

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

AUDITED FINANCIAL STATEMENTS
As of December 31, 2014

TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

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

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Partners
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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, 2014, 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, 2014, 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

January 15, 2015

GRANDMA'S HOUSE OF HOPE
STATEMENT OF FINANCIAL POSITION
As of December 31, 2014
(With comparative totals as of December 31, 2013)

ASSETS	2014	2013
Current Assets:		
Cash and cash equivalents	\$ 95,960	\$ 208,835
Accounts receivable	16,113	8,023
Prepaid expenses	18,652	2,342
Security deposits	<u>19,885</u>	<u>8,490</u>
Total current assets	<u>150,610</u>	<u>227,690</u>
Property and equipment:		
Furniture and equipment (Note 3)	106,712	97,853
Software (Note 3)	12,720	12,721
Less: accumulated depreciation (Note 3)	<u>(76,349)</u>	<u>(63,099)</u>
Net property and equipment	<u>43,083</u>	<u>47,475</u>
 TOTAL ASSETS	 <u><u>\$ 193,693</u></u>	 <u><u>\$ 275,165</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 6,669	\$ 5,159
Accrued payroll and benefits	<u>31,727</u>	<u>5,957</u>
Total liabilities	<u>38,396</u>	<u>11,116</u>
Net Assets:		
Unrestricted net assets	<u>155,297</u>	<u>264,049</u>
Total net assets	<u>155,297</u>	<u>264,049</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 193,693</u></u>	 <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, 2014
(With comparative totals as of December 31, 2013)

	2014	2013
SUPPORT AND REVENUES:		
Program fees	\$ 348,858	\$ 193,231
Grants	320,356	464,031
Contributions	146,226	111,200
Special events (net of direct expenses of \$5,810)	9,451	10,719
In-kind contributions	<u>570,858</u>	<u>305,062</u>
Total support and revenues	<u>1,395,749</u>	<u>1,084,243</u>
EXPENSES:		
Program services	1,347,217	822,910
Management and general	115,427	76,654
Fundraising	<u>41,857</u>	<u>28,832</u>
Total expenses	<u>1,504,501</u>	<u>928,396</u>
Increase in net assets	<u>(108,752)</u>	<u>155,847</u>
Net assets, beginning of the year	<u>264,049</u>	<u>108,202</u>
Net assets, end of the year	<u>\$ 155,297</u>	<u>\$ 264,049</u>

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, 2014
(With comparative totals as of December 31, 2013)

	<u>Programs</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total expenses</u>	<u>2013</u>
EXPENSES:					
Salaries and wages	\$ 306,761	\$ 54,383	\$ 15,338	\$ 376,482	216,174
Payroll taxes	32,964	1,465	1,648	36,078	18,597
Employee benefits	8,682	3,283	434	12,399	2,952
Total salaries and related	<u>348,407</u>	<u>59,131</u>	<u>17,420</u>	<u>424,958</u>	<u>237,723</u>
Advertising and promotion	2,605	179		2,784	4,361
Bank charges and interest	2,633	398	116	3,147	3,712
Conference and meeting	4,587	809		5,396	5,396
Dues and membership	5,901	1,475		7,376	1,925
Insurance	7,175	1,794		8,969	10,186
Occupancy	251,839	21,327		273,166	168,249
Office expense	8,373	985	492	9,850	9,850
Outside services	7,165	5,000	23,672	35,837	32,695
Printing, publications, postage	3,590	399	157	4,146	3,689
Program services and supplies	73,550	4,183		77,733	72,309
Repairs and maintenance	7,762	1,940		9,702	18,138
Telephone and communication		11,957		11,957	3,091
Travel, training and meetings	10,259	3,200		13,459	3,974
Utilities	31,914			31,914	25,921
Depreciation	10,600	2,650		13,250	22,115
In-kind contributions expense	<u>570,858</u>			<u>570,858</u>	<u>305,062</u>
Total expenses	\$ <u>1,347,217</u>	\$ <u>115,427</u>	\$ <u>41,857</u>	\$ <u>1,504,501</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, 2014
(With comparative totals as of December 31, 2013)

	2014	2013
Cash flows from operating activities:		
Increase/(Decrease) in net assets	\$ (108,752)	\$ 155,847
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	13,250	22,115
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(8,089)	(5,349)
Prepaid expenses	(16,310)	(2,342)
Security deposit	(11,394)	(3,725)
Increase (decrease) in liabilities:		
Accounts payable	1,509	158
Accrued payroll and benefits	25,770	(1,400)
Loan payable	-	(17,110)
	(104,016)	148,194
Net cash used in operating activities	(104,016)	148,194
Net increase/(decrease) in cash	(112,875)	148,194
Cash - beginning of the year	208,835	60,641
Cash - end of the year	\$ 95,960	\$ 208,835

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 2014, Grandma's House of Hope touched the lives of over 3,500 Orange County residents.

Highlights include:

- **The Housing Program** experienced record growth by doubling the bed capacity from 57 to 107 beds in 11 homes in North Orange County and 126 women moved on into permanent housing.
- **HopeWorks! Education and Enrichment Center** opened. With services that include afterschool tutoring and educational support, community events, financial and nutritional education, workforce development, parenting workshops and a Summer Kids Camp. In addition, the staff provided case management to 45 families and 93 children who live at this low income affordable housing complex, resulting in two families moving out of government assistance and full self-sustainability.
- Received certification of a **Volunteer Service Enterprise**. The certification is awarded for developing and partnering with volunteers to enact the mission and enhance the programs. GHH partnered with over 1,130 volunteers contributing a total 7,000 of hours of service, a 40 % increase from just last year. Only 15% of non-profits nationally have this esteemed certification.
- Provided support and direction to 7,000 calls from "Invisible Populations" of women in need of housing.
- Provided a safe Halloween to over 1,000 children living in local Anaheim motels at the 4th annual Safe Harvest Event. Additionally, a motel Christmas party was brought to over 250 children in Anaheim.
- Over 650 homeless children were given backpacks, shoes and school supplies at the Back-to-School event.
- Established the **Community Leadership Training Program** which provides mediation, conflict resolution classes and property management training to participants in the housing program.
- Celebrated the volunteer successes and women's stories of hope at the annual Journey through Hope and Healing Recognition Event. This event acknowledges Wells Fargo, PIMCO and Catherine Sorensen (2014 Philanthropist of the Year).

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)

- The Executive Director and Founder, Je'net Kreitner, was honored as National Philanthropy Day's *Founder of the Year 2014* by The Association of Fundraising Professionals. Je'net received a nomination from 11 local leaders in Orange County including Senator Mimi Walters and resulting in unprecedented press coverage post-event for GHH. Additionally, Je'net was recognized as one of Orange County's 100 Most Influential People in 2014.
- Founder, Je'net Kreitner, received a Fieldstone Leadership/Clare Rose Foundation Sabbatical grant that will allow her to take a 3 month break to renew and restore while specifically serving as a leadership building exercise in succession planning for staff.
- Support Staff has grown to 11 Full Time team members.

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 2010 - 2013 for Federal and State of California.

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."

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)

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, 2014:

<u>Description</u>	<u>Cost</u>
Furniture and equipment	\$ 106,712
Software	12,720
Less: accumulated depreciation	<u>(76,349)</u>
Net property and equipment	\$ <u>43,083</u>

NOTE 4 – RELATED PARTY TRANSACTION

GHH had the following related party transactions during the year:

Rent paid for facility owned by Executive Director \$48,000. The rent paid is comparable to the market valuation rent in the surrounding area.

NOTE 5 – SUBSEQUENT EVENT

GHH has evaluated subsequent events for the period from December 31, 2014 through January 15, 2015, 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.