

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

FINANCIAL STATEMENTS
As of December 31, 2012

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
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, 2012 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, 2012 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
February 5, 2013

GRANDMA'S HOUSE OF HOPE
STATEMENT OF FINANCIAL POSITION
As of December 31, 2012

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 60,641
Grants receivable	2,674
Security deposits	<u>4,765</u>
Total current assets	<u>68,080</u>
Property and equipment:	
Furniture and equipment (Note 2)	110,574
Less: accumulated depreciation (Note 2)	<u>(40,984)</u>
Net property and equipment	<u>69,590</u>
TOTAL ASSETS	<u><u>\$ 137,669</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 5,000
Accrued payroll and benefits	7,357
Loan payable	2,110
Note payable - current portion (Note 3 and 4)	<u>4,194</u>
Total current liabilities	18,661
Long-term liabilities:	
Note payable - net of current portion (Note 3 and 4)	<u>10,806</u>
Total liabilities	<u>29,467</u>
Net Assets:	
Unrestricted net assets	<u>108,202</u>
Total net assets	<u>108,202</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 137,669</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, 2012

SUPPORT AND REVENUES:

Program fees	\$ 121,726
Grants	257,550
Contributions	65,057
Special events (net of direct expenses of \$12,326)	18,229
Interest income	1,041
In-kind contributions	<u>188,287</u>

Total support and revenues 651,890

EXPENSES:

Program services	539,395
Management and general	92,300
Fundraising	<u>27,413</u>

Total expenses 659,108

Increase/(Decrease) in net assets (7,218)

Net assets, beginning of the year 115,420

Net assets, end of the year \$ 108,202

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, 2012

	<u>Programs</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total expenses</u>
EXPENSES:				
Salaries and wages	\$ 92,581	\$ 48,228	\$ 9,561	\$ 150,370
Payroll taxes	23,900	8,628	3,101	35,629
Employee benefits	3,178	500	250	3,928
Total salaries and related	<u>119,659</u>	<u>57,356</u>	<u>12,912</u>	<u>189,927</u>
Advertising and promotion	4,500	157	1,420	6,077
Bank charges and interest	1,389	954	892	3,235
Conference and meeting	790	331	-	1,121
Dues and membership	399	399	1,332	2,130
Insurance	6,194	1,232	-	7,426
Occupancy	117,838	21,715	627	140,180
Office expense	4,321	1,486	83	5,890
Outside services	26,831	3,543	9,638	40,012
Printing, publications, postage	2,002	276	144	2,422
Program services	14,314	-	-	14,314
Program supplies	19,514	-	-	19,514
Repairs and maintenance	2,551	-	-	2,551
Telephone and communication	3,917	824	330	5,071
Travel and meetings	2,055	1,164	35	3,254
Utilities	17,203	-	-	17,203
Depreciation	11,452	2,863	-	14,315
In-kind contributions expense	184,466	-	-	184,466
Total expenses	<u>\$ 539,395</u>	<u>\$ 92,300</u>	<u>\$ 27,413</u>	<u>\$ 659,108</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, 2012

Cash flows from operating activities:	
Increase/(Decrease) in net assets	\$ (7,218)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	14,315
Changes in operating assets and liabilities:	
(Increase) decrease in assets:	
Grants receivable	36,113
Prepaid expenses	1,630
Security deposit	(2,955)
Increase (decrease) in liabilities:	
Accounts payable	500
Accrued payroll and benefits	329
Loan payable	<u>259</u>
Net cash used in operating activities	<u>42,973</u>
Cash flows from investing activities:	
Cash used to purchase property and equipment	<u>(51,721)</u>
Net cash used in investing activities	<u>(51,721)</u>
Net decrease in cash	(8,747)
Cash - beginning of the year	<u>69,388</u>
Cash - end of the year	<u><u>\$ 60,641</u></u>

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

GRANDMA'S HOUSE OF HOPE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Successes in this program include:

- Provided housing and supportive services to over 100 uniquely challenged women in crisis, vulnerable to the streets, including many disabled seniors and graduated 45 of them into permanent housing.
- Provided specialized services to 16 women who became homeless due to Breast Cancer in our dedicated Healing House. Women who would not have been able to receive life-saving treatments were provided hospice care for a terminal case and were able to spend her days with the women she came to know as her family.
- Added a new component to our housing program with the City of Santa Ana for rapid re-housing services and homeless prevention
- Established being the first choice service provider for adult women survivors.
- Provided emergency shelter to 18 women who bravely escaped human trafficking.

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)

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 GHH hosts an afternoon homework club at one of the motel sites.

Successes in this program include:

- Provided over 300,000 meals to 500 hungry homeless children living in local motels over the weekends and summer months when school is closed.
- Opened an after school tutoring program and Summer Kidz Camp at a local motel.

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 GHH serves many of our Nana's Kidz clients.

Successes in this program include:

- Offered one-on-one job search and skill training to over 500 homeless individuals at 3 computer lab locations including one at a local motel.
- Offered "Safe Harvest" outreach that provided a safe, gang free alternative to Halloween for the Anaheim Motel community
- Over 400 children and their parents enjoy food, games, DJ, entertainment, candy and prizes - all for free

Additionally, Grandma's House of Hope was honored with the Cal Optima Safety Net Award 2012 their exceptional work with homeless women facing the challenges of Breast Cancer and other significant illnesses. This unique program is the only one of its kind in Orange County, offering a warm, loving and supportive home for these brave and inspirational women, many of whom became homeless because of their cancer.

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)

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.

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 \$187,966.

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.

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

GRANDMA'S HOUSE OF HOPE
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows at December 31, 2012:

Description	Cost
Furniture and equipment	\$ 97,853
Software	12,721
Less: accumulated depreciation	(40,984)
Net property and equipment	\$ 69,590

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, 2013. Starting July 1, 2013, GHH will pay monthly interest and principal payments. The annual interest rate on this loan is 4.99%. The loan matures on December 1, 2015. (See Note 4)

The future principal maturities are as follows:

Year ended December 30,	Amount
2013	\$ 4,196
2014	5,046
2015	5,758
Total	\$ 15,000

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
Jeffrey Hill, CPA
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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, 2012 and have issued our report thereon dated February 5, 2013. 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, Morgan and Associates LLP

Carson, California
February 5, 2013