

HAVEN OF HOPE, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEAR ENDED JUNE 30, 2019

Bill Jelinek  
Board Chair  
12/05/19

**HAVEN OF HOPE, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEAR ENDED JUNE 30, 2019**

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Edmondson, Betzler & Dame  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Haven of Hope, Inc.

We have audited the accompanying financial statements of Haven of Hope, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Haven of Hope, Inc., as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

October 28, 2019

**HAVEN OF HOPE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019**

**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents	\$ 359,283
Investments at fair value	102,667
Grants receivable	74,748
Unconditional promises to give:	
United Way funding for the next fiscal year	<u>8,233</u>
<b>TOTAL CURRENT ASSETS</b>	<b>544,931</b>
Property and equipment, net	<u>169,850</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 714,781</u></b>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES:**

Accounts payable	\$ 5,291
Accrued salaries and compensated absences	77,505
Payroll taxes payable	888
Deferred revenue	<u>30,000</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>113,684</u></b>
<b>NET ASSETS:</b>	
Net assets without donor restrictions	592,864
Net assets with donor restrictions	<u>8,233</u>
<b>TOTAL NET ASSETS</b>	<b><u>601,097</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 714,781</u></b>

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

**HAVEN OF HOPE, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

**NET ASSETS WITHOUT DONOR RESTRICTIONS**

Revenues and Support:

Grants	\$ 597,447
In-kind	140,795
Donations	50,758
City and county governments	35,255
United Way funding in addition to restricted funding	2,697
Dividend income	1,865
Interest income	1,574
Unrealized gain on investments	1,125
Gain on sale of property and equipment	500

TOTAL REVENUES AND SUPPORT	832,016
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Net assets released from restrictions:

Expiration of time restriction - United Way	11,831
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TOTAL REVENUES, SUPPORT AND RECLASSIFICATIONS	843,847
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Expenses:

Program service:	
Shelter	740,095
Supporting services:	
Management and general	66,809

TOTAL EXPENSES	806,904
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INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	36,943
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**NET ASSETS WITH DONOR RESTRICTIONS**

Contributions:

United Way funding for the next year	8,233
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Net assets released from restrictions:

United Way	(11,831)
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DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	(3,598)
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CHANGE IN NET ASSETS	33,345
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NET ASSETS, BEGINNING OF YEAR	567,752
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NET ASSETS, END OF YEAR	\$ 601,097
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The accompanying notes are an integral part of these financial statements.

**HAVEN OF HOPE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2019**

	<u>Program Service</u>	<u>Supporting Services</u>	
	<u>Shelter</u>	<u>Management and General</u>	<u>Total</u>
FUNCTIONAL EXPENSES:			
Salaries and wages	\$ 445,191	\$ 49,466	\$ 494,657
In-kind expense	140,795	-	140,795
Employee benefits	52,939	5,882	58,821
Communications	19,455	2,162	21,617
Travel	15,646	-	15,646
Repair and maintenance	13,288	-	13,288
Insurance	12,482	-	12,482
Professional services	7,870	3,400	11,270
Depreciation	7,696	855	8,551
Client assistance	7,647	-	7,647
Supplies	6,211	690	6,901
Training and seminars	4,154	462	4,616
Utilities	3,557	395	3,952
Equipment lease	1,212	1,212	2,424
License and memberships	-	2,069	2,069
Postage	862	216	1,078
Miscellaneous	1,011	-	1,011
Publications and subscriptions	79	-	79
	<u>79</u>	<u>-</u>	<u>79</u>
Total expenses	<u>\$ 740,095</u>	<u>\$ 66,809</u>	<u>\$ 806,904</u>

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

**HAVEN OF HOPE, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$ 33,345
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Gain on sale of property and equipment	(500)
Unrealized gain on investments	(1,125)
Investment income	(1,542)
Depreciation	8,551
Decrease in grant receivable	6,680
Decrease in pledges receivable	3,598
Decrease in accounts payable	(5,199)
Increase in accrued salaries and leave	11,346
Increase in payroll taxes payable	754
Increase in deferred revenue	<u>30,000</u>
Net cash provided by operating activities	<u>85,908</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of investments	(100,000)
Proceeds from sale of property and equipment	<u>500</u>

Net cash used in investing activities	<u>(99,500)</u>
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Net decrease in cash and cash equivalents	<u>(13,592)</u>
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Cash and cash equivalents, beginning of year	<u>372,875</u>
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Cash and cash equivalents, end of year	<u><u>\$ 359,283</u></u>
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The accompanying notes are an integral part of these financial statements.

**HAVEN OF HOPE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Organization

Haven of Hope, Inc. (the "Organization") is a not-for-profit Tennessee corporation chartered March 20, 1985, to provide counseling and protective services to abused individuals, most of whom are residents of Coffee, Bedford, Franklin, Lincoln, Marshall and Moore counties.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting, and in accordance with the American Institute of Certified Public Accountant's Audit and Accounting Guide, *Audits of Not-for-Profit Organizations*.

Financial Statement Presentation

The financial statements are prepared in conformity with the standards promulgated by the Financial Accounting Standards Board in FASB ASC 958-605-25, *Accounting for Contributions Received and Contributions Made*, and FASB ASC 958-225, *Financial Statements of Not-for-Profit Organizations*.

Net Assets

Under FASB ASU 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions are those that are free of donor-imposed restrictions. Net assets with donor restrictions are those limited by donor-imposed stipulations.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers highly liquid investments with an initial maturity of three months or less, which are neither designated nor restricted for long-term purposes to be cash equivalents.

Investments

The Organization carries investments in marketable securities with readily determinable fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the statement of activities.

**HAVEN OF HOPE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Contributions

All contributions are considered to be without donor restriction unless specifically stated by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions that increases that net asset class. When a restriction expires, 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 donor restrictions.

Property and Equipment

Expenditures for additions, major renewals and betterments with a per unit cost in excess of \$500 are capitalized at cost and those for maintenance and repairs are currently charged to expense. Donated assets are recorded at fair value at the date of the gift. Depreciation is computed on the straight-line method over the following estimated useful lives.

Shelter building	39 years
Furniture and equipment	5 - 10 years
Improvements	10 - 20 years
Vehicles	5 years

The Organization follows the policy of recording contributions of long-lived assets directly instead of recognizing their gift over the useful life of the asset. The amounts shown are from market valuation as of the date of the contribution.

Allowance for Uncollectible Accounts

As accounts receivable are amounts due primarily from government agencies, there is minimal risk of their being uncollectible; therefore, no allowance for uncollectible accounts is deemed necessary. The Organization determines an allowance for uncollectible receivable based on prior years' experience and management's analysis of specific promises made. An allowance for uncollectible accounts is not deemed necessary for promises receivable.

Grant Revenue

The Organization receives monetary grants from the Tennessee Department of Finance and Administration. The grants require the Organization to maintain certain levels of services and generally require a specified percentage of the grants be matched with local funds. The Organization recognizes revenue from grants only when all conditions specified by the grants have been met.

**HAVEN OF HOPE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In-kind Support

In-kind support includes the estimated fair rental value of office space, as well as the estimated fair value of other items contributed to the Organization. Contributed services are recognized if the services received a) create or enhance non-financial assets or b) require special skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The following amounts are included in in-kind support:

Rent	\$ 110,352
Supplies and minor equipment	30,443
	<u>\$ 140,795</u>

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, employee benefits, payroll taxes, building expenses, supplies, office expense, professional fees, insurance and depreciation, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization is chartered as a Tennessee tax-exempt, nonprofit organization. On the federal level, the Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended June 30, 2019.

**HAVEN OF HOPE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Income Taxes (continued)

The Organization has adopted ASC Topic 740-10, *Accounting for Uncertainty in Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, including the position that the Organization continues to qualify to be treated as a tax-exempt entity for both federal and state income tax purposes. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. For the year ended June 30, 2019, the Organization has no material uncertain tax positions to be accounted for in the financial statements under these rules. The Organization has exempt organization tax filings open to Internal Revenue Service audit, generally, for three years after they are filed.

Events Occurring After Reporting Date

Haven of Hope, Inc. has evaluated events and transactions that occurred after June 30, 2019, through the date of the issued financial statements. During the period there were no material recognizable subsequent events that required recognition or disclosure in the June 30, 2019 financial statements.

**NOTE 2 - LIQUIDITY AND AVAILABILITY OF RESOURCES**

The Organization has \$544,931 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash, investments, grants receivable and unconditional promise to give. The Organization has a goal to maintain financial assets on hand to meet 120 days of normal operating expense, which are, on average, approximately \$265,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

**NOTE 3 - CONCENTRATION OF CREDIT RISK**

The Organization maintains its cash in bank deposit accounts in financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Cash during the year may exceed the FDIC insured limits.

**NOTE 4 - GRANTS RECEIVABLE**

Grants receivable at June 30, 2019 were as follows:

Tennessee Department of Finance and Administration	\$ 65,774
Tennessee Coalition Against Domestic & Sexual Violence	8,974
	<hr/>
	\$ 74,748

**HAVEN OF HOPE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

**NOTE 5 - PROMISES TO GIVE**

Unconditional promises to give consist of the following:

United Way	<u>\$ 8,233</u>
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The United Way amount includes Franklin County and Highway 55 as this amount is promised prior to the beginning of the fiscal year in which the cash will be received, and is considered restricted due to the time restriction.

**NOTE 6 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

Land	\$ 27,000
Buildings	235,255
Furniture, fixtures and equipment	52,849
Building improvements	23,321
Automobile	<u>10,500</u>
	348,925
Less accumulated depreciation	<u>(179,075)</u>
Net	<u>\$ 169,850</u>

Depreciation expense was \$8,551 for the year ended June 30, 2019.

**NOTE 7 - INVESTMENTS**

A summary of investments since acquisition as of June 30, 2019 is as follows:

	Cost	Market
Money market funds	\$ 1,520	\$ 1,570
Equity funds	75,676	77,904
Fixed income funds	<u>22,804</u>	<u>23,193</u>
Total	<u>\$ 100,000</u>	<u>\$ 102,667</u>

Total investment return is summarized below:

Investment earnings	\$ 1,542
Unrealized gain on investments	<u>1,125</u>
	<u>\$ 2,667</u>

**HAVEN OF HOPE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

**NOTE 8 - FAIR VALUE MEASUREMENTS**

Financial Accounting Standards (FASB) ASC 820, established a three-level valuation hierarchy for disclosures of fair value measurements defined as Level 1 – inputs for quoted market prices for identical assets or liabilities in active markets; Level 2 – inputs include quoted market prices for similar assets and liabilities in active markets and inputs that are observable either directly or indirectly and; Level 3 – inputs that are unobservable and significant to the fair value measurements.

Fair value of assets and liabilities measured on a recurring basis at June 30, 2019 is as follows:

	<u>Fair Value</u>	<u>In Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Money market funds	\$ 1,570	\$ 1,570	\$ -	\$ -
Equity funds	77,904	77,904	-	-
Fixed income funds	<u>23,193</u>	<u>23,193</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 102,667</u>	<u>\$ 102,667</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions as of June 30 were restricted for the following purposes:

Unconditional promises to give for the year ended June 30, 2020	<u>\$ 8,233</u>
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**NOTE 10 - CONTINGENCIES**

The Organization receives a substantial portion of its support from the Tennessee Department of Finance and Administration and various local governments. Failure to obtain this funding for any year could have a significant effect on the continued operations of the Organization's programs and activities.

The grants from the Tennessee Department of Finance and Administration require the Organization to provide certain services and activities as specified by each grant. State programs are subject to agency monitoring and retroactive adjustments which may result in paybacks by the Organization in excess of liabilities accrued on an estimated basis in the financial statements.

**HAVEN OF HOPE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

**NOTE 11 - SIMPLE IRA RETIREMENT PLAN**

The Organization provides an income tax deferred retirement savings plan. An eligible employee may contribute the portion of his or her salary that is allowed by law, with the Organization contributing an amount equal to the employee's contribution, up to three percent of compensation.

The Organization contracts with a trust company that has various investment options, with each participant making investment elections.

The Organization incurred Simple IRA expenses of \$10,027 for the year ended June 30, 2019, with \$9,865 being a program expense and \$162 being an administrative expense. These expenses are included in employee benefits in the Statement of Functional Expenses.