



Financial Statements
With Independent Auditors' Report

September 30, 2017 and 2016

LAUREL HOUSE

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Laurel House
Tustin, California

We have audited the accompanying financial statements of Laurel House (the Organization), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities, functional expenses, and 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.

Auditors' 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 from 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 risks 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 Organization'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 Organization'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.

Board of Directors
Laurel House
Tustin, California

Related Party Relationship

The accompanying financial statements are those of Laurel House, which is under common control with Orange County Rescue Mission, and are not those of the primary reporting entity.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the statements of financial position of Laurel House as of September 30, 2017 and 2016, and the changes in activities, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 5 to the financial statements, the 2016 financial statements have been restated to correct an error. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Brea, California
February 15, 2018

LAUREL HOUSE

Statements of Financial Position

	September 30,	
	2017	2016
		Restated
ASSETS:		
Cash and cash equivalents	\$ 419,949	\$ 242,802
Grants and accounts receivable	-	50
Property and equipment, net	358,077	391,992
Total Assets	\$ 778,026	\$ 634,844
LIABILITIES AND NET ASSETS:		
Accounts payable	\$ 3,072	\$ 50,260
Total liabilities	3,072	50,260
Net assets:		
Unrestricted undesignated	416,877	192,592
Net investment in property and equipment	358,077	391,992
Total net assets	774,954	584,584
Total Liabilities and Net Assets	\$ 778,026	\$ 634,844

See notes to financial statements

LAUREL HOUSE

Statements of Activities

	Year Ended September 30, 2017			Year Ended September 30, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted Restated	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Grants and contributions	\$ 327,147	\$ -	\$ 327,147	\$ 274,794	\$ -	\$ 274,794
Gifts-in-kind	38,883	-	38,883	23,527	-	23,527
Other income	20,139	-	20,139	17,180	-	17,180
	<u>386,169</u>	<u>-</u>	<u>386,169</u>	<u>315,501</u>	<u>-</u>	<u>315,501</u>
EXPENSES:						
Program services	168,972	-	168,972	190,538	-	190,538
Supporting activities:						
General and administrative	23,400	-	23,400	29,425	-	29,425
Fundraising	3,427	-	3,427	4,374	-	4,374
	<u>26,827</u>	<u>-</u>	<u>26,827</u>	<u>33,799</u>	<u>-</u>	<u>33,799</u>
Total Expenses	<u>195,799</u>	<u>-</u>	<u>195,799</u>	<u>224,337</u>	<u>-</u>	<u>224,337</u>
Change in Net Assets	190,370	-	190,370	91,164	-	91,164
Net Assets, Beginning of Year	584,584	-	584,584	493,420	-	493,420
Net Assets, End of Year	<u>\$ 774,954</u>	<u>\$ -</u>	<u>\$ 774,954</u>	<u>\$ 584,584</u>	<u>\$ -</u>	<u>\$ 584,584</u>

See notes to financial statements

LAUREL HOUSE

Statements of Functional Expenses

	Year Ended September 30							
	2017				2016			
	Supporting Activities				Supporting Activities			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
						Restated		
Direct Assistance -								
Food, clothing, health care education, recreation, childcare	\$ 58,863	\$ -	\$ -	\$ 58,863	\$ 37,341	\$ -	\$ -	\$ 37,341
Direct marketing	378	77	56	511	-	731	-	731
Compensation and related expenses	55,004	6,471	3,236	64,711	76,010	8,748	4,374	89,132
Professional fees	-	16,667	-	16,667	-	19,946	-	19,946
Occupancy, utilities, and maintenance	10,233	185	135	10,553	13,451	-	-	13,451
Depreciation	35,954	-	-	35,954	47,340	-	-	47,340
Vehicles	4,756	-	-	4,756	7,572	-	-	7,572
Supplies	3,784	-	-	3,784	8,824	-	-	8,824
Total	\$ 168,972	\$ 23,400	\$ 3,427	\$ 195,799	\$ 190,538	\$ 29,425	\$ 4,374	\$ 224,337

See notes to financial statements

LAUREL HOUSE

Statements of Cash Flows

	Year Ended September 30,	
	2017	2016
		Restated
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 190,370	\$ 91,164
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated gifts-in-kind	(9,354)	(7,398)
Distributed gifts-in-kind	9,354	7,398
Depreciation	35,954	47,340
Changes in assets and liabilities:		
Grants and contributions receivable	50	2,169
Accounts payable	(47,188)	46,741
Accrued expenses	-	(2,000)
Net Cash Provided by Operating Activities	<u>179,186</u>	<u>185,414</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	(2,039)	(4,191)
Net Cash Used in Investing Activities	<u>(2,039)</u>	<u>(4,191)</u>
Change in Cash and Cash Equivalents	177,147	181,223
Cash and Cash Equivalents, Beginning of Year	<u>242,802</u>	<u>61,579</u>
Cash and Cash Equivalents, End of Year	<u>\$ 419,949</u>	<u>\$ 242,802</u>

See notes to financial statements

LAUREL HOUSE

Notes to Financial Statements

September 30, 2017 and 2016

1. NATURE OF ORGANIZATION:

Laurel House, Inc. (the Organization) is a charitable nonprofit organization incorporated on January 23, 1985, in the state of California. The specific objective and purpose of this corporation is to prevent homelessness among teenage girls in Orange County, California by providing temporary shelter and care, ongoing counseling, increased access to mental health resources, and enhanced academic support to teen girls between the ages of 12 and 17 at risk of homelessness or who are runaways. It is the goal of the Organization to reunify these teen girls with their families or move them into positive living situations when reunification is not possible.

In July 2014, the Organization's board of directors decided to cease operations, and the girls were sent home. In August 2014, The Orange County Rescue Mission (OCRM) began providing leadership of Laurel House, paying off the \$100,000 line of credit as well as other expenses. In September 2014, the members of the board resigned effective October 1, 2014 and new board members were appointed by OCRM. Repairs were made to the shelter, and reopened in February 2015.

The Organization is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, the Organization is subject to federal income tax on any unrelated business taxable income. In addition, the Organization is not classified as a private foundation within the meaning of Section 509(a) of the IRC. Contributions by the public are eligible to be deducted for income tax purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The Organization prepares its financial statements using the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

LAUREL HOUSE

Notes to Financial Statements

September 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. The Organization does not have any temporarily or permanently restricted net assets at September 30, 2017 or 2016.

Unrestricted Net Assets — Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets generally result from unrestricted contributions and interest and dividends, less expenses incurred in providing services and fundraising and other administrative expenses.

Cash and Cash Equivalents

For purposes of the statement of cash flows and financial position, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Deposits with various banks and broker dealers may, at times, exceed federally insured limits. The Organization has not experienced any losses on these accounts.

Property and Equipment

Assets are carried at cost, if purchased, or fair market value at date of contribution, if contributed. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Organization follows the practice of capitalizing all expenditures for equipment in excess of \$1,000. Depreciation is calculated using the straight-line method over the estimated useful lives of ten to forty years for the building and improvements, and five to seven years for furniture and equipment, computer equipment and automobiles.

Long-lived assets, such as property and equipment are reviewed on an ongoing basis for impairment based on comparison of carrying value against undiscounted future cash flows. If impairment is identified, the assets' carrying amounts are adjusted to fair value.

Grants and Contributions

Grants and contributions received are recorded when cash or unconditional promises-to-give have been received or ownership of donated assets is transferred to the Organization. Contributions are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

All donor-restricted contributions are reported as an increase in temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

LAUREL HOUSE

Notes to Financial Statements

September 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Gifts-in-kind

Donated materials and other non-cash contributions are reflected in the accompanying statements at their estimated fair market value at the date of receipt. Contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements.

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising costs for the year ended September 30, 2017 and 2016, were \$511 and \$731, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis on the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting activities based on knowledge and estimates made by management.

The Organization files information tax returns in the U.S. and various states. The Organization is subject to income tax examinations for the current year and certain prior years based on the applicable laws and regulations.

3. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	September 30,	
	2017	2016
		Restated
Land	\$ 150,700	\$ 150,700
Buildings	220,148	220,148
Building Improvements	226,240	226,240
Vehicles	24,078	24,078
Furniture and fixtures	43,888	41,849
	665,054	663,015
Less accumulated depreciation	(306,977)	(271,023)
	<u>\$ 358,077</u>	<u>\$ 391,992</u>

LAUREL HOUSE

Notes to Financial Statements

September 30, 2017 and 2016

4. AFFILIATED ENTITIES AND RELATED PARTY TRANSACTIONS:

Consolidation of entities is required when a reporting entity controls other organizations by having a majority voting interest and economic control. As discussed above, OCRM has a majority voting interest in the Organization. For the years ended September 30, 2017 and 2016, it has been determined that economic interest does exist for OCRM in the Organization. Consequently, the financial statements of the Organization are consolidated with the financial statements of OCRM.

The accompanying statements of activities of the Organization include related party grants of \$0 and \$35,183 for the years ended September 30, 2017 and 2016, respectively.

5. CORRECTION OF ERROR:

During the year ended September 30, 2017, the Organization identified an error in the financial statements for the year ended September 30, 2016. It was determined grants and accounts receivable was overstated by \$35,183, accounts payable was overstated by \$4,450, unrestricted, undesignated net assets were understated by \$30,733, and grants and contributions were understated by \$30,733. Following is a summary of corrections reflected in these financial statements.

The September 30, 2016, statement of financial position has been restated as follows:

	<u>reported</u>	<u>Correction</u>	<u>Restated</u>
Grants and accounts receivable	\$ 35,233	\$ (35,183)	\$ 50
Accounts payable	\$ 54,710	\$ (4,450)	\$ 50,260
Unrestricted undesignated net assets	\$ 223,325	\$ (30,733)	\$ 192,592
Total net assets	\$ 615,317	\$ (30,733)	\$ 584,584

The September 30, 2016, statement of activities has been restated as follows:

Grants and contributions	\$ 305,527	\$ (30,733)	\$ 274,794
Total support and revenue	\$ 346,234	\$ (30,733)	\$ 315,501
Change in net assets	\$ 121,897	\$ (30,733)	\$ 91,164

The September 30, 2016, statement of cash flows has been restated as follows:

Change in net assets	\$ 121,897	\$ (30,733)	\$ 91,164
Grants and contributions receivable	\$ (33,014)	\$ 35,183	\$ 2,169
Accounts payable	\$ 51,191	\$ (4,450)	\$ 46,741

6. SUBSEQUENT EVENT:

Subsequent events were evaluated through February 15, 2018, which is the date the financial statements were available to be issued.