

HELPING HAND HOUSE

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS**

DECEMBER 31, 2014 AND 2013

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A Professional Service Corporation
1617 South 325th Street
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Helping Hand House
4321 2nd St SW
Puyallup, WA 98373

Report on the Financial Statements

We have audited the accompanying financial statements of Helping Hand House (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets, functional expenses 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 an 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 financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As more fully described in Note 11 to the financial statements, the Organization has not recorded pledges receivable in their financial statements. The Organization has determined that they would prefer to record the amounts as received. This accounting method causes both assets and net assets to be understated, with effects on the statement of activities that may be higher or lower than the accrual basis of accounting for pledges receivable. In our opinion, pledges receivable should be recorded, along with an allowance for uncollectible amounts, and discounted to present value if the pledge will be collected over multiple years. Quantification of the effects on the financial statements of the preceding practices is not practicable, as the estimate for an allowance has not been made.

Opinion

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Helping Hand House as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

October 15, 2015

HELPING HAND HOUSE

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013**

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 133,050	\$ 149,710
Investments	44,430	40,571
Grants receivable	136,815	129,010
Prepays	<u>17,227</u>	<u>24,801</u>
Total current assets	331,522	344,092
LAND, BUILDINGS AND EQUIPMENT, net of accumulated depreciation	1,421,737	1,468,676
OTHER ASSETS		
Loan fees, net of accumulated amortization		1,262
Replacement and general operating reserve	<u>20,779</u>	<u>19,579</u>
	<u>20,779</u>	<u>20,841</u>
TOTAL ASSETS	<u>\$ 1,774,038</u>	<u>\$ 1,833,609</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 15,841	\$ 10,018
Accrued expenses	12,013	12,385
Deferred revenue	21,000	21,000
Current portion of long-term debt	<u>213,898</u>	<u>220,179</u>
Total current liabilities	262,752	263,582
LONG-TERM DEBT	51,776	51,776
NET ASSETS		
Unrestricted	1,424,724	1,402,065
Temporarily restricted	<u>34,786</u>	<u>116,186</u>
	<u>1,459,510</u>	<u>1,518,251</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,774,038</u>	<u>\$ 1,833,609</u>

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

HELPING HAND HOUSE

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
UNRESTRICTED NET ASSETS			
SUPPORT AND REVENUE			
Public support			
Grants	\$ 821,230	\$ 20,000	\$ 841,230
Donations	82,188		82,188
Fundraising	54,965		54,965
In-kind contributions	102,140		102,140
Net assets released from restriction	<u>101,400</u>	<u>(101,400)</u>	
Total public support	1,161,923	(81,400)	1,080,523
Revenue			
Program fees	87,368		87,368
Loss on investments	(2,888)		(2,888)
Other	<u>7,616</u>		<u>7,616</u>
Total revenue	92,096		92,096
Total support and revenue	<u>1,254,019</u>	<u>(81,400)</u>	<u>1,172,619</u>
EXPENSES			
Program services	921,120		921,120
Supporting activities			
Management and general	175,189		175,189
Development and fundraising	<u>135,051</u>		<u>135,051</u>
Total expenses	<u>1,231,360</u>		<u>1,231,360</u>
CHANGE IN NET ASSETS	22,659	(81,400)	(58,741)
NET ASSETS, beginning of year, see Note 11	<u>1,402,065</u>	<u>116,186</u>	<u>1,518,251</u>
NET ASSETS, end of year	<u>\$ 1,424,724</u>	<u>\$ 34,786</u>	<u>\$ 1,459,510</u>

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

HELPING HAND HOUSE

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
UNRESTRICTED NET ASSETS			
SUPPORT AND REVENUE			
Public support			
Grants	\$ 773,468	\$ 5,679	\$ 779,147
Donations	83,111		83,111
Fundraising	53,920	17,216	71,136
In-kind contributions	111,027		111,027
Net assets released from restrictions	<u>103,377</u>	<u>(103,377)</u>	
Total public support	1,124,903	(80,482)	1,044,421
Revenue			
Program fees	111,949		111,949
Gain on investments	2,705		2,705
Other	<u>4,638</u>		<u>4,638</u>
Total revenue	119,292		119,292
Total support and revenue	<u>1,244,195</u>	<u>(80,482)</u>	<u>1,163,713</u>
EXPENSES			
Program services	957,005		957,005
Supporting activities			
Management and general	176,557		176,557
Development and fundraising	<u>166,084</u>		<u>166,084</u>
Total expenses	<u>1,299,646</u>		<u>1,299,646</u>
CHANGE IN NET ASSETS	(55,451)	(80,482)	(135,933)
NET ASSETS, beginning of year, see Note 11	<u>1,457,516</u>	<u>196,668</u>	<u>1,654,184</u>
NET ASSETS, end of year	<u>\$ 1,402,065</u>	<u>\$ 116,186</u>	<u>\$ 1,518,251</u>

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

HELPING HAND HOUSE

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014**

	Program Services					Supporting Activities			Total
	Homeless Prevention	Emergency Housing and Rapid Rehousing	Transitional Housing	Permanent Housing	Total Program Services	Management and General	Development & Fundraising	Total Supporting Activities	
Salaries	\$ 15,360	\$ 82,878	\$ 56,901	\$ 71,182	\$ 226,321	\$ 112,279	\$ 81,853	\$ 194,132	\$ 420,453
Payroll taxes and employee benefits	2,748	19,733	14,457	15,065	52,003	24,317	12,915	37,232	89,235
Total salaries and related expenses	18,108	102,611	71,358	86,247	278,324	136,596	94,768	231,364	509,688
Client support services	896	7,117	21,700	19,361	49,074	278	653	931	50,005
In-kind	21,404	77,410	1,661	2,215	102,690				102,690
Insurance	1,445	3,871	3,626	6,759	15,701	2,418	2,223	4,641	20,342
Interest	170	1,780	1,920	2,092	5,962	2,319	2,191	4,510	10,472
Maintenance and repairs	14,945	11,921	575	22,233	49,674	421	517	938	50,612
Miscellaneous	604	226	41	88	959	378	8,342	8,720	9,679
Office	468	2,994	2,843	3,360	9,665	7,378	4,584	11,962	21,627
Printing and reproduction	965	1,686	1,807	1,968	6,426	2,629	3,190	5,819	12,245
Professional services	1,296	6,876	7,740	8,775	24,687	8,994	9,937	18,931	43,618
Rent - Program		141,020	99,753	35	240,808				240,808
Telephone	226	1,433	1,307	1,475	4,441	1,503	1,411	2,914	7,355
Transportation	308	2,036	2,449	3,750	8,543	3,805	789	4,594	13,137
Utilities	5,181	14,315	14,779	26,551	60,826	1,411	1,420	2,831	63,657
Utilities assistance		2,071	188		2,259	88		88	2,347
Total expenses before depreciation	66,016	377,367	231,747	184,909	860,039	168,218	130,025	298,243	1,158,282
Depreciation and amortization	6,017	13,591	5,275	36,198	61,081	6,971	5,026	11,997	73,078
Total expenses	\$ 72,033	\$ 390,958	\$ 237,022	\$ 221,107	\$ 921,120	\$ 175,189	\$ 135,051	\$ 310,240	\$ 1,231,360

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

HELPING HAND HOUSE

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013**

	Program Services					Supporting Activities			Total
	Homeless Prevention	Emergency Housing and Rapid Rehousing	Transitional Housing	Permanent Housing	Total Program Services	Management and General	Development & Fundraising	Total Supporting Activities	
Salaries	\$ 23,749	\$ 38,430	\$ 123,094	\$ 28,594	\$ 213,867	\$ 125,422	\$ 96,494	\$ 221,916	\$ 435,783
Payroll taxes and employee benefits	5,997	8,477	32,088	7,234	53,796	22,117	21,537	43,654	97,450
Total salaries and related expenses	29,746	46,907	155,182	35,828	267,663	147,539	118,031	265,570	533,233
Client support services	1,235	3,921	43,581	9,276	58,013				58,013
In-kind	10,436	59,275	13,772	27,544	111,027				111,027
Insurance	217	3,754	14,560	550	19,081	752	1,348	2,100	21,181
Interest	18	1,674	3,703	1,628	7,023	1,436	2,154	3,590	10,613
Maintenance and repairs	11	8,495	14,257	341	23,104	1,589	506	2,095	25,199
Miscellaneous		2,080	654	88	2,822	1,144	7,323	8,467	11,289
Office	629	1,645	4,052	1,468	7,794	9,510	7,463	16,973	24,767
Printing and reproduction	26	1,355	3,096	1,325	5,802	1,852	1,847	3,699	9,501
Professional services	517	2,059	8,460	2,327	13,363	2,285	17,184	19,469	32,832
Rent - Program	120,397		94,441	69,369	284,207	670		670	284,877
Rental assistance	600				600				600
Telephone	303	2,957	2,905	800	6,965	1,477	1,836	3,313	10,278
Transportation	738	1,691	6,864	1,060	10,353	3,695	1,042	4,737	15,090
Utilities	248	16,707	53,976	738	71,669	1,067	1,600	2,667	74,336
Utilities assistance	2,298				2,298				2,298
Total expenses before depreciation	167,419	152,520	419,503	152,342	891,784	173,016	160,334	333,350	1,225,134
Depreciation and amortization	3,177	12,110	45,750	4,184	65,221	3,541	5,750	9,291	74,512
Total expenses	\$ 170,596	\$ 164,630	\$ 465,253	\$ 156,526	\$ 957,005	\$ 176,557	\$ 166,084	\$ 342,641	\$ 1,299,646

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

HELPING HAND HOUSE

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (58,741)	\$ (135,933)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	72,574	74,513
Unrealized gain on investments	(3,859)	(4,853)
Loss on sale of equipment	500	
Replacement and general operating reserves	(1,200)	(1,200)
Changes in assets and liabilities:		
Grants receivable	(7,805)	4,910
Prepays	7,574	(4,025)
Deposits		
Accounts payable and accrued expenses	5,451	(18,421)
Deferred revenue		(2,894)
Net cash provided (used) by operating activities	<u>14,494</u>	<u>(87,903)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(24,873)	(9,530)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	<u>(6,281)</u>	<u>(5,975)</u>
NET CHANGE IN CASH	(16,660)	(103,408)
CASH AND CASH EQUIVALENTS, beginning of year	<u>149,710</u>	<u>253,118</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 133,050</u>	<u>\$ 149,710</u>

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

HELPING HAND HOUSE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

NOTE 1 - NATURE OF ORGANIZATION

Helping Hand House is a non-profit organization dedicated to preventing and ending family homelessness in Pierce County. The Organization provides services in Pierce County of Washington State. The Organization's ability to solicit public support is dependent upon the region's economy. Helping Hand House has the following major program areas:

Rapid Re-Housing

The Helping Hand House *Rapid Re-Housing Program* provides rent and other financial assistance for up to one year to homeless families with dependent children that are deemed to have the capacity to recover rapidly from an episode of homelessness with minimal assistance. Families are assisted in finding suitable housing and the lease is in the family's name.

Interim Services

The Helping Hand House *Interim Services* (also referred to as *Emergency Housing Program*) consists of agency-owned and loaned homes. Furnished housing and intensive case management are provided to homeless families with dependent children for a period of up to three months. During their stay, the family does not pay rent or utilities. At the end of program services, families are assisted in finding permanent housing or referred to a longer-term housing program.

Transitional Housing

The Helping Hand House *Transitional Housing Program* serves homeless families with dependent children who need up to two years of subsidized housing in order to become self-sufficient. Families live in homes leased in the family's name, pay 30% of their adjusted monthly income towards rent, and receive intensive case management focused on financial literacy, employment, education, and life skills. The goal is for families to attain self-sufficiency. Families remain in their home upon completing the program.

Permanent Supportive Housing

The Helping Hand House *Permanent Supportive Housing Program* consists of eight agency-owned homes in rural eastern Pierce County. The program serves homeless families with dependent children for an indefinite period of time. One person in each household must have a documented disability. Families pay 30% of their adjusted monthly income towards rent and receive intensive case management focused on financial literacy, employment, education, and life skills.

HELPING HAND HOUSE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may be met, either by actions of the Organization and/or the passage of time. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. No permanently restricted assets were held during 2014 and 2013 and, accordingly, these financial statements do not reflect any activity related to this class of net assets.

Use of 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 could differ from those estimates.

Fair Value of Financial Instruments

The Organization's financial instruments are cash and cash equivalents, investments, contributions and grants receivable, accounts payable and long-term debt. The recorded values of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values based on their short-term nature. The recorded values of long-term debt approximate their fair values, as interest approximates market rates. The Organization's investments in certificates of deposit and marketable equity securities are recorded at fair value.

HELPING HAND HOUSE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all cash and other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost or at estimated fair value at the date of the gift. Land, buildings and equipment acquired by the Organization are considered to be owned by the Organization. However, federal or state funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The federal or state government has a reversionary interest in those assets purchased with its funds and may reclaim the assets at the end of the specific program for which they are acquired or until their interest is released. The federal or state government has reversionary interest in substantially all of the Organization's real property. The Organization does not intend to change the use of the properties acquired by the federal and state government funds.

Depreciation of buildings and equipment is computed using the straight line method over the estimated useful lives of the assets, which are:

Buildings and permanent additions	40 years
Major remodeling and improvements	25 years
Furniture	7 years
Vehicles and equipment	5 years
Computer equipment	3 years

Loan Fees

Loan fees are being amortized over ten years. Amortization expense for the years ended December 31, 2014 and 2013 was \$1,262 and \$1,381, respectively.

In-Kind Contributions

The Organization records as support and revenue, along with a like amount under program services expense, the estimated value of goods and volunteer services received. The volunteer services are recognized if the services received (a) create or enhance non-financial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

HELPING HAND HOUSE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Contributions (Continued)

For the years ended December 31, 2014 and 2013, the Organization received in-kind rent with an estimated value of \$47,000 and \$46,000, respectively, and received other goods and professional services with an estimated value of \$55,000 and \$65,000, respectively.

The Organization also receives significant amounts of donated volunteer services. During 2014, Helping Hand House received approximately 2,100 donated volunteer service hours. These donated volunteer services were not recorded as support or expense because they do not meet the criteria for recognition.

Contributions

Contributions from individuals are recorded as received. Contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are received.

Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as an "other than private foundation." However, the income from certain activities not directly related to the Organization's tax-exempt purpose can be subjected to taxation as unrelated business income. Currently, all activities are directly related to the Organization's exempt purpose.

For the years ended December 31, 2014 and 2013, the Organization has no material uncertain tax positions to be accounted for in the financial statements. Typically, the U.S. federal tax returns are open to examination for a period of three years after the filing date.

Maintenance Activities

It is the policy of the Organization to use the direct expense method for planned major maintenance activities.

HELPING HAND HOUSE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk

The Organization maintains certain cash balances in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2014, the Organization did not have any cash exceeding insured amount.

Subsequent Events

Management has evaluated subsequent events through October 15, 2015, the date the financial statements were available to be issued.

NOTE 3 - INVESTMENTS

Gains and losses on dispositions are accounted for on a specific identification basis. Net realized and unrealized gains and losses are included in the statements of activities. Investment income for the years ended December 31, 2014 and 2013 was \$7,124 and \$4,510, respectively.

In accordance with GAAP, the following table represents the Organization's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of:

<u>December 31, 2014:</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities	\$ 17,632	\$ 17,632		\$ -
Annuity	<u>26,798</u>	<u> </u>	<u>\$ 26,798</u>	<u> </u>
	<u>\$ 44,430</u>	<u>\$ 17,632</u>	<u>\$ 26,798</u>	<u>\$ -</u>
<u>December 31, 2013:</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities	\$ 15,047	\$ 15,047		\$ -
Annuity	<u>25,524</u>	<u> </u>	<u>\$ 25,524</u>	<u> </u>
	<u>\$ 40,571</u>	<u>\$ 15,047</u>	<u>\$ 25,524</u>	<u>\$ -</u>

HELPING HAND HOUSE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 4 - LAND, BUILDINGS AND EQUIPMENT

The Organization had the following land, buildings and equipment at December 31:

	<u>2014</u>	<u>2013</u>
Property and equipment used for emergency and transitional shelter	\$ 1,859,751	\$ 1,876,524
Office building	331,129	322,367
Office equipment	86,935	86,935
Vehicles	<u>23,959</u>	<u>23,959</u>
	2,301,774	2,309,785
Less accumulated depreciation	<u>(880,037)</u>	<u>(841,109)</u>
	<u>\$ 1,421,737</u>	<u>\$ 1,468,676</u>

Depreciation expense totaled \$71,313 and \$73,132 for the years ended December 31, 2014 and 2013, respectively.

NOTE 5 - LONG-TERM DEBT

The Organization had the following long-term debt obligations at December 31:

	<u>2014</u>	<u>2013</u>
Mortgage payable to Washington Community Reinvestment Association (WCRA), \$1,382 per month, including interest at 4.75%, balloon payment due November 2015, secured by a deed of trust on land and building.	\$ 213,898	\$ 220,179
Note payable to Pierce County Community Development Corporation for additional construction costs for the purchase and renovation of emergency housing, no payments, due February 2051.	<u>51,776</u>	<u>51,776</u>
	265,674	271,955
Less current portion	<u>(213,898)</u>	<u>(220,179)</u>
	<u>\$ 51,776</u>	<u>\$ 51,776</u>

HELPING HAND HOUSE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 5 - LONG-TERM DEBT (Continued)

The loan agreement with WCRA requires the Organization to deposit a set amount in operating and replacement reserves. The deposits total \$20,779 and \$19,579 as of December 31, 2014 and 2013, respectively.

The Organization is working with WCRA to extend the due date on the mortgage payable. Upon completion of the audit, the Organization expects to make a principal payment of \$25,000, and then continue monthly payments until a new due date in 2016.

NOTE 6 - LINE OF CREDIT

The Organization has a \$150,000 line of credit available through Pacific Continental. There are no borrowings on this line of credit at December 31, 2014 and 2013.

NOTE 7 - RESTRICTIONS ON NET ASSETS

Net assets were released from restrictions by incurring expenses satisfying the purpose restrictions specified by the donors or time restrictions on pledges as follows:

	<u>2014</u>	<u>2013</u>
Restrictions accomplished:		
Program restrictions	\$ 95,300	\$ 95,829
Operating support pledges	<u>6,100</u>	<u>7,548</u>
 Total assets released	 <u>\$ 101,400</u>	 <u>\$ 103,377</u>

Temporarily restricted net assets at December 31, 2014 and 2013 included the following:

	<u>2014</u>	<u>2013</u>
Operating support pledges		\$ 95,300
Program restricted grants	<u>\$ 34,786</u>	<u>20,886</u>
	<u>\$ 34,786</u>	<u>\$ 116,668</u>

NOTE 8 - COMMITMENTS

In 2006, the Organization received a commitment for a State funded grant. The grant is for a period of 10 years at a base amount of \$28,000 per year. The contract began in October of 2006. The unspent portion of the award for the grant fiscal year was deferred in the amount of \$21,000 and \$21,000 for December 31, 2014 and 2013, respectively.

HELPING HAND HOUSE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 9 - LEASE OBLIGATIONS

The Organization leases apartment units for its *Transitional Housing Program* under annual and month-to-month terms. Rent expense paid in 2014 and 2013 for these units was \$234,255 and \$277,799, respectively.

NOTE 10 - SUPPLEMENTAL CASH FLOW INFORMATION

The Organization paid interest of \$10,473 and \$10,613 for the years ended December 31, 2014 and 2013, respectively.

NOTE 11 - CHANGE IN ACCOUNTING POLICY

Through the year ended December 31, 2013, the Organization recorded pledges receivable, along with an allowance for uncollectible pledges, and a discount on pledges to be received in more than one year.

The Organization has found projecting the collection percentage and discount calculation to be challenging, as their collection percentage on long-term pledges has not been consistent. Instead of recording these pledges when received, the Organization has elected to record the pledges as collected.

As part of making this change during 2014, the Organization has restated their 2013 and 2012 financial statements for this change in accounting policy. This has reduced the assets and net assets by \$49,106 for the year ended December 31, 2013 and by \$46,830 for the year ended December 31, 2012. Changes have also been made to the statements of activities, statements of functional expenses, and statements of cash flows to reflect this change.