

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

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

JUNE 30, 2007

HAVEN OF HOPE, INC.

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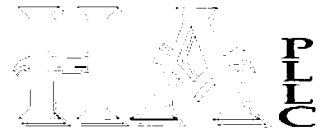
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HOUSHOLDER ARTMAN, PLLC
CERTIFIED PUBLIC ACCOUNTANTS



P.O. Box 1568
Tullahoma, Tennessee 37388

INDEPENDENT AUDITORS' REPORT

Telephone 931-455-4248
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November 14, 2007

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, 2007, 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, 2007, 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 November 14, 2007, 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal and state awards on page 11 is also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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, PLLC

HAVEN OF HOPE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2007

<u>ASSETS</u>	
CURRENT ASSETS	
Cash and cash equivalents	\$ 122,717
Investments	10,978
Grants receivable	25,016
Unconditional promises to give:	
United Way funding for the next fiscal year	8,604
	<hr/>
TOTAL CURRENT ASSETS	167,315
	<hr/>
PHYSICAL PROPERTIES	
Land	27,000
Building	235,255
Furniture, fixtures and equipment	38,299
Vehicles	10,500
Improvements	5,221
	<hr/>
	316,275
Less accumulated depreciation	(75,152)
	<hr/>
TOTAL PHYSICAL PROPERTIES	241,123
	<hr/>
TOTAL ASSETS	<hr/> <hr/> \$ 408,438
<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES	
Accounts payable	\$ 5,086
Accrued salaries and compensated absences	24,122
Payroll taxes payable	11,333
Simple IRA payable	991
Current portion of note payable	2,583
	<hr/>
TOTAL CURRENT LIABILITIES	44,115
	<hr/>
LONG TERM LIABILITIES	
Notes payable, less current portion	33,081
	<hr/>
TOTAL LONG TERM LIABILITIES	33,081
	<hr/>
NET ASSETS	
Unrestricted	322,638
Temporarily restricted	8,604
	<hr/>
TOTAL NET ASSETS	331,242
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<hr/> <hr/> \$ 408,438

The accompanying notes are an integral part of this financial statement

**HAVEN OF HOPE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

UNRESTRICTED NET ASSETS

Revenues and Support:	
Grants	\$ 262,457
City and county governments	18,920
Donations	50,753
United Way funding in addition to restricted funding	11,433
In-kind	53,729
Interest	2,983
Dividends	867
Capital campaign	22,525
Other income	25,292
	<hr/>
TOTAL UNRESTRICTED REVENUES AND SUPPORT	448,959
Net assets released from restrictions	
Expiration of time restriction - United Way	11,040
	<hr/>
TOTAL UNRESTRICTED REVENUES, SUPPORT, AND RECLASSIFICATIONS	459,999
Expenses and Losses:	
Program services:	
Shelter program	369,564
Supporting services:	
Management and general	51,460
	<hr/>
Total Expenses	421,024
Unrealized losses	(257)
	<hr/>
TOTAL EXPENSES AND LOSSES	420,767
INCREASE IN UNRESTRICTED NET ASSETS	39,232
	<hr/>
<u>TEMPORARILY RESTRICTED NET ASSETS</u>	
Contributions	
United Way funding for the next year	8,604
Net assets released from restrictions	
United Way	(11,040)
	<hr/>
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(2,436)
	<hr/>
CHANGE IN NET ASSETS	36,796
NET ASSETS AT BEGINNING OF YEAR	294,446
	<hr/>
NET ASSETS AT END OF YEAR	\$ 331,242
	<hr/> <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, 2007

CASH FLOW FROM OPERATING ACTIVITIES

Increase in net assets	\$ 36,796
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	10,902
Unrealized losses on investments	(257)
(Increase) decrease in operating assets:	
Grant receivable	1,573
Pledges receivable	2,436
Increase (decrease) in operating liabilities:	
Accounts payable	5,086
Accrued salaries and leave	5,025
Payroll taxes payable	(3,273)
Simple IRA payable	195
	<hr/>
Total adjustments	21,687
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	58,483
	<hr/>

CASH FLOWS FROM INVESTING ACTIVITIES

Investments purchased	(392)
Investments redeemed	1,794
	<hr/>
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,402
	<hr/>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on long-term debt	(22,696)
	<hr/>
NET CASH USED BY FINANCING ACTIVITIES	(22,696)
	<hr/>

NET INCREASE IN CASH AND CASH EQUIVALENTS 37,189
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 85,528

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 122,717

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the year for:

Interest	\$ 4,098
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The accompanying notes are an integral part of this financial statement

HAVEN OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - 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.

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.

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.

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 uncollectible accounts is not deemed necessary for promises receivable.

HAVEN OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - 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	29,926
Professional services	2,687
Miscellaneous services	716
	<u>\$ 53,729</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.

Investments

The Organization carries investments in marketable securities with readily determinable fair values at their fair value in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

HAVEN OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 2 - CASH

Funds of the Organization are maintained in checking accounts and money market accounts. The checking accounts are insured by the Federal Deposit Insurance Corporation. The money market account is maintained by Edward D. Jones and Company, an investment advisory firm, and is not federally insured. The composition of cash at June 30, 2007 is as follows:

Petty cash	\$ 160
Checking	53,440
Money market	69,117
	<u>\$ 122,717</u>

NOTE 3 - INVESTMENTS

At June 30, 2007, the Organization had the following investments:

<u>Description</u>	<u>Cost</u>	<u>Market</u>	<u>Unrealized Appreciation (Depreciation)</u>
Mortgage backed securities	\$ 6,977	\$ 6,908	\$ (69)
Mutual funds	3,834	4,070	236
	<u>\$ 10,811</u>	<u>\$ 10,978</u>	<u>\$ 167</u>

Unrealized depreciation on investments at the beginning of the year was \$90.

Return on investments for the year ended June 30, 2007 was as follows:

Investment Income - dividends	\$ 867
Investment gains (losses) - realized	<u>-</u>
Total Return	<u>\$ 867</u>

Beginning principal value \$ 12,215

Approximate annual rate of total return 7.1%

NOTE 4 - PROMISES TO GIVE

Unconditional promises to give consist of the following:

United Way \$8,604

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, and is considered temporarily restricted due to the time restriction.

HAVEN OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 5 – PROPERTY AND EQUIPMENT

The following changes in property and equipment occurred during the year ended June 30, 2007:

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Land	\$ 27,000	\$ -	\$ -	\$ 27,000
Buildings	235,255	-	-	235,255
Furniture, fixtures, and equipment	38,299	-	-	38,299
Improvements	5,221	-	-	5,221
Vehicles	10,500	-	-	10,500
	<u>316,275</u>	<u>-</u>	<u>-</u>	<u>316,275</u>
Less: accumulated depreciation	(64,250)	(10,902)	-	(75,152)
	<u>\$ 252,025</u>	<u>\$ (10,902)</u>	<u>\$ -</u>	<u>\$ 241,123</u>

Depreciation expense for the year ended June 30, 2007, totaled \$10,902.

NOTE 6 - 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 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 Haven of Hope in excess of liabilities accrued on an estimated basis in the financial statements.

NOTE 7 - 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 Haven of Hope, Inc. 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 election.

The Organization incurred Simple IRA expenses of \$4,217 for the year ended June 30, 2007, with \$3,348 being a program expense and \$869 being an administrative expense included in employee benefits in the Schedule of Functional Expenses.

HAVEN OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 8 - NOTE PAYABLE

The Organization purchased a building and land in June 2005 for \$166,151. Of this amount, \$100,000 was financed through a local bank at a variable interest rate starting at 5.5%, never increasing above 8.0%, currently 8.0%. The building and land purchased are collateral for the loan and is due June 1, 2015. At June 30, 2007 the remaining principal balance of the loan was \$35,664. The Organization has launched a capital fundraising campaign to eliminate the outstanding debt as soon as possible.

Below is a summary of the note payable:

	Balance July 1, 2006	Additions	Payments	Balance June 30, 2007
Note payable	\$ 58,360	-	(22,696)	\$ 35,664

Interest paid for the year ended June 30, 2007 totaled \$4,098.

Future debt service requirements including interest expense of \$12,257 are as follows:

June 30,	
2008	\$ 4,655
2009	6,207
2010	6,207
2011	6,207
2012-2015	24,645
	<u>\$ 47,921</u>

NOTE 9 – GRANTS RECEIVABLE

Grants receivable at June 30, 2007 were as follows:

Tennessee Department of Finance and Administration	\$ 25,172
Tennessee Department of Human Services	(156)
	<u>\$ 25,016</u>

HAVEN OF HOPE, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007

	Program Services: Shelter	Supporting Services: Management and General	Total
FUNCTIONAL EXPENSES:			
Salaries and wages	\$ 189,202	\$ 43,229	\$ 232,431
Employee benefits	42,070	7,510	49,580
Travel	6,015	547	6,562
Utilities	5,202	-	5,202
Postage	1,288	-	1,288
Publications and subscriptions	23	-	23
Equipment lease	2,481	-	2,481
Educational media	333	-	333
Minor equipment	856	-	856
In-kind	53,721	8	53,729
Interest expense	4,098	-	4,098
License and memberships	1,081	-	1,081
Training and seminars	1,656	-	1,656
Client assistance	4,009	-	4,009
Supplies	4,527	166	4,693
Insurance	6,893	-	6,893
Communications	18,705	-	18,705
Services	9,074	-	9,074
Plant repair and maintenance	7,428	-	7,428
Depreciation and amortization	10,902	-	10,902
TOTAL EXPENSES	\$ 369,564	\$ 51,460	\$ 421,024

See accompanying independent auditors' report on supplementary information.

HAVEN OF HOPE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Program Title	Federal CFDA Number	Contract Number	Grant Period	Program Award	(Receivable) Deferred July 1, 2006	Grant Receipts	Grant Expenditures/ Uses	(Receivable) Deferred June 30, 2007
FEDERAL AWARDS								
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:								
Passed through Tennessee: Department of Finance and Administration:								
Family Violence Shelter Program (Federal Portion)	93 671	Z-05021958-00	7/1/04 - 6/30/07	232,191	\$ (7,558)	\$ 74,284	\$ (74,208)	\$ (7,482)
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:								
Passed Through Tennessee: Department of Human Services:								
Emergency Shelter Grant Program	14 231	Z-07-031475-00	7/1/06 - 6/30/07	22,997	-	22,997	(22,841)	156
U.S. DEPARTMENT OF JUSTICE:								
Passed Through Tennessee: Department of Finance and Administration:								
Stop Violence Against Women	16 588	Z-00-001391-01	7/1/03 - 6/30/06	143,081	(8,712)	8,712	-	-
Stop Violence Against Women	16 588	Z-07-033035-00	7/1/06 - 6/30/09	136,293	-	37,848	(43,347)	(5,499)
Victims of Crime Act	16 575	Z-00099371-01	7/1/03 - 6/30/06	207,480	(5,142)	5,142	-	-
Victims of Crime Act	16 575	Z-07-033189-00	7/1/06 - 6/30/09	213,705	-	64,168	(71,235)	(7,067)
Total U.S. Department of Justice					(13,854)	115,870	(114,582)	(12,566)
Total Expenditures of Federal Awards					\$ (21,412)	\$ 213,151	\$ (211,631)	\$ (19,892)
STATE AWARDS								
TENNESSEE DEPARTMENT OF FINANCE AND ADMINISTRATION:								
Family Violence Shelter Program (State Portion)	93 671	Z-05021958-00	7/1/04 - 6/30/07	159,018	\$ (5,177)	\$ 50,879	\$ (50,826)	\$ (5,124)
Total Expenditures of State Awards					(5,177)	50,879	(50,826)	(5,124)
Total Expenditures of Federal and State Awards					\$ (26,389)	\$ 264,030	\$ (262,457)	\$ (25,016)

See accompanying independent auditors' report on supplemental information.