

COLETTE'S CHILDREN'S HOME

Financial Statements
and Supplemental Data

Year ended September 30, 2013
(With Comparative Information for the
Year ended September 30, 2012)

COLETTE'S CHILDREN'S HOME

Financial Statements

Year ended September 30, 2013

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8
Supplemental Schedules	19



Mayer Hoffman McCann P.C.

An Independent CPA Firm

2301 Dupont Drive, Suite 200
Irvine, California 92612
949-474-2020 ph
949-263-5520 fx
www.mhm-pc.com

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Colette's Children's Home (the "Organization"), which comprise the statements of financial position as of September 30, 2013 and the related statements of activities, functional expenses and cash flows 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' judgment, including the assessment of the risks 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 Colette's Children's Home as of September 30, 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Colette's Children's Home 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 26, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplemental Information

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2014 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,

Board of Directors
Colette's Children's Home
Page 3

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 7, 2014

COLETTE'S CHILDREN'S HOME

Statement of Financial Position

September 30, 2013

(With Comparative Data for the Prior Year)

	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Cash and investments (note 2)	\$ 639,696	326,417
Claims receivable (note 1g)	187,125	110,129
Loans receivable	182,247	180,000
Other assets	13,542	9,203
Property and equipment, net (note 3)	<u>10,347,381</u>	<u>10,452,596</u>
Total assets	<u>\$ 11,369,991</u>	<u>11,078,345</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 35,067	26,996
Accrued liabilities	41,365	31,101
Deferred revenue	90,669	-
Deposits payable	78,507	62,148
Forgivable notes payable (note 4)	4,838,249	4,853,999
Notes payable (note 4)	<u>3,650,022</u>	<u>3,662,779</u>
Total liabilities	<u>8,733,879</u>	<u>8,637,023</u>
Net Assets (note 7):		
Unrestricted net assets	2,636,112	2,441,322
Temporarily restricted net assets	-	-
Permanently restricted net assets	<u>-</u>	<u>-</u>
Total net assets	<u>2,636,112</u>	<u>2,441,322</u>
Total liabilities and net assets	<u>\$ 11,369,991</u>	<u>11,078,345</u>

See accompanying notes to financial statements.

COLETTE'S CHILDREN'S HOME

Statement of Activities

Year ended September 30, 2013

(With Comparative Data for the Prior Year)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2013	2012
Support, revenues and gains:					
Grants	\$ 999,170	-	-	999,170	889,367
Contributions	505,832	-	-	505,832	342,024
Special events, net (note 10)	132,088	-	-	132,088	97,842
Donated goods	136,076	-	-	136,076	124,606
Other income	217,126	-	-	217,126	292,858
Net assets released from restrictions	-	-	-	-	-
Total support, revenues and gains	1,990,292	-	-	1,990,292	1,746,697
Expenses:					
Program services:					
Shelter	1,615,438	-	-	1,615,438	1,518,515
Total program services	1,615,438	-	-	1,615,438	1,518,515
Supporting services:					
General and administrative	170,394	-	-	170,394	162,229
Fundraising	9,670	-	-	9,670	-
Total supporting services	180,064	-	-	180,064	162,229
Total expenses	1,795,502	-	-	1,795,502	1,680,744
Increase (decrease) in net assets	194,790	-	-	194,790	65,953
Net assets at beginning of year	2,441,322	-	-	2,441,322	2,375,369
Net assets at end of year	\$ 2,636,112	-	-	2,636,112	2,441,322

See accompanying notes to financial statements.

COLETTE'S CHILDREN'S HOME

Statement of Functional Expenses

Year ended September 30, 2013

(With Comparative Data for the Prior Year)

	Program Services		Supporting Services			Total	
	Shelter	Total Program Services	General and Administrative	Fund- raising	Total Supporting Services	2013	2012
Salaries and wages	\$ 538,430	538,430	79,935	6,826	86,761	625,191	618,474
Fringe benefits	77,134	77,134	10,092	737	10,829	87,963	78,584
Payroll taxes and expenses	72,306	72,306	7,739	929	8,668	80,974	85,865
Professional services	33,983	33,983	22,570	1,178	23,748	57,731	56,016
Travel and mileage	9,130	9,130	10,975	-	10,975	20,105	16,684
Rent (note 6)	92,385	92,385	-	-	-	92,385	84,075
Utilities	72,458	72,458	-	-	-	72,458	76,732
Repairs and maintenance	43,126	43,126	-	-	-	43,126	47,639
Property expense and taxes	25,024	25,024	-	-	-	25,024	15,807
Client food	70,500	70,500	-	-	-	70,500	39,880
Client child care	56,366	56,366	-	-	-	56,366	38,742
Client drug testing	12,266	12,266	-	-	-	12,266	12,468
Client transportation	35,686	35,686	-	-	-	35,686	18,644
Client services and supplies	48,280	48,280	-	-	-	48,280	38,049
Shelter equipment, furniture and supplies	74,195	74,195	-	-	-	74,195	61,276
Office supplies	6,936	6,936	2,337	333	2,670	9,606	6,403
Communications	20,370	20,370	14,261	2,930	17,191	37,561	30,634
Insurance	17,374	17,374	-	-	-	17,374	33,961
Workshops, licenses, fees and miscellaneous	2,976	2,976	22,485	26,983	49,468	52,444	25,013
Interest expense	65,222	65,222	-	-	-	65,222	67,655
Relocation expense	-	-	-	-	-	-	18,585
Depreciation	105,215	105,215	-	-	-	105,215	105,216
Donated goods	136,076	136,076	-	-	-	136,076	124,606
Total expenses	\$ 1,615,438	1,615,438	170,394	39,916	210,310	1,825,748	1,701,008
Direct benefit to donors at special event (note 10)				(30,246)			
				<u>\$ 9,670</u>			

See accompanying notes to financial statements.

COLETTE'S CHILDREN'S HOME

Statements of Cash Flows

Year ended September 30, 2013

(With Comparative Data for the Prior Year)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 194,790	65,953
Adjustments to increase (decrease) net assets to net cash provided by (used for) operating activities:		
Depreciation expense	105,215	105,216
Forgiveness of notes	(15,750)	(15,752)
(Increase) decrease in loans receivables	(2,247)	(177,113)
(Increase) decrease in other assets	(4,339)	(807)
(Increase) decrease in claims receivables	(76,996)	84,638
Increase (decrease) in accounts payable	8,071	(72,833)
Increase (decrease) in accrued liabilities	10,264	1,911
Increase (decrease) in deferred revenue	90,669	-
Increase (decrease) in deposits payable	16,359	12,414
Total adjustments	<u>131,246</u>	<u>(62,326)</u>
Net cash provided by (used for) operating activities	<u>326,036</u>	<u>3,627</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	-	(110,865)
Net cash provided by (used for) investing activities	<u>-</u>	<u>(110,865)</u>
Cash flows from financing activities:		
Proceeds from notes payable	-	299,120
Payments on debt	(12,757)	(10,740)
Net cash provided by (used for) financing activities	<u>(12,757)</u>	<u>288,380</u>
Net increase (decrease) in cash and cash equivalents	313,279	181,142
Cash and cash equivalents at beginning of year	<u>326,417</u>	<u>145,275</u>
Cash and cash equivalents at end of year	<u>\$ 639,696</u>	<u>326,417</u>
Supplemental Information:		
Interest paid	<u>\$ 65,222</u>	<u>67,655</u>
Noncash investing and financing activities:		
Forgiveness of notes	<u>\$ 15,750</u>	<u>15,752</u>

See accompanying notes to financial statements.

COLETTE'S CHILDREN'S HOME

Notes to Financial Statements

Year ended September 30, 2013

(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 qualifies as a tax-exempt organization under Section 501(c)(3) as described in Sections 509(a)(1) and 170(b)(1)(A)(iv) of the Internal Revenue Code (the "Code") and Section 23701(d) of the California Revenue and Taxation Code, accordingly, there is no provision for federal income or California franchise taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income (UBTI) would be taxable. The Organization evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts.

The Organization's federal Return of Organization Exempt from Income Tax (Form 990) for the fiscal years ended 2010, 2011 and 2012 are subject to IRS examination, generally for three years after filing. As of the date of this report, the Organization's fiscal year 2013 return had not yet been filed.

(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, 2013, the Organization had claims receivable of \$187,125.

COLETTE'S CHILDREN'S HOME

Notes to Financial Statements

(Continued)

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

(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.

(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 \$136,076 for the year ended September 30, 2013.

COLETTE'S CHILDREN'S HOME

Notes to Financial Statements

(Continued)

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

(l) Concentrations of Revenues

Colette's Children's Home received approximately 47% of its total support and revenue from federal, state and local government grants for the year ended September 30, 2013. The largest contributor of grant monies to Colette's Children's Home was the U.S. Department of Housing and Urban Development. Of the total government grants received during 2013, 55% was received from this source.

(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

COLETTE'S CHILDREN'S HOME

Notes to Financial Statements

(Continued)

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

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.

(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, 2013 are composed of the following:

Demand deposits	<u>\$ 639,696</u>
-----------------	-------------------

(3) Property and Equipment

Property and equipment consist of the following at September 30, 2013:

Land	\$ 5,454,818
Buildings	5,473,983
Vehicles	<u>22,140</u>
	10,950,941
Less: Accumulated depreciation	<u>(603,560)</u>
Total	<u>\$ 10,347,381</u>

Depreciation expense for property and equipment amounted to \$105,215 for the year ended September 30, 2013.

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, 2013:

Forgivable Notes

On October 21, 2004 Colette's Children's Home received a 60 year non-interest bearing note payable to the City of Huntington Beach in the amount of \$400,000 for property located in Huntington Beach, CA. An annual amount of \$6,667 is forgiven annually as long as the secured property is used for the purpose designated in the note. \$ 339,997

On April 4, 2006 Colette's Children's Home received a 60 year non-interest bearing note payable to the City of Huntington Beach in the amount of \$545,000 for property located in Huntington Beach, CA. An annual amount of \$9,083 is forgiven annually as long as the secured property is used for the purpose designated in the note. 481,417

On February 8, 2006 Colette's Children's Home 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 in Anaheim, CA is used for the purpose designated in the note. 851,600

On April 13, 2007 Colette's Children's Home 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 in 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 Children's Home 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 in Placentia, CA is used for the purpose designated in the note.

1,000,000

On July 20, 2009 Colette's Children's Home 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 in Huntington Beach, CA is used for the purpose designated in the note.

1,000,000

In January 2012 Colette's Children's Home received a note payable from Security Business Bank of San Diego in the amount of \$180,000 for Pacific Sun Apartments property located in 7911 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 4,838,249

Notes Payable

On December 15, 2008 Colette's Children's Home received a non-interest bearing note payable to the City of Huntington Beach in the amount of \$2,262,833 for a property located in Huntington Beach, CA. The outstanding balance of the loan shall be due in full on December 15, 2068.

2,225,357

COLETTE'S CHILDREN'S HOME

Notes to Financial Statements

(Continued)

(4) Long-Term Liabilities (continued)

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

On February 2, 2009 Colette's Children's Home received a note payable to the Clearinghouse CDFI, in the amount of \$560,000, bearing interest at a rate of 7.25% annually, with monthly payments of \$3,823 until the note matures on August 1, 2018. The note was used to secure property in Huntington Beach, CA. 531,697

On December 9, 2008 Colette's Children's Home received a note payable to the Clearinghouse CDFI, in the amount of \$382,400, bearing interest at a rate of 7.5% annually, with monthly payments of \$2,675 until the note matures on August 1, 2018. The note was used to secure property at in Placentia, CA. 362,968

Subtotal notes payable 3,650,022

Total long-term liabilities \$ 8,488,271

Future debt service requirements on Notes Payable are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 12,538	65,429	77,967
2015	13,490	64,477	77,967
2016	14,335	63,632	77,967
2017	15,605	62,362	77,967
2018	838,697	63,654	902,351
Thereafter	<u>2,755,357</u>	<u>-</u>	<u>2,755,357</u>
Total payments	<u>\$3,650,022</u>	<u>319,554</u>	<u>3,969,576</u>

COLETTE'S CHILDREN'S HOME

Notes to Financial Statements

(Continued)

(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 \$726,981 has not been reflected in the accompanying financial statements.

(6) Commitments

The Organization pays rent in accordance with two lease agreements to occupy three offices. One is a lease renewal for one unit that expires on February 28, 2016 and the other is a lease agreement for two units that expire on February 28, 2016. The future obligations are as follows:

<u>Year Ending:</u>	
September 30, 2014	\$ 91,554
September 30, 2015	75,354
September 30, 2016	<u>28,023</u>
Total	<u>\$194,931</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, 2013 was \$92,385.

(7) Net Assets

Net assets consisted of the following at September 30, 2013:

Unrestricted net assets:

Invested in property and equipment, net of related debt	\$ 1,859,110
Undesignated, available for programs	<u>777,002</u>
Total unrestricted net assets	<u>2,636,112</u>
Total net assets	<u>\$ 2,636,112</u>

During the year ended September 30, 2013, 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, Colette's Children's Home 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. Colette's Children's Home 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.

Colette's Children's Home 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, 2013. As of September 30, 2013, Colette's Children's Home reported \$10 of ownership reported in Other Assets on the Statement of Financial Position.

Per agreement with CIC Pacific Sun Apartments, LLC Colette's Children's Home provides property management services to the partnership. CCH is paid on a monthly basis in the amount of \$483 per month beginning January 2013. CCH received \$23,287 during the fiscal year for these services.

(9) Debt Without Commitment

In January 2012 Colette's Children's Home received a note payable from Security Business Bank of San Diego in the amount of \$180,000 for Pacific Sun Apartments property located in Huntington Beach, California. The outstanding balance of which will be forgiven 15 years 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.

COLETTE'S CHILDREN'S HOME

Notes to Financial Statements

(Continued)

(10) Special Event

Special event revenue net of direct expenses consisted of the following at September 30, 2013:

Special event revenue	\$ 162,334
Less: direct expenses	<u>30,246</u>
Net support from special event	<u>\$ 132,088</u>

During the year ended September 30, 2013 The Organization made payments totaling \$1,628 to their Board President, Pamela Hope, for fundraising consulting services related to the special event.

(11) Subsequent Events

On January 1, 2014 Colette's Children's Home entered into a new lease for two units in Placentia, Ca for client housing. Monthly payments totaling \$2,700 will commence on January 1, 2014 and end on January 1, 2015.

On December 20, 2013 Colette's Children's Home entered into a promissory note receivable agreement with CIC Pacific Sun Apartments, LLC in the amount of \$89,440. The note bears interest at 3.32% per annum and the entire principal amount of the note is due December 29, 2024.

SUPPLEMENTAL SCHEDULES

COLETTE'S CHILDREN'S HOME

Combined Balance Sheet

as of
September 30, 2013

ACCOUNT	TITLE	COLETTE'S CHILDREN'S HOME COMBINED	COLETTE'S CHILDREN'S HOME, INC.	CCH AFFORDABLE HOUSING
Assets				
	1000 Cash / Savings	\$639,696.06	\$553,192.36	\$86,503.70
	1100 Accounts Receivables	\$206,709.97	\$205,993.97	\$716.00
	1200 Pledges Receivables	\$0.00	\$0.00	\$0.00
	1300 Prepaid & Deposits	\$13,532.00	\$13,532.00	\$0.00
	Current Assets sub-total	\$859,938.03	\$772,718.33	\$87,219.70
	1500 Long Term Accounts Receivable	\$180,000.00	\$180,000.00	\$0.00
	Long Term Assets sub-total	\$180,000.00	\$180,000.00	\$0.00
	1640 Equipment & Furniture	\$22,140.35	\$22,140.35	\$0.00
	1650 Buildings	\$5,473,982.15	\$3,679,449.60	\$1,794,532.55
	1680 Land	\$5,454,818.00	\$4,521,654.00	\$933,164.00
	(Accumulated Depreciation)	(\$603,560.20)	(\$467,150.20)	(\$136,410.00)
	1600 Fixed Assets sub-total	\$10,347,380.30	\$7,756,093.75	\$2,591,286.55
	1700 Other Assets	\$10.00	\$0.00	\$10.00
	1900 Inter-fund Transactions	(\$4,089.45)	(\$4,089.45)	\$0.00
	Total Assets	\$11,383,238.88	\$8,704,722.63	\$2,678,516.25
Liabilities				
	2000 Accounts Payable	\$97,038.48	\$70,198.00	\$26,840.48
	2100 Payroll Liabilities	\$0.00	\$0.00	\$0.00
	2200 Accrued Liabilities	\$76,430.22	\$75,058.15	\$1,372.07
	2300 Advances & Deposits payable	\$98,977.70	\$93,199.70	\$5,778.00
	Current Liabilities sub-total	\$272,446.40	\$238,455.85	\$33,990.55
	2630 Loans Payable	\$180,000.00	\$180,000.00	\$0.00
	2640 Mortgage Loans - Private Banks	\$894,665.21	\$362,968.04	\$531,697.17
	2650 Mortgage Loans - Government	\$7,404,103.94	\$5,188,248.67	\$2,215,855.27
	2600 Long Term Liabilities sub-total	\$8,478,769.15	\$5,731,216.71	\$2,747,552.44
	2900 Inter-fund Transactions	(\$4,089.45)	\$0.00	(\$4,089.45)
	Total Liabilities	\$8,747,126.10	\$5,969,672.56	\$2,777,453.54
Equity				
	3000 Net Assets / Equity	\$2,441,322.30	\$2,533,854.82	(\$92,532.52)
	3100 Current Year Equity - Additions	\$194,790.48	\$201,195.25	(\$6,404.77)
	Total Equity	\$2,636,112.78	\$2,735,050.07	(\$98,937.29)
	Total Liabilities & Equity	\$11,383,238.88	\$8,704,722.63	\$2,678,516.25

COLETTE'S CHILDREN'S HOME

Balance Sheet

as of

September 30, 2013

ACCOUNT	TITLE	COLETTE'S CHILDREN'S HOME
<u>Assets</u>		
1000	Cash / Savings	\$553,192.36
1100	Accounts Receivables	\$205,993.97
1200	Pledges Receivables	\$0.00
1300	Prepaid & Deposits	\$13,532.00
Current Assets sub-total		\$772,718.33
1500	Long Term Accounts Receivable	\$180,000.00
Long Term Assets sub-total		\$180,000.00
1640	Equipment & Furniture	\$22,140.35
1650	Buildings	\$3,679,449.60
1680	Land	\$4,521,654.00
	(Accumulated Depreciation)	(\$467,150.20)
1600	Fixed Assets sub-total	\$7,756,093.75
1900	Inter-fund Transactions	(\$4,089.45)
Total Assets		\$8,704,722.63
<u>Liabilities</u>		
2000	Accounts Payable	\$70,198.00
2100	Payroll Liabilities	\$0.00
2200	Accrued Liabilities	\$75,058.15
2300	Advances & Deposits Payable	\$93,199.70
Current Liabilities sub-total		\$238,455.85
2630	Loans Payable	\$180,000.00
2640	Mortgage Loans - Private Banks	\$362,968.04
2650	Mortgage Loans - Government	\$5,188,248.67
2600	Long Term Liabilities sub-total	\$5,731,216.71
2900	Inter-fund Transactions	\$0.00
Total Liabilities		\$5,969,672.56
<u>Equity</u>		
3000	Net Assets / Equity	\$2,533,854.82
3100	Current Year Equity - Additions	\$201,195.25
Total Equity		\$2,735,050.07
Total Liabilities & Equity		\$8,704,722.63

CCH AFFORDABLE HOUSING

Balance Sheet

as of
September 30, 2013

ACCOUNT	TITLE	CCH AFFORDABLE HOUSING COMBINED
<u>Assets</u>		
1000	Cash / Savings	\$86,503.70
1100	Accounts Receivables	\$716.00
1200	Pledges Receivables	\$0.00
1300	Prepaid & Deposits	\$0.00
Current Assets sub-total		\$87,219.70
1500	Long Term Accounts Receivable	\$0.00
Long Term Assets sub-total		\$0.00
1640	Equipment & Furniture	\$0.00
1650	Buildings	\$1,794,532.55
1680	Land	\$933,164.00
	(Accumulated Depreciation)	(\$136,410.00)
1600	Fixed Assets sub-total	\$2,591,286.55
1700	Other Assets	\$10.00
Total Assets		\$2,678,516.25
<u>Liabilities</u>		
2000	Accounts Payable	\$26,840.48
2100	Payroll Liabilities	\$0.00
2200	Accrued Liabilities	\$1,372.07
2300	Advances & Deposits payable	\$5,778.00
Current Liabilities sub-total		\$33,990.55
2630	Loans Payable	\$0.00
2640	Mortgage Loans - Private Banks	\$531,697.17
2650	Mortgage Loans - Government	\$2,215,855.27
2600	Long Term Liabilities sub-total	\$2,747,552.44
2900	Inter-fund Transactions	(\$4,089.45)
Total Liabilities		\$2,777,453.54
<u>Equity</u>		
3000	Net Assets / Equity	(\$92,532.52)
3100	Current Year Equity - Additions	(\$6,404.77)
Total Equity		(\$98,937.29)
Total Liabilities & Equity		\$2,678,516.25

COLETTE'S CHILDREN'S HOME

Combined Statement of Activities

Period Ending

September 30, 2013

ACCOUNT	TITLE	AMOUNT	Colette's Children's Home Amount	CCH Affordable Housing Amount
Revenues				
5100	Contributions	\$256,826.00	\$256,826.00	\$0.00
5200	Direct Public Support	\$249,006.01	\$249,006.01	\$0.00
5300	Indirect Public Support	\$162,333.96	\$162,333.96	\$0.00
5400	Government Contributions	\$999,171.04	\$999,171.04	\$0.00
5500	Rental Rev.	\$155,734.75	\$40,139.00	\$115,595.75
5600	Program Rev.	\$3,660.81	\$3,660.81	\$0.00
5700	Earned Rev.	\$41,979.46	\$41,956.64	\$22.82
Total Revenues		\$1,868,712.03	\$1,753,093.46	\$115,618.57
Expenditures				
7200	Salaries & Wages	\$794,127.30	\$794,127.30	\$0.00
7300	Contracts - Professional Services	\$57,730.86	\$22,827.50	\$34,903.36
7400	Travel - Mileage	\$20,105.26	\$20,105.26	\$0.00
7500	Occupancy - Leases	\$233,020.32	\$216,683.55	\$16,336.77
7600	Client Support Services	\$223,097.91	\$223,097.91	\$0.00
7700	Supplies / Equipment / Furniture	\$83,801.22	\$83,801.22	\$0.00
7800	Communications	\$37,562.39	\$37,562.39	\$0.00
7900	Operations	\$135,011.62	\$94,137.41	\$40,874.21
Total Expenditures		\$1,584,456.88	\$1,492,342.54	\$92,114.34
NET ORDINARY REVENUES		\$284,255.15	\$260,750.92	\$23,504.23
Other Revenues				
6100	Loans/Notes Forgiveness	\$15,750.33	\$15,750.33	\$0.00
6200	Donated Goods	\$136,075.85	\$136,075.85	\$0.00
Total Other Revenues		\$151,826.18	\$151,826.18	\$0.00
Other Expenditures				
8100	Depreciation	\$105,215.00	\$75,306.00	\$29,909.00
8230	Donated Goods Expense	\$136,075.85	\$136,075.85	\$0.00
9100	Capital Purchases	\$0.00	\$0.00	\$0.00
Total Other Expenditures		\$241,290.85	\$211,381.85	\$29,909.00
Net Operations		\$194,790.48	\$201,195.25	(\$6,404.77)

COLETTE'S CHILDREN'S HOME
Statement of Activities
Period Ending
September 30, 2013

ACCOUNT	TITLE	AMOUNT
<u>Revenues</u>		
	5100 Contributions	\$256,826.00
	5200 Direct Public Support	\$249,006.01
	5300 Indirect Public Support	\$162,333.96
	5400 Government Contributions	\$999,171.04
	5500 Rental Revenue	\$40,139.00
	5600 Program Revenue	\$3,660.81
	5700 Earned Revenue	\$41,956.64
	Total Revenues	\$1,753,093.46
<u>Expenditures</u>		
	7200 Salaries & Wages	\$794,127.30
	7300 Contracts - Professional Services	\$22,827.50
	7400 Travel - Mileage	\$20,105.26
	7500 Occupancy - Leases	\$216,683.55
	7600 Client Support Services	\$223,097.91
	7700 Supplies / Equipment / Furniture	\$83,801.22
	7800 Communications	\$37,562.39
	7900 Operations	\$94,137.41
	Total Expenditures	\$1,492,342.54
	NET ORDINARY REVENUES	\$260,750.92
<u>Other</u>		
	6100 Non-Cash Revenues	\$15,750.33
	6200 Non-Cash Donations	\$136,075.85
	Total Other Revenue	\$151,826.18
	8100 Depreciation	\$75,306.00
	8200 Non-Cash Expenses	\$136,075.85
	9100 Capital Purchases	\$0.00
	9200 Contra - Capital Purchases	\$0.00
	Total Other Expenditures	\$211,381.85
	Net Operations	\$201,195.25

CCH AFFORDABLE HOUSING

Statement of Activities

Period Ending

September 30, 2013

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.	\$115,595.75
5600	Program Rev.	\$0.00
5700	Earned Rev.	\$22.82
Total Revenues		\$115,618.57
<u>Expenditures</u>		
7200	Salaries & Wages	\$0.00
7300	Contracts - Professional Services	\$34,903.36
7400	Travel - Mileage	\$0.00
7500	Occupancy - Leases	\$16,336.77
7600	Client Support Services	\$0.00
7700	Supplies / Equipment / Furniture	\$0.00
7800	Communications	\$0.00
7900	Operations	\$40,874.21
Total Expenditures		\$92,114.34
NET ORDINARY REVENUES		\$23,504.23
<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		(\$6,404.77)