

Audited Financial Statements



June 30, 2015

Quigley & Miron

**Ocean Park Community Center
Audited Financial Statements
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June 30, 2015**

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Independent Auditor's Report

Board of Directors
Ocean Park Community Center
Santa Monica, California

Report on the Financial Statements

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, 2015, 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.

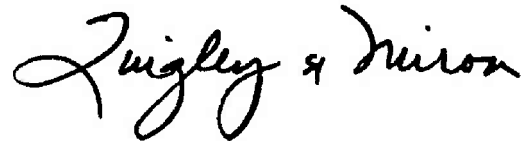
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2015, 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.

Los Angeles, California
January 15, 2016

A handwritten signature in black ink that reads "Zwigley & Niron". The signature is written in a cursive, flowing style.

**Ocean Park Community Center
Statement of Financial Position
June 30, 2015**

Assets

Cash and cash equivalents	\$ 3,503,436
Investments—Note 3	2,614,772
Receivables from private and government agencies—Note 4	988,690
Pledges receivable, net—Note 4	2,222,463
Prepaid expenses and other assets	317,873
Deposits held in trust—Note 5	54,763
Deferred rent—Note 6	3,931,818
Beneficial interest in charitable remainder trust—Note 7	10,981
Property and equipment, net—Note 8	10,032,092

Total Assets \$ 23,676,888

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 907,746
Accrued interest payable, forgivable—Note 10	1,175,283
Deposits held in trust—Note 5	54,763
Notes payable—Note 10	1,754,907
Notes payable, forgivable—Note 10	2,398,690

Total Liabilities 6,291,389

Net Assets

Unrestricted	
Undesignated	4,898,999
Board-designated—Note 12	647,358

Total Unrestricted Net Assets 5,546,357

Temporarily restricted—Note 13	11,839,142
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Total Net Assets 17,385,499

Total Liabilities and Net Assets \$ 23,676,888

See notes to financial statements.

**Ocean Park Community Center
Statement of Activities
Year Ended June 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
Revenue			
Government agencies	\$ 6,554,653	\$	\$ 6,554,653
Investment income, net—Note 3	12,089	64,019	76,108
Other income	44,559		44,559
Support			
Contributions	1,969,730	3,919,054	5,888,784
Contributed goods	43,746	6,214	49,960
Contributed services	132,064		132,064
Contributed rent		497,703	497,703
Special events and mailings	817,703	322,921	1,140,624
Net assets released from restrictions			
Satisfaction of program restrictions	2,857,380	(2,857,380)	
Total Revenue and Support	12,431,924	1,952,531	14,384,455
Expenses			
Program services	10,108,793		10,108,793
Supporting services			
Management and general	1,836,992		1,836,992
Fundraising	844,531		844,531
Total Supporting Services	2,681,523		2,681,523
Total Expenses	12,790,316		12,790,316
Change in Net Assets	(358,392)	1,952,531	1,594,139
Net Assets at Beginning of Year	5,904,749	9,886,611	15,791,360
Net Assets at End of Year	\$ 5,546,357	\$ 11,839,142	\$ 17,385,499

See notes to financial statements.

Ocean Park Community Center
Statement of Functional Expenses
Year Ended June 30, 2015

Expenses	Supportive Services				Total
	Program Expenses	Management and General	Fundraising	Total Supportive Services	
Salaries	\$ 4,994,634	\$ 1,181,445	\$ 381,014	\$ 1,562,459	\$ 6,557,093
Fringe benefits	1,588,025	221,773	79,014	300,787	1,888,812
Total Personnel Expenses	6,582,659	1,403,218	460,028	1,863,246	8,445,905
Client expenses	301,964	5,293		5,293	307,257
Consultants	252,306	64,574	48,571	113,145	365,451
Equipment	262,049	36,160	2,570	38,730	300,779
Services	228,087	94,624	14,850	109,474	337,561
Supplies	452,767	16,469	12,899	29,368	482,135
Space	1,678,612	128,768	1,500	130,268	1,808,880
Licenses and fees	15,889	22,908	5,469	28,377	44,266
Travel and training	51,528	2,358	4,898	7,256	58,784
Staff and volunteer support	10,241	28,626	1,105	29,731	39,972
Other	11,143	7,047	23,425	30,472	41,615
Special events and mailers			269,216	269,216	269,216
Total Expenses Before Depreciation and Amortization	9,847,245	1,810,045	844,531	2,654,576	12,501,821
Depreciation and amortization	261,548	26,947		26,947	288,495
Total Expenses Before Allocation of Overhead	10,108,793	1,836,992	844,531	2,681,523	12,790,316
Allocation of Administrative Overhead	1,395,751	(1,471,993)	76,242	(1,395,751)	
Total Expenses After Allocation of Overhead	\$ 11,504,544	\$ 364,999	\$ 920,773	\$ 1,285,772	\$ 12,790,316

See notes to financial statements.

**Ocean Park Community Center
Statement of Cash Flows
Year Ended June 30, 2015**

Cash Flows from Operating Activities

Change in net assets	\$ 1,594,139
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	288,495
Loss on disposal of equipment	973
Amortization of deferred rent	90,909
Debt forgiveness	(53,896)
Net realized and unrealized loss on investments	21,876
Changes in operating assets and liabilities:	
Receivables from private and government agencies	(142,624)
Pledges receivable	(379,483)
Prepaid expenses and other assets	(23,041)
Accounts payable and accrued expenses	41,335
Accrued interest, forgivable	134,027

Net Cash Provided by Operating Activities 1,572,710

Cash Flows from Investing Activities

Purchases of property and equipment	(633,762)
Proceeds on sales of investments	959,516
Purchases of investments	(991,064)

Net Cash Used in Investing Activities (665,310)

Cash Flows from Financing Activities

Proceeds from notes payable	344,000
Repayments on notes payable	(382,124)

Net Cash Used in Financing Activities (38,124)

Increase in Cash and Cash Equivalents 869,276

Cash and Cash Equivalents at Beginning of Year 2,634,160

Cash and Cash Equivalents at End of Year \$ 3,503,436

Supplementary Disclosures

Cash paid for interest	\$ 75,457
Cash paid for taxes	\$

See notes to financial statements.

Ocean Park Community Center
Notes to Financial Statements
June 30, 2015

Note 1—Organization

Organization—OPCC (formerly Ocean Park Community Center) is a nonprofit corporation providing highly effective, fully integrated housing and services for the most traumatized and vulnerable members of our community, including low-income and homeless youth, adults and families, battered women and their children, at-risk youth, veterans, and people with severe physical or mental illness. OPCC consists of a number of directly operated programs.

Founded in 1963, OPCC's success stems from its comprehensive system of care with seven core services: housing, mental health care, medical care, substance abuse services, income and benefits, domestic violence services and wellness programs.

During OPCC's fifty-one year history of continuous service to the economically and socially disenfranchised, the organization 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 is funded by a combination of private donations and government grants. Government funding is provided by various ongoing contracts with the City of Santa Monica, 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 Los Angeles. Each of OPCC's primary programs is funded by separate contracts.

These contracts are administered by the City of Santa Monica, the Los Angeles County Department of Mental Health, the Los Angeles County Department of Health Services, the Los Angeles Housing and Community Investment Department, 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, the Substance Abuse and Mental Health Services Administration, and the Department of Veterans Affairs.

OPCC receives approximately 52% of its operations funding from government agencies. This funding is recognized as support when grant-purpose services are being performed by OPCC. OPCC also receives private support in the form of restricted and unrestricted donations. OPCC receives approximately 48% of its funding for operations from contributions made from private organizations or individuals and investments.

Programs and Services Accomplishments – Fiscal Year 2014-2015

- OPCC has continued to move forward with the integration of all programs and services. The agency's seven core services (housing, mental health care, medical care, domestic violence services, substance abuse services, income/benefits assistance, and wellness/life skills) are provided to all OPCC clients who are in need of each service with easy "hand off" and referral from one service to another. All services are mobile and are provided on the street, onsite and in clients' permanent housing residences.

Notes to Financial Statements—Continued

Note 1—Organization—Continued

- OPCC has been at the forefront of integrating changes in funding and services connected with the Affordable Care Act. The agency is at over 98% enrollment of all clients into MediCal. OPCC is already well-funded for the provision of mental health services. In addition, the agency is well-situated for funding through the new “Health Home” bill. OPCC serves as the lead agency in a Health Home Pilot grant from the Corporation for Supportive Housing.
- Through multiple grants and contracts, OPCC’s expansion of mental health services continues. OPCC was chosen to receive the Department of Mental Health’s SPA 5 Multidisciplinary Treatment Team (MIT) contract. The program began this year and provides expanded outreach services throughout SPA 5. The new team has 5 full-time staff members, and an additional half-time nurse. Mental health funding, including funding from the Department of Mental Health (DMH) and the Substance Abuse and Mental Health Services Administration (SAMHSA) has increased and now constitutes the agency’s largest public funding source. Mental health services include clinical case management, individual and group therapy, crisis intervention, and therapeutic treatment plans for clients. Treatment is “mobile” and is provided on the street, in programs and shelters, and in clients’ homes. Psychiatric care is available for clients in all programs.
- OPCC’s Integrated Mobile Health Team (IMHT), funded through the Los Angeles County Department of Mental Health (DMH), began over three years ago as a DMH “Innovations Pilot.” Because of its exceptional outcomes, OPCC’s Integrated Mobile Health Team was one of a very small number of IMHTs to be renewed with permanent funding. In addition, a new component (with additional funding) was added to the program to provide specialized services for exceptionally acute clients who have dealt with incarceration or psychiatric hospitalization. OPCC was also awarded expanded Department of Mental Health (DMH) MediCal Expansion funding for multiple programs. Additionally, OPCC was just chosen to receive new Field Capable Clinical Services funding that will begin in fiscal year 2015-16.
- OPCC’s interdisciplinary mental health training program continues to grow and provides clinical training experience to interns and post-doctoral fellows in the fields of psychology, social work, and marital and family therapy. These trainees provide valuable clinical services for OPCC clients while they are in training.
- OPCC’s Wellness Program, which provides a range of groups and workshops to clients with substance use problems, continues to grow and has been connected with an increased number of clients wishing to become sober, a decreased use of substances, and an improved psychosocial functioning among participants. Outcome data from the program has shown that clients who participated experienced a decreased urge to drink and showed improvements in mental health, sense of control, and other wellbeing factors. The Wellness Program, which was started at Turning Point, is now offered at all Interim Housing locations. Life Skills and Wellness groups that are geared toward clients who are not using substances are also offered across the agency.
- OPCC was honored by the Substance Abuse and Mental Health Services Administration (SAMHSA) with a special commendation as an “exemplary” agency and model for its service integration. OPCC is in the last year of a highly successful five-year SAMHSA grant. In addition, the agency was recently awarded a new 1.6 million dollar, four-year SAMHSA grant to provide integrated medical and mental health services. The grant will provide for a nurse at the newly renovated Turning Point

Notes to Financial Statements—Continued

Note 1—Organization—Continued

Interim Housing facility, in addition to increased mental health, substance abuse, health education and peer staffing. The new program will expand OPCC's current Wellness Program to include increased health education interventions.

- 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.
- OPCC's former Respite Program has grown into its current "Wellness Beds Program", which provides onsite nursing care, as well as a full range of OPCC's core services, to clients with both acute medical concerns and chronic medical conditions. OPCC now has two full-time, onsite registered nurses (in addition to the half-time MIT nurse) who provide medical services to OPCC clients. With changes to the Wellness Beds Program that integrates clients with medical conditions into the entire SAMOSHEL program, OPCC has been able to significantly increase the number of clients that are served through this program.
- OPCC's partnership with and funding from the Department of Health Services (DHS) continues to grow. The agency's new DHS team provides permanent housing acquisition services and a full range of supportive services, including mental health care to highly vulnerable, homeless, high utilizers of county services.
- Despite shortages of permanent housing across Los Angeles County, OPCC increased the number of individuals moving into permanent housing this past year. The agency has a very diversified range of permanent housing options, including voucher subsidies through the housing authorities of both the City and County of Los Angeles, as well as multiple Department of Health Services permanent housing subsidies, and shared housing opportunities through OPCC's new "Community Empowerment" shared housing model through which OPCC master leases houses that are shared by OPCC clients. The agency also is involved in multiple new partnerships with housing developers in Los Angeles County and utilizes a number of nontraditional placements when appropriate for clients, including Board and Care, Skilled Nursing Facilities, Senior Housing, Assisted Living, and assistance to homeless individuals who desire to return home to another geographic area. This past year, OPCC even assisted an elderly disabled homeless woman to return to England, where she is now receiving wrap-around care in her native country. With the increased amount of ongoing supportive, integrated services to clients in permanent housing, OPCC established a Permanent Supportive Housing department in the past year, which is now led by the agency's new Director of Permanent Housing Services.
- OPCC's Veterans Program continues to be highly successful. The program was acknowledged for scoring highest in Los Angeles County for both the percentage of veterans housed and enrolled in the program. The team assists homeless veterans in obtaining permanent housing and receiving integrated comprehensive services.
- OPCC has now expanded to two "Home Teams," which are composed of both clinical and non-clinical staff and provide a range of supportive services (including clinical services, case management and linkage to community resources) to OPCC clients who have moved into permanent housing.

Notes to Financial Statements—Continued

Note 1—Organization—Continued

- OPCC SAMOSHEL's Special Populations Room has been successful in allowing SAMOSHEL to provide intensive services to clients with very severe mental health and substance abuse problems which would have otherwise made it hard for them to participate in a residential program.
- OPCC's longitudinal research project, funded through the agency's SAMHSA grant, has successfully demonstrated the impact of OPCC programming on a broad range of outcomes in the areas of mental health, physical health, substance use, community integration, sense of control and other factors. OPCC continues to expand its evaluation, compliance and data function. OPCC's Director of Compliance and Evaluation has added capacity to the agency's QA and data processes.
- OPCC's leadership is actively involved in strategic planning, collaborations and advocacy in the local community and in Los Angeles County. OPCC's Executive Director is past Chair of the Westside Shelter and Hunger Coalition (WSHC), and OPCC's Associate Director is current Chair of the Coalition (now called the Westside Coalition). OPCC's Executive Director is on the Executive Board of United Homeless Healthcare Partners (UHHP) and has given multiple presentations this past year in a broad range of forums on issues in addressing homelessness. OPCC's Executive Director and Associate Director attend LAHSA Continuum of Care meetings and have served on LAHSA's Coordinating Council. OPCC's Associate Director has presented on OPCC's integrated model for the past 2 years at the annual DMH Housing Summit.

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, 2015 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, 2015, OPCC had no permanently restricted net assets.

Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

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, 2015. Generally, OPCC’s information returns remain open for examination for a period of 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.

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 \$3,000.

Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Concentration of Credit Risk—Financial instruments which potentially subject 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 the allowance for potential losses due to uncollectible receivables at June 30, 2015 is adequate.

Grants, Contributions and Pledges—Grants and contributions are recognized as support when the gift is made, and are recorded as unrestricted, temporarily restricted, or permanently restricted 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.

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, 2015 was \$132,064.

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 exceeded 22,000 hours. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements.

Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

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	\$	241,127
Access Center		173,475
Daybreak		52,560
SHWASHLOCK		30,541
		<hr/>
Total	\$	<u>497,703</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.

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.

Notes to Financial Statements—Continued

Note 3—Investments and Fair Value Measurement—Continued

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 \$1,566,469 for the Sojourn Trust, \$417,277 for the k9 Connection program, \$631,026 as a board-designated endowment supporting general agency operations and \$10,981 in a charitable remainder trust.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2015 and 2014.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by OPCC are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Exchange Traded Funds: Valued at the closing price reported on the active market on which the funds are traded.

Common Stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate Bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

U.S. Government Agencies and U.S. Treasuries: Valued using pricing models maximizing the use of observable inputs for similar securities.

Notes to Financial Statements—Continued

Note 3—Investments and Fair Value Measurement—Continued

OPCC's financial assets measured at fair value as of June 30, 2015 consist of the following:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Common stock	\$ 603,017	\$ 603,017	\$	\$
Mutual funds	968,574	968,574		
Exchange traded funds	550,027	550,027		
Corporate bonds	342,692		342,692	
U.S. government agencies	50,068		50,068	
U.S. treasuries	100,394		100,394	
Subtotals	2,614,772	2,121,618	493,154	
Beneficial interest in charitable remainder trust	10,981			10,981
Totals	<u>\$ 2,625,753</u>	<u>\$ 2,121,618</u>	<u>\$ 493,154</u>	<u>\$ 10,981</u>

The Level 3 asset is valued based on the most recently available report from the holder of the asset. During the year ended June 30, 2015, there were no changes in Level 3 assets measured at fair value on a recurring basis.

Net investment income as of June 30, 2015 are as follows:

Dividend and interest income	\$ 97,984
Net realized and unrealized loss	<u>(21,876)</u>
Net	<u>\$ 76,108</u>

Note 4—Receivables

Receivables from private and government agencies at June 30, 2015 totaled \$988,690, 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, 2015.

Pledges receivable at June 30, 2015 are expected to be received as follows:

One year or less	\$ 803,038
Between one and five years	<u>1,515,598</u>
Pledges Receivable, Gross	2,318,636
Less discount at 2%	(49,800)
Less allowance for doubtful accounts	<u>(46,373)</u>
Pledges Receivable, Net	<u>\$ 2,222,463</u>

Notes to Financial Statements—Continued

Note 5—Deposits Held In Trust

Deposits held in trust are 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, 2015, cash balances related to these three programs aggregated \$54,763.

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.

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, 2015.

Note 8—Property and Equipment, Net

Property and equipment, net consists of the following at June 30, 2015:

Land	\$	2,330,000
Building and building improvements		4,036,770
Furniture and equipment		608,804
Leasehold improvements		6,525,848
	Gross	13,501,422
Less accumulated depreciation and amortization		(3,469,330)
	Net	<u>\$ 10,032,092</u>

Depreciation and amortization expense amounted to \$288,495 for the year ended June 30, 2015.

Note 9—Line of Credit

OPCC maintains a \$500,000 line of credit with First Republic Bank, which was not used during the year ended June 30, 2015. 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.

Notes to Financial Statements—Continued

Note 10—Notes Payable

Notes payable at June 30, 2015 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. \$ 1,413,108

\$344,000 note payable to First Republic Bank, dated December 8, 2014, secured by land and property payable in monthly installments of \$1,784, bearing interest at 4.70% through January 1, 2022, thereafter rate is adjustable based on one month LIBOR; amortization period is 30 years. 341,799

Total Notes Payable \$ 1,754,907

Notes payable, forgivable consist of the following at June 30, 2015:

Forgivable note payable to Los Angeles Housing and Community Investment 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. \$ 246,458

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, 2015, balance consists of forgivable principal of \$1.2 million and forgivable accrued compounded interest of \$1,175,283. 2,375,283

Notes to Financial Statements—Continued

Note 10—Notes Payable—Continued

Forgivable note payable to Redevelopment Agency of the 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.

	\$ 952,232
Total Gross Notes Payable, Forgivable	3,573,973
Less forgivable accrued interest payable	<u>(1,175,283)</u>
Total Notes Payable, Forgivable	<u>\$ 2,398,690</u>

Future maturities of notes payable and forgivable accrued interest payable at June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Notes Payable</u>	<u>Forgivable</u>	<u>Total</u>
2016	\$ 44,916	\$ 53,896	\$ 98,812
2017	46,896	53,896	100,792
2018	48,806	53,896	102,702
2019	50,797	53,896	104,693
2019	52,736	53,896	106,632
Thereafter	<u>1,510,756</u>	<u>3,304,493</u>	<u>4,815,249</u>
Totals	<u>\$ 1,754,907</u>	<u>\$ 3,573,973</u>	<u>\$ 5,328,880</u>

Note 11—Commitments

OPCC has entered into operating lease agreements for the OPCC Annenberg Access Center, SAMOSHEL, multiple housing units for clients, and certain office equipment that expire through August 2017.

Future minimum rental commitments under these operating leases at June 30, 2015 were as follows:

<u>Year Ending June 30,</u>	
2016	\$ 216,917
2017	128,184
2018	<u>12,045</u>
Total	<u>\$ 357,146</u>

Facilities and equipment rent expense for the year ended June 30, 2015 was \$229,944.

Notes to Financial Statements—Continued

Note 11—Commitments—Continued

At June 30, 2015, 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, 2015, OPCC's quasi-endowment net assets changed as follows:

Quasi-Endowment Net Assets, Beginning of Year	\$ 643,620
Additions:	
Dividend and interest	18,927
Unrealized and realized losses and fees	<u>(15,189)</u>
Total Investment Return	<u>3,738</u>
Quasi-Endowment Net Assets, End of Year	<u><u>\$ 647,358</u></u>

Of the total quasi-endowment net assets balance, \$16,662 is invested in a money market account, \$290,693 is invested in mutual funds, and \$340,003 is invested in exchange traded funds.

Notes to Financial Statements—Continued

Note 13—Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2015 were available for the following purposes:

	<u>Available June 30, 2014</u>	<u>Additions</u>	<u>Expenditures/ Releases/ Reclasses</u>	<u>Available June 30, 2015</u>
Access Center	\$ 157,306	\$ 180,276	\$ (331,886)	\$ 5,696
Campion	54,512		(54,512)	
Sojourn	2,963,027	1,134,460	(447,384)	3,650,103
Night Light	41,651	288	(41,939)	
Turning Point	2,401	20,000	(1)	22,400
Daybreak	10,497	52,560	(62,560)	497
Safe Haven	2,071	10,000	(15,000)	(2,929)
k9 Connection	543,666	152,559	(189,845)	506,380
SAMOSHEL	100,316	266,127	(341,742)	24,701
Swashlock		30,541	(30,541)	
Community Empowerment Project	(10,936)	250,000	10,936	250,000
Mobile Care Team		50,000	250,000	300,000
General agency	1,999,373	2,663,100	(1,511,997)	3,150,476
Deferred rent	4,022,727		(90,909)	3,931,818
Totals	<u>\$ 9,886,611</u>	<u>\$ 4,809,911</u>	<u>\$ (2,857,380)</u>	<u>\$ 11,839,142</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. OPCC has the final authority on the selection of the trustee. At June 30, 2015, the balance in the Sojourn Trust was \$1,674,296.

Note 14—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, 2015.

Notes to Financial Statements—Continued

Note 15—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 as of June 30, 2015 had a face value of \$4,175,000, and a discounted value of \$2,218,613. 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 16—Subsequent Events

Subsequent to year-end OPCC entered into a merger agreement with LAMP Community, a thirty year-old homeless service provider based in Skid Row. It is expected that the merger will be completed by end of calendar year 2016.

Subsequent events were evaluated through January 15, 2016, which is the date the financial statements were available to be issued, and it was concluded that no additional subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.