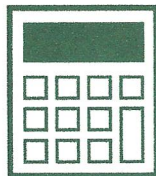
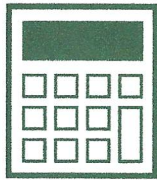


GRANDMA'S HOUSE OF HOPE
(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
AND
INDEPENDENT AUDITOR'S REPORT



Banks Accountancy
Certified Public Accountants



Banks Accountancy

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Grandma's House of Hope:

We have audited the accompanying financial statements of **Grandma's House of Hope (a nonprofit organization)**, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years 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; 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.

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 from 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The financial statements of Grandma's House of Hope as of December 31, 2016 were audited by other auditors whose report dated March 6, 2017, expressed an unmodified opinion on those statements.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grandma's House of Hope as of December 31, 2017, 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.



Tustin, California
March 21, 2018

INDEX

	<u>Page</u>
Independent Auditor's Report	2
Financial Statements:	
Statements of Financial Position	4
Statements of Activities	5
Statements of Cash Flows	7
Notes to Financial Statements	8
Schedule of Functional Expenses	14

GRANDMA'S HOUSE OF HOPE
(A NONPROFIT ORGANIZATION)

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016

	2017	2016
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 193,921	\$ 38,665
Program fees receivable	39,416	47,720
Other receivables	81,292	74,345
Escrow deposits	23,000	2,000
Prepaid expenses	17,399	10,265
Total current assets	<u>355,028</u>	<u>172,995</u>
FIXED ASSETS, NET	28,148	22,425
SECURITY DEPOSITS	<u>31,398</u>	<u>28,327</u>
TOTAL ASSETS	<u><u>\$ 414,574</u></u>	<u><u>\$ 223,747</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 14,899	\$ 2,513
Credit card payable	9,839	-
Line of credit payable	18,066	-
Short term notes payable	90,093	88,579
Accrued payroll and benefits	30,919	17,194
Accrued expenses	2,665	6,773
TOTAL LIABILITIES	<u>166,481</u>	<u>115,059</u>
NET ASSETS:		
Net assets with donor restrictions	125,000	12,500
Net assets without donor restrictions	<u>123,093</u>	<u>96,188</u>
TOTAL NET ASSETS	<u>248,093</u>	<u>108,688</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 414,574</u></u>	<u><u>\$ 223,747</u></u>

See accompanying notes to the financial statements.

GRANDMA'S HOUSE OF HOPE
(A NONPROFIT ORGANIZATION)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
SUPPORT:			
Grants	\$ 89,500	\$ 228,273	\$ 317,773
Contributions	317,045	110,000	427,045
In-kind contributions	1,100,825	-	1,100,825
Release from restrictions	225,773	(225,773)	-
Total support	1,733,143	112,500	1,845,643
REVENUES:			
Program services	556,579	-	556,579
Special events	265,987	-	265,987
Other income	136	-	136
Total revenues	822,702	-	822,702
TOTAL SUPPORT AND REVENUES	2,555,845	112,500	2,668,345
OPERATING EXPENSES:			
Program services	2,295,326		2,295,326
Management and general	68,686		68,686
Fundraising	164,928		164,928
Total operating expenses	2,528,940		2,528,940
INCREASE IN NET ASSETS	26,905	112,500	139,405
NET ASSETS, BEGINNING OF YEAR	96,188	12,500	108,688
NET ASSETS, END OF YEAR	\$ 123,093	\$ 125,000	\$ 248,093

See accompanying notes to financial statements.

GRANDMA'S HOUSE OF HOPE
(A NONPROFIT ORGANIZATION)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
SUPPORT:			
Grants	\$ 448,098	\$ -	\$ 448,098
Contributions	120,272	-	120,272
In-kind contributions	1,015,749	-	1,015,749
Release from restrictions	67,500	(67,500)	-
Total support	<u>1,651,619</u>	<u>(67,500)</u>	<u>1,584,119</u>
REVENUES:			
Program services	512,826	-	512,826
Special events	66,876	-	66,876
Other income	991	-	991
Total revenues	<u>580,693</u>	<u>-</u>	<u>580,693</u>
TOTAL SUPPORT AND REVENUES	2,232,312	(67,500)	2,164,812
OPERATING EXPENSES:			
Program services	2,039,068		2,039,068
Management and general	91,055		91,055
Fundraising	123,897		123,897
Total operating expenses	<u>2,254,020</u>		<u>2,254,020</u>
DECREASE IN NET ASSETS	(21,708)	(67,500)	(89,208)
NET ASSETS, BEGINNING OF YEAR	<u>117,896</u>	<u>80,000</u>	<u>197,896</u>
NET ASSETS, END OF YEAR	<u>\$ 96,188</u>	<u>\$ 12,500</u>	<u>\$ 108,688</u>

See accompanying notes to financial statements.

GRANDMA'S HOUSE OF HOPE
(A NONPROFIT ORGANIZATION)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from grants, contributions, and program services	\$ 1,351,322	\$ 1,026,163
Other cash receipts	217,523	66,907
Interest received	33	31
Cash paid to suppliers and employees	<u>(1,413,106)</u>	<u>(1,243,849)</u>
Cash provided (used) by operating activities	<u>155,772</u>	<u>(150,748)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	<u>(20,096)</u>	<u>(6,439)</u>
Cash used by investing activities	<u>(20,096)</u>	<u>(6,439)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of line of credit	(1,934)	-
Proceeds from line of credit	20,000	-
Repayment of short term note payable	(73,486)	-
Proceeds from short term note payable	<u>75,000</u>	<u>88,579</u>
Cash provided by financing activities	<u>19,580</u>	<u>88,579</u>
NET INCREASE (DECREASE) IN CASH	155,256	(68,608)
CASH, BEGINNING OF YEAR	<u>38,665</u>	<u>107,273</u>
CASH, END OF YEAR	<u><u>\$ 193,921</u></u>	<u><u>\$ 38,665</u></u>

See accompanying notes to financial statements.

GRANDMA'S HOUSE OF HOPE

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

1. NATURE OF ORGANIZATION

Grandma's House of Hope (the Organization) is a not-for-profit corporation organized in 2007 in the State of California under Section 501(c)(3) of the Internal Revenue Code. The organization provides basic needs and enrichment services to under privileged women, children and families in Orange County, California and the surrounding areas. Over 3,500 individuals benefit from the Organization's programs each year.

Grandma's House of Hope has three major programs, each designed to fulfill an underserved area of the community.

The Rescued and Restored Housing program provides temporary housing to individuals in need. As of December 31, 2017 the program consists of 120 beds in 11 homes in Orange County.

Nana's Kidz provides nutritional support to children who reside in hotels during the weekends and summertime, when school nutritional programs are not available.

Hope Works! Educational and Enrichment Center provides after school programming, adult education, early childhood development, health and wellness classes to 45 families with 93 children. This program is located within a 2,500 square foot commercial center on site at a very low-income housing project, Crossings at Cherry Orchard in Anaheim, California.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of the Organization have been prepared in accordance with the accounting principles generally accepted in the United States of America using the accrual basis of accounting.

The Organization has adopted the requirements of ASU 2016-14, which requires the Organization to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets subject to donor imposed stipulations are contributions that will be met by actions of the Organization and/or the passage of time. When a donor stipulated time restriction ends or a purpose restriction is accomplished, these assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Certain amounts in the 2016 financial statements have been reclassified to conform with the 2017 financial statement presentation.

CASH

The Organization considers all cash on hand and in checking or savings accounts as cash. There were no donor-imposed restrictions on cash in the years ended December 31, 2017 and 2016.

GRANDMA'S HOUSE OF HOPE

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ACCOUNTS RECEIVABLE AND ALLOWANCE FOR BAD DEBTS

Accounts receivable arise in the normal course of business as a result of providing program services. The Organization has elected to record bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the result that would have been obtained had the allowance method been followed.

FIXED ASSETS

Fixed assets, stated at cost, net of accumulated depreciation and amortization, consists of furniture, equipment, computer software, and intangible assets related to leased property. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of an asset are capitalized. Depreciation is computed for financial statements purposes on the straight-line method over the estimated 5-year useful lives of the related assets. Amortization of intangible assets is computed over the life of the related lease agreement.

VALUATION OF LONG-LIVED ASSETS

Long-lived assets held and used by the Organization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization's financial instruments are cash and cash equivalents, escrow deposits, accounts receivable, accounts payable, and accrued payroll and benefits. The recorded values of the financial instruments approximate their fair values based on their short-term nature.

REVENUES AND CONTRIBUTIONS

Revenues are collected from program service charges, grants, and public support. Program service charges are recognized as revenue when services are rendered. Grants are recognized as revenue when the conditions of the grant agreement have been met. Contributions of public support, including unconditional promises to give (pledges) are recognized as revenue when received. Conditional promises to give are not recognized until they become unconditional, that is, when the condition on which they depend are substantially met. Noncash contributions are recorded at their estimated value. Contributions received are to be recorded as support with or without donor restrictions depending on the existence or nature of donor restrictions.

GRANDMA'S HOUSE OF HOPE

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DONATED SERVICES, MATERIALS AND EQUIPMENT

The Organization utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The value of donated services, materials and equipment were \$1,100,825 and \$1,015,749 as of December 31, 2017 and 2016, respectively.

The Organization received significant volunteer support that did not meet the criteria for financial statement recognition but are imperative to conducting general support and program services. The total volunteer hours that are not reported as in-kind contributions were not available for the years ended December 31, 2017 and 2016.

Donations of property and equipment, rent, and professional services are recorded at fair market value at the time of receipt.

COMPENSATED ABSENCES

The accrual of compensated absences presented in the accompanying financial statements as a component of accrued payroll and benefits was \$15,002 and \$6,054 at December 31, 2017 and 2016, respectively.

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 may differ from those estimates.

INCOME TAX STATUS

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent of unrelated business taxable income. For the years ended December 31, 2017 and 2016, no provision for unrelated business taxes is required. The Organization believes that they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the financial statements.

The Organization's Returns of Organizations Exempt from Income Tax are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those returns. In general, the returns have a three to four year statute of limitations.

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 and schedule of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

GRANDMA'S HOUSE OF HOPE

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

3. FIXED ASSETS

Fixed assets consists of the following at December 31:

	<u>2017</u>	<u>2016</u>
Furniture	\$ 67,585	\$ 63,738
Equipment	46,913	46,913
Automobile	2,500	2,500
Computer Software	12,720	12,720
Intangible Assets	16,249	-
Total fixed assets	<u>145,967</u>	<u>125,871</u>
Accumulated Depreciation and Amortization	<u>(117,819)</u>	<u>(103,446)</u>
Fixed assets, net	<u><u>\$ 28,148</u></u>	<u><u>\$ 22,425</u></u>

4. LEASE AGREEMENTS

The Organization holds several lease agreements for its operations and program services locations. The lease agreements have a monthly total cost of \$33,785 and expire from November 2018 to June 2022.

The future minimum annual rental payments for the years ended December 31 are as follows:

2018	\$ 403,134
2019	261,907
2020	160,080
2021	63,198
2022	<u>22,116</u>
Total	<u><u>\$ 910,435</u></u>

The Organization has a non-refundable option consideration to buy one of the properties it currently leases for a sales price of \$699,000. The monthly payment of \$500 will be held and applied as a part of the down payment to purchase the property if the Organization exercises its option. The balance of these payments is reported in the escrow deposit account on the balance sheet and totaled \$8,000 and \$2,000 as of December 31, 2017 and 2016, respectively.

5. RELATED PARTY TRANSACTIONS

The Organization has a lease agreement in place with Soaring Hearts, LLC which expires January 3, 2019. The Executive Director of Grandma's House of Hope is a partner in Soaring Hearts, LLC. The rents paid on the aforementioned lease agreement were \$48,000 for the years ended December 31, 2017 and 2016.

GRANDMA'S HOUSE OF HOPE

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

6. SHORT-TERM FINANCING AGREEMENTS

The Organization has an unsecured loan from Nonprofit Insurance Alliance of California limited to \$50,000. Amounts drawn on the loan are payable in monthly payments of \$4,303, including 6% interest. The outstanding loan was repaid in full during April 2017.

In June 2017, the Organization received an unsecured, short term note from Nonprofit Insurance Alliance of California in the amount of \$75,000. The note bears interest at 6% and is payable in twelve monthly installments, with the balance paid in full June 1, 2018.

A short term loan was received from Pine Hill Charities in October of 2016. No payments were due until the maturation of the loan in August 2017, when the loan was due to be repaid in full. In August 2017, the Organization and Pine Hill Charities amended the original note payable to be repaid with a \$2,000 payment each month until the note is repaid in full.

The Organization maintains a line of credit with Wells Fargo. The line of credit bears interest at 2.99%. The balance on the line of credit at December 31, 2017 was \$18,066.

7. NET ASSETS WITH DONOR RESTRICTIONS

As of January 1, 2016, \$80,000 of net assets were subject to donor restrictions allowing the funds to be used only for the Transitional Housing program, HopeWorks! Education and Enrichment Center and the Community Leadership Training Program. During the year ended December 31, 2016, the conditions of the donor restrictions were substantially met and therefore, \$67,500 of net assets were released from restriction.

Grants and contributions received in the year ended December 31, 2017, totaling \$338,273, included donor imposed restrictions indicating the funds were to be used for the Transitional Housing program, HopeWorks! Education and Enrichment Center, Nana's Kidz, and the purchase of the Legacy Campus. During the year ended December 31, 2017, the conditions of the donor restrictions were substantially met and therefore, \$225,773 of net assets were released from restrictions. Net assets with donor restrictions totaled \$125,000 at December 31, 2017 and were restricted for the purpose of purchasing the Legacy Campus described in note 10.

8. CONCENTRATION OF CREDIT RISK

The Federal Deposit Insurance Corporation (FDIC) insures the Organization's accounts up to \$250,000. As of December 31, 2017 and 2016, the Organization had no uninsured balances. At no time during the years ended December 31, 2017 and 2016 did the balance in any account exceed the federally insured limits, and management does not believe it is exposed to any significant risk related to cash.

The Organization grants credit in the ordinary course of providing program services to clients who pay for housing and other services. Management believes any risk associated with these receivables is insignificant and would not have a material effect on the financial statements or financial condition of the Organization.

GRANDMA'S HOUSE OF HOPE

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

9. ECONOMIC DEPENDENCY

The Organization receives a substantial amount of its support from private sector donors and in-kind donations of professional services. A significant reduction in the level of this support, if it were to occur, would have a negative effect on its ability to fulfill program services. The Organization received a significant portion of its support from private sector contributions in the year ended December 31, 2017 and 2016, respectively. Additionally, 39% and 46% of support was attributable to in-kind contributions of food products and professional services for the years ended December 31, 2017 and 2016, respectively.

10. SUBSEQUENT EVENTS

On December 4, 2017, the Organization entered escrow to purchase the Legacy Campus property, which it currently leases for use in the Transitional Housing program. The \$10,000 escrow deposit and \$5,000 mortgage deposit made in relation to this purchase are included in the escrow deposit account on the statement of financial position as of December 31, 2017. As of February 27, 2018, the transaction was still in escrow, as final financing options are being considered.

Subsequent events were evaluated through March 21, 2018, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

GRANDMA'S HOUSE OF HOPE
(A NONPROFIT ORGANIZATION)

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	PROGRAMS	MANAGEMENT AND GENERAL	FUNDRAISING	2017 TOTAL	2016 TOTAL
EXPENSES:					
Salaries and wages	\$ 501,588	\$ 33,476	\$ 87,687	\$ 622,751	\$ 540,499
Payroll taxes	46,715	3,185	8,000	57,900	49,723
Employee benefits	22,977	8,954	1,843	33,774	19,069
Total salaries and related expenses	571,280	45,615	97,530	714,425	609,291
Advertising	5,220	-	8,718	13,938	11,067
Bank charges and interest	3,652	3,720	495	7,867	6,351
Dues and memberships	3,413	827	682	4,922	9,218
Event costs	251	-	28,300	28,551	-
Insurance	41,721	385	-	42,106	33,771
Occupancy	379,180	3,480	-	382,660	335,068
Office expense	1,980	1,017	1,057	4,054	3,938
Outside services	100	7,304	26,336	33,740	52,457
Printing, publication and postage	157	719	1,777	2,653	3,633
Program services and supplies	82,433	-	-	82,433	71,085
Repairs and maintenance	12,754	275	-	13,029	16,922
Communications	5,918	3,273	-	9,191	7,340
Travel, training and meetings	26,165	-	33	26,198	23,872
Utilities	47,975	-	-	47,975	44,390
Depreciation and amortization	12,302	2,071	-	14,373	9,868
Contributed services	288,000	-	-	288,000	263,513
In-kind contribution expense	812,825	-	-	812,825	752,236
Total expenses	<u>\$ 2,295,326</u>	<u>\$ 68,686</u>	<u>\$ 164,928</u>	<u>\$ 2,528,940</u>	<u>\$ 2,254,020</u>
	90.8%	2.7%	6.5%	100.0%	

See accompanying notes to financial statements.