

**Report of**

**HOUSE OF HOPE, INC.  
LEXINGTON, MISSOURI**

**For the Year Ended  
December 31, 2018**

**HOUSE OF HOPE, INC.**

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GERDING, KORTE & CHITWOOD CPAS

Professional Corporation

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
House of Hope, Inc.  
Lexington, Missouri

To The Members of the Board:

We have audited the accompanying financial statements of House of Hope, Inc., (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2018, and the related statement of activities (including functional expenses) and cash flows for the year then ended, and the related notes to the financial statements.

#### PARTNERS

*Fred W. Korte, Jr.*  
*Joseph E. Chitwood*  
*Travis W. Hundley*  
*Jeffrey A. Chitwood*  
*Amy L. Watson*  
*Heidi N. Ross*

### **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.

#### PARTNER EMERITUS

*Robert A. Gerding*

### **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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of House of Hope, Inc. as of December 31, 2018, 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.

### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, in 2018, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.



May 23, 2019

Gerding, Korte & Chitwood, P.C.  
Certified Public Accountants  
Boonville, Missouri

**HOUSE OF HOPE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2018**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	
Operating	\$ 36,972
Savings	217,891
Total Cash and Cash Equivalents	<u>254,863</u>

**Other Current Assets**

Grants receivable	64,340
Prepaid insurance	8,541
Total Other Current Assets	<u>72,881</u>

Total Current Assets	<u>327,744</u>
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**CAPITAL ASSETS, (at cost)**

Shelter building	60,995
Office building	136,081
Shelter building improvements	116,053
Furniture and equipment	124,786
Land	27,500
Less: Accumulated depreciation	<u>(185,237)</u>
Total Capital Assets	<u>280,178</u>

TOTAL ASSETS	<u>\$ 607,922</u>
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**LIABILITIES AND NET ASSETS**

**LIABILITIES**

**Current Liabilities**

Payroll taxes payable	\$ 2,922
Accrued payroll	11,053
Accounts payable	4,827
Compensated absences	6,920
Total Current Liabilities	<u>25,722</u>

**NET ASSETS**

Without donor restrictions	577,200
With donor restrictions	<u>5,000</u>

TOTAL NET ASSETS	<u>582,200</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 607,922</u>
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See Notes to Financial Statements

**HOUSE OF HOPE, INC.**  
**STATEMENT OF ACTIVITIES**  
**(INCLUDING STATEMENT OF FUNCTIONAL EXPENSES)**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**NET ASSETS WITHOUT DONOR RESTRICTIONS**

REVENUES AND SUPPORT

Donations	\$ 19,936
Private grants	43,315
Government grants	68,330
Government contracts	369,065
County fees	65,340
Miscellaneous	3,231
Interest income	1,378
Total Revenues and Support	570,595

OPERATING EXPENSES

Program Services	
Salaries	344,698
Payroll taxes	28,484
Client services	24,691
Travel expenses	5,665
Insurance	15,015
Health insurance	30,637
Public awareness	992
Repairs and maintenance	13,652
Utilities and telephone	22,917
Depreciation expense	11,586
Total Program Services	498,337
Management and General	
Salaries	5,193
Office expense	14,648
Professional fees	33,805
Depreciation expense	6,516
Total Management and General	60,162
Total Expenses	558,499

OTHER CHANGES IN NET ASSETS

Net Assets Released from Restriction	1,155
Increase/(Decrease) in Net Assets Without Donor Restrictions	13,251

**NET ASSETS WITH DONOR RESTRICTIONS**

REVENUES AND SUPPORT

Donations	6,155
Total Revenues and Support	6,155

OTHER CHANGES IN NET ASSETS

Net Assets Released from Restriction	(1,155)
Increase/(Decrease) in Net Assets With Donor Restrictions	5,000

INCREASE/(DECREASE) IN NET ASSETS	18,251
NET ASSETS, BEGINNING OF YEAR	563,949
NET ASSETS, END OF YEAR	\$ 582,200

See Notes to Financial Statements

**HOUSE OF HOPE, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2018**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in Net Assets from Operations	\$ 18,251
Adjustments to reconcile decrease in net assets to net cash used by operations:	
Depreciation expense	18,102
Increase in grants receivable	(11,153)
Increase in prepaid insurance	(773)
Increase in accounts payable and accrued expenses	1,854
Net Cash Provided (Used) By Operating Activities	<u>26,281</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of capital assets	<u>(26,834)</u>
Net Cash Used By Investing Activities	<u>(26,834)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Line of Credit Principal Payments	<u>(23,403)</u>
Net Cash Provided By Financing Activities	<u>(23,403)</u>
 NET INCREASE (DECREASE) IN CASH	 (23,956)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>278,819</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u><u>\$ 254,863</u></u>
 Interest paid in 2018	 <u><u>\$ -</u></u>

See Notes to Financial Statements

**HOUSE OF HOPE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 1: Summary of Significant Accounting Policies**

A summary of the Organization's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

**A. Organization**

House of Hope, Inc., is a not-for-profit Missouri corporation formed with the purpose to assist victims of domestic violence in Lafayette County, Missouri. The Organization is governed by nine board of directors elected by the members of the corporation. House of Hope, Inc., is a member of the Missouri Coalition Against Domestic Violence and the National Coalition Against Domestic Violence.

**B. Mission Statement**

House of Hope, Inc., believes that all individuals have a right to a life free of abuse of any kind, i.e., domestic, sexual, and emotional. The Organization is dedicated to the work of breaking the cycle of violence through increasing public awareness, providing shelter, services and support to victims, and cooperating with other groups to create a safe environment for all.

**C. Income Tax Status**

House of Hope, Inc, is a not-for-profit organization and exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). The Internal Revenue Service determination letter was approved on July 12, 1997, retroactive to the date of incorporation. Accordingly, the Organization is not required to file federal income tax returns, but is required to file Form 990, "Information Return for Exempt Organizations." The Organization's tax returns are subject to examination by the Internal Revenue Service. Open tax years subject to examination include 2015 through 2018. Any interest or penalties incurred related to income tax filings are reported within management and general expenses in the Statement of Activities.

**D. Accounting Method**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America using the accrual basis of accounting. The accrual basis of accounting recognizes income and expenses in the period earned or incurred, regardless of when cash is received or paid.



**HOUSE OF HOPE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**E. Cash Equivalents**

The Organization considers all cash and certificates of deposit to be cash equivalents.

**F. Contributed Services and Property**

Services – The value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Property – Donations of property and equipment are recorded as revenue at estimated fair value. Such donations are reported as without donor restriction unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and long-term assets are recorded as with donor restriction. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies with donor restriction net assets to without donor restriction net assets at that time.

**G. Depreciation and Amortization**

Significant purchases of property and equipment are capitalized and recorded at cost. Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings	50 years
Building improvements	50 years
Furniture and equipment	5 - 10 years

**H. 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.

**I. Expense Allocation**

The Organization allocates functional expenses among program and supporting services. Expenses identified with a specific program or support service are allocated directly. Other expenses that are common to multiple functions are allocated between the functions based on time and effort. Depreciation expense and the executive director salary are allocated based on time and effort. The remaining expenses are directly charged to each function. The organization has no fund-raising expenses.

**HOUSE OF HOPE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**J. Recent Accounting Pronouncements**

The Organization adopted ASU No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in 2018. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

**NOTE 2: Cash and Cash Equivalents**

At December 31, 2018, the Organization's total cash and cash equivalents on deposit with financial institutions was \$254,863, and the respective bank balances totaled \$255,188. The bank balances at December 31, 2018, were 100% insured by federal depository insurance.

**NOTE 3: Capital Assets**

Changes to capital assets during the year ended December 31, 2018, are as follows:

	Balance January 1, 2018	Additions	Disposals	Balance December 31, 2018
Capital Assets Not Being Depreciated:				
Land	\$ 27,500	\$ -	\$ -	\$ 27,500
Total Capital Assets Not Being Depreciated	<u>27,500</u>	<u>-</u>	<u>-</u>	<u>27,500</u>
Capital Assets Being Depreciated:				
Shelter Building	60,995	-	-	60,995
Office Building	136,081	-	-	136,081
Shelter Building Improvements	91,469	24,584	-	116,053
Furniture and Equipment	122,536	2,250	-	124,786
Less: Accumulated Depreciation	<u>(167,135)</u>	<u>(18,102)</u>	<u>-</u>	<u>(185,237)</u>
Total Capital Assets Being Depreciated	<u>243,946</u>	<u>8,732</u>	<u>-</u>	<u>252,678</u>
Net Capital Assets	<u>\$ 271,446</u>	<u>\$ 8,732</u>	<u>\$ -</u>	<u>\$ 280,178</u>

**HOUSE OF HOPE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 4: Net Assets – Restricted and Unrestricted**

The Organization’s net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions

Net assets subject to restrictions imposed by donor for a purpose will be used for specific purposes designated by a donor (i.e. construction).

The following are net assets with donor restrictions as of December 31, 2018:

	<u>2018</u>
Purpose Restrictions	<u>\$ 5,000</u>
	<u><u>\$ 5,000</u></u>

**NOTE 5: Liquidity and Availability**

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 254,863
Grants receivable	<u>64,340</u>
	<u><u>\$ 319,203</u></u>

As part of the Organization’s liquidity management plant, the Organization’s cash and cash equivalents are held in checking accounts, money market accounts, and certificates of deposits at local financial institutions.

**NOTE 6: Consideration of Subsequent Events**

Subsequent events have been evaluated through May 23, 2019, which is the date the financial statements are available to be issued. No events requiring disclosure were identified as a result of this review.