

PEOPLE FOR IRVINE COMMUNITY HEALTH
DBA 2-1-1 ORANGE COUNTY
FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

CONTENTS

Independent Auditors' Report	2
Statement of Financial Position	3
Statement of Activities:	
For The Year Ended June 30, 2010	4
For The Year Ended June 30, 2009	5
Statement of Cash Flows	6
Statement of Functional Expenses	
For The Year Ended June 30, 2010	7
For The Year Ended June 30, 2009	8
Notes of Financial Statements	9-13

Guzman & Gray

Certified Public Accountants

4510 East Pacific Coast Highway, Suite 270
Long Beach, California 90804

(562) 498-0997 Fax: (562) 597-7359

Mark Gray, C.P.A.
Patrick S. Guzman, C.P.A.

INDEPENDENT AUDITORS' REPORT

Board of Directors
People for Irvine Community Health
DBA 2-1-1 Orange County

We have audited the accompanying statement of financial position of People for Irvine Community Health DBA 2-1-1 Orange County, as of June 30, 2010 and 2009, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the company's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of People for Irvine Community Health DBA 2-1-1 Orange County, at June 30, 2010, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Guzman & Gray, CPAs
Long Beach, CA

September 15, 2010

PEOPLE FOR IRVINE COMMUNITY HEALTH
DBA 2-1-1 ORANGE COUNTY
STATEMENT OF FINANCIAL POSITION

ASSETS

	June 30,	
	2010	2009
CURRENT ASSETS		
Cash and cash equivalents	\$ 76,958	72,433
Service subsidy receivable	148,345	201,789
Prepaid expenses	10,670	7,019
TOTAL CURRENT ASSETS	235,973	281,241
PROPERTY AND EQUIPMENT, NET	40,125	20,170
OTHER ASSETS		
Security deposits	2,844	2,825
TOTAL ASSETS	\$ 278,942	\$ 304,236

LIABILITIES AND ASSETS

CURRENT LIABILITIES		
Account payable	\$ 17,444	\$ 15,280
Accrued payroll and other accrued expenses	43,772	37,597
TOTAL LIABILITIES	61,216	52,877
NET ASSETS		
Unrestricted	206,466	118,859
Temporarily restricted	11,260	132,500
TOTAL NET ASSETS	217,726	251,359
TOTAL LIABILITIES AND NET ASSETS	\$ 278,942	\$ 304,236

See Independent Auditors' Report and Notes to Financial Statements

PEOPLE FOR IRVINE COMMUNITY HEALTH
DBA 2-1-1 ORANGE COUNTY
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
PUBLIC SUPPORT			
Contribution and grants	\$ 260,460	\$ 11,260	\$ 271,720
In-Kind Donation	223,057		223,057
TOTAL PUBLIC SUPPORT	<u>483,517</u>	<u>11,260</u>	<u>494,778</u>
REVENUE			
Program service and grants	728,825		728,825
Interest and dividend	704		704
TOTAL REVENUE	<u>729,529</u>		<u>729,529</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>132,500</u>	<u>(132,500)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>1,345,547</u>	<u>(121,240)</u>	<u>1,224,307</u>
EXPENSES			
Program services	1,102,211		1,102,211
Management and administration	109,584		109,584
Fundraising	46,145		46,145
TOTAL EXPENSES	<u>1,257,940</u>		<u>1,257,940</u>
CHANGE IN NET ASSETS	87,607	(121,240)	(33,633)
BEGINNING NET ASSETS	<u>118,859</u>	<u>132,500</u>	<u>251,359</u>
ENDING NET ASSETS	<u>\$ 206,466</u>	<u>\$ 11,260</u>	<u>\$ 217,726</u>

See Independent Auditors' Report and Notes to Financial Statements

PEOPLE FOR IRVINE COMMUNITY HEALTH
DBA 2-1-1 ORANGE COUNTY
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
PUBLIC SUPPORT			
Contribution and grants	\$ 241,921	\$ 132,500	\$ 374,421
In-Kind Donation	59,157		59,157
TOTAL PUBLIC SUPPORT	<u>301,078</u>	<u>132,500</u>	<u>433,578</u>
REVENUE			
Program service and grants	580,417		580,417
Interest and dividend	462		462
TOTAL REVENUE	<u>580,879</u>		<u>580,879</u>
NET ASSETS RELEASED FROM RESTRICTIONS			-
TOTAL REVENUE AND SUPPORT	<u>881,957</u>	<u>132,500</u>	<u>1,014,457</u>
EXPENSES			
Program services	884,499		884,499
Management and administration	45,420		45,420
Fundraising	22,418		22,418
TOTAL EXPENSES	<u>952,337</u>		<u>952,337</u>
CHANGE IN NET ASSETS	(70,380)	132,500	62,120
BEGINNING NET ASSETS	<u>189,239</u>		<u>189,239</u>
ENDING NET ASSETS	<u>\$ 118,859</u>	<u>\$ 132,500</u>	<u>\$ 251,359</u>

See Independent Auditors' Report and Notes to Financial Statements

PEOPLE FOR IRVINE COMMUNITY HEALTH
DBA 2-1-1 ORANGE COUNTY
STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	June 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets		
Unrestricted	\$ 87,607	\$ (70,380)
Temporarily Restricted	(121,240)	132,500
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	9,567	7,139
Donated property and equipment	(29,523)	
Changes in assets and liabilities		
(Increase) decrease in account receivables	53,444	(113,818)
(Increase) decrease in prepaid expense	(3,651)	1,776
(Increase) decrease in other assets	(19)	
Increase (decrease) in account payable	2,164	8,169
Increase (decrease) in accrued expenses	6,175	(1,054)
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,525	(35,668)
NET DECREASE IN CASH AND CASH EQUIVALENTS	4,525	(35,668)
BEGINNING CASH AND CASH EQUIVALENTS	72,433	108,111
ENDING CASH AND CASH EQUIVALENTS	\$ 76,958	\$ 72,443
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
INTEREST PAID	NONE	NONE
TAXES PAID	NONE	NONE

See Independent Auditors' Report and Notes to Financial Statements

PEOPLE FOR IRVINE COMMUNITY HEALTH
DBA 2-1-1 ORANGE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2010

	Program Services	Management and Administration	Fundraising	Total
Accounting and audit		\$ 17,043		\$ 17,043
Bank and payroll fees		2,807		2,807
Conferences and meetings	\$ 3,507			3,507
Consultants	54,377	23,870	\$ 18,825	97,072
Depreciation	8,802	574	191	9,567
Dues and subscriptions		7,123		7,123
Employee benefits	48,371	3,155	1,052	52,577
Equipment expense	4,618	301	100	5,020
In-kind services	193,534			193,534
Insurance	8,725	569	190	9,484
Mileage reimbursements	3,869	252	84	4,206
Miscellaneous		2,574		2,574
Office supplies	8,068	526	175	8,769
Outside services	100,164		11,129	111,293
Payroll taxes	48,074	3,135	1,045	52,255
Postage and shipping	924	60	20	1,004
Printing and copying	5,848			5,848
Professional fees		2,177		2,177
Public relations		5,417		5,417
Rent	37,446	2,442	814	40,702
Salaries	522,584	34,082	11,361	568,027
Telephone	50,833	3,315	1,105	55,253
Travel	2,467	161	54	2,681
TOTAL EXPENSES	<u><u>\$ 1,102,211</u></u>	<u><u>\$ 109,584</u></u>	<u><u>\$ 46,145</u></u>	<u><u>\$ 1,257,940</u></u>

See Independent Auditors' Report and Notes to Financial Statements

PEOPLE FOR IRVINE COMMUNITY HEALTH
DBA 2-1-1 ORANGE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2009

	Program Services	Management and Administration	Fundraising	Total
Accounting and audit		\$ 5,600		\$ 5,600
Bank and payroll fees		2,680		2,680
Conferences and meetings	\$ 1,792			1,792
Consultants				
Depreciation	6,568	428	143	7,139
Dues and subscriptions		8,216		8,216
Employee benefits	54,220	1,694	565	56,479
Equipment expense	3,648	238	80	3,966
In-kind services	59,157			59,157
Insurance	8,515	555	186	9,256
Mileage reimbursements	4,720	308	102	5,130
Miscellaneous		2,745		2,745
Office supplies	8,097	528	176	8,801
Outside services	122,837		13,819	136,656
Payroll taxes	42,451	1,327	442	44,220
Postage and shipping	580	39	11	630
Printing and copying	5,943			5,943
Professional fees	6,044	187		6,231
Public relations		190		190
Rent	33,102	2,159	719	35,980
Salaries	479,659	15,450	5,150	500,259
Telephone	47,166	3,076	1,025	51,267
Travel				
TOTAL EXPENSES	\$ 884,499	\$ 45,420	\$ 22,418	\$ 952,337

See Independent Auditors' Report and Notes to Financial Statements

PEOPLE FOR IRVINE COMMUNITY
DBA 2-1-1 ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

People for Irvine Community Health was established in 1984 and is known as 2-1-1 Orange County (Organization). On April 1, 2004, the Public Utilities Commission of the State of California has authorized the organization to use the 2-1-1 abbreviated dialing code to provide information and referral (I & R) services to all of Orange County. This authority is granted for an indefinite term. 2-1-1 is the national abbreviated dialing code designated by the Federal Communications Commission to be used to phone non-emergency I & R providers. The Organization is a California not-for-profit corporation.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. A description of the categories of net assets is as follows:

- *Unrestricted net assets* – Unrestricted net assets represent net assets that are not subject to donor-imposed restrictions and that may be expendable for any purpose in performing the primary objectives of CASA.
- *Temporarily restricted net assets* – Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met either by actions of CASA and/or the 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.
- *Permanently restricted net assets* – Permanently restricted net assets are utilized to record resources received that are permanently restricted as to use by the donor or grantor. CASA does not currently have any permanently restricted net assets.

Accounting Estimates

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

Cash and Cash Equivalents

The Organization considers all highly-liquid investments, which are readily convertible to known amounts of cash and which have an original maturity of three months or less, to be cash equivalents.

Accounts Receivable

The Organization considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful account is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

PEOPLE FOR IRVINE COMMUNITY
DBA 2-1-1 ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Furniture, Fixture, and Equipment

Furniture, fixture, and equipment are stated at cost or fair market value at date of contribution. Depreciation is computed under the straight line method, with estimated useful lives ranging from five to seven years. Additions and improvements that increase the capacity or lengthen the useful lives of the assets are capitalized. Repairs and maintenance are expensed as incurred.

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

All contributions are considered to be for unrestricted use unless specifically restricted by the donor. Any such contributions are recognized as an increase to the temporarily restricted fund.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. Any necessary reserve is based on prior years' experience and management's analysis of specific promises made.

In-Kind Contributed Materials and Services

Contributed materials are recorded at their fair market value where an objective basis is available to measure their value. Such items are capitalized or charged to operations as appropriate.

Contributed services are recorded at fair value at the date of donation only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

The Organization received and recognized \$193,534 in-kind donation services and \$29,523 in-kind donation goods for the year ended June 30, 2010. The Organization received and recognized \$59,157 in-kind donation services for the year ended June 30, 2009.

Income Taxes

The Organization is a qualified nonprofit organization that is exempt from federal and state income taxes under Section 501(c) (3) of the Internal Revenue Code and Section 23701 of the California Revenue Code. This exemption is for all income taxes except for those assessed on unrelated business income, if any. The Internal Revenue Service has classified the organization as "other than a private foundation."

PEOPLE FOR IRVINE COMMUNITY
DBA 2-1-1 ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a program basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on actual labor hours incurred with respect to the various programs and support services.

New Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (FASB) released a new FASB Interpretation entitled "Accounting for Uncertainty in Income Taxes". This new interpretation provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the financial statements. It also, requires the evaluation of tax positions taken in the course of preparing the Organization's informational returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the "more-likely-than-not" threshold would be booked as a tax expense in the current year and recognized as a liability for unrecognized tax benefit, an increase in deferred tax liability, or a combination thereof. The provisions of this interpretation are effective for the Organization's 2010 fiscal year financial statements. Management is currently evaluating the implications of this interpretation, and its impact on the financial statements has not yet been determined.

In September 2006 the FASB issued a new Statement of Financial Accounting Standards entitled "Fair Value Measurements". The standard defines fair value and establishes a framework for measuring fair value when fair value is required for recognition or disclosure purposes under Generally Accepted Accounting Principles (GAAP). The standard also expands disclosure about fair value measurement but does not require any new fair value measurements. The standard is effective for financial statements issued for fiscal years beginning after November 15, 2007 and is required to be applied prospectively, except for certain financial instruments. Any transition adjustment will be recognized as an adjustment to opening unrestricted net assets in the year of adoption.

In February 2008, the FASB issued a FASB Staff Position about the effective date of the Statement of Financial Accounting Standards entitled "Fair Value Measurements" which permits the delayed application of the statement for nonfinancial assets and nonfinancial liabilities other than those items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The delayed effective date is for fiscal years beginning after November 15, 2008. Accordingly, management has only partially adopted the statement as of June 30, 2010. The partial adoption of this statement did not have a material effect on the Organization's financial statements. Additionally, the coming full adoption is not expected to have a material effect on the Organization's financial statements.

PEOPLE FOR IRVINE COMMUNITY
DBA 2-1-1 ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In February 2007, the FASB issued a new Statement of Financial Accounting Standards entitled, “The Fair Value Option for Financial Assets and Financial Liabilities.” The standard permits entities to choose to measure selected financial assets and liabilities and other eligible items at fair value, which are not otherwise currently required to be measured at fair value. The Organization did not elect the fair value option for any financial assets or liabilities during its fiscal year 2010.

In August 2008, the FASB issued a new Statement of Position entitled “Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Act, and Enhanced Disclosures for All Endowment Funds”. The Statement of Position states that the portion of an endowment that is not permanent is time restricted until the organization appropriates it for expenditure and requires all organizations to make expanded disclosures, which are designed to explain the net asset classification, net asset composition, changes in net asset composition, spending policy, and investment policy of an organization’s endowment funds. The Statement of Position is effective for fiscal years ending after June 15, 2008.

NOTE 2 – FURNITURE, FIXTURE, AND EQUIPMENT

Furniture, fixture, and equipment consist of the following:

	<u>2010</u>	<u>2009</u>
Furniture, fixtures and equipment	\$ 87,726	\$ 58,204
Less accumulated depreciation	(47,601)	(38,034)
	\$ 40,125	\$ 20,170

Depreciation expense for the year ending June 30, 2010 and 2009 was \$9,567 and \$7,139, respectively.

In 2007, the Organization received a contribution from the County of Orange in the amount of \$266,000 restricted for the purchase and installation of equipment that will allow the Organization to be in telecommunications surge capacity and increase disaster readiness. According to the contribution documentation, ownership of the equipment purchased belongs to the County. All expenditures relating to this donation were expensed and not capitalized. Equipment in the amount of \$266,000 are used in operations but are not recorded on the Statement of Financial Position because title is held by the grantors.

PEOPLE FOR IRVINE COMMUNITY
DBA 2-1-1 ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following reasons at June 30,

	<u>2010</u>	<u>2009</u>
Purpose Restriction	\$ 11,260	\$ 47,500
Time Restriction		85,000
	<u>\$ 11,260</u>	<u>\$ 132,500</u>

Net assets were released from donor restrictions either by incurring expenses, which satisfied the restricted purposes or by the occurrences of other events specified by donors.

NOTE 4 - LEASES

During October 2009, the Organization entered into a three year lease for an office facility located in Irvine, CA. Rent expense for the year ended June 30, 2010 and 2009 was \$40,702 and \$35,980, respectively. Future minimum lease payments for the year ended June 30, under the lease will be:

2011	\$ 34,808
2012	35,852
2013	<u>12,068</u>
	<u>\$ 87,728</u>

NOTE 5 – PENSION PLAN

The employees of this non-profit organization qualify for salary reductions under code section 403(b) contributions to the electing employees' 403(b) retirement annuities or custodian accounts are made the month following payroll deductions. 2-1-1 Orange County facilitates the contributions of participants. All full-time employees are eligible upon hire, or any time there after.

NOTE 6 - CONCENTRATION OF CREDIT RISK

The Organization operates in Southern California and is subject to fluctuations in the local economy, which could impact contributions, specifically grants and donations.

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although it is considered a possibility, the management deems the contingency remote, since by accepting the grant and their term it has accommodated the objectives of the grantor under the provisions of the grant.