

**CONTRA COSTA INTERFAITH
TRANSITIONAL HOUSING, INC.
DBA: CONTRA COSTA INTERFAITH
HOUSING, INC.**

**FINANCIAL STATEMENTS
and
ADDITIONAL INFORMATION**

JUNE 30, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Contra Costa Interfaith Transitional Housing, Inc.
dba: Contra Costa Interfaith Housing, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Contra Costa Interfaith Transitional Housing, Inc. dba: Contra Costa Interfaith Housing, Inc., a nonprofit organization, which comprise the statement of financial position as of June 2013 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 auditors' 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 auditors consider 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.

INDEPENDENT AUDITORS' REPORT

continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Contra Costa Interfaith Transitional Housing, Inc. dba: Contra Costa Interfaith Housing, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Summarized Comparative Information

We have previously audited Contra Costa Interfaith Transitional Housing, Inc. dba: Contra Costa Interfaith Housing, Inc.'s 2012 financial statements and our report dated October 12, 2012 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2013 on our consideration of Contra Costa Interfaith Transitional Housing, Inc. dba: Contra Costa Interfaith Housing, Inc.'s internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Contra Costa Interfaith Transitional Housing, Inc. dba: Contra Costa Interfaith Housing, Inc.'s internal control over financial reporting and compliance.

Harrington Group

San Francisco, California
October 22, 2013

**CONTRA COSTA INTERFAITH
TRANSITIONAL HOUSING, INC.
DBA: CONTRA COSTA INTERFAITH HOUSING, INC.**

STATEMENT OF FINANCIAL POSITION

June 30, 2013

With comparative totals at June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013</u>	<u>2012</u>
Assets					
Cash and cash equivalents (Note 2)	\$ 287,127	\$ -	\$ -	\$ 287,127	\$ 468,616
Accounts receivable	112,851	181,500		294,351	67,397
Prepaid expenses	13,689			13,689	9,078
Investments (Note 3)	2,062		7,100	9,162	8,173
Investment property (Note 3)	1,859,401			1,859,401	1,175,350
Property and equipment (Note 5)	14,577			14,577	16,187
Total assets	<u>\$ 2,289,707</u>	<u>\$ 181,500</u>	<u>\$ 7,100</u>	<u>\$ 2,478,307</u>	<u>\$ 1,744,801</u>
Liabilities and net assets					
Liabilities					
Accounts payable	\$ 14,977	\$ -	\$ -	\$ 14,977	\$ 14,950
Accrued vacation	24,376			24,376	23,167
Accrued liabilities	17,336			17,336	15,024
Total liabilities	<u>56,689</u>	<u>-</u>	<u>-</u>	<u>56,689</u>	<u>53,141</u>
Net assets					
Unrestricted	2,233,018			2,233,018	1,623,547
Temporarily restricted (Note 7)		181,500		181,500	61,013
Permanently restricted (Note 8)			7,100	7,100	7,100
Total net assets	<u>2,233,018</u>	<u>181,500</u>	<u>7,100</u>	<u>2,421,618</u>	<u>1,691,660</u>
Total liabilities and net assets	<u>\$ 2,289,707</u>	<u>\$ 181,500</u>	<u>\$ 7,100</u>	<u>\$ 2,478,307</u>	<u>\$ 1,744,801</u>

The accompanying notes are an integral part of these financial statements.

**CONTRA COSTA INTERFAITH
TRANSITIONAL HOUSING, INC.
DBA: CONTRA COSTA INTERFAITH HOUSING, INC.**

STATEMENT OF ACTIVITIES
For the year ended June 30, 2013
With comparative totals for the year ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013</u>	<u>2012</u>
Revenue and support					
Government contract revenue (Note 9)	\$ 385,152	\$ -	\$ -	\$ 385,152	\$ 339,653
Contributions	213,586	606,614		820,200	261,043
Special events (net of expenses of \$28,974)	82,802	37,200		120,002	121,517
Service fees	156,817			156,817	59,438
In-kind contribution (Note 2)	11,560	79,262		90,822	16,300
Dividend income	2,186			2,186	1,557
Interest income	609			609	792
Gain on investment	817			817	148
Net asset released from program restrictions	7,265	(7,265)		-	-
Net asset released from capital restrictions	595,324	(595,324)		-	-
Total revenue and support	<u>1,456,118</u>	<u>120,487</u>	<u>-</u>	<u>1,576,605</u>	<u>800,448</u>
Expenses					
Program services	751,232			751,232	631,781
Management and general	39,733			39,733	38,373
Fundraising	55,682			55,682	57,912
Total expenses	<u>846,647</u>	<u>-</u>	<u>-</u>	<u>846,647</u>	<u>728,066</u>
Change in net assets	609,471	120,487	-	729,958	72,382
Net assets, beginning of year	<u>1,623,547</u>	<u>61,013</u>	<u>7,100</u>	<u>1,691,660</u>	<u>1,619,278</u>
Net assets, end of year	<u>\$ 2,233,018</u>	<u>\$ 181,500</u>	<u>\$ 7,100</u>	<u>\$ 2,421,618</u>	<u>\$ 1,691,660</u>

The accompanying notes are an integral part of these financial statements.

**CONTRA COSTA INTERFAITH
TRANSITIONAL HOUSING, INC.
DBA: CONTRA COSTA INTERFAITH HOUSING, INC.**

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2013
With comparative totals for the year ended June 30, 2012

	Program Services	Management and General	Fundraising	Total Expenses	
				2013	2012
Salaries	\$ 530,645	\$ 28,692	\$ 38,657	\$ 597,994	\$ 486,473
Payroll taxes and employee benefits	98,484	5,325	7,174	110,983	83,326
Total personnel costs	629,129	34,017	45,831	708,977	569,799
Direct program	44,581		-	44,581	67,743
Office expense	17,765	961	5,444	24,170	24,242
Rent	13,702	741	998	15,441	14,111
Printing and production	5,935	321	432	6,688	8,851
Depreciation	8,875	480	647	10,002	8,415
Accounting	7,099	383	517	7,999	8,001
Supplies	5,083	275	370	5,728	7,728
Insurance	5,428	1,747	395	7,570	7,022
Professional fees	4,364	193	260	4,817	4,119
Telephone	2,401	130	175	2,706	3,728
Postage	2,433	132	177	2,742	3,114
Travel and meetings		113	113	226	1,044
Marketing	4,437	240	323	5,000	149
Total 2013 functional expenses	\$ 751,232	\$ 39,733	\$ 55,682	\$ 846,647	
Total 2012 functional expenses	\$ 631,781	\$ 38,373	\$ 57,912		\$ 728,066

The accompanying notes are an integral part of these financial statements.

**CONTRA COSTA INTERFAITH
TRANSITIONAL HOUSING, INC.
DBA: CONTRA COSTA INTERFAITH HOUSING, INC.**

STATEMENT OF CASH FLOWS
For the year ended June 30, 2013
With comparative totals for the year ended June 30, 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ 729,958	\$ 72,382
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,002	8,415
Dividends reinvested	(172)	(187)
(Gain) on investment	(817)	(148)
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(226,954)	(16,654)
(Increase) in prepaid expenses	(4,611)	(2,812)
Increase in accounts payable	27	6,186
Increase in accrued vacation	1,209	2,108
Increase in accrued liabilities	2,312	6,372
	510,954	75,662
Cash flows from investing activities:		
Capital improvements on Garden Park Apartments Community	(684,051)	(21,923)
Purchase of property and equipment	(8,392)	(4,776)
Proceeds from sale of investments	-	1,332
	(692,443)	(25,367)
Net (decrease) increase in cash and cash equivalents	(181,489)	50,295
Cash and cash equivalents, beginning of year	468,616	418,321
Cash and cash equivalents, end of year	\$ 287,127	\$ 468,616

The accompanying notes are an integral part of these financial statements.

**CONTRA COSTA INTERFAITH
TRANSITIONAL HOUSING, INC.
DBA: CONTRA COSTA INTERFAITH HOUSING, INC.**

NOTES TO FINANCIAL STATEMENTS

1. Organization

Contra Costa Interfaith Transitional Housing, Inc. dba: Contra Costa Interfaith Housing, Inc. (“CCIH”) was organized under the laws of the State of California and incorporated in 1997 as a nonprofit corporation. The mission of CCIH is to provide permanent, affordable housing and vital support services to homeless and at-risk families and individuals in Contra Costa County. CCIH’s objectives are to provide deeply affordable housing and on-site services that prevent homelessness, support self-reliance, and assist families and their children to thrive. CCIH programs prioritize youth academics, health, and wellness in order to break a cycle of intergenerational poverty and homelessness.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of CCIH are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Unrestricted. These generally result from revenue generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Temporarily Restricted. CCIH reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions. Temporarily restricted net assets at June 30, 2013 consist of \$181,500 at June 30, 2013.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit CCIH to expend all of the income (or other economic benefits) derived from the donated assets. CCIH has permanently restricted net assets of \$7,100 at June 30, 2013.

**CONTRA COSTA INTERFAITH
TRANSITIONAL HOUSING, INC.
DBA: CONTRA COSTA INTERFAITH HOUSING, INC.**

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

CCIH has defined cash and cash equivalents as cash in banks and certificates of deposits with an original maturity of three months or less.

Accounts Receivable

Accounts receivable are receivables from governmental agencies. Therefore, no allowance for doubtful accounts has been provided.

Investments

CCIH values its investments at fair value. Unrealized gains or losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as gain or loss on investments. Short term highly liquid money market deposits that are not used for operations are treated as investments.

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

CCIH is required to measure one type of asset and certain revenue at fair value: non-cash contributions and investments. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relate to each element.

Concentration of Credit Risks

CCIH places its temporary cash investments with high credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. CCIH has not incurred losses related to these investments.

The primary receivable balance outstanding at June 30, 2013 consists of government contract receivables due from county granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of CCIH's receivables consist of earned fees from contract programs granted by governmental agencies.

continued

**CONTRA COSTA INTERFAITH
TRANSITIONAL HOUSING, INC.
DBA: CONTRA COSTA INTERFAITH HOUSING, INC.**

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred.

Property and equipment are capitalized if the cost of an asset is greater than or equal to five hundred dollars and the useful life is greater than one year.

Donated Materials and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. For the year ended June 30, 2013, CCIH recorded in-kind contributions of \$90,822 for donated materials and services.

Income Taxes

CCIH is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d).

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by CCIH in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. CCIH's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Functional Allocation of Expenses

Costs of providing CCIH's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. CCIH uses salary to allocate indirect cost.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

continued

**CONTRA COSTA INTERFAITH
TRANSITIONAL HOUSING, INC.
DBA: CONTRA COSTA INTERFAITH HOUSING, INC.**

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Comparative Totals

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CCIH's financial statements for the year ended June 30, 2012 from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through October 22, 2013, the date which the financial statements were available.

3. Investments

Investments at June 30, 2013 consist of the following:

Mutual Funds	\$ 9,162
Garden Park Apartments	<u>1,859,401</u>
	<u>\$1,868,563</u>

On September 30, 2003, Mercy Housing California and CCIH formed a collaborative named the Garden Park Apartments Community ("GPAC") to operate the Garden Park Apartments. On September 30, 2003, CCIH transferred title of Garden Park Apartments to GPAC and GPAC paid the corresponding mortgage on the apartment complex. The mission of GPAC is to provide permanent housing and on-site support services. Upon transfer of the apartments to GPAC, CCIH was given an interest in the apartments equal to CCIH's original down payment on the property and principal payments made on the mortgage less monies received by CCIH for the transfer of the apartments and the liability on the property management statement on September 30, 2003. CCIH's investment in the Garden Park Apartments at June 30, 2013 is \$1,859,401. Included in this balance are capital improvements made during FY 2013 to Garden Park Apartments for \$684,051. These improvements include the expansion of the Garden Park Apartments Community Center and the addition of a two bedroom unit to the complex.

continued

**CONTRA COSTA INTERFAITH
TRANSITIONAL HOUSING, INC.
DBA: CONTRA COSTA INTERFAITH HOUSING, INC.**

NOTES TO FINANCIAL STATEMENTS

4. Fair Value Measurements

The table below presents the balances of assets measures at fair value at June 30, 2013 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$9,162	\$ -	\$ -	\$ 9,162
Garden Park Apartments			<u>1,859,401</u>	<u>1,859,401</u>
	<u>\$9,162</u>	<u>\$ -</u>	<u>\$1,859,401</u>	<u>\$1,868,563</u>

The fair values of mutual funds have been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

The fair values of Garden Park Apartments have been measured on estimates using the best information available when there is little or no market (Level 3 inputs).

The following table provides further details of the Level 3 fair value measurements:

Beginning balance	\$1,175,350
Additional contributed equity	<u>684,051</u>
Ending balance	<u>\$1,859,401</u>

The table below present transactions measured at fair value on a non-recurring basis during the year ended June 30, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Contributed materials and services	<u>\$ -</u>	<u>\$90,822</u>	<u>\$ -</u>	<u>\$90,822</u>

The fair values of contributed materials and services have been measured on a recurring basis using quoted prices in active or inactive markets for the same or similar assets (Level 2 inputs).

5. Property and Equipment

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

Equipment	\$ 44,129
Less: accumulated depreciation	<u>(29,552)</u>
	<u>\$ 14,577</u>

continued

**CONTRA COSTA INTERFAITH
TRANSITIONAL HOUSING, INC.
DBA: CONTRA COSTA INTERFAITH HOUSING, INC.**

NOTES TO FINANCIAL STATEMENTS

6. Commitments and Contingencies

Obligation Under Operating Lease

CCIH's leases its Walnut Creek office under an operating lease that expires in July 2015. Future minimum payments, by year and in the aggregate, under this lease, consist of the following:

<u>Year ended June 30,</u>	
2014	\$14,329
2015	<u>1,197</u>
	<u>\$15,526</u>

Rent expense under operating leases for the year ended June 30, 2013 was \$15,441

Contracts

CCIH's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, CCIH has no provisions for the possible disallowance of program costs on its financial statements.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2013 consist of the following:

Community room grants for GPAC through CCIH	\$170,000
Episcopal Charities	10,000
Rental support	<u>1,500</u>
	<u>\$181,500</u>

**CONTRA COSTA INTERFAITH
TRANSITIONAL HOUSING, INC.
DBA: CONTRA COSTA INTERFAITH HOUSING, INC.**

NOTES TO FINANCIAL STATEMENTS

8. Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2013 consist of the corpus amount from various donors in the amount of \$7,100. The general purpose of the endowment fund is to provide a reserve, the interest and dividends from which may be expended to “support CCIH's mission”.

Generally accepted accounting principles provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”). It also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and Board-designated endowment funds) whether or not the organization is subject to UPMIFA.

CCIH classifies as permanently restricted net assets, (a) the original value of the gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by CCIH.

Investment Objectives, Asset Allocation, and the Disbursement Policy

The fund will be invested by the Finance Committee in accordance with overall investment policy of CCIH. The Board of Directors of CCIH will control the Endowment Fund. Recommendation for expenditures will originate with the Program Committee and will require approval of the Board.

Endowment Net Assets Composition by Type of Fund as of June 30, 2013:

	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	Total Endowment Assets
Donor-restricted endowment funds	<u>\$2,062</u>	<u>\$7,100</u>	<u>\$9,162</u>
Total funds			

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2013:

	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	Total Endowment Assets
Endowment net assets, beginning of year	\$1,073	\$7,100	\$8,173
Net appreciation	817	-	817
Interest income	<u>172</u>	<u>-</u>	<u>172</u>
Endowment net assets, end of year	<u>\$2,062</u>	<u>\$7,100</u>	<u>\$9,162</u>

**CONTRA COSTA INTERFAITH
TRANSITIONAL HOUSING, INC.
DBA: CONTRA COSTA INTERFAITH HOUSING, INC.**

NOTES TO FINANCIAL STATEMENTS

9. Government Contracts

Government contracts for the year ended June 30, 2013 consist of the following:

Mental Health Services	\$210,776
Strengthening Distressed Families and Children Program	59,238
Promoting Safe and Stable Families	60,138
Housing Advocacy	<u>55,000</u>
	<u>\$385,152</u>

ADDITIONAL INFORMATION

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

To the Board of Directors
Contra Costa Interfaith Transitional Housing, Inc.
dba: Contra Costa Interfaith Housing, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Contra Costa Interfaith Transitional Housing, Inc. dba: Contra Costa Interfaith Housing, Inc. ("CCIH") (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, and have issued our report thereon dated October 22, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered CCIH's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CCIH's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CCIH's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of CCIH's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CCIH's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CCIH's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harrington Group

San Francisco, California
October 22, 2013