

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
HOPE HOUSE of COLORADO
Year Ended December 31, 2010

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	4 - 5
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS	6
STATEMENT OF FUNCTIONAL EXPENSES	7
STATEMENT OF CASH FLOWS	8 - 9
NOTES TO FINANCIAL STATEMENTS	10 - 13

HANSON & CO.
Certified Public Accountants

Board of Directors
Hope House of Colorado

Independent Auditor's Report

We have audited the accompanying statement of financial position of Hope House of Colorado (a non-profit organization) as of December 31, 2010, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of Hope House of Colorado. 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.

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, 2010 and the changes in its net assets and its cash flows for the year than ended in conformity with accounting principles generally accepted in the United States of America.

Hanson & Co. CPAs

Denver, Colorado

October 25, 2011

HOPE HOUSE OF COLORADO
Statement of Financial Position

ASSETS	
December 31,	2010
CURRENT ASSETS	
Cash and cash equivalents - unrestricted	\$ 103,063
Cash and cash equivalents - temporarily restricted	5,157
<hr/>	
Total current assets	108,220
 PROPERTY AND EQUIPMENT	
Land	141,570
Building and improvements	601,353
Furniture and equipment	8,687
Vehicles	38,475
<hr/>	
Total property and equipment	790,085
Less accumulated depreciation	(85,422)
<hr/>	
Net property and equipment	704,663
 OTHER ASSETS	
Software	4,000
Less accumulated amortization	(2,000)
<hr/>	
Net other assets	2,000
<hr/>	
Total assets	\$ 814,883

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

December 31,	2010
CURRENT LIABILITIES	
Accounts payable	\$ 8,171
Current portion of long-term debt	3,997
Payroll liabilities	1,473
<hr/>	
Total current liabilities	13,641
NON-CURRENT LIABILITIES	
Long-term debt	186,636
NET ASSETS	
Unrestricted	609,449
Temporarily restricted	5,157
<hr/>	
Total net assets	614,606
<hr/>	
Total liabilities and net assets	\$ 814,883

HOPE HOUSE OF COLORADO, INC.
Statement of Activities and Change in Net Assets
Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Contributions			
Corporate	\$ 35,406	\$ -	\$ 35,406
Grants	113,316	1,000	114,316
In-kind contributions	41,548	-	41,548
Churches	20,429	-	20,429
Individuals	254,073	-	254,073
Special event revenue	\$ 326,492		
Less: Cost of direct benefit to donors	<u>121,111</u>		
Net special event revenue	205,381	-	205,381
Other income	3,935	-	3,935
Interest income	7	-	7
Net assets released from restrictions	4,270	(4,270)	-
TOTAL REVENUES AND OTHER SUPPORT	678,365	(3,270)	675,095
EXPENSES			
Programs	512,221	-	512,221
Management and general	52,296	-	52,296
Fundraising expense	61,012	-	61,012
TOTAL EXPENSES	625,529	-	625,529
CHANGE IN NET ASSETS	52,836	(3,270)	49,566
NET ASSETS AT BEGINNING OF YEAR	556,613	8,427	565,040
NET ASSETS AT END OF YEAR	\$ 609,449	\$ 5,157	\$ 614,606

The accompanying notes are an integral part of this statement.

Hope House of Colorado, Inc
Statement of Functional Expenses
Year Ended December 31, 2010

	Program Activities	Support Services		Total
		Management and General	Fundraising	
Salary expense	\$ 319,913	\$ 16,246	\$ 33,602	\$ 369,761
Payroll tax expense	26,418	1,554	3,108	31,080
Employee expense	8,774	507	1,014	10,295
Communications	7,139	-	-	7,139
Insurance	18,365	276	945	19,586
Office expenses	16,841	6,768	10,843	34,452
Professional contracts	17,626	18,273	6,943	42,842
Repairs and maintenance	9,681	-	-	9,681
Other expenses	289	1,803	3,788	5,880
GED program	6,461	-	-	6,461
Residential program	37,860	-	-	37,860
Mentoring program	6,207	-	-	6,207
Supportive services	3,530	-	-	3,530
Interest expense	13,836	769	769	15,374
Total expenses before depreciation and amortization	492,940	46,196	61,012	600,148
Depreciation expense	18,215	5,833	-	24,048
Amortization expense	1,066	267	-	1,333
Total expenses	\$ 512,221	\$ 52,296	\$ 61,012	\$ 625,529

The accompanying notes are an integral part of this statement.

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

Years Ended December 31,	2010
CASH FLOWS FROM OPERATING ACTIVITES	
Cash received from programs	\$ 756,701
Interest received	7
Cash payments to suppliers and employees	(685,986)
Interest paid	(15,374)
<hr/>	
Net cash provided by operating activities	55,348
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of vehicle	250
Purchase of storage shed	(2,000)
<hr/>	
Net cash used for investing activities	(1,750)
CASH FLOWS FROM FINANCING ACTIVITIES	
Line of credit advances	34,991
Line of credit repayments	(34,991)
Payments on long-term debt	(3,732)
<hr/>	
Net cash used for financing activities	(3,732)
<hr/>	
NET INCREASE IN CASH	49,866
CASH AT BEGINNING OF YEAR	58,354
<hr/>	
CASH AT END OF YEAR	\$ 108,220
<hr/>	

The accompanying notes are an integral part of this statement.

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

Years Ended December 31,	2010
Reconciliation of change in net assets to net cash provided by operating activities:	
Change in net assets	\$ 49,566
Reconciling adjustments:	
Depreciation	24,048
Amortization	1,333
Loss on disposal of vehicles	1,435
In-kind contribution of vehicle	(17,465)
Changes in assets and liabilities:	
Accounts receivable	2,050
Accounts payable	(3,390)
Accrued payroll liabilities	(2,229)
<hr/>	
Total adjustments	5,782
<hr/>	
Net cash provided by operating activities	\$ 55,348

Schedule of non-cash investing activities:

Vehicles acquired by in-kind contributions	<u>\$ 17,465</u>
--	------------------

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, Inc. is committed to transforming the lives of teen mothers around the world. Hope House (the Organization) offers teen moms and their children hope for a brighter future by providing resources, education, and support to build strong, healthy, loving homes. The Organization offers residential and outreach programs at their facility in Arvada, Colorado. The Organization was incorporated in 2001 in the State of Colorado as a non-profit corporation. The Organization 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 its 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, the Organization 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 Organization's policy 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. Donated property and equipment is reported as unrestricted 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 temporarily restricted contributions. 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. Temporarily restricted net assets are reclassified as unrestricted at that time. Property and equipment are depreciated using the straight-line method over useful lives of 5 to 40 years.

HOPE HOUSE OF COLORADO
Notes to Financial Statements

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

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. The Organization has not received any support that would be classified as permanently restricted.

Support that is donor restricted as to time or purpose is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a temporary restriction expires, that is, when the time passes or the purpose 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. However, if a restriction is fulfilled in the same time period the contribution is received, the Organization reports the support as unrestricted.

In-Kind Contributions

In-kind contributions may include donated property and equipment, services, materials or supplies. All are valued at estimated fair value when recognized. The Organization 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. In kind contributions include donated services totaling \$14,612 and donated vehicles and supplies totaling \$26,936. Donated services include legal, accounting, counseling, medical, dental, skilled trades, and computer services which may be used for either program activities or management and general purposes.

In addition, many individuals volunteer their time and perform a variety of tasks vital to the Organization. However, these services do not meet the criteria for recognition in the financial statements. The Organization received more than 3,000 volunteer hours in 2010.

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.

Income Taxes

The Organization is exempt from income taxes under the Internal Revenue Code Section 501(c)(3) as a charitable organization. Accounting principles generally accepted in the United States of America (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, 2010, there is no taxable income from unrelated business activities and management has not identified any uncertain tax positions requiring disclosure or accrual.

Subsequent Event

Management has evaluated subsequent events through the date the financial statements were available to be issued, which is the date of the review report.

HOPE HOUSE OF COLORADO
Notes to Financial Statements

Note B - Line of Credit

The Organization has a \$25,000 line of credit with the bank. The interest rate is variable based on prime plus 1%, but is never lower than 5%. The line of credit is secured by real estate owned by the Organization. The line of credit is fully available at December 31, 2010 and matures on September 17, 2012.

Note C - Temporary Restrictions of Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2010</u>
Rheanna's medical fund	\$ 4,076
Mentoring medical/dental fund	81
Website development	<u>1,000</u>
Total	<u>\$ 5,157</u>

Net assets released from restriction in 2010 total \$4,270 and consist of amounts temporarily designated for resident medical expenses and for the purchase of a vehicle for a client.

Note D - Long-Term Debt

The Organization's long-term debt consists of the following:

	<u>2010</u>
Installment note payable to First Bank North, due April, 2016; secured by land, building, and improvements. Payable in monthly installments of \$1,582.97, including interest at 7.830%.	\$190,761
Less current portion	<u>3,997</u>
Long-term debt	<u>\$186,636</u>

Long-term debt matures as follows:

Years ending December 31,

2011	\$ 3,997
2012	4,283
2013	4,678
2014	5,064
2015	5,480
Thereafter	<u>167,259</u>
	<u>\$ 190,761</u>

HOPE HOUSE OF COLORADO
Notes to Financial Statements

Note E - Operating Lease

Hope House has a non-cancellable operating lease on office equipment. Lease payments are included in office expense and total \$1,820 for the year ended December 31, 2010. Minimum lease payments are as follows:

Years ending December 31,

2011	\$1,517
2012	1,517
2013	1,517
2014	<u>1,392</u>
	<u>\$5,943</u>

Note F - Concentrations

Hope House generates substantially all of its support from contributions, grants, and fundraising events. For the year ending December 31, 2010, 52% of support is from contributions including in-kind, 30% from net special event revenue, and 17% from grants.