

HAVEN OF HOPE, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12



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, 2017, 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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, 2017, 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.

Ernst & Young, LLP

September 27, 2017

HAVEN OF HOPE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 382,892
Grants receivable	50,271
Unconditional promises to give:	
United Way funding for the next fiscal year	<u>11,200</u>

TOTAL CURRENT ASSETS	444,363
----------------------	---------

Property and equipment, net	<u>186,970</u>
-----------------------------	----------------

TOTAL ASSETS	<u><u>\$ 631,333</u></u>
--------------	--------------------------

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 4,437
Accrued salaries and compensated absences	49,350
Payroll taxes payable	<u>15</u>

TOTAL CURRENT LIABILITIES	<u>53,802</u>
---------------------------	---------------

NET ASSETS:

Unrestricted	566,331
Temporarily restricted	<u>11,200</u>

TOTAL NET ASSETS	<u>577,531</u>
------------------	----------------

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 631,333</u></u>
----------------------------------	--------------------------

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

HAVEN OF HOPE, INC.
STATEMENT OF ACTIVITIES -
YEAR ENDED JUNE 30, 2017

UNRESTRICTED NET ASSETS

Revenues and Support:	
Grants	\$ 384,056
City and county governments	11,880
Donations	50,555
United Way funding in addition to restricted funding	9,311
In-kind	91,476
Interest	979
TOTAL UNRESTRICTED REVENUES AND SUPPORT	548,257
Net assets released from restrictions:	
Expiration of time restriction - United Way	11,410
TOTAL UNRESTRICTED REVENUES, SUPPORT AND RECLASSIFICATIONS	559,667
Expenses:	
Program services:	
Shelter program	533,653
Supporting services:	
Management and general	26,803
TOTAL EXPENSES	560,456
DECREASE IN UNRESTRICTED NET ASSETS	(789)
<u>TEMPORARILY RESTRICTED NET ASSETS</u>	
Contributions:	
United Way funding for the next year	11,200
Net assets released from restrictions:	
United Way	(11,410)
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(210)
CHANGE IN NET ASSETS	(999)
NET ASSETS, BEGINNING OF YEAR	578,530
NET ASSETS, END OF YEAR	\$ 577,531

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

HAVEN OF HOPE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Program Services Shelter	Supporting Services Management and General	Total
FUNCTIONAL EXPENSES:			
Salaries and wages	\$ 322,496	\$ 20,820	\$ 343,316
In-kind expense	91,476	-	91,476
Employee benefits	40,782	2,633	43,415
Communications	14,930	-	14,930
Services	8,229	3,350	11,579
Insurance	11,401	-	11,401
Plant repair and maintenance	10,552	-	10,552
Depreciation and amortization	8,713	-	8,713
Travel	8,392	-	8,392
Supplies	5,922	-	5,922
Utilities	4,369	-	4,369
Equipment lease	2,424	-	2,424
License and memberships	1,489	-	1,489
Training and seminars	1,258	-	1,258
Postage	795	-	795
Client assistance	296	-	296
Miscellaneous	129	-	129
	<u>533,653</u>	<u>26,803</u>	<u>560,456</u>
Total expenses	<u>\$ 533,653</u>	<u>\$ 26,803</u>	<u>\$ 560,456</u>

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

HAVEN OF HOPE, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (999)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	8,713
Decrease in grant receivable	2,595
Decrease in pledges receivable	210
Increase in accounts payable	627
Increase in accrued salaries and leave	2,902
Increase in payroll taxes payable	<u>7</u>
Net cash provided by operating activities	<u>14,055</u>
Net increase in cash and cash equivalents	<u>14,055</u>
Cash and cash equivalents, beginning of year	<u>368,837</u>
Cash and cash equivalents, end of year	<u><u>\$ 382,892</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, 2017

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.

Accounting Method

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*.

Basis of Presentation

The Organization has adopted the provisions of FASB ASC 958-605-25 and FASB ASC 958. Under the provisions of FASB ASC 958-605-25, contributions, which include unconditional promises to give (pledges), are recognized as revenue in the period received. Contributions with donor-imposed restrictions that are met in the same year as received are reported as revenue of the unrestricted net assets class.

Under the provisions of FASB ASC 958, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows.

- Unrestricted net assets represent those net assets that are not subject to donor imposed stipulations.
- Temporarily restricted net assets include net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.
- Permanently restricted net assets are those net assets subject to donor-imposed stipulations that require net assets to be maintained permanently by the Organization. The Organization does not maintain any permanently restricted net assets.

HAVEN OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2017

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	\$ 65,400
Supplies and minor equipment	26,076
	<u>\$ 91,476</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.

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, 2017.

HAVEN OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

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, 2017, 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 between June 30, 2017 and September 27, 2017, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - 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 3 - PROMISES TO GIVE

Unconditional promises to give consist of the following:

United Way	\$ <u>11,200</u>
------------	------------------

The United Way amount includes Bedford County and Franklin 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 (CONTINUED)
YEAR ENDED JUNE 30, 2017

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Land	\$ 27,000
Buildings	235,255
Furniture, fixtures and equipment	52,849
Building improvements	23,321
Automobile	12,700
	<u>351,125</u>
Less accumulated depreciation	<u>(164,155)</u>
Net	<u>\$ 186,970</u>

Depreciation expense was \$8,713 for the year ended June 30, 2017.

NOTE 5 - 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 Haven of Hope in excess of liabilities accrued on an estimated basis in the financial statements.

NOTE 6 - 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 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 elections.

The Organization incurred Simple IRA expenses of \$5,636 for the year ended June 30, 2017, with \$5,389 being a program expense and \$247 being an administrative expense. These expenses are included in employee benefits in the Statement of Functional Expenses.

HAVEN OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

NOTE 7 - GRANTS RECEIVABLE

Grants receivable at June 30, 2017 were as follows:

Tennessee Department of Finance and Administration	\$ 36,370
Tennessee Coalition Against Domestic & Sexual Violence	<u>13,901</u>
	<u>\$ 50,271</u>