

**Shelter Providers of Orange County, Inc.
DBA HomeAid Orange County, Inc.**

Financial Statements

For the Years Ended December 31, 2015 and 2014

Shelter Providers of Orange County, Inc.
DBA HomeAid Orange County, Inc.
Financial Statements
December 31, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Shelter Providers of Orange County, Inc.
Irvine, CA

We have audited the accompanying financial statements of Shelter Providers of Orange County, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, statements of functional expenses, and statements of 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.

Auditor's 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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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 Shelter Providers of Orange County, Inc. as of December 31, 2015 and 2014, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Stafford & Warren, LLP
Irvine, CA
August 17, 2016

Shelter Providers of Orange County, Inc.
 DBA HomeAid Orange County, Inc.
 Statements of Financial Position
 December 31, 2015 and 2014

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 332,412	\$ 543,558
Cash from pass-through grant (Note 7)	672,148	2,776,191
Investments from pass-through grant (Note 7)	5,453,356	3,427,280
Investments-endowment fund (Note 5)	8,467	8,812
Accounts receivable	20,345	-
Grant receivable	58,333	12,500
Pledges receivable (Note 6)	76,439	42,323
Interest receivable (Note 7)	6,903	36,073
Security deposits and other assets	6,976	5,864
 Total current assets	 6,635,379	 6,852,601
 Property and equipment, net (Note 4)	 1,761,241	 26,590
 Total Assets	 \$ 8,396,620	 \$ 6,879,191
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 68,238	\$ 98,925
Pass-through grant (Note 7)	6,132,407	6,239,544
Tenant deposit	6,000	-
Long-term debt, net of debt discounts (Note 8)	1,564,555	-
 Total liabilities	 7,771,200	 6,338,469
 Net Assets		
Net assets - unrestricted	579,820	505,923
Net assets - temporarily restricted (Note 14)	45,600	34,799
 Total net assets	 625,420	 540,722
 Total Liabilities and Net Assets	 \$ 8,396,620	 \$ 6,879,191

Shelter Providers of Orange County, Inc.
 DBA HomeAid Orange County, Inc.
 Statements of Activities and Changes in Net Assets
 For the Years Ended December 31, 2015 and 2014

	2015	2014
UNRESTRICTED NET ASSETS		
Support and Revenue		
Donated program materials and services (Note 9)	\$ 1,101,809	\$ 569,853
Donations (Note 9)	469,498	405,910
Investment income (Note 5)	120	220
Grants	75,000	75,000
Program service fee	45,372	-
Rental income (Note 12)	18,600	-
Unrealized gain (loss) from investments (Note 5)	(313)	214
Net assets released from restrictions	37,839	32,137
Subtotal support and revenue	1,747,925	1,083,334
Fundraising Activity		
Fundraising revenue	558,527	412,292
Less direct fundraising costs	(219,157)	(127,331)
Net Fundraising Activity	339,370	284,961
Total Support and revenue	2,087,295	1,368,295
Expenses		
Housing development program costs	1,046,573	621,081
In the Community program costs	676,495	524,293
Fundraising costs	176,117	177,932
Management and administrative costs	114,213	94,255
Total expenses	2,013,398	1,417,561
Increase (decrease) in unrestricted net assets	73,897	(49,266)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	48,640	-
Net assets released from restrictions	(37,839)	(32,137)
Increase (decrease) in temporarily restricted net assets	10,801	(32,137)
Increase (decrease) in net assets	84,698	(81,403)
Net assets - beginning of year	540,722	622,125
Net assets - end of year	\$ 625,420	\$ 540,722

Shelter Providers of Orange County, Inc.
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 Statement of Functional Expenses
 For the Year Ended December 31, 2015

Supporting Activities

	Programs			Management and Administrative	2015 Total
	Housing Development	In the Community	Fundraising		
Donated materials and services	\$ 664,219	\$ 437,591	\$ -	\$ 2,500	\$ 1,104,310
Shelter project and program expenditures	42,908	37,219	-	-	80,127
Salaries and related costs	287,151	156,603	100,573	41,715	586,042
Accounting	-	-	-	13,450	13,450
Administrative	932	3,487	1,671	1,628	7,718
Advertising	615	2,521	8,035	1,432	12,603
Auction expense	-	-	5,332	-	5,332
Audio and Visual	-	-	5,663	-	5,663
Automobile expenses	3,408	767	690	1,042	5,907
Awards and recognition	-	-	103	174	277
Bank, management, and city fees	-	572	1,276	715	2,563
Chapter assessment	625	625	625	625	2,500
Computer expenses	3,702	3,702	3,702	3,702	14,808
Conferences and seminars	1,209	587	435	35	2,266
Depreciation	3,976	1,484	1,484	3,443	10,387
Direct mail expenses	-	-	951	-	951
Insurance	1,206	344	344	5,820	7,714
Interest	-	-	-	21,131	21,131
Meals and entertainment	945	3,076	1,363	2,945	8,329
Office expenses	5,173	1,292	1,292	2,055	9,812
Office supplies	215	2,382	428	215	3,240
Outside services	-	3,000	13,601	-	16,601
Photography & P/R costs	2,614	4,836	1,314	1,314	10,078
Postage	-	209	1,153	237	1,599
Printing	216	4,073	6,467	216	10,972
Property taxes	-	-	-	2,938	2,938
Rent	23,646	5,912	5,912	5,912	41,382
Rentals	-	3,766	2,295	-	6,061
Storage facilities	1,670	278	557	278	2,783
Telephone	2,143	1,165	935	691	4,934
Other costs	-	1,004	9,916	-	10,920
	\$ 1,046,573	\$ 676,495	\$ 176,117	\$ 114,213	\$ 2,013,398

Shelter Providers of Orange County, Inc.
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 Statement of Functional Expenses
 For the Year Ended December 31, 2014

Supporting Activities

	Programs			Management and Administrative	2014 Total
	Housing Development	In the Community	Fundraising		
Donated materials and services	\$ 269,397	\$ 300,456	\$ 251	\$ 2,640	\$ 572,744
Shelter project and program expenditures	82,180	34,387	-	-	116,567
Salaries and related costs	219,360	146,245	86,447	48,101	500,153
Accounting	-	-	-	13,100	13,100
Administrative	-	186	14,886	1,763	16,835
Advertising	1,751	7,179	9,389	1,751	20,070
Auction expense	-	-	8,737	-	8,737
Audio and Visual	-	-	3,342	-	3,342
Automobile expenses	3,363	1,565	706	841	6,475
Awards and recognition	295	-	132	607	1,034
Bank, management, and city fees	-	347	1,869	612	2,828
Chapter assessment	625	625	625	625	2,500
Computer expenses	5,688	5,688	5,688	5,687	22,751
Conferences and seminars	1,925	499	69	6	2,499
Depreciation	2,789	698	698	698	4,883
Direct mail expenses	-	-	993	-	993
Insurance	1,159	331	331	497	2,318
Meals and entertainment	565	1,873	1,229	1,808	5,475
Office expenses	4,772	1,193	1,193	1,193	8,351
Office supplies	101	2,736	249	304	3,390
Outside services	1,563	3,133	13,313	2,453	20,462
Photography & P/R costs	4,852	7,504	4,757	4,152	21,265
Postage	-	520	891	538	1,949
Printing	-	2,554	6,002	1,533	10,089
Rent	15,672	3,918	3,918	3,918	27,426
Rentals	-	662	1,164	-	1,826
Storage facilities	1,670	278	557	278	2,783
Telephone	3,354	1,714	1,331	1,150	7,549
Other costs	-	2	9,165	-	9,167
	<u>\$ 621,081</u>	<u>\$ 524,293</u>	<u>\$ 177,932</u>	<u>\$ 94,255</u>	<u>\$ 1,417,561</u>

Shelter Providers of Orange County, Inc.
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 Statements of Cash Flows
 For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Activities		
Increase (decrease) in net assets	\$ 84,698	\$ (81,403)
Adjustments to reconcile increase (decrease) in net assets to net cash and cash equivalents used in operating activities		
Depreciation	10,387	4,883
Amortization of deferred financing costs	2,508	-
Discount on long-term debt	(45,600)	-
Unrealized (gain) loss from investments	313	(214)
Changes in operating assets and liabilities		
Investments from pass-through grant	77,967	46,529
Accounts receivable	(20,345)	88,152
Grants receivable	(45,833)	(4,167)
Pledges receivable	(34,116)	(17,943)
Interest receivable	29,170	(36,073)
Security deposits and other assets	(1,080)	(694)
Accounts payable and accrued liabilities	(30,687)	34,508
Pass-through grant	(107,137)	(10,456)
Tenant deposit	6,000	-
Net cash and cash equivalents (used) provided by operating activities	<u>(73,755)</u>	<u>23,122</u>
Investing Activities		
Purchase of property and equipment	<u>(1,745,038)</u>	<u>(31,473)</u>
Net cash and cash equivalents used in investing activities	<u>(1,745,038)</u>	<u>(31,473)</u>
Financing Activities		
Proceeds from long-term debt	1,627,709	-
Cash paid for deferred financing costs	<u>(20,062)</u>	<u>-</u>
Net cash and cash equivalents provided by financing activities	<u>1,607,647</u>	<u>-</u>
Net decrease in cash and cash equivalents	(211,146)	(8,351)
Cash and cash equivalents-beginning of year	<u>543,558</u>	<u>551,909</u>
Cash and cash equivalents - end of year	<u>\$ 332,412</u>	<u>\$ 543,558</u>
Supplemental Disclosure of Noncash Activities		
Donated materials and services	<u>\$ 1,206,377</u>	<u>\$ 638,552</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 15,583	-

Shelter Providers of Orange County, Inc.
DBA HomeAid Orange County, Inc.
Notes to Financial Statements
December 31, 2015 and 2014

1. Organization and Operations

Organization

Shelter Providers of Orange County, Inc., DBA HomeAid Orange County, Inc. (“HomeAid” or the “Organization”) is an Internal Revenue Code Section 501(c)(3) charitable, public benefit, non-for-profit organization established by the Building Industry Association of Southern California, Orange County Chapter and incorporated in 1989 for the purpose of ending homelessness through housing development, community service, and advocacy.

HomeAid’s Housing Development program involves the building and renovation of projects ranging from emergency shelters, transitional/interim housing, and permanent supportive housing. HomeAid's In the Community program includes HomeAid Essentials (“Essentials”), HomeAid CareKits (“CareKits”) and various education and volunteer activities. Essentials is a community effort to collect and distribute baby products, such as diapers, for homeless mothers and babies. CareKits are assembled with critical items, such as water, food, soap, toothpaste, and resource cards, and distributed to homeless families and individuals living on the street. HomeAid is actively involved in Orange County’s Commission to End Homelessness and has assisted in the development of a 10-Year plan to end homelessness.

Operations

The Organization receives a substantial portion of its financial support through philanthropic means including donated materials and services from third parties and fundraising events and activities. 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 bulk of the Organization’s revenue and support comes from five key sources: donated materials and services, fundraising events, grants, corporate sponsorships, and cash donations. Donated materials include construction materials and household items used for the Organization’s housing development projects, baby items for the Essentials Campaign, and hygiene items for the CareKits. Fundraising income includes, among other things, event sponsorships, ticket sales, auction sales, and individual solicitations. Grant income is generated through private and corporate foundations for general operating and/or the building and renovating of shelter projects. Donations represent funds received by the Organization or unconditional promises from third parties.

Shelter Providers of Orange County, Inc.
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Notes to Financial Statements (continued)
December 31, 2015 and 2014

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.

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 at the date of the financial statements, and the related amounts of revenues and expenses during the reporting period. Actual results could materially differ from these estimates.

Concentration of credit risk

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

Cash and 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.

Property and Equipment

Purchased property and equipment are recorded at cost. Major betterments are capitalized while routine repairs and maintenance are charged to expense. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the respective assets, generally five to seven years. Buildings are depreciated on a straight-line basis over 40 years.

Shelter Providers of Orange County, Inc.
DBA HomeAid Orange County, Inc.
Notes to Financial Statements (continued)
December 31, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

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.

Deferred Financing Costs

Costs incurred in connection with debt financing are recorded as deferred financing costs. Deferred financing costs are amortized using the straight-line basis which approximates the effective interest rate method, over the contractual terms of the respective financings. Total costs incurred related to the new financing in 2015 were \$20,062 as of December 31, 2015 (See Note 8). For the year ended December 31, 2015, \$2,508 of deferred financing costs were amortized and included in interest expense in the accompanying statement of functional expenses.

New Accounting Pronouncements

In April 2015, the FASB issued Accounting Standards Update 2015-03, Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"). ASU 2015-03 requires that debt issuance costs be reported in the balance sheet as a direct deduction from the face amount of the related liability, consistent with the presentation of debt discounts. Further, the amendments require the amortization of debt issuance costs to be reported as interest expense. Similarly, debt issuance costs and any discount or premium are considered in the aggregate when determining the effective interest rate on the debt. ASU 2015-03 is effective for fiscal years beginning after December 15, 2015. The amendments must be applied retrospectively. All entities have the option of adopting the new requirements as of an earlier date for financials statements that have not been previously issued. The Organization has adopted this new standard and it did not have a significant effect on the financial statements.

Shelter Providers of Orange County, Inc.
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Notes to Financial Statements (continued)
December 31, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

The Organization reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of a long-lived asset is considered impaired when anticipated undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. For the years ended December 31, 2015 and 2014, material impairments of long-lived assets did not exist.

Reclassifications

Certain amounts in the prior year financial statements and related notes have been reclassified to conform with the current year presentation. These reclassifications had no effect on the reported results of operations.

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.

Shelter Providers of Orange County, Inc.
 DBA HomeAid Orange County, Inc.
 Notes to Financial Statements (continued)
 December 31, 2015 and 2014

3. Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an ordinary transaction between market participants on the measurement date. Assets recorded at fair value in the statement of activities and changes in net assets are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

Level inputs, are as follows:

Level Input	Input Definition
Level 1	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level 2	Inputs, other than quoted prices included in Level 1, which are observable for the asset or liability through corroboration with market data at the measurement date.
Level 3	Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The following tables summarize the Company's assets and liabilities required to be measured at fair value on a recurring basis:

December 31, 2015	Fair Value Measurement Using		
	Level I	Level II	Level III
Investments – endowment fund			
Mutual Funds	\$ 6,884	\$ -	\$ -
Bond Funds	-	1,583	-
Investments – pass-through grant			
Debt Securities	-	2,725,749	-
	<u>\$ 6,884</u>	<u>\$ 2,727,332</u>	<u>\$ -</u>

Shelter Providers of Orange County, Inc.
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 Notes to Financial Statements (continued)
 December 31, 2015 and 2014

3. Fair Value Measurements (continued)

December 31, 2014	Fair Value Measurement Using		
	Level I	Level II	Level III
Investments – endowment fund			
Mutual Funds	\$ 6,609	\$ -	\$ -
Bond Funds	-	2,203	-
Investments – pass-through grant			
Debt Securities	-	2,436,280	-
	\$ 6,609	\$ 2,438,483	\$ -

Valuation Methodologies

Mutual Funds – Mutual funds registered with the Securities and Exchange Commission as mutual funds under the Investment Company Act of 1940 are valued based on quoted prices from the applicable exchange, and to the extent valuation adjustments are not applied to these securities, are categorized as Level I.

Corporate Debt and Bond Securities – Investment-grade corporate debt and bond securities are valued using inputs and techniques, which include third-party pricing vendors, dealer quotations, and recently executed transactions in securities of the issuer or comparable issuers. Adjustments to individual bonds may be applied to recognize trading differences compared to other bonds issued by the same issuer. Values for high-yield bonds are based primarily on pricing vendors and dealer quotations from relevant market makers. The dealer quotations received are supported by credit analysis of the issuer that takes into consideration credit quality assessments, daily trading activity, and the activity of the underlying equities, listed bonds, and sector-specific trends. To the extent that these inputs are observable and timely, the values of corporate debt and bond securities are categorized as Level II.

Shelter Providers of Orange County, Inc.
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 Notes to Financial Statements (continued)
 December 31, 2015 and 2014

4. Property and Equipment

The following is a summary of property and equipment at December 31, 2015 and 2014:

	2015	2014
Office equipment	\$ 12,495	\$ 11,411
Furniture and fixtures	20,062	20,062
Building	261,593	-
Land	1,482,361	-
Subtotal	1,776,511	31,473
Less: Accumulated depreciation	15,270	4,883
	\$ 1,761,241	\$ 26,590

On September 28, 2015, the Organization acquired a property in Orange, California for \$1,743,954. The Organization intends to develop a short-term temporary housing shelter for families. As of December 31, 2015, the Organization was in the planning and design phase.

Depreciation for the years ended December 31, 2015 and 2014 amounted to \$10,387 and \$4,883, respectively.

5. Investments-Endowment Fund

The Organization established an endowment fund that is managed by the Orange County Community Foundation (the "Foundation"). Investments managed by the Foundation consist of mutual funds and bond funds and are stated at fair market value. The fair values of investments that are measured on a recurring basis are listed in Note 3.

Unrealized gains (losses) for the years ended December 31, 2015 and 2014 amounted to \$(313) and \$214, respectively. Interest and dividend income for the years ended December 31, 2015 and 2014 amounted to \$99 and \$159, respectively, and was classified as unrestricted in the accompanying statements of activities and changes in net assets.

Shelter Providers of Orange County, Inc.
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 Notes to Financial Statements (continued)
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6. Pledges Receivable

Pledges receivable at December 31, 2015 and 2014, which are all due within one year, were \$76,439 and \$42,323, respectively.

7. Pass-Through Grant

The Organization received a designated grant from the Children and Families Commission of Orange County in the amount of \$6,250,000 at the end of 2013. This grant is administered by the Organization and passed to other non-profits to support the construction and operation of emergency shelters to assist homeless families with children ages 0 to 5 over a five year period. The Organization receives a program fee on a project by project basis. Project fees earned for the years ended December 31, 2015 and 2014 were \$41,622 and 0, respectively. The amount of program fees received during 2015 was \$21,277.

The Organization maintains the pass-through grant in separate investment and cash accounts.

Cash and investments from pass-through grant consist of the following at December 31,:

	<u>2015</u>	<u>2014</u>
Cash	\$ 672,148	\$ 2,776,191
Certificates of Deposit	2,727,607	991,000
Debt Securities	<u>2,725,749</u>	<u>2,436,280</u>
	<u>\$ 6,125,504</u>	<u>\$ 6,203,471</u>

Reconciliation of the pass-through grant is as follows:

	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 6,203,471	\$ 6,250,000
Interest earned	94,485	1,935
Unrealized losses	(40,049)	(38,889)
Management fees	(10,550)	(9,575)
Disbursements –Program fees	(21,277)	-
Disbursements –Passed though	<u>(100,576)</u>	<u>-</u>
Ending balance	<u>\$ 6,125,504</u>	<u>\$ 6,203,471</u>

Shelter Providers of Orange County, Inc.
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7. Pass-Through Grant (continued)

All the investment activity, including earned interest, unrealized losses, and accrued interest in the amounts of \$6,903 and \$36,073 for the years ended December 31, 2015 and 2014, respectively, that occurred related to the pass-through grant account have been reflected in the Pass-through grant liability on the accompanying statements of financial position as the Organization is acting as an agent for these funds.

8. Long-Term Debt

On September 23, 2015, the Organization obtained a line-of-credit from a bank in the amount of \$1,980,000 with interest only payments due monthly at an interest rate of 4.75%, and a balloon payment due in September 2017. The Organization used this line-of-credit to purchase a property in Orange, California. The line-of-credit is collateralized by the land and building. The balance on the line-of-credit at December 31, 2015 and 2014 was \$1,327,709 and \$0, respectively. The Organization intends to use some or all of the available balance on the line-of-credit to finance the construction and conversion of the property into short-term housing for families. The amount on the line-of-credit available as of December 31, 2015 was \$652,291.

On September 23, 2015 the Organization obtained a second note payable related to the above mentioned property in the amount of \$300,000. The note bears no interest and is due in full with one balloon payment in September 2019, collateralized by land and building. The balance of the note payable at December 31, 2015 was \$300,000. This note payable may be repaid in cash or in-kind donations.

In accordance with GAAP, the second note payable has been discounted to reflect a market interest rate of 4.75%. The discount has been recorded as a temporarily restricted contribution and will be accreted into interest expense in future periods to reflect market interest rate conditions. The discounted balance of the note payable at December 31, 2015 was \$254,400.

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 Notes to Financial Statements (continued)
 December 31, 2015 and 2014

8. Long-Term Debt (continued)

Maturities by year are as follows:

2016	\$ -
2017	1,327,709
2018	-
2019	<u>300,000</u>
 Total	 \$ 1,627,709
 Discounts	 <u>(45,600)</u>
	 <u>\$ 1,582,109</u>

Interest expense for the years ended December 31, 2015 and 2014 was \$21,131 and \$0, respectively.

9. Donated Materials and Services

The Organization recognizes contribution revenues for certain services received at the fair value of those services. Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. 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, 2015 and 2014 totaling \$1,206,377 and \$638,552, 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 activities are as follows:

	<u>2015</u>	<u>2014</u>
Donated shelter program materials and services	\$ 1,101,809	\$ 569,853
Fundraising events	102,068	66,059
Donations	<u>2,500</u>	<u>2,640</u>
 Total	 \$ <u>1,206,377</u>	 \$ <u>638,552</u>

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9. Donated Materials and Services (continued)

General cash donations (non-donated materials and services) amounted to \$515,638 and \$478,696 for the years ending December 31, 2015 and 2014, respectively. Total general cash donations and general donated materials and services amounted to \$518,138 and \$481,336 for the years ended December 31, 2015 and 2014, respectively.

10. 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, 2015 and 2014 totaling \$46,630 and \$57,121, respectively, which have been included in support and revenue in the Organization's statement of activities and changes in net assets.

11. 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 \$0 for the years ended December 31, 2015 and 2014, respectively.

12. Rental Income

As stated in Note 4, the Organization acquired a property in September 2015. While they are in the design and planning phase of converting the property into a short-term temporary housing shelter for families, the Organization is renting the property on a month to month basis. The property generated rental income in the amount of \$18,600 for the year ended December 31, 2015.

13. Commitments and Contingencies

The Organization leases its office space on a month to month basis. Current monthly lease payments are \$3,636 for 2015. The Organization also leases storage space on a month to month basis for \$232 per month. Rent expense for the years ended December 31, 2015 and 2014 amounted to \$41,382 and \$27,426, respectively.

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14. Temporarily Restricted

The Organization had temporarily restricted net assets of \$45,600 and \$34,799 for the years ended December 31, 2015 and 2014 respectively. These net assets are restricted for specific shelter projects and/or, reflect the discounted second note payable (discussed in Note 8).

15. Subsequent Events

Management has evaluated subsequent events through August 17, 2016, the date which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.