

COLETTE'S CHILDREN'S HOME

Financial Statements
and Supplemental Data

Year ended September 30, 2014
(With Comparative Information for the
Year ended September 30, 2013)

COLETTE'S CHILDREN'S HOME

Financial Statements

Year ended September 30, 2014

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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, 2014 and the related statements of activities, functional expenses and cash flows for the year 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, 2014, and the changes in its net assets and its cash flows for the year 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 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 7, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2013 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 6, 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, 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 6, 2015

COLETTE'S CHILDREN'S HOME
Statement of Financial Position
September 30, 2014
(With Comparative Data for the Prior Year)

	2014	2013
<u>Assets</u>		
Cash and investments (note 2)	\$ 1,041,601	639,696
Claims receivable (note 1g)	211,419	187,125
Loans receivable (note 8)	183,792	182,247
Prepaid expenses	25,581	-
Other assets	17,821	13,542
Property and equipment (note 3):		
Land	5,780,730	5,454,818
Buildings	6,066,148	5,473,983
Vehicles	49,834	22,140
Accumulated depreciation	(717,711)	(603,560)
Total assets	\$ 12,659,215	11,369,991
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 23,611	35,067
Accrued liabilities	49,327	41,365
Deferred revenue	84,206	90,669
Deposits payable	85,578	78,507
Forgivable notes payable (note 4)	4,822,499	4,838,249
Notes payable (note 4)	4,329,997	3,650,022
Total liabilities	9,395,218	8,733,879
Net Assets (note 7):		
Unrestricted net assets	3,263,997	2,636,112
Temporarily restricted net assets	-	-
Permanently restricted net assets	-	-
Total net assets	3,263,997	2,636,112
Total liabilities and net assets	\$ 12,659,215	11,369,991

See accompanying notes to financial statements.

COLETTE'S CHILDREN'S HOME
Statement of Activities
Year ended September 30, 2014
(With Comparative Data for the Prior Year)

	<u>2014</u>	<u>2013</u>
Support, revenues and gains:		
Grants	\$ 1,216,140	999,170
Contributions	869,475	505,832
Special events, net (note 10)	207,473	132,088
Donated goods	200,243	136,076
Other income	<u>206,192</u>	<u>217,126</u>
Total support, revenues and gains	<u>2,699,523</u>	<u>1,990,292</u>
Expenses:		
Program services:		
Shelter	<u>1,806,378</u>	<u>1,615,438</u>
Total program services	<u>1,806,378</u>	<u>1,615,438</u>
Supporting services:		
General and administrative	247,749	170,394
Fundraising	<u>17,511</u>	<u>9,670</u>
Total supporting services	<u>265,260</u>	<u>180,064</u>
Total expenses	<u>2,071,638</u>	<u>1,795,502</u>
Increase (decrease) in net assets	627,885	194,790
Net assets at beginning of year	<u>2,636,112</u>	<u>2,441,322</u>
Net assets at end of year	<u>\$ 3,263,997</u>	<u>2,636,112</u>

See accompanying notes to financial statements.

COLETTE'S CHILDREN'S HOME
Statement of Functional Expenses
Year ended September 30, 2014
(With Comparative Data for the Prior Year)

	Program Services		Supporting Services			Total	
	Shelter	Total Program Services	General and Administrative	Fund-raising	Total Supporting Services	2014	2013
Salaries and wages	\$ 572,892	572,892	129,984	-	129,984	702,876	625,191
Fringe benefits	82,221	82,221	12,737	-	12,737	94,958	87,963
Payroll taxes and expenses	86,166	86,166	19,918	-	19,918	106,084	80,974
Professional services	25,276	25,276	23,821	15,785	39,606	64,882	57,731
Travel and mileage	11,654	11,654	11,005	1,726	12,731	24,385	20,105
Rent (note 6)	124,447	124,447	3,815	-	3,815	128,262	92,385
Utilities	72,972	72,972	-	-	-	72,972	72,458
Repairs and maintenance	46,037	46,037	-	-	-	46,037	43,126
Property expense and taxes	10,814	10,814	-	-	-	10,814	25,024
Client food	84,345	84,345	-	-	-	84,345	70,500
Client child care	67,740	67,740	-	-	-	67,740	56,366
Client drug testing	11,174	11,174	-	-	-	11,174	12,266
Client transportation	36,183	36,183	-	-	-	36,183	35,686
Client services and supplies	84,529	84,529	-	-	-	84,529	48,280
Shelter equipment, furniture and supplies	56,996	56,996	-	-	-	56,996	74,195
Office supplies	5,332	5,332	4,575	923	5,498	10,830	9,606
Communications	20,236	20,236	19,079	12,996	32,075	52,311	37,561
Insurance	25,858	25,858	2,341	-	2,341	28,199	17,374
Workshops, licenses, fees and miscellaneous	6,048	6,048	20,474	44,641	65,115	71,163	52,444
Interest expense	61,064	61,064	-	-	-	61,064	65,222
Depreciation	114,151	114,151	-	-	-	114,151	105,215
Donated goods	200,243	200,243	-	-	-	200,243	136,076
Total expenses	\$ 1,806,378	1,806,378	247,749	76,071	323,820	2,130,198	1,825,748
Direct benefit to donors at special event (note 10)				(58,560)			
				<u>\$ 17,511</u>			

See accompanying notes to financial statements.

COLETTE'S CHILDREN'S HOME
Statement of Cash Flows
Year ended September 30, 2014
(With Comparative Data for the Prior Year)

	2014	2013
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ <u>627,885</u>	<u>194,790</u>
Adjustments to increase (decrease) net assets to net cash provided by (used for) operating activities:		
Depreciation expense	114,151	105,215
Forgiveness of notes	(15,750)	(15,750)
(Increase) decrease in claims receivables	(24,294)	(76,996)
(Increase) decrease in loans receivables	(1,545)	(2,247)
(Increase) decrease in prepaid expenses	(25,581)	-
(Increase) decrease in other assets	(4,279)	(4,339)
Increase (decrease) in accounts payable	(11,456)	8,071
Increase (decrease) in accrued liabilities	7,962	10,264
Increase (decrease) in deferred revenue	(6,463)	90,669
Increase (decrease) in deposits payable	<u>7,071</u>	<u>16,359</u>
Total adjustments	<u>39,816</u>	<u>131,246</u>
Net cash provided by (used for) operating activities	<u>667,701</u>	<u>326,036</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	<u>(945,771)</u>	<u>-</u>
Net cash provided by (used for) investing activities	<u>(945,771)</u>	<u>-</u>
Cash flows from financing activities:		
Proceeds from notes payable	800,000	-
Payments on debt	<u>(120,025)</u>	<u>(12,757)</u>
Net cash provided by (used for) financing activities	<u>679,975</u>	<u>(12,757)</u>
Net increase (decrease) in cash and cash equivalents	401,905	313,279
Cash and cash equivalents at beginning of year	<u>639,696</u>	<u>326,417</u>
Cash and cash equivalents at end of year	<u>\$ 1,041,601</u>	<u>639,696</u>
Supplemental Information:		
Interest paid	<u>\$ 61,064</u>	<u>65,222</u>
Noncash investing and financing activities:		
Forgiveness of notes	<u>\$ 15,750</u>	<u>15,750</u>

See accompanying notes to financial statements.

COLETTE'S CHILDREN'S HOME

Notes to Financial Statements

Year ended September 30, 2014

(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.

(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.

COLETTE'S CHILDREN'S HOME

Notes to Financial Statements

(Continued)

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

(d) Income Tax Status, (Continued)

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 2011, 2012 and 2013 are subject to IRS examination, generally for three years after filing. As of the date of this report, the Organization's fiscal year 2014 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, 2014, the Organization had claims receivable of \$211,419.

(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. The general and administration costs are those associated with administration and fund development of the Organization. Fundraising costs consist of expenses associated with the Organization's annual fundraising event. Shelter expenses are those that are directly related to operating the Organization's housing programs.

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	50-60 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 \$200,243 for the year ended September 30, 2014.

(l) Concentrations of Revenues

Colette's Children's Home received approximately 44% of its total support and revenue from federal, state and local government grants for the year ended September 30, 2014. 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 2014, 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, 2014 are composed of the following:

Investments	\$ 2,745
Cash and cash equivalents	<u>1,038,856</u>
Total cash and investments	<u>\$1,041,601</u>

Fair values of cash and investments at September 30, 2014 are categorized as follows:

<u>Description</u>	<u>Fair Value</u>	<u>Fair Value at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash & cash equivalents	\$ 1,038,856	1,038,856	-	-
Equity securities	<u>2,745</u>	<u>2,745</u>	-	-
Total	<u>\$ 1,041,601</u>	<u>1,041,601</u>	-	-

COLETTE'S CHILDREN'S HOME

Notes to Financial Statements

(Continued)

(3) Property and Equipment

Property and equipment consist of the following at September 30, 2014:

Land	\$ 5,780,730
Buildings	6,066,148
Vehicles	<u>49,834</u>
	11,896,712
Less: Accumulated depreciation	<u>(717,711)</u>
Total	<u>\$ 11,179,001</u>

Depreciation expense for property and equipment amounted to \$114,151 for the year ended September 30, 2014.

(4) Long-Term Liabilities

Long term debt consisted of the following as of September 30, 2014:

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. \$ 333,330

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. 472,334

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

COLETTE'S CHILDREN'S HOME

Notes to Financial Statements

(Continued)

(4) Long-Term Liabilities, (Continued)

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

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 8.

180,000

Subtotal forgivable notes payable 4,822,499

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.

2,215,855

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.

525,365

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 in Placentia, CA.

358,777

On September 8, 2014 Colette's Children's Home received a note payable to the Teamsters Local 986 Charity Fund, Inc., in the amount of \$800,000, bearing simple interest (not compounding interest) at a rate of 3% annually. The outstanding principal and interest balances of the loan shall be due in full on September 8, 2019. The note was used to secure property in Placentia, CA.

700,000

Subtotal notes payable 4,329,997

Total long-term liabilities \$ 9,152,496

Future debt service requirements on Notes Payable are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 13,490	64,477	77,967
2016	14,335	63,632	77,967
2017	15,605	62,362	77,967
2018	840,712	63,654	904,366
2019	700,000	103,717	803,717
Thereafter	<u>2,745,855</u>	-	<u>2,745,855</u>
Total payments	<u>\$4,329,997</u>	<u>357,842</u>	<u>4,687,839</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 \$863,828 has not been reflected in the accompanying financial statements.

(6) Commitments

The Organization pays rent in accordance with lease agreements for their office space and client housing. The future obligations for these leases are as follows:

<u>Year Ending:</u>	
September 30, 2015	\$ 124,620
September 30, 2016	<u>28,023</u>
Total	<u>\$ 152,643</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, 2014 was \$128,262.

(7) Net Assets

Net assets consisted of the following at September 30, 2014:

Unrestricted net assets:

Invested in property and equipment, net of related debt	\$ 2,026,505
Undesignated, available for programs	<u>1,237,492</u>
Total unrestricted net assets	<u>3,263,997</u>
Total net assets	<u>\$ 3,263,997</u>

As of September 30, 2014, 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, CIC Pacific Sun Apartments, LLC 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, 2014. The December 31, 2014 Schedule K-1 was used to evaluate Colette's Children's Home's equity in the partnership. The K-1 also reported that Colette's Children's Home had a recourse liability in the amount of \$98,432 related to the partnership. As of September 30, 2014, 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 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 2012 which is increased annually by 3.5% and the total is not to exceed 10% of the property's annual gross receipts. CCH received \$6,047 during the fiscal year for these services.

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)

(9) Special Event

Special event revenue net of direct expenses consisted of the following at September 30, 2014:

Special event revenue	\$ 266,033
Less: direct expenses	<u>(58,560)</u>
Net support from special event	<u>\$ 207,473</u>

During the year ended September 30, 2014 The Organization made payments totaling \$16,153 to their Board President, Pamela Hope, for fundraising consulting services related to the special event.

(10) Subsequent Events

In October 2014 Colette's Children's Home entered into three lease agreements for client housing in Huntington Beach, Ca. Monthly rent for the units is \$1,375, \$1,400, and \$1,550, respectively, and will commence in October 2014 and end on September 30, 2015.

On November 13, 2014 Colette's Children's Home purchased land and buildings in Anaheim, Ca for client housing for \$747,511.

SUPPLEMENTAL SCHEDULES

COLETTE'S CHILDREN'S HOME
Combined Balance Sheet
as of
September 30, 2014

ACCOUNT	TITLE	COLETTE'S CHILDREN'S HOME COMBINED	COLETTE'S CHILDREN'S HOME, INC.	CCH AFFORDABLE HOUSING
Assets				
1000	Cash / Savings	\$1,038,855.00	\$940,102.00	\$98,753.00
1100	Accounts Receivables	\$215,210.00	\$213,319.00	\$1,891.00
1200	Pledges Receivables	\$0.00	\$0.00	\$0.00
1300	Prepaid & Deposits	\$43,392.00	\$43,392.00	\$0.00
	Current Assets sub-total	\$1,297,457.00	\$1,196,813.00	\$100,644.00
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	\$49,834.00	\$49,834.00	\$0.00
1650	Buildings	\$6,066,148.00	\$4,271,615.00	\$1,794,533.00
1680	Land	\$5,780,730.00	\$4,847,566.00	\$933,164.00
	(Accumulated Depreciation)	(\$717,711.00)	(\$551,392.00)	(\$166,319.00)
1600	Fixed Assets sub-total	\$11,179,001.00	\$8,617,623.00	\$2,561,378.00
1700	Other Assets	\$2,755.00	\$2,745.00	\$10.00
1900	Inter-fund Transactions	\$13,332.00	\$13,332.00	\$0.00
	Total Assets	\$12,672,545.00	\$10,010,513.00	\$2,662,032.00
Liabilities				
2000	Accounts Payable	\$76,401.00	\$76,401.00	\$0.00
2100	Payroll Liabilities	\$0.00	\$0.00	\$0.00
2200	Accrued Liabilities	\$71,559.00	\$69,663.00	\$1,896.00
2300	Advances & Deposits payable	\$94,760.00	\$88,048.00	\$6,712.00
	Current Liabilities sub-total	\$242,720.00	\$234,112.00	\$8,608.00
2630	Loans Payable	\$880,000.00	\$880,000.00	\$0.00
2640	Mortgage Loans - Private Banks	\$884,143.00	\$358,777.00	\$525,366.00
2650	Mortgage Loans - Government	\$7,388,353.00	\$5,172,498.00	\$2,215,855.00
2600	Long Term Liabilities sub-total	\$9,152,496.00	\$6,411,275.00	\$2,741,221.00
2900	Inter-fund Transactions	\$13,332.00	\$0.00	\$13,332.00
	Total Liabilities	\$9,408,548.00	\$6,645,387.00	\$2,763,161.00
Equity				
3000	Net Assets / Equity	\$2,636,022.00	\$2,734,959.00	(\$98,937.00)
3100	Current Year Equity - Additions	\$627,975.00	\$630,167.00	(\$2,192.00)
	Total Equity	\$3,263,997.00	\$3,365,126.00	(\$101,129.00)
	Total Liabilities & Equity	\$12,672,545.00	\$10,010,513.00	\$2,662,032.00

COLETTE'S CHILDREN'S HOME
Balance Sheet
as of
September 30, 2014

ACCOUNT	TITLE	COLETTE'S CHILDREN'S HOME
<u>Assets</u>		
1000	Cash / Savings	\$940,102.00
1100	Accounts Receivables	\$213,319.00
1200	Pledges Receivables	\$0.00
1300	Prepaid & Deposits	\$43,392.00
Current Assets sub-total		\$1,196,813.00
1500	Long Term Accounts Receivable	\$180,000.00
Long Term Assets sub-total		\$180,000.00
1640	Equipment & Furniture	\$49,834.00
1650	Buildings	\$4,271,615.00
1680	Land	\$4,847,566.00
	(Accumulated Depreciation)	(\$551,392.00)
1600	Fixed Assets sub-total	\$8,617,623.00
1700	Investments	\$2,745.00
1900	Inter-fund Transactions	\$13,332.00
Total Assets		\$10,010,513.00
<u>Liabilities</u>		
2000	Accounts Payable	\$76,401.00
2100	Payroll Liabilities	\$0.00
2200	Accrued Liabilities	\$69,663.00
2300	Advances & Deposits Payable	\$88,048.00
Current Liabilities sub-total		\$234,112.00
2630	Loans Payable	\$880,000.00
2640	Mortgage Loans - Private Banks	\$358,777.00
2650	Mortgage Loans - Government	\$5,172,498.00
2600	Long Term Liabilities sub-total	\$6,411,275.00
2900	Inter-fund Transactions	\$0.00
Total Liabilities		\$6,645,387.00
<u>Equity</u>		
3000	Net Assets / Equity	\$2,734,959.00
3100	Current Year Equity - Additions	\$630,167.00
Total Equity		\$3,365,126.00
Total Liabilities & Equity		\$10,010,513.00

CCH AFFORDABLE HOUSING

Balance Sheet

as of
September 30, 2014

ACCOUNT	TITLE	CCH AFFORDABLE HOUSING COMBINED
<u>Assets</u>		
1000	Cash / Savings	\$98,753.00
1100	Accounts Receivables	\$1,891.00
1200	Pledges Receivables	\$0.00
1300	Prepaid & Deposits	\$0.00
Current Assets sub-total		\$100,644.00
1500	Long Term Accounts Receivable	\$0.00
Long Term Assets sub-total		\$0.00
1640	Equipment & Furniture	\$0.00
1650	Buildings	\$1,794,533.00
1680	Land	\$933,164.00
	(Accumulated Depreciation)	(\$166,319.00)
1600	Fixed Assets sub-total	\$2,561,378.00
1700	Other Assets	\$10.00
Total Assets		\$2,662,032.00
<u>Liabilities</u>		
2000	Accounts Payable	\$0.00
2100	Payroll Liabilities	\$0.00
2200	Accrued Liabilities	\$1,896.00
2300	Advances & Deposits payable	\$6,712.00
Current Liabilities sub-total		\$8,608.00
2630	Loans Payable	\$0.00
2640	Mortgage Loans - Private Banks	\$525,366.00
2650	Mortgage Loans - Government	\$2,215,855.00
2600	Long Term Liabilities sub-total	\$2,741,221.00
2900	Inter-fund Transactions	\$13,332.00
Total Liabilities		\$2,763,161.00
<u>Equity</u>		
3000	Net Assets / Equity	(\$98,937.00)
3100	Current Year Equity - Additions	(\$2,192.00)
Total Equity		(\$101,129.00)
Total Liabilities & Equity		\$2,662,032.00

COLETTE'S CHILDREN'S HOME

Combined Statement of Activities

Period Ending

September 30, 2014

ACCOUNT	TITLE	AMOUNT	Colette's Children's Home Amount	CCH Affordable Housing Amount
<u>Revenues</u>				
	5100 Contributions	\$508,280.00	\$508,280.00	\$0.00
	5200 Direct Public Support	\$361,194.00	\$361,194.00	\$0.00
	5300 Indirect Public Support	\$266,033.00	\$266,033.00	\$0.00
	5400 Government Contributions	\$1,216,139.00	\$1,216,139.00	\$0.00
	5500 Rental Rev.	\$162,503.00	\$43,670.00	\$118,833.00
	5600 Program Rev.	\$3,050.00	\$3,050.00	\$0.00
	5700 Earned Rev.	\$34,390.00	\$34,387.00	\$3.00
	Total Revenues	\$2,551,589.00	\$2,432,753.00	\$118,836.00
<u>Expenditures</u>				
	7200 Salaries & Wages	\$903,917.00	\$903,917.00	\$0.00
	7300 Contracts - Professional Services	\$64,882.00	\$39,488.00	\$25,394.00
	7400 Travel - Mileage	\$24,386.00	\$24,386.00	\$0.00
	7500 Occupancy - Leases	\$258,636.00	\$240,974.00	\$17,662.00
	7600 Client Support Services	\$284,062.00	\$284,062.00	\$0.00
	7700 Supplies / Equipment / Furniture	\$67,826.00	\$67,507.00	\$319.00
	7800 Communications	\$52,310.00	\$52,304.00	\$6.00
	7900 Operations	\$159,785.00	\$121,549.00	\$38,236.00
	Total Expenditures	\$1,815,804.00	\$1,734,187.00	\$81,617.00
	NET ORDINARY REVENUES	\$735,785.00	\$698,566.00	\$37,219.00
<u>Other Revenues</u>				
	6100 Loans/Notes Forgiveness	\$15,750.00	\$15,750.00	\$0.00
	6200 Donated Goods	\$200,243.00	\$200,243.00	\$0.00
	Total Other Revenues	\$215,993.00	\$215,993.00	\$0.00
<u>Other Expenditures</u>				
	8100 Depreciation	\$114,151.00	\$84,242.00	\$29,909.00
	8200 Non-Cash Expense	\$200,240.00	\$200,240.00	\$0.00
	8300 Net Residual Sharing	\$9,502.00	\$0.00	\$9,502.00
	9100 Capital Purchases	\$0.00	\$0.00	\$0.00
	Total Other Expenditures	\$323,893.00	\$284,482.00	\$39,411.00
	Net Operations	\$627,885.00	\$630,077.00	(\$2,192.00)

COLETTE'S CHILDREN'S HOME
Statement of Activities

Period Ending
September 30, 2014

ACCOUNT	TITLE	AMOUNT
<u>Revenues</u>		
	5100 Contributions	\$508,280.00
	5200 Direct Public Support	\$361,194.00
	5300 Indirect Public Support	\$266,033.00
	5400 Government Contributions	\$1,216,139.00
	5500 Rental Revenue	\$43,670.00
	5600 Program Revenue	\$3,050.00
	5700 Earned Revenue	\$34,387.00
	Total Revenues	\$2,432,753.00
<u>Expenditures</u>		
	7200 Salaries & Wages	\$903,917.00
	7300 Contracts - Professional Services	\$39,488.00
	7400 Travel - Mileage	\$24,386.00
	7500 Occupancy - Leases	\$240,974.00
	7600 Client Support Services	\$284,062.00
	7700 Supplies / Equipment / Furniture	\$67,507.00
	7800 Communications	\$52,304.00
	7900 Operations	\$121,549.00
	Total Expenditures	\$1,734,187.00
	NET ORDINARY REVENUES	\$698,566.00
<u>Other</u>		
	6100 Non-Cash Revenues	\$15,750.00
	6200 Non-Cash Donations	\$200,243.00
	Total Other Revenue	\$215,993.00
	8100 Depreciation	\$84,242.00
	8200 Non-Cash Expenses	\$200,240.00
	9100 Capital Purchases	\$0.00
	9200 Contra - Capital Purchases	\$0.00
	Total Other Expenditures	\$284,482.00
	Net Operations	\$630,077.00

CCH AFFORDABLE HOUSING
Statement of Activities

Period Ending
September 30, 2014

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.	\$118,833.00
5600	Program Rev.	\$0.00
5700	Earned Rev.	\$3.00
Total Revenues		\$118,836.00
<u>Expenditures</u>		
7200	Salaries & Wages	\$0.00
7300	Contracts - Professional Services	\$25,394.00
7400	Travel - Mileage	\$0.00
7500	Occupancy - Leases	\$17,662.00
7600	Client Support Services	\$0.00
7700	Supplies / Equipment / Furniture	\$319.00
7800	Communications	\$6.00
7900	Operations	\$38,236.00
Total Expenditures		\$81,617.00
NET ORDINARY REVENUES		\$37,219.00
<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
8300	Residual Receipts Payment	\$9,502.00
9100	Capital Purchases	\$0.00
9200	Contra - Capital Purchases	\$0.00
Total Other Expenditures		\$39,411.00
Net Operations		(\$2,192.00)