

OC UNITED TOGETHER
(A California Nonprofit Corporation)
FINANCIAL STATEMENTS

JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
OC United Together

Report on the Financial Statements

We have audited the accompanying financial statements of OC United Together (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year 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 audit. We conducted our audit 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 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.

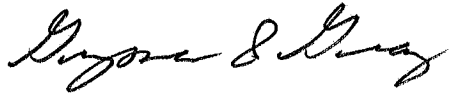
INDEPENDENT AUDITORS' REPORT

Auditors' Responsibility

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 OC United Together as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Guzman & Gray, CPAs
Long Beach, CA
November 2, 2018

OC UNITED TOGETHER
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

ASSETS

	Unrestricted	Temporarily Restricted	Total
CURRENT ASSETS			
Cash	\$ 208,471	\$ 149,354	\$ 357,825
Grants receivable	16,004		16,004
Deposits	2,845		2,845
Prepays	13,351		13,351
	240,671	149,354	390,025
 FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS, net	 28,091		 28,091
 TOTAL ASSETS	 \$ 268,762	\$ 149,354	\$ 418,116

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Accounts payable	\$ 14,002		\$ 14,002
Accrued payroll	19,397		19,397
Accrued vacation	27,205		27,205
Employer taxes payable	5,557		5,557
	66,161		66,161
 NET ASSETS			
Unrestricted	202,601		202,601
Temporarily restricted		\$ 149,354	149,354
	202,601	149,354	351,955
 TOTAL LIABILITIES AND NET ASSETS	 \$ 268,762	\$ 149,354	\$ 418,116

See accompanying notes to the financial statements and auditors' report

OC UNITED TOGETHER
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Grants	\$ 42,045		\$ 42,045
Contributions	587,559	\$ 173,695	761,254
Program revenue	10,006		10,006
Inkind rent	65,458		65,458
Special event, net of direct donor benefit of \$30,577	20,217		20,217
Interest	25		25
NET ASSETS RELEASED FROM RESTRICTION	<u>46,573</u>	<u>(46,573)</u>	
TOTAL REVENUE AND SUPPORT	<u>771,883</u>	<u>127,122</u>	<u>899,005</u>
EXPENSES			
Program services	759,511		759,511
Management	106,245		106,245
Fundraising	18,526		18,526
TOTAL EXPENSES	<u>884,282</u>		<u>884,282</u>
CHANGE IN NET ASSETS	(112,399)	127,122	14,723
NET ASSETS, BEGINNING OF YEAR	<u>315,000</u>	<u>22,232</u>	<u>337,232</u>
NET ASSETS, END OF THE YEAR	<u>\$ 202,601</u>	<u>\$ 149,354</u>	<u>\$ 351,955</u>

See accompanying notes to the financial statements and auditors' report

OC UNITED TOGETHER
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED

JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 14,723
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	10,296
(Increase) decrease in assets	
Grants receivable	(16,004)
Prepays	(11,590)
Increase (decrease) in liabilities	
Accounts payable	12,077
Accrued payroll	3,322
Accrued vacation	8,979
Employer taxes payable	1,631
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>23,434</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	<u>(19,263)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(19,263)</u>
NET CHANGE IN CASH	4,171
CASH, BEGINNING OF YEAR	<u>353,654</u>
CASH, ENDING OF YEAR	<u><u>\$ 357,825</u></u>
SUPPLEMENTAL DISCLOSURE	
INTEREST PAID	<u>NONE</u>
TAXES PAID	<u><u>NONE</u></u>

See accompanying notes to the financial statements and auditors' report

OC UNITED TOGETHER
STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Management	Fundraising	Total
EXPENSES				
Salaries and wages	\$ 354,286	\$ 50,017	\$ 12,504	\$ 416,807
Benefits	44,503	6,283	1,571	52,357
Payroll taxes	17,129	2,418	605	20,152
Program	166,942			166,942
Advertising	2,604	368	92	3,064
Bank fees	5,608	792	198	6,598
Insurance	19,752	2,788	697	23,237
Dues and subscriptions	808	114	29	951
Information technology	12,024	1,698	424	14,146
Supplies	9,134	1,289	322	10,745
Conference	5,348	755	189	6,292
Postage	308	43	11	362
Property taxes	286	40	10	336
Rent	31,181	4,402	1,101	36,684
Telephone	2,026	286	72	2,384
Travel	1,114	157	39	1,310
Professional fees	2,250	32,147		34,397
Repairs and maintenance	504	71	18	593
Printing	41	6	1	48
Utilities	9,453	1,335	334	11,122
Depreciation	8,752	1,236	309	10,297
Inkind rent	65,458			65,458
TOTAL EXPENSES	\$ 759,511	\$ 106,245	\$ 18,526	\$ 884,282

See accompanying notes to the financial statements and auditors' report

OC UNITED TOGETHER
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 – ORGANIZATION

OC United Together (the “Organization”), formerly OC United Together Ministries, is a nonprofit organization founded in 2015 as the missional arm of the First Evangelical Free Church of Fullerton, established to serve the vulnerable within the community by way of emphasizing its three primary initiatives. The first of these initiatives is the Homelessness Initiative, which has grown by developing relationships with neighboring nonprofits in an effort to help fight homelessness. Second is the Neighborhood Development Initiative, whose main goal is to empower community involvement by supporting local school principals, administrators, and other community stakeholders. And finally, the Foster Care Initiative was created with the intention of creating solutions to help meet the needs of families in the foster care system.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization uses the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

The net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time. Temporarily restricted resources whose restrictions are met in the same reporting period are recorded as unrestricted.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets. The Organization had no permanently restricted net assets at June 30, 2018.

Use of Estimates and Assumptions

The preparing financial statements in conformity with generally accepted accounting principles generally accepted (GAAP) in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

OC UNITED TOGETHER
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers cash on hand and cash in other depository institutions with an original maturity of three months or less to be cash equivalents.

Furniture, Equipment, and Leasehold Improvements

Furniture and equipment that is purchased is recorded at cost. The cost of normal maintenance and repairs is expensed as incurred. Additions and betterments of a major nature are capitalized. Leasehold improvements are capitalized at cost. At the time of retirement or other disposition of property, equipment and leasehold improvements, the cost and accumulated depreciation are removed from the accounts and any gains or losses are reflected in the statement of activities.

Depreciation of capital assets is provided on the straight-line method over the estimated useful lives of the various classes of assets, which range from two to seven years.

Contributions and Grants

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. All contributions and grants are considered to be unrestricted unless specifically restricted by the donor. Any such contributions are recognized as an increase to the restricted fund. Contributions and grants that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Allocation of Functional Expenses

Operating expenses directly identified with a functional area are charged to that area. Expenses affecting more than one functional area are allocated to the respective areas on the basis of ratios estimated by management.

Exempt Organization Status

The Organization is a public charity exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Tax Code. Contributions to the Organization are deductible for tax purposes under Section 170(c)(2) of the Internal Revenue Code.

OC UNITED TOGETHER
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Uncertain Tax Positions

The Organization recognizes the financial statement benefit of tax positions, such as filing status of tax exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Organization is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 2, 2018, which is the date the financial statements are available to be issued.

NOTE 3 – FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

Fixed assets have been summarized as follows:

	<u>Total</u>
Furniture and equipment	\$ 19,788
Leasehold improvements	43,270
	<u>63,058</u>
Less: accumulated depreciation	<u>(34,967)</u>
Furniture, Equipment, and Leasehold Improvements, Net	<u>\$ 28,091</u>

Depreciation expense for the year ended June 30, 2018, was \$10,296.

NOTE 4- RETIREMENT BENEFITS

OC United participates in the Guidestone Financial Resources of the Southern Baptist Convention Retirement Fund Retirement Plan (the "Fund") which is a defined contribution, money purchase, church plan that is intended to satisfy the qualification requirements of Section 403(b) of the Internal Revenue Service Code. In accordance with the agreement, contributions to the Fund are 10% of the participating employees' salary and are shared between the employee and the employer (5% each). Employee contributions are mandatory and withheld from payroll after tax. The total contributions charged to retirement cost in the fiscal year were \$10,302.

OC UNITED TOGETHER
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 5 – LEASES

The Organization entered into a combined lease agreement for its office locations in Fullerton, California. The lease term began June 2017 and ends May 2021.

Minimum lease payments on this lease agreement are as follows:

Years Ending June 30,		
2019	\$	49,056
2020		50,013
2021		<u>22,299</u>
Total	\$	<u>121,368</u>

For the year ended June 30, 2018, building rent expense was \$36,684.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for its three primary initiatives mentioned in Note 1 for the fiscal year ended June 30, 2018. The Organization has a balance in its temporarily restricted net assets in the amount of \$149,354, for fiscal year ended June 30, 2018.

Net assets were released from donor restrictions either by incurring expenses, which satisfied the restricted purposes or by the occurrences of other events specified by donors. Releases amounted to \$46,573 for fiscal year ended June 30, 2018.

NOTE 7 – CONCENTRATIONS AND CREDIT RISK

The Organization operates in Fullerton, California, and is dependent upon the local economy.

The Organization maintained interest bearing and noninterest bearing cash equivalent accounts at financial institutions located in Southern California. Insurance limit by the Federal Deposit Insurance Corporation (FDIC) for interest bearing accounts is \$250,000 per depositor per institution. Deposits in excess of federally insured amounts totaled \$124,672 as of June 30, 2018. At June 30, 2018, the Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk in these accounts.

The temporarily restricted contributions have various compliance requirements which management believes have been complied with in accordance with the restrictions.