

**HAVEN OF HOPE, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEAR ENDED JUNE 30, 2022**

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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) (the Organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 Haven of Hope, Inc. as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the Organization 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 the Organization'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 generally accepted auditing standards 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 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.

INDEPENDENT AUDITORS' REPORT

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with generally accepted auditing standards, 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 the Organization'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.
- Consider whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Christopher A. Betyer, CPA

October 7, 2022

HAVEN OF HOPE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 492,345
Investments at fair value	179,504
Grants receivable	77,293
Unconditional promises to give:	
United Way funding for the next fiscal year	<u>12,229</u>

TOTAL CURRENT ASSETS 761,371

Property and equipment, net 159,650

TOTAL ASSETS \$ 921,021

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 2,683
Accrued payroll and compensated absences	85,698
Deferred revenue	<u>38,000</u>

TOTAL CURRENT LIABILITIES 126,381

NET ASSETS:

Net assets without donor restrictions	782,411
Net assets with donor restrictions	<u>12,229</u>

TOTAL NET ASSETS 794,640

TOTAL LIABILITIES AND NET ASSETS \$ 921,021

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

**HAVEN OF HOPE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

NET ASSETS WITHOUT DONOR RESTRICTIONS

Revenues and Support:	
Grants	\$ 571,172
In-kind	226,944
Donations	80,159
City and county governments	42,788
United Way funding in addition to restricted funding	4,292
Dividend income	3,994
Interest income	1,367
Gain on sale of property and equipment	950
Unrealized loss on investments	<u>(23,368)</u>
 TOTAL REVENUES AND SUPPORT	 908,298
 Net assets released from restrictions:	
Expiration of time restriction - United Way	<u>7,326</u>
 TOTAL REVENUES, SUPPORT AND RECLASSIFICATIONS	 <u>915,624</u>
 Expenses:	
Program service:	
Shelter	829,516
Supporting services:	
Management and general	<u>65,934</u>
 TOTAL EXPENSES	 <u>895,450</u>
 INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	 <u>20,174</u>

NET ASSETS WITH DONOR RESTRICTIONS

Contributions:	
United Way funding for the next year	12,229
Net assets released from restrictions:	
United Way	<u>(7,326)</u>
 INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	 <u>4,903</u>
 CHANGE IN NET ASSETS	 25,077
 NET ASSETS, BEGINNING OF YEAR	 <u>769,563</u>
 NET ASSETS, END OF YEAR	 <u><u>\$ 794,640</u></u>

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

HAVEN OF HOPE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Service	Supporting Services	
	Shelter	Management and General	Total
FUNCTIONAL EXPENSES:			
Salaries and wages	\$ 446,161	\$ 49,573	\$ 495,734
In-kind	226,944	-	226,944
Employee benefits	71,195	7,911	79,106
Communications	13,928	1,547	15,475
Repairs and maintenance	13,578	-	13,578
Insurance	12,586	-	12,586
Depreciation	10,642	1,182	11,824
Professional services	8,000	3,700	11,700
Client assistance	8,609	-	8,609
Travel	6,381	-	6,381
Utilities	4,891	543	5,434
Supplies	2,826	314	3,140
Miscellaneous	1,970	-	1,970
Equipment lease	909	909	1,818
Printing and postage	896	100	996
License and memberships	-	155	155
	<u>\$ 829,516</u>	<u>\$ 65,934</u>	<u>\$ 895,450</u>
Total expenses			

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

HAVEN OF HOPE, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 25,077
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Unrealized loss on investments	23,368
Gain on sale of property and equipment	(950)
Reinvested investment income	(2,375)
Depreciation	11,824
Decrease in grant receivable	3,358
Increase in pledges receivable	(4,903)
Decrease in accounts payable	(2,208)
Increase in accrued payroll and compensated absences	8,172
Increase in deferred revenue	<u>38,000</u>
Net cash provided by operating activities	<u>99,363</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale of property and equipment	950
Purchase of investments	(39,000)
Purchase of property and equipment	<u>(8,297)</u>
Net cash used in investing activities	<u>(46,347)</u>

Net increase in cash and cash equivalents	<u>53,016</u>
Cash and cash equivalents, beginning of year	<u>439,329</u>
Cash and cash equivalents, end of year	<u><u>\$ 492,345</u></u>

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

HAVEN OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

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, 2022

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, 2022

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	\$ 202,152
Supplies and minor equipment	<u>24,792</u>
	<u>\$ 226,944</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, 2022.

HAVEN OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2022

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, 2022, 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, 2022, 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, 2022 financial statements.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization has \$761,371 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 \$219,000. 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, 2022 were as follows:

Tennessee Department of Finance and Administration	\$ 73,336
Tennessee Coalition Against Domestic & Sexual Violence	<u>3,957</u>
	<u>\$ 77,293</u>

HAVEN OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2022

NOTE 5 - PROMISES TO GIVE

Unconditional promises to give consist of the following:

United Way	<u>\$ 12,229</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	55,723
Building improvements	28,744
Automobile	<u>20,009</u>
	366,731
Less accumulated depreciation	<u>(207,081)</u>
Net	<u>\$ 159,650</u>

Depreciation expense was \$11,824 for the year ended June 30, 2022.

NOTE 7 - INVESTMENTS

A summary of investments since acquisition as of June 30, 2022 is as follows:

	Cost	Market
Money market funds	\$ 1,436	\$ 1,436
Equity funds	134,134	142,932
Fixed income funds	<u>33,430</u>	<u>35,136</u>
Total	<u>\$ 169,000</u>	<u>\$ 179,504</u>

Total investment return is summarized below:

Investment earnings	\$ 3,994
Unrealized loss on investments	(23,368)
Investment fees	<u>(1,619)</u>
	<u>\$ (20,993)</u>

HAVEN OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2022

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, 2022 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	\$ 1,436	\$ 1,436	\$ -	\$ -
Equity funds	142,932	142,932	-	-
Fixed income funds	35,136	35,136	-	-
Total	<u>\$ 179,504</u>	<u>\$ 179,504</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, 2022	<u>\$ 12,229</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, 2022

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 six 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 \$17,377 for the year ended June 30, 2022, with \$15,639 being a program expense and \$1,738 being an administrative expense. These expenses are included in employee benefits in the Statement of Functional Expenses.