

Hope House of Colorado

Financial Statements

At December 31, 2014 and for the Year then Ended

With

Report of Independent Auditor

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Independent Auditor's Report

Board of Directors
Hope House of Colorado

Report on the Financial Statements

I have audited the accompanying financial statements of Hope House of Colorado (a nonprofit corporation) which comprise the statement of financial position as of December 31, 2014, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 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 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my 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, 2014 and the results of their changes in net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Paul L. Smith, P.C.

Paul L. Smith, P.C.
Denver, Colorado
June 29, 2015

**Hope House of Colorado
Statement of Financial Position
December 31, 2014**

Assets

Current assets:

Cash	\$ 196,186
Cash - restricted for land purchase	215,000
Accounts receivable	34,314
Prepaid expenses	300
	445,800

Fixed Assets:

Land	141,570
Buildings	601,353
Capitalized land acquisition costs	12,775
Furniture and equipment	70,517
Vehicles	10,933
	837,148
Accumulated depreciation	161,907
	675,241

Other assets

Deposits	5,712
Prepaid loan costs	5,088
	10,800

Total assets	\$ 1,131,841
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Liabilities and Net Assets

Liabilities:

Accounts and accrued expenses	\$ 51,772
Short-term portion of mortgage payable	9,776
	61,548
Long-term portion of mortgage payable	159,278
Total liabilities	220,826

Net assets:

Temporarily restricted	247,200
Unrestricted	663,815
	911,015

Total liabilities and net assets	\$ 1,131,841
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The accompanying notes are an integral part of the financial statements.

Hope House of Colorado
Statement of Activities
Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2014</u>
Revenues, Support and Earnings:			
Contributions			
Corporate	\$ 10,500	\$ 12,980	\$ 23,480
Grants	101,076	-	101,076
In-kind	132,846	33,600	166,446
Churches	22,286	-	22,286
Individuals	491,767	-	491,767
Fundraising revenue	\$ 427,143		
Less: Cost of direct benefit to donors	<u>(160,504)</u>		
Net special event revenue	<u>\$ 266,639</u>	-	266,639
Interest income	10		10
Net assets released from restrictions	36,380	(36,380)	-
Total Support, Revenue and Earnings	<u>1,061,504</u>	<u>10,200</u>	<u>1,071,704</u>
Expenses:			
Programs	791,227	-	791,227
General and administrative	104,918	-	104,918
Fund raising	151,544	-	151,544
Total Expenses	<u>1,047,689</u>	<u>-</u>	<u>1,047,689</u>
Change in net assets	13,815	10,200	24,015
Net assets at beginning of year	<u>650,000</u>	<u>237,000</u>	<u>887,000</u>
Net assets at end of year	<u>\$ 663,815</u>	<u>\$ 247,200</u>	<u>\$ 911,015</u>

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

**Hope House of Colorado
Statement of Cash Flows
Year Ended December 31, 2014**

Cash flows from operating activities	
Change in net assets:	\$ 24,015
Adjusting to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	26,932
Amortization of deferred loan costs	404
Capitalized in-kind donations	(2,500)
Change in accounts & pledges receivable	8,442
Change in prepaid expenses	5,408
Change in accounts payable and accrued expenses	<u>28,843</u>
Net cash provided by operating activities	<u>91,544</u>
Cash flows from investing activities:	
Purchase of property and equipment	<u>(20,844)</u>
Net cash used in investing activities	<u>(20,844)</u>
Cash flows from financing activities:	
Repayment of mortgage debt	<u>(9,183)</u>
Net cash applied to financing activities	<u>(9,183)</u>
Net increase in cash and cash equivalents	61,517
Cash and cash equivalents at beginning of period	<u>349,669</u>
Cash and cash equivalents at end of year	<u><u>\$ 411,186</u></u>
Supplemental disclosure of cash flow information:	
Interest incurred	\$ 10,923
Interest paid	10,923

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

Hope House of Colorado
Statement of Functional Expenses
Year Ended December 31, 2014

	Program Activities	Administrative	Fund Raising	2014 Totals
Salaries & Wages	\$ 422,535	\$ 65,463	\$ 107,122	\$ 595,120
Payroll taxes	38,826	6,015	9,843	54,685
Employee benefits	13,229	2,050	3,354	18,632
	<u>474,590</u>	<u>73,528</u>	<u>120,319</u>	<u>668,437</u>
Other expenses				
Computer costs	25,678	1,926	4,494	32,098
Copier	3,754	582	952	5,288
Direct mail	-	-	3,547	3,547
Direct program costs:				
Case management	18,104	-	-	18,104
Community development	4,645	-	-	4,645
Education costs	11,362	-	-	11,362
Facility maintenance	5,006	-	-	5,006
Groceries	8,142	-	-	8,142
Incentives	9,498	-	-	9,498
In-kind clothing & supplies	42,265	-	-	42,265
Interest	10,923	-	-	10,923
In-kind professional services	26,433	-	-	26,433
Vehicle expenses	7,035	-	-	7,035
Volunteer expenses	1,495	-	-	1,495
Dues and subscriptions	1,488	231	377	2,096
Insurance	19,459	1,459	3,405	24,324
Legal and accounting	-	18,399	-	18,399
Licenses	2,776	208	486	3,471
Meetings	1,847	286	468	2,602
Office expense	1,077	167	273	1,517
Other expenses	8,795	1,363	2,230	12,388
Postage	4,690	-	639	5,329
Printing	17,303	-	2,360	19,663
Rent	25,256	1,894	4,420	31,570
Staff appreciation	2,589	401	656	3,646
Staff training	1,433	222	363	2,018
Supplies	8,407	631	1,471	10,508
Telephone	11,078	831	1,939	13,847
Temporary staffing	3,818	592	968	5,378
Utilities	7,778	583	1,361	9,722
	<u>766,727</u>	<u>103,302</u>	<u>150,728</u>	<u>1,020,757</u>
Depreciation	24,500	1,616	816	26,932
	<u>\$ 791,227</u>	<u>\$ 104,918</u>	<u>\$ 151,544</u>	<u>\$ 1,047,689</u>

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

**Hope House of Colorado
Notes to Financial Statements**

December 31, 2014

1. Summary of Significant Accounting Policies

General

Hope House of Colorado (Hope House) 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 and loving homes. Hope House offers residential and outreach programs at their facilities in Arvada and Westminster, Colorado. Hope House was incorporated in 2001 in Colorado as a non-profit corporation and is supported primarily through donor contributions, grants and fundraising activity.

The financial statements of Hope House have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles for not-for-profit entities. Fees for services are recognized as they are earned.

Hope House follows the provisions of generally accepted accounting principles to account for contributions received and contributions made. Under generally accepted accounting principles, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. Generally accepted accounting principles require that the financial statements report information regarding its financial position and activities separately by three classes of net assets.

A) Unrestricted Net Assets

Unrestricted net assets are net assets currently available at the discretion of the Board for use in Hope House operations.

B) Temporarily Restricted Net Assets

Temporarily restricted net assets are net assets which are stipulated by donors or grantors for specific operating purposes or future periods.

C) Permanently Restricted Net Assets

Permanently restricted net assets are to be maintained by Hope House in perpetuity. Currently, there are no permanently restricted net assets.

Revenue Recognition

Hope House 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 stipulation 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.

Hope House of Colorado Notes to Financial Statements

Gifts of land, buildings and equipment are recorded as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be utilized, Hope House reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service

Functional Allocation of Expenses

Functional expenses have been allocated between general and respective program expenses based upon the following:

- A) Management and general expenses are allocated on the basis of estimated time spent in each area.
- B) Personnel expenses are allocated on the basis of direct salaries.
- C) Building and occupancy costs are allocated on the basis of square footage.

Description of Program and Supporting Services

Program Services - Provides housing and structured self-sufficiency program for teen moms and children including parenting and life skills classes, a GED program, assistance with college applications and mentoring.

Administrative - Includes functions to ensure an adequate working environment, prepare grant applications and manage financial responsibilities.

Fundraising - Includes an allocation of the executive director's salary and supportive expenses for the purpose of preparing grant requests and meeting with community members for the purpose of educating the community and soliciting resources to support the mission statement.

Property & Equipment

Expenditures for property and equipment in excess of \$1,000 are capitalized and depreciated over estimated useful lives using the straight line method. Repairs and maintenance expenditures that do not improve or materially extend the life of fixed assets are charged to expense as they are incurred. Buildings will be depreciated over a 40 year life and other fixed assets are depreciated over a five year period.

In-Kind Contributions

In-kind contributions may include donated property and equipment, services, space use, gift cards, 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.

Hope House of Colorado Notes to Financial Statements

Allowance for doubtful accounts receivable

Hope House has no history of bad debts associated with receivables from donors or other non-profit entities. Accordingly, no allowance for uncollectible receivables has been recognized.

Income Taxes

Hope House is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, Hope House is subject to federal income tax on any unrelated business taxable income but did not have any such income during 2014. Hope House is not considered a private foundation. Hope House is no longer subject to federal or state income tax examinations by taxing authorities for years before 2011.

Use of Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires the use of management estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

Cash Equivalents

Cash and cash equivalents are defined as cash and short-term investments with an original maturity of three months or less. At December 31, 2014, Hope House's cash was in the form of demand deposits, money market funds and cash on hand.

Concentration of Risk and Support

Hope House generates substantially all of its support from contributions, grants, and fundraising events. For the year ending December 31, 2014, 67% of support was from contributions including in-kind, 24 % from net special event revenue, and 9% from grants.

Financial instruments that potentially subject Hope House to concentrations of credit risk consist primarily of cash and cash equivalents deposited in banks. Hope House places its cash with creditworthy, high quality financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2014 Hope House has cash of \$162,000 in excess of FDIC coverage.

Subsequent Events

In connection with the preparation of the financial statements and in accordance with generally accepted accounting principles, Hope House evaluated subsequent events after the statement of financial position date of December 31, 2014 through June 29, 2015, which was the date the financial statements were available to be issued and determined there were no other items to be disclosed.

Hope House of Colorado
Notes to Financial Statements

Subsequent Events - continued

During January 2015, Hope House completed the land acquisition for its planned expansion of its residential program and the associated capital campaign has been initiated. The purchase price of the land was \$215,000 and restricted cash assets restricted and available for that purpose were utilized to complete the acquisition.

2. Line of Credit

Hope House has a \$100,000 revolving line of credit with a commercial bank. The interest rate is variable based on prime plus 1%, but no lower than 4.25%. The line of credit is secured by real estate. The line of credit had no balance at December 31, 2014 and matured May 30, 2015. This line of credit was renewed subsequent to year end under similar terms and extended to May 30, 2017.

3. Deferred Loan Fees

Hope House capitalized certain loan costs and that asset is reported as an other asset on the statement of financial position. The loan costs are being amortized over the life of the loan.

4. Lease obligations

Hope House has non-cancellable operating leases on office equipment. Lease payments of \$8,170 were charged to expense during the year ended December 31, 2014. Minimum lease payments are as follows:

2015	\$ 17,366
2016	16,023
2017	<u>1,250</u>
	<u>\$ 34,639</u>

Rent expense includes in-kind amounts representing a waiver of rents on the Hope House facility which is used for both administrative and program purposes. The portion of the rent which was in-kind was \$23,400.

5. Commitment to Purchase Land

At December 31, 2014, Hope House had a commitment to acquire land and build a resource center for program and administrative space. A capital campaign resulted in a \$215,000 gift restricted for the purpose of acquiring the land. In January 2015 the purchase of the land was completed utilizing the proceeds from the restricted gift.

**Hope House of Colorado
Notes to Financial Statements**

6. Mortgage Note Payable

Installment note payable, secured by deed of trust and account balances held in accounts of commercial bank lending institution. Interest rate 5.2% with monthly installments of \$1,534. Due July 2027. \$ 169,054

Less short-term portion (9,776)
Long-term portion \$ 159,278

The maturities of the debt is as follows:

Year ended December 31, 2015	\$ 9,776
2016	10,232
2017	10,808
2018	11,392
2019	12,008
Thereafter	114,838
Total	<u>\$ 169,054</u>

A prepayment may be assessed if the loan is refinanced with another lender.

7. Restricted grants and donations

Hope House receives grant awards and gifts which have generally available for general operating costs. Some grants and gifts are restricted for a specific purpose. At December 31, 2014, the unexpended balance of those grants and gifts were subject to the following restrictions.

Temporarily restricted net assets at December 31, 2014 are as follows:

Below market lease	\$ 32,200
Capital construction	215,000
	<u>\$ 247,200</u>

8. Fundraising functions

Hope House holds and sponsors a number of fundraising events each year. Its main events are an annual golf tournament and a gala. The financial results of these events are as follows:

	<u>Golf</u>	<u>Gala</u>	<u>Others</u>
Gross revenue and support	\$ 135,700	\$ 272,735	\$ 18,708
Day of event costs	69,836	81,393	9,275
Net revenue	<u>\$ 65,864</u>	<u>\$ 191,342</u>	<u>\$ 9,433</u>

Hope House of Colorado
Notes to Financial Statements

9. In-Kind Contributions

In-kind contributions total \$166,446 for the year ended December 31, 2014. In-kind contributions include the following components:

Vehicles	\$ 7,500
Equipment and furnishings	5,880
Gift Cards	10,107
Services	67,094
Supplies	42,265
Below market rent and lease commitment	33,600
	<u>\$ 166,446</u>

Hope House relies extensively on volunteers who perform a variety of services for which no estimate of value is made in the accompanying financial statements. In 2014, Hope House benefited from over 8,000 hours of volunteer time, of which approximately 1,300 was one-on-one tutoring time with teen moms. Other non-monetized services included child care, mentoring, repairs and maintenance, event support and office assistance.