

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

FINANCIAL STATEMENTS
As of December 31, 2011

TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

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

Table of contents

	<u>Page</u>
Independent auditor's report	3
Statement of financial position	4
Statement of activities	5
Statement of functional expenses	6
Statement of cash flows	7
Notes to financial statements	8
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards	11

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Certified Public Accountants

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Partners
Jeffrey Hill, CPA
Raymond Morgan, CPA

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of **Grandma's House of Hope** (a California not-for-profit corporation), as of December 31, 2011 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of **Grandma's House of Hope's** management. 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 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 audit provides a reasonable basis for our 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, 2011 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Hill, Morgan and Associates LLP

Carson, California
April 9, 2012

GRANDMA'S HOUSE OF HOPE
STATEMENT OF FINANCIAL POSITION
As of December 31, 2011

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 69,388
Grants receivable	38,787
Prepaid expenses	1,630
Security deposits	<u>1,810</u>
Total current assets	<u>111,615</u>
Property and equipment:	
Furniture and equipment (Note 2)	58,853
Less: accumulated depreciation (Note 2)	<u>(26,669)</u>
Net property and equipment	<u>32,184</u>
TOTAL ASSETS	<u><u>\$ 143,799</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 4,500
Accrued payroll and benefits	7,028
Credit card payable	1,851
Note payable - current portion (Note 3 and 4)	<u>4,194</u>
Total current liabilities	17,573
Long-term liabilities:	
Note payable - net of current portion (Note 3 and 4)	<u>10,806</u>
Total liabilities	<u>28,379</u>
Net Assets:	
Unrestricted net assets	<u>115,420</u>
Total net assets	<u>115,420</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 143,799</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, 2011

SUPPORT AND REVENUES:

Program fees	\$ 147,585
Grants	296,187
Contributions	88,220
Special events (net of direct expenses of \$4,719)	6,186
In-kind contributions	<u>186,644</u>

Total support and revenues 724,822

EXPENSES:

Program services	629,808
Management and general	53,782
Fundraising	<u>23,197</u>

Total expenses 706,787

Increase in net assets 18,035

Net assets, beginning of the year 97,385

Net assets, end of the year \$ 115,420

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, 2011

	<u>Programs</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total expenses</u>
EXPENSES:				
Salaries and wages	\$ 135,511	\$ 18,869	\$ 17,153	\$ 171,533
Payroll taxes	16,808	2,340	2,128	21,276
Employee benefits	4,890	681	619	6,190
Total salaries and related	<u>157,209</u>	<u>21,890</u>	<u>19,900</u>	<u>198,999</u>
Advertising and promotion	44,309	486	-	44,795
Bank charges and interest	1,269	-	-	1,269
Dues and membership	-	265	2,761	3,026
Insurance	8,061	2,310	-	10,371
Occupancy	124,282	16,325	-	140,607
Office expense	488	4,392	-	4,880
Outside services	46,617	-	-	46,617
Printing, publications, postage	2,971	3,583	-	6,554
Program services	5,967	-	-	5,967
Program supplies	16,435	-	-	16,435
Repairs and maintenance	3,600	-	-	3,600
Staff training and recruitment	1,129	-	-	1,129
Telephone and communication	-	2,221	-	2,221
Travel and meetings	4,033	-	536	4,569
Utilities	17,831	25	-	17,856
Depreciation	9,138	2,285	-	11,423
In-kind contributions	186,469	-	-	186,469
Total expenses	<u>\$ 629,808</u>	<u>\$ 53,782</u>	<u>\$ 23,197</u>	<u>\$ 706,787</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, 2011

Cash flows from operating activities:	
Increase in net assets	\$ 18,035
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	11,423
Changes in operating assets and liabilities:	
(Increase) decrease in assets:	
Grants receivable	(37,342)
Prepaid expenses	369
Increase (decrease) in liabilities:	
Accounts payable	(2,624)
Accrued payroll and benefits	6,082
Credit card payable	(2,600)
Net cash used in operating activities	<u>(6,657)</u>
Cash flows from investing activities:	
Cash used to purchase property and equipment	<u>(7,913)</u>
Net cash used in investing activities	<u>(7,913)</u>
Net decrease in cash	(14,570)
Cash - beginning of the year	<u>83,958</u>
Cash - end of the year	<u><u>\$ 69,388</u></u>

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

GRANDMA'S HOUSE OF HOPE
NOTES TO FINANCIAL STATEMENTS

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. GHH accomplishes its mission through the following multi-generational programs:

The GHH Transitional Housing Program specializes in serving uniquely challenged women who may have difficulty finding a program. These "invisible populations" include human trafficking victims, breast cancer patients, and women with severe mental and physical disabilities. They are provided with case management, group and individual counseling, wardrobe assistance, workforce development and computer access while living in a safe and loving environment that encourages inner healing.

Nana's Kidz provides weekend and summer nutritional support for children living in motels and other homeless conditions, along with annual outreach events and holiday parties that give every child in the program necessities such as new shoes, a new backpack with school supplies, and toys for Christmas. In addition we host an afternoon homework club at one of our motel sites.

Hope Works! is Grandma's House of Hope's Workforce Development program, aimed at assisting the women in our transitional housing programs as well as adults of low-income families who have little choice but to live in motels in Orange County. The program consists of three computer labs stationed throughout Orange County: locations at our two shelter sites, and a location at the El Dorado motel, where we serve many of our Nana's Kidz clients.

CASH AND CASH EQUIVALENTS

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

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased and at fair market value at the time of donation, if donated. Depreciation is computed using the straight-line method over each fixed asset's estimated useful life of 5 years.

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

GRANDMA'S HOUSE OF HOPE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - 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 affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CONTRIBUTED GOODS AND SERVICES

The accompanying financial statements include amounts of materials, equipment and services donated to GHH. The basis of valuation of these donations is generally in-house appraisal or fair market value as indicated by the person or agency making the donation. Contributed goods and services reported in the financial statements this year total \$186,644.

INCOME TAXES

GHH is a not-for-profit corporation that is exempt from taxes under the California Revenue and Taxation Code and Section 501(C)3 of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying financial statements.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows at December 31, 2011:

<u>Description</u>	<u>Cost</u>
Furniture and equipment	\$ 58,853
Less: accumulated depreciation	<u>(26,669)</u>
Net property and equipment	\$ <u>32,184</u>

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

GRANDMA'S HOUSE OF HOPE
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – NOTE PAYABLE

On August 17, 2010, GHH borrowed \$15,000 from the Executive Director. The board of directors voted to hold payments until July 1, 2012. Starting July 1, 2012, GHH will pay monthly interest and principal payments. The annual interest rate on this loan is 4.99%. The loan matures on December 1, 2014. (See Note 4)

The future principal maturities are as follows:

<u>Year ended December 30,</u>		<u>Amount</u>
2012	\$	4,197
2013		5,047
2014		<u>5,759</u>
Total	\$	<u><u>15,000</u></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
Outstanding loan due to Executive Director	\$15,000

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

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Partners
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Raymond Morgan, CPA

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of **Grandma's House of Hope** as of and for the year ended December 31, 2011 and have issued our report thereon dated April 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **Grandma's House of Hope's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Grandma's House of Hope's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **Grandma's House of Hope's** internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Grandma's House of Hope's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of **Grandma's House of Hope's** board of directors, management and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Hell, Murgem and Associates LLP

Carson, California
April, 9, 2012