

Family Promise of Orange County, Inc.

Financial Statements

Year Ended December 31, 2017

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

FAMILY PROMISE OF ORANGE COUNTY, INC.
FINANCIAL STATEMENTS
December 31, 2017

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stafford & warren
certified public accountants

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Family Promise of Orange County, Inc.

We have reviewed the accompanying financial statements of Family Promise of Orange County, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017, and the related statement of activities, statement of cash flows, and statement of functional expenses for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Stafford & Warren, LLP
Irvine, CA
November 6, 2018

FAMILY PROMISE OF ORANGE COUNTY, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2017

	<u>2017</u>
ASSETS	
Cash and cash equivalents (Note A)	\$ 89,802
Deposits	300
Prepays	8,523
Cash and investments held for facilities expansion	103,932
Property and equipment, net of accumulated depreciation (Note C)	<u>62,688</u>
TOTAL ASSETS	<u><u>\$ 265,245</u></u>
LIABILITIES	
Accounts payable and accrued expenses	<u>\$ 6,813</u>
TOTAL LIABILITIES	<u>6,813</u>
NET ASSETS	
Unrestricted	120,595
Temporarily Restricted (Note E)	<u>137,837</u>
TOTAL NET ASSETS	<u>258,432</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 265,245</u></u>

FAMILY PROMISE OF ORANGE COUNTY, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

	<u>2017</u>
UNRESTRICTED NET ASSETS	
Support and Revenue	
Contributions and donations	\$ 249,245
Grants	53,426
Program service fees	27,902
Interest and other income	365
Net assests released from restriction	<u>17,090</u>
Subtotal Support and Revenue	<u>348,028</u>
Fundraising Event Activity	
Fundraising event revenue	79,855
Direct fundraising event costs	<u>(20,218)</u>
Net Fundraising Event Activity	<u>59,637</u>
Total Support and Revenue	407,665
Expenses	
Program Services	
Transitional housing	136,685
Emergency housing and support	190,055
Management and General	107,179
Fundraising	<u>10,737</u>
Total Expenses	<u>444,656</u>
DECREASE IN UNRESTRICTED NET ASSETS	(36,991)
TEMPORARILY RESTRICTED NET ASSETS	
Contributions	54,927
Net assests released from restrictions	<u>(17,090)</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>37,837</u>
NET INCREASE IN NET ASSETS	846
NET ASSETS AT BEGINNING OF YEAR	<u>257,586</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 258,432</u></u>

FAMILY PROMISE OF ORANGE COUNTY, INC.
 STATEMENT OF CASH FLOWS
 Year Ended December 31, 2017

2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 846
Adjustments to reconcile change in net assets to net cash provided operating activities	
Contributions received for facilities expansion	(3,932)
Depreciation	5,781
Increase in prepaids	(1,651)
Decrease in accounts payable and accrued expenses	<u>(214)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	830
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	<u>(100,000)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(100,000)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(99,170)
BEGINNING CASH AND CASH EQUIVALENTS	<u>188,972</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 89,802</u></u>
 Supplemental Disclosure of Noncash Activities	
Donated materials and services	<u><u>\$ 147,438</u></u>
Cash paid during the year for interest	<u><u>\$ -</u></u>
Cash paid during the year for income taxes	<u><u>\$ -</u></u>

FAMILY PROMISE OF ORANGE COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2017

	Program Services		Supporting Services		2017
	Transitional Housing	Emergency Housing and Support	Management and General	Fundraising	Total
Auto/transportation	\$ 1,766	\$ 8,742	\$ -	\$ -	\$ 10,508
Credit card fees	-	-	-	1,719	1,719
Depreciation	3,469	-	2,312	-	5,781
Dues and subscriptions	-	-	4,761	-	4,761
Food	-	2,567	-	-	2,567
Gala event expenses	-	-	-	2,243	2,243
Grant writing	-	-	-	6,775	6,775
Guest services	-	7,751	-	-	7,751
In-kind materials, services, & facilities	44,231	103,207	-	-	147,438
Insurance	-	-	7,508	-	7,508
Licenses and permits	-	-	75	-	75
Miscellaneous	-	150	110	-	260
Office supplies	-	-	1,679	-	1,679
Payroll Service	-	-	1,257	-	1,257
Payroll taxes	3,905	4,577	4,253	-	12,735
Printing & postage	-	-	1,202	-	1,202
Professional fees	-	765	21,845	-	22,610
Rapid re-housing	-	1,500	-	-	1,500
Rental expense	41,781	5,220	5,220	-	52,221
Repairs and maintenance	-	-	1,064	-	1,064
Salaries	40,712	47,719	44,342	-	132,773
Supplies	-	3,900	3,899	-	7,799
Telephone	-	1,660	1,660	-	3,320
Travel	-	-	5,098	-	5,098
Volunteer expenses	-	1,334	-	-	1,334
Workman's Compensation	821	963	894	-	2,678
TOTAL EXPENSES	\$ 136,685	\$ 190,055	\$ 107,179	\$ 10,737	\$ 444,656

FAMILY PROMISE OF ORANGE COUNTY, INC.
Notes to Financial Statements
December 31, 2017

Note A - Summary of Significant Accounting Policies

Nature of Activities

Family Promise of Orange County, Inc. (the Organization) is a nonprofit organization established in 2009 under the general nonprofit corporation laws of the State of California. It is an affiliate of the national Organization called Family Promise. The Organization offers homeless families the opportunity to achieve housing stability by providing short term shelter, meals, case management, and hospitality. The Organization utilizes local resources including faith-based congregations and community organizations.

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 six 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 and facilities 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

FAMILY PROMISE OF ORANGE COUNTY, INC.

Notes to Financial Statements

December 31, 2017

Note A - Summary of Significant Accounting Policies, Continued

Contributions, Continued

recorded at their fair value. Donated professional services amounted to \$29,000 for the year ended December 31, 2017. Donated materials and facilities amounted to \$118,438 for the year ended December 31, 2017.

Management estimates the value of volunteer hours to be \$94,395. However, these hours do not meet the GAAP requirement to be recorded as donated professional services in the financial statements.

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.

Fundraising Events

The Organization hosts a gala fundraising event. The Organization records the attendance fees less direct events expenses (meals and cost of venue) as net fundraising event income in the statement of activities.

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.

FAMILY PROMISE OF ORANGE COUNTY, INC.

Notes to Financial Statements

December 31, 2017

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.

Investments consisted of a Certificate of Deposit with a maturity of nine months and a balance of \$100,000 at December 31, 2017.

Level inputs are as follows:

<u>Level Input</u>	<u>Input Definition</u>
Level 1	Inputs are adjusted, 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 - Property and Equipment

Property and equipment are depreciated using the straight-line method over their estimated useful lives (39 years for improvements, and 5 to 10 years for vehicles, furniture, and equipment). Expenditures that extend the useful life of the asset or enhance its productivity are capitalized.

FAMILY PROMISE OF ORANGE COUNTY, INC.

Notes to Financial Statements

December 31, 2017

Note C - Property and Equipment, Continued

The cost of such assets at December 31, 2017 is as follows:

	<u>2017</u>
Computer software	\$ 7,410
Furniture, fixtures, and equipment	13,717
Improvements	66,674
Vehicles	9,000
	<u>96,801</u>
Less: Accumulated depreciation	<u>34,113</u>
	<u>\$ 62,688</u>

Depreciation expense for the years ended December 31, 2017 was \$5,781.

Note D – Commitments and Contingencies

The Organization leased its office space under an operating lease that called for monthly reduced rent payments of \$500 on a month-to-month basis beginning on January 1, 2017. The Organization was also responsible for a portion of the utilities as part of the agreement. Total fair market rent for one year is \$30,000. The \$24,000 value of the reduced rent is included as in-kind income in the financial statements.

The Organization rents a house at reduced rent of \$1,100 from the First Presbyterian Church of Fullerton. The lease commenced in January 2016 for a term of one year and was renewed in January 2017 for another year. Rent is now paid on a month-to-month basis. Total fair market rent for one year is \$31,200. The \$18,000 value of the reduced rent is included as in-kind income in the financial statements.

The Organization entered into a lease agreement for an additional transitional housing site in Fullerton. The lease was for a term of one year commencing November 15, 2014 at a monthly rate of \$1,600. Rent is now paid on a month-to-month basis.

The Organization is dependent on host and supporting local congregations to provide temporary overnight shelter to those it serves. To date they have had no difficulty in indentifying congregations to participate in their mission. However, should there be difficulty in locating congregations to participate in the future it would have a negative impact on the services provided by the Organization.

FAMILY PROMISE OF ORANGE COUNTY, INC.

Notes to Financial Statements

December 31, 2017

Note E - Temporarily Restricted Net Assets

The Organization had temporarily restricted net assets of \$137,837 for the year ended December 31, 2017. These net assets are restricted for the following program expenses:

	<u>2017</u>
Case manager salary and education resources	\$ 5,000
Facilities expansion	103,932
Homelessness prevention	<u>28,905</u>
	<u>\$ 137,837</u>

Note F- Related Party Transactions

During the year ended December 31, 2017 the Organization received \$20,695 in direct contributions from its Board of Directors.

Note G - Subsequent Events

Management has evaluated subsequent events through November 6, 2018 the date which the financial statements were available to be issued. Other than the subsequent event below there were no material subsequent events that required recognition or additional disclosure in these financial statements.

The Organization entered into a lease agreement for office space in Anaheim at a reduced rental rate. The lease is for a term of three years commencing April 1, 2018 at a monthly rate of \$1,640. The landlord has agreed to provide a rent credit of \$1,140 per month, starting in the first month, and continuing for a minimum of 12 months. The rent credit shall continue after the first 12 months until the total rent credit reaches the total amount spent by the Organization for the addition of restrooms, showers, and sink to the premises, or \$20,000, whichever is less.