HALO HOUSE FOUNDATION

FINANCIAL STATEMENTS

December 31, 2015

HALO HOUSE FOUNDATION

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ABIP
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors
Halo House Foundation

We have audited the accompanying financial statements of **Halo House Foundation** (the "Organization"), which are comprised of the statement of financial position as of December 31, 2015, and the related 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.

Auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Halo House Foundation** 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.

ABIP, PC

Houston, Texas

June 6, 2016

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HALO HOUSE FOUNDATION

STATEMENT OF FINANCIAL POSITION

December 31, 2015

ASSETS

Cash and cash equivalents	$	2,068,039
Pledges receivable		285,282
Other current assets		695
Cash – donor restricted for capital expenditures		1,814,378
Property and equipment, net		25,000
TOTAL ASSETS	$	4,193,394

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accounts payable	$	5,443
Accrued expenses		4,050
Total liabilities		9,493
NET ASSETS:		
Unrestricted:		
Board designated		1,050,000
Undesignated		1,009,241
Total unrestricted net assets		2,059,241
Temporarily restricted		2,124,660
Total net assets		4,183,901
TOTAL LIABILITIES AND NET ASSETS	$	4,193,394

See accompanying notes to financial statements.

HALO HOUSE FOUNDATION

STATEMENT OF ACTIVITES

For the year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
CHANGES IN NET ASSETS:			
Support and revenues:			
Foundations	$ 105,420	$ 1,130,000	$ 1,235,420
Contributions	74,997	239,660	314,657
Program rental income	59,030	-	59,030
Fundraising events (net of direct costs of $105,504)	371,405	-	371,405
In-kind contributions (note 1)	60,000	-	60,000
Interest income	2,000	-	2,000
Total support and revenues	672,852	1,369,660	2,042,512
Expenses:			
Program expenses	218,228	-	218,228
Management and general	43,767	-	43,767
Fundraising	45,648	-	45,648
Total expenses	307,643	-	307,643
Support and revenues over expenses	365,209	1,369,660	1,734,869
Net assets released – restrictions satisfied	43,000	(43,000)	-
INCREASE IN NET ASSETS	408,209	1,326,660	1,734,869
NET ASSETS, beginning of year	1,651,032	798,000	2,449,032
NET ASSETS, end of year	$ 2,059,241	$ 2,124,660	$ 4,183,901

See accompanying notes to financial statements.

HALO HOUSE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2015

		Supporting Services		
	Programs	Management And General	Fundraising	Total
Salaries	$ 47,482	$ 5,276	$ -	$ 52,758
In-kind salaries (note 1)	20,000	20,000	20,000	60,000
Other personnel costs	3,616	402	-	4,018
Total salaries and related benefits	71,098	25,678	20,000	116,776
Apartment rent	95,412	-	-	95,412
Utilities and other	29,128	-	-	29,128
Contract services	-	3,700	18,000	21,700
Credit card processing fees	10,230	1,137	-	11,367
Accounting fees	-	10,080	-	10,080
Office expense	5,143	1,029	4,114	10,286
Office rent	4,418	884	3,534	8,835
Insurance	1,730	1,261	-	2,991
Total expenses before depreciation	217,159	43,767	45,648	306,575
Depreciation	1,068	-	-	1,068
Total expenses	$ 218,227	$ 43,767	$ 45,648	$ 307,643

See accompanying notes to financial statements.

HALO HOUSE FOUNDATION

STATEMENT OF CASH FLOWS

For the year ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in net assets	$ 1,734,869
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Contributions restricted for long-term purposes	(1,374,712)
Depreciation	1,068
Changes operating in assets and liabilities:	
Pledges receivable	48,052
Accounts payable	3,352
Accrued expenses and other liabilities	2,750
Total adjustments	(1,319,490)
Net cash provided by operating activities	415,379
INVESTING ACTIVITIES:	
Increase in cash restricted for capital expenditures	(1,374,712)
Net cash used by investing activities	(1,374,712)
FINANCING ACTIVITIES:	
Contributions restricted for long-term purposes	1,374,712
Net cash provided by financing activities	1,374,712
NET INCREASE IN CASH AND CASH EQUIVALENTS	415,379
CASH AND CASH EQUIVALENTS, beginning of year	1,652,660
CASH AND CASH EQUIVALENTS, end of year	$ 2,068,039

See accompanying notes to financial statements.

HALO HOUSE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

(1) Nature of activities and summary of significant accounting policies

Nature of activities

Halo House Foundation (the "Organization") was incorporated under the laws of the state of Texas on December 10, 2009 and is a 501(c)(3) non-profit organization. The mission of the Organization is to provide temporary furnished housing to blood cancer patients while they are in active treatment at the Texas Medical Center in Houston, Texas.

The Organization is supported through contributions received from individuals, corporations and foundations, as well as fundraisers.

Basis of accounting and presentation

The Organization prepares its financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, and, accordingly, support and revenues are recognized when earned, and expenses are recognized when incurred.

Net asset classification

Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.

- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or future time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Revenue recognition

Generally, grants are recognized as revenues when earned. Grants that operate on a reimbursement basis are recognized on the accrual basis as revenues only to the extent of disbursements and commitments that are allowable for reimbursement. Revenues from special events are recognized when the events are held. Interest income is recognized when earned based on passage of time. Program income and other income are recognized when earned.

Contributions and promises to give

Contributions and promises to give 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 are met 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. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Contributed services

The Organization recognizes contributed services at their fair value if the services provide value to the Organization and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors. In-kind contributions amounted to $60,000 for the year ended December 31, 2015 and consisted of the estimated salary of the executive director, who does not receive paid compensation for her services.

(1) Summary of significant accounting policies (cont'd)

Cash and cash equivalents

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

Pledges receivable

Pledges receivable are considered by management to be fully collectible and accordingly no allowance for doubtful accounts is considered necessary. If amounts become uncollectible, program expenses will be charged when the determination is made.

Concentration of credit risk

The Organization occasionally maintains deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high credit quality financial institutions.

Property and equipment

Property and equipment are recorded at cost or, in the case of donated assets, fair market value at the date of the gift. The Organization capitalizes all individual expenditures for property and equipment in excess of $1,000. Donated assets are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor and reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation of property and equipment is provided on a straight-line basis over the estimated useful lives of the assets.

Maintenance and repairs are charged to expense as incurred. Costs of betterments and renewals are capitalized. Gains or losses upon disposal of assets are recognized in the period during which the transaction occurs.

Long-lived assets

Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are to be held and used, an impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value. Fair values are determined based on quoted market values, discounted cash flows or internal and external appraisals, as applicable. Assets held for sale are carried at the lower of carrying value or estimated net realizable value. Upon classification as an asset held for sale, depreciation expense is no longer recorded. There were no assets held for sale and no impairments recognized for the year ended December 31, 2015.

Functional allocation of expense

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

HALO HOUSE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

(1) Summary of significant accounting policies (cont'd)

Income taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private organization. Gifts to the Organization are tax deductible. The Organization follows the guidance under FASB ASC 740, *Income Taxes*. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. Federal, State or local tax authorities for years before 2012.

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 support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair value of financial instruments

The carrying amounts of financial instruments including cash, accounts receivable and accounts payable, and accrued expenses approximated fair value as of December 31, 2015.

Subsequent events

The Organization has evaluated subsequent events through June 6, 2016, the date financial statements were available to be issued. No events have occurred which would have a material effect on the financial statements.

(2) Pledges receivable

Pledges receivable at December 31, 2015 are due to be collected as follows:

Amounts due in	
One year	$ 213,722
Two years to five years	71,560
	$ 285,282

(3) Property and equipment

Property and equipment at December 31, 2015 included the following:

	Estimated useful lives	
Construction in progress		$ 25,000
Furniture and equipment	5 years	4,900
		29,900
Less accumulated depreciation		(4,900)
		$ 25,000

HALO HOUSE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

(4) Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes at December 31, 2015:

Capital campaign	$ 2,099,660
Laugh for lymphoma event	25,000
	$ 2,124,660

(5) Concentrations

The Organization is dependent on several sources of support and revenue. Grant funds from four foundations approximated 49% of the Organization's support for the year ended December 31, 2015. One foundation made up 70% of the Organization's pledges receivable at December 31, 2015.

The Organization held an annual fundraising event in the fall that provided approximately 17% of its operating revenue for the year ended December 31, 2015.