

Hope House Colorado

Financial Statements

December 31, 2022 and 2021

(With Independent Auditor's Report Thereon)

*Kundinger, Corder
& Montoya, P.C.*

Certified Public Accountants

Independent Auditor's Report

Board of Directors Hope House Colorado

Opinion

We have audited the accompanying financial statements of Hope House Colorado, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope House Colorado as of December 31, 2022 and 2021, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hope House Colorado and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hope House Colorado's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

**Board of Directors
Hope House Colorado**

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Hope House Colorado's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hope House Colorado's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Kundinger, Corder & Montoya, P.C.

April 25, 2023

Hope House Colorado
Statements of Financial Position
December 31, 2022 and 2021

| | 2022 | 2021 |
|--|---------------|-----------|
| Assets | | |
| Cash and cash equivalents | \$ 1,963,025 | 1,783,412 |
| Restricted cash and cash equivalents (note 4) | 1,764,052 | 80,750 |
| Accounts receivable | 26,475 | – |
| Contributions and grants receivable, net (note 3) | 750,045 | 12,828 |
| Employee Retention Tax Credit receivable (note 11) | 210,147 | 408,000 |
| Prepaid expenses and other assets | 779 | 20,216 |
| Property and equipment, net (note 5) | 5,477,025 | 5,495,968 |
| Total assets | \$ 10,191,548 | 7,801,174 |
| Liabilities and Net Assets | | |
| Accounts payable and accrued liabilities | \$ 153,947 | 98,076 |
| Total liabilities | 153,947 | 98,076 |
| Net assets (note 8) | | |
| Without donor restrictions | | |
| Undesignated | 453,909 | 1,342,848 |
| Investment in property and equipment | 5,477,025 | 5,495,968 |
| Board designated | 1,510,932 | 818,636 |
| Total without donor restrictions | 7,441,866 | 7,657,452 |
| With donor restrictions | 2,595,735 | 45,646 |
| Total net assets | 10,037,601 | 7,703,098 |
| Commitments and contingencies (notes 7, 9 and 11) | | |
| Total liabilities and net assets | \$ 10,191,548 | 7,801,174 |

See the accompanying notes to the financial statements.

Hope House Colorado
Statement of Activities
For the Year Ended December 31, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|----------------------------------|-------------------------------|------------|
| Revenue, gains and support | | | |
| Contributions and grants | | | |
| Corporate | \$ 152,803 | 78,215 | 231,018 |
| Foundation grants | 284,283 | 1,515,000 | 1,799,283 |
| Individuals | 875,546 | 1,297,380 | 2,172,926 |
| Churches | 25,095 | — | 25,095 |
| Governmental grants | 16,000 | 74,896 | 90,896 |
| In-kind (note 10) | 246,234 | 8,350 | 254,584 |
| Special events revenue | 903,363 | — | 903,363 |
| Less: direct expenses | (275,488) | — | (275,488) |
| Contract revenue | 57,468 | — | 57,468 |
| Interest and other income | 8,291 | — | 8,291 |
| Net assets released due to satisfaction of time or purpose restrictions (note 8) | 423,752 | (423,752) | — |
| Total revenue, gains and support | 2,717,347 | 2,550,089 | 5,267,436 |
| Expenses | | | |
| Program services | 2,101,642 | — | 2,101,642 |
| Supporting services | | | |
| Management and general | 273,020 | — | 273,020 |
| Fundraising | 371,319 | — | 371,319 |
| Total supporting services | 644,339 | — | 644,339 |
| Total expenses before noncash items | 2,745,981 | — | 2,745,981 |
| Change in net assets before noncash items | (28,634) | 2,550,089 | 2,521,455 |
| Depreciation | (186,952) | — | (186,952) |
| Change in net assets | (215,586) | 2,550,089 | 2,334,503 |
| Net assets at beginning of year | 7,657,452 | 45,646 | 7,703,098 |
| Net assets at end of year | \$ 7,441,866 | 2,595,735 | 10,037,601 |

See the accompanying notes to the financial statements.

Hope House Colorado
Statement of Activities
For the Year Ended December 31, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|----------------------------------|-------------------------------|-----------|
| Revenue, gains and support | | | |
| Contributions and grants | | | |
| Corporate | \$ 102,497 | 17,756 | 120,253 |
| Foundation grants | 316,794 | 97,500 | 414,294 |
| Individuals | 1,068,918 | 300,115 | 1,369,033 |
| Churches | 33,375 | 11,500 | 44,875 |
| Governmental credits and relief funding (note 11) | 632,300 | — | 632,300 |
| In-kind (note 10) | 217,420 | — | 217,420 |
| Special events revenue | 912,432 | — | 912,432 |
| Less: direct expenses | (267,401) | — | (267,401) |
| Contract revenue | 80,861 | — | 80,861 |
| Interest and other income | 3,676 | — | 3,676 |
| Net assets released due to satisfaction of time or purpose restrictions (note 8) | 688,857 | (688,857) | — |
| Total revenue, gains and support | 3,789,729 | (261,986) | 3,527,743 |
| Expenses | | | |
| Program services | 1,856,673 | — | 1,856,673 |
| Supporting services | | | |
| Management and general | 251,241 | — | 251,241 |
| Fundraising | 351,830 | — | 351,830 |
| Total supporting services | 603,071 | — | 603,071 |
| Total expenses before noncash items | 2,459,744 | — | 2,459,744 |
| Change in net assets before noncash items | 1,329,985 | (261,986) | 1,067,999 |
| Depreciation | (166,266) | — | (166,266) |
| Change in net assets | 1,163,719 | (261,986) | 901,733 |
| Net assets at beginning of year | 6,493,733 | 307,632 | 6,801,365 |
| Net assets at end of year | \$ 7,657,452 | 45,646 | 7,703,098 |

See the accompanying notes to the financial statements.

Hope House Colorado
Statement of Functional Expenses
Year Ended December 31, 2022

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|-------------------------------------|-----------------------------|-----------------------------------|--------------------|------------------|
| Salaries, benefits and taxes | \$ 1,272,024 | 186,599 | 267,559 | 1,726,182 |
| Direct program costs | 487,961 | 138 | 130 | 488,229 |
| Occupancy | 119,915 | 5,944 | 2,565 | 128,424 |
| Office expenses | 44,657 | 2,113 | 55,425 | 102,195 |
| Legal and accounting | 30,465 | 69,555 | 795 | 100,815 |
| Information technology | 99,159 | 6,036 | 15,853 | 121,048 |
| Conferences and meetings | 6,848 | 320 | 137 | 7,305 |
| Insurance | 31,036 | 1,889 | 810 | 33,735 |
| Merchant fees | 3,276 | — | 27,881 | 31,157 |
| Other expenses | 6,301 | 426 | 164 | 6,891 |
| Total expenses before noncash items | 2,101,642 | 273,020 | 371,319 | 2,745,981 |
| Depreciation | 173,314 | 9,547 | 4,091 | 186,952 |
| Total expenses | \$ <u>2,274,956</u> | <u>282,567</u> | <u>375,410</u> | <u>2,932,933</u> |

See the accompanying notes to the financial statements.

Hope House Colorado
Statement of Functional Expenses
Year Ended December 31, 2021

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|-------------------------------------|-----------------------------|-----------------------------------|--------------------|------------------|
| Salaries, benefits and taxes | \$ 1,209,633 | 144,812 | 251,533 | 1,605,978 |
| Direct program costs | 458,716 | – | – | 458,716 |
| Occupancy | 94,283 | 17,231 | 4,254 | 115,768 |
| Office expenses | 18,355 | 4,524 | 54,747 | 77,626 |
| Legal and accounting | 1,894 | 66,926 | 116 | 68,936 |
| Information technology | 37,653 | 9,283 | 13,542 | 60,478 |
| Conferences and meetings | 3,608 | 890 | 219 | 4,717 |
| Insurance | 24,592 | 6,064 | 1,496 | 32,152 |
| Merchant fees | – | – | 25,388 | 25,388 |
| Other expenses | 6,128 | 1,511 | 535 | 8,174 |
| Interest | 1,811 | – | – | 1,811 |
| Total expenses before noncash items | 1,856,673 | 251,241 | 351,830 | 2,459,744 |
| Depreciation | 154,786 | 3,444 | 8,036 | 166,266 |
| Total expenses | \$ <u>2,011,459</u> | <u>254,685</u> | <u>359,866</u> | <u>2,626,010</u> |

See the accompanying notes to the financial statements.

Hope House Colorado
Statement of Cash Flows
Year Ended December 31, 2022 and 2021

| | 2022 | 2021 |
|---|----------------------------|-------------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 2,334,503 | 901,733 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 186,952 | 166,266 |
| Forgiveness of Paycheck Protection Program loan (Note 11) | – | (224,300) |
| Capitalization of in-kind donations | (8,350) | – |
| Change in operating assets and operating liabilities: | | |
| Accounts receivable | (26,475) | – |
| Contributions and grants receivable | (737,217) | (10,784) |
| Employee Retention Tax Credit receivable | 197,853 | (408,000) |
| Prepaid expenses and other assets | 19,437 | (12,743) |
| Accounts payable and accrued liabilities | 55,871 | 2,679 |
| Net cash provided by operating activities | <u>2,022,574</u> | <u>414,851</u> |
| Cash flows from investing activities | | |
| Purchases of property and equipment | <u>(159,659)</u> | <u>(46,817)</u> |
| Net cash used in investing activities | <u>(159,659)</u> | <u>(46,817)</u> |
| Cash flows from financing activities | | |
| Repayment of mortgage payable (Note 6) | <u>–</u> | <u>(102,220)</u> |
| Net cash used in financing activities | <u>–</u> | <u>(102,220)</u> |
| Net increase in cash and cash equivalents | 1,862,915 | 265,814 |
| Cash, cash equivalents and restricted cash at beginning of year | <u>1,864,162</u> | <u>1,598,348</u> |
| Cash, cash equivalents and restricted cash at end of year | <u><u>\$ 3,727,077</u></u> | <u><u>1,864,162</u></u> |
| Supplemental Disclosure | | |
| Interest paid | <u>\$ –</u> | <u>1,811</u> |
| Noncash investing activities | | |
| In-kind capitalized property and equipment | <u>\$ 8,350</u> | <u>–</u> |
| Reconciliation of cash, cash equivalents and restricted cash at end of year | | |
| Cash and cash equivalents | \$ 1,963,025 | 1,783,412 |
| Restricted cash for building projects | 1,764,052 | 80,750 |
| | <u><u>\$ 3,727,077</u></u> | <u><u>1,864,162</u></u> |

See the accompanying notes to the financial statements.

Hope House Colorado

Notes to Financial Statements

December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies

(a) Organization

Hope House 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, Colorado. Hope House was incorporated in 2000 in Colorado as a non-profit corporation and is supported primarily through donor contributions, grants and fundraising activity.

(b) Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Hope House is required to report information regarding its financial position and activities according to the following net asset classes:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Hope House. These net assets may be used at the discretion of Hope House's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Hope House has no donor restricted net assets that are perpetual in nature.

(c) Cash, Cash Equivalents and Restricted Cash

Hope House considers all cash and highly liquid financial instruments with original maturities of three months or less to be cash equivalents. Cash balances held for long-term donor restricted and board designated purposes are shown as restricted cash in the statement of financial position.

(d) Concentrations of Credit Risk

Financial instruments which potentially subject Hope House to concentrations of credit risk consist principally of cash, cash equivalents and restricted cash. Hope House places its cash with creditworthy, high quality financial institutions. At times during the year, a portion of Hope House's cash deposits may not be insured by the FDIC or related entity.

Hope House Colorado

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Revenue Recognition

Contributions and Grants

Contributions and grants are recognized when cash, securities, and unconditional promises to give are received. Conditional promises to give, that is, those with a measurable performance barrier and a right of return are not recognized until the conditions on which they depend are substantially met. Should Hope House substantially meet all the conditions in the same period that the contribution was awarded, and barring any further donor-imposed restriction, Hope House has elected to recognize the revenue in net assets without donor restriction. Payments received in advance of conditions being met are recorded as a refundable advance.

Capital campaign grants and donations may be treated as contributions that are conditioned upon certain performance requirements. Consequently, at December 31, 2022, conditional contributions related to the capital campaign, totaling \$1,300,000 have not been recognized in the accompanying financial statements.

Contributions and grants receivable are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions and grants receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Hope House uses the allowance method to determine uncollectible contributions and grants receivable. At December 31, 2022 and 2021, there is no allowance for uncollectible amounts because management believes that all contributions and grants will be collected in their entirety.

Special events revenue is recognized equal to the cost of direct benefit to donors, and contribution revenue for the difference.

Contract revenue

A portion of Hope House's revenue is derived from a contract to offer GED and online high school coursework to the teen mothers served by Hope House. The contract is billed monthly on a cost reimbursement basis. Amounts received are deemed to be earned and are reported as revenue as services are performed or expenses are incurred. Cash received but not yet earned is reported as deferred revenue.

Hope House Colorado

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Revenue Recognition, Continued

Accounts receivable represent fees earned for services provided. The allowance for doubtful accounts is based on past collection experience and on analysis of current accounts receivable collectability. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible. Hope House had accounts receivable of \$26,475 and \$0 as of December 31, 2022 or 2021, respectively.

(f) Property and Equipment

Property and equipment are stated at cost at the date of purchase or, if donated, at the approximate fair market value at the date of donation. Hope House capitalizes property and equipment with a cost or fair value at the date of donation of \$5,000 or more, and are depreciated over their estimated useful lives using the straight-line method. Buildings will be depreciated over a 40-year life and other fixed assets are depreciated over a five to seven-year period.

(g) In-Kind Contributions

In-kind contributions may include donated property and equipment, services, space use, materials or supplies. In-kind contributions are recorded as contributions and corresponding expenses at their estimated fair values at the date of donation, or capitalized if they meet the capitalization criteria. Donated auction items are recorded at the cash sales price at the time of sale and included in special event revenue. Hope House recognizes the value of contributed services when they (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Hope House.

Many individuals volunteer their time and perform a variety of tasks that assist Hope House with specific assistance on programs and fundraising events. No amounts have been reflected in the financial statements for these donated services since the volunteers' time does not meet the criteria for recognition under generally accepted accounting principles.

(h) Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statement of functional expenses. Hope House incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. Hope House also conducts a number of activities which benefit both its program objectives as well as supporting services (i.e. fundraising and management and general activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as headcount, square-footage, or estimates of time and effort incurred by personnel.

Hope House Colorado

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(i) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

(j) Income Taxes

Hope House is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and contributions received qualify for the charitable contribution deduction. However, income from activities not directly related to Hope House's tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income in 2022 or 2021.

Hope House follows the *Accounting for Uncertainty in Income Taxes* accounting standard which requires Hope House to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. Hope House believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are significant to the financial statements. If incurred, interest and penalties associated with uncertain tax positions would be recorded in the period assessed. Hope House's tax returns for the previous three years, December 31, 2019 through December 31, 2021, are subject to examination by the IRS, generally for three years after initial filing.

(k) Subsequent Events

Hope House's financial statements were available to be issued on April 25, 2023, and this is the date through which subsequent events were evaluated. Construction of the Early Learning Center was scheduled to begin in March of 2023.

(l) Adoption of New Accounting Pronouncement

During the year ended December 31, 2022, the Organization adopted Accounting Standards Update (ASU) No. 2020-07, Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This standard is aimed at increasing transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. See note 9. The amendments under this accounting standard update do not change the recognition and measurement requirements for contributed nonfinancial assets. Accordingly, there is no effect on net assets in connection with the implementation of ASU No. 2020-07.

Hope House Colorado

Notes to Financial Statements, Continued

(2) Availability and Liquidity of Financial Assets

The following represents Hope House's financial assets as of December 31, 2022 and 2021 that are available for expenditure for on-going programs and general operations within one year:

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|------------------|
| Financial assets available to fund general operations: | | |
| Cash and cash equivalents | \$ 1,963,025 | 1,783,412 |
| Restricted cash | 1,764,052 | 80,750 |
| Receivables expected to be collected in one year | <u>750,070</u> | <u>420,828</u> |
| Total financial assets | 4,477,147 | 2,284,990 |
| Less financial assets not available within the year ending December 31: | | |
| Endowment | (5,000) | — |
| Board designated reserves | <u>(1,510,932)</u> | <u>(818,636)</u> |
| Total financial assets available for expenditure within one year | \$ <u>2,961,215</u> | <u>1,466,354</u> |

Hope House receives significant support from contributions and grants, including restricted donations and grants. Based on donor restrictions and timing of receivables, resources may be unavailable until a future period. Hope House maintains sufficient resources to meet the responsibilities to its donors. As part of Hope House's liquidity management, Hope House has a policy to maintain no less than 30 days of expenses in the operating bank account to be available for expenditure, liabilities and other obligations as they come due.

In addition, Hope House maintains a board designated reserve of operating surplus, which totals \$927,586 as of December 31, 2022, and \$721,515 as of December 31, 2021. At the board's discretion and in accordance with its policy, the operating reserve may be drawn upon the event of financial distress, or be used for general operations when deemed necessary. Additionally, Hope House maintains a secured line of credit with a commercial bank in the amount of \$3,000,000. See note 6.

(3) Contribution and grants receivable

Contribution and grants receivable consist of the following at December 31, 2022:

| | <u>Due in one year</u> | <u>Due in two to five years</u> | <u>Total</u> |
|---|----------------------------|-------------------------------------|-----------------|
| Capital campaign contributions receivable | \$ 513,448 | 273,017 | 786,465 |
| Discount on contributions receivable | <u>—</u> | <u>(36,420)</u> | <u>(36,420)</u> |
| Total | \$ <u>513,448</u> | <u>236,597</u> | <u>750,045</u> |

Amounts due in more than one year have been discounted to net present value.

Hope House Colorado

Notes to Financial Statements, Continued

(4) Restricted Cash and Cash Equivalents

Hope House has deposited cash resources which are restricted or board designated for its capital projects or other long term purposes in separate accounts including non-interest bearing cash accounts and certificates of deposit. The certificates of deposit have maturities of three months or less and earn interest at a rate of 3.50%. Cash and cash equivalents have been restricted as follows:

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------|
| Restricted funds for board designated capital reserve | \$ 115,481 | 80,750 |
| Restricted for endowment | 5,000 | — |
| Restricted funds for capital construction | <u>1,643,571</u> | <u>—</u> |
| Total restricted cash for building projects | \$ <u>1,764,052</u> | <u>80,750</u> |

(5) Property and Equipment

The components of property and equipment are as follows for the years ended December 31:

| | <u>2022</u> | <u>2021</u> |
|-----------------------------------|---------------------|------------------|
| Land | \$ 369,577 | 369,577 |
| Construction in progress | 151,484 | — |
| Building improvements | 598,853 | 598,853 |
| Furniture, equipment and software | 342,989 | 333,964 |
| Vehicles | 60,409 | 52,909 |
| Buildings | <u>4,791,389</u> | <u>4,791,389</u> |
| | 6,314,701 | 6,146,692 |
| Less accumulated depreciation | <u>(837,676)</u> | <u>(650,724)</u> |
| Total property and equipment | \$ <u>5,477,025</u> | <u>5,495,968</u> |

(6) Mortgage Payable

On August 6, 2012 Hope House was issued a \$190,757 mortgage note payable which was secured by a deed of trust and deposit accounts held at the commercial lending institution. The note had an interest rate of 5.20% and was payable in monthly installments of \$1,534 through July 2027. The loan was paid in full during June 2021.

(7) Line of Credit

Hope House had a \$150,000 revolving line of credit that matured in June 2022. The line of credit was not renewed. Hope House opened a new \$3,000,000 revolving line of credit with a commercial bank that expires September 14, 2025. The interest rate is 5.25%. There were no outstanding balances at December 31, 2022 and 2021, and there were no borrowings during 2022 or 2021.

Hope House Colorado

Notes to Financial Statements, Continued

(8) Net Assets

The board has elected to designate net assets without donor restrictions as follows as of December 31:

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|----------------|
| Board designated – operating reserve | \$ 927,586 | 721,515 |
| Board designated – early learning center | 452,294 | – |
| Board designated – building reserve | 115,481 | 80,750 |
| Board designated – book reserve | <u>15,571</u> | <u>16,371</u> |
| Total board designated net assets | \$ <u>1,510,932</u> | <u>818,636</u> |

Donor-restricted net assets consisted of the following at December 31:

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------|
| Teen Driver | \$ 47,140 | – |
| Early Learning Center capital construction | | |
| Cash received | 1,785,200 | – |
| Pledges awarded | 750,045 | – |
| In-kind Services | 8,350 | – |
| Endowment | 5,000 | – |
| Parenting | – | 19,418 |
| College and career EEG | <u>–</u> | <u>26,228</u> |
| Total net assets with donor restrictions | \$ <u>2,595,735</u> | <u>45,646</u> |

Net assets were released from restrictions due to the following purpose restrictions being accomplished as of December 31:

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|----------------|
| COVID-19 direct assistance | \$ 25,000 | 7,159 |
| Teen Driver | 2,756 | – |
| Satisfaction of construction for Residential remodel | – | 284,973 |
| Parenting | 42,918 | – |
| College and Career GED | 64,228 | – |
| Satisfaction of other purpose restrictions | <u>288,850</u> | <u>396,725</u> |
| Total net assets released from restrictions | \$ <u>423,752</u> | <u>688,857</u> |

Hope House Colorado

Notes to Financial Statements, Continued

(9) Retirement Plan

Hope House sponsors a SIMPLE IRA plan (the Plan) for the benefit of eligible employees. Eligible employees may begin to participate in the Plan with elective deferral contributions once the employee has earned \$5,000 during any two preceding years, and must be reasonably expected to earn such amounts during the current year. Hope House makes matching contributions in an equal amount to an employee's elective deferrals but not to exceed 3%. Plan benefits vest immediately. Hope House contributed \$15,333 and \$16,567 to the Plan during the year ended December 31, 2022 and 2021, respectively.

(10) In-Kind Contributions

In-kind contributions totaled \$254,584 and \$217,420 for the years ended December 31, 2022 and 2021, respectively. In-kind contributions include the following components:

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|----------------|
| Professional services | \$ 35,725 | 31,807 |
| Supplies, clothing and other direct assistance | <u>218,859</u> | <u>185,613</u> |
| Total in-kind contributions | \$ <u>254,584</u> | <u>217,420</u> |

All contributed nonfinancial assets were utilized as part of Hope House's programs. There were donor-imposed restrictions of \$8,350 and \$0 for the years ended December 31, 2022 and 2021, respectively, associated with the contributed nonfinancial assets. Hope House does not sell contributed nonfinancial assets and only uses the contributed nonfinancial assets for its own programs. Donated supplies and clothing are valued at the price the organization would have paid if it had purchased a similar quantity of the same product from a local vendor.

Hope House receives donated professional services that would typically be purchased if not provided as an in-kind contribution. These services, which require specialized skills, are recognized as in-kind contributions at fair value when the pledge is made and are expensed when the services are rendered. The estimated fair value of these professional services is provided by the service provider, who estimates the fair value based on the date, time, and market in which each service is rendered.

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 both 2022 and 2021, Hope House benefited from over 8,000 hours of volunteer time, of which approximately 400 was one-on-one tutoring time with teen moms.

(11) Governmental Credits and Relief Funding

In April 2020, Hope House received a \$224,300 loan under the U.S. Small Business Administration's (SBA) Paycheck Protection Program (PPP) authorized under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The loan was treated as a conditional contribution until such time that the loan was explicitly forgiven by the SBA. The loan was fully forgiven during the year ended December 31, 2021 and recognized as revenue.

Hope House Colorado

Notes to Financial Statements, Continued

(11) Governmental Credit and Relief Funding, Continued

Additionally, during 2021, Hope House met the conditions for the employee retention tax credit (ERC), a refundable credit against certain payroll taxes allowed to an eligible employer for qualifying wages, as established by the CARES Act and further amended by the Consolidated Appropriations Act, the American Rescue Plan, and the Infrastructure Investment and Jobs Act. Hope House has filed amended tax forms to claim the credit for eligible wages incurred during applicable calendar 2021 quarters. Accordingly, as of December 31, 2021, Hope House has recorded revenue and an employee retention tax credit receivable of \$408,000. As of December 31, 2022, \$197,853 was received and \$210,147 remains as a receivable. Laws and regulations concerning government relief programs, including the ERC, are complex and subject to varying interpretations. Claims made under these programs may be subject to audit and review by these regulatory authorities.