

**Hope House of Colorado**

**Financial Statements**

**At December 31, 2015 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, 2015, 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, 2015 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.

A handwritten signature in cursive script that reads "Paul L. Smith, P.C.".

Paul L. Smith, P.C.

Denver, Colorado

April 26, 2016

**Hope House of Colorado  
Statement of Financial Position**

	<b>December 31, 2015</b>	<b>Summarized Financial Information 2014</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 249,798	\$ 196,186
Cash - restricted for building project	725,190	215,000
Accounts receivable	-	34,314
Prepaid expenses	5,803	300
Unconditional promises to give, net	1,158,141	-
Fixed assets, net	1,059,134	675,241
Deposits	712	5,712
Prepaid loan costs	4,674	5,088
<b>Total assets</b>	<b>\$ 3,203,451</b>	<b>\$ 1,131,842</b>
<b>Liabilities and Net Assets</b>		
Accounts and accrued expenses	\$ 72,094	\$ 51,772
Mortgage payable	159,300	169,054
<b>Total liabilities</b>	<b>231,394</b>	<b>220,826</b>
Net assets:		
Unrestricted		
Undesignated	1,054,727	663,816
Board designated for:		
Future asset replacements	9,000	-
Operating reserve	25,000	-
Total unrestricted	<b>1,088,727</b>	<b>663,816</b>
Temporarily restricted	1,883,330	247,200
	<b>2,972,057</b>	<b>911,016</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,203,451</b>	<b>\$ 1,131,842</b>

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

**Hope House of Colorado  
Statement of Activities**

	For the Year Ended December 31, 2015			Summarized Financial Information for 2014
	Unrestricted	Temporarily Restricted	Total	
<b>Revenues, Support and Earnings:</b>				
Contributions				
Corporate	\$ 25,736	\$ 136,000	\$ 161,736	\$ 23,480
Grants	181,506	90,000	271,506	101,076
In-kind	127,504	-	127,504	166,446
Churches	15,282	-	15,282	22,286
Foundations	-	880,000	880,000	-
Individuals	665,368	972,590	1,637,958	491,767
Fundraising revenue	\$ 448,612	-	-	-
Less: Cost of direct benefit to donors	165,997	-	-	-
Net special event revenue	282,615	-	282,615	266,639
Interest income	7	-	7	10
Net assets released from restrictions	442,460	(442,460)	-	-
<b>Total Support, Revenue and Earnings</b>	<b>1,740,478</b>	<b>1,636,130</b>	<b>3,376,608</b>	<b>1,071,704</b>
<b>Expenses:</b>				
Programs	963,391	-	963,391	791,226
General and administrative	136,303	-	136,303	104,918
Fund raising for continuing program support	125,237	-	125,237	151,544
Fund raising for capital campaign	90,636	-	90,636	-
<b>Total Expenses</b>	<b>1,315,567</b>	<b>-</b>	<b>1,315,567</b>	<b>1,047,688</b>
<b>Change in net assets</b>	<b>424,911</b>	<b>1,636,130</b>	<b>2,061,041</b>	<b>24,016</b>
<b>Net assets at beginning of year</b>	<b>663,816</b>	<b>247,200</b>	<b>911,016</b>	<b>887,000</b>
<b>Net assets at end of year</b>	<b>\$ 1,088,727</b>	<b>\$ 1,883,330</b>	<b>\$ 2,972,057</b>	<b>\$ 911,016</b>

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

**Hope House of Colorado  
Statement of Cash Flows**

	<b>December 31, 2015</b>	<b>Summarized Financial Information 2014</b>
<b>Cash flows from operating activities</b>		
Change in net assets:	\$ 2,061,042	\$ 24,015
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	32,143	26,932
Amortization of deferred loan costs	414	404
Capitalized in-kind donations	(13,013)	(2,500)
Change in accounts & pledges receivable	(1,123,826)	8,442
Change in prepaid expenses	(5,503)	5,408
Change in deposits	5,000	-
Change in accounts payable and accrued expenses	20,322	28,843
Net cash provided by operating activities	<u>976,579</u>	<u>91,544</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(403,023)	(20,844)
Change in restricted cash	(510,190)	-
Net cash used in investing activities	<u>(913,213)</u>	<u>(20,844)</u>
<b>Cash flows from financing activities:</b>		
Repayment of mortgage debt	(9,754)	(9,183)
Net cash applied to financing activities	<u>(9,754)</u>	<u>(9,183)</u>
<b>Net increase in cash and cash equivalents</b>	53,612	61,517
<b>Cash and cash equivalents at beginning of period</b>	<u>196,186</u>	<u>134,669</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 249,798</u>	<u>\$ 196,186</u>
Supplemental disclosure of cash flow information:		
Interest incurred	\$ 9,600	\$ 10,923
Interest paid	9,600	10,923

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

**Hope House of Colorado**  
**Statement of Functional Expenses**

	<b>Program Activities</b>	<b>Administrative</b>	<b>Fund Raising</b>	<b>December 31, 2015</b>	<b>Summarized Financial Information 2014</b>
Salaries & Wages	\$ 521,598	\$ 93,421	\$ 163,486	\$ 778,505	\$ 595,120
Payroll taxes	50,841	9,106	15,935	75,882	54,685
Employee benefits	21,671	3,881	6,792	32,344	18,632
	<u>594,110</u>	<u>106,408</u>	<u>186,213</u>	<u>886,731</u>	<u>668,437</u>
Other expenses					
Computer costs	30,339	1,704	2,045	34,089	32,098
Copier	5,046	283	340	5,670	5,288
Direct mail	-	-	3,113	3,113	3,547
Direct program costs:					
Direct assistance	24,175	-	-	24,175	18,104
Community development	4,496	-	-	4,496	4,645
Education costs	9,193	-	-	9,193	11,362
Facility maintenance	6,798	-	-	6,798	5,006
Groceries	8,194	-	-	8,194	8,142
Incentives	3,246	-	-	3,246	9,498
In-kind clothing & supplies	51,363	-	-	51,363	42,265
Interest	9,600	-	-	9,600	10,923
In-kind professional services	35,920	-	-	35,920	26,433
Vehicle expenses	22,025	-	-	22,025	7,035
Volunteer expenses	2,116	-	-	2,116	1,495
Dues and subscriptions	2,419	433	758	3,610	2,096
Printing and postage	22,739	4,074	7,129	33,942	24,992
Insurance	10,571	1,893	3,313	15,778	24,324
Legal and accounting	5,387	12,622	1,827	19,836	18,399
Licenses	123	22	39	184	3,471
Meetings	4,166	746	1,306	6,217	2,602
Office expense	3,559	637	1,116	5,312	1,517
Other expenses	2,839	509	890	4,238	12,388
Rent	40,113	2,254	2,704	45,070	31,570
Staff appreciation	1,894	339	594	2,827	3,646
Staff training	3,311	593	1,038	4,942	2,018
Supplies	2,617	469	820	3,906	10,508
Telephone	12,368	695	834	13,896	13,847
Temporary staffing	3,097	-	-	3,097	5,378
Utilities	12,317	692	830	13,839	9,722
	<u>934,141</u>	<u>134,374</u>	<u>214,909</u>	<u>1,283,424</u>	<u>1,020,757</u>
Depreciation	29,250	1,929	964	32,143	26,932
	<u>\$ 963,391</u>	<u>\$ 136,303</u>	<u>\$ 215,873</u>	<u>\$ 1,315,567</u>	<u>\$ 1,047,689</u>
Fundraising cost attribution:					
Continuing program support			\$ 125,237		
Capital campaign			90,636		
Total			<u>\$ 215,873</u>		

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



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

**December 31, 2015**

**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 2015. 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 2012. Management does not believe that there are any tax positions that would result in an asset or liability for taxes being recognized in the financial statements.

**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, 2015, 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, 2015, 84% of support was from contributions including in-kind, 8% from net special event revenue, and 8% 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, 2015 Hope House has cash of \$750,000 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, 2015 through April 26, 2016, 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**

**2. Promises to Give**

Unconditional promises to give are restricted to the payment of costs associated with the Hope House capital campaign. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Promises to give due in more than one year are discounted using a rate of return of .2%.

Unconditional promises to give at December 31, 2015 are expected to be collected in:

Less than one year	\$ 655,577
One year to five years	508,827
Less discount to net present value	(5,963)
	<u>\$ 1,158,441</u>

**3. 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, 2015 and matured May 30, 2015. This line of credit was renewed subsequent to year end under similar terms and extended to May 30, 2017.

**4. 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.

**5. Lease Obligations**

Hope House has non-cancellable operating leases on office equipment. Lease payments of \$3,108 were charged to expense during the year ended December 31, 2015. Minimum lease payments are as follows:

2016	\$ 4,008
2017	2,643
2018	1,668
2019	1,668
2020	1,340
	<u>\$ 6,651</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 \$32,200.

**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.	\$ 159,300
Less short-term portion	(10,232)
Long-term portion	<u>\$ 149,068</u>

The maturities of the debt is as follows:

Year ended December 31, 2016	\$ 10,232
2017	10,808
2018	11,392
2019	12,008
2020	12,639
Thereafter	102,221
Total	<u>\$ 159,300</u>

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

**7. Restricted Grants and Donations**

In January 2015, Hope House acquired undeveloped land for the purpose of constructing a resource center.

Upon completion of the land acquisition, Hope House began a \$3.1 million capital campaign to construct a resource center to house their GED, early learning center and other community programs. Contributions for the construction of the resource center are recorded as temporarily restricted net assets until the funds are spent for construction or the funding of the campaign. Campaign contributions totaled \$2,105,369 with \$1,158,141 in receivables, \$725,190 in unspent cash, \$130,409 capitalized for construction in progress (excluding the land acquisition, cost see note 10), and \$90,636 in campaign costs.

Temporarily restricted net assets at December 31, 2015, Capital construction	<u>\$1,883,330</u>
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**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:

	Golf	Gala	Others
Gross revenue and support	\$ 121,000	\$ 291,597	\$ 36,015
Day of event costs	66,410	69,031	30,556
Net revenue	<u>\$ 54,590</u>	<u>\$ 222,566</u>	<u>\$ 5,459</u>

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

**9. In-Kind Contributions**

In-kind contributions total \$127,504 for the year ended December 31, 2015. In-kind contributions include the following components:

Vehicles	\$ 21,665
Food	3,805
Fund raising costs	6,557
Gift Cards	23,404
Services	48,932
Supplies and clothing	23,141
	<u>\$ 127,504</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 2015, 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.

**10. Fixed Assets**

The components of fixed assets are as follows:

Currently in use:	
Land	\$ 141,570
Building and improvements	547,546
Program equipment	20,039
Vehicles	62,066
Office equipment	72,143
	<u>\$ 843,364</u>
Accumulated	(186,249)
	<u>\$ 657,115</u>
Other:	
Land in-process of development	215,359
Capitalized design and engineering costs	130,409
	<u>\$1,002,883</u>