

Family Promise of Orange County, Inc.

Financial Statements

Year Ended December 31, 2019

**Stafford and Warren, LLP
17310 Red Hill Ave., Ste. 290
Irvine, CA 92614**

FAMILY PROMISE OF ORANGE COUNTY, INC.
FINANCIAL STATEMENTS
December 31, 2019

Table of Contents

	<u>Page</u>
Independent Accountant's Review Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6-12

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Family Promise of Orange County, Inc.

We have reviewed the accompanying financial statements of Family Promise of Orange County, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019, and the related statement of activities, statement of cash flows, and statement of functional expenses for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.



Stafford & Warren, LLP
Irvine, CA
January 27, 2020

FAMILY PROMISE OF ORANGE COUNTY, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2019

ASSETS

Cash and cash equivalents (Note A)	\$ 92,162
Deposits	1,640
Prepays	6,090
Cash and investments held for facilities expansion	203,862
Property and equipment, net of accumulated depreciation (Note C)	<u>55,099</u>

TOTAL ASSETS \$ 358,853

LIABILITIES

Accounts payable and accrued expenses	\$ 14,245
Deposits	<u>50</u>

TOTAL LIABILITIES 14,295

NET ASSETS

Net Assets without Donor Restrictions	135,589
Net Assets with Donor Restrictions (Note F)	<u>208,969</u>

TOTAL NET ASSETS 344,558

TOTAL LIABILITIES AND NET ASSETS \$ 358,853

FAMILY PROMISE OF ORANGE COUNTY, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

NET ASSETS WITHOUT DONOR RESTRICTIONS

Support and Revenue	
Contributions and donations	\$ 475,975
Grants	147,822
Program service fees	23,959
Interest and other income	141
Gain on disposal of fixed assets	3,234
Net assests released from restriction	<u>60,116</u>

Subtotal Support and Revenue	<u>711,247</u>
------------------------------	----------------

Fundraising Event Activity (Note D)

Fundraising event revenue	195,407
Direct fundraising event costs	<u>(83,974)</u>

Net Fundraising Event Activity	<u>111,433</u>
--------------------------------	----------------

Total Support and Revenue	822,680
---------------------------	---------

Expenses

Program Services	
Transitional housing	280,517
Emergency housing and support	307,169
Management and General	115,758
Fundraising	<u>27,717</u>

Total Expenses	<u>731,161</u>
----------------	----------------

INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	91,519
---	--------

NET ASSETS WITH DONOR RESTRICTIONS

Contributions	143,822
Net assests released from restrictions	<u>(60,116)</u>

INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>83,706</u>
--	---------------

NET INCREASE IN NET ASSETS	175,225
----------------------------	---------

NET ASSETS AT BEGINNING OF YEAR	<u>169,333</u>
---------------------------------	----------------

NET ASSETS AT END OF YEAR	<u>\$ 344,558</u>
---------------------------	-------------------

FAMILY PROMISE OF ORANGE COUNTY, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 175,225
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Net contributions received for facilities expansion	(93,030)
Depreciation	3,385
Gain on disposal of fixed assets	(3,234)
Decrease in prepaids	1,092
Increase in accounts payable and accrued expenses	8,829
Decrease in deposits	(350)

NET CASH PROVIDED BY OPERATING ACTIVITIES 91,917

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of fixed assets	12,000
Purchase of fixed assets	(43,543)

NET CASH USED IN INVESTING ACTIVITIES (31,543)

NET INCREASE IN CASH AND CASH EQUIVALENTS 60,374

BEGINNING CASH AND CASH EQUIVALENTS 31,788

ENDING CASH AND CASH EQUIVALENTS \$ 92,162

Supplemental Disclosure of Noncash Activities

Donated materials and services \$ 399,586

Cash paid during the year for interest \$ -

Cash paid during the year for income taxes \$ -

FAMILY PROMISE OF ORANGE COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

	Program Services		Supporting Services		Total
	Transitional Housing	Emergency Housing and Support	Management and General	Fundraising	
Advertising	\$ -	\$ -	\$ 591	\$ -	\$ 591
Auto/transportation	112	337	-	-	449
Business expenses	-	-	239	2,728	2,967
Depreciation	419	2,680	286	-	3,385
Dues and subscriptions	-	-	8,120	-	8,120
Food	468	468	-	-	936
Grant writing	-	-	-	130	130
Guest services	13,384	29,541	-	-	42,925
In-kind materials, services, & facilities	162,000	180,166	57,420	-	399,586
Insurance	4,237	3,813	4,070	-	12,120
Miscellaneous	-	-	1,209	-	1,209
Office expenses	108	-	2,338	4,023	6,469
Payroll service	-	-	1,189	-	1,189
Payroll taxes	2,866	5,487	1,149	1,237	10,739
Printing & postage	-	-	1,240	2,893	4,133
Professional fees	8,145	-	16,043	-	24,188
Rental expense	46,539	6,294	1,574	-	54,407
Repairs and maintenance	2,862	-	715	-	3,577
Salaries	36,714	70,285	14,717	15,852	137,568
Supplies	-	2,881	720	-	3,601
Telephone	-	1,941	509	-	2,450
Travel	1,992	1,992	2,954	854	7,792
Volunteer expenses	-	-	117	-	117
Workman's Compensation	671	1,284	558	-	2,513
TOTAL EXPENSES	\$ 280,517	\$ 307,169	\$ 115,758	\$ 27,717	\$ 731,161

FAMILY PROMISE OF ORANGE COUNTY, INC.
Notes to Financial Statements
December 31, 2019

Note A - Summary of Significant Accounting Policies

Nature of Activities

Family Promise of Orange County, Inc. (the Organization) is a nonprofit organization established in 2009 under the general nonprofit corporation laws of the State of California. It is an affiliate of the national organization, Family Promise. The Organization offers homeless families the opportunity to achieve housing stability by providing short term shelter, meals, case management, and hospitality. The Organization utilizes local resources including faith-based congregations and community organizations.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions. In addition, the Organization is required to present a statement of cash flows.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of six months or less to be cash equivalents.

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. Realized and unrealized gains and losses are included in the statement of activities.

Investments consisted of a Certificate of Deposit with a maturity of nine months and a balance of \$50,103 at December 31, 2019.

FAMILY PROMISE OF ORANGE COUNTY, INC.
Notes to Financial Statements
December 31, 2019

Note A - Summary of Significant Accounting Policies, Continued

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.

Property and Equipment

Acquisitions of fixed assets are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations when the donated assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over their estimated useful lives.

Recognition of Donor Restricted Contributions

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributions

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.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of donor restrictions.

Contributions of donated materials and facilities are recorded at their fair values in the period received if there is an objective basis available to measure their value. Contributions of donated services meeting the criteria for recognition in the financial statements are recorded at their fair value. Donated professional services amounted to \$180,000 for the

FAMILY PROMISE OF ORANGE COUNTY, INC.
Notes to Financial Statements
December 31, 2019

Note A - Summary of Significant Accounting Policies, Continued

Contributions, Continued

year ended December 31, 2019. Donated materials and facilities amounted to \$265,635 for the year ended December 31, 2019.

Management estimates the value of volunteer hours to be \$102,990. However, these hours do not meet the GAAP requirement to be recorded as donated professional services in the financial statements.

Fundraising Events

The Organization hosts a gala for fundraising purposes. The Organization records the attendance fees less direct events expenses (meals and cost of venue) as net fundraising event income in the statement of activities.

Functional Expenses

Expenses are charged to each program based on direct expenditures incurred. Fundraising costs are considered supporting services.

The financial statements report expenses that are attributable to more than one program or supporting function of the Organization. Those expenses include property insurance and salaries and related costs. Property insurance is allocated based on square footage. Salaries and related costs are allocated based on estimates of time and effort.

Income Taxes

The organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes.

Note B – 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.

FAMILY PROMISE OF ORANGE COUNTY, INC.
Notes to Financial Statements
December 31, 2019

Note B – Fair Value Measurements, Continued

Level inputs are as follows:

Level Input	Input Definition
Level 1	Inputs are adjusted, 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.

Note C - Property and Equipment

Property and equipment are depreciated using the straight-line method over their estimated useful lives (39 years for improvements, and 5 to 10 years for vehicles, furniture, and equipment). Expenditures that extend the useful life of the asset or enhance its productivity are capitalized.

The cost of such assets at December 31, 2019 is as follows:

Furniture, fixtures, and equipment	\$ 40,482
Improvements	15,000
Vehicles	9,592
	<u>65,074</u>
Less: Accumulated depreciation	<u>(9,975)</u>
	<u>\$ 55,099</u>

Depreciation expense for the year ended December 31, 2019 was \$3,385.

Note D – Fundraising Event Income

Fundraising event income for 2019 consists of revenues and direct fundraising costs from a Gala fundraiser. This includes \$46,049 of in-kind donations.

FAMILY PROMISE OF ORANGE COUNTY, INC.

Notes to Financial Statements

December 31, 2019

Note E – Commitments and Contingencies

The Organization rented a house at reduced rent of \$1,100 from the First Presbyterian Church of Fullerton through December 31, 2019. Total fair market rent for one year is \$31,200. The \$18,000 value of the reduced rent is included as in-kind income in the financial statements. The lease was renewed on December 31, 2019 and was extended 24 months at a monthly reduced rental rate of \$1,500. The lease ends December 31, 2021.

The Organization entered into a lease agreement for an additional transitional housing site in Fullerton. The lease was for a term of one year commencing November 15, 2014 at a reduced monthly rate of \$1,600. Rent is now paid on a month-to-month basis. Total fair market rent for one year is \$37,200. The \$18,000 value of the reduced rent is included as in-kind income in the financial statements.

The Organization entered into a lease agreement for office space in Anaheim at a reduced rental rate. The lease is for a term of three years commencing April 1, 2018 at a monthly rate of \$1,640. The landlord has agreed to provide a rent credit of \$1,140 per month, starting in the first month, and continuing for a minimum of 12 months. The landlord has granted the reduced rent on a month to month basis. Total fair market rent for one year is \$19,680. The \$13,680 value of the reduced rent is included as in-kind income in the financial statements.

The annual lease commitments for each fiscal year end are as follows:

2020	\$ 37,680
2021	<u>22,920</u>
Total	<u>\$ 60,600</u>

Rent expense for the year ended December 31, 2019 was \$88,080 of which \$49,680 is recorded as in-kind donated facilities expense.

The Organization is dependent on host and supporting local congregations to provide temporary overnight shelter to those it serves. To date they have had no difficulty in identifying congregations to participate in their mission. However, should there be difficulty in locating congregations to participate in the future it would have a negative impact on the services provided by the Organization.

FAMILY PROMISE OF ORANGE COUNTY, INC.
Notes to Financial Statements
December 31, 2019

Note F - Net Assets with Donor Restrictions

The Organization had net assets with donor restrictions of \$208,969 for the year ended December 31, 2019. These net assets are purpose-based restrictions for the following program expenses:

Facilities expansion	\$ 203,862
Homelessness prevention	4,816
Pet care	<u>291</u>
	<u>\$ 208,969</u>

Note G- Related Party Transactions

During the year ended December 31, 2019 the Organization received \$11,550 in direct contributions from its Board of Directors.

Note H – Liquidity and Availability

The Organization receives some restricted contributions. Because a donor’s restriction requires resources to be used in a particular manner or in a future period the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. The Board has not adopted a liquidity management policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization incurs approximately \$27,350 in monthly expenditures based on average expenses for the year ended December 31, 2019 .

Financial Assets at year-end	\$ 296,024
Less those unavailable for general expenditures within one year due to:	
Donor imposed restrictions	(208,969)
Board designated funds	<u>-</u>
Financial assets available to meet cash needs for general expenditures	<u>\$ 87,055</u>

FAMILY PROMISE OF ORANGE COUNTY, INC.
Notes to Financial Statements
December 31, 2019

Note I – Subsequent Events

Management has evaluated subsequent events through January 27, 2020 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.