

GRANDMA'S HOUSE OF HOPE
(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
AND
INDEPENDENT AUDITORS' REPORT



Clark & Company
Certified Public Accountants

INDEX

	<u>Page</u>
Independent Auditors' Report	2
Financial Statements:	
Statements of Financial Position	4
Statements of Activities	5
Statements of Cash Flows	5
Notes to Financial Statements	6
Schedule of Functional Expenses	13



Clark & Company

Certified Public Accountants

INDEPENDENT AUDITORS' 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 statement of financial position as of December 31, 2016 and 2015, 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 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 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.

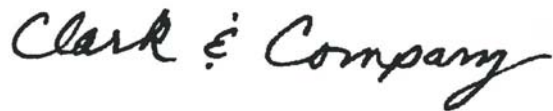
Other Matters

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, 2015 were audited by other auditors whose report dated May 10, 2016, expressed an unqualified 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, 2016, 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.

A handwritten signature in black ink that reads "Clark & Company". The signature is written in a cursive, flowing style.

Irvine, California
March 6, 2017

GRANDMA'S HOUSE OF HOPE
(A NONPROFIT ORGANIZATION)

STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS
DECEMBER 31, 2016 AND 2015

	2016	2015
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 38,665	\$ 107,273
Accounts Receivable	122,065	66,103
Prepaid Expenses	12,265	7,404
Total current assets	<u>172,995</u>	<u>180,780</u>
PROPERTY AND EQUIPMENT, NET	22,425	25,854
SECURITY DEPOSITS	<u>28,327</u>	<u>24,156</u>
TOTAL ASSETS	<u>223,747</u>	<u>230,790</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	2,513	14,850
Accrued payroll and benefits	23,967	18,044
Short term notes payable	<u>88,579</u>	<u>-</u>
TOTAL LIABILITIES	<u>115,059</u>	<u>32,894</u>
NET ASSETS:		
Temporarily restricted net assets	12,500	80,000
Unrestricted net assets	<u>96,188</u>	<u>117,896</u>
TOTAL NET ASSETS	<u>108,688</u>	<u>197,896</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 223,747</u>	<u>\$ 230,790</u>

See accompanying notes to the financial statements.

GRANDMA'S HOUSE OF HOPE
(A NONPROFIT ORGANIZATION)

STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
SUPPORT:			
Grants	\$ 448,098	\$ -	\$ 448,098
Contributions	120,272	-	120,272
In-kind contributions	1,015,749	-	1,015,749
Total additions	<u>1,584,119</u>	<u>-</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	2,164,812	-	2,164,812
OPERATING EXPENSES:			
Program services	1,971,568	67,500	2,039,068
Management and general	91,055	-	91,055
Fundraising	123,897	-	123,897
Total operating expenses	<u>2,186,520</u>	<u>67,500</u>	<u>2,254,020</u>
(DECREASE) INCREASE 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 ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
SUPPORT:			
Grants	\$ 415,771	\$ 140,000	\$ 555,771
Contributions	150,045	-	150,045
In-kind contributions	799,157	-	799,157
	<hr/>	<hr/>	<hr/>
Total additions	1,364,973	140,000	1,504,973
REVENUES:			
Program services	416,228	-	416,228
Special events	3,014	-	3,014
Other income	74	-	74
	<hr/>	<hr/>	<hr/>
Total revenues	419,316	-	419,316
TOTAL SUPPORT AND REVENUES	1,784,289	140,000	1,924,289
OPERATING EXPENSES:			
Program services	1,608,176	60,000	1,668,176
Management and general	120,770	-	120,770
Fundraising	92,744	-	92,744
	<hr/>	<hr/>	<hr/>
Total operating expenses	1,821,690	60,000	1,881,690
(DECREASE) INCREASE IN NET ASSETS	(37,401)	80,000	42,599
NET ASSETS, BEGINNING OF YEAR	155,297	-	155,297
	<hr/>	<hr/>	<hr/>
NET ASSETS, END OF YEAR	\$ 117,896	\$ 80,000	\$ 197,896
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements.

GRANDMA'S HOUSE OF HOPE
(A NONPROFIT ORGANIZATION)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from grants and program services	\$ 1,026,163	\$ 1,072,054
Other cash receipts	66,907	3,054
Interest Received	31	34
Cash paid to suppliers and employees	<u>(1,243,849)</u>	<u>(1,063,829)</u>
Cash (used) provided by operating activities	<u>(150,748)</u>	<u>11,313</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	<u>(6,439)</u>	<u>-</u>
Cash used by investing activities	<u>(6,439)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short term note payable	<u>88,579</u>	<u>-</u>
Cash provided by financing activities	<u>88,579</u>	<u>-</u>
NET (DECREASE) INCREASE IN CASH	(68,608)	11,313
CASH, BEGINNING OF YEAR	<u>107,273</u>	<u>95,960</u>
CASH, END OF YEAR	<u>\$ 38,665</u>	<u>\$ 107,273</u>

See accompanying notes to financial statements.

GRANDMA'S HOUSE OF HOPE

NOTES TO FINANCIAL STATEMENTS

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 under serviced area of the community.

The Transitional Housing program provides temporary housing to women in need. As of December 31, 2016 the programs consists of 107 beds in 6 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! is a workforce development program made available to low-income families and the women within the transitional housing program. The goal of the program is to prepare the individuals for job procurement using three computer labs which provide classes in computer skills, job searching, writing, and life skills.

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 accompanying financial statements present information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets – Net assets not subject to donor imposed restrictions
- Temporarily restricted net assets – Net assets subject to donor imposed stipulations 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.
- Permanently restricted net assets – Net assets subject to donor imposed stipulations requiring that they be maintained permanently by the Organization. The income from these assets is available for either general operations or specific programs as specified by the donor.

GRANDMA'S HOUSE OF HOPE

NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2016 and 2015.

ACCOUNTS RECEIVABLE AND ALLOWANCE FOR BAD DEBTS

Accounts receivable arise in the normal course of business in providing program services. The Organization uses the direct write-off method for bad debts of individuals who no longer receive program services, charging them to expense as they are determined to be uncollectible. The Organization believes that all receivables are collectible and therefore, has not provided an allowance for doubtful accounts as of December 31, 2016 or 2015.

PROPERTY AND EQUIPMENT

Property and equipment, stated at cost, net of accumulated depreciation, consists of furniture, equipment, and computer software. 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.

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, 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 (pledge) 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 unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of donor restrictions.

GRANDMA'S HOUSE OF HOPE

NOTES TO FINANCIAL STATEMENTS

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 \$1,015,749 and \$799,157 as of December 31, 2016 and 2015, respectively.

The Organization received a significant amount of 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, 2016 and 2015.

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

COMPENSATED ABSENCES

The Executive Director is entitled to paid vacation of 8 hours per month. The accrual of compensated absences presented in the accompanying financial statements as a component of accrued payroll and benefits was \$2,850 and \$863 at December 31, 2016 and 2015, 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, 2016 and 2015, 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

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2016</u>	<u>2015</u>
Furniture	\$ 63,738	\$ 59,799
Equipment	46,913	46,913
Automobile	2,500	-
Computer Software	<u>12,720</u>	<u>12,720</u>
Property and equipment	125,871	119,432
Accumulated depreciation	<u>(103,446)</u>	<u>(93,578)</u>
Property and equipment, net	<u>\$ 22,425</u>	<u>\$ 25,854</u>

4. LEASE AGREEMENTS

The Organization has several lease agreements for its operations and program services locations. The lease agreements have a monthly total cost of \$27,271 and expire from May 2017 to November 2020.

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

2017	\$ 264,567
2018	180,600
2019	<u>91,880</u>
Total	<u>\$ 537,047</u>

5. SHORT-TERM FINANCING AGREEMENTS

The Organization has an unsecured, revolving 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.

A short-term loan was received from Pine Hills in October of 2016. No payments are due until the maturation of the loan occurs in August 2017, when the loan is due to be repaid in full.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2015 were restricted for housing, HopeWorks! Education and enrichment Center and the Community Leadership Training Program. The conditions of the grant revenue were substantially met, and therefore the temporarily restricted net assets were released from restriction during the year ended December 31, 2016.

GRANDMA'S HOUSE OF HOPE

NOTES TO FINANCIAL STATEMENTS

7. RELATED PARTY TRANSACTIONS

The Organization has a lease agreement in place with Soaring Hearts, LLC which expires November 2018. The Executive Director of Grandma's House of Hope is a partner in Soaring Hearts, LLC. The rents paid on the aforementioned lease agreement was \$48,000 for the years ended December 31, 2016 and 2015.

8. CONCENTRATION OF CREDIT RISK

The Federal Deposit Insurance Corporation (FDIC) insures the Organization's accounts up to \$250,000. As of December 31, 2016 and 2015, the Organization had no uninsured balances. At no time during the years ended December 31, 2016 and 2015 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.

9. ECONOMIC DEPENDENCY

The Organization receives a substantial amount of its support from the 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 54% and 58% of its support from private sector contributions in the year ended December 31, 2016 and 2015, respectively. Additionally, 46% and 42% of support was attributable to in-kind contributions of food products and professional services for the years ended December 31, 2016 and 2015, respectively.

10. SUBSEQUENT EVENTS

Subsequent events were evaluated through March 6, 2017, 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 YEAR ENDED DECEMBER 31, 2016 AND 2015

	PROGRAMS	MANAGEMENT AND GENERAL	FUNDRAISING	2016 TOTAL	2015 TOTAL
EXPENSES:					
Salaries and wages	\$ 430,322	\$ 41,913	\$ 68,264	\$ 540,499	\$ 463,347
Payroll taxes	39,479	3,869	6,375	49,723	66,274
Employee benefits	15,094	2,900	1,075	19,069	5,734
Total salaries and related expenses	484,895	48,682	75,714	609,291	535,355
Advertising	3,538	-	7,529	11,067	13,391
Bank charges and interest	3,230	2,190	931	6,351	6,155
Dues and memberships	8,629	20	569	9,218	2,145
Insurance	29,138	4,633	-	33,771	15,675
Occupancy	312,945	22,123	-	335,068	310,803
Office expense	3,437	501	-	3,938	1,728
Outside services	21,551	7,500	23,406	52,457	24,805
Printing, publication and postage	774	94	2,765	3,633	3,579
Program services and supplies	62,358	-	8,727	71,085	54,708
Repairs and maintenance	16,922	-	-	16,922	17,755
Communications	5,196	2,144	-	7,340	5,056
Travel, training and meetings	19,002	614	4,256	23,872	32,028
Utilities	44,390	-	-	44,390	42,120
Depreciation	7,314	2,554	-	9,868	17,230
Contributed services	263,513	-	-	263,513	-
In-kind contribution expense	752,236	-	-	752,236	799,157
Total expenses	<u>\$ 2,039,068</u>	<u>\$ 91,055</u>	<u>\$ 123,897</u>	<u>\$ 2,254,020</u>	<u>\$ 1,881,690</u>

See accompanying notes to financial statements.