

**Roseville Home Start, Inc.**  
Financial Statements  
for the year ended December 31, 2015

## Independent Auditor's Report

To the Board of Directors  
**Roseville Home Start, Inc.**  
Roseville, California

We have audited the accompanying financial statements of Roseville Home Start, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 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.

Board of Directors  
**Roseville Home Start, Inc.**  
Independent Auditor's Report

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Roseville Home Start, Inc. as of December 31, 2015, 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.

A handwritten signature in cursive script that reads "Gallina LLP".

Roseville, California  
November 29, 2016

**Roseville Home Start, Inc.**  
**Statement of Financial Position**  
**December 31, 2015**

**Assets**

Current assets:

Cash	\$	194,347
Accounts receivable		21,278
Prepaid expenses		5,688
Client deposits		3,746
		3,746

Total current assets 225,059

Property and equipment, net 1,898,793

Total assets \$ 2,123,852

**Liabilities and Net Assets**

Current liabilities:

Accounts payable and accrued expenses	\$	26,912
Client deposits		3,611
Current maturity of long-term debt		5,844
		5,844

Total current liabilities 36,367

Long-term liabilities:

Long-term debt, net of current maturity	\$	229,903
Long-term debt with no repayment terms		942,062
Accrued interest		125,792
		125,792

Total long-term liabilities 1,297,757

Total liabilities 1,334,124

Net assets:

Unrestricted	364,603	
Permanently restricted	425,125	
		425,125

Total net assets 789,728

Total liabilities and net assets \$ 2,123,852

See accompanying notes.

**Roseville Home Start, Inc.**  
**Statement of Activities and Changes in Net Assets**  
**for the year ended December 31, 2015**

<u>Revenue:</u>		
Grants and contracts		\$ 77,129
Contributions		233,795
Client donations		16,389
Fundraising revenue		30,631
Other revenue		<u>1,067</u>
Total revenue		359,011
 <u>Functional expenses:</u>		
Program	\$ 450,684	
Fundraising	15,873	
General and administrative	<u>51,169</u>	
Total functional expenses		<u>517,726</u>
Decrease in net assets		(158,715)
 <u>Unrestricted net assets, January 1, 2015</u>		 <u>523,318</u>
 <u>Unrestricted net assets, December 31, 2015</u>		 <u><u>\$ 364,603</u></u>

See accompanying notes.

**Roseville Home Start, Inc.**  
**Statement of Functional Expenses**  
**for the year ended December 31, 2015**

	Program	General and Administrative	Fundraising	Total
Salaries and wages	\$ 196,248	\$ 19,845	\$ 4,410	\$ 220,503
Payroll taxes	16,789	1,698	377	18,864
Client services	29,960	-	-	29,960
Depreciation	70,152	7,094	1,576	78,822
Equipment rental	1,632	1,632	67	3,331
Insurance	37,718	3,814	848	42,380
Interest expense	23,691	-	-	23,691
Professional fees	22,208	11,798	694	34,700
Rent	1,170	118	26	1,314
Repairs and maintenance	4,406	446	99	4,951
Supplies	5,272	533	118	5,923
Telephone	7,076	716	159	7,951
Travel and entertainment	11,477	1,161	258	12,896
Utilities	18,852	1,906	424	21,182
Direct fundraising	-	-	6,726	6,726
Other expenses	4,033	408	91	4,532
Totals	<u>\$ 450,684</u>	<u>\$ 51,169</u>	<u>\$ 15,873</u>	<u>\$ 517,726</u>

See accompanying notes.

**Roseville Home Start, Inc.**  
**Statement of Cash Flows**  
**for the year ended December 31, 2015**

<u>Cash flows from operating activities:</u>	
Decrease in net assets	\$ (158,715)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	78,822
Changes in operating assets and liabilities:	
Accounts receivable	11,109
Client deposits - asset	(701)
Prepaid expenses and deposits	(4,080)
Accounts payable and accrued expenses	(8,472)
Client deposits - liability	2,806
Accrued interest	12,262
	12,262
Net cash used by operating activities	(66,969)
 <u>Cash flows from investing activities:</u>	
Cash paid for property and equipment	(631)
 <u>Cash flows from financing activities:</u>	
Principal payments on long-term debt	(5,800)
	(5,800)
Net decrease in cash	(73,400)
<u>Cash, January 1, 2015</u>	267,747
<u>Cash, December 31, 2015</u>	\$ 194,347

**Supplemental Disclosure of Cash Flow Information**

Cash paid for interest	\$ 11,429
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See accompanying notes.

**Roseville Home Start, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2015**

**Note 1: Summary of Significant Accounting Policies:**

The following items comprise the significant accounting policies of Roseville Home Start, Inc. (the Organization). These policies reflect industry practices and conform to accounting principles generally accepted in the United States of America.

Nature of Activities:

The Organization is a not-for-profit organization incorporated in 1995 in the State of California and is exempt from federal and state income taxes. The Organization operates a transitional housing facility which provides families shelter for up to one year and offers services to help obtain permanent housing, employment and financial assistance. The Organization is supported primarily by donor contributions from local churches, individuals and businesses, and also from contracts with various government agencies.

Basis of Accounting:

The Organization's financial statements have been prepared using the accrual method of accounting wherein income is recognized when earned and expenses are recognized when incurred.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation:

The Organization follows the recommendations of the Financial Accounting Standards Board (FASB). FASB establishes standards for financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally-imposed restrictions. A description of the three net asset categories are as follows:

- *Unrestricted net assets* have no donor-imposed restrictions.
- *Temporarily restricted net assets* have donor-imposed restrictions that are satisfied either by the passage of time or expenditures that meet the donor-specified purpose.
- *Permanently restricted net assets* have donor-imposed restrictions which do not expire.



**Roseville Home Start, Inc.**  
**Notes to the Financial Statements, continued**  
**December 31, 2015**

**Note 1: Summary of Significant Accounting Policies, continued:**

Financial Statement Presentation, continued:

Expenses are reported as decreases in net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled or the stipulated time period has elapsed), except for those restrictions met in the same year as received, are reported as revenues of the unrestricted net asset class.

Cash:

The Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash.

Accounts Receivable:

Accounts receivable consists of grants and promised donations from various funding sources which are recorded when an awarded amount is determined by the presenter. Management determines the collectability of accounts by regularly evaluating individual accounts receivable. Recoveries of accounts receivable previously written off are recorded when received. Management's evaluation resulted in no allowance for doubtful accounts as of December 31, 2015.

Client Deposits:

The Organization holds funds for its clients in a non-interest bearing bank deposit account in order to assist its clients with monthly budgeting.

Property and Equipment:

The Organization records property and equipment at cost or at the estimated fair value at the date of gift, if donated. All donated assets are reported as unrestricted support unless donors' stipulations specify how the assets must be used. Upon retirement or disposal of property and equipment, the costs and related depreciation are removed from the accounts, and gains or losses, if any, are reflected in the earnings for financial and income tax reporting purposes. Costs of repairs and maintenance are charged to expense. Depreciation is computed using the straight-line method for financial statement reporting purposes. Estimated useful lives are as follows:

	<u>Life</u>
Building and improvements	15 - 30 years
Furniture and equipment	3 - 15 years

**Roseville Home Start, Inc.**  
**Notes to the Financial Statements, continued**  
**December 31, 2015**

**Note 1: Summary of Significant Accounting Policies, continued:**

Impairment of Long-Lived Assets:

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to the carrying amount. If the operation is determined to be unable to recover the carrying amount of its assets, then assets are written down first, followed by other long-lived assets of the operation to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. There were no impairment losses recognized for long-lived assets as of December 31, 2015.

Revenue:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. 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. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

Contributed Services and Materials:

Volunteers, businesses and others contribute substantial amounts of materials and services toward the fulfillment of projects initiated by the Organization. Services donated by individuals possessing specialized skills where those services would typically be purchased are recorded at the rate at which those services would be purchased. Materials donated are recorded at their estimated fair value.

Many volunteers also provide services throughout the year that are not recognized as contributions in the financial statements because the recognition criteria have not been met. It is impractical to determine the fair market value of all donated services by the volunteers of the Organization beyond those required to be recognized as income.

Allocation of Functional Expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and support services based on management's analysis of program revenue and/or personnel time.

Income Taxes:

The Organization is classified as a not-for-profit corporation in accordance with the laws of the State of California. The Organization is exempt from income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code and related section of the California tax code. However, any income from unrelated business activities is taxed at federal corporation tax rates. Accordingly, no provision for income tax has been recorded.

**Roseville Home Start, Inc.**  
**Notes to the Financial Statements, continued**  
**December 31, 2015**

**Note 1: Summary of Significant Accounting Policies, continued:**

Uncertain Tax Positions:

Accounting guidance issued by Financial Accounting Standards Board (FASB) 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. The Organization did not have unrecognized tax benefits as of December 31, 2015 and does not expect this to change significantly over the next twelve months. The Organization will recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of December 31, 2015, the Organization has not accrued interest or penalties related to uncertain tax positions.

Concentrations:

*Credit Risk:*

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash and accounts receivable.

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts, nor does the Organization believe it is exposed to any significant credit risk on cash.

*Revenue:*

Contribution revenue from one donor represented approximately 31% of total contributions for the year ended December 31, 2015.

Recent Accounting Pronouncements:

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09), which amends the existing accounting standards for revenue recognition. In July 2015, FASB voted to defer the effective date of ASU 2014-09 for one year. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when products are transferred to customers. ASU 2014-09 will be effective for the Organization beginning in the year-ended December 31, 2019, though early adoption is permitted. The new revenue standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. The Organization is currently evaluating the impact of adopting the new revenue standard on its financial statements.

**Roseville Home Start, Inc.**  
**Notes to the Financial Statements, continued**  
**December 31, 2015**

**Note 1: Summary of Significant Accounting Policies, continued:**

Recent Accounting Pronouncements, continued:

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which amends portions of the existing accounting standards for Not-for-Profit entities. ASU 2016-14 simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. ASU 2016-14 will be effective for the Organization for periods beginning after December 15, 2017, although early adoption is permitted. The amendments in this ASU are applied retrospectively to each prior period presented, though the Organization may omit certain information and disclosures for any periods presented before the period of adoption. The Organization is currently evaluating the impact of adopting the new standard on its financial statements.

Subsequent Events:

Management has evaluated subsequent events through November 29, 2016, the date the financial statements were available to be issued.

**Note 2: Property and Equipment:**

Property and equipment consists of the following as of December 31, 2015:

Land	\$ 350,000
Building and improvements	2,157,223
Furniture and equipment	<u>79,270</u>
Total	2,586,493
Less accumulated depreciation	<u>687,700</u>
Property and equipment, net	<u><u>\$ 1,898,793</u></u>

Depreciation expense for the year ended December 31, 2015 amounted to \$78,822, and is included in the functional expenses.

**Roseville Home Start, Inc.**  
**Notes to the Financial Statements, continued**  
**December 31, 2015**

**Note 3: Line of Credit:**

The Organization has a \$150,000 unsecured line of credit with a Bank which matures on December 2, 2016. The line of credit bears interest at the prime rate plus 1.00%, with a 5.50% floor, resulting in a rate of 5.50% at December 31, 2015. There were no outstanding advances on the line of credit as of December 31, 2015.

**Note 4: Long-Term Debt with no repayment terms:**

The Organization has a loan payable to the City of Roseville in the amount of \$500,000. The loan was provided to assist the Organization with the rehabilitation of its property. In exchange, the Organization is to provide transitional housing for very low-income households. The loan is secured by a deed of trust on the property and is non-interest bearing. No repayment is to be made on the loan as long as the property is used in the manner specified for a period of 55 years and there is no other event of default under the terms of the loan agreement. At the completion of the initial loan term, September 21, 2060, the loan will be forgiven. In the event of default, the note is payable in full and will accrue interest at a default rate of 10% from the date of default.

The Organization has a loan payable to the Department of Housing and Community Development (DHCD) of the State of California in the amount of \$342,062. The loan was provided to assist the Organization with the rehabilitation of its property. The loan, secured by a deed of trust on the property, has a term of seven years and accrues simple interest at a rate of 3% per annum. The loan is deferred as long as the Organization's property is used as a transitional housing facility. At the completion of the initial loan term, July 21, 2012, the loan and all accrued interest were due to be forgiven. As of October 26, 2015, the date the financial statements were available to be issued, the Organization has received no notification from DHCD stating that the loan has been forgiven. Accrued interest on this loan at December 31, 2015 is \$105,459.

The Organization has a loan payable to the County of Placer in the amount of \$100,000. The loan was provided to assist the Organization with the rehabilitation of its property. The loan, secured by a deed of trust on the property, has a term of 55 years and accrues simple interest at a rate of 2% per annum. The loan is deferred for the 55 year period ending September 21, 2060, at which time the loan is due in full, as long as there is no default under the terms of the loan agreement. Accrued interest on this loan at December 31, 2015 is \$20,333.

**Roseville Home Start, Inc.**  
**Notes to the Financial Statements, continued**  
**December 31, 2015**

**Note 5: Long-Term Debt:**

Long-term debt with repayment terms consists of the following at December 31, 2015:

	Interest Rate	Payable	
		Within One Year	After One Year
Note payable to a bank, monthly principal and interest payments of \$1,436, due in June 2028.	4.75%	\$ 5,844	\$ 229,903

Aggregate maturities on long-term debt are as follows:

Year Ending December 31:

2016	\$ 5,844
2017	6,136
2018	6,442
2019	6,763
2020	7,100
Thereafter	203,462
	\$ 235,747

