

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
HOPE HOUSE of COLORADO
Year Ended December 31, 2011

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HANSON & CO.
Certified Public Accountants

Board of Directors
Hope House of Colorado

Independent Auditor's Report

We have audited the accompanying statements of financial position of Hope House of Colorado (a non-profit organization) as of December 31, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 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 audits 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 audits provide 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, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Hanson & Co. CPAs

Denver, Colorado

November 20, 2012

HOPE HOUSE OF COLORADO
Statement of Financial Position

ASSETS		
December 31,	2011	2010
CURRENT ASSETS		
Cash and cash equivalents - unrestricted	\$ 216,240	\$ 103,063
Cash and cash equivalents - temporarily restricted	1,081	5,157
Contributions receivable, net of allowance for doubtful accounts of \$-0-	42,658	-
Total current assets	259,979	108,220
PROPERTY AND EQUIPMENT		
Land	141,570	141,570
Building and improvements	601,353	601,353
Furniture and equipment	14,183	8,687
Vehicles	26,065	38,475
Total property and equipment	783,171	790,085
Less accumulated depreciation	(105,026)	(85,422)
Net property and equipment	678,145	704,663
OTHER ASSETS		
Software	4,000	4,000
Less accumulated amortization	(3,333)	(2,000)
Net other assets	667	2,000
Total assets	\$ 938,791	\$ 814,883

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

December 31,	2011	2010
CURRENT LIABILITIES		
Accounts payable	\$ 3,204	\$ 8,171
Line of credit	-	-
Current portion of long-term debt	4,283	3,997
Payroll liabilities	1,900	1,473
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Total current liabilities	9,387	13,641
NON-CURRENT LIABILITIES		
Long-term debt	182,531	186,636
NET ASSETS		
Unrestricted	745,792	609,449
Temporarily restricted	1,081	5,157
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Total net assets	746,873	614,606
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Total liabilities and net assets	\$ 938,791	\$ 814,883

HOPE HOUSE OF COLORADO, INC.
Statement of Activities and Change in Net Assets
Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Contributions			
Corporate	\$ 93,926	\$ -	\$ 93,926
Grants	103,050	-	103,050
In-kind contributions	46,143	-	46,143
Churches	19,997	-	19,997
Individuals	401,035	-	401,035
Special event revenue	\$ 318,407		
Less: Cost of direct benefit to donors	<u>94,111</u>		
Net special event revenue	224,296	-	224,296
Other income	482	-	482
Interest income	23	-	23
Net assets released from restrictions	4,076	(4,076)	-
TOTAL REVENUES AND OTHER SUPPORT	893,028	(4,076)	888,952
EXPENSES			
Programs	602,761	-	602,761
Management and general	77,828	-	77,828
Fundraising expense	76,096	-	76,096
TOTAL EXPENSES	756,685	-	756,685
CHANGE IN NET ASSETS	136,343	(4,076)	132,267
NET ASSETS AT BEGINNING OF YEAR	609,449	5,157	614,606
NET ASSETS AT END OF YEAR	\$ 745,792	\$ 1,081	\$ 746,873

The accompanying notes are an integral part of this statement.

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, 2011

	Program Activities	Support Services		Total
		Management and General	Fundraising	
Salary expense	\$ 396,071	\$ 3,651	\$ 37,429	\$ 437,151
Payroll tax expense	33,094	1,127	5,214	39,435
Employee expense	4,801	3,727	1,314	9,842
Education and training	7,582	2,229	292	10,103
Insurance	9,038	1,749	454	11,241
Office expenses	30,750	5,844	20,701	57,295
Professional contracts	646	38,557		39,203
Repairs and maintenance	12,399	9,487	99	21,985
Other expenses	1,191	4,166	9,669	15,026
Residential program	51,490	-		51,490
Mentoring program	10,140	-		10,140
Partnerships	2,042	-	-	2,042
Supportive services	8,391	-		8,391
Vehicle expenses	4,932	32	196	5,160
Interest expense	12,090	2,358	728	15,176
Total expenses before depreciation and amortization	584,657	72,927	76,096	733,680
Depreciation expense	17,038	4,634	-	21,672
Amortization expense	1,066	267	-	1,333
Total expenses	\$ 602,761	\$ 77,828	\$ 76,096	\$ 756,685

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	4,913	159	1,264	6,336
Education and training	8,148	348	695	9,191
Insurance	16,159	276	-	16,435
Office expenses	40,115	6,364	10,843	57,322
Professional contracts	17,626	18,273	6,943	42,842
Repairs and maintenance	6,230	404	-	6,634
Other expenses	289	1,803	3,788	5,880
Residential program	19,513	-	-	19,513
Mentoring program	5,696	-	-	5,696
Partnerships	-	-	-	-
Supportive services	7,291	-	-	7,291
Vehicle expenses	6,793	-	-	6,793
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,	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from programs	\$ 894,239	\$ 756,701
Interest received	23	7
Cash payments to suppliers and employees	(760,670)	(685,986)
Interest paid	(15,176)	(15,374)
Net cash provided by operating activities	118,416	55,348
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of vehicle	-	250
Purchase of equipment	(5,496)	(2,000)
Net cash used for investing activities	(5,496)	(1,750)
CASH FLOWS FROM FINANCING ACTIVITIES		
Line of credit advances	-	34,991
Line of credit repayments	-	(34,991)
Payments on long-term debt	(3,819)	(3,732)
Net cash used for financing activities	(3,819)	(3,732)
NET INCREASE IN CASH	109,101	49,866
CASH AT BEGINNING OF YEAR	108,220	58,354
CASH AT END OF YEAR	\$ 217,321	\$ 108,220

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,	2011	2010
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 132,267	\$ 49,566
Reconciling adjustments:		
Depreciation	21,672	24,048
Amortization	1,333	1,333
Loss on disposal of vehicles	-	1,435
In-kind contribution of vehicle	-	(17,465)
Vehicles gifted to clients	10,342	-
Changes in assets and liabilities:		
Accounts receivable	(42,658)	2,050
Accounts payable	(4,967)	(3,390)
Accrued payroll liabilities	427	(2,229)
Total adjustments	(13,851)	5,782
Net cash provided by operating activities	\$ 118,416	\$ 55,348

Schedule of non-cash investing activities:

Vehicles acquired by in-kind contributions	\$ -	\$ 17,465
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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 \$40,673 and \$14,612 in 2011 and 2010, respectively, and donated vehicles and supplies totaling \$5,470 and \$26,936 in 2011 and 2010, respectively. 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 4,300 volunteer hours in 2011 and 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. There is no taxable income from unrelated business activities in either 2011 or 2010 and management has not identified any uncertain tax positions requiring disclosure or accrual.

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, 2011. The line of credit was increased to \$50,000 and extended through August 6, 2015 in August 2012.

Note C - Temporary Restrictions of Net Assets

Temporarily restricted net assets are available for the following purposes:

	2011	2010
Rheanna's medical fund	\$ -	\$ 4,076
Mentoring medical/dental fund	81	81
Website development	1,000	1,000
Total	\$ 1,081	\$ 5,157

Net assets released from restriction total \$4,076 and \$4,270 in 2011 and 2010 and consist of amounts temporarily designated for resident medical expenses in both years and for the purchase of a vehicle for a client in 2010.

Note D - Long-Term Debt

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

	2011	2010
Installment note payable to First Bank North, secured by land, building and improvements. Payable in monthly installments of \$1,582.97, including interest at 7.830%. Due in full in 2016.	\$186,814	\$190,761
Less current portion	4,283	3,997
Long-term debt	\$182,531	\$186,636

Long-term debt matures as follows:

Years ending December 31,	
2012	\$ 4,283
2013	4,678
2014	5,064
2015	5,480
2016	163,026
	\$182,531

The Organization refinanced the promissory note in August 2012. The new note has a 15 year term and fixed interest of 5.2%, and is secured by land, building and improvements to the property.

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 \$2,070 and \$1,820 for the years ended December 31, 2011 and 2010, respectively. Minimum lease payments are as follows:

Years ending December 31,

2012	\$1,517
2013	<u>1,391</u>
	<u>\$2,908</u>

Note F - Concentrations

Hope House generates substantially all of its support from contributions, grants, and fundraising events. For the year ending December 31, 2011, 63% of support is from contributions including in-kind, 25% from net special event revenue, and 12% from grants.

Note G - Comparability of Financial Statements

Certain items from the December 31, 2010 financial statements have been reclassified in order to make them comparable to the current financial statements. There is no effect on the change in net assets.

Note H - Subsequent Events

As discussed in notes B and D, Hope House refinanced and extended both the line of credit and the installment note payable in August 2012.

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