

Thomas House Temporary Shelter
Financial Statements
Years Ended June 30, 2015 and 2014

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THOMAS HOUSE TEMPORARY SHELTER
FINANCIAL STATEMENTS
June 30, 2015 and 2014

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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, 2015 and 2014, 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, 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.



Stafford & Warren, LLP
Irvine, CA
November 23, 2015

THOMAS HOUSE TEMPORARY SHELTER
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents (Note A)	\$ 146,655	\$ 248,959
Grants receivable	51,484	117,941
Other receivable	-	288
Deposits	1,522	1,522
Prepays	10,125	8,778
Property and equipment, net of accumulated depreciation (Note B)	<u>1,426,493</u>	<u>1,464,988</u>
TOTAL ASSETS	<u><u>\$ 1,636,279</u></u>	<u><u>\$ 1,842,476</u></u>
LIABILITIES		
Accounts payable	\$ 17,215	\$ 14,244
Accrued payroll and payroll taxes	12,086	11,145
Accrued expenses	18,514	15,755
Other current Liabilities	312	-
Accrued interest (Note C)	405,180	371,250
Long-term debt (Note C)	<u>1,131,000</u>	<u>1,131,000</u>
TOTAL LIABILITIES	1,584,307	1,543,394
NET ASSETS		
Unrestricted	45,468	269,082
Temporarily Restricted (Note D)	<u>6,504</u>	<u>30,000</u>
TOTAL NET ASSETS	<u><u>51,972</u></u>	<u><u>299,082</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,636,279</u></u>	<u><u>\$ 1,842,476</u></u>

THOMAS HOUSE TEMPORARY SHELTER
 STATEMENTS OF ACTIVITIES
 Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
UNRESTRICTED NET ASSETS		
Support and Revenue		
Contributions and donations	\$ 350,958	\$ 507,735
Government grants	103,717	269,692
Laundry room and miscellaneous income	3,797	3,174
Program service fees	-	390
Interest income	136	116
Net assests released from restriction	<u>78,496</u>	<u>-</u>
Subtotal Support and Revenue	537,104	781,107
Fundraising Activity		
Fundraising revenue	242,352	185,253
Direct fundraising costs	<u>(137,534)</u>	<u>(90,426)</u>
Net Fundraising Activity	<u>104,818</u>	<u>94,827</u>
Total Support and Revenue	641,922	875,934
Expenses		
Housing and Living Skills	689,776	688,096
Management and General	102,078	97,505
Fundraising	<u>73,682</u>	<u>59,493</u>
Total Expenses	<u>865,536</u>	<u>845,094</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(223,614)	30,840
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	55,000	30,000
Net assests released from restrictions	<u>(78,496)</u>	<u>-</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(23,496)</u>	<u>30,000</u>
NET INCREASE (DECREASE) IN NET ASSETS	(247,110)	60,840
NET ASSETS AT BEGINNING OF YEAR	<u>299,082</u>	<u>238,242</u>
NET ASSETS AT END OF YEAR	<u>\$ 51,972</u>	<u>\$ 299,082</u>

THOMAS HOUSE TEMPORARY SHELTER
 STATEMENTS OF CASH FLOWS
 Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (247,110)	\$ 60,840
Adjustments to reconcile change in net assets to net cash provided operating activities		
Depreciation	55,406	54,935
Decrease (increase) in grants receivable	66,457	(83,449)
(Decrease) increase in other receivable	288	2,689
Decrease (increase) in prepaids	(1,347)	(2,530)
(Decrease) increase in deposits	-	(191)
(Decrease) increase in accounts payable	2,971	(2,945)
(Decrease) increase in accrued payroll and payroll taxes	941	142
(Decrease) increase in accrued expenses	2,759	3
(Decrease) increase in other current liabilities	312	-
(Decrease) increase in deferred revenue	-	(24,418)
(Decrease) increase in accrued interest	33,930	33,930
	<u>33,930</u>	<u>33,930</u>
NET CASH PROVIDED (USED)BY OPERATING ACTIVITIES	(85,393)	39,006
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(16,911)	(10,186)
Redemption of investments	-	-
	<u>-</u>	<u>-</u>
NET CASH PROVIDED (USED) FOR INVESTING ACTIVITIES	(16,911)	(10,186)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	-	-
	<u>-</u>	<u>-</u>
NET CASH USED FOR FINANCING ACTIVITIES	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(102,304)	28,820
BEGINNING CASH AND CASH EQUIVALENTS	<u>248,959</u>	<u>220,139</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 146,655</u>	<u>\$ 248,959</u>
Supplemental Disclosure of Noncash Activities		
Donated materials and services	<u>\$ 64,027</u>	<u>\$ 32,152</u>
Cash paid during the year for interest	<u>\$ 613</u>	<u>\$ 272</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, 2015

	Program Services	Supporting Services		2015 Total
	Housing and Living Skills	Management and General	Fundraising	
Auto/transportation	\$ 4,778	\$ -	\$ -	\$ 4,778
Bank charges	3,580	117	-	3,697
Child care	12,720	-	-	12,720
Children's Program	17,880	-	-	17,880
Clothing	11,045	-	-	11,045
Computer & internet related fees	19,790	-	-	19,790
Counseling	21,015	-	-	21,015
Depreciation	53,744	1,662	-	55,406
Dues and subscriptions	1,789	-	-	1,789
Food	35,450	-	-	35,450
Furnishing & appliances	4,803	-	-	4,803
Insurance	34,825	4,003	1,201	40,029
Interest	33,507	1,036	-	34,543
Laundry	1,008	-	-	1,008
Licence and permits	-	317	-	317
Move-in expense	2,900	-	-	2,900
Parenting classes	2,093	-	-	2,093
Payroll Service	1,869	379	461	2,709
Payroll taxes	20,040	4,066	4,937	29,043
Postage	2,016	504	-	2,520
Prevention program	59,550	-	-	59,550
Printing & newsletter	-	643	-	643
Professional fees	765	35,751	2,919	39,435
Program development	14,959	-	3,192	18,151
Promotion	-	-	3,381	3,381
Property tax	4,187	130	-	4,317
Repairs	19,527	604	-	20,131
Salaries	227,878	48,297	54,318	330,493
Security	2,562	-	-	2,562
Storage	4,788	-	-	4,788
Supplies	22,178	1,097	367	23,642
Telephone	7,117	163	-	7,280
Travel	7,626	236	-	7,862
Utilities	21,991	680	-	22,671
Workman's Compensation	11,796	2,393	2,906	17,095
TOTAL EXPENSES	\$ 689,776	\$ 102,078	\$ 73,682	\$ 865,536

THOMAS HOUSE TEMPORARY SHELTER
STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended June 30, 2014

	Program Services	Supporting Services		2014 Total
	Housing and Living Skills	Management and General	Fundraising	
Auto/transportation	\$ 7,816	\$ -	\$ -	\$ 7,816
Bank charges	-	3,221	-	3,221
Child care	44,058	-	-	44,058
Children's Program	6,635	-	-	6,635
Clothing	10,723	-	-	10,723
Computer & internet related fees	1,690	-	-	1,690
Counseling	12,705	-	-	12,705
Depreciation	53,287	1,648	-	54,935
Dues and subscriptions	2,242	-	-	2,242
Food	36,445	-	-	36,445
Furnishing & appliances	12,539	-	-	12,539
Insurance	35,889	5,067	1,267	42,223
Interest	33,176	1,026	-	34,202
Laundry	1,008	-	-	1,008
Licence and permits	-	22	-	22
Move-in expense	3,030	-	-	3,030
Parenting classes	1,875	-	-	1,875
Payroll Service	2,715	429	429	3,573
Payroll taxes	21,532	3,400	3,400	28,332
Postage	2,016	376	125	2,517
Prevention program	50,724	-	-	50,724
Printing & newsletter	-	3,744	7,047	10,791
Professional fees	2,168	30,987	7,578	40,733
Program development	1,933	-	856	2,789
Promotion	-	-	2,337	2,337
Property tax	3,858	119	-	3,977
Repairs	22,357	746	-	23,103
Salaries	235,583	38,295	34,134	308,012
Security	2,196	-	-	2,196
Storage	4,690	-	-	4,690
Supplies	33,793	994	331	35,118
Telephone	6,003	186	-	6,189
Travel	-	4,550	-	4,550
Utilities	22,812	706	-	23,518
Workman's Compensation	12,598	1,989	1,989	16,576
TOTAL EXPENSES	\$ 688,096	\$ 97,505	\$ 59,493	\$ 845,094

THOMAS HOUSE TEMPORARY SHELTER

Notes to Financial Statements

June 30, 2015 and 2014

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, 2015 and 2014

Note A - Summary of Significant Accounting Policies, Continued

Contributions, Continued

fair value. Donated materials amounted to \$64,027 and \$32,152 for years ended June 30, 2015 and 2014, 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, 2015 and 2014

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, 2015 and 2014

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, 2015 and 2014 is as follows:

	2015	2014
Land	\$ 953,015	\$ 953,015
Buildings and improvements	802,389	798,989
Furniture, fixtures, and equipment	50,361	36,850
	<u>1,805,765</u>	<u>1,788,854</u>
Less: Accumulated depreciation	379,272	323,866
	<u>\$ 1,426,493</u>	<u>\$ 1,464,988</u>

Depreciation expense for the years ended June 30, 2015 and 2014 was \$55,406 and \$54,935 respectively.

Note D - Long-Term Debt

Long-term debt at June 30, 2015 and 2014 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, 2015	June 30, 2014
Principal	\$ 614,000	\$ 614,000
Accrued Interest	228,960	210,540
Total Due	<u>\$842,960</u>	<u>\$ 824,540</u>

THOMAS HOUSE TEMPORARY SHELTER

Notes to Financial Statements

June 30, 2015 and 2014

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, 2015.

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Principal	\$ 517,000	\$ 517,000
Accrued Interest	176,220	160,710
Total Due	<u>\$693,220</u>	<u>\$ 677,710</u>
Total Principal	\$ 1,131,000	\$ 1,131,000
Total Accrued Interest	405,180	371,250
Grand Total	<u>\$ 1,536,180</u>	<u>1,502,250</u>

Maturities by year are as follows:

2016	\$ 0
2017	0
2018	0
2019	0
2020	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, 2015 and 2014 was \$33,930 and \$33,930, respectively.

THOMAS HOUSE TEMPORARY SHELTER

Notes to Financial Statements

June 30, 2015 and 2014

Note E - Temporarily Restricted Net Assets

The Organization had temporarily restricted net assets of \$6,504 and \$30,000 for the years ended June 30, 2015 and 2014, respectively. These net assets are restricted for program expenses.

Note F- Related Party Transactions

During the year ended in June 30, 2015 and 2014, The Board of Director's made contributions in the amount of \$57,793 and \$54,446, respectively.

Note G-Risks and Uncertainties

Due to a number of factors during the fiscal year ending June 30, 2015, the Organization incurred a substantial loss due to a reduction in revenue which has resulted in cash flow issues. First of all, a recent shift in the funding landscape for homeless services caused a reduction in government funding for the Organization. Changes in the metrics for government funding of programs is not uncommon, however the significance of these changes after so many years of continuity were unexpected. In addition, there were personnel issues that created a reduction in private grant funding, mostly due to missed deadlines for submitting grant requests.

The Board of Directors and management have developed a plan to cut expenses in the interim in order to increase cash flow. Additionally, a new Executive Director has been hired to reach out to former corporate contributors to solicit future funding. The Board of Directors and management believe that the current cost cutting plan and anticipated funding from former corporate contributors is sufficient to strengthen the future cash flow of the Organization.

Note H -Subsequent Events

Management has evaluated subsequent events through November 23, 2015 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.