

Thomas House Temporary Shelter
Financial Statements
Years Ended June 30, 2017 and 2016

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**THOMAS HOUSE TEMPORARY SHELTER
FINANCIAL STATEMENTS
June 30, 2017 and 2016**

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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, 2017 and 2016, 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, 2017 and 2016, 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
January 5, 2018

THOMAS HOUSE TEMPORARY SHELTER
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents (Note A)	\$ 143,925	\$ 42,253
Accounts receivable	1,070	-
Grants receivable	90,416	45,083
Deposits	1,522	1,729
Prepays	20,396	35,245
Property and equipment, net of accumulated depreciation (Note C)	<u>1,361,517</u>	<u>1,378,749</u>
TOTAL ASSETS	<u><u>\$ 1,618,846</u></u>	<u><u>\$ 1,503,059</u></u>
LIABILITIES		
Accounts payable	\$ 18,326	\$ 24,775
Accrued payroll and payroll taxes	7,133	3,943
Accrued expenses	10,373	15,928
Other current liabilities	174	205
Deferred revenue	35,000	7,800
Accrued interest (Note D)	473,040	439,110
Long-term debt (Note D)	<u>1,131,000</u>	<u>1,131,000</u>
TOTAL LIABILITIES	1,675,046	1,622,761
NET ASSETS		
Unrestricted	(56,200)	(131,473)
Temporarily Restricted (Note E)	<u>-</u>	<u>11,771</u>
TOTAL NET ASSETS	<u>(56,200)</u>	<u>(119,702)</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,618,846</u></u>	<u><u>\$ 1,503,059</u></u>

THOMAS HOUSE TEMPORARY SHELTER
 STATEMENTS OF ACTIVITIES
 Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS		
Support and Revenue		
Contributions and donations	\$ 578,451	\$ 318,892
Government grants	42,000	95,792
Miscellaneous income	12,921	5,493
Interest income	12	21
Net assests released from restriction	<u>11,771</u>	<u>69,733</u>
Subtotal Support and Revenue	645,155	489,931
Fundraising Activity		
Fundraising revenue	322,609	209,995
Direct fundraising costs	<u>(70,503)</u>	<u>(45,344)</u>
Net Fundraising Activity	<u>252,106</u>	<u>164,651</u>
Total Support and Revenue	897,261	654,582
Expenses		
Housing and Living Skills	645,007	654,295
Management and General	94,931	90,449
Fundraising	<u>82,050</u>	<u>86,779</u>
Total Expenses	<u>821,988</u>	<u>831,523</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	75,273	(176,941)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	-	75,000
Net assests released from restrictions	<u>(11,771)</u>	<u>(69,733)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(11,771)</u>	<u>5,267</u>
NET INCREASE (DECREASE) IN NET ASSETS	63,502	(171,674)
NET ASSETS AT BEGINNING OF YEAR	<u>(119,702)</u>	<u>51,972</u>
NET ASSETS AT END OF YEAR	<u>\$ (56,200)</u>	<u>\$ (119,702)</u>

THOMAS HOUSE TEMPORARY SHELTER
 STATEMENTS OF CASH FLOWS
 Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 63,502	\$ (171,674)
Adjustments to reconcile change in net assets to net cash provided operating activities		
Depreciation	46,962	53,478
Decrease (increase) in grants receivable	(45,333)	6,401
Decrease (increase) in other receivable	(1,070)	-
Decrease increase in deposits	207	(207)
(Decrease) increase in prepaids	14,849	(25,120)
(Decrease) increase in accounts payable	(6,449)	7,560
Decrease increase in accrued payroll and payroll taxes	3,190	(8,143)
Decrease (increase) in accrued expenses	(5,555)	(2,586)
(Decrease) increase in other current liabilities	(31)	(42)
Decrease (increase) in deferred revenue	27,200	7,735
Decrease increase in accrued interest	33,930	33,930
	<u>131,402</u>	<u>(98,668)</u>
NET CASH PROVIDED PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	<u>(29,730)</u>	<u>(5,734)</u>
	<u>(29,730)</u>	<u>(5,734)</u>
NET CASH PROVIDED (USED) FOR INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	101,672	(104,402)
BEGINNING CASH AND CASH EQUIVALENTS	<u>42,253</u>	<u>146,655</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 143,925</u>	<u>\$ 42,253</u>
Supplemental Disclosure of Noncash Activities		
Donated materials and services	<u>\$ 43,103</u>	<u>\$ 40,584</u>
Cash paid during the year for interest	<u>\$ 1,002</u>	<u>\$ 792</u>
Cash paid during the year for income taxes	<u>\$ -</u>	<u>\$ -</u>

THOMAS HOUSE TEMPORARY SHELTER
 STATEMENTS OF FUNCTIONAL EXPENSES
 Year Ended June 30, 2017

	Program Services	Supporting Services		2017
	Housing and Living Skills	Management and General	Fundraising	Total
Auto/transportation	\$ 3,616	\$ 254	\$ -	\$ 3,870
Bank charges	7,974	-	-	7,974
Child care	22,170	-	-	22,170
Children's Program	1,807	-	-	1,807
Clothing	6,023	-	-	6,023
Computer & internet related fees	18,368	-	-	18,368
Counseling	6,848	-	-	6,848
Depreciation	45,553	1,409	-	46,962
Dues and subscriptions	-	1,795	-	1,795
Event expenses	-	-	17,337	17,337
Food	23,314	-	-	23,314
Furnishings & appliances	10,300	-	-	10,300
Health insurance	27,710	4,011	4,740	36,461
Insurance	15,878	1,825	548	18,251
Interest	33,884	1,048	-	34,932
Laundry	1,540	-	-	1,540
Licenses and permits	-	33	-	33
Office supplies	4,708	541	162	5,411
Parenting classes	-	-	-	-
Payroll Service	-	1,942	-	1,942
Payroll taxes	21,162	3,063	3,620	27,845
Postage	-	1,080	-	1,080
Prevention program	-	-	-	-
Printing & newsletter	-	1,703	2,903	4,606
Professional fees	49,393	39,548	-	88,941
Program development	-	-	2,630	2,630
Program expense	21,925	-	-	21,925
Program supplies	16,871	-	-	16,871
Promotion	-	-	5,096	5,096
Property tax	6,450	199	-	6,649
Repairs	5,694	-	-	5,694
Salaries	237,666	33,403	42,909	313,978
Storage	6,235	193	-	6,428
Supplies	-	-	-	-
Telephone	8,391	260	-	8,651
Travel	3,401	105	-	3,506
Utilities	23,863	738	-	24,601
Website	1,955	-	-	1,955
Workman's Compensation	12,308	1,781	2,105	16,194
TOTAL EXPENSES	\$ 645,007	\$ 94,931	\$ 82,050	\$ 821,988

THOMAS HOUSE TEMPORARY SHELTER
 STATEMENTS OF FUNCTIONAL EXPENSES
 Year Ended June 30, 2016

	Program Services	Supporting Services		2016
	Housing and Living Skills	Management and General	Fundraising	Total
Auto/transportation	\$ 2,687	\$ -	\$ -	\$ 2,687
Bank charges	6,739	214	-	6,953
Child care	11,817	-	-	11,817
Children's Program	1,072	-	-	1,072
Clothing	15,476	-	-	15,476
Computer & internet related fees	11,366	2,541	3,712	17,619
Counseling	5,717	-	-	5,717
Depreciation	51,874	1,604	-	53,478
Dues and subscriptions	-	937	-	937
Event expenses	-	-	1,687	1,687
Food	19,627	-	-	19,627
Furnishings & appliances	5,407	-	-	5,407
Health Insurance	-	-	-	-
Insurance	45,552	5,236	1,571	52,359
Interest	33,680	1,042	-	34,722
Laundry	1,184	-	-	1,184
Licenses and permits	-	256	-	256
Office supplies	-	-	-	-
Parenting classes	600	-	-	600
Payroll Service	1,655	265	287	2,207
Payroll taxes	21,014	3,362	3,643	28,019
Postage	1,647	183	-	1,830
Prevention program	48,727	-	-	48,727
Printing & newsletter	-	783	10,639	11,422
Professional fees	28,918	30,084	10,833	69,835
Program development	14,329	-	4,702	19,031
Program expense	-	-	-	-
Program supplies	-	-	-	-
Promotion	-	-	7,870	7,870
Property tax	11,312	350	-	11,662
Repairs	7,689	238	-	7,927
Salaries	226,659	39,386	38,609	304,654
Storage	5,083	268	-	5,351
Supplies	24,771	508	553	25,832
Telephone	9,420	265	-	9,685
Travel	4,141	128	414	4,683
Utilities	23,099	714	-	23,813
Website	-	-	-	-
Workman's Compensation	13,033	2,085	2,259	17,377
TOTAL EXPENSES	\$ 654,295	\$ 90,449	\$ 86,779	\$ 831,523

THOMAS HOUSE TEMPORARY SHELTER

Notes to Financial Statements

June 30, 2017 and 2016

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 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

The Organization recognizes contribution revenues for certain services received at the fair value of those services. Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

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

THOMAS HOUSE TEMPORARY SHELTER

Notes to Financial Statements

June 30, 2017 and 2016

Note A - Summary of Significant Accounting Policies, Continued

Contributions, Continued

fair value. Donated professional services amounted to \$9,888 and \$7,297 for years ended June 30, 2017 and 2016, respectively. Donated materials amounted to \$33,215 and \$33,287 for years ended June 30, 2017 and 2016, respectively.

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 – Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an ordinary transaction between market participants on the measurement date. Assets recorded at fair value in the statement of activities and changes in net assets are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

THOMAS HOUSE TEMPORARY SHELTER

Notes to Financial Statements

June 30, 2017 and 2016

Note B – Fair Value Measurements, Continued

Level inputs, are as follows:

Level Input	Input Definition
Level 1	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level 2	Inputs, other than quoted prices included in Level 1, which are observable for the asset or liability through corroboration with market data at the measurement date.
Level 3	Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

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 D).

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.

THOMAS HOUSE TEMPORARY SHELTER

Notes to Financial Statements

June 30, 2017 and 2016

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

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, 2017 and 2016 is as follows:

	2017	2016
Land	\$ 953,015	\$ 953,015
Buildings and improvements	830,433	803,938
Furniture, fixtures, and equipment	57,780	54,546
	<u>1,841,228</u>	<u>1,811,499</u>
Less: Accumulated depreciation	479,711	432,750
	<u>\$ 1,361,517</u>	<u>\$ 1,378,749</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$46,962 and \$53,478 respectively.

Note D - Long-Term Debt

Long-term debt at June 30, 2017 and 2016 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.

	June 30, 2017	June 30, 2016
Principal	\$ 614,000	\$ 614,000
Accrued Interest	265,555	247,380
Total Due	<u>\$ 879,555</u>	<u>\$ 861,380</u>

THOMAS HOUSE TEMPORARY SHELTER

Notes to Financial Statements

June 30, 2017 and 2016

Note D - Long-Term Debt, Continued

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, 2017 and June 30, 2016, respectively.

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Principal	\$ 517,000	\$ 517,000
Accrued Interest	207,485	191,730
Total Due	<u>\$ 724,485</u>	<u>\$ 708,730</u>
Total Principal	\$ 1,131,000	\$ 1,131,000
Total Accrued Interest	473,040	439,110
Grand Total	<u>\$ 1,604,040</u>	<u>1,570,110</u>

Maturities by year are as follows:

2017	\$ 0
2018	0
2019	0
2020	0
2021	0
Thereafter	<u>\$ 1,131,000</u>
Total	<u>\$ 1,131,000</u>

Interest expense on long-term debt for the years ended June 30, 2017 and 2016 was \$33,930 and \$33,930, respectively.

THOMAS HOUSE TEMPORARY SHELTER
Notes to Financial Statements
June 30, 2017 and 2016

Note E - Temporarily Restricted Net Assets

The Organization had temporarily restricted net assets of \$0 and \$11,771 for the years ended June 30, 2017 and 2016, respectively. These net assets are restricted for program expenses.

Note F- Related Party Transactions

During the years ended June 30, 2017 and June 30, 2016 the Organization received \$187,619 and \$73,546, respectively, in both direct contributions from its Board of Directors, as well as contributions received from donors with various relationships to the Board of Directors.

Note G-Board Designated Reserve

The Board adopted a policy to establish an operating reserve. The amount of the reserve is to be determined after the Organization's current fiscal audited financial statements have been finalized.

Note H -Subsequent Events

Management has evaluated subsequent events through January 5, 2018 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.