

HomeAid Orange County, Inc.

Financial Statements

For the Years Ended December 31, 2006 and 2005

HomeAid Orange County, Inc.

Financial Statements

December 31, 2006 and 2005

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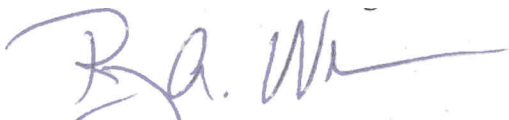
Report of Independent Auditors

To the Board of Directors
HomeAid Orange County, Inc.

We have audited the accompanying statements of financial position of HomeAid Orange County, Inc. as of December 31, 2006 and 2005, and the related statements of activities and change in net assets, functional expenses and cash flows for the years ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 HomeAid Orange County, Inc. at December 31, 2006 and 2005, and the results of its activities and change in net assets, functional expenses and cash flows for the years ended, in conformity with accounting principles generally accepted in the United States.



Stafford & Warren, LLP
April 19, 2007

HomeAid Orange County, Inc.
 Statements of Financial Position
 December 31, 2006 and 2005

	2006	2005
Assets		
Current assets:		
Cash (Note 2)	\$ 369,848	\$ 418,204
Investments (Note 3)	567,109	534,723
Accounts receivable	5,867	10,220
Grants receivable	55,000	-
Current portion of pledges receivable (Note 4)	6,000	5,625
Prepaid expenses and deposits	7,796	7,796
Total current assets	1,011,620	976,568
Long-term portion of pledges receivable (Note 4)	13,339	16,673
Furniture and equipment, net of accumulated depreciation of \$44,017 and \$37,298, respectively (Note 2)	16,233	8,038
Total Assets	\$ 1,041,192	\$ 1,001,279
 Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 61,848	\$ 58,132
Deferred revenue	5,000	-
Total liabilities	66,848	58,132
 Net Assets		
Net assets - unrestricted (Note 9)	887,712	795,179
Net assets - temporarily restricted (Note 9)	81,632	142,968
Net assets-permanently restricted (Note 9)	5,000	5,000
Total net assets	974,344	943,147
Total Liabilities and Net Assets	\$ 1,041,192	\$ 1,001,279

HomeAid Orange County, Inc.

Statements of Activities and Change in Net Assets

For the Years Ended December 31, 2006 and 2005

	2006	2005
UNRESTRICTED NET ASSETS		
Support and Revenue		
Donated shelter program materials and services (Note 5)	\$ 1,078,859	\$ 910,739
Fundraising events (Note 5)	1,443,864	1,272,935
Donations (Note 5)	117,833	199,985
Grants	34,500	16,000
Program development fee	29,757	40,528
Interest income (Note 3)	29,548	18,319
Unrealized gain/loss from investments (Note 3)	12,046	4,926
Net assets released from restrictions	253,656	5,763
Total support and revenue	<u>3,000,063</u>	<u>2,469,195</u>
Expenses		
Shelter development program costs	1,516,059	1,153,160
Fundraising expenses	1,120,262	969,164
Management and administrative	271,209	272,697
Total expenses	<u>2,907,530</u>	<u>2,395,021</u>
Increase in unrestricted net assets	<u>92,533</u>	<u>74,174</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	192,320	94,515
Net assets released from restrictions	(253,656)	(5,763)
Increase (decrease) in temporarily restricted net assets	<u>(61,336)</u>	<u>88,752</u>
Increase in net assets	31,197	162,926
Net assets - beginning of year	<u>943,147</u>	<u>780,221</u>
Net assets - end of year	<u>\$ 974,344</u>	<u>\$ 943,147</u>

HomeAid Orange County, Inc.

Statements of Functional Expenses

For the Years Ended December 31, 2006 and 2005

Supporting Activities

	Shelter Development Program	Management and Administrative	Fundraising	2006 Total	2005 Total
Donated materials and services	\$ 1,078,859	\$ 99,150	\$ 518,720	\$ 1,696,729	\$ 1,491,926
Shelter project cash expenditures	223,221	-	-	223,221	39,983
Salaries and related costs	188,530	95,124	266,848	550,502	510,562
Accounting	-	8,550	-	8,550	7,825
Administrative	-	6,105	33,588	39,693	16,929
Advertising	-	1,400	26,779	28,179	9,756
Auction expense	-	-	20,011	20,011	5,811
Audio and Visual	-	-	15,255	15,255	15,410
Automobile expenses	4,172	2,513	2,637	9,322	7,812
Awards and recognition	-	2,719	4,521	7,240	9,685
Bank and city fees	-	405	12,409	12,814	8,808
Chapter assessment	-	1,500	-	1,500	1,500
Computer expenses	-	19,173	-	19,173	7,697
Conferences and seminars	-	4,842	-	4,842	7,291
Depreciation	-	6,719	-	6,719	6,214
Direct mail expense	-	-	2,942	2,942	3,275
Meals and entertainment	-	3,011	75,991	79,002	68,925
Office expenses	16,769	11,179	32,247	60,195	53,577
Office supplies	-	1,141	2,166	3,307	3,042
Outside services	-	-	8,320	8,320	10,008
Photography & P/R costs	800	-	2,293	3,093	4,897
Playhouse costs	-	-	15,983	15,983	18,353
Postage	-	1,498	5,429	6,927	4,387
Printing	-	1,501	35,462	36,963	38,506
Rentals	-	-	29,499	29,499	25,114
Storage facilities	-	3,244	-	3,244	3,052
Telephone	3,708	1,435	6,963	12,106	10,353
Other costs	-	-	2,199	2,199	4,323
	\$ 1,516,059	\$ 271,209	\$ 1,120,262	\$ 2,907,530	\$ 2,395,021

HomeAid Orange County, Inc.

Statements of Cash Flows

For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating Activities		
Change in net assets	\$ 31,197	\$ 162,926
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	6,719	6,214
Unrealized gain from investments	(12,046)	(4,926)
Changes in operating assets and liabilities		
Accounts receivable	4,353	9,001
Grants receivable	(55,000)	-
Pledges receivable - current	(375)	52,975
Pledges receivable - long term	3,334	3,334
Accounts payable and accrued liabilities	3,716	26,831
Deferred revenue	5,000	(10,000)
Net cash provided by operating activities	<u>(13,102)</u>	<u>246,355</u>
Investing Activities		
Purchases of fixed assets	(14,914)	(1,525)
Purchase of investments	(20,340)	(529,796)
Net cash provided by investing activities	<u>(35,254)</u>	<u>(531,321)</u>
Net Increase (Decrease) In Cash	(48,356)	(284,966)
Cash - beginning of year	<u>418,204</u>	<u>703,170</u>
Cash - end of year	<u>\$ 369,848</u>	<u>\$ 418,204</u>
Supplemental Disclosure of Noncash Activities		
Donated materials and services	<u>\$ 1,696,729</u>	<u>\$ 1,491,926</u>

HomeAid Orange County, Inc.

Notes to Financial Statements

December 31, 2006 and 2005

1. Organization and Operations

Organization

HomeAid Orange County, Inc. (the "Organization") is an Internal Revenue Code Section 501(c)(3) charitable, public benefit, not-for-profit organization formed by the Building Industry Association and incorporated in 1989 for the purpose of building and renovating shelters for the transitionally homeless.

Operations

The Organization receives a substantial portion of its financial support from donated materials and services from third parties and fundraising events. The financial condition of the Organization depends significantly on its ability to raise funds from contributors. A significant reduction in the level of contributor support could affect the Organization's programs and activities. Management of the Organization believes it will continue to have adequate funding sources to maintain its present level of operations.

The Organization's revenue and support generally comes from four sources: donated materials and services, fundraising events, cash donations and grants. Fundraising income includes, among other things, opportunity drawings, auctions, event sponsorships, event ticket sales and registration fees. Grant income normally is generated from foundation grants for the building or renovation of shelter projects. Donations represent funds received by the Organization or unconditional promises from third parties.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

HomeAid Orange County, Inc.

Notes to Financial Statements (continued)

December 31, 2006 and 2005

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of December 31, 2006 and 2005, and revenues and expenses for the years then ended. Actual results could materially differ from these estimates in the near term.

Cash Equivalents

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

Fixed Assets and Depreciation

Purchased furniture and equipment is recorded at cost. Furniture and equipment is depreciated on a straight-line basis over the estimated useful lives of the respective assets, generally five years.

Revenues and Expenses

Revenues and expenses from donated materials and services are recorded in the period the materials are provided based on management and donors' estimates of the fair value of the materials and services provided. Revenues and expenses related to fund-raising events are recorded in the period in which the event takes place. Revenues from cash donations are recorded in the period in which an unconditional promise is given or the funds are received by the Organization. Grants are recorded when an award is approved by a foundation or a governmental agency. Other expenses are recorded when incurred.

HomeAid Orange County, Inc.

Notes to Financial Statements (continued)

December 31, 2006 and 2005

2. Summary of Significant Accounting Policies (continued)

Recognition of Donor Restricted Contributions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Income Taxes

The Organization does not provide for income taxes, as it is a tax-exempt not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code.

3. Investments

Investments are stated at market value and consist of certificate of deposits and mutual funds. Investment income amounted to \$29,548 and \$18,319 for December 31, 2006 and 2005, respectively, and was classified as unrestricted net assets in the statements of activities. There were unrealized gains and (losses) on mutual funds for fiscal years ending December 31, 2006 and 2005 in the amount of \$12,046 and \$4,926, respectively.

4. Pledges Receivable

Pledges receivable at December 31, 2006 and 2005, the proceeds of which are restricted to the funding of shelter programs, consist of the following:

	2006	2005
Pledges receivable	\$26,000	\$ 30,625
Imputed discount at 10%	<u>(6,661)</u>	<u>(8,327)</u>
	19,339	22,298
Less current portion	<u>(6,000)</u>	<u>(5,625)</u>
Long-term portion	<u>\$13,339</u>	<u>\$ 16,673</u>

HomeAid Orange County, Inc.

Notes to Financial Statements (continued)

December 31, 2006 and 2005

4. Pledges Receivable (continued)

The expected collections of pledges receivable at December 31, 2006 and 2005 are as follows:

	2006	2005
Within one year	\$ 6,000	\$ 5,625
Within two to five years	20,000	20,000
Within six years	<u>-</u>	<u>5,000</u>
	<u>\$26,000</u>	<u>\$ 30,625</u>

5. Donated Materials and Services

Donors and sponsors make contributions of labor and materials to develop and renovate the Organization's shelter projects as well as donating fundraising items. Donated materials and services reflected in the Organization's statements of activities and changes in net assets for the year ended December 31, 2006 and 2005 totaling \$1,696,729, and \$1,491,926, respectively is based on management and donors' estimates of the fair value of the materials and services provided. The breakdown of donated labor and materials included in the statement of activities is as follows:

	2006	2005
Donated shelter program materials and services	\$1,078,859	\$ 910,739
Fundraising events	518,720	465,038
Donations	<u>99,150</u>	<u>116,149</u>
Total	<u>\$1,696,729</u>	<u>\$1,491,926</u>

6. Related Party Transactions

Certain members of the Board of Directors and their affiliated companies have made cash and in-kind contributions to the Organization for the years ended December 31, 2006 and 2005 totaling \$277,477 and \$247,605, respectively, which have been included in support and revenue in the Organization's statement of activities and change in net assets.

HomeAid Orange County, Inc.

Notes to Financial Statements (continued)

December 31, 2006 and 2005

7. 403(b) Plan

The Organization sponsors a 403(b) Retirement Savings plan covering all full-time employees who have attained the age of 21 and have completed 90 days of service with the Organization. The Organization makes discretionary matching contributions up to 50% of employee contributions, subject to the approval of the executive committee. The Organization's contribution to the plan was \$17,276 for the year ended December 31, 2006 and \$17,325 for the year ended December 31, 2005.

8. Commitments and Contingencies

The Organization has entered into a long-term operating lease agreement to lease its office space. The lease calls for monthly payments ranging from \$3,299 to \$3,505 and expires on August 31, 2007. The annual lease commitments are as follows:

2007	<u>\$ 28,040</u>
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9. Temporarily Restricted and Permanently Restricted Net Assets

The Organization had temporarily restricted net assets of \$81,632 and \$142,968 for the years ended December 31, 2006 and 2005 respectively. These net assets are restricted for specific shelter projects. The Organization has established an endowment fund. The fund is managed by the Orange County Community Foundation. The balance in this fund was \$5,000 at December 31, 2006 and December 31, 2005, respectively.