

Hope House Colorado

Financial Statements

December 31, 2023 and 2022

(With Independent Auditor's Report Thereon)



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, 2023 and 2022, 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, 2023 and 2022, 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 (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 GAAP, 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 GAAS 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 GAAS, 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 23, 2024

Hope House Colorado
Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 2,290,939	1,963,025
Restricted cash and cash equivalents (note 4)	2,252,387	1,764,052
Investments (note 5)	102,565	–
Accounts receivable	48,505	26,475
Contributions and grants receivable, net (note 3)	655,242	750,045
Employee Retention Tax Credit receivable	–	210,147
Prepaid expenses and other assets	17,230	779
Property and equipment, net (note 6)	7,963,193	5,477,025
Total assets	\$ 13,330,061	10,191,548
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 493,228	153,947
Total liabilities	493,228	153,947
Net assets (note 8 & 9)		
Without donor restrictions		
Undesignated	5,735,246	5,930,934
Board designated	1,807,227	1,510,932
Total without donor restrictions	7,542,473	7,441,866
With donor restrictions		
Total net assets	5,294,360	2,595,735
Total net assets	12,836,833	10,037,601
Commitments and contingencies (notes 7 and 10)		
Total liabilities and net assets	\$ 13,330,061	10,191,548

See the accompanying notes to the financial statements.

Hope House Colorado
Statement of Activities
For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and support			
Contributions and grants			
Corporate	\$ 82,475	2,659	85,134
Foundation grants	390,592	1,005,000	1,395,592
Individuals	1,169,288	2,188,924	3,358,212
Churches	43,690	5,000	48,690
Governmental grants	28,000	5,000	33,000
In-kind (note 11)	278,528	6,350	284,878
Special events revenue	1,024,376	13,900	1,038,276
Less: direct expenses	(260,432)	–	(260,432)
Contract revenue	58,231	–	58,231
Interest and other income	146,933	–	146,933
Net investment return	–	5,565	5,565
Net assets released due to satisfaction of time or purpose restrictions (note 8)	533,773	(533,773)	–
Total revenue, gains and support	<u>3,495,454</u>	<u>2,698,625</u>	<u>6,194,079</u>
Expenses			
Program services	2,510,214	–	2,510,214
Supporting services			
Management and general	249,174	–	249,174
Fundraising	451,681	–	451,681
Total supporting services	<u>700,855</u>	<u>–</u>	<u>700,855</u>
Total expenses before noncash items	<u>3,211,069</u>	<u>–</u>	<u>3,211,069</u>
Change in net assets before noncash items	284,385	2,698,625	2,983,010
Depreciation	(183,778)	–	(183,778)
Change in net assets	100,607	2,698,625	2,799,232
Net assets at beginning of year	<u>7,441,866</u>	<u>2,595,735</u>	<u>10,037,601</u>
Net assets at end of year	<u><u>\$ 7,542,473</u></u>	<u><u>5,294,360</u></u>	<u><u>12,836,833</u></u>

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 credits and relief funding	16,000	74,896	90,896
In-kind (note 11)	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	<u>2,717,347</u>	<u>2,550,089</u>	<u>5,267,436</u>
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	<u>644,339</u>	<u>–</u>	<u>644,339</u>
Total expenses before noncash items	<u>2,745,981</u>	<u>–</u>	<u>2,745,981</u>
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	<u>7,657,452</u>	<u>45,646</u>	<u>7,703,098</u>
Net assets at end of year	<u>\$ 7,441,866</u>	<u>2,595,735</u>	<u>10,037,601</u>

See the accompanying notes to the financial statements.

Hope House Colorado
Statement of Functional Expenses
Year Ended December 31, 2023

	Program Services	Management and General	Fundraising	Total
Salaries, benefits and taxes	\$ 1,639,317	159,328	302,275	2,100,920
Direct program costs	573,646	–	47,705	621,351
Occupancy	108,809	5,845	1,925	116,579
Office expenses	33,584	1,774	47,784	83,142
Legal and accounting	27,568	74,060	599	102,227
Information technology	76,017	4,958	18,838	99,813
Conferences and meetings	6,700	435	145	7,280
Insurance	34,905	2,276	759	37,940
Merchant fees	2,044	–	31,485	33,529
Other expenses	7,624	498	166	8,288
Total expenses before noncash items	2,510,214	249,174	451,681	3,211,069
Depreciation	170,934	9,633	3,211	183,778
Total expenses	\$ <u>2,681,148</u>	<u>258,807</u>	<u>454,892</u>	<u>3,394,847</u>

See the accompanying notes to the financial statements.

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

	Program Services	Management and General	Fundraising	Total
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 Cash Flows
Year Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 2,799,232	2,334,503
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	183,778	186,952
Capitalization of in-kind donations	(6,350)	(8,350)
Investment return on endowment assets	(5,565)	–
Contributions restricted for endowment	(92,000)	–
Change in operating assets and operating liabilities:		
Accounts receivable	(22,030)	(26,475)
Contributions and grants receivable	94,803	(737,217)
Employee Retention Tax Credit receivable	210,147	197,853
Prepaid expenses and other assets	(16,451)	19,437
Accounts payable and accrued liabilities	339,281	55,871
Net cash provided by operating activities	<u>3,484,845</u>	<u>2,022,574</u>
Cash flows from investing activities		
Purchases of property and equipment	(2,663,596)	(159,659)
Net purchase of investments	<u>(102,565)</u>	<u>–</u>
Net cash used in investing activities	<u>(2,766,161)</u>	<u>(159,659)</u>
Cash flows from financing activities		
Investment return on endowment assets	5,565	–
Contributions restricted for endowment	<u>92,000</u>	<u>–</u>
Net cash provided by financing activities	<u>97,565</u>	<u>–</u>
Net increase in cash and cash equivalents	816,249	1,862,915
Cash, cash equivalents and restricted cash at beginning of year	<u>3,727,077</u>	<u>1,864,162</u>
Cash, cash equivalents and restricted cash at end of year	<u>\$ 4,543,326</u>	<u>3,727,077</u>
Supplemental Disclosure		
Noncash investing activities		
In-kind capitalized property and equipment	<u>\$ 6,350</u>	<u>8,350</u>
Reconciliation of cash, cash equivalents and restricted cash at end of year		
Cash and cash equivalents	\$ 2,350,951	1,963,025
Restricted cash for building projects	<u>2,192,375</u>	<u>1,764,052</u>
	<u>\$ 4,543,326</u>	<u>3,727,077</u>

See the accompanying notes to the financial statements.

Hope House Colorado

Notes to Financial Statements

December 31, 2023 and 2022

(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.

(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

(d) Concentrations of Credit Risk, Continued

Investments are made and monitored by the management of Hope House pursuant to an investment policy adopted by the board of directors. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of Hope House.

(e) Investments

Investments are recorded at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statement of financial position. Fair value is more fully described in note 1(f). Management is responsible for the fair value measurement of investments reported in the financial statements and believes that the reported values are reasonable. Investment return consists of Hope House's distributive share of any interest, dividends, and capital gains and losses generated from sales of investments. Gains and losses attributable to investments are realized and reported upon a sale or disposition of the investment. Unrealized gains and losses are included in the change in net assets in the statement of activities.

(f) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. Generally accepted accounting principles in the United States establish a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Assets are grouped in three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- Level 2 Inputs other than quoted market prices that are observable for the asset/liability, either directly or indirectly.
- Level 3 Unobservable inputs that cannot be corroborated by observable market data.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

Hope House Colorado

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(f) Fair Value Measurements, Continued

Investments in marketable equity and fixed income securities with readily determinable market values are reported at fair value based on quoted prices in active markets. Investments in equity securities fluctuate in value in response to many factors such as the activities and financial condition of individual companies, business and industry market conditions and the general economic environment.

(g) 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, 2023, conditional contributions related to the capital campaign, totaling \$10,000 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.

Hope House Colorado

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Revenue Recognition, Continued

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, 2023 and 2022, 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.

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 \$48,505 and \$26,475 as of December 31, 2023 and 2022, respectively.

(h) 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.

(i) 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.

Hope House Colorado

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(i) In-Kind Contributions, Continued

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.

(j) 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.

(k) 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.

(l) 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 2023 or 2022.

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, 2020 through December 31, 2022, are subject to examination by the IRS, generally for three years after initial filing.

Hope House Colorado

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(m) Subsequent Events

Hope House's financial statements were available to be issued on April 23, 2024, and this is the date through which subsequent events were evaluated.

(2) Availability and Liquidity of Financial Assets

The following represents Hope House's financial assets as of December 31, 2023 and 2022 that are available for expenditure for on-going programs and general operations within one year:

	<u>2023</u>	<u>2022</u>
Financial assets available to fund general operations:		
Cash and cash equivalents	\$ 2,290,939	1,963,025
Restricted cash for capital projects	2,252,387	1,764,052
Receivables expected to be collected in one year	<u>647,147</u>	<u>750,070</u>
Total financial assets	5,190,473	4,477,147
Less financial assets not available within the year ending December 31:		
Endowment	—	(5,000)
Board designated reserves	<u>(1,807,227)</u>	<u>(1,510,932)</u>
Total financial assets available for expenditure within one year	<u>\$ 3,383,246</u>	<u>2,961,215</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 \$947,598 as of December 31, 2023, and \$927,586 as of December 31, 2022. 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 7.

Hope House Colorado

Notes to Financial Statements, Continued

(3) Contribution and Grants Receivable

Contribution and grants receivable consist of the following at December 31, 2023:

Capital campaign contributions receivable	
Due in one year	\$ 598,642
Due in two to five year	85,000
Discount on contributions receivable	<u>(28,400)</u>
Total	\$ <u>655,242</u>

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

(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 and interest bearing cash accounts and certificates of deposit. The certificates of deposit mature in November 2024 and earn interest rates of 3.25% and 4.75%. Cash and cash equivalents have been restricted as follows:

	<u>2023</u>	<u>2022</u>
Restricted funds for board designated capital reserve	\$ 178,767	115,481
Restricted for endowment	–	5,000
Restricted funds for capital construction	<u>2,073,620</u>	<u>1,643,571</u>
Total restricted cash for building projects	\$ <u>2,252,387</u>	<u>1,764,052</u>

(5) Investments

Investments consist of the following at December 31, 2023:

Equity mutual funds	\$ 26,452
Bond funds	75,921
Cash and money market	<u>192</u>
Total investments	\$ <u>102,565</u>

All investments are classified as level 1 investments within the fair value hierarchy.

Hope House Colorado

Notes to Financial Statements, Continued

(6) Property and Equipment

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

	<u>2023</u>	<u>2022</u>
Land	\$ 369,577	369,577
Construction in progress	2,806,804	151,484
Building improvements	598,853	598,853
Furniture, equipment and software	357,615	342,989
Vehicles	60,409	60,409
Buildings	<u>4,791,389</u>	<u>4,791,389</u>
	8,984,647	6,314,701
Less accumulated depreciation	<u>(1,021,454)</u>	<u>(837,676)</u>
Total property and equipment	\$ <u>7,963,193</u>	<u>5,477,025</u>

(7) Line of Credit

Hope House has a \$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, 2023 and 2022 and there were no borrowings during 2023 or 2022.

(8) Net Assets

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

	<u>2023</u>	<u>2022</u>
Board designated – operating reserve	\$ 947,598	927,586
Board designated – early learning center	680,862	452,294
Board designated – building reserve	178,767	115,481
Board designated – book reserve	<u>—</u>	<u>15,571</u>
Total board designated net assets	\$ <u>1,807,227</u>	<u>1,510,932</u>

Hope House Colorado

Notes to Financial Statements, Continued

(8) Net Assets, Continued

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

	<u>2023</u>	<u>2022</u>
Teen Driver	\$ —	47,140
Early Learning Center capital construction		
Cash received	4,521,853	1,785,200
Pledges awarded	655,242	750,045
In-kind services	14,700	8,350
Endowment (note 9)	<u>102,565</u>	<u>5,000</u>
Total net assets with donor restrictions	\$ <u>5,294,360</u>	<u>2,595,735</u>

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

	<u>2023</u>	<u>2022</u>
Early Learning Center Programs	\$ 266,812	142,850
Residential Programs	50,500	50,000
High School and GED	60,000	10,000
Healthy Relationships	5,000	64,000
Satisfaction of other purpose restrictions	<u>151,461</u>	<u>156,902</u>
Total net assets released from restrictions	\$ <u>533,773</u>	<u>423,752</u>

(9) Endowments

At December 31, 2023, Hope House's endowment fund is comprised of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowments</u>
Board designated endowments	\$ —	—	—
Unappropriated earnings on perpetual endowments	—	—	—
Perpetual endowments	<u>—</u>	<u>102,565</u>	<u>102,565</u>
Total endowment net assets	\$ <u>—</u>	<u>102,565</u>	<u>102,565</u>

The endowment was established to receive contributions and generate annual income to support the ongoing and long-term operations of Hope House. The earnings of the endowment are restricted for Hope House programs, operations, or other purposes as specified by the donor(s) and as approved by the Board of Directors. The Fund is subject to Hope House's endowment and distribution policies. Distributions are not allowed until the average annual balance in the endowment exceeds \$250,000. There were no distributions from the endowment during 2023 or 2022, respectively.

Hope House Colorado

Notes to Financial Statements, Continued

(9) Endowments, Continued

Hope House follows the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). Hope House has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, Hope House classifies as perpetual endowments (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified as a perpetual endowment represents amounts available for expenditure upon appropriation by the Board in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, Hope House considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of Hope House and the donor-restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other Hope House resources
- (7) The investment policies of Hope House

Following are the changes in the endowment net assets for the year ended December 31, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total Endowments
Endowment net assets, December 31, 2022	\$ —	5,000	5,000
Investment return	—	5,565	5,565
Contributions	—	92,000	92,000
Appropriated for expenditure	—	—	—
Endowment net assets, December 31, 2023	\$ <u>—</u>	<u>102,565</u>	<u>102,565</u>

Fund with Deficiency

From time to time, the fair values associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Hope House to retain as a fund in perpetual duration. A deficiency of this nature does not exist as of December 31, 2023 or 2022, respectively.

Return Objectives and Risk Parameters

Hope House has adopted investment and spending policies for endowment assets that attempt to provide a reasonable, predictable, stable, and sustainable level of income that supports current needs and provides for growth in assets and income over time.

Hope House Colorado

Notes to Financial Statements, Continued

(9) Endowments, Continued

Strategies Employed for Achieving Objectives

To satisfy its objectives, Hope House relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and investment income (interest and dividends).

Distribution Policy and How the Investment Objectives Relate to Distribution Policy

Upon the creation of the endowment, there will be no distributions to Hope House until the average annual balance in the endowment exceeds \$250,000 and can only be made from the net annual income of the Endowment. Distributions are to be recommended by the Finance Committee and approved by the Board of Directors. In establishing the distribution policy, management considered the long-term expected return on its endowment. This is consistent with the objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

(10) 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 \$24,353 and \$15,333 to the Plan during the year ended December 31, 2023 and 2022, respectively.

(11) In-Kind Contributions

In-kind contributions totaled \$284,878 and \$254,584 for the years ended December 31, 2023 and 2022, respectively. In-kind contributions include the following components:

	<u>2023</u>	<u>2022</u>
Professional services	\$ 74,448	35,725
Supplies, clothing and other direct assistance	<u>210,430</u>	<u>218,859</u>
Total in-kind contributions	\$ <u>284,878</u>	<u>254,584</u>

All contributed nonfinancial assets were utilized as part of Hope House's programs. There were donor-imposed restrictions of \$6,350 and \$8,350 for the years ended December 31, 2023 and 2022, 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 Colorado

Notes to Financial Statements, Continued

(11) In-Kind Contributions, Continued

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 2023 and 2022, Hope House benefited from over 8,000 hours of volunteer time, of which approximately 400 was one-on-one tutoring time with teen moms.