------|-------------|-------------------|
| Certificate of Deposit | \$ -        | \$ 133,693        |
| Securities             | -           | -                 |
| Total Investments      | \$ <u>-</u> | \$ <u>133,693</u> |

Investment income amounted to \$187 and \$914 for June 30, 2013 and 2012, respectively, and was classified as unrestricted net assets in the statements of activities. There were no

## THOMAS HOUSE TEMPORARY SHELTER

### Notes to Financial Statements

June 30, 2013 and 2012

#### Note B – Investments, Continued

realized or unrealized gains or losses on securities for fiscal year June 30, 2013, and realized gains on securities for fiscal year June 30, 2012 in the amount of \$10,442.

#### Note C - Land, Buildings, Furniture and Equipment

##### Property and Equipment

Fixed Assets acquired by Thomas House Temporary Shelter are considered to be owned by the Organization. However, the City funding sources may maintain equitable-sharing interest equal to sixty percent (60%) in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets in the event of sale, lease exchange, or other conveyance of the property other than the lease of the individual apartment units to tenants in the ordinary course of business, prior to the fifty fifth anniversary of the date of the promissory note (See Note C).

Acquisitions of land, buildings, furniture and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. 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 of donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations when the donated assets are placed in service as instructed by the donor.

The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over their estimated useful lives (40 years for buildings and 5 to 10 years for improvements, furniture and equipment). Expenditures that extend the useful life of the asset or enhance its productivity are capitalized.

The cost of such assets at June 30, 2013 and 2012 is as follows:

|                                    | 2013                | 2012                |
|------------------------------------|---------------------|---------------------|
| Land                               | \$ 953,015          | \$ 953,015          |
| Buildings and improvements         | 790,130             | 790,130             |
| Furniture, fixtures, and equipment | 35,524              | 35,524              |
|                                    | <u>1,778,669</u>    | <u>1,778,669</u>    |
| Less: Accumulated depreciation     | 268,932             | 214,706             |
|                                    | <u>\$ 1,509,737</u> | <u>\$ 1,563,963</u> |

Depreciation expense for the years ended June 30, 2013 and 2012 was \$54,226 and \$43,878 respectively.

# THOMAS HOUSE TEMPORARY SHELTER

## Notes to Financial Statements

June 30, 2013 and 2012

### Note D - Long-Term Debt

Long-term debt at June 30, 2013 and 2012 consisted of the following:

Promissory note to the City of Garden Grove, given in accordance with the "Affordable Housing Agreement" executed between the City of Garden Grove and the Thomas House Temporary Shelter, dated Jan. 31, 2003. The note bears simple interest at 3% per annum. The full balance of the note plus accrued interest thereon shall become due and payable upon the sale, lease, exchange, or other conveyance of the property, other than the lease of the individual apartment units in the ordinary course of the business. In the event that the note has not become due and payable prior to the fifty fifth anniversary of the note, the full amount together with any interests accrued thereon shall be forgiven.

|                  | <u>June 30, 2013</u> | <u>June 30, 2012</u> |
|------------------|----------------------|----------------------|
| Principal        | \$ 614,000           | \$ 614,000           |
| Accrued Interest | 192,120              | 173,700              |
| Total Due        | <u>\$ 806,120</u>    | <u>\$ 787,700</u>    |

Promissory note to the County of Orange, dated Feb. 9, 2004, with a simple interest rate of 3% per annum due as follows: 1) Commencing on the date six (6) months after closing of the Organization's books and every one year anniversary date thereafter during the Term, the Organization shall make annual payments to the County of the then available "residual receipts"; 2) at the expiration of the term of this note, which is fifty-five (55) years, the then outstanding principal plus any accrued interest shall become due and payable.

"Residual receipts" means revenue less operating expenses, debt service on other loans senior to this loan, and scheduled deposits to reserves approved by the County in writing at the closing of the loan. The Organization had no residual receipts during the year ended June 30, 2013.

|                  | <u>June 30, 2013</u> | <u>June 30, 2012</u> |
|------------------|----------------------|----------------------|
| Principal        | \$ 517,000           | \$ 517,000           |
| Accrued Interest | 145,200              | 129,690              |
| Total Due        | <u>\$ 662,200</u>    | <u>\$ 646,690</u>    |

|                        |                     |                     |
|------------------------|---------------------|---------------------|
| Total Principal        | \$ 1,131,000        | \$ 1,131,000        |
| Total Accrued Interest | 337,320             | 303,390             |
| Grand Total            | <u>\$ 1,468,320</u> | <u>\$ 1,434,390</u> |

**THOMAS HOUSE TEMPORARY SHELTER**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

**Note D - Long-Term Debt, Continued**

Maturities by year are as follows:

|            |    |                  |
|------------|----|------------------|
| 2014       | \$ | 0                |
| 2015       |    | 0                |
| 2016       |    | 0                |
| 2017       |    | 0                |
| 2018       |    | 0                |
| Thereafter | \$ | <u>1,131,000</u> |
| Total      | \$ | <u>1,131,000</u> |

Interest expense for the years ended June 30, 2013 and 2012 was \$33,930 and \$33,930, respectively.

**Note E - Temporarily Restricted Net Assets**

The Organization had temporarily restricted net assets of \$0 and \$0 for the years ended June 30, 2013 and 2012, respectively. These net assets are restricted for program expenses, capital improvements to the shelter, and computer and software upgrades.

**Note F- Related Party Transactions**

During the year ended in June 30, 2013 and 2012, The Board of Director's made contributions in the amount of \$25,353 and \$17,778, respectively.

**Note G-Subsequent Events**

Management has evaluated subsequent events though September 4, 2013, the date which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.