

Hope House of Colorado

Financial Statements

At December 31, 2016 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, 2016, 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, 2016 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 black ink that reads "Paul L. Smith, P.C." in a cursive script.

Paul L. Smith, P.C.

Denver, Colorado

May 24, 2017

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

	December 31, 2016	Summarized Financial Information 2015
Assets		
Cash and cash equivalents	\$ 338,981	\$ 249,798
Cash - restricted & designated for building project	1,599,839	725,190
Prepaid expenses	14,532	5,803
Unconditional promises to give, net	665,547	1,158,141
Fixed assets, net	1,249,355	1,059,134
Deposits	712	712
Prepaid loan costs	4,260	4,674
Total assets	<u><u>\$ 3,873,225</u></u>	<u><u>\$ 3,203,451</u></u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 55,505	\$ 72,094
Deferred Income	7,840	-
Mortgage payable	149,047	159,300
Total liabilities	<u>212,392</u>	<u>231,394</u>
Net assets:		
Unrestricted		
Undesignated	1,361,447	1,054,727
Board designated for:		
Future asset replacements	9,000	9,000
Capital improvements	50,000	-
Operating reserve	25,000	25,000
Total unrestricted	<u>1,445,447</u>	<u>1,088,727</u>
Temporarily restricted	<u>2,215,386</u>	<u>1,883,330</u>
	<u>3,660,833</u>	<u>2,972,057</u>
Total liabilities and net assets	<u><u>\$ 3,873,225</u></u>	<u><u>\$ 3,203,451</u></u>

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

**Hope House of Colorado
Statement of Activities**

	For the Year Ended December 31, 2016			Summarized Financial Information for 2015
	Unrestricted	Temporarily Restricted	Total	
Revenues, Support and Earnings:				
Contributions				
Corporate	\$ 19,973	\$ -	\$ 19,973	\$ 161,736
Grants	261,092	261,825	522,917	1,151,506
In-kind	195,135	-	195,135	127,504
Churches	14,464	-	14,464	15,282
Individuals	411,889	397,684	809,573	1,637,958
Fundraising revenue	\$ 621,220	-	-	-
Less: Cost of direct benefit to donors	176,036	-	-	-
Net special event revenue	445,184	-	445,184	282,615
Interest income	9	-	9	7
Net assets released from restrictions	327,453	(327,453)	-	-
Total Support, Revenue and Earnings	1,675,198	332,056	2,007,254	3,376,608
Expenses:				
Programs	921,251	-	921,251	963,391
General and administrative	103,625	-	103,625	136,303
Fund raising for continuing program support	190,455	-	190,455	125,237
Fund raising for capital campaign	103,147	-	103,147	90,636
Total Expenses	1,318,478	-	1,318,478	1,315,567
Change in net assets	356,720	332,056	688,776	2,061,041
Net assets at beginning of year	1,088,727	1,883,330	\$ 2,972,057	911,016
Net assets at end of year	\$ 1,445,447	\$ 2,215,386	\$ 3,660,833	\$ 2,972,057

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

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

	Summarized Financial Information 2016	December 31, 2015
Cash flows from operating activities		
Change in net assets:	\$ 688,776	\$ 2,061,042
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	26,580	32,143
Amortization of deferred loan costs	414	414
Capitalized in-kind donations	(59,899)	(13,013)
Change in accounts & pledges receivable	492,593	(1,123,826)
Change in prepaid expenses	(8,729)	(5,504)
Change in deposits	-	5,000
Change in accounts payable and accrued expenses	(16,589)	20,322
Change in deferred income	7,840	-
Net cash provided by operating activities	<u>1,130,987</u>	<u>976,579</u>
Cash flows from investing activities:		
Purchase of property and equipment	(156,903)	(403,023)
Change in restricted cash	(874,649)	(510,190)
Net cash used in investing activities	<u>(1,031,552)</u>	<u>(913,213)</u>
Cash flows from financing activities:		
Repayment of mortgage debt	(10,253)	(9,754)
Net cash applied to financing activities	<u>(10,253)</u>	<u>(9,754)</u>
Net increase in cash and cash equivalents	89,182	53,612
Cash and cash equivalents at beginning of period	<u>249,798</u>	<u>196,186</u>
Cash and cash equivalents at end of year	<u><u>\$ 338,981</u></u>	<u><u>\$ 249,798</u></u>
 Supplemental disclosure of cash flow information:		
Interest incurred	\$ 8,212	\$ 9,600
Interest paid	8,212	9,600
 Non-cash investing activities		
In-kind capitalized design and engineering costs	64,618	130,409

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

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

	Program Activities	Administrative	Fund Raising	December 31, 2016	Summarized Financial Information 2015
Salaries & Wages	\$ 515,516	\$ 73,645	\$ 236,683	\$ 825,845	\$ 778,505
Payroll taxes	42,273	6,039	21,537	69,849	75,882
Employee benefits	26,053	3,723	7,444	37,220	32,344
	<u>583,842</u>	<u>83,407</u>	<u>265,664</u>	<u>932,913</u>	<u>886,731</u>
Other expenses					
Computer costs	18,230	1,110	9,478	28,818	34,089
Copier	3,828	215	258	4,301	5,670
Direct mail & development	10,978	-	4,307	15,285	3,113
Direct program costs:					
Case management	26,442	-	-	26,442	24,175
Community development	2,059	-	-	2,059	4,496
Education costs	5,532	-	-	5,532	9,193
Facility maintenance	21,926	-	-	21,926	6,798
Program costs	10,596	-	-	10,596	8,194
Incentives	3,346	-	-	3,346	3,246
Program costs in-kind	81,551	-	-	81,551	51,363
Interest	8,212	-	-	8,212	9,600
In-kind professional services	231	-	-	231	35,920
Vehicle expenses	16,036	-	-	16,036	22,025
Volunteer expenses	1,207	-	-	1,207	2,116
Dues and subscriptions	2,338	369	1,923	4,630	3,610
Printing and postage	16,279	83	1,387	17,748	33,942
Insurance	6,500	2,611	1,857	10,967	15,778
Legal and accounting	608	8,871	293	9,772	19,836
Licenses	-	-	-	-	184
Meetings	2,897	650	2,059	5,606	6,217
Office expense	1,083	329	522	1,934	5,312
Other expenses	4,847	475	652	5,974	4,238
Rent	42,553	2,392	2,869	47,814	45,070
Staff appreciation	2,057	294	588	2,939	2,827
Staff training	7,639	361	901	8,901	4,942
Supplies	3,556	200	240	3,996	3,906
Telephone	5,697	320	384	6,401	13,896
Temporary staffing	3,083	-	-	3,083	3,097
Utilities	3,272	184	221	3,677	13,839
	<u>896,426</u>	<u>101,870</u>	<u>293,602</u>	<u>1,291,898</u>	<u>1,283,424</u>
Depreciation	24,825	1,755	-	26,580	32,143
	<u>\$ 921,251</u>	<u>\$ 103,625</u>	<u>\$ 293,602</u>	<u>\$ 1,318,478</u>	<u>\$ 1,315,567</u>

Fundraising cost attribution:	
Continuing program support	\$ 190,455
Capital campaign	103,147
Total	<u>\$ 293,602</u>

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

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

December 31, 2016

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 2016. 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 2013. 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, 2016, 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, 2016, 52% of support was from contributions including in-kind, 22% from net special event revenue, and 26% 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, 2016 Hope House has cash of \$1,689,000 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, 2016 through May 24, 2017, 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. Cash restricted and designated for building project

Hope House has deposited cash resources which are restricted or board designated for its building project in a separate account as follows:

Restricted funds	\$ 1,549,839
Designated funds	50,000
Total on deposit in account	<u>\$ 1,599,839</u>

3. 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, 2016 are expected to be collected in:

Less than one year	\$ 618,831
One year to five years	48,666
Less discount to net present value	(1,950)
	<u>\$ 665,547</u>

Included in promises to give is \$52,875 which represents a portion of a conditional promise to give. The conditional promise is based upon the total amount of gifts for the capital campaign. The amount Hope House has recognized represents the portion of a \$75,000 promise to give for which the conditions had been met at December 31, 2016.

4. Line of Credit

Hope House has a \$150,000 revolving line of credit with a commercial bank. The interest rate is variable based on prime plus 1%, but no lower than 4.50%. This line of credit was renewed during 2016 and extended to June 2019. There was no outstanding balance on this line of credit at December 31, 2016.

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, 2016. Minimum lease payments are as follows:

2017	\$ 2,643
2018	1,668
2019	1,668
2020	1,340
	<u>\$ 7,319</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.	\$ 149,047
Less short-term portion	(10,867)
Long-term portion	<u>\$ 138,180</u>

The maturities of the debt is as follows:

Year ended December 31, 2017	\$ 10,867
2018	11,442
2019	12,049
2020	12,688
2021	13,361
Thereafter	88,640
	<u>\$ 149,047</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 \$3.9 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.

Temporarily restricted net assets at December 31, 2016, Capital construction	<u>\$2,215,386</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:

	<u>Golf</u>	<u>Gala</u>	<u>Others</u>
Gross revenue and support	\$ 250,500	\$ 307,317	\$ 63,403
Day of event costs	85,547	73,445	17,047
Net revenue	<u>\$ 164,953</u>	<u>\$ 233,872</u>	<u>\$ 46,356</u>

Hope House of Colorado
Notes to Financial Statements

9. In-Kind Contributions

In-kind contributions total \$135,195 for the year ended December 31, 2016. In-kind contributions include the following components:

Vehicles	\$ 19,800
Capitalized development	64,618
Gift Cards	16,766
Rent	32,200
Services	15,753
Supplies and clothing	45,998
	<u>\$ 195,135</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 2016, 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	598,853
Program equipment	29,483
Vehicles	62,066
Office equipment	73,533
Cost of assets currently in use	<u>905,505</u>
Accumulated depreciation	<u>(223,439)</u>
	682,066
Other:	
Land in-process of development	215,359
Capitalized design and engineering costs	351,930
	<u>\$1,249,355</u>

11. 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.