



FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

HOPE HOUSE OF COLORADO

Years Ended December 31, 2013 and 2012

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Board of Directors
Hope House of Colorado

Independent Auditor's Report

We have audited the accompanying financial statements of Hope House of Colorado (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 Hope House of Colorado as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hanson & Co. CPAs

Denver, Colorado

November 5, 2014

HOPE HOUSE OF COLORADO
Statements of Financial Position

ASSETS		
December 31,	2013	2012
CURRENT ASSETS		
Cash and cash equivalents - unrestricted	\$ 134,669	\$ 119,685
Contributions receivable, net of allowance for doubtful accounts of \$-0-	42,163	9,811
Advances to client	593	-
Prepaid expenses	4,269	-
Cash and cash equivalents - restricted for purchase of land	215,000	215,000
Total current assets		
	396,694	344,496
PROPERTY AND EQUIPMENT		
Land	141,570	141,570
Building and improvements	601,353	601,353
Furniture and equipment	58,208	20,918
Vehicles	25,273	26,503
Total property and equipment		
	826,404	790,344
Less accumulated depreciation	(146,136)	(120,382)
Net property and equipment		
	680,268	669,962
OTHER ASSETS		
Loan fees, net of accumulated amortization of \$573 in 2013 and \$169 in 2012	5,492	5,896
Deposits	5,712	5,712
Total other assets		
	11,204	11,608
Total assets		
	\$ 1,088,166	\$ 1,026,066

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

December 31,	2013	2012
CURRENT LIABILITIES		
Accounts payable	\$ 5,588	\$ 15,549
Current portion of long-term debt	9,234	8,758
Payroll liabilities	6,403	6,102
Other current liabilities	10,938	-
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Total current liabilities	32,163	30,409
NON-CURRENT LIABILITIES		
Long-term debt	169,003	178,235
NET ASSETS		
Unrestricted	650,000	602,193
Temporarily restricted	237,000	215,229
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Total net assets	887,000	817,422
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Total liabilities and net assets	\$ 1,088,166	\$ 1,026,066

The accompanying notes are an integral part of this statement.

HOPE HOUSE OF COLORADO
Statement of Activities and Change in Net Assets
Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Contributions			
Corporate	\$ 66,871	\$ -	\$ 66,871
Grants	114,692	-	114,692
In-kind contributions	129,736	22,000	151,736
Churches	17,572	-	17,572
Individuals	394,480		394,480
Special event revenue	\$ 402,991		
Less: Cost of direct benefit to donors	<u>107,257</u>		
Net special event revenue	295,734	-	295,734
Other income	1,921	-	1,921
Net assets released from restrictions	229	(229)	-
TOTAL REVENUES AND OTHER SUPPORT	1,021,235	21,771	1,043,006
EXPENSES			
Programs	715,515	-	715,515
Management and general	109,265	-	109,265
Fundraising expense	148,648	-	148,648
TOTAL EXPENSES	973,428	-	973,428
CHANGE IN NET ASSETS	47,807	21,771	69,578
NET ASSETS AT BEGINNING OF YEAR	602,193	215,229	817,422
NET ASSETS AT END OF YEAR	\$ 650,000	\$ 237,000	\$ 887,000

The accompanying notes are an integral part of this statement.

HOPE HOUSE OF COLORADO
Statement of Activities and Change in Net Assets
Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Contributions			
Corporate	\$ 92,759	\$ -	\$ 92,759
Grants	97,110	-	97,110
In-kind contributions	82,057	-	82,057
Churches	20,174	-	20,174
Individuals	216,088	215,000	431,088
Special event revenue	\$ 422,419		
Less: Cost of direct benefit to donors	<u>147,961</u>		
Net special event revenue	274,458	-	274,458
Other income	96	-	96
Net assets released from restrictions	25,331	(25,331)	-
TOTAL REVENUES AND OTHER SUPPORT	808,073	189,669	997,742
EXPENSES			
Programs	687,438	-	687,438
Management and general	97,735	-	97,735
Fundraising expense	142,020	-	142,020
TOTAL EXPENSES	927,193	-	927,193
CHANGE IN NET ASSETS	(119,120)	189,669	70,549
NET ASSETS AT BEGINNING OF YEAR	721,313	25,560	746,873
NET ASSETS AT END OF YEAR	\$ 602,193	\$ 215,229	\$ 817,422

The accompanying notes are an integral part of this statement.

HOPE HOUSE OF COLORADO
Statement of Functional Expenses
Year Ended December 31, 2013

	Program Activities	Support Services		Total
		Management and General	Fundraising	
Salary expense	\$ 426,550	\$ 62,561	\$ 84,004	\$ 573,115
Payroll tax expense	35,528	5,197	6,979	47,704
Employee benefit expense	12,570	1,707	2,293	16,570
Education and training	2,994	406	545	3,945
Interest expense	5,243	6,554	-	11,797
Insurance	15,318	4,309	1,167	20,794
Mentoring program	40,605	-	-	40,605
Office expenses	75,207	8,297	38,118	121,622
Other expenses	4,503	2,312	930	7,745
Professional contracts	12,846	14,850	14,005	41,701
Repairs and maintenance	2,252	330	442	3,024
Residential program	34,360	-	16	34,376
Supportive services	7,078	-	149	7,227
Vehicle expenses	15,713	153	-	15,866
Total expenses before depreciation	690,767	106,676	148,648	946,091
Depreciation expense	24,748	2,589	-	27,337
Total expenses	\$ 715,515	\$ 109,265	\$ 148,648	\$ 973,428

The accompanying notes are an integral part of this statement.

HOPE HOUSE OF COLORADO
Statement of Functional Expenses
Year Ended December 31, 2012

	Program Activities	Support Services		Total
		Management and General	Fundraising	
Salary expense	\$ 477,237	\$ 5,468	\$ 51,313	\$ 534,018
Payroll tax expense	39,684	3,412	3,569	46,665
Employee benefit expense	4,682	403	1,058	6,143
Education and training	1,205	1,025	201	2,431
Interest expense	11,727	366	1,182	13,275
Insurance	12,635	640	1,518	14,793
Mentoring program	12,917	-	-	12,917
Moving expense	19,151	4,228	4,497	27,876
Office expenses	33,414	18,479	23,366	75,259
Other expenses	3,351	4,668	20,108	28,127
Professional contracts	845	45,352	34,703	80,900
Repairs and maintenance	7,128	8,961	505	16,594
Residential program	32,079	-	-	32,079
Supportive services	8,733	-	-	8,733
Vehicle expenses	6,558	-	-	6,558
Total expenses before depreciation and amortization	671,346	93,002	142,020	906,368
Depreciation and amortization expense	16,092	4,733	-	20,825
Total expenses	\$ 687,438	\$ 97,735	\$ 142,020	\$ 927,193

The accompanying notes are an integral part of this statement.

HOPE HOUSE OF COLORADO
Statements of Cash Flows (page 1 of 2)

Years Ended December 31,	2013	2012
CASH FLOWS FROM OPERATING ACTIVITES		
Cash received from programs and events	\$ 404,909	\$ 422,491
Cash received from contributions and grants	560,670	458,978
Interest received	3	24
Cash payments to suppliers and employees	(927,342)	(952,690)
Deposit on lease	-	(712)
Interest paid	(10,555)	(13,106)
Net cash provided by (used for) operating activities	27,685	(85,015)
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnest money deposit on land purchase	-	(5,000)
Purchase/sale of equipment	(3,945)	(1,735)
Net cash used for investing activities	(3,945)	(6,735)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contribution restricted to land purchase	-	215,000
Line of credit advances	204,780	43,718
Line of credit repayments	(204,780)	(43,718)
Payments on long-term debt	(8,756)	(5,886)
Net cash (used for) provided by financing activities	(8,756)	209,114
NET INCREASE IN CASH	14,984	117,364
CASH AT BEGINNING OF YEAR	334,685	217,321
CASH AT END OF YEAR	\$ 349,669	\$ 334,685

The accompanying notes are an integral part of this statement.

HOPE HOUSE OF COLORADO
Statements of Cash Flows (page 2 of 2)

Years Ended December 31,	2013	2012
Reconciliation of change in net assets to net cash provided by (used for) operating activities:		
Change in net assets	\$ 69,578	\$ 70,549
Reconciling adjustments:		
Depreciation and amortization	27,337	20,825
Contribution restricted to land purchase	-	(215,000)
In-kind contribution of equipment and vehicles	(36,828)	(12,913)
Vehicles gifted to clients	3,130	2,673
Changes in assets and liabilities:		
Accounts receivable	(32,945)	32,847
Prepays	(4,269)	-
Loan fees	404	169
Other liabilities	10,938	-
Lease deposit	-	(712)
Accounts payable	(9,961)	12,345
Accrued payroll liabilities	301	4,202
Total adjustments	(41,893)	(155,564)
Net cash provided by (used for) operating activities	\$ 27,685	\$ (85,015)

Schedule of non-cash investing and financing activities:

Equipment and vehicles acquired by in-kind contributions	\$ 36,828	\$ 12,913
Loan extension fees added to note payable	\$ -	\$ 6,065

The accompanying notes are an integral part of this statement.

HOPE HOUSE OF COLORADO
Notes to Financial Statements

Note A - Nature of Activities and Significant Accounting Policies

Nature of Activities

Hope House of Colorado is committed to transforming the lives of teen mothers around the world. Hope House offers teen moms and their children hope for a brighter future by providing resources, education, and support to build strong, healthy, loving homes. Hope House offers residential and outreach programs at their facilities in Arvada and Westminster, Colorado. Hope House was incorporated in 2001 in the State of Colorado as a non-profit corporation. Hope House is supported primarily through donor contributions, grants, and fundraising activity.

Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board and reports information regarding financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Hope House considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

It is the policy of Hope House to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Property and equipment are recorded at cost when purchased and fair value when donated. Property and equipment are depreciated using the straight-line method over useful lives of 5 to 40 years.

Net Assets

All financial transactions are recorded as unrestricted, temporarily restricted, and permanently restricted. Restrictions are made by donors who may stipulate limitations on the time a gift must be held, when it may be used, or the purpose for which it may be used.

Unrestricted net assets include assets and liabilities that are available for the regular activities of Hope House and controlled by the Board through the annual budget.

HOPE HOUSE OF COLORADO
Notes to Financial Statements

Note A - Nature of Activities and Significant Accounting Policies (continued)

Net Assets (continued)

Temporarily restricted net assets include donor contributions that have either a time or purpose limitation. When the limitations on contributions expire through the passage of time or action of Hope House, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions are reflected as unrestricted net assets when the restrictions are completely fulfilled in the year of receipt.

Permanently restricted net assets are contributions subject to donor imposed requirements that they be maintained permanently. Hope House has no permanently restricted net assets at this time.

Contributions and Contributions Receivable

Hope House conducts fundraising campaigns or may be the recipient of grant revenue. Contributions, including unconditional promises to give, are recorded as revenue in the period the contribution is received or the unconditional promise to give is made. Conditional promises to give are recorded as revenue when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value. Contributions are available for unrestricted use unless specifically restricted by the donor.

Contributions receivable or unconditional promises to give are recorded at face value, which approximates fair value. No discounts or allowances have been applied to contributions receivable at year end because Hope House expects these amounts to be fully collectible within one year. An allowance for doubtful accounts receivable is estimated using management's judgment of current economic conditions. An account is written off only when management has determined that it is unlikely to be collected.

In-Kind Contributions

In-kind contributions may include donated property and equipment, services, space use, materials or supplies. All are valued at estimated fair value when recognized. Hope House recognizes the value of contributed services when they 1) create or enhance a non-financial asset or property and equipment; or 2) require specialized skills and would otherwise need to be purchased.

Functional Expenses

Expenses are charged directly to program, management and general, and fundraising categories based on specific identification of the expense. Indirect expenses have been allocated based on analysis of personnel time utilized for the related activity.

HOPE HOUSE OF COLORADO
Notes to Financial Statements

Note A - Nature of Activities and Significant Accounting Policies (continued)

Income Taxes

Hope House is exempt from income taxes under the Internal Revenue Code Section 501(c)(3) as a charitable organization. U.S. generally accepted accounting principles (GAAP) require an entity to disclose material uncertain tax positions that management believes do not meet a “more-likely-than-not” standard of being sustained under an income tax audit. If disclosure is required, the entity must accrue a liability for any such taxes, penalties, and interest. As of December 31, 2013, there is no taxable income from unrelated business activities and management has not identified any uncertain tax positions requiring disclosure or accrual. Information returns for the periods ending December 31, 2010 through 2013 remain open and subject to IRS inquiry.

Note B - Line of Credit

Hope House has a \$100,000 revolving line of credit with the bank. The interest rate is variable based on prime plus 1%, but is never lower than 4.25%. The line of credit is secured by real estate owned by Hope House. The line of credit is fully available at December 31, 2013 and matures May 30, 2015.

Note C - Temporary Restrictions of Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Gift restricted to purchase of land	\$215,000	\$215,000
Gift restricted to capital campaign	-	229
Contribution receivable for below market lease through November 30, 2014	<u>22,000</u>	<u>-</u>
Total	<u>\$237,000</u>	<u>\$215,229</u>

Net assets released from restriction total \$229 in 2013 and \$25,331 in 2012 consist of amounts temporarily designated for activities related to undertaking a capital campaign.

Note D - In-Kind Contributions

In-kind contributions totaled \$151,736 and \$82,057 in 2013 and 2012, respectively. In-kind contributions include the following:

<u>Years Ended December 31,</u>	<u>2013</u>	<u>2012</u>
Vehicles	\$ 14,851	\$ 10,413
Equipment and furnishings	30,145	5,000
Services	36,070	61,544
Supplies	24,670	3,100
Below market rent and lease commitment	<u>46,000</u>	<u>2,000</u>
	<u>\$151,736</u>	<u>\$ 82,057</u>

HOPE HOUSE OF COLORADO
Notes to Financial Statements

Note D - In-Kind Contributions (continued)

Contributed services include those provided for special events, fundraising, program medical, legal, and accounting services. In addition, many individuals volunteer their time and perform a variety of tasks vital to Hope House. However, these services do not meet the criteria for recognition in the financial statements. Hope House received more than 11,300 volunteer hours in 2013 and 9,400 volunteer hours in 2012.

Note E - Long-Term Debt

Long-term debt consists of the following:

	<u>2013</u>	<u>2012</u>
Installment note payable to First Bank, secured by deed of trust on property owned by Hope House and collateralized by all account balances at First Bank. Payable in monthly installments of \$1,533.91, including interest at 5.2%. Due in full July 27, 2027.	\$178,237	\$186,993
Less current portion	<u>(9,234)</u>	<u>(8,758)</u>
Long-term debt	<u>\$169,003</u>	<u>\$178,235</u>

Long-term debt matures as follows:

Years ending December 31,	
2014	\$ 9,234
2015	9,730
2016	10,232
2017	10,808
2018	11,392
Thereafter	<u>126,841</u>
	<u>\$178,237</u>

When long-term debt was refinanced in 2012, loan fees of \$6,065 were added to loan principal. They are included in other assets on the statement of financial position. They are amortized over the life of the loan and included in interest expense in the statement of functional expenses. A prepayment penalty may be assessed if the loan is refinanced with another lender.

Note F - Lease Expense

Hope House has a non-cancellable operating lease on office equipment. Total lease payments of \$2,728 in 2013 and \$2,350 in 2012 are included in office expense. Minimum lease payments are as follows:

2014	\$ 2,728
2015	2,728
2016	2,728
2017	<u>1,250</u>
Total	<u>\$ 9,434</u>

HOPE HOUSE OF COLORADO
Notes to Financial Statements

Note F - Lease Expense (continued)

Rent expense for administrative and program space including in-kind amounts is also recorded in office expense and totals \$32,121 and \$5,655 for the years ended December 31, 2013 and 2012, respectively. See Note J, subsequent events, and Note D, in-kind contributions.

Note G - Concentrations

Hope House generates substantially all of its support from contributions, grants, and fundraising events. For the year ending December 31, 2013, 61% of support is from contributions including in-kind, 28% from net special event revenue, and 11% from grants. For the year ending December 31, 2012, 62% of support is from contributions including in-kind, 28% from net special event revenue, and 10% from grants. A single donor gift in 2012 is 30% of all contributions and is temporarily restricted for the purchase of land for a new resource center. See notes C and H.

Financial instruments that potentially subject Hope House to concentrations of credit risk consist primarily of cash and cash equivalents deposited in banks located within the same geographic region. Hope House places its cash with creditworthy, high-quality financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC). Unlimited FDIC insurance coverage on non-interest bearing accounts expired December 31, 2012. Beginning January 1, 2013, all combined deposits are covered by the standard insurance amount of a maximum of \$250,000 at each institution. As of December 31, 2013 Hope House has cash of \$109,510 in excess of FDIC coverage. At December 31, 2012, there were no uninsured cash balances.

Note H - Commitment to Purchase Land

Hope House intends to acquire land and build a resource center for program and administrative space. Hope House initiated a capital campaign for this purpose and received a restricted gift for the purchase of land. See Note C. Hope House signed a contract to purchase the land in 2012 and paid an earnest money deposit of \$5,000 which is included in deposits on the statements of financial position. The contract has been extended to January 31, 2015.

Note I - Comparability of Financial Statements

Certain items from the December 31, 2012 financial statements have been reclassified in order to make them comparable to the current financial statements. There is no effect on total changes in net assets.

Note J - Subsequent Events

In May 2014 Hope House renewed the office space lease through November 30, 2016.

After year end, contracts to purchase land (Note H) and for the donor gift temporarily restricted to purchase the land (Note C) were both extended to January 31, 2015 in order allow time to complete the purchase.

Management has evaluated subsequent events through the date the financial statements were available to be issued, November 5, 2014.