

GRANDMA'S HOUSE OF HOPE
(A California not-for-profit corporation)

AUDITED FINANCIAL STATEMENTS
As of December 31, 2013

TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

GRANDMA'S HOUSE OF HOPE
(A California not-for-profit corporation)

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Partners
Jeffrey Hill, CPA
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Grandma's House of Hope
Anaheim, California

We have audited the accompanying financial statements of **Grandma's House of Hope** which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, cash flows and functional expenses 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; 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 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 opinion.

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, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Hell, Morgan and Associates, LLP

Carson, California

March 31, 2014

GRANDMA'S HOUSE OF HOPE
STATEMENT OF FINANCIAL POSITION
As of December 31, 2013

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 208,835
Accounts receivable	8,023
Prepaid expenses	2,342
Security deposits	<u>8,490</u>
Total current assets	<u>227,690</u>
 Property and equipment:	
Furniture and equipment (Note 3)	97,853
Software (Note 3)	12,721
Less: accumulated depreciation (Note 3)	<u>(63,099)</u>
Net property and equipment	<u>47,475</u>
 TOTAL ASSETS	 \$ <u><u>275,165</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 5,159
Accrued payroll and benefits	5,957
Loan payable	<u>-</u>
Total liabilities	<u>11,116</u>
 Net Assets:	
Unrestricted net assets	<u>264,049</u>
Total net assets	<u>264,049</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u><u>275,165</u></u>

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

GRANDMA'S HOUSE OF HOPE
STATEMENT OF ACTIVITIES
For the year ended December 31, 2013

SUPPORT AND REVENUES:

Program fees	\$ 193,231
Grants	464,031
Contributions	111,200
Special events (net of direct expenses of \$10,542)	10,719
Interest income	0
In-kind contributions	<u>305,062</u>

Total support and revenues 1,084,243

EXPENSES:

Program services	822,910
Management and general	76,654
Fundraising	<u>28,832</u>

Total expenses 928,396

Increase in net assets 155,847

Net assets, beginning of the year 108,202

Net assets, end of the year \$ 264,049

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

GRANDMA'S HOUSE OF HOPE
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2013

	<u>Programs</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total expenses</u>
EXPENSES:				
Salaries and wages	\$ 171,533	\$ 33,832	\$ 10,809	\$ 216,174
Payroll taxes	15,809	1,859	929	18,597
Employee benefits	2,510	295	147	2,952
Total salaries and related	<u>189,852</u>	<u>35,986</u>	<u>11,885</u>	<u>237,723</u>
Advertising and promotion	2,212	2,030	119	4,361
Bank charges and interest	3,155	371	186	3,712
Conference and meeting	4,587	809		5,396
Dues and membership	1,620	193	112	1,925
Insurance	9,167	1,019		10,186
Occupancy	147,078	21,171		168,249
Office expense	8,373	985	492	9,850
Outside services	11,195	6,000	15,500	32,695
Printing, publications, postage	3,136	369	184	3,689
Program services	43,009			43,009
Program supplies	29,300			29,300
Repairs and maintenance	18,138			18,138
Telephone and communication	2,627	309	155	3,091
Travel and meetings	3,378	397	199	3,974
Utilities	23,329	2,592		25,921
Depreciation	17,692	4,423		22,115
In-kind contributions expense	305,062			305,062
Total expenses	<u>\$ 822,910</u>	<u>\$ 76,654</u>	<u>\$ 28,832</u>	<u>\$ 928,396</u>

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

GRANDMA'S HOUSE OF HOPE
STATEMENT OF CASH FLOWS
For the year ended December 31, 2013

Cash flows from operating activities:	
Increase in net assets	\$ 155,847
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	22,115
Changes in operating assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	(5,349)
Prepaid expenses	(2,342)
Security deposit	(3,725)
Increase (decrease) in liabilities:	
Accounts payable	158
Accrued payroll and benefits	(1,400)
Loan payable	<u>(17,110)</u>
Net cash used in operating activities	<u>148,194</u>
Net increase in cash	148,194
Cash - beginning of the year	<u>60,641</u>
Cash - end of the year	<u><u>\$ 208,835</u></u>

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

GRANDMA'S HOUSE OF HOPE
NOTES TO FINANCIAL STATEMENTS

NOTE 1- NATURE OF ACTIVITIES

ORGANIZATION

Grandma's House of Hope (GHH) is a 501(C)3 nonprofit organization that provides services, programs and affordable housing to underserved and under privileged persons in Orange County and surrounding areas. GHH's provides compassionate and uplifting transitional care for homeless women in crisis and hungry children in Orange County. This mission has led us to our vision to be the safety net for uniquely challenged women and children through love, hope and healing.

In 2013, Grandma's House of Hope (GHH) has evolved from a grassroots effort of providing a small emergency shelter into a multi-program, thriving non-profit organization that provides critical basic needs to close the gaps of services available in Orange County (OC). The campus-model housing program now provides 65 transitional housing and emergency shelter beds, wrap around services and rapid re-housing support. Clients are provided with individualized case-management and additional services which includes group counseling, individual counseling, medical assessment and service referrals.

GHH serves invisible populations such as women who fall between the cracks of other programs due to special circumstances in their life. GHH strives to identify the current gaps in services and determine why people are being turned away from housing programs. The design of the programs are aligned to fit the needs of individuals with these unique circumstances, while also having a goal to illuminate the plight of such desperate populations in Orange County.

The Housing Program is known by GHH's peers to take the most challenging cases. Most referrals come from other program intake specialists calling to say they have a woman that is not a fit for their program. The women are currently homeless and have nowhere else to go. This includes women with severe mental and physical illnesses. Additionally GHH serves women with cancer and human trafficking survivors. GHH also serves women with dual-diagnosis who require anti-psychotic medications typically forbidden in shelters. According to the 2013 homeless point-in-time (PIT) count 4,251 people experience homelessness on any given night in OC. However, with most statistics related to homelessness, including the PIT count, only a fraction of the actual numbers are reported. This is well illustrated by the 7,000 calls received at GHH in 2013. Unfortunately GHH was only able to place less than 3% of the homeless women that called. The remainder of homeless women are referred to other programs. These programs also are unable to place many of the homeless women.

Approximately 15% of the women served at GHH came to the program after being rescued from human trafficking. Human trafficking is an estimated \$32 billion-a-year global industry according to the California Human Trafficking Report. After drug trafficking, human trafficking is the world's second most profitable criminal enterprise, which is a status it shares with illegal arms trafficking. Most people are unfamiliar with the realities of human trafficking and think of it as a problem overseas. However, the United States is one of the

These notes are an integral part of the preceding financial statements.

GRANDMA'S HOUSE OF HOPE
NOTES TO FINANCIAL STATEMENTS

NOTE 1- NATURE OF ACTIVITIES (continued)

top destination countries for trafficking and California is one of the nation's top four destination states for trafficking. Approximately, 72% of human trafficking victims in California are American. For five years GHH has been one of the few programs in OC to which the OC Human Trafficking Taskforce refers clients. Law enforcement and the Taskforce work to refer victims to housing programs to avoid having to arrest and criminalize them. GHH is the top choice for survivors referred from the OC Human Trafficking Taskforce because its structure is ideal for women in need of healing but also looking to develop their own autonomy.

GHH is also currently the only housing program in OC that has services specifically for homeless women with Breast Cancer. In 2012 GHH was awarded the prestigious Cal Optima Safety Net Award for its work with women with breast cancer and other severe medical needs. **The Healing House program**, for women with significant health issues, has grown so large that GHH added an additional 18 bed home to meet the growing need for a safe, clean and stable place for homeless women to recover from critical medical treatments and surgeries.

In 2007, GHH opened the **Nana's Kidz program** at a local motel where families live. Today Nana's Kidz feeds hundreds of children each month at 6 locations including motels and community centers. Nana's Kidz program was developed to meet the nutritional needs of motel children who rely on the school cafeteria as their primary source of food. The children were not eating over the weekends and summer months when the cafeteria is closed. Nana's Kidz began with 10 children at one distribution site in 2007 and now the program serves nearly 500 children. In 2013, GHH surpassed serving 1.3 million meals to children in dire circumstances. The program enables children to eat 7 meals every weekend instead of fighting hunger from Friday afternoon until Monday morning when school cafeterias reopen. It also strives to provide additional meals during the summer and holiday breaks. In addition to food, Nana's Kidz provides backpacks, school supplies, nutritional education, gift certificates for haircuts and shoes, outreach events and holiday food/gift baskets. Outreach events include holiday parties, back-to-school events and the Annual Safe Harvest Event. The Safe Harvest Event provides Nana's Kidz and other children in their neighborhood an opportunity to come trick or treat, play games, watch a magic show and enjoy some great food in a safe, fun environment. In 2013 this annual event served 1200 meals to motel families on Halloween night.

In 2010, GHH implemented the **HopeWorks! Workforce Development** program for adults in low-income families. In 2013, the **HopeWorks! Education and Enrichment Center** began to serve families who have recently moved to permanent housing and are in need of transitional support. This service includes adult education, credit resolution, and afterschool programming for at risk youth. The community center was built in the center of a new low income housing development for Section 8 housing recipients. Currently, GHH is serving 45 families with 92 children at the 2,500 square foot state of the art facility.

These notes are an integral part of the preceding financial statements.

GRANDMA'S HOUSE OF HOPE
NOTES TO FINANCIAL STATEMENTS

NOTE 1- NATURE OF ACTIVITIES (continued)

GHH was honored to be selected in 2009 to participate in a capacity building program and grant. This led to strategic planning and growth as well as building more sustainable funding streams which includes the Orange County United Way (OCUW). In 2011, GHH met the OCUW's recognized high standards of eligibility for current practices and financial stability. GHH was one of only 5 agencies to receive funding for the shelter and workforce development programs.

In 2013, GHH Executive Director was appointed by Representative Ed Royce to a 2 year term on the Anti-Human Trafficking Congressional Advisory Committee and was a finalist in 2013 for the James Irvine Foundation Leadership Award. In addition, the Executive Director was appointed by Anaheim Mayor Tait to sit on the Ad-Hoc Housing Element Committee for the City of Anaheim.

Additionally, in 2013, GHH staff grew to five full-time and five part-time employees. GHH is supported by four community leaders, a volunteer and intern base of 800, and an active and growing board of directors. GHH increased bed capacity from 26 to 65 beds in 2013.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accounts are maintained on the accrual basis of accounting, wherein expenditures are recorded when the liabilities are incurred and revenues are recognized when they are susceptible to accrual.

INCOME TAXES

GHH is a not-for-profit corporation that is exempt from Federal and state income taxes under the Internal Revenue Code Section 501(c) (3) and the California State Revenue and Taxation Code 23701 (d). Accordingly, no provision has been made for income taxes.

UNCERTAINTY IN INCOME TAXES

GHH recognizes tax benefits only to the extent that it believes it is "more likely than not" that its tax positions will be sustained upon examination by taxing authorities. GHH has not been examined by taxing authorities. However, the center's tax returns are generally still open for examination by the tax authorities for three years after they are filed. Management believes that all of its tax positions will be sustained if examined by taxing authorities, therefore no additional tax liabilities or related penalties and interest due to uncertain tax positions have been recorded.

The statute of limitation is open on tax years 2009 - 2012 for Federal and State of California.

These notes are an integral part of the preceding financial statements.

GRANDMA'S HOUSE OF HOPE
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL STATEMENT PRESENTATION

The accompanying financial statements are prepared on the accrual basis in accordance with the AICPA's Audit and Accounting Guide "Not for Profit Organizations."

ESTIMATES

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

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Cash Flows, GHH considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

CONTRIBUTIONS

Contributions received, including unconditional promises to give, are recognized as revenue at their fair value in the period received. For financial reporting purposes, GHH distinguishes between contributions received that increase one of the three net asset categories (unrestricted, temporarily restricted, and permanently restricted) in accordance with donor-imposed restrictions, and recognizes the expiration of donor-imposed restrictions in the period in which the restriction expires.

REVENUE RECOGNITION

Revenue from cost reimbursement grants and contracts is recorded to the extent of expenses incurred applicable to the grant or contract. Any difference between expenses incurred and the total funds received (not to exceed the grant or contract maximum) is recorded as a receivable or an advance whichever is applicable. Revenue from other grants is recognized on an accrual basis as earned according to the provisions of the grant. Revenue from donations and fund raising events is recognized on an accrual basis according to the condition of the promise.

PROPERTY AND EQUIPMENT

Property and equipment purchased with non-governmental grant funds and having a value of \$1,000 or more and a life expectancy greater than five years are capitalized in the year of purchase. Property and equipment are included on the financial statements at cost less the related accumulated depreciation. The depreciation method used by GHH is straight-line over the estimated useful life of the fixed assets.

These notes are an integral part of the preceding financial statements.

GRANDMA'S HOUSE OF HOPE
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows at December 31, 2013:

<u>Description</u>	<u>Cost</u>
Furniture and equipment	\$ 97,852
Software	12,721
Less: accumulated depreciation	<u>(63,099)</u>
Net property and equipment	\$ <u>47,474</u>

NOTE 4 – RELATED PARTY TRANSACTION

GHH had the following related parted transactions during the year:

Rent paid for facility owned by Executive Director \$48,000

NOTE 5 – SUBSEQUENT EVENT

GHH has evaluated subsequent events for the period from December 31, 2013 through March 31, 2014, the date the financial statement were available to be issued. Management did not identify any transactions that require disclosure or that would have an impact on the financial statements.

These notes are an integral part of the preceding financial statements.