

**Ocean Park Community Center
Audited Financial Statements
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June 30, 2013**

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Suite 1660
3550 Wilshire Boulevard
Los Angeles, California 90010

Telephone: (213) 639-3550
Facsimile: (213) 639-3555

Suite 317
528 Arizona Avenue
Santa Monica, California 90401

Telephone: (310) 394-6687
Facsimile: (310) 394-6027

Independent Auditor's Report

Board of Directors
Ocean Park Community Center
Santa Monica, California

We have audited the accompanying financial statements of Ocean Park Community Center (OPCC), a nonprofit organization, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows 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, including 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

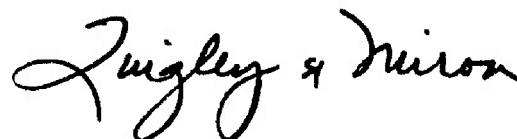
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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.

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 OPCC as of June 30, 2013, 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.



**Ocean Park Community Center
Statement of Financial Position
June 30, 2013**

Assets

Cash and cash equivalents	\$ 1,250,854
Investments—Note 3	2,380,894
Receivables from private and government agencies—Note 4	945,069
Pledges receivable—Note 4	1,215,772
Prepaid expenses and other assets	223,597
Deposits held in trust—Note 5	72,727
Deferred rent—Note 6	4,113,636
Beneficial interest in charitable remainder trust—Note 7	10,981
Property and equipment, net—Note 8	<u>9,963,271</u>

Total Assets \$ 20,176,801

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 762,053
Accrued interest, forgivable	914,791
Deposits held in trust—Note 5	72,727
Notes payable—Note 10	1,838,888
Notes payable, forgivable—Note 10	<u>2,506,481</u>

Total Liabilities **6,094,940**

Net Assets

Unrestricted	5,071,566
Temporarily restricted—Note 13	<u>9,010,295</u>

Total Net Assets 14,081,861

Total Liabilities and Net Assets \$ 20,176,801

See notes to financial statements.

**Ocean Park Community Center
Statement of Activities
Year Ended June 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
Revenue			
Government agencies	\$ 5,375,833	\$	\$ 5,375,833
Investment income, net	27,627	173,702	201,329
Other income	16,827		16,827
Support			
Contributions	1,554,129	1,779,950	3,334,079
Contributed goods	53,699	22,080	75,779
Contributed services	49,956		49,956
Contributed rent		415,564	415,564
Special events and mailings	716,874	375,464	1,092,338
Net assets released from restrictions			
Satisfaction of program restrictions	2,021,120	(2,021,120)	
Total Revenue and Support	9,816,065	745,640	10,561,705
Expenses			
Program services			
Access Center / SHWASHLOCK	2,099,259		2,099,259
Campion	185,975		185,975
Sojourn	1,025,071		1,025,071
Night Light	97,736		97,736
Turning Point	893,371		893,371
Daybreak	1,203,993		1,203,993
Safe Haven	1,054,835		1,054,835
Maryland Apartments	50,022		50,022
k9 Connection	152,602		152,602
SAMOSHEL	1,201,145		1,201,145
Integrated Mobile Health Team	528,237		528,237
Total Program Services	8,492,246		8,492,246
Supporting services			
Management and general	1,457,573		1,457,573
Fundraising	528,849		528,849
Total Supporting Services	1,986,422		1,986,422
Total Expenses	10,478,668		10,478,668
Change in Net Assets	(662,603)	745,640	83,037
Net Assets at Beginning of Year	5,734,169	8,264,655	13,998,824
Net Assets at End of Year	\$ 5,071,566	\$ 9,010,295	\$ 14,081,861

See notes to financial statements.

Ocean Park Community Center
Statement of Functional Expenses
Year Ended June 30, 2013

	Program Services											Supportive Services			Total	
	Access Center SHWASHLOCK	Campion	Sojourn	Night Light	Turning Point	Daybreak	Safe Haven	Maryland Apartments	k9 Connection	SAMOSHEL	IMHT	Total Program Expenses	Management and General	Fundraising		Total Supportive Services
Expenses																
Salaries	\$ 1,018,182	\$ 126,962	\$ 612,603	\$ 61,737	\$ 483,448	\$ 595,869	\$ 553,393	\$ 34,866	\$ 70,046	\$ 580,633	\$ 258,070	\$ 4,395,809	\$ 876,916	\$ 279,529	\$ 1,156,445	\$ 5,552,254
Fringe benefits	317,281	33,510	174,479	21,084	134,972	170,296	153,636	11,128	17,542	187,623	55,676	1,277,227	176,941	46,138	223,079	1,500,306
Total Personnel Expenses	1,335,463	160,472	787,082	82,821	618,420	766,165	707,029	45,994	87,588	768,256	313,746	5,673,036	1,053,857	325,667	1,379,524	7,052,560
Space	316,767	6,778	94,060	1,254	79,437	188,482	134,684	2,224	4,677	337,350	61,631	1,227,344	103,724	618	104,342	1,331,686
andmi	110,291	1,155	41,291	4,476	68,992	42,903	33,661	456	7,870	56,207	2,300	369,602	12,277	7,597	19,874	389,476
Consultants	20,147	23,970	25,856	264	3,460	21,771	14,575	527	5,463	6,250	77,136	199,419	28,373	82,740	111,113	310,532
Client expenses	167,826	(14,355)	6,209	3,287	12,054	19,745	17,170	9	27,558	7,471	56,460	303,434	50	50	303,484	
Services	81,497		17,934		4,189	1,895	4,555		3,596	331	1,108	115,105	149,306	6,233	155,539	270,644
Equipment	46,060	3,297	15,086	5,421	25,037	15,240	8,693	17	6,082	18,883	4,360	148,176	21,958	1,917	23,875	172,051
Special events and mailers						140			83			223		94,290	94,290	94,513
Deferred rent						45,455	45,455					90,910				90,910
Staff and volunteer support	3,022		823		78	52	716		2,133	527	170	7,521	26,318	623	26,941	34,462
Travel and training	7,573	199	4,127	111	2,956	2,066	4,696	660	16	2,482	996	25,882	7,085	815	7,900	33,782
Public relations			3,965						2,005			5,970	6,188	1,467	7,655	13,625
Rent - allocated		3,967	3,816		22,668							30,451	(30,451)		(30,451)	
Other	4,224	222	3,719	102	2,052	10,306	1,862		611	2,097	4,146	29,341	52,688	6,882	59,570	88,911
Total Expenses Before Depreciation and Amortization	2,092,870	185,705	1,003,968	97,736	839,343	1,114,220	973,096	49,887	147,682	1,199,854	522,053	8,226,414	1,431,373	528,849	1,960,222	10,186,636
Depreciation and amortization	6,389	270	21,103		54,028	89,773	81,739	135	4,920	1,291	6,184	265,832	26,200		26,200	292,032
Total Expenses Before Allocation of Overhead	2,099,259	185,975	1,025,071	97,736	893,371	1,203,993	1,054,835	50,022	152,602	1,201,145	528,237	8,492,246	1,457,573	528,849	1,986,422	10,478,668
Allocation of Administrative Overhead	282,811	34,449	174,914	20,342	148,788	175,596	163,005	9,611	19,226	169,081	62,027	1,259,849	(1,310,985)	51,136	(1,259,849)	
Total Expenses After Allocation of Overhead	\$ 2,382,070	\$ 220,424	\$ 1,199,985	\$ 118,078	\$ 1,042,159	\$ 1,379,589	\$ 1,217,840	\$ 59,633	\$ 171,828	\$ 1,370,226	\$ 590,264	\$ 9,752,095	\$ 146,588	\$ 579,985	\$ 726,573	\$ 10,478,668

See notes to financial statements.

**Ocean Park Community Center
Statement of Cash Flows
Year Ended June 30, 2013**

Cash Flows from Operating Activities

Change in net assets	\$ 83,037
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	292,032
Loss on disposal of equipment	1,557
Amortization of deferred rent	90,909
Debt forgiveness	(53,897)
Investment gain	(133,283)
Changes in operating assets and liabilities:	
Receivables from private and government agencies	(26,571)
Pledges receivable	(427,272)
Prepaid expenses and other assets	(25,510)
Accounts payable and accrued expenses	132,591
Accrued interest, forgivable	119,329
Net Cash Provided by Operating Activities	52,922

Cash Flows from Investing Activities

Purchases of property and equipment	(38,479)
Proceeds on sales of investments	2,872,948
Purchases of investments	(2,843,984)
Net Cash Used in Investing Activities	(9,515)

Cash Flows from Financing Activities

Payments on line of credit	(400,000)
Proceeds from notes payable	1,500,000
Repayments on notes payable	(415,045)
Net Cash Provided by Financing Activities	684,955

Increase in Cash and Cash Equivalents 728,362

Cash and Cash Equivalents at Beginning of Year 522,492

Cash and Cash Equivalents at End of Year \$ 1,250,854

Supplementary Disclosures

Cash paid for interest	<u>\$ 72,046</u>
Cash paid for taxes	<u>\$</u>

See notes to financial statements.

Ocean Park Community Center
Notes to Financial Statements
June 30, 2013

Note 1—Organization

Organization—Ocean Park Community Center (OPCC) is the largest provider of housing and social services on the Westside of Los Angeles County. The agency provides six core services --- housing, mental health care, medical care, substance abuse services, income assistance and domestic violence services --- to those most in need of help, including low-income and homeless youth, adults and families; battered women and their children; at-risk youth; and people living with mental illness and physical disabilities.

Founded in 1963, OPCC's success stems from the full range of services provided by its programs, which include the Access Center, Night Light, SHWASHLOCK, Champion Mental Health Services, the Integrated Mobile Health Team, Daybreak, Safe Haven, SAMOSHEL, Turning Point, Sojourn Services for Battered Women and Their Children, and k9 connection.

During OPCC's fifty year history of continuous service to the economically and socially disenfranchised, OPCC has built a reputation for innovation, integrity and reliability. A cornerstone to its success is its comprehensive array of housing and services that are strategically integrated to serve a diverse population with special needs. OPCC is dedicated to helping people in the worst of circumstances and who are the hardest to serve, including those who have been homeless for many years and those suffering from severe untreated mental illness, addiction and other disabilities. OPCC programs include:

The Access Center is the first point of entry for the areas' low-income and homeless individuals seeking assistance. It provides services ranging from meeting people's immediate needs for food, clothing and personal hygiene to ongoing case management, mental health care, medical care, substance abuse treatment, housing and income assistance. The Access Center has its own onsite medical suite, consisting of two exam rooms where OPCC partners with Venice Family Clinic to provide medical care to the area's homeless population. The Access Center is also the home base of OPCC's street outreach teams that bring vital services to individuals on the streets and begin the process of assisting them in obtaining housing.

Night Light youth outreach services, based at the Access Center, serves the needs of runaway and homeless youth in the Santa Monica area. The program provides a range of services and resources to assist young people to move off the streets and into permanent housing and to establish self-sufficiency.

SHWASHLOCK, an acronym for SHowers, WASHers and LOCKers, located at the Access Center, provides homeless individuals with access to showers, laundry facilities, and a place to store personal belongings while they acquire housing. The goal of this program is to help individuals meet the very basic need of personal hygiene and overcome barriers that would prevent them from obtaining housing and employment.

Champion began as a mental health center in 1984, providing services to financially disadvantaged residents in the community. Today "Champion Mental Health Services" are integrated throughout all OPCC programs. Services include assessments; individual and group

Ocean Park Community Center
Notes to Financial Statements – *Continued*

Note 1—Organization – *Continued*

therapy; psychiatric assessment and medication management; and crisis intervention. OPCC's mental health staff also provides clinical consultation around client-related clinical issues and training to non-clinical staff. OPCC is now the site of an interdisciplinary mental health training program that trains interns from the fields of psychology, social work and marriage and family counseling. These trainees provide valuable clinical services to OPCC clients while they are receiving training.

OPCC's Integrated Mobile Health Team (IMHT), which is funded by the LA County Department of Mental Health and began in the spring of 2012, operates in collaboration with St. Joseph's Center and Venice Family Clinic. This new integrated team provides added mental health care, medical care, psychiatry services, medication management, income assistance, case management and substance abuse intervention to chronically homeless clients with mental illness, physical disabilities and substance addiction.

Daybreak, established in 1987, is the only program on the Westside of Los Angeles designed exclusively for homeless women suffering from severe and chronic mental illness. Daybreak addresses the needs of these women by providing a safe and accepting environment where they can find dignity, support and access to resources needed to stabilize their lives and move into permanent housing. Like each of OPCC's residential programs, Daybreak offers each of OPCC's core services. Daybreak includes a day program, interim housing program, an alumni program known as Women In New Directions ("WIND") and a micro-enterprise, client-run business called Daybreak Designs.

Safe Haven, established in 2004, is intended for individuals who may be especially hard to engage. Using a gentle form of engagement, which does not require a commitment to treatment as a precondition for housing, (accepted as a best practice by the US Department of Housing and Urban Development ("HUD") and by homeless policy organizations throughout the nation), Safe Haven provides outreach, residential services, and all core services with much success in housing some of the area's most difficult to treat individuals.

SAMOSHEL provides emergency and interim housing along with core services to 70 residents. In addition, SAMOSHEL is home to OPCC's Wellness Beds Program (formerly Respite Program) which now provides onsite nursing care to clients with either acute (Respite) or chronic health conditions.

Turning Point is a 55-bed interim housing program that provides OPCC's core services to clients while they are in the process of obtaining permanent housing. Turning Point is also the site of OPCC's Wellness Program, which offers a comprehensive range of groups and workshops for clients with substance use problems. The Wellness Program also offers groups and workshops for individuals who do not have substance use issues.

Ocean Park Community Center
Notes to Financial Statements—*Continued*

Note 1—Organization—*Continued*

Sojourn Services for Battered Women and Their Children, established in 1977, provides women and children who are victims of domestic violence a safe place to regroup, rebuild and re-establish their lives and their self-esteem. Sojourn's diverse programs serve women and children of all classes, cultures and religions, regardless of economic circumstances, physical and mental disabilities or immigration status, including those who are traditionally underserved, such as lesbians, elderly women, prostitutes, women with HIV and those with substance dependence. Sojourn is a leader in educating the community and the broader society about domestic violence and is committed to effecting political and social change through a philosophy of empowerment.

k9 Connection, which became part of OPCC in 2005, brings together at-risk 12- to 18-year-old youth and homeless shelter dogs in three-week sessions where the youth train the dogs in basic obedience, assisting the dogs to develop the skills to become adoptable. The program empowers youth to apply the lessons they teach the dogs to their own lives, to develop an awareness of the risks of uncontrolled and impulsive behavior and to believe in the power of positive reinforcement as an alternative to force and violence. Finally, it aids teenagers in becoming responsible community members by focusing on goal setting, personal accountability and personal motivation.

OPCC formally established its permanent supportive housing program with an allocation of 70 Shelter Plus Care housing vouchers from the City of Santa Monica Housing Authority in 1994, which launched OPCC as one of the first supportive housing providers for homeless individuals with disabilities on the Westside of Los Angeles County. In 2002, OPCC partnered with A Community of Friends in a venture to provide permanent housing for this population by developing The Maryland Apartments, which houses 29 single adults in studio apartments. OPCC has housed thousands of individuals in permanent housing and today houses over 250 people every year in permanent supportive housing, mostly through scattered site rental units throughout Los Angeles County.

Funding—OPCC is funded by a combination of private donations and government grants. Government funding is provided by a broad range of ongoing Federal, State, County, and City of Santa Monica contracts, including the United States Department of Health and Human Services, the United States Department of Homeland Security, the United States Department of Justice, the United States Department of Housing and Urban Development, the State of California, the County of Los Angeles and the City of Santa Monica.

These contracts are administered by the City of Santa Monica, the Los Angeles County Department of Mental Health, the Los Angeles Community Development Division, the Los Angeles County Community Development Commission, the Los Angeles Homeless Services Authority, the State Department of Housing and Community Development, the State Office of Emergency Services, the Emergency Food and Shelter Program, the United States Department of Housing and Urban Development, and the Substance Abuse and Mental Health Services Administration.

OPCC receives approximately 51% of its operations funding from government agencies. This funding is recognized as support when grant-purpose services are being performed by OPCC. Three agencies each account for 10% or more of the government agency revenue for the year ended June 30, 2013.

Ocean Park Community Center
Notes to Financial Statements—*Continued*

Note 1—Organization—*Continued*

OPCC also receives private support in the form of restricted and unrestricted donations. OPCC receives approximately 47% of its funding for operations from contributions made from private organizations or individuals and investments. These contributions are recognized as support when received.

Organizational Accomplishments—OPCC has continued to move forward with the integration of all programs and services. The agency’s six core services (housing, mental health care, medical care, domestic violence services, substance abuse services, income/benefits assistance) are provided to all OPCC clients who are in need of each service with easy “hand off” and referral from one service to another.

The expansion of mental health services has continued. Through multiple grants and contracts, psychiatry care is available for clients in all programs. Mental health services include individual and group therapy, crisis intervention and therapeutic treatment plans for residential clients. Treatment is “mobile” and is provided on the street, in programs and shelters, and in clients’ homes. Mental health funding sources (including the Department of Mental Health, SAMHSA and private sources such as Cedars-Sinai) have increased and now make up over \$1.4 million of the agency’s budget. OPCC now has an interdisciplinary mental health training program, which is training a new generation of mental health professionals to work in this area and provides clinical training experience to 20 interns and post-doctoral fellows in the fields of psychology, social work, and marital and family therapy.

Through new and continuing funding, OPCC is expanding its “HOME Team”, which is composed of both clinical and non-clinical staff, and provides a range of supportive services (including clinical services, case management and linkage to community resources) to OPCC clients who have moved into permanent housing.

OPCC has been awarded expanded L.A. County Department of Mental Health (DMH) funding for both its Integrated Mobile Health Team and for Project 25. With OPCC’s new DMH MediCal certification received last year, these programs are providing ongoing, integrated services to some of the agency’s most disabled and hardest to treat individuals.

Through a combination of funding sources, and in collaboration with Venice Family Clinic, OPCC provides medical care on the streets, in our Access Center Primary Care suite, at OPCC residential programs, and to clients in their homes when needed. Mobile healthcare is provided through OPCC’s Integrated Mobile Health Team, funded by the Department of Mental Health.

OPCC’s former Respite Program has grown into its current “Wellness Beds Program”, providing onsite nursing care (as well as a full range of OPCC’s core services) to clients with both acute (respite) medical concerns and chronic medical conditions.

OPCC’s Frequent Utilizer’s Program, funded through a Social Innovations Fund (SIF) Collaborative, targets the most frequent and most costly users of hospitals, paramedics, and criminal justice services. This program received renewal funding this year.

Ocean Park Community Center
Notes to Financial Statements – *Continued*

Note 1—Organization – *Continued*

OPCC's Wellness Program, which provides a range of groups and workshops to clients with substance use problems during the day, continues to grow and has been connected with an increased number of clients wishing to become sober, decreased use of substances and improved psychosocial functioning among participants. The Wellness Program, which was started at Turning Point, has now grown to include groups and workshops at OPCC's SAMOSHEL and Cloverfield locations. Life Skills and Wellness groups that are geared toward clients who are not using substances are now also offered across the agency.

OPCC's Daybreak, which serves homeless women who are mentally ill, was restructured this past year. All outreach, residential, and alumni services (for housed clients) are offered together at the Cloverfield site. The program has significantly expanded its WIND (Women In New Directions) Program and is offering a broad array of groups, trainings, workshops and field trips for the participating women. These changes have made it possible for those women who are still on the streets to interact with valuable role models who have succeeded in maintaining housing.

OPCC's SAMOSHEL launched a Special Populations Room this year. The room, which is separate from the other SAMOSHEL sleeping areas, allows SAMOSHEL to provide intensive services to clients with very severe mental health and substance abuse problems that have made it hard for them to participate in a residential program.

Despite Sequestration and shortages of housing options and housing subsidies, OPCC successfully met permanent housing targets across multiple funding sources this year. The agency moved to a more centralized housing process that has resulted in faster permanent housing placements. In addition, OPCC has continued to expand its use of nontraditional (non-voucher) housing placements. The agency has begun the planning phase of its new "House Program", through which OPCC will master lease houses that will be shared by OPCC clients.

This past year, OPCC expanded its evaluation, compliance and data function. A Director of Compliance and Evaluation has been hired, and the agency is in the process of integrating multiple data bases.

OPCC's leadership is actively involved in strategic planning, collaborations and advocacy in the local community and in LA County. OPCC and St. Joseph's Center are co-leading the formation of the Westside's Coordinated Entry System. OPCC's Executive Director is past Chair of the Westside Shelter and Hunger Coalition (WSHC), and OPCC's Associate Director is currently on the Board of WSHC. OPCC's Executive Director is on the Executive Board of United Homeless Healthcare Partners (UHHP). OPCC's Executive Director and Associate Director attend LAHSA Continuum of Care meetings, and OPCC's Associate Director is currently on the Coordinating Council of LAHSA's Coordinating Council.

Ocean Park Community Center
Notes to Financial Statements—*Continued*

Note 2—Summary of Significant Accounting Policies

Financial Statement Presentation—The accompanying financial statements are presented utilizing the accrual basis of accounting. OPCC recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions and net assets are classified on the existence or absence of donor-imposed restrictions. The net assets of the OPCC and changes therein are classified and reported as follows:

Unrestricted net assets—Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of OPCC. Unrestricted net assets include amounts available to be used at the discretion of the Board of Directors in OPCC's programs and operations and those resources invested in equipment. All donations are considered available for unrestricted use unless specifically restricted by the donor.

Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that may or will be met either by actions of OPCC and/or passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions. Donor-restricted contributions received and expended in the same reporting period are recorded as unrestricted support. Temporarily restricted net assets at June 30, 2013 consisted of amounts restricted to funding specific expenses in future periods.

Permanently restricted net assets—Net assets that are restricted by the donors for investment in perpetuity. The investment income generated from these funds is available for general support of OPCC's programs and operations. At June 30, 2013, OPCC had no permanently restricted net assets.

Income Taxes—OPCC is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the financial statements. In addition, OPCC has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered '*more likely than not*' to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at June 30, 2013. Generally, OPCC's information returns remain open for examination three (federal) or four (state of California) years from the date of filing.

Cash and Cash Equivalents—OPCC considers highly liquid money market funds with original maturities of three months or less to be cash equivalents. Cash equivalents are stated at cost plus accrued interest, which approximates market value. OPCC maintains cash deposits at six financial institutions located in California. Deposits at each bank are insured by the Federal Deposit Insurance Corporation up to \$250,000. During the regular course of business, one or more cash balances may be in excess of the insured limit.

Ocean Park Community Center
Notes to Financial Statements—*Continued*

Note 2—Summary of Significant Accounting Policies—*Continued*

Investments—Investments in mutual funds and marketable securities are measured at fair value in the accompanying statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets after the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Beneficial Interest in Charitable Remainder Trust—OPCC retains an interest in a charitable remainder trust held by an outside trustee. The charitable remainder trust is stated at the net present value of estimated future benefits to be received.

Property and Equipment—Property and equipment are recorded at cost. Additions and improvements that materially extend the lives of assets are capitalized and recorded at cost. OPCC provides for depreciation and amortization using the straight-line method over the estimated useful lives of the depreciable assets, commencing when the asset is placed in service as follows:

Building and building improvements	40 years
Furniture and equipment	5 years
Leasehold improvements	Lesser of useful lives or lease term

When property and equipment are disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and the resulting gain or loss on disposition is reflected in operations. It is the policy of OPCC to expense items under \$500.

Concentration of Credit Risk—Financial instruments which potentially subject the OPCC to concentrations of credit risk consist of cash and cash equivalents, and contributions receivable. OPCC places its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At times, such cash and cash equivalent balances are in excess of the FDIC/SIPC insurance limits. Management regularly reviews the financial stability of its cash and money market fund depositories and deems the risk of loss due to these concentrations to be minimal.

Pledges receivable consist of balances from individuals, local foundations and corporations. OPCC has determined that no allowance for potential losses due to uncollectible receivables was necessary at June 30, 2013 and 2012.

Grants, Contributions and Pledges—Grants and contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Conditional contributions are recorded as support in the period the condition is met. Pledges for future contributions are recorded as receivables and reported at their estimated realizable values.

Ocean Park Community Center
Notes to Financial Statements—*Continued*

Note 2—Summary of Significant Accounting Policies—*Continued*

Government Grants—OPCC receives a portion of its total revenue and support under various governmental grants that pay OPCC based on reimbursable costs as defined by the grants, if any. Reimbursements recorded under these grants are subject to audit.

Contributed Goods—Contributed goods come from Shelter Partnership, who operates the S. Mark Taper Foundation Shelter Resource Bank by soliciting large-scale donations of merchandise and ensuring that these items are delivered to the people and agencies who need them most. These goods consist primarily of household items and cleaning supplies and are reported in the statement of functional expenses as supplies.

Contributed Services—Contributed services are recognized by OPCC 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. OPCC receives contributed services from volunteers who provide legal services. Management estimated that the fair market value of these services during the year ended June 30, 2013 was \$49,956.

OPCC also receives a significant amount of contributed time from volunteers that does not meet the recognition criteria described above. The total number of volunteer hours contributed during the year was approximately 17,676 hours. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements.

Contributed Rent—OPCC has programs running on sites that are leased at rates below fair market value. Management has estimated that, for the current year, the fair market value of this contributed rent is as follows:

SAMOSHEL	\$	201,759
Access Center		143,062
Daybreak Center		45,360
SHWASHLOCK		<u>25,383</u>
Total	\$	<u>415,564</u>

These amounts have been reflected in the financial statements as revenue and expenses.

Functional Allocation of Expenses—The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Expenses that can be identified with a specific project or supporting service are charged directly to the related program or supporting service. Certain expenses that are associated with more than one program or supporting service have been allocated among the programs and supporting services benefited based on management's estimates of time spent on various programs and services.

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

Ocean Park Community Center
Notes to Financial Statements – *Continued*

Note 3—Investments and Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy is categorized into three levels based on the inputs as follows:

Level 1—Quoted market prices in active markets for identical assets or liabilities. Level 1 assets include equity securities and mutual funds valued at the closing price reported on the active market on which the individual securities are traded.

Level 2—Observable market-based inputs, either directly or indirectly, but are other than quoted prices in actively traded markets. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other observable inputs that can be corroborated by observable market data.

Level 3—Unobservable inputs that are supported by little or no market activity which are significant to the fair value of the asset or liability. Unobservable inputs reflect the best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination for which category within the fair value hierarchy is appropriate is based on the lowest level input that is significant to the fair value measurement in its entirety.

OPCC's investments consist of \$1,484,159 for the Sojourn Trust, \$354,989 for the k9 connection program, \$541,746 as a board-designated endowment supporting general agency operations and \$10,981 in a charitable remainder trust.

OPCC's financial assets measured at fair value as of June 30, 2013 consist of the following:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Stocks and stock funds	\$ 1,386,392	\$ 1,386,392	\$	\$
Fixed income funds	994,502	578,115	416,387	
Beneficial interest in charitable remainder trust	10,981			10,981
Totals	<u>\$ 2,391,875</u>	<u>\$ 1,964,507</u>	<u>\$ 416,387</u>	<u>\$ 10,981</u>

During the year ended June 30, 2013, there were no changes in Level 3 assets measured at fair value on a recurring basis.

Ocean Park Community Center
Notes to Financial Statements—*Continued*

Note 3—Investments and Fair Value Measurement—*Continued*

Investment returns as of June 30, 2013 are as follows:

Dividend and interest income	\$	68,046
Net realized and unrealized gain		<u>133,283</u>
Net	\$	<u>201,329</u>

Note 4—Receivables

Receivables from private and government agencies at June 30, 2013 totaled \$945,069, all due within one year. Management believes that all receivables from private and government agencies are fully collectible and that no allowance is necessary as of June 30, 2013.

Pledges receivable at June 30, 2013 are expected to be received as follows:

One year or less	\$	465,816
Between one and five years		<u>749,956</u>
Total	\$	<u>1,215,772</u>

Management has determined the discount on noncurrent receivables to be immaterial to the financial statements and has, therefore, elected not to include such a discount. Management believes that all pledges are fully collectible and that no allowance is necessary as of June 30, 2013.

Note 5—Deposits Held In Trust

Deposits held in trust is comprised of accounts which OPCC maintains on behalf of certain clients of Turning Point, Daybreak Shelter and SAMOSHEL until these clients are self-sufficient and/or leave the program. As of June 30, 2013, cash balances related to these three programs aggregated \$72,727.

Note 6—Deferred Rent

In September 2003, OPCC entered into a 55-year lease with the City of Santa Monica to lease the Cloverfield Services Center. Under the terms of the lease, OPCC pays rent of \$1 each year for 55 years. The Lessor, the City of Santa Monica, purchased the building with the specific intent to lease it to OPCC under this arrangement. The cost of the building was \$5,000,000. Accordingly, OPCC recorded the below-market lease as a deferred rent asset and as a temporarily restricted contribution (see Note 13), restricted to time, at June 30, 2004. OPCC started amortizing the deferred rent asset over the remaining period of the lease in 2005. Deferred rent is recorded at the estimated net present value of rent for the facility covered by the lease agreement.

Ocean Park Community Center
Notes to Financial Statements – *Continued*

Note 7 – Beneficial Interest in Charitable Remainder Trust

During the year ended June 30, 2011, OPCC was named as a beneficiary in a charitable remainder trust held by an outside trustee. The charitable remainder trust is shown at the net present value of the estimated future benefits expected to be received of \$10,981 as of June 30, 2013.

Note 8 – Property and Equipment, Net

Property and equipment, net consists of the following at June 30, 2013:

Land	\$	2,330,000
Building and building improvements		3,448,733
Furniture and equipment		632,969
Leaseholder improvements		6,525,848
	Gross	<u>12,937,550</u>
Less accumulated depreciation and amortization		<u>(2,974,279)</u>
	Net	<u><u>\$ 9,963,271</u></u>

Depreciation and amortization expense amounted to \$292,033 for the year ended June 30, 2013.

Note 9 – Line of Credit

During the year ended June 30, 2013, OPCC had a \$400,000 line of credit with Northern Trust NA that was fully utilized. The interest rate on the line of credit was prime plus 1.50%. The prime rate as of June 30, 2013 was 3.25%. On January 31, 2013, OPCC fully paid and closed the line of credit.

In February 2013, OPCC opened a \$500,000 line of credit with First Republic Bank, which was not used during the year ended June 30, 2013. The interest rate on the line of credit is prime plus a margin of 0.50%. The line of credit is renewed annually upon OPCC paying the annual fee and the bank's review of OPCC's financial statements.

Ocean Park Community Center
Notes to Financial Statements—*Continued*

Note 10—Notes Payable

Notes payable at June 30, 2013 consist of the following:

Note payable to First Republic Bank, secured by land and property located at 16th Street; payable in monthly installments of \$7,839, bearing interest at 3.85% through February 1, 2018, thereafter rate is adjustable based on one month LIBOR; amortization period is 25 years. \$ 1,487,833

Note payable to Low Income Investment Fund, secured by land and property of Sojourn's Annex; payable in monthly installments of \$3,006, bearing interest at 7.5% per annum; outstanding principal and interest due in full February 1, 2016. 351,055

Total Notes Payable \$ 1,838,888

Notes payable, forgivable at June 30, 2013 consist of the following:

Forgivable note payable to Los Angeles Housing Department, secured by land and property of Sojourn's Adams House; non-interest bearing, to be repaid in the form of services provided by OPCC to victims of domestic violence, at a rate of \$32,500 per year or \$2,708 per month; due and payable in full no later than August 1, 2020; remaining balance to be forgiven in full 20 years from issue, provided OPCC remains in compliance with the terms of the regulatory agreement. \$ 311,458

Forgivable note payable to the City of Santa Monica, secured by OPCC's interest in the Cloverfield Services Center; bearing interest at 5.98%, compounded per annum; payment of principal and interest to be made from residual receipts, defined as net rent and laundry income after operating expenses are deducted, commencing September 30, 2005; note is due and payable in full over a 55-year period; remaining balance to be forgiven in full at end of period, provided OPCC remains in compliance with the terms of the regulatory agreement; at June 30, 2013, balance consists of forgivable principal of \$1.2 million and forgivable accrued compounded interest of \$914,791. 2,114,791

Ocean Park Community Center
Notes to Financial Statements – *Continued*

Note 10 – Notes Payable – *Continued*

Forgivable note payable to Redevelopment Agency of the City of Santa Monica, secured by OPCC's interest in the Cloverfield Services Center; non-interest bearing, to be repaid by OPCC over a 55-year period in the form of congregate housing and emergency shelter for low-income people; remaining balance to be forgiven in full at end of period, provided OPCC remains in compliance with the terms of the regulatory agreement.

	\$ 995,023
Total Gross Notes Payable, Forgivable	3,421,272
Less forgivable accrued interest payable	<u>(914,791)</u>
Total Notes Payable, Forgivable	<u>\$ 2,506,481</u>

Future maturities of notes payable at June 30, 2013 were as follows:

<u>Year Ending June 30,</u>	<u>Notes Payable</u>	<u>Forgivable</u>	<u>Total</u>
2014	\$ 36,085	\$ 53,895	\$ 89,980
2015	48,831	53,895	102,726
2016	371,411	53,895	425,306
2017	41,172	53,895	95,067
2018	42,808	53,895	96,703
Thereafter	1,298,581	3,151,797	4,450,378
Totals	<u>\$ 1,838,888</u>	<u>\$ 3,421,272</u>	<u>\$ 5,260,160</u>

Note 11 – Commitments

OPCC has entered into operating lease agreements for the OPCC Annenberg Access Center, SAMOSHEL and certain office equipment that expire through August 2017 and have a minimum monthly aggregate rental payment of approximately \$14,273.

Future minimum rental commitments under these operating leases at June 30, 2013 were as follows:

<u>Year Ending June 30,</u>	
2014	\$ 156,080
2015	152,684
2016	153,022
2017	143,780
2018	<u>14,453</u>
Totals	<u>\$ 620,019</u>

Ocean Park Community Center
Notes to Financial Statements – *Continued*

Note 11 – Commitments – *Continued*

Rent expense for the year ended June 30, 2013 was \$211,952.

At June 30, 2013, Access Center, SAMOSHEL, Safe Haven and Daybreak Shelter programs were renting facilities from the City of Santa Monica. The City of Santa Monica owns the OPCC Annenberg Access Center, SAMOSHEL and the Cloverfield Services Center buildings.

Note 12 – Board-Designated Quasi-Endowment

OPCC has one board-designated quasi-endowment fund which is invested in money market and mutual funds and is classified within unrestricted net assets. The intent of the board of directors is to set aside up to \$1 million in the quasi-endowment account. Future uses of the quasi-endowment account would be for general operational use as designated by the board of directors. Any dividend income that is generated is re-invested into the quasi-endowment account.

For the year ended June 30, 2013, OPCC's quasi-endowment net assets changed as follows:

Quasi-Endowment Net Assets, Beginning of Year	\$ 504,203
Additions	25,205
Dividend and interest	14,666
Unrealized and realized gains and fees	<u>21,059</u>
Total Investment Return	<u>60,930</u>
Quasi-Endowment Net Assets, End of Year	<u><u>\$ 565,133</u></u>

Of the total quasi-endowment net assets balance, \$23,387 is invested in a money market account, \$245,634 is invested in mutual funds, and \$296,112 is invested in exchange traded funds.

Ocean Park Community Center
Notes to Financial Statements – *Continued*

Note 13—Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2013 were available for the following purposes:

	<u>Available June 30, 2012</u>	<u>Additions</u>	<u>Expenditures/ Releases</u>	<u>Available June 30, 2013</u>
Deferred rent	\$ 4,204,546	\$	\$ (90,910)	\$ 4,113,636
Sojourn	2,564,387	658,860	(486,201)	2,737,046
General agency	150,000	1,070,000	(319,228)	900,772
k9 connection	380,244	240,625	(171,827)	449,042
Access Center	378,474	326,097	(380,272)	324,299
SAMOSHEL	450,481	221,759	(418,285)	253,955
Night Light	32,510	123,676	(55,016)	101,170
Campion	75,000	10,000	(23,638)	61,362
Daybreak	6,000	70,360	(50,360)	26,000
Turning Point	2,400	20,000		22,400
Safe Haven	9,632			9,632
Beneficial interest in charitable remainder trust SHWASHLOCK	10,981			10,981
	<u>25,383</u>	<u>(25,383)</u>		
	<u>\$ 8,264,655</u>	<u>\$ 2,766,760</u>	<u>\$ (2,021,120)</u>	<u>\$ 9,010,295</u>

The Declaration of Trust from the Sojourn Trust states that interest income is restricted to support the programs operated by Sojourn Services for Battered Women and Their Children. The board of directors of OPCC may petition the trustee, First Republic, to disburse principal from the trust to be used for specific purposes related to Sojourn. The trustee has the final authority on whether or not to approve principal distribution, and OPCC has the final authority on the selection of the trustee. At June 30, 2013, the balance in the Sojourn Trust was \$1,526,299.

Note 14—Related Party Transactions

OPCC receives related party contributions from board members and employees. During the year ended June 30, 2013, \$87,719 was contributed by related parties. In addition, an annual fundraising event is held by another organization, from which the net proceeds are for the sole benefit of OPCC. During the year ended June 30, 2013, related parties contributed \$101,200 to this event. In connection with the 50th anniversary campaign (described in Note 16), OPCC's Board of Directors had pledged \$1,070,000.

Ocean Park Community Center
Notes to Financial Statements – *Continued*

Note 15—Retirement Plan

OPCC offers its employees the opportunity to participate in a 403(b) retirement plan (the "Plan"), which represents an annuity contract purchased from ING Life Insurance and Annuity Company. Employees are eligible to contribute to the Plan immediately upon hire and may contribute a maximum amount as permitted by law per year. Employer contributions to the Plan are not required. There were no employer contributions made to the Plan during the year ended June 30, 2013.

Note 16—50th Anniversary Here for Good Campaign

During the fiscal year ended June 30, 2013, OPCC began a fundraising campaign, "Here for Good", celebrating their 50th Anniversary as a service provider. The goal of the campaign, which will take 3 to 5 years to complete, is to raise \$20,000,000 to support program operations, expand permanent supportive housing, and fund an endowment to help sustain the agency's work.

At June 30, 2013, OPCC's Board of Directors had pledged \$1,070,000 to the campaign.

Note 17—Planned Giving

OPCC's planned giving program allows donors to declare their intent to contribute to OPCC in the future through vehicles such as charitable bequests, retirement/life insurance policies, and charitable gift annuities. Revocable planned giving pledges made during the fiscal year ended June 30, 2013 had a face value of \$3,925,000 and a discounted value of \$2,049,637. Revocable pledges made through the planned giving program are not included in the audited financial statements as they do not meet required criteria for recordation.

Note 18—Subsequent Events

Subsequent events were evaluated through December 4, 2013, which is the date the financial statements were available to be issued, and it was concluded that no material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.