

HAVEN OF HOPE, INC.
(A NOT-FOR-PROFIT CORPORATION)

FINANCIAL STATEMENTS

Manchester, Tennessee
June 30, 2006

HAVEN OF HOPE, INC.

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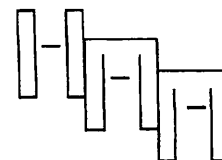
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HOUSHOLDER, ARTMAN AND ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



INDEPENDENT AUDITOR'S REPORT

September 22, 2006

To the Board of Directors
Haven of Hope, Inc.
Manchester, Tennessee

We have audited the accompanying statement of financial position of Haven of Hope, Inc. (a nonprofit organization) as of June 30, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 22, 2006, on our consideration of Haven of Hope, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Haven of Hope, Inc. taken as a whole. The schedule of functional expenses on page 10 and the schedule of federal and state financial assistance on page 11 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Housholder, Artman & Associates P.C.

**HAVEN OF HOPE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2006**

<u>ASSETS</u>	
CURRENT ASSETS	
Cash and cash equivalents	\$ 85,528
Investments	12,125
Grants receivable	26,589
Unconditional promises to give:	
United Way funding for the next fiscal year	11,040
TOTAL CURRENT ASSETS	135,282
PHYSICAL PROPERTIES	
Land	27,000
Building	235,255
Furniture, fixtures and equipment	38,299
Vehicles	10,500
Improvements	5,221
	316,275
Less Accumulated Depreciation	(64,250)
TOTAL PHYSICAL PROPERTIES	252,025
TOTAL ASSETS	\$ 387,307
<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES	
Accrued salaries and leave	\$ 19,624
Payroll taxes payable	14,081
Simple IRA payable	796
Current portion of note payable	5,328
TOTAL CURRENT LIABILITIES	39,829
LONG TERM LIABILITIES	
Notes payable, less current portion	53,032
TOTAL LONG TERM LIABILITIES	53,032
NET ASSETS	
Unrestricted	283,406
Temporarily restricted	11,040
TOTAL NET ASSETS	294,446
TOTAL LIABILITIES AND NET ASSETS	\$ 387,307

The accompanying notes are an integral part of this financial statement.

**HAVEN OF HOPE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

CHANGES IN UNRESTRICTED NET ASSETS

Revenues and Support:	
Grants	\$ 256,994
Private grants	22,950
City and county governments	16,250
Donations	33,477
United Way funding in addition to restricted funding	11,557
In-kind	39,930
Interest and dividends	3,006
Capital campaign	40,007
Other income	675
	<hr/>
TOTAL UNRESTRICTED REVENUES AND SUPPORT	424,846
Net assets released from restrictions	
Expiration of time restriction - United Way	12,753
	<hr/>
TOTAL UNRESTRICTED REVENUES, SUPPORT, AND RECLASSIFICATIONS	437,599
Expenses and Losses:	
Program services:	
Shelter program	346,265
Supporting services:	
Management and general	54,059
	<hr/>
Total Expenses	400,324
Unrealized losses	91
	<hr/>
TOTAL EXPENSES AND LOSSES	400,415
INCREASE IN UNRESTRICTED NET ASSETS	<hr/> 37,184 <hr/>
<u>TEMPORARILY RESTRICTED NET ASSETS</u>	
Contributions	
United Way funding for the next year	11,040
Net assets released from restrictions	
United Way	(12,753)
	<hr/>
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(1,713) <hr/>
INCREASE IN NET ASSETS	35,471
NET ASSETS AT BEGINNING OF YEAR	258,975
	<hr/>
NET ASSETS AT END OF YEAR	<hr/> \$ 294,446 <hr/>

The accompanying notes are an integral part of this financial statement.

HAVEN OF HOPE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

Cash flows from operating activities	
Increase in net assets	\$ 35,471
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:	
Depreciation and amortization	11,991
Unrealized losses on investments	91
(Increase) decrease in operating assets:	
Grant receivable	(8,718)
Pledges receivable	1,713
Increase (decrease) in operating liabilities:	
Accrued salaries and leave	(4,799)
Payroll taxes payable	(549)
Simple IRA payable	(307)
Total adjustments	(578)
Net cash provided (used) by operating activities	34,893
Cash flows from investing activities	
Acquisition of assets	(4,029)
Investments purchased	(336)
Investments redeemed	3,624
Net cash provided (used) in investing activities	(741)
Cash flows from financing activities	
Principal payments on long-term debt	(40,004)
Net cash provided (used) by financing activities	(40,004)
Net decrease in cash and cash equivalents	(5,852)
Cash and cash equivalents at beginning of year	91,380
Cash and cash equivalents at end of year	\$ 85,528
Supplemental disclosures of cash flow information:	
Cash paid during the year for:	
Interest expense	\$ 3,555

The accompanying notes are an integral part of this financial statement.

HAVEN OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purposes

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.

Accounting Method

The financial statements are prepared on the accrual basis of accounting. Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily (or permanently, when applicable) restricted assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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

Investments are stated at the lower of cost or market.

Property and Equipment

Expenditures for additions, major renewals and betterments with a per unit cost in excess of \$500 are capitalized and those for maintenance and repairs are 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, 7, and 10 years
Improvements	10, 15, and 20 years
Vehicles	5 years

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 uncollectibles is not deemed necessary for promises receivable.

HAVEN OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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	\$20,400
Supplies and minor equipment	17,213
Professional services	1,800
Miscellaneous services	<u>517</u>
	<u>\$39,930</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 costs of providing the shelter program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the activities benefited.

Tax-Exempt Status

The Organization is not a private foundation and is exempt from federal income tax, except on unrelated business taxable income, under the provisions of Internal Revenue Service Code Section 501(c)(3). The Corporation had no unrelated business taxable income for fiscal year 2006; therefore, no liability for income taxes was incurred.

NOTE B - CASH

Except for the money market account, all funds of the Organization are maintained in checking accounts that are insured by the Federal Deposit Insurance Corporation. The money market account is maintained by Edward D. Jones and Company, an investment advisory firm.

HAVEN OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE C - INVESTMENTS

At June 30, 2006, the Organization had the following investments:

<u>Description</u>	<u>Cost</u>	<u>Market</u>	<u>Unrealized Appreciation (Depreciation)</u>
Mortgage backed securities	\$ 8,773	\$ 8,682	\$ (91)
Mutual funds	3,443	3,443	-
	<u>\$ 12,216</u>	<u>\$ 12,125</u>	<u>\$ (91)</u>

Unrealized appreciation on investments at the beginning of the year was \$539.06.

Return on investments for the year ended June 30, 2006 were as follows:

Investment Income	\$ 3,006
Investment gains (losses)	<u>-</u>
Total Return	3,006
Beginning principal value	15,504
Approximate annual rate of total return	19.4%

NOTE D - PROMISES TO GIVE

Unconditional promises to give consist of the following:

United Way	\$11,040
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Amounts due in more than one year are not significant; thus no discount factor has been applied.

The United Way amount includes Bedford County as this amount is promised prior to the beginning of the fiscal year in which the cash will be received.

HAVEN OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE E – PROPERTY AND EQUIPMENT

The following changes in property and equipment occurred during the year ended June 30, 2006:

	Balance <u>July 1, 2005</u>	Additions and <u>Reclassifications</u>	Dispositions and <u>Reclassifications</u>	Balance <u>June 30, 2006</u>
Land	\$ 27,000	\$ -	\$ -	\$ 27,000
Buildings	235,255	-	-	235,255
Furniture, fixtures, and equipment	34,270	4,029		38,299
Improvements	5,221	-	-	5,221
Vehicles	10,500	-	-	10,500
	<u>\$ 312,246</u>	<u>\$ 4,029</u>	<u>\$ -</u>	<u>\$ 316,275</u>
Less:				
Accumulated Depreciation	(52,259)	(11,991)	-	(64,250)
	<u>\$ 259,987</u>	<u>\$ (7,962)</u>	<u>\$ -</u>	<u>\$ 252,025</u>

Depreciation expense for the year ended June 30, 2006, totaled \$11,991.

Property additions are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful life. Expenses for additions, improvements, and replacements are added to the property accounts while expenses for maintenance and repairs are currently expensed.

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.

NOTE F - CONTINGENCIES

Haven of Hope, Inc. 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 Corporation's programs and activities.

The grants from the Tennessee Department of Finance and Administration require the Corporation 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 Haven of Hope in excess of liabilities accrued on an estimated basis in the financial statements.

NOTE G - SIMPLE IRA RETIREMENT PLAN

The Corporation 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 Haven of Hope, Inc. contributing an amount equal to the employee's contribution, up to three percent of salary. The Board of Directors approved this plan effective July 1, 1998.

HAVEN OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE G - SIMPLE IRA RETIREMENT PLAN (Continued)

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

The Organization incurred Simple IRA expenses of \$3,844 for the year ended June 30, 2006, with \$2,813 being a program expense and \$1,031 being an administrative expense.

NOTE H - NOTE PAYABLE

The Organization purchased a building with land in June 2005 for \$166,151.20. Of this amount, \$100,000 was financed through First National Bank of Manchester at a variable interest rate starting at 5.5%, never increasing above 8.0%, due June 1, 2015. At June 30, 2006 the remaining principal balance of the loan was \$58,360. The Organization has launched a capital fundraising campaign to eliminate the outstanding debt as soon as possible.

Below is a summary of notes payable:

	Balance <u>07/01/05</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>06/30/06</u>
Note payable, bank, 8.0%, due 6/1/2015	<u>\$98,364</u>	<u>\$ -</u>	<u>\$ 40,004</u>	<u>\$58,360</u>

Interest paid for the year ended June 30, 2006 totaled \$3,555.

Future debt service requirements including interest expense of \$21,400 are as follows:

<u>June 30,</u>	<u>Principal and Interest</u>
2007	9,816
2008	9,816
2009	9,816
2010	9,816
2011-2015	<u>40,496</u>
	<u>\$ 79,760</u>

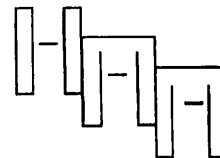
HAVEN OF HOPE, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2006

	Program Services: Shelter	Supporting Services: Management and General	Total
Program salaries	\$ 186,432	\$ 46,251	\$ 232,683
Program bonuses/ incentives	37,120	6,948	44,068
Travel	4,696	170	4,866
Utilities	5,819	-	5,819
Postage	1,697	-	1,697
Publications and subscriptions	23	-	23
Equipment Lease	1,886	-	1,886
Educational media	345	-	345
Minor equipment	311	-	311
In-kind	39,930	-	39,930
Interest expense	3,555	-	3,555
License and memberships	875	-	875
Training and seminars	874	-	874
Client assistance	10,109	-	10,109
Supplies	3,402	461	3,863
Insurance	6,556	-	6,556
Communications	14,744	229	14,973
Services	9,926	-	9,926
Printing	60	-	60
Plant repair and maintenance	5,253	-	5,253
Plant property tax	661	-	661
Depreciation and amortization	11,991	-	11,991
TOTAL EXPENSES	\$ 346,265	\$ 54,059	\$ 400,324

HAVEN OF HOPE, INC.
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2006

<u>Program Name</u>	<u>State Grant Number</u>	<u>Grantor Agency</u>	<u>(Receivable) Deferred July 1, 2005</u>	<u>Grant Receipts</u>	<u>Grant Expenditures/ Uses</u>	<u>(Receivable) Deferred June 30, 2006</u>
STATE FINANCIAL ASSISTANCE PROGRAMS						
Grants:						
VOCA	Z-00099371-01	TN Dept of Finance and Administration Office of Criminal Justice Programs	\$ (3,835)	\$ 67,853	\$ 69,160	\$ (5,142)
Family Violence Shelter Program	Z-05021958-00	TN Dept of Finance and Administration Office of Criminal Justice Programs	(11,220)	128,888	130,403	(12,735)
STOP	Z-00001391-01	TN Dept of Finance and Administration Office of Criminal Justice Programs	(2,816)	39,465	45,361	(8,712)
RASAC	N/A	TN Dept of Health Rape and Sexual Abuse Center	-	12,070	12,070	-
			<u>\$ (17,871)</u>	<u>\$ 248,276</u>	<u>\$ 256,994</u>	<u>\$ (26,589)</u>

HOUSHOLDER, ARTMAN AND ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

September 22, 2006

To the Board of Directors
Haven of Hope, Inc.

We have audited the financial statements of Haven of Hope, Inc. (a nonprofit organization) as of and for the year ended June 30, 2006, and have issued our report thereon dated September 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Haven of Hope's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Haven of Hope, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management and government regulatory agencies and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Housholder, Artman & Associates P.C.