

AUDITED FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION

HAVEN OF HOPE

(A NOT-FOR-PROFIT CORPORATION)

Manchester, Tennessee  
June 30, 2005

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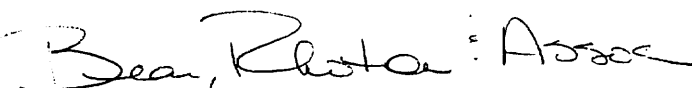
To the Board of Directors  
Haven of Hope, Inc.  
Manchester, Tennessee

## INDEPENDENT AUDITORS REPORT

We have audited the accompanying statement of financial position of Haven of Hope, Inc. (a not-for-profit corporation) as of June 30, 2005, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Corporation'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. 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 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, 2005, 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.



Bean, Rhoton, & Associates, PLLC

Winchester, Tennessee

November 30, 2005

STATEMENT OF FINANCIAL POSITION  
HAVEN OF HOPE, INC.  
June 30, 2005

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 91,377.96
Investments	15,504.22
Grant receivable	17,871.23
Unconditional promises to give:	
United Way funding for the next fiscal year	12,753.49
TOTAL CURRENT ASSETS	\$ 137,506.90

PHYSICAL PROPERTIES

Land	\$ 27,000.00	
Buildings	235,254.78	
Furniture, fixtures and equipment	34,269.71	
Vehicles	10,500.00	
Improvements	5,221.00	\$ 312,245.49
Less Accumulated Depreciation	(52,258.90)	259,986.59
	TOTAL ASSETS	\$ 397,493.49

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accrued salaries and leave	\$ 22,074.72
Payroll taxes payable	16,977.56
Current portion of note payable	7,715.72
Simple IRA payable	1,102.66
TOTAL CURRENT LIABILITIES	\$ 47,870.66

LONG TERM LIABILITIES:

Notes payable	90,648.28
TOTAL CURRENT LIABILITIES	\$ 90,648.28

NET ASSETS:

Unrestricted	\$ 246,221.06	
Temporarily restricted	12,753.49	258,974.55
TOTAL LIABILITIES AND NET ASSETS	\$ 397,493.49	

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

STATEMENT OF ACTIVITIES  
HAVEN OF HOPE, INC.  
Year ended June 30, 2005

CHANGES IN UNRESTRICTED NET ASSETS

Revenues and Support:

Grants	\$ 193,723.97
City and county governments	16,100.00
Donations	37,633.11
United Way funding in addition to restricted funding	1,383.38
In-kind	42,775.56 -
Interest and dividends	1,297.56
Fundraising	84,076.53
Legal Aide	4,991.94
Other income	54,326.48

TOTAL UNRESTRICTED SUPPORT	\$ 436,308.53
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Expenses:

Program Services	
Shelter program	\$ 331,796.03
Supporting services:	
Management and general	51,023.49

TOTAL EXPENSES	\$ 382,819.52
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INCREASE IN UNRESTRICTED ASSETS	\$ 53,489.01
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TEMPORARILY RESTRICTED NET ASSETS:

United Way funding for the next year	\$ 12,753.49
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	\$ 12,753.49
INCREASE IN NET ASSETS	\$ 66,242.50
NET ASSETS AT BEGINNING OF YEAR	192,732.05
NET ASSETS AT END OF YEAR	\$ 258,974.55

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

STATEMENT OF FUNCTIONAL EXPENSES  
HAVEN OF HOPE, INC.  
Year ended June 30, 2005

	Shelter Program	Management and General	Total Expenses
Salaries	\$ 186,304.87	\$ 44,234.96	\$ 230,539.83
Fringe benefits	37,708.97	6,119.93	43,828.90
TOTAL SALARIES AND FRINGE BENEFITS	\$ 224,013.84	\$ 50,354.89	\$ 274,368.73
Travel	6,986.42	424.71	7,411.13
Communications	8,719.10		8,719.10
Utilities	3,055.73		3,055.73
Services	8,576.96		8,576.96
Supplies	3,196.52	243.89	3,440.41
Postage	1,602.11		1,602.11
Publications and Subscriptions	23.00		23.00
Maintenance and repairs	4,660.00		4,660.00
Insurance	6,114.85		6,114.85
Training and seminars	1,163.50		1,163.50
License and memberships	1,320.00		1,320.00
Educational media	363.98		363.98
Minor Equipment	4,031.51		4,031.51
In-kind	40,187.56		40,187.56
Equipment Lease	1,431.00		1,431.00
Client assistance	7,870.32		7,870.32
EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	\$ 323,316.40	\$ 51,023.49	\$ 374,339.89
Depreciation and Amortization	8,479.63		8,479.63
TOTAL EXPENSES	<u>\$ 331,796.03</u>	<u>\$ 51,023.49</u>	<u>\$ 382,819.52</u>

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

STATEMENT OF CASH FLOWS  
HAVEN OF HOPE, INC.  
Year ended June 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets		\$ 66,242.50
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	\$ 8,479.63	
Donated assets (net of adjustment)	(746.04)	
(Increase) decrease in operating assets:		
Grant receivable	(10,119.47)	
Pledges receivable	12,803.51	
Prepaid expenses	903.85	
Increase (decrease) in operating liabilities		
Accounts payable	(3,148.52)	
Accrued salaries and leave	10,777.67	
Payroll taxes payable	2,065.91	
Simple IRA payable	216.00	21,232.54
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>\$ 87,475.04</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of assets	\$ (178,011.07)	
Disposition of assets	1,765.00	
Investments purchased	(71,012.22)	
Investments redeemed	58,439.01	
NET CASH USED BY INVESTING ACTIVITIES		<u>\$ (188,819.28)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Note proceeds	\$ 100,000.00	
Paydown of note balance	(1,636.00)	
NET CASH PROVIDED BY FINANCING ACTIVITIES		<u>\$ 98,364.00</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ (2,980.24)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	94,358.20
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 91,377.96</u></u>

NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:

Contribution of equipment	<u><u>\$ 746.04</u></u>
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The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS  
HAVEN OF HOPE, INC.  
June 30, 2005

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Note A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Organization and Purposes

Haven of Hope, Inc. (The Corporation) 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.

(2) 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 Corporation 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.

(3) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Corporation 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.

(4) Investments

Investments are stated at cost.

(5) Physical Properties and Depreciation

Expenditures for additions, major renewals and betterments with a per unit cost in excess of \$500.00 are capitalized and those for maintenance and repairs are charged to expense. Donated assets are recorded at fair value



NOTES TO FINANCIAL STATEMENTS  
HAVEN OF HOPE, INC.  
June 30, 2005

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Note A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(6) 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 Corporation determines an allowance for uncollectible promises receivable based on prior years' experience and management's analysis of specific promises made. An allowance for uncollectible is not deemed necessary for promises receivable.

(7) Grant Revenue

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

(8) 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 Corporation. 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:

NOTES TO FINANCIAL STATEMENTS  
HAVEN OF HOPE, INC.  
June 30, 2005

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Note A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Rent	\$ 20,400.00
Supplies and minor equipment	14,913.16
Professional services	1,800.00
Equipment	3,530.00
Miscellaneous services	<u>2,132.40</u>
	<u>\$ 42,775.56</u>

(9) 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.

(10) 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.

(11) Tax-Exempt Status

The Corporation is not a private foundation and is exempt from federal income tax, except on unrelated business taxable income, under the provisions of Internal Service Revenue Code Section 501(c)(3). The Corporation had no unrelated business taxable income for fiscal year 2005; therefore, no liability for income taxes was incurred.

NOTE B – CASH

Except for the money market account, all funds of the Corporation 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.

NOTES TO FINANCIAL STATEMENTS  
HAVEN OF HOPE, INC.  
June 30, 2005

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NOTE C – INVESTMENTS

At June 30, 2005, the Corporation had the following investments:

<u>Description</u>	<u>Cost</u>	<u>Market</u>	<u>Unrealized Appreciation (Depreciation)</u>
Mortgage backed securities	\$ 12,396.60	\$12,763.50	\$ 366.90
Mutual funds	<u>3,107.62</u>	<u>3,270.64</u>	<u>163.02</u>
	<u>\$15,504.22</u>	<u>\$16,034.14</u>	<u>\$ 529.92</u>

Unrealized appreciation on investments at the beginning of the year was \$461.87.

NOTE D – PROMISES TO GIVE

Unconditional promises to give consist of the following:

United Way	<u>\$ 12,753.49</u>
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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, Franklin County, and Highland Rim as this amount is promised prior to the beginning of the fiscal year in which the cash will be received.

NOTE E – PHYSICAL PROPERTIES

The following changes in physical properties occurred during the year ended June 30, 2005:

	<u>Balance July 1, 2004</u>	<u>Additions and Reclassi- fications</u>	<u>Dispositions and Reclassi- fications</u>	<u>Balance June 30, 2005</u>
Land	\$ 11,000.00	\$16,000.00	\$ 0.00	\$ 27,000.00
Buildings	85,103.58	150,151.20	0.00	235,254.78

NOTES TO FINANCIAL STATEMENTS  
HAVEN OF HOPE, INC.  
June 30, 2005

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NOTE E – PHYSICAL PROPERTIES (CONT'D)

Furniture, fixtures and equipment	32,034.84	2,359.87	(125.00)	34,269.71
Improvements	5,221.00	0.00	0.00	5,221.00
Automobiles	<u>2,640.00</u>	<u>9,500.00</u>	<u>(1,640.00)</u>	<u>10,500.00</u>
	<u>\$ 135,999.42</u>	<u>\$178,011.07</u>	<u>(\$1,765.00)</u>	<u>\$ 312,245.49</u>
Less Accumulated Depreciation	<u>(44,525.31)</u>	<u>(8,479.63)</u>	<u>746.04</u>	<u>(52,258.90)</u>
	<u>\$ 91,474.11</u>	<u>\$169,531.44</u>	<u>(\$ 1,018.96)</u>	<u>\$ 259,986.59</u>

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 expensed currently.

The Corporation 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 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.

NOTES TO FINANCIAL STATEMENTS  
HAVEN OF HOPE, INC.  
June 30, 2005

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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.

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

The Corporation incurred Simple IRA expenses of \$4,421.51 for the year ended June 30, 2005, with \$3,470.48 being a program expense and \$951.03 being an administrative expense.

NOTE H – SCHEDULE OF GRANT AWARDS EARNED

<u>Grant Number</u>	<u>Grantor Agency</u>	<u>Amount Earned</u>
Z-00099371 01	Tennessee Department of Finance and Administration Office of Criminal Justice Programs	\$69,160.00
Z-05021958 00	Tennessee Department of Finance and Administration Office of Criminal Justice Programs	124,563.97
Z- 00001391 01	Tennessee Department of Finance and Administration Office of Criminal Justice Programs	45,431.00
	Altria Group	20,000.00
	Legal Aid Society of Middle Tennessee & the Cumberlands	4,991.94

NOTES TO FINANCIAL STATEMENTS  
HAVEN OF HOPE, INC.  
June 30, 2005

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NOTE I – NOTE PAYABLE

The Corporation purchased a building with land in June of 2005 for \$166,151.20. Of this amount, \$100,000 was financed through First National Bank of Manchester at an interest rate of 5.5% the remainder was paid for in cash by the Corporation. At June 30, 2005 the remaining principal balance of the loan was \$98,364. The Note becomes due on June 1, 2015. The Corporation has launched a capital fundraising campaign to eliminate the outstanding debt as soon as possible.

Below is a summary of notes payable:

Fiscal Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2006	7,715.72	5,307.40
2007	8,150.94	4,872.18
2008	8,610.70	4,412.42
2009	8,796.40	3,926.72
2010	9,609.52	3,413.60
Thereafter	<u>55,480.72</u>	<u>8,299.21</u>
Totals	<u>\$ 98,364.00</u>	<u>\$ 30,231.53</u>