

HomeAid Orange County, Inc.

Financial Statements

For the Years Ended December 31, 2008 and 2007

HomeAid Orange County, Inc.

Financial Statements

December 31, 2008 and 2007

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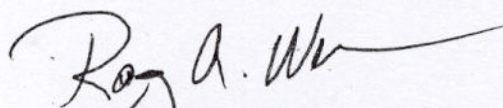
Report of Independent Auditors

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, 2008 and 2007, and the related statements of activities and change in net assets, functional expenses and cash flows for the years then 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, 2008 and 2007, 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
July 1, 2009

HomeAid Orange County, Inc.

Statements of Financial Position

December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Current assets:		
Cash (Note 2)	\$ 287,587	\$ 269,217
Investments (Note 3)	561,296	595,313
Accounts receivable	-	4,525
Current portion of pledges receivable (Note 4)	7,978	43,183
Prepaid expenses and deposits	<u>9,025</u>	<u>9,025</u>
Total current assets	<u>865,886</u>	<u>921,263</u>
Long-term portion of pledges receivable (Note 4)	6,671	10,005
Furniture and equipment, net of accumulated depreciation		
of \$53,604 and \$50,125, respectively (Note 2)	<u>7,603</u>	<u>11,082</u>
Total Assets	<u>\$ 880,160</u>	<u>\$ 942,350</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	<u>\$ 42,584</u>	<u>\$ 41,999</u>
Total liabilities	42,584	41,999
Net Assets		
Net assets - unrestricted (Note 9)	816,439	845,235
Net assets - temporarily restricted (Note 9)	16,039	50,116
Net assets-permanently restricted (Note 9)	<u>5,098</u>	<u>5,000</u>
Total net assets	<u>837,576</u>	<u>900,351</u>
Total Liabilities and Net Assets	<u>\$ 880,160</u>	<u>\$ 942,350</u>

HomeAid Orange County, Inc.

Statements of Activities and Change in Net Assets

For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
UNRESTRICTED NET ASSETS		
Support and Revenue		
Donated shelter program materials and services (Note 5)	\$ 1,783,215	\$ 2,300,319
Fundraising events (Note 5)	992,191	1,236,038
Donations (Note 5)	159,356	184,587
Grants	245,575	127,809
Program development fee	84,773	-
Interest income (Note 3)	19,679	31,061
Unrealized gains from investments (Note 3)	(50,817)	5,873
Net assets released from restrictions	<u>339,421</u>	<u>162,403</u>
Total support and revenue	<u>3,573,393</u>	<u>4,048,090</u>
Expenses		
Shelter development program costs	2,411,052	2,720,320
Fundraising expenses	952,315	1,101,636
Management and administrative	<u>238,822</u>	<u>268,611</u>
Total expenses	<u>3,602,189</u>	<u>4,090,567</u>
Increase in unrestricted net assets	<u>(28,796)</u>	<u>(42,477)</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	305,344	130,887
Net assets released from restrictions	<u>(339,421)</u>	<u>(162,403)</u>
Increase (decrease) in temporarily restricted net assets	<u>(34,007)</u>	<u>(31,516)</u>
PERMANENTLY RESTRICTED NET ASSETS		
Interest income (Note 3)	98	-
Increase (decrease) in permanently restricted net assets	<u>98</u>	<u>-</u>
Increase in net assets	(73,993)	(73,993)
Net assets - beginning of year	<u>900,351</u>	<u>974,344</u>
Net assets - end of year	<u>\$ 837,576</u>	<u>\$ 900,351</u>

HomeAid Orange County, Inc.

Statements of Functional Expenses

For the Years Ended December 31, 2008 and 2007

Supporting Activities

	Shelter Development Program	Management and Administrative	Fundraising	2008 Total	2007 Total
Donated materials and services	\$ 1,783,215	\$ 77,450	\$ 475,028	\$ 2,335,693	\$ 2,888,143
Shelter project cash expenditures	359,747	-	-	359,747	179,622
Salaries and related costs	243,798	107,214	216,029	567,041	552,666
Accounting	-	9,150	-	9,150	8,575
Administrative	-	3,086	1,318	4,404	16,642
Advertising	-	500	2,396	2,896	20,900
Auction expense	-	-	17,500	17,500	13,428
Audio and Visual	-	-	17,489	17,489	33,643
Automobile expenses	1,196	2,247	3,900	7,343	6,674
Awards and recognition	-	2,193	5,239	7,432	7,633
Bank and city fees	-	2,695	8,018	10,713	10,840
Chapter assessment	-	1,500	-	1,500	1,500
Computer expenses	-	5,691	-	5,691	12,186
Conferences and seminars	-	3,003	-	3,003	3,203
Depreciation	-	3,479	-	3,479	6,107
Direct mail expense	-	-	2,758	4,163	4,163
Meals and entertainment	-	1,101	58,381	59,482	101,603
Office expenses	18,657	12,438	35,880	66,975	61,830
Office supplies	-	660	872	1,532	3,299
Outside services	-	-	2,672	2,672	26,750
Photography & P/R costs	1,125	-	2,848	3,973	2,700
Playhouse costs	-	-	34,351	34,351	15,286
Postage	-	971	2,399	3,316	7,495
Printing	-	1,042	25,222	26,264	41,473
Rentals	-	-	33,418	33,418	46,038
Storage facilities	-	3,573	-	3,573	3,428
Telephone	3,314	883	5,914	10,111	12,166
Other costs	-	-	683	683	2,574
	<u>\$ 2,411,052</u>	<u>\$ 238,822</u>	<u>\$ 952,315</u>	<u>\$ 3,602,189</u>	<u>\$ 4,090,567</u>

HomeAid Orange County, Inc.

Statements of Cash Flows

For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating Activities		
Change in net assets	\$ (62,775)	\$ (73,993)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	3,479	6,107
Unrealized gain from investments	50,817	(5,873)
Changes in operating assets and liabilities		
Accounts receivable	4,525	1,342
Grants receivable	-	55,000
Pledges receivable - current	35,205	(37,183)
Prepaid expenses and deposits	-	(1,229)
Pledges receivable - long term	3,334	3,334
Accounts payable and accrued liabilities	585	(19,849)
Deferred revenue	-	5,000
Net cash provided by operating activities	<u>35,170</u>	<u>(77,344)</u>
Investing Activities		
Purchases of fixed assets	-	(956)
Purchase of investments	(16,800)	(22,331)
Net cash provided by investing activities	<u>(16,800)</u>	<u>(23,287)</u>
Net Increase (Decrease) In Cash	18,370	(100,631)
Cash - beginning of year	<u>269,217</u>	<u>369,848</u>
Cash - end of year	<u>\$ 287,587</u>	<u>\$ 269,217</u>
Supplemental Disclosure of Noncash Activities		
Donated materials and services	<u>\$ 2,335,693</u>	<u>\$ 2,888,143</u>

HomeAid Orange County, Inc.

Notes to Financial Statements

December 31, 2008 and 2007

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 five sources: donated materials and services, fundraising events, cash donations, grants, and project fees from service providers. 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, 2008 and 2007

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, 2008 and 2007, 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, 2008 and 2007

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 \$19,777 and \$31,061 for December 31, 2008 and 2007, respectively, and was classified as unrestricted net assets and permanently restricted net assets in the statements of activities. There were net unrealized gains (losses) on mutual funds for fiscal years ending December 31, 2008 and 2007 in the amount of \$(50,817) and \$5,873, respectively.

4. Pledges Receivable

Pledges receivable at December 31, 2008 and 2007, the proceeds of which are restricted to the funding of shelter programs, consist of the following:

	2008	2007
Pledges receivable	\$ 17,978	\$ 58,183
Imputed discount at 10%	<u>(3,329)</u>	<u>(4,995)</u>
	14,649	53,188
Less current portion	<u>(7,978)</u>	<u>(43,183)</u>
Long-term portion	<u>\$ 6,671</u>	<u>\$ 10,005</u>

HomeAid Orange County, Inc.

Notes to Financial Statements (continued)

December 31, 2008 and 2007

4. Pledges Receivable (continued)

The expected collections of pledges receivable at December 31, 2008 and 2007 are as follows:

	2008	2007
Within one year	\$ 7,978	\$ 43,183
Within two to five years	<u>6,671</u>	<u>10,005</u>
	<u>\$ 14,649</u>	<u>\$ 53,188</u>

5. Donated Materials and Services

Donors and sponsors make contributions of materials and services to develop and renovate the Organization's shelter projects as well as donating fundraising items. Donated materials and services included in the Organization's statements of activities and changes in net assets for the years ended December 31, 2008 and 2007 totaling \$2,335,693 and \$2,888,143, respectively is based on management and donors' estimates of the fair value of the materials and services provided. The breakdown of donated materials and services reflected in the statements of functional expenses are as follows:

	2008	2007
Shelter Development Program	\$1,783,215	\$2,300,319
Fundraising events	475,028	490,774
Donations	<u>77,450</u>	<u>97,050</u>
Total	<u>\$2,335,693</u>	<u>\$2,888,143</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, 2008 and 2007 totaling \$355,738 and \$250,068, 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, 2008 and 2007

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 \$16,791 for the year ended December 31, 2008 and \$17,248 for the year ended December 31, 2007.

8. Commitments and Contingencies

The Organization leases its office space on a month to month basis. Current monthly lease payments are \$4,365 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 \$16,039 and \$50,116 for the years ended December 31, 2008 and 2007 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 \$5,098 and \$5,000 at December 31, 2008 and December 31, 2007, respectively.