

HomeAid Orange County, Inc.

Financial Statements

For the Years Ended December 31, 2007 and 2006

HomeAid Orange County, Inc.

Financial Statements

December 31, 2007 and 2006

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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, 2007 and 2006, 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, 2007 and 2006, and the results of its activities and change in net assets, functional expenses and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Stafford & Warren, LLP
February 28, 2008

HomeAid Orange County, Inc.

Statements of Financial Position

December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Current assets:		
Cash (Note 2)	\$ 269,217	\$ 369,848
Investments (Note 3)	595,313	567,109
Accounts receivable	4,525	5,867
Grants receivable	-	55,000
Current portion of pledges receivable (Note 4)	43,183	6,000
Prepaid expenses and deposits	<u>9,025</u>	<u>7,796</u>
Total current assets	<u>921,263</u>	<u>1,011,620</u>
Long-term portion of pledges receivable (Note 4)	10,005	13,339
Furniture and equipment, net of accumulated depreciation		
of \$50,125 and \$44,018, respectively (Note 2)	<u>11,082</u>	<u>16,233</u>
Total Assets	<u>\$ 942,350</u>	<u>\$ 1,041,192</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 41,999	\$ 61,848
Deferred revenue	<u>-</u>	<u>5,000</u>
Total liabilities	41,999	66,848
Net Assets		
Net assets - unrestricted (Note 9)	845,235	887,712
Net assets - temporarily restricted (Note 9)	50,116	81,632
Net assets-permanently restricted (Note 9)	<u>5,000</u>	<u>5,000</u>
Total net assets	<u>900,351</u>	<u>974,344</u>
Total Liabilities and Net Assets	<u>\$ 942,350</u>	<u>\$ 1,041,192</u>

HomeAid Orange County, Inc.

Statements of Activities and Change in Net Assets

For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
UNRESTRICTED NET ASSETS		
Support and Revenue		
Donated shelter program materials and services (Note 5)	\$ 2,300,319	\$ 1,078,859
Fundraising events (Note 5)	1,236,038	1,443,864
Donations (Note 5)	184,587	117,833
Grants	127,809	34,500
Program development fee	-	29,757
Interest income (Note 3)	31,061	29,548
Unrealized gains from investments (Note 3)	5,873	12,046
Net assets released from restrictions	<u>162,403</u>	<u>253,656</u>
Total support and revenue	<u>4,048,090</u>	<u>3,000,063</u>
Expenses		
Shelter development program costs	2,720,320	1,516,059
Fundraising expenses	1,101,636	1,120,262
Management and administrative	<u>268,611</u>	<u>271,209</u>
Total expenses	<u>4,090,567</u>	<u>2,907,530</u>
Increase in unrestricted net assets	<u>(42,477)</u>	<u>92,533</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	130,887	192,320
Net assets released from restrictions	<u>(162,403)</u>	<u>(253,656)</u>
Increase (decrease) in temporarily restricted net assets	<u>(31,516)</u>	<u>(61,336)</u>
Increase in net assets	(73,993)	31,197
Net assets - beginning of year	<u>974,344</u>	<u>943,147</u>
Net assets - end of year	<u>\$ 900,351</u>	<u>\$ 974,344</u>

HomeAid Orange County, Inc.

Statements of Functional Expenses

For the Years Ended December 31, 2007 and 2006

Supporting Activities

	Shelter Development Program	Management and Administrative	Fundraising	2007 Total	2006 Total
Donated materials and services	\$ 2,300,319	\$ 97,050	\$ 490,774	\$ 2,888,143	\$ 1,696,729
Shelter project cash expenditures	179,622	-	-	179,622	223,221
Salaries and related costs	216,421	99,874	236,371	552,666	550,502
Accounting	-	8,575	-	8,575	8,550
Administrative	-	2,615	14,027	16,642	39,693
Advertising	-	(60)	20,960	20,900	28,179
Auction expense	-	-	13,428	13,428	20,011
Audio and Visual	-	-	33,643	33,643	15,255
Automobile expenses	1,963	2,163	2,548	6,674	9,322
Awards and recognition	-	1,361	6,272	7,633	7,240
Bank and city fees	-	656	10,184	10,840	12,814
Chapter assessment	-	1,500	-	1,500	1,500
Computer expenses	-	12,186	-	12,186	19,173
Conferences and seminars	-	3,203	-	3,203	4,842
Depreciation	-	6,107	-	6,107	6,719
Direct mail expense	-	-	4,163	4,163	2,942
Meals and entertainment	-	2,149	99,454	101,603	79,002
Office expenses	17,224	11,483	33,123	61,830	60,195
Office supplies	-	1,619	1,680	3,299	3,307
Outside services	-	10,800	15,950	26,750	8,320
Photography & P/R costs	938	-	1,762	2,700	3,093
Playhouse costs	-	-	15,286	15,286	15,983
Postage	-	1,459	6,036	7,495	6,927
Printing	-	1,132	40,341	41,473	36,963
Rentals	-	-	46,038	46,038	29,499
Storage facilities	-	3,428	-	3,428	3,244
Telephone	3,833	1,311	7,022	12,166	12,106
Other costs	-	-	2,574	2,574	2,199
	<u>\$ 2,720,320</u>	<u>\$ 268,611</u>	<u>\$ 1,101,636</u>	<u>\$ 4,090,567</u>	<u>\$ 2,907,530</u>

HomeAid Orange County, Inc.

Statements of Cash Flows

For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Activities		
Change in net assets	\$ (73,993)	\$ 31,197
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	6,107	6,719
Unrealized gain from investments	(5,873)	(12,046)
Changes in operating assets and liabilities		
Accounts receivable	1,342	4,353
Grants receivable	55,000	(55,000)
Pledges receivable - current	(37,183)	(375)
Prepaid expenses and deposits	(1,229)	-
Pledges receivable - long term	3,334	3,334
Accounts payable and accrued liabilities	(19,849)	3,716
Deferred revenue	(5,000)	5,000
Net cash provided by operating activities	<u>(77,344)</u>	<u>(13,102)</u>
Investing Activities		
Purchases of fixed assets	(956)	(14,914)
Purchase of investments	(22,331)	(20,340)
Net cash provided by investing activities	<u>(23,287)</u>	<u>(35,254)</u>
Net Increase (Decrease) In Cash	(100,631)	(48,356)
Cash - beginning of year	<u>369,848</u>	<u>418,204</u>
Cash - end of year	<u>\$ 269,217</u>	<u>\$ 369,848</u>
Supplemental Disclosure of Noncash Activities		
Donated materials and services	<u>\$ 2,888,143</u>	<u>\$ 1,696,729</u>

HomeAid Orange County, Inc.

Notes to Financial Statements

December 31, 2007 and 2006

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, 2007 and 2006

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, 2007 and 2006, 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, 2007 and 2006

2. Summary of Significant Accounting Policies (continued)

Recognition of Donor Restricted Contributions

Contributions that are restricted by the donor are 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. If the restriction expires in the reporting period in which the contribution is recognized, it is reported as an increase in 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 \$31,061 and \$29,548 for December 31, 2007 and 2006, respectively, and was classified as unrestricted net assets in the statements of activities. There were net unrealized gains on mutual funds for fiscal years ending December 31, 2007 and 2006 in the amount of \$5,873 and \$12,046, respectively.

4. Pledges Receivable

Pledges receivable at December 31, 2007 and 2006, the proceeds of which are restricted to the funding of shelter programs, consist of the following:

	2007	2006
Pledges receivable	\$ 58,183	\$ 26,000
Imputed discount at 10%	<u>(4,995)</u>	<u>(6,661)</u>
	53,188	19,339
Less current portion	<u>43,183</u>	<u>(6,000)</u>
Long-term portion	<u>\$10,005</u>	<u>\$ 13,339</u>

HomeAid Orange County, Inc.

Notes to Financial Statements (continued)

December 31, 2007 and 2006

4. Pledges Receivable (continued)

The expected collections of pledges receivable at December 31, 2007 and 2006 are as follows:

	2007	2006
Within one year	\$ 43,183	\$ 6,000
Within two to five years	<u>10,005</u>	<u>20,000</u>
	<u>\$ 53,188</u>	<u>\$ 26,000</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, 2007 and 2006 totaling \$2,888,143 and \$1,696,729, 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:

	2007	2006
Donated shelter program materials and services	\$2,300,319	\$1,078,859
Fundraising events	490,774	518,720
Donations	<u>97,050</u>	<u>99,150</u>
Total	<u>\$2,888,143</u>	<u>\$1,696,729</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, 2007 and 2006 totaling \$250,068 and \$277,477, 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, 2007 and 2006

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 \$17,248 for the year ended December 31, 2007 and \$17,276 for the year ended December 31, 2006.

8. Commitments and Contingencies

The Organization has leases its office space on a month to month basis. Current monthly lease payments are \$4,162 per month. The Organization is currently negotiating a long-term lease.

9. Temporarily Restricted and Permanently Restricted Net Assets

The Organization had temporarily restricted net assets of \$50,116 and \$81,632 for the years ended December 31, 2007 and 2006 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, 2007 and December 31, 2006, respectively.