



**BRANTLEY
JANSON
YOST &
ELLISON**

August 12, 2013

Board of Directors
Helping Hand House
PO Box 710
Puyallup WA 98371

Dear Members of the Board:

We enclose twelve copies (ten bound and two unbound) of the Independent Auditor's Report and Financial Statements for Helping Hand House for the years ended December 31, 2012 and 2011.

We also enclose the Board Communication Letter and financial analysis graphs from our board presentation.

Yours very truly,
BRANTLEY JANSON YOST & ELLISON

Steven L. Ellison, CPA

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HELPING HAND HOUSE

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

DECEMBER 31, 2012 AND 2011

BRANTLEY JANSON YOST & ELLISON
Certified Public Accountants
A Professional Service Corporation
1617 South 325th Street
Federal Way, Washington 98003-6009

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Helping Hand House
PO Box 710
Puyallup, WA 98371

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, 2012 and 2011, 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 opinions on these financial statements based on our audit. 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 audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Helping Hand House as of December 31, 2012 and 2011, 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.

A handwritten signature in cursive script that reads "Brantley Jansen" followed by a stylized flourish.

August 1, 2013

HELPING HAND HOUSE

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011**

ASSETS

	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 253,118	\$ 493,494
Investments	35,718	33,481
Contributions receivable, net	11,077	37,696
Grants receivable	133,920	142,436
Prepays	<u>20,776</u>	<u>31,890</u>
Total current assets	454,609	738,997
LAND, BUILDINGS AND EQUIPMENT, net of accumulated depreciation	1,532,278	1,562,629
OTHER ASSETS		
Contributions receivable, long-term	35,753	75,341
Loan fees, net of accumulated amortization	2,643	4,023
Deposits		3,450
Replacement and general operating reserve	<u>18,379</u>	<u>17,179</u>
	<u>56,775</u>	<u>99,993</u>
TOTAL ASSETS	<u>\$ 2,043,662</u>	<u>\$ 2,401,619</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 19,567	\$ 41,559
Accrued expenses	21,257	39,004
Deferred revenue	21,000	21,000
Current portion of long-term debt	<u>6,000</u>	<u>5,700</u>
Total current liabilities	67,824	107,263
LONG-TERM DEBT	271,930	277,928
COPIER LEASE	2,894	7,508
NET ASSETS		
Unrestricted	1,504,346	1,568,154
Temporarily restricted	<u>196,668</u>	<u>440,766</u>
	<u>1,701,014</u>	<u>2,008,920</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,043,662</u>	<u>\$ 2,401,619</u>

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

HELPING HAND HOUSE

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
UNRESTRICTED NET ASSETS			
SUPPORT AND REVENUE			
Public support			
Grants	\$ 859,205	\$ 50,950	\$ 910,155
Donations	78,551		78,551
Fundraising	30,068	36,730	66,798
In-kind contributions	176,208		176,208
Net assets released from restriction	<u>331,778</u>	<u>(331,778)</u>	
Total public support	1,475,810	(244,098)	1,231,712
Revenue			
Program fees	145,701		145,701
Loss on investments	1,374		
Other	<u>96</u>		<u>96</u>
Total revenue	147,171		147,171
Total support and revenue	<u>1,622,981</u>	<u>(244,098)</u>	<u>1,378,883</u>
EXPENSES			
Program services	1,328,815		1,328,815
Supporting activities			
Management and general	176,237		176,237
Development and fundraising	<u>181,737</u>		<u>181,737</u>
Total expenses	<u>1,686,789</u>		<u>1,686,789</u>
CHANGE IN NET ASSETS	<u>(63,808)</u>	<u>(244,098)</u>	<u>(307,906)</u>
NET ASSETS, beginning of year	<u>1,568,154</u>	<u>440,766</u>	<u>2,008,920</u>
NET ASSETS, end of year	<u>\$ 1,504,346</u>	<u>\$ 196,668</u>	<u>\$ 1,701,014</u>

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

HELPING HAND HOUSE

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
UNRESTRICTED NET ASSETS			
SUPPORT AND REVENUE			
Public support			
Grants	\$ 1,135,850	\$ 132,210	\$ 1,268,060
Donations	69,579		69,579
Fundraising	29,209	56,026	85,235
In-kind contributions	193,956		193,956
Net assets released from restrictions	<u>325,427</u>	<u>(325,427)</u>	
Total public support	1,754,021	(137,191)	1,616,830
Revenue			
Program fees	142,860		142,860
Loss on investments	(31)		(31)
Gain on sale	8,094		8,094
Other	<u>10,305</u>		<u>10,305</u>
Total revenue	161,228		161,228
Total support and revenue	<u>1,915,249</u>	<u>(137,191)</u>	<u>1,778,058</u>
EXPENSES			
Program services	1,787,267		1,787,267
Supporting activities			
Management and general	159,956		159,956
Development and fundraising	<u>129,425</u>		<u>129,425</u>
Total expenses	<u>2,076,648</u>		<u>2,076,648</u>
CHANGE IN NET ASSETS	<u>(161,399)</u>	<u>(137,191)</u>	<u>(298,590)</u>
NET ASSETS, beginning of year	<u>1,729,553</u>	<u>577,957</u>	<u>2,307,510</u>
NET ASSETS, end of year	<u>\$ 1,568,154</u>	<u>\$ 440,766</u>	<u>\$ 2,008,920</u>

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

HELPING HAND HOUSE

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2012**

	Program Services					Supporting Activities			Total
	Diversion Rapid Re-Housing	Interim Services	Transitional Housing	Permanent Housing	Total Program Services	Management and General	Development & Fundraising	Total Supporting Activities	
Salaries	\$ 33,098	\$ 101,492	\$ 98,410	\$ 229,757	\$ 462,757	\$ 126,472	\$ 67,061	\$ 193,533	\$ 656,290
Payroll taxes and employee benefits	7,365	21,601	23,518	52,490	104,974	31,565	14,825	46,390	151,364
Total salaries and related expenses	40,463	123,093	121,928	282,247	567,731	158,037	81,886	239,923	807,654
Bad debts							65,001	65,001	65,001
Contract workers	281	1,003	1,226	2,325	4,835	1,258	875	2,133	6,968
Client support services	46	15,114	15,118	41,442	71,720				71,720
In-kind	8,303	81,928	23,249	62,728	176,208				176,208
Insurance	300	3,420	2,655	14,053	20,428	882	1,350	2,232	22,660
Interest	480	1,654	1,638	3,674	7,446	1,408	2,036	3,444	10,890
Maintenance and repairs	35	21,992	970	18,572	41,569	433	433	866	42,435
Miscellaneous	13	370	145	1,065	1,593	1,418	914	2,332	3,925
Office	452	2,281	2,615	6,020	11,368	2,385	5,642	8,027	19,395
Printing and reproduction	209	1,762	1,803	3,951	7,725	1,508	2,371	3,879	11,604
Professional services	806	4,948	5,151	10,221	21,126	3,324	5,260	8,584	29,710
Rent - Program	21,536	1,590	104,618	101,699	229,443				229,443
Rental assistance	2,646		42		2,688				2,688
Special events							10,759	10,759	10,759
Telephone	492	5,005	1,895	4,191	11,583	1,170	1,840	3,010	14,593
Transportation	483	3,002	2,143	8,102	13,730	2,264	1,162	3,426	17,156
Utilities	196	16,179	1,150	51,519	69,044	923	1,411	2,334	71,378
Utilities assistance	2,980				2,980				2,980
Total expenses before depreciation	79,721	283,341	286,346	611,809	1,261,217	175,010	180,940	355,950	1,617,167
Depreciation and amortization	1,200	14,421	2,442	49,535	67,598	1,227	797	2,024	69,622
Total expenses	\$ 80,921	\$ 297,762	\$ 288,788	\$ 661,344	\$ 1,328,815	\$ 176,237	\$ 181,737	\$ 357,974	\$ 1,686,789

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

HELPING HAND HOUSE

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2011**

	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	\$ 40,003	\$ 185,370	\$ 106,824	\$ 282,124	\$ 614,321	\$ 103,172	\$ 55,749	\$ 158,921	\$ 773,242
Payroll taxes and employee benefits	10,102	45,225	28,020	56,727	140,074	28,746	11,027	39,773	179,847
Total salaries and related expenses	50,105	230,595	134,844	338,851	754,395	131,918	66,776	198,694	953,089
Bad debts							28,213	28,213	28,213
Client support services		12,336	14,379	24,579	51,294				51,294
In-kind		76,503	28,242	89,211	193,956				193,956
Insurance	867	5,901	1,898	9,521	18,187	1,756	2,691	4,447	22,634
Interest	864	2,557	1,379	3,168	7,968	1,778	1,757	3,535	11,503
Maintenance and repairs	328	9,396	1,095	38,862	49,681	6,843	565	7,408	57,089
Marketing							939	939	939
Miscellaneous	54	413	1,009	530	2,006	3,603	617	4,220	6,226
Office	1,047	3,790	3,021	5,133	12,991	3,137	5,940	9,077	22,068
Printing and reproduction	717	2,541	1,333	3,202	7,793	1,372	1,784	3,156	10,949
Professional services	1,652	4,987	3,439	7,039	17,117	2,762	3,340	6,102	23,219
Rent - Program	700	187,121	109,579	96,630	394,030				394,030
Rental assistance	81,884	4,043			85,927				85,927
Special events	173	1,349	660	1,565	3,747	642	11,796	12,438	16,185
Telephone	786	7,916	1,966	4,288	14,956	1,506	2,100	3,606	18,562
Transportation	408	5,988	2,702	12,133	21,231	2,467	1,188	3,655	24,886
Utilities	496	18,974	1,469	51,827	72,766	842	1,082	1,924	74,690
Utilities assistance	12,348	657			13,005				13,005
Total expenses before depreciation	152,429	575,067	307,015	686,539	1,721,050	158,626	128,788	287,414	2,008,464
Depreciation and amortization	1,851	24,474	376	39,516	66,217	1,330	637	1,967	68,184
Total expenses	\$ 154,280	\$ 599,541	\$ 307,391	\$ 726,055	\$ 1,787,267	\$ 159,956	\$ 129,425	\$ 289,381	\$ 2,076,648

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

HELPING HAND HOUSE

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (307,906)	\$ (298,590)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	68,675	68,184
Bad debt expense	65,001	28,213
Replacement and general operating reserves	(1,200)	(1,200)
Gain on disposal of assets		(8,094)
Contributions restricted for future programs		98,584
Changes in assets and liabilities:		
Contributions receivable	1,206	(28,077)
Grants receivable	8,516	(47,550)
Prepays	11,114	(3,291)
Deposits	3,450	675
Accounts payable and accrued expenses	(39,739)	41,922
Deferred revenue	(4,614)	7,508
Net cash used by operating activities	<u>(195,497)</u>	<u>(141,716)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,237)	(23,287)
Purchase of property and equipment	(36,944)	
Proceeds from sale of building		<u>130,990</u>
Net cash provided (used) by investing activities	<u>(39,181)</u>	<u>107,703</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	<u>(5,698)</u>	<u>(5,435)</u>
NET CHANGE IN CASH	(240,376)	(39,448)
CASH AND CASH EQUIVALENTS, beginning of year	<u>493,494</u>	<u>532,942</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 253,118</u>	<u>\$ 493,494</u>

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

HELPING HAND HOUSE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

NOTE 1 - ORGANIZATION PURPOSE

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:

Diversions Rapid Re-Housing

The Helping Hand House *Diversions Rapid Re-Housing* (formerly *Homeless Prevention Program*) provides rental assistance to families with dependent children who have received a three-day pay or vacate notice and utility assistance to families with dependent children who have received a utility shut-off notice.

Interim Services and Rapid Rehousing

The Helping Hand House *Interim Services* (formerly *Emergency Housing Program*) consists of agency owned and donated homes. Furnished housing is provided to homeless families with dependent children for a period up to three months. During their stay in these homes the family is not required to pay rent or utilities. The Helping Hand House *Rapid Rehousing Program* consists of leased units. Housing is provided to homeless families, with minimal case management, for a period no longer than 18 months through rental subsidies that gradually decrease as the households' income increases. The lease is in the family's name allowing them to stay in the housing at the end of the program.

Transitional Housing

The Helping Hand House *Transitional Housing Program* consists of agency owned homes. Homeless families who have been in emergency housing but are found to need additional time and support to become self-sufficient are referred to this program. Families may live in this housing for a period of up to two years. During their stay they pay 30% of their monthly income.

Permanent Supportive Housing

The Helping Hand House *Permanent Supportive Housing Program* consists of client leased homes and apartments. Families are supported in locating permanent housing within the identified school catchment area. The family pays 30% of their income for rent as they work to increase earning potential through career assessment, training and education. As their income increases so does the rent they pay until, at the end of their time in this longer term program, they are paying the full rent and meeting their

HELPING HAND HOUSE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

NOTE 1 - ORGANIZATION PURPOSE (Continued)

Permanent Supportive Housing (Continued)

family's needs to a point of self-sufficiency. During their stay, extensive support is provided to the children in the program, helping them improve school attendance, performance and behavior.

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 2012 and 2011 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. Material estimates that are particularly susceptible to significant changes relate to the determination of the accounts receivable allowance for doubtful accounts, amortization lives of intangible assets, and the present value calculation of long term contribution receivables. Accordingly, actual results could differ from those estimates.

HELPING HAND HOUSE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 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.

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

HELPING HAND HOUSE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loan Fees

Loan fees are being amortized over ten years. Amortization expense for 2012 and 2011 was \$1,380 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. For both 2012 and 2011, the Organization received in-kind rent with an estimated value of \$50,414 and \$65,604. In 2012 and 2011 the Organization received \$125,794 and \$128,352 in other goods and professional services. The Organization also receives donated legal services from time to time.

The Organization also receives significant amounts of donated volunteer services. During 2012, Helping Hand House received approximately 1,639 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, including unconditional promises to give, are recorded as made. All 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 fiscal year in which the contributions are recognized. Unconditional promises to give, due in the next year, are recorded at their net realizable value. Unconditional promises to give, due in subsequent years, are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be recorded.

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.

HELPING HAND HOUSE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The Organization follows generally accepted accounting principles (GAAP), which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. For the years ended December 31, 2012 and 2011, the Organization has no material uncertain tax positions to be accounted for in the financial statements. The Organization recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense. 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.

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, 2012, the Organization did not have any cash exceeding insured amount.

Subsequent Events

Management has evaluated subsequent events through August 1, 2013, the date the financial statements were available to be issued.

HELPING HAND HOUSE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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.

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:

December 31, 2012:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities	\$ 11,525	\$ 11,525		\$ -
Annuity	<u>24,193</u>	<u> </u>	\$ <u>24,193</u>	<u> </u>
	<u>\$ 35,718</u>	<u>\$ 11,525</u>	<u>\$ 24,193</u>	<u>\$ -</u>
Percent of total	100%	34%	66%	-%

December 31, 2011:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities	\$ 10,662	\$ 10,662		\$ -
Annuity	<u>22,819</u>	<u> </u>	\$ <u>22,819</u>	<u> </u>
	<u>\$ 33,481</u>	<u>\$ 10,662</u>	<u>\$ 22,819</u>	<u>\$ -</u>
Percent of total	100%	32%	68%	-%

Investment income for the years ended December 31, 2012 and 2011 was \$906 and \$2,105, respectively.

HELPING HAND HOUSE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

NOTE 4 - GRANTS AND CONTRIBUTIONS RECEIVABLE

At December 31, 2012 and 2011, the Organization's receivables consisted of the following:

	<u>2012</u>	<u>2011</u>
Contributions receivable - current	\$ 11,077	\$ 37,696
Contributions receivable - long term	35,753	75,341
Grants receivable	<u>133,920</u>	<u>142,436</u>
	<u>\$ 180,750</u>	<u>\$ 255,473</u>

Grants and contributions receivable are stated net of an allowance for doubtful accounts. The Organization analyzes individual pledge balances and records an allowance for estimated uncollectible pledge payments. Allowance for doubtful accounts at December 31, 2012 and 2011 was \$45,000 and \$12,000. There were no grant receivables past due more than 90 days.

Long-term contributions receivable, due in more than one year, are reflected at the present value of estimated future cash flows using a discount rate of 3%. The discount was \$3,449 and \$7,202 for 2012 and 2011.

NOTE 5 - LAND, BUILDINGS AND EQUIPMENT

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

	<u>2012</u>	<u>2011</u>
Property and equipment used for emergency and transitional shelter	\$ 1,876,524	\$ 1,876,524
Office building	322,367	322,367
Office equipment	77,405	40,461
Vehicles	<u>23,959</u>	<u>23,959</u>
	2,300,255	2,263,311
Less accumulated depreciation	<u>(767,977)</u>	<u>(700,682)</u>
	<u>\$ 1,532,278</u>	<u>\$ 1,562,629</u>

Depreciation expense totaled \$67,295 and \$66,803 for 2012 and 2011.

HELPING HAND HOUSE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

NOTE 6 - RESERVES

The loan agreement with Washington Community Reinvestment Association requires the Organization to deposit a set amount in operating and replacement reserves. The deposit amounts for the operating reserve total \$334 initially and \$334 each month up to a total of \$8,000. The deposit amounts for the replacement reserve total \$100 initially and \$100 each month thereafter. Replacement reserves totaled \$9,703 and \$8,503 in 2012 and 2011, and operating reserves totaled \$8,676 for both years.

NOTE 7 - 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, 2012 and 2011.

NOTE 8 - LONG-TERM DEBT

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

	<u>2012</u>	<u>2011</u>
Mortgage payable to Washington Community Reinvestment Association, \$1,382 per month, including interest at 4.75%, balloon payment due November 2014, secured by a deed of trust on land and building.	\$ 226,154	\$ 231,852
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>
	277,930	283,628
Less current portion	<u>(6,000)</u>	<u>(5,700)</u>
	<u>\$ 271,930</u>	<u>\$ 277,928</u>

HELPING HAND HOUSE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

NOTE 8 - LONG-TERM DEBT (Continued)

Future required payments for long-term debt for the years ending are:

<u>December 31,</u>	<u>Amount</u>
2013	\$ 6,000
2014	220,154
Thereafter	<u>51,776</u>
	<u>\$ 277,930</u>

NOTE 9 - 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>2012</u>	<u>2011</u>
Restrictions accomplished:		
Program restrictions	\$ 295,047	\$ 263,220
Operating support pledges	36,731	56,929
Operating support grants	<u> </u>	<u>5,278</u>
Total assets released	<u>\$ 331,778</u>	<u>\$ 325,427</u>

Temporarily restricted net assets at December 31, 2012 and 2011 were comprised of the following:

	<u>2012</u>	<u>2011</u>
Hydro seeding	\$ 500	\$ 500
Operating support pledges	85,632	113,343
Program restricted grants	<u>110,536</u>	<u>326,923</u>
	<u>\$ 196,668</u>	<u>\$ 440,766</u>

HELPING HAND HOUSE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

NOTE 9 - RESTRICTIONS ON NET ASSETS (Continued)

Operating support pledges are expected to be realized in the following periods:

	<u>2012</u>	<u>2011</u>
In one year or less	\$ 22,030	\$ 30,800
Between one and five years	<u>63,602</u>	<u>82,543</u>
	<u>\$ 85,632</u>	<u>\$ 113,343</u>

NOTE 10 - 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 for both December 31, 2012 and 2011.

NOTE 11 - LEASE OBLIGATIONS

The Organization leases apartment units for its *Transitional Housing Program* under annual and month-to-month terms. Rent expense paid in 2012 and 2011 for these units was \$229,443 and \$240,463.

NOTE 12 - SUPPLEMENTAL CASH FLOW INFORMATION

The Organization paid interest of approximately \$10,890 and \$11,503 for the years ended December 31, 2012 and 2011, respectively.