



Family Promise[®] of Orange County

Building Community. Strengthening Lives

Report of Independent Accountants

For the Year Ended

December 31, 2016

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Independent Accountants' Review Report

Board of Directors
Family Promise of Orange County, Inc.
PO Box 6225
Orange, CA 92863

We have reviewed the accompanying financial statements of Family Promise of Orange County, Inc. (the Organization) which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization 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 the 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 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 conformity with accounting principles generally accepted in the United States of America.

Gray, Salt & Associates, LLP

Claremont, California
August 9, 2017

Family Promise of Orange County, Inc.
Statement of Financial Position
December 31, 2016

Assets:	
Cash and cash equivalents	\$ 188,972
Prepaid expenses	6,872
Equipment and Improvements (Note 3)	68,469
Other assets	300
	<hr/>
Total assets	\$ 264,613
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Liabilities:	
Accounts payable and accrued expenses	\$ 7,027
	<hr/>
Total liabilities	7,027
	<hr/>
Net assets:	
Unrestricted	157,586
Permanently Restricted	100,000
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Total net assets	257,586
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Total liabilities and net assets	\$ 264,613
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Family Promise of Orange County, Inc.
Statement of Activities
For the Year Ended December 31, 2016

Revenue, gains & other support

Public support:

Contributions	\$ 145,815
Grants	157,041
Program service fees	28,748
Gifts in-kind	292,455

<i>Total Public support</i>	<u>624,059</u>
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Revenues:

Fundraising events	61,316
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<i>Total revenues</i>	<u>61,316</u>
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Total revenues, gains and other support	<u>685,375</u>
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Expenses

Program services:

Program expenses	504,137
Depreciation expense	7,085

<i>Total Program services</i>	<u>511,222</u>
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Support services:

Management and general	28,234
Fundraising expense	49,999

<i>Total Support services</i>	<u>78,233</u>
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Total expenses	<u>589,455</u>
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Change in net assets	95,920
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Net assets, beginning of year	161,666
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Net assets, end of year	<u>\$ 257,586</u>
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Family Promise of Orange County, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2016

Cash Flow from Operating Activities

Change in net assets \$ 95,920

Adjustments to reconcile net change in assets to
net cash provided by operating activities:

Depreciation 7,085

(Increase)/Decrease in:

Prepaid expenses 403

Increase/(Decrease) in:

Accounts payable and accrued expenses 6,352

Net cash provided by operating activities \$ 109,760

Cash Flows from Investing Activities

Purchase of fixed assets (5,608)

Disposal of fixed assets -

Net cash used by investing activities (5,608)

Net increase in cash and cash equivalents 104,152

Cash and cash equivalents, beginning of year 84,820

Cash and cash equivalents, end of year \$ 188,972

Family Promise of Orange County, Inc.
Notes to Financial Statements
December 31, 2016

1. Organization and Operations:

Organization Activities

Family Promise of Orange County (the "Organization") was formed in 2009. It is an affiliate of the national organization called 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.

2. Significant Accounting Policies:

This summary of significant accounting policies of Family Promise of Orange County is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management which is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

The records of the Organization are maintained on the accrual basis of accounting.

Fund Accounting

The accounts of the Organization are maintained in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and reporting into funds established according to their nature and purpose.

The Organization has adopted "Accounting for Contributions Received and Made," and "Financial Statements of Not-for-Profit Organizations." Generally accepted accounting principles require that unconditional promises to give be recorded as receivables and revenues and requires the organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. The assets, liabilities and net assets of the Organization are reported within categories as follows:

Family Promise of Orange County, Inc.
Notes to Financial Statements
December 31, 2016

2. Significant Accounting Policies, continued

Net Assets

"Unrestricted Net Assets" - the part of the net assets of the Organization that is not temporarily restricted by donor-imposed stipulations - that is, the part of net assets resulting from (1) all revenues, expenses, gains, and losses that are not changes in temporarily restricted net assets and (b) reclassifications from (to) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or fulfillment and removal by actions of the Organization pursuant to those stipulations. The only limits on unrestricted net assets are broad limits resulting from the nature of the Organization and the purposes specified in its articles of incorporation or bylaws and, perhaps, limits resulting from contractual agreements.

"Temporarily Restricted Net Assets" - the part of the net assets of the Organization resulting from (a) contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, (b) other assets enhancements and diminishments subject to the same kinds of stipulations, and (c) reclassifications to (from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Organization pursuant to those stipulations.

The organization received a special grant of \$100,000 to purchase a facility for its transitional housing program. This is reflected in Permanently Restricted Net Assets on the Statement of Financial Position.

Income Taxes

The Organization is exempt from Federal income and California franchise taxes under the provisions of the Internal Revenue Code Section 501(c)(3) and corresponding California provisions. Accordingly, no provision has been made for such taxes in the accompanying financial statements. Should the Organization engage in activities which are unrelated to its exempt purpose, payment of tax on unrelated business income could be required. Due to the tax exempt nature of the Organization, and the lack of any unrelated business income, there are no uncertain tax positions required for disclosure.

Cash and Cash Equivalents

Cash includes highly liquid investments with original maturities of six months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturity of those financial statements.

Family Promise of Orange County, Inc.
Notes to Financial Statements
December 31, 2016

2. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Areas where estimates have a material impact on the financial statements consist of the estimated values of volunteer hours and meals provided to participants of the program. These amounts are reflected as both income and expenses in the financial statements.

Fixed Assets

Fixed assets are stated at cost. For financial reporting purposes, the Organization follows the policy of providing depreciation on the straight-line method over the estimated useful lives of the assets which are as follows:

	<u>Years</u>
Furniture and equipment	5 - 7
Improvements	39
Computer software	5

3. Equipment and Improvements

Equipment and improvements are comprised of the following as of December 31, 2016:

Furniture and equipment	\$ 13,717
Improvements	66,674
Vehicles	9,000
Computer software	7,410
	96,801
Less: Accumulated depreciation	(28,332)
	\$ 68,469

4. Commitments and Contingencies

The Organization leases its principal office under an operating lease. The terms of the lease provide for monthly payments of \$500 per month on a month-to-month basis commencing January 1, 2017. The Organization is responsible for a portion of utilities as part of the lease agreement.

Family Promise of Orange County, Inc.
Notes to Financial Statements
December 31, 2016

4. Commitments and Contingencies, continued

The Organization rents a house at reduced rent from the First Presbyterian Church of Fullerton. The lease commenced in January, 2016 for a term of one year. Total rent for the year was \$31,200. The \$18,000 value of the reduced rent is included as in-kind income in the financial statements. In January of 2017, a new one year lease was signed at \$1,100 per month.

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.

The Organization is also provided significantly reduced rent by First United Methodist Church of Orange. The value of the rent has been estimated at \$3,300 per month and included as in-kind income and expense in the financial statements.

The Organization entered into a lease agreement for an additional transitional housing site in Fullerton, also at a reduced rental rate. The lease was for a term of one year commencing November 15, 2014 at a monthly rent of \$1,600. Rent is now paid on a month-to-month basis.

5. Related Party Transactions

Many of the Organization's board members contribute to the Organization and provide a significant portion of it's public support. Beyond this support, there are no agreements or transactions between members of the Board and the Organization or any other related parties.

6. Subsequent Events

Events subsequent to December 31, 2016 have been evaluated through August 9, 2017, the date these statements were available to be issued, to determine whether they should be disclosed to keep the financial statements from being misleading. The following items were noted which would warrant disclosure:

As noted in Note 4 above, the organization has entered into a month-to-month lease with First United Methodist Church of Orange. The Church has notified the Organization that they need to find an alternative location for their offices and Day Center within eighteen months.

Family Promise of Orange County, Inc.
Notes to Financial Statements
December 31, 2016

6. Subsequent Events (continued)

The Executive Director of the Organization has resigned effective July 12, 2017. A new Executive Director was hired on July 31, 2017.