

OCEAN'S HARBOR HOUSE FOUNDATION, INC.

FINANCIAL STATEMENTS

For the Years Ended December 31, 2007 and 2006

JUMP, SCUTELLARO AND COMPANY, L.L.P. CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ocean's Harbor House Foundation, Inc.

We have audited the accompanying statements of financial position of Ocean's Harbor House Foundation, Inc. (the "Foundation") as of December 31, 2007 and 2006 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ocean's Harbor House Foundation, Inc. as of December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

May 2, 2008
Toms River, New Jersey

Jump Scutellaro & Company LLP

Ocean's Harbor House Foundation, Inc.

Statements of Financial Position

December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash	\$ 69,807	45,446
Prepaid expenses	<u>4,346</u>	<u>4,994</u>
Total current assets	<u>74,153</u>	<u>50,440</u>
Other assets	<u>2,500</u>	<u>2,500</u>
	<u>\$ 76,653</u>	<u>52,940</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 9,221	1,493
Accrued expenses	333	570
Deferred income	<u>-</u>	<u>425</u>
Total current liabilities	<u>9,554</u>	<u>2,488</u>
Net assets:		
Restricted		
Unrestricted	67,099	45,539
Temporarily restricted	<u>-</u>	<u>4,913</u>
Total net assets	<u>67,099</u>	<u>50,452</u>
	<u>\$ 76,653</u>	<u>52,940</u>

See accompanying notes to financial statements.

Ocean's Harbor House Foundation, Inc.

Statements of Activities

For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Support and revenue:		
Contributions	\$ 15,142	7,951
Fundraising	385,235	310,327
Interest Income	2	-
Revenues released from restriction	<u>4,913</u>	<u>10,242</u>
Total support and revenue	<u>405,292</u>	<u>328,520</u>
Expenses:		
Program services	185,000	139,360
Management and general	12,389	15,036
Fundraising	<u>186,343</u>	<u>163,403</u>
Total expenses	<u>383,732</u>	<u>317,799</u>
Increase in unrestricted net assets	21,560	10,721
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	-	15,155
Assets released from restrictions	<u>(4,913)</u>	<u>(10,242)</u>
Increase(decrease) in temporarily restricted net assets	<u>(4,913)</u>	<u>4,913</u>
Increase in net assets	16,647	15,634
Net assets, beginning of year	<u>50,452</u>	<u>34,818</u>
Net assets, end of year	<u>\$ 67,099</u>	<u>50,452</u>

See accompanying notes to financial statements.

Ocean's Harbor House Foundation, Inc.

Statements of Cash Flows

For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from Operating Activities:		
Excess of revenues over expenses	\$ 16,647	15,634
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Prepaid expenses	648	3,966
Accounts payable	7,728	(2,049)
Accrued expenses	(237)	3
Deferred revenue	<u>(425)</u>	<u>(1,100)</u>
Cash provided by operating activities	<u>24,361</u>	<u>16,454</u>
Net increase in cash and cash equivalents	24,361	16,454
Cash and cash equivalents, beginning of year	<u>45,446</u>	<u>28,992</u>
Cash and cash equivalents, end of year	<u>\$ 69,807</u>	<u>45,446</u>

See accompanying notes to financial statements.

Ocean's Harbor House Foundation, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2007 and 2006

1. Nature of Operations

The Ocean's Harbor House Foundation, Inc. is a nonprofit organization operating exclusively for charitable purposes. The Foundation raises money and awareness for Ocean's Harbor House, Inc., a non-profit organization that provides emergency shelter, transitional housing, outreach and counseling services for runaway, homeless and abused children and youth.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statements of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets of the Foundation are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations. These assets may, however, be subject to board designation.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that will be met either by completion of a stipulated action and/or the passage of time.

Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on net assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor-imposed restrictions.

Estimates

The preparation of financial statements with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents includes all cash balances and highly liquid investments with a maturity of three months or less.

Ocean's Harbor House Foundation, Inc.

Notes to Financial Statements (Continued)

For the Years Ended December 31, 2007 and 2006

2. Summary of Significant Accounting Policies (continued)

Concentration of Credit Risk

The Foundation maintains several cash balances at one bank. Accounts at the institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$100,000. As of December 31, 2007 and 2006, the Foundation had no cash balances on deposit that exceeded the \$100,000 balance insured by the FDIC.

Income Taxes

The Foundation qualifies as a tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code and accordingly, is not subject to federal income tax. In addition, the Foundation qualifies as a charitable organization under the State of New Jersey, Charitable Registration and Investigation Act of 1994 and is exempt from state income taxes.

Contributions

The Foundation has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made". Contributions received are recorded as unrestricted, temporarily restricted, and permanently restricted net assets based on the restrictions placed by the donor.

3. Cash and Cash Equivalents

The Foundation held the following cash positions at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Checking	\$ <u>69,807</u>	<u>45,446</u>
Total unrestricted cash	\$ <u><u>69,807</u></u>	<u><u>45,446</u></u>

4. Related-Party Transactions

The Foundation, whose purpose is to generate financial support to enhance the mission of Ocean's Harbor House, Inc., has common management. The direct contributions given to Ocean's Harbor House, Inc. during the year ended December 31, 2007, and 2006 were \$185,000 and \$139,360, respectively.

5. Compensated Absences

Compensated absences for sick pay and personal time have not been accrued since they cannot be reasonably estimated. The Company's policy is to recognize these costs when actually paid.

Ocean's Harbor House Foundation, Inc.

Notes to Financial Statements (Continued)

For the Years Ended December 31, 2007 and 2006

6. Contributions In-kind

Many volunteers have donated significant amounts of their time to the Organization's special events and program services. These services include support staff and planners for the Bike tour. The value of these donated services, materials and supplies that are included in the financial statements and the corresponding expenses for the years ended December 31, 2006 and 2007 are reflected in the accompanying financial statements as in-kind support and offset by like amounts included in expenses.

Ocean's Harbor House Foundation, Inc.

Schedule of Functional Expenses

For the Years Ended December 31, 2007
 (with summarized financial information for 2006)

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2007</u>	<u>Total 2006</u>
Salaries	\$ -	-	25,359	25,359	\$ 28,360
Payroll taxes	-	-	2,787	2,787	3,106
Professional fees	-	2,000	-	2,000	2,940
Office supplies	-	55	4,660	4,715	2,460
Fundraising	-	-	7,119	7,119	5,857
Taxes and licenses	-	215	8,567	8,782	7,569
Rent	-	-	55,440	55,440	55,290
Insurance	-	2,932	1,991	4,923	5,037
Utility expenses	-	-	11,179	11,179	11,707
Contributions	185,000	-	-	185,000	139,360
Bank service charges	-	11	2,154	2,165	1,391
Subcontractors	-	7,176	-	7,176	6,814
Maintenance/Repairs	-	-	13,169	13,169	12,065
Bike tournament expenses	-	-	53,918	53,918	35,843
	<u>\$ 185,000</u>	<u>12,389</u>	<u>186,343</u>	<u>383,732</u>	<u>\$ 317,799</u>

See accompanying notes to financial statements.