

KATIE'S HOUSE, INC.
FINANCIAL STATEMENTS
December 31, 2006

Carrico Associates, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

KATIE'S HOUSE, INC.
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271 Route 46 West, Fairfield Commons, Suite G-110, Fairfield, New Jersey 07004
Tel: (973) 227-6618 • Fax: (973) 227-6821

INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Katie's House, Inc.
6 Ridge Trail
Kinnelon, New Jersey 07045

Gentlemen:

We have audited the statement of assets, liabilities and net assets - cash basis of Katie's House, Inc. as of December 31, 2006 and the related statements of activities - cash basis 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 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 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.

As described in Note 1, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets' liabilities and net assets of Katie's House, Inc. as of December 31, 2006 and the statement of activities and its cash flows for the year then ended on the basis of accounting described in Note 1.


CARRICO ASSOCIATES, P.A.

December 21, 2007
Fairfield, New Jersey

KATIE'S HOUSE, INC.
STATEMENT OF ACTIVITIES - CASH BASIS
For the year ended December 31, 2006

SUPPORT AND REVENUE

SUPPORT	
Contributions	\$ 175,526
Fundraising income	<u>21,205</u>
	<u>196,731</u>

REVENUE	
Income from investments	<u>165</u>
Total Revenue	<u>165</u>

Total Support and Revenue 196,896

EXPENSES	
Program expenses	7,850
Management and administrative expense	919
Fundraising expense	<u>3,185</u>
Total Expenses	<u>11,954</u>

Change In Net Assets 184,942

Net Assets, beginning of year 156,876

Net Assets, end of year \$ 341,818

See independent accountants' report and notes to the financial statements

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KATIE'S HOUSE, INC.
STATEMENT OF ACTIVITIES - CASH BASIS
For the year ended December 31, 2006

SUPPORT AND REVENUE

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	<u>196,731</u>

REVENUE

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KATIE'S HOUSE, INC.
STATEMENT OF CASH FLOWS
For the years ended December 31, 2006

Cash Flows from Operating Activities	
Cash received from contributions	\$ 54,960
Cash received from fund raising activities	21,205
Cash paid for services and to vendors	(8,973)
Net Cash Provided by Operating Activities	<u>67,192</u>
Cash Flows from Investing Activities	
Cash paid for construction costs of Katie's House	(75,729)
Cash paid on interest earned	165
Net Cash Used for Investing Activities	<u>(75,564)</u>
Net (Decrease) Increase in Cash	(8,372)
Cash, beginning of year	34,511
Cash, end of year	<u>\$ 26,139</u>

See independent accountants' report and notes to the financial statements

Carrico Associates, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

KATIE'S HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. OPERATIONS

The Katie's House, Inc. is a nonprofit corporation organized to provide secure housing for adults who are not capable of living independently because of developmental or physical disabilities. The organization actively endeavors to locate these individuals, identify their needs, acquire appropriate homes in safe areas, recruit staff and volunteers to provide daily needs and cooperate with state and local government to meet all requirements. The organization is funded by unrestricted donations to the work of the organization, as well as by support for fund raising activities.

B. BASIS OF PRESENTATION

The accompanying financial statements have been presented on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles.

C. FINANCIAL STATEMENT PRESENTATION

Under SFAS No. 117, the Organization 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. In addition, the Organization is required to present a statement of cash flows.

D. INCOME TAXES

The Organization has been granted an exemption from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code as an entity other than a private foundation and, accordingly, is not subject to Federal income taxes.

E. USE OF ESTIMATES

In conformity with generally accepted accounting principles, management has used estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

F. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the organization in estimating fair value disclosures for financial instruments:

Cash: The carrying amounts reported in the statement of financial position approximate fair values.

KATIE'S HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 2 CONSTRUCTION IN PROGRESS:

The organization acquired a property at 29 Moran Street in Newton, New Jersey in 2004 and has been renovating the property to prepare it for use as an assisted living facility in accordance with its bylaws. During 2006, the organization received in kind contributions of goods and services in connection with the renovation totaling \$120,566.

NOTE 3 MORTGAGE PAYABLE:

On August 18, 2004, the organization obtained a 30 year, adjustable rate mortgage secured by the property at 29 Moran Street in Newton, New Jersey. The note carried an initial interest rate of 4.875% guaranteed until September 1, 2009 and adjustable every twelve months. The minimum annual principal payments for the next five years based on the current interest rate are as follows:

2007	\$ 1,673
2008	1,756
2009	1,844
2010	1,936
2011	<u>2,032</u>
	<u>\$ 9,241</u>

NOTE 4 LOANS PAYABLE - OFFICER:

The executive director loaned funds to the organization to cover various expenses related to the finishing work on the property prior to its open house. The loan was non-interest bearing.