

# **Hope House Colorado**

## **Financial Statements**

**December 31, 2024 and 2023**

**(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, 2024 and 2023, 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, 2024 and 2023, 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 22, 2025

**Hope House Colorado**  
**Statements of Financial Position**  
**December 31, 2024 and 2023**

	2024	2023
<b>Assets</b>		
Cash and cash equivalents	\$ 2,725,214	2,290,939
Restricted cash and cash equivalents (note 4)	665,594	2,252,387
Investments (note 5)	814,495	102,565
Accounts receivable	45,037	48,505
Contributions and grants receivable, net (note 3)	112,414	655,242
Prepaid expenses and other assets	32,152	17,230
Property and equipment, net (note 6)	10,763,998	7,963,193
Total assets	\$ 15,158,904	13,330,061
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued liabilities	\$ 564,106	493,228
Deferred revenue	11,784	-
Total liabilities	575,890	493,228
Net assets (note 8 & 9)		
Without donor restrictions		
Undesignated	599,519	435,649
Investment in property and equipment	10,763,998	5,299,597
Board designated	3,007,636	1,807,227
Total without donor restrictions	14,371,153	7,542,473
With donor restrictions	211,861	5,294,360
Total net assets	14,583,014	12,836,833
Commitments and contingencies (notes 7 and 10)		
Total liabilities and net assets	\$ 15,158,904	13,330,061

See the accompanying notes to the financial statements.

**Hope House Colorado**  
**Statement of Activities**  
**For the Year Ended December 31, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, gains and support</b>			
Contributions and grants			
Corporate	\$ 101,374	39,575	140,949
Foundation grants	1,391,195	749,400	2,140,595
Individuals	1,126,890	325,533	1,452,423
Churches	51,213	–	51,213
Governmental grants	20,000	807,500	827,500
In-kind (note 11)	210,462	1,200	211,662
Special events revenue	1,271,366	–	1,271,366
Less: direct expenses	(291,433)	–	(291,433)
Early Learning Center	86,328	–	86,328
Other contract revenue	52,945	–	52,945
Interest and other income	193,193	–	193,193
Net investment return	–	6,924	6,924
Net assets released due to satisfaction of time or purpose restrictions (note 8)	7,012,631	(7,012,631)	–
Total revenue, gains and support	<u>11,226,164</u>	<u>(5,082,499)</u>	<u>6,143,665</u>
<b>Expenses</b>			
Program services	3,262,410	–	3,262,410
Supporting services			
Management and general	433,308	–	433,308
Fundraising	467,600	–	467,600
Total supporting services	<u>900,908</u>	<u>–</u>	<u>900,908</u>
Total expenses before noncash items	<u>4,163,318</u>	<u>–</u>	<u>4,163,318</u>
<b>Change in net assets before noncash items</b>	7,062,846	(5,082,499)	1,980,347
Depreciation	(234,166)	–	(234,166)
<b>Change in net assets</b>	6,828,680	(5,082,499)	1,746,181
<b>Net assets at beginning of year</b>	<u>7,542,473</u>	<u>5,294,360</u>	<u>12,836,833</u>
<b>Net assets at end of year</b>	<u>\$ 14,371,153</u>	<u>211,861</u>	<u>14,583,014</u>

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
<b>Revenue, gains and support</b>			
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 credits and relief funding	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)
Other 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>
<b>Expenses</b>			
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>
<b>Change in net assets before noncash items</b>	284,385	2,698,625	2,983,010
Depreciation	(183,778)	–	(183,778)
<b>Change in net assets</b>	100,607	2,698,625	2,799,232
<b>Net assets at beginning of year</b>	<u>7,441,866</u>	<u>2,595,735</u>	<u>10,037,601</u>
<b>Net assets at end of year</b>	<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 Functional Expenses**  
**Year Ended December 31, 2024**

	<u>Non-ELC Programs</u>	<u>Early Learning Center</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, benefits and taxes	\$ 1,811,748	243,107	2,054,855	331,326	343,748	2,729,929
Direct program costs	680,216	20,988	701,204	142	–	701,346
Occupancy	194,217	51,880	246,097	8,248	2,450	256,795
Office expenses	31,213	44,538	75,751	2,318	58,427	136,496
Legal and accounting	21,851	4,535	26,386	80,978	541	107,905
Information technology	87,796	12,195	99,991	6,521	21,284	127,796
Conferences and meetings	7,763	1,078	8,841	577	192	9,610
Insurance	36,230	5,032	41,262	2,691	897	44,850
Merchant fees	–	–	–	–	39,873	39,873
Other expenses	<u>7,075</u>	<u>948</u>	<u>8,023</u>	<u>507</u>	<u>188</u>	<u>8,718</u>
Total expenses before noncash items	2,878,109	384,301	3,262,410	433,308	467,600	4,163,318
Depreciation	<u>199,474</u>	<u>18,127</u>	<u>217,601</u>	<u>13,334</u>	<u>3,231</u>	<u>234,166</u>
Total expenses	<u>\$ 3,077,583</u>	<u>402,428</u>	<u>3,480,011</u>	<u>446,642</u>	<u>470,831</u>	<u>4,397,484</u>

See the accompanying notes to the financial statements.

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

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
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	<u>2,510,214</u>	<u>249,174</u>	<u>451,681</u>	<u>3,211,069</u>
Depreciation	<u>170,934</u>	<u>9,633</u>	<u>3,211</u>	<u>183,778</u>
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 Cash Flows**  
**Year Ended December 31, 2024 and 2023**

	2024	2023
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,746,181	2,799,232
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	234,166	183,778
Capitalization of in-kind donations	(1,200)	(6,350)
Investment return on endowment assets	(6,924)	(5,565)
Contributions restricted for endowment	–	(92,000)
Change in operating assets and operating liabilities:		
Accounts receivable	3,468	(22,030)
Contributions and grants receivable	542,828	94,803
Employee Retention Tax Credit receivable	–	210,147
Prepaid expenses and other assets	(14,922)	(16,451)
Accounts payable and accrued liabilities	82,662	339,281
Net cash provided by operating activities	2,586,259	3,484,845
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(3,033,771)	(2,663,596)
Net purchase of investments	(711,930)	(102,565)
Net cash used in investing activities	(3,745,701)	(2,766,161)
<b>Cash flows from financing activities</b>		
Investment return on endowment assets	6,924	5,565
Contributions restricted for endowment	–	92,000
Net cash provided by financing activities	6,924	97,565
<b>Net (decrease) increase in cash, cash equivalents and restricted cash</b>	(1,152,518)	816,249
<b>Cash, cash equivalents and restricted cash at beginning of year</b>	4,543,326	3,727,077
<b>Cash, cash equivalents and restricted cash at end of year</b>	\$ 3,390,808	4,543,326
<b>Supplemental Disclosure</b>		
Noncash investing activities		
In-kind capitalized property and equipment	\$ 1,200	6,350
<b>Reconciliation of cash, cash equivalents and restricted cash at end of year</b>		
Cash and cash equivalents	\$ 2,725,214	2,290,939
Restricted cash for building projects	665,594	2,252,387
	\$ 3,390,808	4,543,326

See the accompanying notes to the financial statements.

# Hope House Colorado

## Notes to Financial Statements

December 31, 2024 and 2023

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### (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 become self-sufficient and 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 and which are not held as part of the investment portfolio 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, restricted cash, investments and receivable balances. Hope House places its cash with creditworthy, high quality financial institutions. Hope House also holds cash within a repurchase sweep account, which places its deposits within FDIC-insured institutions.

# Hope House Colorado

## Notes to Financial Statements, Continued

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### (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. Credit risk with respect to receivables is considered by management to be limited because substantially all receivables are from foundations, government entities or individuals with a demonstrated history of payment.

#### (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

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### (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. Investments in certificates of deposit are stated at their fair values based on quoted market prices or other information evaluated periodically by management.

#### (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. At December 31, 2024 conditional contributions and grants totaling \$100,000 have not been recognized in the accompanying financial statements as milestones have not yet been met.

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, 2024 and 2023, there is no allowance for uncollectible amounts because management believes that all contributions and grants will be collected in their entirety.

# Hope House Colorado

## Notes to Financial Statements, Continued

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### (1) Summary of Significant Accounting Policies, Continued

#### (g) Revenue Recognition, Continued

##### Special Events

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

##### Program Services and Other Contract Revenue

A significant portion of the revenue for the Hope House Early Learning Center is derived from local government funding through the Colorado Child Care Assistance Program (CCCAP). Teen moms participating in the Early Learning Center program pay a parent fee based on their income and CCCAP pays the rest of their child care costs. Fees for Hope House's Early Learning Center are charged based on attendance numbers and are billed to the CCCAP agency corresponding to the teen mom's county of residence. Fees are charged based on attendance numbers, and are billed to the corresponding agency on a weekly or monthly 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 considers all accounts receivable to be fully collectable; accordingly, no allowance for doubtful accounts is considered necessary. Hope House had accounts receivable of \$44,554 and \$48,505 as of December 31, 2024 and 2023, 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

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### (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 2024 or 2023.

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, 2021 through December 31, 2023, 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 22, 2025, 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, 2024 and 2023 that are available for expenditure for on-going programs and general operations within one year:

	<u>2024</u>	<u>2023</u>
Financial assets available to fund general operations:		
Cash and cash equivalents	\$ 2,725,214	2,290,939
Restricted cash for capital projects	665,594	2,252,387
Investments	814,495	102,565
Receivables expected to be collected in one year	<u>157,451</u>	<u>647,147</u>
Total financial assets	4,362,754	5,293,038
Less financial assets not available within the year ending December 31:		
Endowment fund	(109,489)	(102,565)
Board designated reserves	<u>(3,007,636)</u>	<u>(1,807,227)</u>
Total financial assets available for expenditure within one year	\$ <u>1,245,629</u>	<u>3,383,246</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 \$1,124,627 as of December 31, 2024, and \$947,598 as of December 31, 2023. 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:

	<u>2024</u>	<u>2023</u>
Other pledges receivable	\$ 29,139	–
Capital campaign contributions receivable		
Due in one year	83,275	598,642
Due in two to five years	<u>–</u>	<u>85,000</u>
Total pledges receivable	83,275	683,642
Discount on contributions receivable	<u>–</u>	<u>(28,400)</u>
Total	\$ <u>112,414</u>	<u>655,242</u>

### (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 May 2025 and earn interest at rates of 3.92% and 4.11%. Cash and cash equivalents have been restricted as follows:

	<u>2024</u>	<u>2023</u>
Restricted funds for board designated capital reserve	\$ 269,868	178,767
Restricted funds for capital construction	<u>395,726</u>	<u>2,073,620</u>
Total restricted cash for building projects	\$ <u>665,594</u>	<u>2,252,387</u>

### (5) Investments

Investments consist of the following for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Equity mutual funds	\$ 32,016	26,452
Bond funds	50,937	75,921
Certificate of deposit	705,006	–
Cash and money market	<u>26,536</u>	<u>192</u>
Total investments	\$ <u>814,495</u>	<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>2024</u>	<u>2023</u>
Land	\$ 369,577	369,577
Construction in progress	–	2,806,804
Building improvements	608,162	598,853
Furniture, equipment and software	730,666	357,615
Vehicles	72,978	60,409
Buildings	<u>10,238,236</u>	<u>4,791,389</u>
	12,019,619	8,984,647
Less accumulated depreciation	<u>(1,255,621)</u>	<u>(1,021,454)</u>
Total property and equipment	\$ <u>10,763,998</u>	<u>7,963,193</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, 2024 and 2023 and there were no borrowings during 2024 or 2023.

### (8) Net Assets

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

	<u>2024</u>	<u>2023</u>
Board designated – operating reserve	\$ 1,124,627	947,598
Board designated – early learning center	709,647	680,862
Board designated – building reserve	269,868	178,767
Board designated – national expansion	<u>903,494</u>	<u>–</u>
Total board designated net assets	\$ <u>3,007,636</u>	<u>1,807,227</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>2024</u>	<u>2023</u>
Sabbatical	\$ 15,000	–
Early Learning Center capital construction	–	5,191,795
Early Learning Center programs	87,372	–
Endowment (note 9)	<u>109,489</u>	<u>102,565</u>
Total net assets with donor restrictions	\$ <u>211,861</u>	<u>5,294,360</u>

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

	<u>2024</u>	<u>2023</u>
Early Learning Center programs	\$ 760,948	266,812
High School and GED	64,000	60,000
Healthy Relationships	25,000	5,000
Residential programs	–	50,500
Early Learning Center capital construction	5,917,183	–
Satisfaction of other purpose restrictions	<u>245,500</u>	<u>151,461</u>
Total net assets released from restrictions	\$ <u>7,012,631</u>	<u>533,773</u>

### (9) Endowments

At December 31, 2024, Hope House's endowment fund is comprised of the a donor-restricted perpetual endowment totaling \$109,489 and \$102,565 at December 31, 2024 and 2023, respectively.

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 2024 or 2023, 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 years ended December 31:

	<u>With Donor Restrictions</u>	<u>Total Endowments</u>
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	102,565	102,565
Investment return	6,924	6,924
Contributions	—	—
Appropriated for expenditure	—	—
Endowment net assets, December 31, 2024	<u>\$ 109,489</u>	<u>109,489</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, 2024 or 2023, 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 \$34,631 and \$24,353 to the Plan during the year ended December 31, 2024 and 2023, respectively.

### (11) In-Kind Contributions

In-kind contributions totaled \$211,662 and \$284,878 for the years ended December 31, 2024 and 2023, respectively. In-kind contributions include the following components:

	<u>2024</u>	<u>2023</u>
Professional services	\$ 31,992	74,448
Vehicles	12,569	-
Supplies, clothing and other direct assistance	<u>167,101</u>	<u>210,430</u>
Total in-kind contributions	\$ <u>211,662</u>	<u>284,878</u>

All contributed nonfinancial assets were utilized as part of Hope House's programs. There were donor-imposed restrictions of \$1,200 and \$6,350 for the years ended December 31, 2024 and 2023, 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. Vehicles are valued through appraised fair market value.

# Hope House Colorado

## Notes to Financial Statements, Continued

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### **(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 2024 and 2023, Hope House benefited from over 8,000 hours of volunteer time, of which approximately 400 was one-on-one tutoring time with teen moms.