

**FOOTHILL HOUSE OF HOSPITALITY, INC.
DBA HOSPITALITY HOUSE**

FINANCIAL STATEMENTS

MAY 31, 2013

**FOOTHILL HOUSE OF HOSPITALITY, INC.
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FINANCIAL STATEMENTS
MAY 31, 2013**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Foothill House of Hospitality, Inc.
Grass Valley, CA 95945

We have audited the accompanying financial statements of Foothill House of Hospitality, Inc. (a nonprofit organization), which comprise the statement of financial position as of May 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended.

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

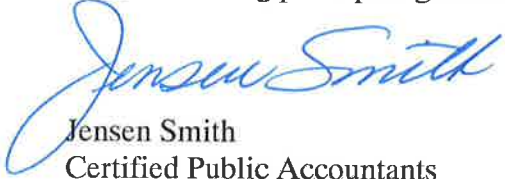
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foothill House of Hospitality, Inc. as of May 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Jensen Smith
Certified Public Accountants
Lincoln, California
February 7, 2014

FOOTHILL HOUSE OF HOSPITALITY INC.
DBA HOSPITALITY HOUSE
STATEMENT OF FINANCIAL POSITION
MAY 31, 2013
(With Comparative Totals for May 31, 2012)

ASSETS	2013	2012
Current Assets		
Cash	\$ 103,301	\$ 73,049
Restricted Cash	324,015	-
Grants Receivable	48,965	32,563
Investments	79,175	-
Prepaid Insurance	15,887	1,581
Total Current Assets	571,343	107,193
Fixed Assets		
Office Equipment	5,991	4,731
Furniture and Fixtures	985	985
Vehicles	12,467	12,467
Total Fixed Assets	19,443	18,183
Less-Accumulated Depreciation	(10,989)	(6,786)
Net Fixed Assets	8,454	11,397
Other Assets		
Construction in Progress	875,518	668,353
TOTAL ASSETS	\$ 1,455,315	\$ 786,943
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 17,722	\$ 13,900
Construction Contract Payable	98,412	-
Note Payable	2,880	-
Accrued Personnel Costs	27,190	-
Total Current Liabilities	146,204	13,900
Long Term Liabilities		
Building Loans	871,908	635,000
Loan for Improvements	18,740	18,740
Total Long Term Liabilities	890,648	653,740
TOTAL LIABILITIES	1,036,852	667,640
Net Assets		
Unrestricted Net Assets	141,978	52,611
Temporarily Restricted Net Assets	276,485	66,692
TOTAL NET ASSETS	418,463	119,303
TOTAL LIABILITIES AND NET ASSETS	\$ 1,455,315	\$ 786,943

See Accompanying Notes

**FOOTHILL HOUSE OF HOSPITALITY INC.
DBA HOSPITALITY HOUSE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2013
(With Comparative Totals for May 31, 2012)**

	2013			2012
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	TOTAL
REVENUES, SUPPORT AND OTHER GAINS				
Contributions	\$ 348,740	\$ 221,298	\$ 570,038	\$ 214,444
In-Kind Services	83,253	-	83,253	-
In-Kind Donation of Supplies	29,190	-	29,190	15,980
Fund Raising Events	57,052	-	57,052	51,756
Grants	233,365	-	233,365	129,588
Dividends and Interest Income	69	-	69	1,355
Gain (Loss) on Sale of Securities	-	-	-	(137)
Miscellaneous Income	6,881	-	6,881	-
Net Assets Released from Restriction	11,505	(11,505)	-	-
TOTAL REVENUES, SUPPORT AND OTHER GAINS	770,055	209,793	979,848	412,986
EXPENSES				
Program Expenses	308,105	-	308,105	313,388
Management and General	361,234	-	361,234	73,330
Fundraising Costs	11,349	-	11,349	42,039
TOTAL EXPENSES	680,688	-	680,688	462,669
NET INCOME	89,367	209,793	299,160	(49,683)
NET ASSETS AT JUNE 1, 2012	52,611	66,692	119,303	168,986
NET ASSETS AT MAY 31, 2013	\$ 141,978	\$ 276,485	\$ 418,463	\$ 119,303

See Accompanying Notes

**FOOTHILL HOUSE OF HOSPITALITY INC.
DBA HOSPITALITY HOUSE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2013
(With Comparative Totals for May 31, 2012)**

Expenses	2013			2012	
	Programs	Management	Fundraising	Total	Total
Personnel Costs					
Salaries and wages	\$ 80,631	\$ 236,500	\$ -	\$ 317,131	\$ 247,911
Payroll taxes	7,474	33,141	-	40,615	25,319
Employee benefits	1,233	16,799	-	18,032	24,654
Total Personnel Costs	89,338	286,440	-	375,778	297,884
Other Costs					
Welcome Center	2,752	61		2,813	35,473
Guest Expenses	91,864	4,858	-	96,722	70,082
Community Outreach	11,883	279	53	12,215	14,004
Administration	13,549	65,393		78,942	22,733
Fundraising	577	-	11,296	11,873	14,442
Sutton Way Building Expense	98,142		-	98,142	4,107
Total Other Costs	218,767	70,591	11,349	300,707	160,841
Total Expenses before Depreciation	308,105	357,031	11,349	676,485	458,725
Depreciation	-	4,203	-	4,203	3,944
Total Expenses	\$ 308,105	\$ 361,234	\$ 11,349	\$ 680,688	\$ 462,669

See Accompanying Notes

**FOOTHILL HOUSE OF HOSPITALITY INC.
DBA HOSPITALITY HOUSE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2013
(With Comparative Totals for May 31, 2012)**

	2013	2012
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 299,160	\$ (49,683)
Adjustments to Reconcile Change in Net Assets to Cash		
Depreciation	4,203	3,944
(Increase)Decrease in Grant Receivable	(16,402)	11,366
(Increase)Decrease in Deposits	-	11,000
(Increase)Decrease in Prepaid Expenses	(14,306)	(791)
Increase(Decrease) in Accrued Expenses	3,822	(381)
Increase(Decrease) in Construction Contract Payable	98,412	
Increase(Decrease) in Accrued Personnel Costs	27,190	-
Increase(Decrease) in Deferred Income	-	(7,888)
Net Cash Provided (Used) by Operating Activities:	402,079	(32,433)
Cash Flows from Investing Activities		
Purchase of Fixed Assets	(1,259)	(12,468)
Purchase of Investments	(79,175)	-
Liquidation of Investments	-	6,578
Costs for Construction in Progress	(207,166)	(668,353)
Net Cash Provided (Used) by Investing Activities:	(287,600)	(674,243)
Cash Flows from Financing Activities		
Proceeds from EHAP Loan	236,908	653,740
Proceeds from Note Payable	2,880	-
Net Cash Provided (Used) by Financing Activities:	239,788	653,740
Net Change in Cash	354,267	(52,936)
Cash and Cash equivalents at beginning of year	73,049	125,985
Cash and Cash equivalents at end of year	\$ 427,316	\$ 73,049

See Accompanying Notes

**FOOTHILL HOUSE OF HOSPITALITY, INC.
DBA HOSPITALITY HOUSE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2013**

NOTE 1 – NATURE OF THE ORGANIZATION

Foothill House of Hospitality Inc. dba Hospitality House is a non-profit corporation incorporated in the state of California in June 2005. The organization was formed with the specific purpose of providing assistance to homeless individuals and families in the Nevada County area. The organization runs a year-round shelter as a no tolerance safe haven; those seeking shelter at Hospitality House are offered three meals, along with laundry and shower facilities.

Hospitality House is committed to ending homelessness by providing intensive case management services to all its guests. Hospitality House is financially supported by individual and business donations, faith community support, and foundation and local government grants. The mission of Hospitality House is to provide the homeless with a compassionate place of rest, sustenance, dignity and hope.

Hospitality House is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code and qualifies for the 50% charitable contribution deduction for individual donors. It did not have unrelated business income during fiscal year ended May 31, 2013.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization's policy is to prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred. Financial statement items are recorded at historical costs, and often involve the utilization of estimates and, as a result, financial statements items do not necessarily represent current values.

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 may differ from those estimates.

Classes of Net Assets

The financial statements report amounts by class of net assets:

- a) *Unrestricted net assets* are those currently available for use in the activities of the Organization under the direction of the board, and those resources invested in equipment and furniture.

**FOOTHILL HOUSE OF HOSPITALITY, INC.
DBA HOSPITALITY HOUSE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2013**

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Classes of Net Assets - Continued

- b) *Temporarily restricted net assets* are those stipulated by donors for specific operating purposes or for the acquisition of property and equipment; or those not currently available for use until commitments regarding their use have been fulfilled or lifetime beneficiary interests have ceased. At May 31, 2013, the Organization had a total of \$276,485 in temporarily restricted net assets.
- c) *Permanently restricted net assets* are those contributed with the donor stipulation that they be held in perpetuity with use of income for unrestricted or temporarily restricted purposes. At May 31, 2013, the Organization did not have any permanently restricted net assets.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the cash flow statement, cash and cash equivalents are considered to be highly liquid depository accounts with a maturity of less than three months.

NOTE 3 – CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and money market accounts. The Organization places its temporary cash and money market accounts with creditworthy, high-quality financial institutions. The Organization has not experienced any losses in such accounts.

NOTE 4 – GRANTS RECEIVABLE

Grants receivable as of May 31, 2013 consisted of following:

ESG Homeless Programs Grant	\$33,646
Nevada County CSBG	8,469
Nevada County Behavioral Health Grant	<u>6,850</u>
Total	<u>\$48,965</u>

**FOOTHILL HOUSE OF HOSPITALITY, INC.
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NOTES TO FINANCIAL STATEMENTS
MAY 31, 2013**

NOTE 5 – FIXED ASSETS

At May 31, 2013, fixed assets consisted of the following activity:

<u>Description</u>	<u>May 31, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>May 31, 2013</u>
Computers	\$ 4,731	\$ 1,260	\$ -	\$ 5,991
Equipment	985	-	-	985
Vehicles	12,467	-	-	12,467
Total	18,183	1,260	-	19,443
Accumulated Depreciation	(6,786)	(4,203)	-	(10,989)
Net Fixed Assets	<u>\$ 11,397</u>	<u>\$ (2,943)</u>	<u>\$ -</u>	<u>\$ 8,454</u>

Depreciation expense for the year ended May 31, 2013 was \$4,203.

NOTE 6 – CONSTRUCTION IN PROGRESS

On October 13, 2011, the Organization purchased a building in Grass Valley. The purchase price was \$635,000 plus closing cost of \$4,948. The building was purchased with a loan from the Department of Housing and Community Development Division in the amount of \$1,000,000. Of this amount, \$365,000 was being held in escrow by Placer Title Company to be used by the Organization to make the necessary renovations to the building in order to convert it to a homeless shelter. The terms of the loan are noted below in Note 7. Since the purchase of the building through May 31, 2013, additional costs for the renovations totaled \$240,518, of which \$18,740 was used from the escrow account. At May 31, 2013, the total for construction in progress was \$875,518 and the total in the escrow account was \$346,260.

NOTE 7 – LOAN FROM EMERGENCY HOUSING AND ASSISTANCE PROGRAM

A standard agreement with the State of California Department of Housing and Community Development through the Emergency Housing and Assistance Program – Capital Development (the Department) was executed on March 11, 2011 for the purchase and remodeling of a shelter in Nevada County. Under the agreement the new emergency shelter shall contain a minimum of fifty-four emergency shelter beds. The total amount of the loan is \$1,000,000, and the term will be for ten years from the date of the Certificate of Occupancy or Notice of Completion. The note shall bear simple interest of 3% per annum. Repayment of this loan shall be deferred as long as the building is used as an emergency shelter and at the end of the term the loan shall be forgiven. If the building is transferred or no longer used as an emergency shelter before the end of the ten years all outstanding principal and interest shall be repaid immediately to the Department.

NOTE 8 – RELATED PARTY TRANSACTIONS

The board president is an employee of the Organization. During the fiscal year ended May 31, 2013, the employee was paid \$6,628 for hours worked as an employee of the Organization.

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NOTES TO FINANCIAL STATEMENTS
MAY 31, 2013**

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

At May 31, 2013, temporarily restricted net assets included donations contributed to the Organization for the purpose of supporting the new homeless shelter on Sutton. Activity in the temporarily restricted net assets was as follows:

May 31, 2012 – Balance	\$ 66,692
Donations in fiscal year 2012-2013	221,298
Expenses paid for the Sutton activity	<u>(11,505)</u>
May 31, 2013 – Balance	<u>\$ 276,485</u>

NOTE 10 – COMPARATIVE FINANCIAL INFORMATION

The amounts shown for May 31, 2012 in the accompanying financial statements are included to provide a basis for comparison with May 31, 2013 and present summarized totals only. Accordingly, the May 31, 2012 amounts are not intended to be present all information necessary for a fair presentation in accordance with generally accepted accounting principles.

NOTE 11 – SUBSEQUENT EVENT

Events subsequent to May 31, 2013 have been evaluated through February 7, 2014 the date at which the Organization's audited financial statements were available to be issued. No events requiring disclosure have occurred through this date.