



**HILLSIDE HOUSE**

**FINANCIAL STATEMENTS**

**December 31, 2009**

**And For The Year Then Ended**

# HILLSIDE HOUSE

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Hillside House:

We have audited the accompanying statements of financial position of Hillside House (Organization), a California nonprofit corporation, as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2009, and changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

*Stoltey & Associates*

August 4, 2010

**Hillside House**  
**Statement of Financial Position**  
**December 31, 2009**

<b>Assets</b>	
Current Assets:	
Cash and equivalents	\$ 1,327,693
Accounts and grants receivable	294,452
Pledges and grants receivable	16,016
Investments	225,903
Prepaid expenses	<u>87,851</u>
Total Current Assets	<u>1,951,915</u>
Property and equipment, net	<u>779,865</u>
<b>Total Assets</b>	<b><u><u>\$ 2,731,780</u></u></b>
<b>Liabilities and Net Assets</b>	
Current Liabilities:	
Accounts payable	\$ 56,586
Accrued expenses	<u>197,509</u>
Total Liabilities	<u>254,095</u>
Net Assets:	
Unrestricted	2,251,163
Temporarily restricted	226,522
Permanently restricted	<u>-</u>
Total Net Assets	<u>2,477,685</u>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 2,731,780</u></u></b>

The accompanying notes are an integral part of this financial statement.

**Hillside House**  
**Statement of Activities**  
**Year Ended December 31, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2009</u>
Public Support:				
Special events, gross	\$ 69,434	\$ -	\$ -	\$ 69,434
Less: Direct costs	<u>(14,663)</u>	<u>-</u>	<u>-</u>	<u>(14,663)</u>
Special events, net	54,771	-	-	54,771
Contributions	<u>167,737</u>	<u>160,168</u>	<u>-</u>	<u>327,905</u>
Total Public Support	<u>222,508</u>	<u>160,168</u>	<u>-</u>	<u>382,676</u>
Revenue:				
Resident fees	3,828,252	-	-	3,828,252
Rental income	11,689	-	-	11,689
Interest income	56,864	-	-	56,864
Miscellaneous income	<u>1,861</u>	<u>-</u>	<u>-</u>	<u>1,861</u>
Total Revenue	<u>3,898,666</u>	<u>-</u>	<u>-</u>	<u>3,898,666</u>
Total Public Support, Grants and Revenue	<u>4,121,174</u>	<u>160,168</u>	<u>-</u>	<u>4,281,342</u>
Net Assets released from restriction	<u>143,580</u>	<u>(143,580)</u>	<u>-</u>	<u>-</u>
Expenses:				
Program Services	3,392,743	-	-	3,392,743
Supporting services:				
Management and general	369,425	-	-	369,425
Fundraising	<u>119,155</u>	<u>-</u>	<u>-</u>	<u>119,155</u>
Total Supporting Services	<u>488,580</u>	<u>-</u>	<u>-</u>	<u>488,580</u>
Total Expenses and losses	<u>3,881,323</u>	<u>-</u>	<u>-</u>	<u>3,881,323</u>
Increase in Net Assets	383,431	16,588	-	400,019
Net Assets at Beginning of Year	<u>1,867,732</u>	<u>209,934</u>	<u>-</u>	<u>2,077,666</u>
Net Assets at End of Year	<u>\$ 2,251,163</u>	<u>\$ 226,522</u>	<u>\$ -</u>	<u>\$ 2,477,685</u>

The accompanying notes are an integral part of this financial statement.

**Hillside House**  
**Statement of Cash Flows**  
**For The Year Ended December 31, 2009**

	<b>2009</b>
<u>Cash Flows From Operating Activities</u>	
Change in net assets	\$ 400,019
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	61,841
Unrealized gain on investments	(44,066)
(Increase)/decrease in:	
Accounts and grants receivable	129,437
Prepaid expenses	15,614
Increase/(decrease) in:	
Accounts payable	(34,181)
Accrued expenses	6,901
	<u>535,565</u>
Net Cash From Operating Activities	
<u>Cash Flows From Investing Activities</u>	
Purchase of fixed assets	(131,613)
Net Cash From Investing Activities	(131,613)
Net Change in Cash	403,952
Cash at the Beginning of Year	923,741
Cash at the End of Year	\$ 1,327,693
<u>Supplemental Information:</u>	
Cash paid for interest	\$ -

The accompanying notes are an integral part of this financial statement.

**Hillside House**  
**Statement of Functional Expenses**  
**For The Year Ended December 31, 2009**

	<u>Supporting Services</u>				<b>2009 Total</b>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
Salaries	\$ 2,095,875	\$ 227,217	\$ 65,671	\$ 292,888	\$ 2,388,763
Payroll taxes	167,590	16,965	4,828	21,793	189,383
Employee benefits	154,055	18,104	7,802	25,906	179,961
<b>Total Salaries and Related Expenses</b>	<b>2,417,520</b>	<b>262,286</b>	<b>78,301</b>	<b>340,587</b>	<b>2,758,107</b>
Accounting	-	33,884	-	33,884	33,884
Advertising	37	304	29	333	370
Bank fees	3,292	229	1,438	1,667	4,959
Bad debt expense	-	10,113	-	10,113	10,113
Consulting	41,293	-	-	-	41,293
Depreciation	57,511	3,710	618	4,328	61,839
Dues	6,632	428	71	499	7,131
Equipment rental and maintenance	5,261	339	57	396	5,657
Event expenses	-	-	3,761	3,761	3,761
Insurance	47,043	3,035	506	3,541	50,584
Legal	-	12,371	-	12,371	12,371
Licenses and taxes	56,550	3,912	42	3,954	60,504
Medi-Cal QAF	140,812	9,789	-	9,789	150,601
Miscellaneous	6,608	213	26	239	6,847
Occupancy	126,163	8,140	1,357	9,497	135,660
Postage and shipping	784	761	761	1,522	2,306
Printing	2,989	208	946	1,154	4,143
Professional services	9,000	9,749	28,452	38,201	47,201
Resident food services	110,491	-	-	-	110,491
Resident personal care	147,064	-	-	-	147,064
Resident recreational activities	17,038	-	-	-	17,038
Resident transportation	12,973	-	-	-	12,973
Staff recruitment	1,171	-	-	-	1,171
Supplies	36,217	2,984	2,175	5,159	41,376
Telephone	11,976	773	129	902	12,878
Training	3,914	57	10	67	3,981
Workers compensation insurance	130,404	6,140	476	6,616	137,020
<b>Total Expenses</b>	<b>\$ 3,392,743</b>	<b>\$ 369,425</b>	<b>\$ 119,155</b>	<b>\$ 488,580</b>	<b>\$ 3,881,323</b>

The accompanying notes are an integral part of this financial statement.

**Hillside House**  
**Notes to Financial Statements**  
**December 31, 2009**

**(1) ORGANIZATION**

Hillside House (the Organization) is a California nonprofit corporation which was incorporated in 1945 to offer residential services for people with a variety of developmental disabilities, including mental retardation, cerebral palsy, autism and epilepsy. The Organization provides a home that supports its residents' efforts to maximize their physical, cognitive, social and emotional abilities so that they can attain their highest level of independence in an environment where people are treated with dignity and respect.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with the AICPA Audit and Accounting Guide, "Not-For-Profit Organizations." The preparation of financial statements in conformity with generally accepted accounting principles 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 statement and reported amounts of revenues and expenses for each year. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein have been classified and are reported as follows:

Unrestricted net assets - Unrestricted net assets are not subject to donor-imposed stipulations. All expenses, revenues, gains, and losses that are not temporarily or permanently restricted by donors are included in this classification.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or by the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments purchased with an original maturity of three months or less.

Hillside House  
Notes to Financial Statements  
December 31, 2009

Recognition of Donor and Grant Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

All restricted support is recorded as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted in the statement of activities under the heading net assets released from restriction.

Donated Materials and Services

A substantial number of volunteers have donated their time to the Organization by serving as Board members and/or helping with implementing the Organization's programs. Only specific services requiring specialized skills may be recorded in the financial statements. The Organization did not record any donated professional services during the year.

Property and Equipment

Property and equipment which is purchased or constructed is stated at cost; assets acquired by gift or bequest are stated at fair value at the date of acquisition. The Organization uses the straight-line method for the computation of depreciation of long-lived assets according to the following schedule of useful lives:

<u>Asset</u>	<u>Life</u>
Improvements	40 Years
Structures	40 Years
Furniture fixtures and equipment	5 – 7 Years

Normal repair and maintenance expenses and equipment replacement costs are expensed as incurred.

Contributions Receivable (Pledges)

Unconditional promises to give (pledges) are recorded as contribution income and as receivables. Long-term pledges are discounted to present value using a discount rate commensurate with the risk involved. Any allowance for uncollectible pledges is estimated by management based on such factors as prior collection history, type of contribution and the nature of the fund-raising activity.

Conditional pledges are recognized when the conditions on which they depend are substantially met.

Hillside House  
Notes to Financial Statements  
December 31, 2009

Investments

Investments in marketable equity and debt securities are stated at market value. All gains and losses on investments are reported as increases or decreases to unrestricted net assets unless required by donors to be reinvested in restricted net assets.

Income Taxes

The Organization is exempt from federal and California income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 27301d of the California Revenue and Taxation Code. The Organization is not considered a private foundation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Significant estimated used in preparing these financial statements include:

- Allocation of certain expenses by function
- Depreciable lives and estimated residual value of property and equipment
- Allowance for uncollectible accounts, grants, contracts and pledges receivable

It is at least reasonably possible that the significant estimates will change within the next year.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized by function in the Statement of Functional Expenses. Direct costs are charged directly to the appropriate program. Joint costs such as insurance and facility maintenance are allocated by using the direct costs or square footage of each program and supporting services. The allocations are based on current data.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash includes cash on hand and cash in savings bank accounts, checking bank accounts and highly liquid certificates of deposit.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment losses, if any, are recognized when estimated future cash flows (undiscounted and without interest charges) derived from such assets are less than their carrying values. Management believes no such impairment occurred during the years ended December 31, 2009.

Hillside House  
Notes to Financial Statements  
December 31, 2009

**(3) INVESTMENTS**

As of December 31, 2009, investments consisted of the following:

	<u>Market Value</u>	<u>Cost</u>	<u>Unrealized Gain(Loss)</u>
Common stock	\$ 214,459	\$ 168,907	\$ 45,552
Corporate bonds	<u>11,444</u>	<u>11,376</u>	<u>68</u>
	<u>\$ 225,903</u>	<u>\$ 180,283</u>	<u>\$ 45,620</u>

**(4) GRANTS/CONTRACTS RECEIVABLE**

Grants and contracts receivable are primarily from government sources and are considered to be fully collectible by management.

**(5) FIXED ASSETS**

Fixed assets at December 31, 2009 were as follows:

Land	\$ 30,000
Land improvements	115,465
Buildings and improvements	1,042,023
Equipment	661,048
Furniture & equipment	164,734
Vehicles	138,951
CIP	<u>96,874</u>
Total Cost	2,249,095
Accumulated depreciation	<u>(1,469,230)</u>
Fixed Assets, Net	<u>\$ 779,865</u>

**(6) RESTRICTED NET ASSETS**

Temporarily restricted net assets as of December 31, 2009 were available for the following purposes:

Aquatic program	\$ 26,231
Staff training	5,429
Resident services not covered by public funds	140,449
Facility	21,051
Equipment	27,862
Other programs	<u>5,500</u>
Total Temporarily Restricted Net Assets	<u>\$ 226,522</u>

(7) **CONTINGENT LIABILITIES**

The Organization receives a number of grants from various governmental agencies. These grants are subject to audit by the granting agencies as to allowable costs paid with government funds. The Organization would be liable for up to the full amount of government funds expended should costs charged to the grants be disallowed.

(8) **CONCENTRATIONS**

A significant portion of the Organization's revenues is derived from government grants and contracts.

Individual donors are primarily from Santa Barbara County.