

**GROWING HOME, INC.**

FINANCIAL STATEMENTS

December 31, 2017 and 2016

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# CLAIRE SONNIER, CPA

A PROFESSIONAL CORPORATION

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Growing Home, Inc.  
Westminster, Colorado

We have audited the accompanying consolidated statement of financial position of Growing Home, Inc. (a nonprofit corporation) as of December 31, 2017 and the related consolidated statements of activities, 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 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 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 Growing Home, Inc. as of December 31, 2017 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.

### ***Other Matters***

#### ***Prior Year Auditor***

The financial statements for the year ended December 31, 2016 were audited by other auditors and are included for comparative purposes only. An unqualified opinion was expressed in their report dated May 2, 2017.

**Other Matters (continued)***Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2018, on our consideration of Growing Home, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Growing Home, Inc.'s internal control over financial reporting and compliance.



CLAIRE SONNIER, CPA, PC  
Aurora, Colorado

June 19, 2018

**GROWING HOME, INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,589,637	\$ 362,655
Grants, pledges and contributions receivable:		
Grants receivable	256,180	349,818
Pledges and contributions receivable - current	<u>190,267</u>	<u>198,851</u>
Total grants, pledges and contributions receivable	446,447	548,669
Investments	66,950	285,482
Prepaid expenses and deposits	26,201	29,676
Funded deposits and reserves	<u>12,663</u>	<u>11,432</u>
Total current assets	<u>2,141,898</u>	<u>1,237,914</u>
Land, building and equipment, net of accumulated depreciation of \$568,039 and \$522,059	<u>1,174,170</u>	<u>1,210,503</u>
Other assets		
Pledges and contributions receivable - long-term	274,292	391,337
Beneficial interest held by a community foundation	<u>25,577</u>	<u>-</u>
Total other assets	<u>299,869</u>	<u>391,337</u>
Total assets	<u><u>\$ 3,615,937</u></u>	<u><u>\$ 2,839,754</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 39,471	\$ 14,821
Accrued expenses	37,060	34,080
Advances and deposits	12,663	10,687
Current portion of notes payable	<u>7,974</u>	<u>7,550</u>
Total current liabilities	<u>97,168</u>	<u>67,138</u>
Long-term liabilities		
Long-term portion of notes payable	<u>264,904</u>	<u>272,905</u>
Total liabilities	<u>362,072</u>	<u>340,043</u>
Net assets		
Unrestricted		
Undesignated	2,590,547	1,810,434
Board designated	<u>25,577</u>	<u>-</u>
Total unrestricted	<u>2,616,124</u>	<u>1,810,434</u>
Temporarily restricted		
Time restricted	496,893	606,102
Purpose restricted	<u>140,848</u>	<u>83,175</u>
Total temporarily restricted	<u>637,741</u>	<u>689,277</u>
Total net assets	<u>3,253,865</u>	<u>2,499,711</u>
Total liabilities and net assets	<u><u>\$ 3,615,937</u></u>	<u><u>\$ 2,839,754</u></u>

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

**GROWING HOME, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS AND SUPPORT			
Support			
Grants and contributions	\$ 1,338,215	\$ 422,484	\$ 1,760,699
Government grants	1,354,613	-	1,354,613
Value of interest free loan	7,000	-	7,000
Total support	<u>2,699,828</u>	<u>422,484</u>	<u>3,122,312</u>
Revenues and gains			
Rental income	118,784	-	118,784
Interest and investment income	36,794	-	36,794
Total revenues and gains	<u>155,578</u>	<u>-</u>	<u>155,578</u>
Net assets released from restrictions			
Expiration of time restrictions	252,252	(252,252)	-
Satisfaction of program restrictions	221,768	(221,768)	-
Total revenues, gains and support	<u>3,329,426</u>	<u>(51,536)</u>	<u>3,277,890</u>
EXPENSES			
Program services			
Strengthening families	521,351	-	521,351
Nurturing children	1,310,847	-	1,310,847
Creating community	113,245	-	113,245
Total program services	<u>1,945,443</u>	<u>-</u>	<u>1,945,443</u>
Supporting services			
General and administrative	351,591	-	351,591
Fundraising	226,702	-	226,702
Total supporting services	<u>578,293</u>	<u>-</u>	<u>578,293</u>
Total expenses	<u>2,523,736</u>	<u>-</u>	<u>2,523,736</u>
CHANGE IN NET ASSETS	805,690	(51,536)	754,154
NET ASSETS, BEGINNING OF PERIOD	<u>1,810,434</u>	<u>689,277</u>	<u>2,499,711</u>
NET ASSETS, END OF PERIOD	<u>\$ 2,616,124</u>	<u>\$ 637,741</u>	<u>\$ 3,253,865</u>

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

**GROWING HOME, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS AND SUPPORT			
Support			
Grants and contributions	\$ 642,875	\$ 557,454	\$ 1,200,329
Government grants	1,173,432	-	1,173,432
Value of interest free loan	7,000	-	7,000
Total support	<u>1,823,307</u>	<u>557,454</u>	<u>2,380,761</u>
Revenues and gains			
Rental income	116,409	-	116,409
Interest and investment income	1,486	-	1,486
Total revenues and gains	<u>117,895</u>	<u>-</u>	<u>117,895</u>
Net assets released from restrictions			
Expiration of time restrictions	138,672	(138,672)	-
Satisfaction of program restrictions	280,270	(280,270)	-
Total revenues, gains and support	<u>2,360,144</u>	<u>138,512</u>	<u>2,498,656</u>
EXPENSES			
Program services			
Strengthening families	504,051	-	504,051
Nurturing children	1,232,666	-	1,232,666
Creating community	112,434	-	112,434
Total program services	<u>1,849,151</u>	<u>-</u>	<u>1,849,151</u>
Supporting services			
General and administrative	152,484	-	152,484
Fundraising	225,672	-	225,672
Total supporting services	<u>378,156</u>	<u>-</u>	<u>378,156</u>
Total expenses	<u>2,227,307</u>	<u>-</u>	<u>2,227,307</u>
CHANGE IN NET ASSETS	132,837	138,512	271,349
NET ASSETS, BEGINNING OF PERIOD	<u>1,677,597</u>	<u>550,765</u>	<u>2,228,362</u>
NET ASSETS, END OF PERIOD	<u>\$ 1,810,434</u>	<u>\$ 689,277</u>	<u>\$ 2,499,711</u>

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

**GROWING HOME, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2017

	Program Services			Supporting Services		Total
	Strengthening Families	Nurturing Children	Creating Community	General and administrative	Fundraising	expenses
Salaries	\$ 232,075	\$ 859,380	\$ 82,319	\$ 128,588	\$ 131,056	\$ 1,433,418
Payroll taxes	18,653	68,111	6,703	8,264	10,498	112,229
Employee benefits	26,291	144,176	6,321	10,576	11,990	199,354
Total salaries and related expenses	277,019	1,071,667	95,343	147,428	153,544	1,745,001
Professional services	1,385	23,770	-	80,109	961	106,225
Supplies and postage	2,382	1,459	103	7,420	682	12,046
Telephone and Technology	18,230	80,210	7,292	4,861	10,938	121,531
Rent	11,823	52,019	4,729	3,153	7,093	78,817
Insurance	3,831	16,859	1,533	1,022	2,299	25,544
Development expenses	-	-	-	35	34,492	34,527
Interest and bank charges	11,487	-	-	3,558	-	15,045
Interest imputed on FHLB loan	7,000	-	-	-	-	7,000
Travel expense	5,392	22,541	545	4,260	12,837	45,575
Staff development and volunteer appreciation	387	3,660	1,587	8,743	1,470	15,847
Printing	953	4,192	381	254	572	6,352
Program expenses	70,895	27,178	882	1,584	1,052	101,591
Maintenance and repair	35,261	1,701	342	1,312	-	38,616
Utilities	26,216	-	-	172	-	26,388
Management fees	9,600	-	-	-	-	9,600
Bad debt expense	-	-	-	87,190	-	87,190
Miscellaneous	710	-	-	151	-	861
	205,552	233,589	17,394	203,824	72,396	732,755
Total expenses before depreciation	482,571	1,305,256	112,737	351,252	225,940	2,477,756
Depreciation	38,780	5,591	508	339	762	45,980
Total expenses	\$ 521,351	\$ 1,310,847	\$ 113,245	\$ 351,591	\$ 226,702	\$ 2,523,736

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



**GROWING HOME, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2016

	Program Services			Supporting Services		Total expenses
	Strengthening Families	Nurturing Children	Creating Community	General and administrative	Fundraising	
Salaries	\$ 218,734	\$ 819,076	\$ 85,440	\$ 67,189	\$ 134,476	\$ 1,324,915
Payroll taxes	17,852	66,512	7,095	5,593	10,765	107,817
Employee benefits	28,532	116,619	3,999	9,100	13,261	171,511
Total salaries and related expenses	265,118	1,002,207	96,534	81,882	158,502	1,604,243
Professional services	4,546	15,371	-	22,779	1,350	44,046
Supplies and postage	1,987	3,726	598	3,729	1,162	11,202
Telephone and Technology	14,318	62,999	5,727	3,818	8,591	95,453
Rent	11,516	50,671	4,607	3,071	6,910	76,775
Insurance	3,381	14,874	1,352	901	2,028	22,536
Development expenses	-	-	-	-	34,444	34,444
Interest and bank charges	13,400	-	-	4,681	-	18,081
Interest imputed on FHLB loan	7,000	-	-	-	-	7,000
Travel expense	1,793	30,311	1,374	12,971	9,269	55,718
Staff development and volunteer appreciation	1,776	10,659	926	6,786	1,173	21,320
Printing	875	3,849	350	233	525	5,832
Program expenses	71,976	29,186	55	3,247	629	105,093
Maintenance and repair	30,722	252	72	1,794	-	32,840
Utilities	25,909	-	-	-	-	25,909
Management fees	9,600	-	-	-	-	9,600
Miscellaneous	809	574	113	6,108	-	7,604
	199,608	222,472	15,174	70,118	66,081	573,453
Total expenses before depreciation	464,726	1,224,679	111,708	152,000	224,583	2,177,696
Depreciation	39,325	7,987	726	484	1,089	49,611
Total expenses	\$ 504,051	\$ 1,232,666	\$ 112,434	\$ 152,484	\$ 225,672	\$ 2,227,307

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

**GROWING HOME, INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the Years Ended December 31, 2017 and 2016

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from grantors and donors	\$ 1,860,751	\$ 866,998
Received from government sources	1,448,251	1,308,819
Received from housing rentals	119,529	115,664
Interest and dividends received	16,950	1,486
Other income received	-	-
Interest paid	(11,438)	(12,302)
Paid to suppliers and employees	(2,428,213)	(2,198,891)
Net cash provided by operating activities	<u>1,005,830</u>	<u>81,774</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of donated property	279,844	-
Investment in beneficial interest held by a community foundation	(25,577)	-
Investment in stock	(25,539)	(25,481)
Net cash provided (used) by investing activities	<u>228,728</u>	<u>(25,481)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from line of credit	-	70,000
Payments on line of credit	-	(70,000)
Payments on mortgage debt	(7,576)	(6,957)
Net cash used by financing activities	<u>(7,576)</u>	<u>(6,957)</u>
Net increase in cash and cash equivalents	<u>1,226,982</u>	<u>49,336</u>
Cash and cash equivalents, beginning of year	<u>362,655</u>	<u>313,319</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,589,637</u></u>	<u><u>\$ 362,655</u></u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ 754,154	\$ 271,349
Adjustments to reconcile net cash used in operating activities		
Depreciation expense	45,981	49,611
(Increase) decrease in:		
Grants and donations receivable	100,052	(73,331)
Government grants receivable	93,638	135,387
Funded deposits and reserves	(1,231)	(1,194)
Prepaid expenses	3,475	(23,169)
Realized gain on sale of donated real estate	(19,843)	-
Noncash donation of real estate	-	(260,000)
Increase (decrease) in:		
Accounts payable	24,649	(15,527)
Accrued expenses	2,979	(1,801)
Advances and deposits	1,976	449
Total adjustments	<u>251,676</u>	<u>(189,575)</u>
Net cash provided by operating activities	<u><u>\$ 1,005,830</u></u>	<u><u>\$ 81,774</u></u>

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

**GROWING HOME, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2017 and 2016

**NOTE 1 - NATURE OF ORGANIZATION**

Growing Home has provided services to strengthen families, nurture children, and create community since its inception in 1998. Over the years Growing Home evolved from a temporary housing program to offer wrap-around services and dual-generation programming so all family members may thrive. This growth was conscious and intentional, as Growing Home's leadership recognized that family homelessness has many contributing factors, and successfully addressing this problem requires multifaceted interventions to serve all family members. Today, Growing Home serves whole families with intensive supports to overcome immediate and long-term obstacles to family stability and self-sufficiency. Growing Home's wrap-around approach provides intensive supports to strengthen families during times of crisis by offering food, shelter, healthcare, and homeless prevention assistance. Early childhood interventions nurture children from birth through age eight with evidence-based programs that help prepare young kids for kindergarten and keep older kids on the path to success. Growing Home creates community by supporting neighborhood leaders as they learn to leverage their collective power to improve conditions for themselves and their neighbors. Growing Home combines high quality direct service strategies with efforts to advance systems change to build equity of opportunity for all. In 2017 Growing Home proudly served 13,939 individuals from 6,321 families.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Basis of Accounting**

The accrual basis of accounting is used for financial statement presentation. Under the accrual method of accounting, certain revenues and the related assets are recognized when earned rather than when received, and certain expenses and the related liabilities are recognized when incurred rather than when paid.

**b. Financial Statement Presentation**

Under the Financial Accounting Standards Board FASB ASC 958-210, Growing Home is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets – consists of assets, public support and program revenues, which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Temporarily Restricted Net Assets – includes funds with donor-imposed restrictions, which permit Growing Home to expend the assets only as specified, and are satisfied either by the passage of time or by actions of the organization. Resources of this nature typically originate from gifts, grants, and bequests.

Permanently Restricted Net Assets – includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the organization to expend part or all of the income derived from the donated assets.

Growing Home reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when the stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

**GROWING HOME, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2017 and 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**c. *Cash and Cash Equivalents***

Growing Home considers all cash and cash equivalents to consist of currency on hand, demand deposits, money market funds and highly liquid investments with original maturities of three months or less.

**d. *Furniture and Equipment***

Furniture and equipment are stated at cost, or estimated value if donated, and depreciated over estimated lives of five to seven years. Leasehold improvements are recorded at cost and amortized over 20 years. Vehicles are recorded at cost and depreciated over a life of five years. The apartment building and renovations are depreciated over a 40-year estimated life. Assets with a cost of greater than \$5,000 are capitalized if the useful life is greater than one year. Depreciation expense is calculated using the straight-line method.

**e. *Contributions and Pledges Receivable***

Contributions, including unconditional promises to give, are recorded as received. Growing Home reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Multi-year pledges are discounted to net present value calculated using the applicable 5-year U.S. Treasury note rate. In prior years, uncollectible pledges were identified to be written off and recorded as an expense. A change in the method of estimation of uncollectible pledges was made during the year ended December 31, 2017, using an allowance for uncollectible pledges of 4%.

**f. *In-kind Contributions***

Non-monetary items (fixed assets) that are donated to Growing Home are recorded at fair value on the date of the donation and depreciated. In-kind expenses that are donated to Growing Home and meet the criteria for recognition are recorded at estimated fair value on the date of the donation as contributions on the financial statements and expensed appropriately.

Many individuals volunteer their time in performing various services to Growing Home; however, these services do not meet the criteria for recording as set forth in FASB ASC 958-605 and, accordingly, their value has not been recorded.

**g. *Investments***

Investments are measured and reported at fair value. Those with a readily determinable fair value are based on quotations obtained from national security exchanges. Changes in fair value are reported as unrealized gains or losses in the statement of activities. All investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes, could materially affect the amount reported in the financial statements.

**GROWING HOME, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2017 and 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***h. Beneficial Interest Held by a Community Foundation***

A beneficial interest held by a community foundation is reported at fair value in the statement of financial position. Fair value is determined as a percentage of ownership of pooled investments managed by the community foundation.

***i. 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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

***j. Income Taxes***

Growing Home, Inc., is exempt from federal income taxes under the provisions of Section 501(a) of the Internal Revenue Code (IRC) as a public charity, as described in Section 501(c)(3). As a charitable organization, only unrelated business income is subject to tax under IRC Section 511. Westchester Apartments LLLP is fully owned by tax exempt entities and is treated as a disregarded entity by the Internal Revenue Service.

Growing Home, Inc. follows FASB ASC 740 *Income Taxes*, which requires entities to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority. Growing Home, Inc. has evaluated tax positions taken related to its tax-exempt status, and none are considered to be uncertain; therefore, no amounts have been recognized as of December 31, 2017.

**NOTE 3 - CONCENTRATION OF CREDIT RISK**

Growing Home maintains bank accounts at various financial institutions. The balance of an account at December 31, 2017 at one institution exceeded the \$250,000 per depositor insured limit set by the FDIC.

**NOTE 4 - WESTCHESTER APARTMENTS, LLLP AND BASIS OF CONSOLIDATION**

The accompanying consolidated financial statements include the accounts of Westchester Apartments, LLLP, a partnership of Growing Home and Adams County Housing Authority where Growing Home has a 99.5% interest and Adams County Housing Authority has a 0.5% interest. The partnership was formed during 2005 for the purpose of purchasing and managing a residential housing complex to provide affordable housing for low income individuals. All intercompany transactions have been eliminated in consolidation.

**NOTE 5 - PLEDGES AND CONTRIBUTIONS RECEIVABLE**

Pledges and contributions receivable related to support of Growing Home are accounted for in accordance with FASB ASC 958-605, which requires revenue to be recognized in the year a pledge is received regardless of when the cash for the pledge is received. During the years ended December 31, 2017 and 2016, Growing Home received new multi-year pledges, as well as cash payments in satisfaction of a portion of those pledges.

Pledges and contributions receivable to Growing Home are considered temporarily restricted net assets, due to the presumptive time restriction.

**GROWING HOME, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2017 and 2016

**NOTE 5 - PLEDGES AND CONTRIBUTIONS RECEIVABLE (continued)**

The discount on multi-year pledges has been calculated using the applicable 5-year U.S. Treasury note rate, which was 2.20% at December 31, 2017 (1.93% at December 31, 2016). In 2017 long-term pledges decreased from \$391,337 (2016) to \$274,292 (2017). This was largely due to a reduction in pledges attributable to CEO/Leadership transition. This is not anticipated to be an ongoing pattern in future years. Also, an allowance for uncollectible pledges receivable at December 31, 2017 has been recorded for the year ended December 31, 2017, which will more closely reflect the net realizable value of pledges receivable. The effect of this change on the statement of activities for the year ended December 31, 2017 was an increase in expense of \$19,876.

Pledges and contributions receivable are as follows as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Receivable within one year	\$ 190,267	\$ 198,851
Receivable in one to five years	<u>306,626</u>	<u>407,251</u>
Total to be received	496,893	606,102
Less: Discounts to net present value	(12,458)	(15,914)
Allowance for uncollectible pledges	<u>(19,876)</u>	<u>—</u>
Net pledges and contributions receivable (unconditional promises to give)	<u>\$ 464,559</u>	<u>\$ 590,188</u>

Pledges and contributions receivable are presented on the statement of financial position as follows:

	<u>2017</u>	<u>2016</u>
Pledges and contributions receivable - current	\$ 190,267	\$ 198,851
Pledges and contributions receivable – long term	<u>274,292</u>	<u>391,337</u>
Net pledges and contributions receivable (unconditional promises to give)	<u>\$ 464,559</u>	<u>\$ 590,188</u>

**NOTE 6 - INVESTMENTS**

Investments reported in the statement of financial position consist of donated real estate and securities. Donated securities at December 31, 2017 and 2016 were valued at \$66,950 and \$25,482, respectively, and are held for the production of investment income. Real estate donated in December 2016, valued at \$260,000 at the time of donation, was sold in 2017.

**NOTE 7 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	<u>Estimated Useful Life</u>	<u>2017</u>	<u>2016</u>
Land		\$ 94,786	\$ 94,786
Building and improvements	40 years	1,500,374	1,500,374
Furniture, fixtures and equipment	5-10 years	45,381	45,381
Vehicles	5 years	50,638	50,638
Leasehold improvements	20 years	<u>51,030</u>	<u>41,383</u>
		1,742,209	1,732,562
Less: accumulated depreciation and amortization		<u>(568,039)</u>	<u>(522,059)</u>
Net property and equipment		<u>\$ 1,174,170</u>	<u>\$ 1,210,503</u>

**GROWING HOME, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2017 and 2016

**NOTE 8 - NOTES PAYABLE**

In December 2005, Growing Home and Westchester Apartments entered into a \$258,000 mortgage note arrangement with a bank. Terms of the note include interest at 6.75% and require monthly payments of principal and interest of \$1,691 per month through November, 2015, with a balloon payment of \$220,614 due on December 15, 2015. In April 2014, Growing Home refinanced this mortgage at an interest rate of 5.4% and monthly payments of \$1,574, with a balloon payment of \$146,061 due on March 15, 2024. This note is collateralized by the land and building of Westchester Apartments and all cash accounts that Growing Home and Westchester Apartments hold at that bank.

In addition, in October 2006, Growing Home and Westchester Apartments jointly received an Affordable Housing Program Loan for \$70,000 from the Federal Home Loan Bank. This loan carries an interest rate of 10% and is due October 2021; however, provided Westchester Apartments is maintained as an affordable housing project for fifteen years, no interest or principal payments are required and the note will be forgiven at the end of the fifteen year period. The value of interest that was imputed and forgiven on this loan was \$7,000 for each of the years ended December 31, 2017 and 2016.

On March 6, 2016, Growing Home and Westchester Apartments renewed a \$130,000 line of credit at a bank with a maturity date of March 6, 2019. The terms of the note require interest at the Wall Street Prime Index rate plus 1.0%. There were no outstanding balances on this line of credit at December 31, 2017 and 2016. Principal payments due on notes payable are as follows:

<u>Year Ended December 31:</u>	<u>Amount</u>
2018	\$ 7,974
2019	8,421
2020	8,865
2021	9,392
2022	9,919
Thereafter	<u>228,307</u>
Total	272,878
Less current portion	<u>(7,974)</u>
Long-term debt	<u>\$ 264,904</u>

**NOTE 9 - BENEFICIAL INTEREST HELD BY A COMMUNITY FOUNDATION**

During the year ended December 31, 2017, Growing Home established a permanent fund at a community foundation with an initial investment of \$15,000 which was matched by a gift from the community foundation of \$10,000. The purpose of the fund is to provide cash flow to be used for present and future operations and programs. Under the agreement, this investment is considered an irrevocable gift to the community foundation to be held as a separate fund to be administered and distributed in accordance with the agreement. This investment is reported at fair value in the statement of financial position and is classified in net assets as unrestricted board designated net assets.

**GROWING HOME, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2017 and 2016

**NOTE 10 - FAIR VALUE MEASUREMENTS**

The FASB has issued guidance for measurement and disclosure of fair value and establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Growing Home has the ability to access.
- Level 2      Quoted prices for similar instruments in active and inactive markets; and model driven valuation with significant inputs and drivers derived from observable active markets.
- Level 3      Inputs to the valuation methodology are unobservable for the instrument and significant to the fair value measurement.

The following table sets forth by level, within the fair value hierarchy, Growing Home's investment assets at fair value as of December 31, 2017 and 2016:

<u>Assets at Fair Value as of December 31, 2017</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 11,491	\$ -	\$ -	\$ 11,491
Common stock	55,459	-	-	55,459
Pooled investments	-	-	25,577	25,577
Total	<u>\$ 66,950</u>	<u>\$ -</u>	<u>\$ 25,577</u>	<u>\$ 92,527</u>

<u>Assets at Fair Value as of December 31, 2016</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 25,482	-	-	\$ 25,482
Total	<u>\$ 25,482</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,482</u>

The changes in the investment reported as Level 3 inputs to determine fair value are as follows:

January 1, 2017 balance	\$ -
Purchases	25,000
Distributions	-
Realized and unrealized gains and interest, net	577
December 31, 2017 balance	<u>\$ 25,577</u>

**NOTE 11 - LEASE COMMITMENTS**

Growing Home leases office space and facilities under a three year noncancelable operating lease agreement which expires December 31, 2018. Growing Home also leases space for its day care and emergency shelter on a year-to-year basis for approximately \$980 per month. In addition, a lease for office equipment was entered into in June 2016, which requires 36 monthly payments of \$302.22. Future minimum payments required under these leases are as follows:

<u>Year Ended December 31:</u>	<u>Amount</u>
2018	\$ 68,306
2019	2,116
Total	<u>\$ 70,422</u>

Total rent expense (including common area maintenance and property taxes) for these operating leases for the years ended December 31, 2017 and 2016 was \$80,883 and \$77,732, respectively.



**GROWING HOME, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2017 and 2016

**NOTE 12 - PENSION PLAN**

Growing Home maintains a Section 403(b) tax-sheltered annuity plan whereby participating employees may contribute to the plan within limitations established by the Internal Revenue Service. At the discretion of the Board of Directors, Growing Home may also make matching contributions up to a certain percent of the amounts contributed by employees during the plan year. Employees are covered after meeting employment requirements specified in the plan documentation. Growing Home contributed \$44,241 and \$43,383 to the plan, respectively, in the years ended December 31, 2017 and 2016.

**NOTE 13 - SUBSEQUENT EVENTS**

Growing Home has adopted the provisions of FASB ASC 855-10 *Subsequent Events*. This statement requires management to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. Growing Home's financial statements were available to be issued on June 19, 2018, and this is the date through which subsequent events were evaluated.

## SUPPLEMENTAL INFORMATION

**GROWING HOME, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended December 31, 2017

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>Pass-Through Awards:</b>			
U. S. Department of Health and Human Services/ Passed through by the State of Colorado Department of Human Services			
Affordable Care Act - Maternal, Infant, and Early Childhood Home Visiting Program Formula, Expansion, and Development Grants to States	93.505	17IHIA93996	\$ 1,058,636
Community Services Block Grant	93.569	L12CSBG01	79,050
Corporation for National and Community Service Passed through by the University of Utah Sorenson Impact Center			
Social Innovation Fund Pay for Success	94.024	55000173	44,058
Passed through by the State of Colorado Department of Local Affairs			
Emergency Solutions Grants Program	14.231	H7ESG16918	73,364
Emergency Solutions Grants Program	14.231	H4ESG15918	<u>9,310</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,264,418</u></u>

See Notes to the Schedule of Expenditures of Federal Awards.

**Growing Home, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended December 31, 2017

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Growing Home, Inc., for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Growing Home, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Growing Home, Inc.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Growing Home, Inc. has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 3 - SUBRECIPIENTS**

Growing Home, Inc. provided no federal awards to subrecipients.

# CLAIRE SONNIER, CPA

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors  
Growing Home, Inc.  
Westminster, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Growing Home, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 19, 2018.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Growing Home, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Growing Home, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Growing Home, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Growing Home, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Claire Sonnier, CPA, PC".

CLAIRE SONNIER, CPA, PC  
Aurora, Colorado

June 19, 2018

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors  
Growing Home, Inc.  
Westminster, Colorado

### **Report on Compliance for Each Major Federal Program**

We have audited Growing Home, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Growing Home, Inc.'s major federal programs for the year ended December 31, 2017. Growing Home, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Growing Home, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Growing Home, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Growing Home, Inc.'s compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Growing Home, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

### **Report on Internal Control Over Compliance**

Management of Growing Home, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Growing Home, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Growing Home, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CLAIRE SONNIER, CPA, PC  
Aurora, Colorado

June 19, 2018



**Growing Home, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2017**

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unmodified opinion on the general purpose financial statements of Growing Home, Inc.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of Growing Home, Inc. are reported.
4. No material weaknesses or significant deficiencies relating to the audit of the major federal award programs are reported.
5. The auditor's report on compliance for the major federal award programs for Growing Home, Inc. expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with 2 CFR 200.516(a).
7. The program tested as a major program is: Maternal, Infant, and Early Childhood Home Visiting Program Formula, Expansion, and Development Grants to States - CFDA #93.505.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Growing Home, Inc. does not qualify as a low-risk auditee.

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

None

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None