

COLETTE'S CHILDREN'S HOME

Financial Statements

Year ended September 30, 2012
(With Comparative Information for the
Year ended September 30, 2011)

COLETTE'S CHILDREN'S HOME

Financial Statements

Year ended September 30, 2012

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Board of Directors
Colette's Children's Home
Huntington Beach, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statements of financial position of Colette's Children's Home (a nonprofit organization) as of September 30, 2012 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the management of Colette's Children's Home. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of Colette's Children's Home for the year ended September 30, 2011 and in our report dated February 29, 2012 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colette's Children's Home as of September 30, 2012 and the changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as listed in the table of contents. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Board of Directors
Colette's Children's Home
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In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2013 on our consideration of the Colette's Children's Home internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financing reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
March 26, 2013

COLETTE'S CHILDREN'S HOME

Statement of Financial Position

September 30, 2012

(With Comparative Data for the Prior Year)

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash and investments (note 2)	\$ 326,417	145,275
Claims receivable (note 1g)	110,129	194,767
Loans receivable	180,000	2,887
Other assets	9,203	8,396
Property and equipment, net (note 3)	<u>10,452,596</u>	<u>10,446,947</u>
Total assets	<u>\$ 11,078,345</u>	<u>10,798,272</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 26,996	99,829
Accrued liabilities	31,101	29,190
Deposits payable	62,148	49,734
Forgivable notes payable (note 4)	4,853,999	4,685,209
Notes payable (note 4)	<u>3,662,779</u>	<u>3,558,941</u>
Total liabilities	<u>8,637,023</u>	<u>8,422,903</u>
Net Assets (note 7):		
Unrestricted net assets	2,441,322	2,375,369
Temporarily restricted net assets	-	-
Permanently restricted net assets	<u>-</u>	<u>-</u>
Total net assets	<u>2,441,322</u>	<u>2,375,369</u>
Total liabilities and net assets	<u>\$ 11,078,345</u>	<u>10,798,272</u>

See accompanying notes to financial statements.

COLETTE'S CHILDREN'S HOME

Statement of Activities

Year ended September 30, 2012

(With Comparative Data for the Prior Year)

	Unrestricted	Temporarily	Permanently	Total	
		Restricted	Restricted	2012	2011
Support, revenues and gains:					
Grants	\$ 889,367	-	-	889,367	1,236,639
Contributions	460,130	-	-	460,130	315,583
Donated goods	124,606	-	-	124,606	143,234
Other income	292,858	-	-	292,858	291,287
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support, revenues and gains	<u>1,766,961</u>	<u>-</u>	<u>-</u>	<u>1,766,961</u>	<u>1,986,743</u>
Expenses:					
Program services:					
Shelter	<u>1,518,515</u>	<u>-</u>	<u>-</u>	<u>1,518,515</u>	<u>1,699,734</u>
Total program services	<u>1,518,515</u>	<u>-</u>	<u>-</u>	<u>1,518,515</u>	<u>1,699,734</u>
Supporting services:					
General and administrative	162,229	-	-	162,229	181,513
Fundraising	<u>20,264</u>	<u>-</u>	<u>-</u>	<u>20,264</u>	<u>21,737</u>
Total supporting services	<u>182,493</u>	<u>-</u>	<u>-</u>	<u>182,493</u>	<u>203,250</u>
Total expenses	<u>1,701,008</u>	<u>-</u>	<u>-</u>	<u>1,701,008</u>	<u>1,902,984</u>
Increase (decrease) in net assets	65,953	-	-	65,953	83,759
Net assets at beginning of year	<u>2,375,369</u>	<u>-</u>	<u>-</u>	<u>2,375,369</u>	<u>2,291,610</u>
Net assets at end of year	<u>\$ 2,441,322</u>	<u>-</u>	<u>-</u>	<u>2,441,322</u>	<u>2,375,369</u>

See accompanying notes to financial statements.

COLETTE'S CHILDREN'S HOME

Statement of Functional Expenses

Year ended September 30, 2012

(With Comparative Data for the Prior Year)

	Program Services		Supporting Services			Total	
	Shelter	Total Program Services	General and Administrative	Fund-raising	Total Supporting Services	2012	2011
Salaries and wages	520,070	520,070	98,404	-	98,404	618,474	610,940
Fringe benefits	70,140	70,140	8,444	-	8,444	78,584	73,596
Payroll taxes and expenses	73,265	73,265	12,600	-	12,600	85,865	82,798
Professional services	40,516	40,516	15,500	-	15,500	56,016	77,871
Travel and mileage	9,474	9,474	7,210	-	7,210	16,684	15,217
Rent (note 6)	84,075	84,075	-	-	-	84,075	76,825
Utilities	76,732	76,732	-	-	-	76,732	73,771
Repairs and maintenance	47,195	47,195	444	-	444	47,639	51,584
Property expense and taxes	15,707	15,707	100	-	100	15,807	6,928
Client food	39,880	39,880	-	-	-	39,880	36,253
Client child care	38,742	38,742	-	-	-	38,742	89,775
Client drug testing	12,468	12,468	-	-	-	12,468	9,264
Client transportation	18,644	18,644	-	-	-	18,644	28,636
Client services and supplies	38,049	38,049	-	-	-	38,049	92,400
Shelter equipment, furniture and supplies	61,276	61,276	-	-	-	61,276	104,391
Office supplies	3,590	3,590	1,587	1,226	2,813	6,403	5,486
Communications	17,947	17,947	10,096	2,591	12,687	30,634	40,896
Insurance	32,764	32,764	1,197	-	1,197	33,961	34,425
Workshops, licenses, fees and miscellaneous	2,385	2,385	6,645	15,983	22,628	25,013	25,594
Interest expense	67,189	67,189	2	464	466	67,655	70,901
Relocation expense	18,585	18,585	-	-	-	18,585	13,888
Loss on disposal of assets	-	-	-	-	-	-	34,943
Depreciation	105,216	105,216	-	-	-	105,216	103,368
Donated goods	124,606	124,606	-	-	-	124,606	143,234
Total expenses	\$ 1,518,515	1,518,515	162,229	20,264	182,493	1,701,008	1,902,984

See accompanying notes to financial statements.

COLETTE'S CHILDREN'S HOME

Statements of Cash Flows

Year ended September 30, 2012

(With Comparative Data for the Prior Year)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 65,953	83,759
Adjustments to increase (decrease) net assets to net cash provided by (used for) operating activities:		
Depreciation expense	105,216	103,368
Forgiveness of notes	(15,752)	(15,750)
(Increase) decrease in loans receivables	(177,113)	1,548
(Increase) decrease in other assets	(807)	(1,332)
(Increase) decrease in claims receivables	84,638	(9,782)
Increase (decrease) in accounts payable	(72,833)	3,950
Increase (decrease) in accrued liabilities	1,911	61,600
Increase (decrease) in deposits payable	12,414	12,924
Total adjustments	<u>(62,326)</u>	<u>156,526</u>
Net cash provided by (used for) operating activities	<u>3,627</u>	<u>240,285</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	(110,865)	(529,026)
Loss on disposal of assets	<u>-</u>	<u>34,943</u>
Net cash provided by (used for) investing activities	<u>(110,865)</u>	<u>(494,083)</u>
Cash flows from financing activities:		
Proceeds from notes payable	299,120	486,858
Payments on debt	<u>(10,740)</u>	<u>(210,256)</u>
Net cash provided by (used for) financing activities	<u>288,380</u>	<u>276,602</u>
Net increase (decrease) in cash and cash equivalents	181,142	22,804
Cash and cash equivalents at beginning of year	<u>145,275</u>	<u>122,471</u>
Cash and cash equivalents at end of year	<u>\$ 326,417</u>	<u>145,275</u>
Supplemental Information:		
Interest paid	<u>\$ 67,655</u>	<u>70,901</u>
Noncash investing and financing activities:		
Forgiveness of notes	<u>\$ 15,752</u>	<u>15,750</u>

See accompanying notes to financial statements.

COLETTE'S CHILDREN'S HOME

Notes to Financial Statements

Year ended September 30, 2012

(1) Summary of Significant Accounting Policies

(a) Organization and Background

Colette's Children's Home, Inc. (the Organization) is a nonprofit organization incorporated in the State of California on November 6, 1998. The purpose of the organization is to serve homeless women and children and aid them in becoming independent and self-sufficient.

The Organization operates mainly from contributions and grants solicited by key members of the Organization.

(b) Basis of Accounting

Colette's Children's Home utilizes the accrual basis of accounting. Financial statements are presented in conformity with the standards in the AICPA Audit and Accounting Guide, *Not-for-Profit Organizations*.

(c) Restricted and Unrestricted Revenue and Support

The Organization follows Auditing Standards Codification (ASC) 958-605, Revenue Recognition, as recommended by the Financial Accounting Standards Board. In accordance with ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the "Statement of Activities" as net assets released from restrictions.

COLETTE'S CHILDREN'S HOME

Notes to Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies. (Continued)

(d) Income Tax Status

The Organization has received determination letters from the Internal Revenue Service and the California Franchise Tax Board indicating that it qualifies for exemption from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California franchise taxes under Section 23701(d) of the California Revenue and Taxation Code. However, the Organization is not exempt from federal income taxes on net income derived from unrelated business activities. The Organization has a partnership in a business which is subject to tax on unrelated business income (see footnote 8). At September 30, 2012, the Organization did not have any tax liability related to unrelated business activity. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

(e) Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with a maturity of three months or less at time of purchase to be cash equivalents.

(f) Financial Statement Presentation

Colette's Children's Home also follows the financial statement presentation recommended by the Financial Accounting Standards Board in its ASC 958-205, *Presentation of Financial Statements*. Under ASC 958-205, 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.

(g) Claims Receivable

The Organization records claims receivable to reflect its entitlement to receive reimbursement for expenses incurred during the fiscal year. The Organization did not receive the reimbursements until subsequent to the date of the financial statements. As of September 30, 2012, the Organization had claims receivable of \$110,126.

(h) Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the "Statement of Activities" and in the "Statement of Functional Expenses". Accordingly, certain costs have been allocated among the program and supporting services benefited.

COLETTE'S CHILDREN'S HOME

Notes to Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(i) Property and Equipment

The Organization records donated equipment at the fair market value of the equipment on the date of the donation. Property and equipment, other than land, is depreciated over its estimated useful life using the straight-line method. The estimated useful lives of the Organization's assets are as follows:

Buildings	50 years
Furniture	7 years
Equipment	7 years
Vehicles	7 years

(j) Use of Estimates

The preparation of these financial statements requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amount of assets, liabilities, revenues, and expenses, as well as any contingent assets and liabilities. Actual results could differ from those estimates. Management also determines the accounting principles to be used in the preparation of financial statements.

(k) Donated Materials, Services, and Facilities

Donated facilities, materials and other non-cash contributions are reflected in the accompanying statements at their estimated market values at date of receipt. Contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The organization received donations of clothing, toys and other household items valued at \$124,606 for the year ended September 30, 2012.

(l) Concentrations of Revenues

Colette's Children's Home received approximately 50% of its total support and revenue from federal, state and local government grants for the year ended September 30, 2012. The largest contributor of grant monies to Colette's was the U.S. Department of Housing and Urban Development. Of the total government grants received during 2012, 59% was received from this source.

COLETTE'S CHILDREN'S HOME

Notes to Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(m) Revenue Recognition - Grants

The Organization receives significant revenue in the form of governmental grants. Some of these amounts represent contracts with governmental agencies to assist those governmental agencies in the performance of essential community programs. For accounting purposes, these contracts are considered to be exchange transactions whereby the funding agencies benefit by entering into contracts with the Organization to perform program services on behalf of the funding agencies. Amounts received from grants are not reported as revenue until the resources are expended for the purpose specified.

(n) Fair Value of Financial Instruments

Financial and Non financial assets and liabilities are recorded at their fair market value in accordance with *ASC 820, Fair Value Measurements*. This standard defines fair value and establishes a hierarchy for reporting the reliability of input measurements used to assess fair value for all assets and liabilities. ASC 820 defines fair value as the selling price that would be received for an asset, or paid to transfer a liability, in the principal or most advantageous market on the measurement date. The hierarchy prioritizes fair value measurements based on the types of inputs used in the valuation technique. The inputs are categorized in the following levels:

Level 1 – Observable inputs such as quoted prices in active markets for identical assets or liabilities

Level 2 – Directly or indirectly observable input for quoted and other than quoted prices for identical or similar assets and liabilities in active or non-active markets

Level 3 – Unobservable inputs not corroborated by market data, therefore requiring the entity to use the best information available in the circumstances, including the entity's own data

Certain assets and liabilities are carried at cost on the statement of financial position and thus are not considered financial instruments. These instruments include cash and cash equivalents, grants and accounts receivable, prepaid expenses and deposits, property and equipment, account payable, accrued expenses, notes payable and forgivable loans payable.

COLETTE'S CHILDREN'S HOME

Notes to Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(o) Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the prior year financial statements, from which the selected financial data was derived. Certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation and to enhance their comparability with current year figures.

(2) Cash and Investments

Cash and investments at September 30, 2012 are composed of the following:

Demand deposits	<u>\$ 326,417</u>
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(3) Property and Equipment

Property and equipment consist of the following at September 30, 2012:

Land	\$ 5,454,818
Buildings	5,473,983
Vehicles	<u>22,140</u>
	10,950,941
Less: Accumulated depreciation	<u>(498,345)</u>
Total	<u>\$ 10,452,596</u>

Depreciation expense for property and equipment amounted to \$105,216 for the year ended September 30, 2012.

COLETTE'S CHILDREN'S HOME

Notes to Financial Statements

(Continued)

(4) Long-Term Liabilities

Long term debt consisted of the following as of September 30, 2012:

Forgivable Notes

On October 21, 2004 Colette's received a 60 year non-interest bearing note payable to the City of Huntington Beach in the amount of \$400,000 for property located at 7702 Cypress Ave, Huntington Beach, CA 92647. An annual amount of \$6,667 is forgiven annually as long as the secured property is used for the purpose designated in the note. \$ 346,664

On April 4, 2006 Colette's received a 60 year non-interest bearing note payable to the City of Huntington Beach in the amount of \$545,000 for property located at 7881 Glencoe Ave., Huntington Beach, CA 92647. An annual amount of \$9,083 is forgiven annually as long as the secured property is used for the purpose designated in the note. 490,500

On February 8, 2006 Colette's received a note payable to the State of California, Department of Housing and Community Development, in the amount of \$851,600, bearing interest at a rate of 3% annually, the outstanding balance of which will be forgiven on February 8, 2016 as long as the secured property at 3421 West Ariel Way, Anaheim, CA is used for the purpose designated in the note. 851,600

On April 13, 2007 Colette's received a note payable to the State of California, Department of Housing and Community Development, in the amount of \$1,000,000, bearing interest at a rate of 3% annually, the outstanding balance of which will be forgiven on April 13, 2017 as long as the secured property at 1046-1052 Cypress St, Placentia, CA is used for the purpose designated in the note. 985,235

COLETTE'S CHILDREN'S HOME

Notes to Financial Statements

(Continued)

(4) Long-Term Liabilities (continued)

On June 3, 2008 Colette's received a note payable to the State of California, Department of Housing and Community Development, in the amount of \$1,000,000, bearing interest at a rate of 3% annually, the outstanding balance of which will be forgiven on June 11, 2018, as long as the secured property at 1062-1068 Cypress St, Placentia, CA is used for the purpose designated in the note.

1,000,000

On July 20, 2009 Colette's received a note payable to the State of California Department of Housing and Community Development, in the amount of \$1,000,000, bearing interest at a rate of 3% annually, the outstanding balance of which will be forgiven on June 11, 2018 as long as the secured property at 17442 Dairyview Cr, Huntington Beach, CA is used for the purpose designated in the note.

1,000,000

In January 2012 Colette's received a note payable from Security Business Bank of San Diego in the amount of \$180,000 for Pacific Sun Apartments property located at 7911 Slater Avenue, Huntington Beach, California, bearing no interest, the outstanding balance of which will be forgiven as long as the secured property is used for the purpose designated in the note. See footnote 9.

180,000

Subtotal forgivable notes payable 4,853,999

Notes Payable

On December 15, 2008 Colette's received a non-interest bearing note payable to the City of Huntington Beach in the amount of \$2,262,833 for property located at 17432-17442 Keelson Ln, Huntington Beach, CA.

2,225,357

On November 16, 2009 Colette's received a non-interest bearing note payable to the City of Anaheim in the amount of \$530,000 for property located at 3431 W. Olinda Ln, Anaheim, CA. The outstanding balance of the loan shall be due in full on November 16, 2064.

530,000

COLETTE'S CHILDREN'S HOME

Notes to Financial Statements

(Continued)

(4) Long-Term Liabilities (continued)

On February 2, 2008 Colette's received a note payable to the Clearinghouse CDFI, in the amount of \$581,208, bearing interest at a rate of 7.25% annually, with annual payments of \$23,493 until the note matures on August 1, 2018. The note was used to secure property at 17432-17442 Keelson Ln, Huntington Beach, CA. 539,361

On December 9, 2008 Colette's received a note payable to the Clearinghouse CDFI, in the amount of \$382,400, bearing interest at a rate of 7.5% annually, with annual payments of \$21,397 until the note matures on August 1, 2018. The note was used to secure property at 1038-1044 Cypress St, Placentia, CA. 368,061

Subtotal notes payable 3,662,779

Total long-term liabilities \$ 8,516,778

Future debt service requirements on Notes Payable are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 11,651	66,682	78,333
2014	12,537	65,852	78,389
2015	13,490	64,962	78,452
2016	14,335	64,006	78,341
2017	15,605	62,980	78,585
2018 & thereafter	<u>3,595,161</u>	<u>61,878</u>	<u>3,657,039</u>
Total payments	<u>3,662,779</u>	<u>386,360</u>	<u>4,049,138</u>

(5) Contingencies

Certain forgivable notes payable in footnote 4 include interest payments that would be required to be paid if the properties acquired were not used for the intended purpose. Since management believes that payment of interest on these notes is not probable because the properties will be used for the intended purpose until the notes have been forgiven, the contingent interest in the amount of \$594,598 has not been reflected in the accompanying financial statements.

COLETTE'S CHILDREN'S HOME

Notes to Financial Statements

(Continued)

(6) Commitments

The Organization pays rent in accordance with two lease agreements to occupy seven offices. One is a lease renewal for six units that expires on April 1, 2013 and the other is a lease agreement for one unit that expires on October 31, 2013. The future obligations are as follows:

<u>Year Ending:</u>	
September 30, 2013	\$ 25,920
September 30, 2014	<u>500</u>
Total	<u>\$ 26,420</u>

The Organization also pays monthly rent of \$2,995 in accordance with a month to month lease agreement with CPOC Trust which is owned by the Executive Director of the Organization. The building is used for client housing.

Rent expense for the year ended September 30, 2012 was \$84,075.

(7) Net Assets

Net assets consisted of the following at September 30, 2012:

Unrestricted net assets:

Invested in property and equipment, net of related debt	\$2,115,818
Undesignated, available for programs	<u>325,504</u>
Total unrestricted net assets	<u>2,441,322</u>
Total net assets	<u>\$ 2,441,322</u>

During the year ended September 30, 2012, there were no temporarily restricted net assets, and no permanently restricted net assets.

COLETTE'S CHILDREN'S HOME

Notes to Financial Statements

(Continued)

(8) Investment in Partnership

On July 13, 2010, CCH entered into a partnership agreement with CIC Pacific Sun Apartments, LLC for the purpose of acquiring, development, constructing, rehabilitating, owning, leasing, managing, and financing of a low-income rental housing project, to be known as Pacific Sun Apartments. CCH is the Managing General Partner, Pacific Sun Apartments is the Administrative General Partner, and Raymond James Tax Credit Fund 37 is the Limited Partner. Profits, Losses, and Distributions will be shared at .005% for CCH, .005% by Pacific Sun Apartments, and 99% by Raymond James Tax Credit Fund 37. The same percentages apply upon dissolution of the Partnership. CIC Pacific Sun Apartments is responsible for maintaining the accounting records of the Apartment Complex and is responsible for tax filings.

CCH records its investment in partnership under the equity method based on values provided by the partnership agreement and fair market value of the investment. These inputs are based on unobservable inputs not corroborated by market data and are considered Level 3 for the year ended September 30, 2012. As of September 30, 2012, CCH reported \$10 of ownership reported in Other Assets on the Statement of Financial Position.

CCH per agreement with CIC Pacific Sun Apartments, LLC does provide property management services. CCH is paid on a monthly basis in the amount of \$483 per month beginning January 2013. CCH received \$4,347 during the fiscal year for these services.

(9) Debt Without Commitment

In January 2012 Colette's received a note payable from Security Business Bank of San Diego in the amount of \$180,000 for Pacific Sun Apartments property located at 7911 Slater Avenue, Huntington Beach, California. The outstanding balance of which will be forgiven 15 year after the development of the property, as long as the secured property is used for the purpose designated in the note. The loan bears no interest as long as there are no defaults on the loan terms. The loan is secured by the property.

CCH loaned the funds received to the Administrative General Partner at an interest rate of 3% with a maturity on January 2067. The interest and principal payments on the loan are limited to the amounts, if any, paid to Security Business Bank.

(10) Subsequent Events

On March 5, 2013 Colette's entered into two new leases on 7372 Prince Drive, Huntington Beach for office space. The first lease was for Suite 201 and the second lease for Suites 105 & 106. Monthly payments of \$1,590 and \$4,015, respectively, will commence on April 1, 2013 and end on February 28, 2016. Colette's was allowed an early move in of March 16, 2013 for a partial rent payment for the period March 16, 2013 through March 31, 2013 in the amount of \$820 and \$2,072, respectively.

SUPPLEMENTAL SCHEDULES

COLETTE'S CHILDREN'S HOME
Combined Balance Sheet
as of
September 30, 2012

Account	Title	COLETTE'S CHILDREN'S HOME COMBINED	COLETTE'S CHILDREN'S HOME, Inc.	AFFORDABLE HOUSING COMBINED
Assets				
1000	Cash / Savings	\$326,417.95	\$268,723.38	\$57,694.57
1100	Accounts Receivables	\$110,129.12	\$110,129.12	\$0.00
1200	Pledges Receivables	\$0.00	\$0.00	\$0.00
1300	Prepays & Deposits	\$9,193.00	\$9,193.00	\$0.00
	Current Assets sub-total	\$445,740.07	\$388,045.50	\$57,694.57
1500	Long term account receivable	\$180,000.00	\$180,000.00	\$0.00
	Long Term Assets sub-total	\$180,000.00	\$180,000.00	\$0.00
	Equipment & Furniture	\$22,140.35	\$22,140.35	\$0.00
	Buildings	\$5,473,982.15	\$3,679,449.60	\$1,794,532.55
	Land	\$5,454,818.00	\$4,521,654.00	\$933,164.00
	(Accumulated Depreciation)	(\$498,345.20)	(\$391,844.20)	(\$106,501.00)
1600	Fixed Assets sub-total	\$10,452,595.30	\$7,831,399.75	\$2,621,195.55
	1700 Other Assets	\$10.00	\$0.00	\$10.00
	Total Assets	\$11,078,345.37	\$8,399,445.25	\$2,678,900.12
Liabilities				
2000	Accounts Payable	\$59,348.24	\$52,504.73	\$6,843.51
2100	Payroll Liabilities	\$0.00	\$0.00	\$0.00
2200	Accrued Liabilities	\$51,253.83	\$47,241.63	\$4,012.20
2300	Advances & Deposits payable	\$9,643.00	\$2,480.00	\$7,163.00
	Current Liabilities sub-total	\$120,245.07	\$102,226.36	\$18,018.71
	Loans Payable	\$180,000.00	\$180,000.00	\$0.00
	Mortgage Loans - Private Banks	\$907,421.54	\$368,060.68	\$539,360.86
	Mortgage Loans - Government	\$7,429,356.39	\$5,203,999.00	\$2,225,357.39
2600	Long Term Liabilities sub-total	\$8,516,777.93	\$5,752,059.68	\$2,764,718.25
2900	Inter-fund Transactions	\$0.00	\$11,304.32	(\$11,304.32)
	Total Liabilities	\$8,637,023.00	\$5,865,590.36	\$2,771,432.64
Equity				
3000	Net Assets / Equity	\$2,375,368.90	\$2,450,429.00	(\$75,060.10)
3100	Current Year Equity - Additions	\$65,953.47	\$83,425.89	(\$17,472.42)
	Total Equity	\$2,441,322.37	\$2,533,854.89	(\$92,532.52)
	Total Liabilities & Equity	\$11,078,345.37	\$8,399,445.25	\$2,678,900.12

COLETTE'S CHILDREN'S HOME

Balance Sheet

as of

September 30, 2012

Account	Title	COLETTE'S CHILDREN'S HOME
<u>Assets</u>		
1000	Cash / Savings	\$268,723.38
1100	Accounts Receivables	\$110,129.12
1200	Pledges Receivables	\$0.00
1300	Prepays & Deposits	\$9,193.00
Current Assets sub-total		\$388,045.50
1500	Long term accounts receivable	\$180,000.00
Long Term Assets sub-total		\$180,000.00
	Equipment & Furniture	\$22,140.35
	Buildings	\$3,679,449.60
	Land	\$4,521,654.00
	(Accumulated Depreciation)	(\$391,844.20)
1600	Fixed Assets sub-total	\$7,831,399.75
Total Assets		\$8,399,445.25
<u>Liabilities</u>		
2000	Accounts Payable	\$52,504.73
2100	Payroll Liabilities	\$0.00
2200	Accrued Liabilities	\$47,241.63
2300	Advances & Deposits payable	\$2,480.00
Current Liabilities sub-total		\$102,226.36
	Loans Payable	\$180,000.00
	Mortgage Loans - Private Banks	\$368,060.68
	Mortgage Loans - Government	\$5,203,999.00
2600	Long Term Liabilities sub-total	\$5,752,059.68
2900	Inter-fund Transactions	\$11,304.32
Total Liabilities		\$5,865,590.36
<u>Equity</u>		
3000	Net Assets / Equity	\$2,450,429.00
3100	Current Year Equity - Additions	\$83,425.89
Total Equity		\$2,533,854.89
Total Liabilities & Equity		\$8,399,445.25

Affordable Housing Balance Sheet

as of
September 30, 2012

Account	Title	AFFORDABLE HOUSING COMBINED	#405 KEELSON HOUSING
Assets			
1000	Cash / Savings	\$57,694.57	\$57,694.57
1100	Accounts Receivables	\$0.00	\$0.00
1200	Pledges Receivables	\$0.00	\$0.00
1300	Prepays & Deposits	\$0.00	\$0.00
Current Assets sub-total		\$57,694.57	\$57,694.57
1500	Long term accounts receivable	\$0.00	\$0.00
Long Term Assets sub-total		\$0.00	\$0.00
	Equipment & Furniture	\$0.00	\$0.00
	Buildings	\$1,794,532.55	\$1,794,532.55
	Land	\$933,164.00	\$933,164.00
	(Accumulated Depreciation)	(\$106,501.00)	(\$106,501.00)
1600	Fixed Assets sub-total	\$2,621,195.55	\$2,621,195.55
		\$0.00	\$0.00
1700	Other Assets	\$10.00	\$10.00
Total Assets		\$2,678,900.12	\$2,678,900.12
Liabilities			
2000	Accounts Payable	\$6,843.51	\$6,843.51
2100	Payroll Liabilities	\$0.00	\$0.00
2200	Accrued Liabilities	\$4,012.20	\$4,012.20
2300	Advances & Deposits payable	\$7,163.00	\$7,163.00
Current Liabilities sub-total		\$18,018.71	\$18,018.71
	Loans Payable	\$0.00	\$0.00
	Mortgage Loans - Private Banks	\$539,360.86	\$539,360.86
	Mortgage Loans - Government	\$2,225,357.39	\$2,225,357.39
2600	Long Term Liabilities sub-total	\$2,764,718.25	\$2,764,718.25
		\$0.00	\$0.00
2900	Inter-fund Transactions	(\$11,304.32)	(\$11,304.32)
Total Liabilities		\$2,771,432.64	\$2,771,432.64
Equity			
3000	Net Assets / Equity	(\$75,060.10)	(\$75,060.10)
3000	Net Assets / Equity(close-out)	\$0.00	\$0.00
3100	Current Year Equity - Additions	(\$17,472.42)	(\$17,472.42)
Total Equity		(\$92,532.52)	(\$92,532.52)
		\$0.00	\$0.00
Total Liabilities & Equity		\$2,678,900.12	\$2,678,900.12

COLETTE'S CHILDREN'S HOME

Combined Statements
STATEMENT OF ACTIVIES
 September 30, 2012

Account	Title	Amount	Colette's Children's Home Amount	Affordable Housing Amount
Revenues				
	5100 Contributions	\$200,901.33	\$200,901.33	\$0.00
	5200 Direct Public Support	\$141,123.26	\$141,123.26	\$0.00
	5300 Indirect Public Support	\$118,106.20	\$118,106.20	\$0.00
	5400 Government Contributions	\$889,367.14	\$889,367.14	\$0.00
	5500 Rental Rev.	\$157,181.27	\$36,220.24	\$120,961.03
	5600 Program Rev.	\$14,940.58	\$14,940.58	\$0.00
	5700 Earned Rev.	\$109,524.77	\$109,458.67	\$66.10
	Total Revenues	\$1,631,144.55	\$1,510,117.42	\$121,027.13
Expenditures				
	7200 Salaries & Wages	\$782,921.26	\$782,921.26	\$0.00
	7300 Contracts - Professional Services	\$56,015.65	\$14,431.50	\$41,584.15
	7400 Travel - Milage	\$16,683.84	\$16,683.84	\$0.00
	7500 Occupancy - Leases	\$224,252.63	\$203,632.45	\$20,620.18
	7600 Client Support Services	\$147,782.17	\$147,758.42	\$23.75
	7700 Supplies / Equipment / Furniture	\$67,678.79	\$67,678.79	\$0.00
	7800 Communications	\$30,634.72	\$30,470.02	\$164.70
	7900 Operations	\$145,216.02	\$99,018.25	\$46,197.77
	Total Expenditures	\$1,471,185.08	\$1,362,594.53	\$108,590.55
	NET ORDINARY REVENUES	\$159,959.47	\$147,522.89	\$12,436.58
Other Revenues				
	6100 Non-Cash Revenues	\$11,210.00	\$11,210.00	\$0.00
	6200 Non-Cash Donations	\$124,606.02	\$124,606.02	\$0.00
	Total Other Revenues	\$135,816.02	\$135,816.02	\$0.00
Other Expenditures				
	8100 Depreciation	\$105,216.00	\$75,307.00	\$29,909.00
	8200 Non-Cash Expenses	\$124,606.02	\$124,606.02	\$0.00
	9100 Capital Purchases	\$0.00	\$0.00	\$0.00
	9200 Contra - Capital Purchases	\$0.00	\$0.00	\$0.00
	Total Other Expenditures	\$229,822.02	\$199,913.02	\$29,909.00
	Net Operations	\$65,953.47	\$83,425.89	(\$17,472.42)

COLETTE'S CHILDREN'S HOME STATEMENT OF ACTIVIES

For the Period Ending
September 30, 2012

Account	Title	Amount
Revenues		
5100	Contributions	\$200,901.33
5200	Direct Public Support	\$141,123.26
5300	Indirect Public Support	\$118,106.20
5400	Government Contributions	\$889,367.14
5500	Rental Rev.	\$36,220.24
5600	Program Rev.	\$14,940.58
5700	Earned Rev.	\$109,458.67
Total Revenues		\$1,510,117.42
Expenditures		
7200	Salaries & Wages	\$782,921.26
7300	Contracts - Professional Services	\$14,431.50
7400	Travel - Milage	\$16,683.84
7500	Occupancy - Leases	\$203,632.45
7600	Client Support Services	\$147,758.42
7700	Supplies / Equipment / Furniture	\$67,678.79
7800	Communications	\$30,470.02
7900	Operations	\$99,018.25
Total Expenditures		\$1,362,594.53
NET ORDINARY REVENUES		\$147,522.89
Other		
6100	Non-Cash Revenues	\$11,210.00
6200	Non-Cash Donations	\$124,606.02
Total Other Revenue		\$135,816.02
8100	Depreciation	\$75,307.00
8200	Non-Cash Expenses	\$124,606.02
9100	Capital Purchases	\$0.00
9200	Contra - Capital Purchases	\$0.00
Total Other Expenditures		\$199,913.02
Net Operations		\$83,425.89

AFFORDABLE HOUSING STATEMENT OF ACTIVIES

For the Period Ending
September 30, 2012

Account	Title	Amount
<u>Revenues</u>		
5100	Contributions	\$0.00
5200	Direct Public Support	\$0.00
5300	Indirect Public Support	\$0.00
5400	Government Contributions	\$0.00
5500	Rental Rev.	\$120,961.03
5600	Program Rev.	\$0.00
5700	Earned Rev.	\$66.10
Total Revenues		\$121,027.13
<u>Expenditures</u>		
7200	Salaries & Wages	\$0.00
7300	Contracts - Professional Services	\$41,584.15
7400	Travel - Milage	\$0.00
7500	Occupancy - Leases	\$20,620.18
7600	Client Support Services	\$23.75
7700	Supplies / Equipment / Furniture	\$0.00
7800	Communications	\$164.70
7900	Operations	\$46,197.77
Total Expenditures		\$108,590.55
NET ORDINARY REVENUES		\$12,436.58
<u>Other</u>		
6100	Non-Cash Revenues	\$0.00
6200	Non-Cash Donations	\$0.00
Total Other Revenue		\$0.00
8100	Depreciation	\$29,909.00
8200	Non-Cash Expenses	\$0.00
9100	Capital Purchases	\$0.00
9200	Contra - Capital Purchases	\$0.00
Total Other Expenditures		\$29,909.00
Net Operations		(\$17,472.42)