

Village of Hope of
Palm Beach County, Inc.

Financial Statements
For the Year Ended December 31, 2017

Village of Hope of Palm Beach County, Inc.

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For the Year Ended December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Village of Hope of Palm Beach County, Inc.
Palm Beach Gardens, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Village of Hope of Palm Beach County, Inc. (the "Organization") (a not-for-profit organization), which comprise the statement of financial position as of December 31, 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 of 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.

Basis for Qualified Opinion

As more fully described in Note 9 to the financial statements, the Organization's financial statements do not include the accounts of Place of Hope, Inc., Treasures for Hope, Inc., Thousand Hills Holding Company, Inc., and The Place of Hope at the Haven Campus, Inc. d/b/a The Place of Hope at the Leighan and David Rinker Campus, which are related parties to the Organization. The related parties and the Organization have been identified by management as meeting the requirements for the presentation of combined financial statements as required by accounting principles generally accepted in the United States of America; however, these financial statements are not presented on a combined basis. In our opinion, the Organization's financial statements should include the accounts of these related parties to conform with accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the effects of the matter as discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Organization as of December 31, 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.

KEEFE McCULLOUGH

Fort Lauderdale, Florida
May 24, 2018

Village of Hope of Palm Beach County, Inc.
Statement of Financial Position
December 31, 2017

Assets:

Cash and cash equivalents	\$	39,556
Investments		183,044
Rent receivable		1,494
Prepaid expenses		5,062
Due from related party		1,251
Property and equipment, net		<u>2,666,297</u>

Total assets \$ 2,896,704

Liabilities:

Accounts payable and accrued expenses	\$	30,217
Tenant deposits		<u>2,653</u>

Total liabilities 32,870

Net Assets:

Unrestricted 2,863,834

Total net assets 2,863,834

Total liabilities and net assets \$ 2,896,704

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

Village of Hope of Palm Beach County, Inc.
Statement of Activities
For the Year Ended December 31, 2017

Public Support and Revenues:

Contributions	\$ 317,672
Donated goods and services	148,588
Other revenues	72,593
Rental income	<u>50,860</u>

Total public support and revenues	<u>589,713</u>
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Expenses:

Program services	<u>635,604</u>
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Supporting services:

Management and general	45,894
Fundraising	<u>25,406</u>

Total supporting services	<u>71,300</u>
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Total expenses	<u>706,904</u>
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Net operating revenue (loss)	<u>(117,191)</u>
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Nonoperating revenues:

Net realized and unrealized gains on investments	30,437
Interest and dividend income, net	<u>35</u>

Total nonoperating revenues	<u>30,472</u>
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Change in net assets	(86,719)
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Net Assets, beginning of year	<u>2,950,553</u>
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Net Assets, end of year	<u>\$ <u>2,863,834</u></u>
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The accompanying notes to financial statements are an integral part of these statements.

Village of Hope of Palm Beach County, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2017

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Personnel Costs:				
Salaries, including in-kind donations of \$ 148,588	\$ 248,191	\$ 14,319	\$ 18,845	\$ 281,355
Employee benefits and payroll taxes	<u>21,101</u>	<u>62</u>	<u>62</u>	<u>21,225</u>
Total personnel costs	<u>269,292</u>	<u>14,381</u>	<u>18,907</u>	<u>302,580</u>
Other Expenses:				
Provision for depreciation	131,112	-	-	131,112
Insurance	81,867	459	-	82,326
Residents support	49,368	-	-	49,368
Repairs and maintenance	41,749	4,301	-	46,050
Utilities	32,172	3,575	-	35,747
Professional fees	19,627	17,750	-	37,377
Event expenses	-	-	6,499	6,499
Office supplies and other	2,009	3,849	-	5,858
Licenses and permits	4,960	-	-	4,960
Miscellaneous expenses	3,103	1,429	-	4,532
Training and development	125	125	-	250
Promotional expenses	<u>220</u>	<u>25</u>	<u>-</u>	<u>245</u>
Total other expenses	<u>366,312</u>	<u>31,513</u>	<u>6,499</u>	<u>404,324</u>
Total expenses	<u>\$ 635,604</u>	<u>\$ 45,894</u>	<u>\$ 25,406</u>	<u>\$ 706,904</u>

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

Village of Hope of Palm Beach County, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2017

Cash Flows from Operating Activities:

Change in net assets	\$ (86,719)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Provision for depreciation	131,112
Net realized and unrealized (gains) losses on investments	(30,437)
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Rent receivable	(768)
Prepaid expenses	638
Due from related party	(1,251)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(6,455)
Tenant deposits	278
	<u>6,398</u>
Net cash provided by (used in) operating activities	<u>6,398</u>

Cash Flows from Investing Activities:

Purchases of property and equipment	(43,139)
Proceeds from sales and purchases of investments, net	<u>1,798</u>
Net cash provided by (used in) investing activities	<u>(41,341)</u>
Net increase (decrease) in cash and cash equivalents	(34,943)

Cash and Cash Equivalents, beginning of year	<u>74,499</u>
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Cash and Cash Equivalents, end of year	<u>\$ <u>39,556</u></u>
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The accompanying notes to financial statements are an integral part of these statements.

Note 1 - Organization and Operations

Village of Hope of Palm Beach County, Inc. (the "Organization"), incorporated in March, 2006, is a not-for-profit, tax exempt organization, created to provide independent living residential support and essential life-skills development for emancipated foster youth and other homeless youth in need. The Organization is committed to providing a supportive and proactive living and learning environment for youth who "age out" of the state's foster care system and other homeless youth. The program serves emancipated foster youth and other homeless youth ages eighteen through twenty-five for placement in a residential supervised apartment setting. The Organization partnered with Place of Hope, Inc. ("Place"), a not-for-profit entity and related party (Note 7), to launch the residential campus, located in unincorporated Palm Beach Gardens, Florida, which currently accommodates up to eighteen (18) young adults at a time.

The Organization provides a youth-centered approach allowing participants to decide a course of action for their own future, while promoting access to apartments for self-sufficiency. The Organization is committed to meeting a desperate need in the community by sharing God's love, supporting the transition to adulthood, and building hope - *one young adult at a time*.

The Organization partners with its affiliate organizations Place, Treasures for Hope, Inc. ("Treasures"), Thousand Hills Holding Company, Inc. ("Thousand Hills"), and The Place of Hope at the Haven Campus, Inc. d/b/a The Place of Hope at the Leighan and David Rinker Campus ("Haven") (Notes 7 and 9). Place, a not-for-profit entity incorporated in 1998, provides family-style foster care, family outreach and intervention, transitional housing and support services, adoption and foster care recruitment and support, a maternity home, hope and healing opportunities for children and families who have been traumatized by abuse and neglect throughout Palm Beach County. Treasures, a not-for-profit entity incorporated in 2012, operates a charity store which sells second-hand items, to support the activities of the Organization and Place. Thousand Hills, a not-for-profit entity incorporated in 2012, provides independent living residential support and essential life-skills development for minor girls in crisis. Haven, a not-for-profit entity incorporated in 2013, primarily provides family-style residential foster care for sibling groups and other special needs youth in foster care, residential programs for those who have "aged out", as well as other related services, in the South Palm Beach County area, similar to those services provided by the Organization and Place.

Note 2 - Summary of Significant Accounting Policies

Basis of presentation: Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958 *Not-for-Profit Entities*. Under FASB ASC No. 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Restricted and unrestricted revenue and support: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Noncash contributions are recorded at their estimated fair value on the date received.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Note 2 - Summary of Significant Accounting Policies (continued)

The Organization had no temporarily or permanently restricted net assets as of December 31, 2017.

Cash and cash equivalents: The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization occasionally maintains cash balances at financial institutions which may exceed federally insured amounts. These amounts are maintained with what management believes to be quality financial institutions.

Investments: Investments primarily include equity securities and mutual funds. Investments are stated at their estimated fair value. Unrealized gains and losses in fair value are recognized.

Promises to give: Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organization had no unconditional or conditional promises to give as of December 31, 2017.

Allowance for doubtful accounts: Management periodically reviews the rent receivable balance. The direct write-off method is used to recognize bad debts. At December 31, 2017, management considered the accounts receivable to be fully collectible within the current accounting period and no allowance for doubtful accounts was considered necessary.

Property and equipment: Property and equipment are carried at cost if purchased or, if donated, at estimated fair value on the date of donation, less accumulated depreciation. The Organization's policy is to provide for depreciation using the straight-line method over the estimated useful life of each type of asset which is as follows:

Building and improvements	27.5 years
Land improvements	27.5 years
Furniture, fixtures, and office equipment	3-7 years
Vehicles	5-7 years

Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Without donor stipulations regarding how long these donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service, reclassifying temporarily restricted net assets to unrestricted net assets at that time.

Maintenance and repairs to property and equipment are charged to expense when incurred. Additions and major renewals are capitalized.

Grants and contracts revenue: Grants and contracts revenue is recognized when the allowable costs as defined by the individual grant or contract are incurred and/or the unit of service has been provided.

Functional expenses: Program and supporting services are charged with their direct expenses. Other expenses are allocated based on their proportionate share of total expenses as well as other estimates provided by management.

Note 2 - Summary of Significant Accounting Policies (continued)

Joint costs of fundraising appeals: The Organization utilizes various pamphlets, brochures and informational methods to inform the general public of their activities and to solicit funds. These costs are charged to fundraising.

Income taxes: The Organization qualifies as a non-profit corporation exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3), with the exception of any unrelated business income. Management has evaluated the unrelated business tax implications and believes that the effects, if any, are immaterial to the Organization's financial statements. Accordingly, no provision for income taxes has been made to these financial statements.

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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Date of management's review: Management has evaluated subsequent events through May 24, 2018, which is the date the financial statements were available for issuance.

Note 3 – Grants and Contracts

Funding agreements for services to be provided are generally entered into on an annual basis. The release of funds is subject to monies made available by the federal and state government, and certain other grantor agencies, as applicable. These agreements may generally be terminated by either party upon thirty to ninety days written notice; however, such an event would be unlikely if contract performance continues to be satisfactory.

Program expenditures made by the Organization are subject to additional audit by grantor agencies. As a result of such audits, the grantor may require that amounts be returned. In certain instances, the grantor may increase its grant of funds to the Organization to offset amounts which would otherwise be repayable based on audits. As of December 31, 2017, no amounts are known to be owed to grantor agencies.

In accordance with the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Florida Single Audit Act, the Organization is required to perform "single audits" when the required threshold of \$ 750,000 in grant expenditures from either source is exceeded. During the year ended December 31, 2017, the Organization did not exceed the required threshold for either source and thus no single audit was required.

Note 4 - Donated Goods and Services

The Organization receives donated goods and services, paying for most services requiring specific expertise. A number of volunteers have donated their time in certain of the Organization's program service areas, fundraising activities and efforts to solicit charitable contributions. Because of the difficulty in determining the number of hours for such services, those items are not disclosed in the accompanying financial statements. However, when the value of donated services requires specific expertise, they are recorded in the financial statements as revenue and as an expense, or as property and equipment, depending on the nature of the services provided. For the year ended December 31, 2017, the Organization recorded as a revenue and as an expense \$ 148,588 in donated services, which related to program and supporting services received from Place (Note 7).

Note 5 - Investments

The Organization follows the Statement of Financial Accounting Standards Board in its Accounting Standards Codification (FASB ASC) No. 820, *Fair Value Measurements and Disclosures* for fair value measurements of investments that are recognized and disclosed at fair value in the financial statements on a recurring basis. FASB ASC No. 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical investments that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investments, either directly or indirectly (e.g. quoted prices in active markets for similar securities, valuations based on commonly quoted benchmarks, interest rates and yield curves, and/or securities indices).
- Level 3 inputs are unobservable inputs for the investments (e.g. information about assumptions, including risk, market participants would use in pricing a security).

The level in the fair value hierarchy within which a fair measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The input or methodology used for valuing securities is not necessarily an indicator of risk associated with investing in those securities.

The following table represents the investments as held by the Organization at December 31, 2017:

	Level 1	Level 2	Level 3	Total
Equities	\$ 145,355	\$ -	\$ -	\$ 145,355
Mutual funds	37,689	-	-	37,689
Total	\$ <u>183,044</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>183,044</u>

Note 5 – Investments (continued)

Investment income relative to these investments and others held and sold during the year is comprised of:

Net realized and unrealized gains	\$ 30,437
Interest and dividend income, net	<u>35</u>
	<u>\$ 30,472</u>

Note 6 - Property and Equipment

Property and equipment consists of the following at December 31, 2017:

Buildings and improvements	\$ 2,414,543
Land improvements	687,943
Furniture, fixtures, and office equipment	72,763
Vehicles	<u>66,588</u>
	3,241,837
Less: accumulated depreciation	<u>881,654</u>
	2,360,183
Land	<u>306,114</u>
	<u>\$ 2,666,297</u>

Certain grant revenue has been previously awarded to the Organization for the purpose of improving existing real estate. If the improved real estate is no longer used for its intended purpose, the Organization must obtain approval from the grantor agencies to use this property for other lawful purposes within the prescribed time-frame.

Note 7 - Related Party Transactions (Note 1)

The Organization is related to Place through common board members and management. The Organization also receives support in the form of donated services and contributions for its general operations from Place. During the year, the Organization received approximately \$ 79,000 of in-kind services and approximately \$ 50,000 of contributions from Place. In addition, as of December 31, 2017, the Organization had an amount due from Place amounting to \$ 1,251, for expense reimbursements. This amount bears no interest and there is no established repayment schedule.

The Organization is also related to Treasures, Thousand Hills, and Haven, all not-for-profit entities, through common board members and management. For the year ended December 31, 2017, the Organization received approximately \$ 156,000 of contributions from Treasures and approximately \$ 70,000 of in-kind services from Haven.

Note 8 - Retirement Plan

The Organization’s SIMPLE IRA retirement plan is available to all employees who have worked for the Organization for at least one year and have earned or are expected to earn a specified minimum salary. For the year ended December 31, 2017, the Organization contributed approximately \$ 3,400 to the plan.

Note 9 - Combination of Related Party Entities (Note 1)

FASB Accounting Standards Codification (ASC) 958-810-25-3 for Not-for-Profit Organizations requires combination of related party financial statements if one of the related parties has (1) control through a majority voting interest, and (2) economic interest. The Organization, Place, Treasures, Thousand Hills, and Haven are all not-for-profit entities which share common Board members and Officers. Furthermore, Place provides general support to these entities in the form of contributions and donated services. Management indicated that, although the criterion for combination was met for the current year, they had chosen not to combine the financial statements for presentation. The Organization determined that if combination had taken place, as required by accounting principles generally accepted in the United States of America, the current year activity would have been affected by the summarized financial information documented in the tables below.

Summarized financial information for Place, as of and for the year ended December 31, 2017, is as follows:

Total assets	\$ 20,081,414
Total liabilities	<u>661,513</u>
Total net assets	<u>\$ 19,419,901</u>
Total change in net assets	<u>\$ 4,674,222</u>

Summarized financial information for Treasures, as of and for the year ended December 31, 2017, is as follows:

Total assets	\$ 2,159,839
Total liabilities	<u>1,354,979</u>
Total net assets	<u>\$ 804,860</u>
Total change in net assets	<u>\$ 43,708</u>

Summarized financial information for Thousand Hills, as of and for the year ended December 31, 2017, is as follows:

Total assets	\$ 106,713
Total liabilities	<u>35,005</u>
Total net assets	<u>\$ 71,708</u>
Total change in net assets	<u>\$ (141,715)</u>

Summarized financial information for Haven, as of and for the year ended December 31, 2017, is as follows:

Total assets	\$ 9,603,058
Total liabilities	<u>1,145,511</u>
Total net assets	<u>\$ 8,457,547</u>
Total change in net assets	<u>\$ 2,125,454</u>

Note 9 - Combination of Related Party Entities (Note 1) (continued)

Reference should be made to the financial statements of Place of Hope, Inc., Treasures for Hope, Inc., Thousand Hills Holding Company, Inc., and The Place of Hope at the Haven Campus, Inc. d/b/a The Place of Hope at the Leighan and David Rinker Campus as to which the independent auditor's reports are dated May 24, 2018.

Note 10 – Supplemental Cash Flows Information

Cash received during the year for -	
Interest income	\$ <u>35</u>