

Village of Hope of
Palm Beach County, Inc.

Financial Statements
For the Year Ended December 31, 2018

Village of Hope of Palm Beach County, Inc.

Financial Statements
For the Year Ended December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

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

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, 2018, 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 qualified audit opinion.

Basis for Qualified Opinion

As more fully described in Note 11 to the financial statements, the Organization's financial statements do not include the accounts of Place of Hope, Inc., Treasures for Hope, 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, 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.

KEEFE McCULLOUGH

Fort Lauderdale, Florida
June 25, 2019

Village of Hope of Palm Beach County, Inc.
Statement of Financial Position
December 31, 2018

Assets:

Cash and cash equivalents	\$	122,775
Investments		177,737
Rent receivable		3,048
Prepaid expenses		10,372
Due from related party		65,585
Property and equipment, net		<u>2,536,761</u>
Total assets	\$	<u><u>2,916,278</u></u>

Liabilities:

Accounts payable and accrued expenses	\$	121,297
Tenant deposits		2,453
Deferred revenue		<u>6,875</u>
Total liabilities		<u>130,625</u>

Net Assets:

Without donor restrictions:		
Undesignated		<u>2,785,653</u>
Total net assets		<u>2,785,653</u>
Total liabilities and net assets	\$	<u><u>2,916,278</u></u>

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, 2018

Public Support and Revenues:

Contributions	\$ 545,191
Donated goods and services	102,270
Grants and contracts	90,176
Rental income	51,443
Other revenues	<u>4,105</u>
Total public support and revenues	<u>793,185</u>

Expenses:

Program services	<u>755,373</u>
Supporting services:	
Management and general	81,383
Fundraising	<u>30,774</u>
Total supporting services	<u>112,157</u>
Total expenses	<u>867,530</u>
Net operating revenue (loss)	<u>(74,345)</u>

Nonoperating revenues:

Interest and dividend income, net	3,562
Net realized and unrealized gains (losses) on investments	<u>(7,398)</u>
Total nonoperating revenues	<u>(3,836)</u>
Change in net assets	(78,181)

Net Assets, beginning of year	<u>2,863,834</u>
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Net Assets, end of year	\$ <u><u>2,785,653</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, 2018

	<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 \$ 102,270	\$ 304,578	\$ 62,378	\$ 27,041	\$ 393,997
Employee benefits and payroll taxes	<u>28,293</u>	<u>6,724</u>	<u>2,988</u>	<u>38,005</u>
Total personnel costs	<u>332,871</u>	<u>69,102</u>	<u>30,029</u>	<u>432,002</u>
Other Expenses:				
Provision for depreciation	132,825	-	-	132,825
Insurance	78,629	3,237	567	82,433
Residents support	68,697	-	-	68,697
Professional fees	37,043	7,578	78	44,699
Repairs and maintenance	43,133	-	-	43,133
Utilities	38,034	-	-	38,034
Miscellaneous expenses	8,418	1,119	-	9,537
Office supplies and other	7,484	-	-	7,484
Licenses and permits	5,793	-	-	5,793
Event expenses	1,386	347	-	1,733
Promotional expenses	828	-	100	928
Training and development	<u>232</u>	<u>-</u>	<u>-</u>	<u>232</u>
Total other expenses	<u>422,502</u>	<u>12,281</u>	<u>745</u>	<u>435,528</u>
Total expenses	<u>\$ 755,373</u>	<u>\$ 81,383</u>	<u>\$ 30,774</u>	<u>\$ 867,530</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, 2018

Cash Flows from Operating Activities:

Change in net assets	\$ (78,181)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Provision for depreciation	132,825
Net realized and unrealized (gains) losses on investments	7,398
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Rent receivable	(1,554)
Prepaid expenses	(5,310)
Due from related party	(64,334)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	91,080
Tenant deposits	(200)
Deferred revenue	6,875
	<u>88,599</u>
Net cash provided by (used in) operating activities	<u>88,599</u>

Cash Flows from Investing Activities:

Proceeds from sales and purchases of investments, net	(2,091)
Purchases of property and equipment	(3,289)
	<u>(5,380)</u>
Net cash provided by (used in) investing activities	<u>(5,380)</u>
Net increase (decrease) in cash and cash equivalents	83,219

Cash and Cash Equivalents, beginning of year	<u>39,556</u>
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Cash and Cash Equivalents, end of year	<u>\$ <u>122,775</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 8), 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"), 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 8 and 11). 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. 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 accounting: The Organization uses the accrual basis of accounting for financial reporting purposes, which is in accordance with generally accepted accounting principles. Revenues are recognized when earned and expenses are recognized when incurred.

Basis of presentation: The financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Update (FASB ASU) 2016-14 Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements for Not-for-Profit Entities*. 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: Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - consist of net assets for use in general operations and not subject to donor (or certain grantor) restrictions.

Note 2 - Summary of Significant Accounting Policies (continued)

Net Assets with Donor Restrictions - represent net assets subject to donor (or certain grantor) imposed restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor or grantor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor (or certain grantor) imposed restrictions are released when a restriction expires, that is, when the stipulated period of time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Organization reported no net assets with donor restrictions as of December 31, 2018.

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, 2018.

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, 2018, management considered the rent 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

Donated property and equipment is reported, at estimated fair value, as an increase in net assets without donor restrictions 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 equipment are reported as an increase in net assets with donor restrictions. Without donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of the donor restrictions when the donated assets are placed in service, reclassifying net assets with donor restrictions to net assets without donor restrictions at that time. The Organization recorded no such assets during the year ended December 31, 2018.

Note 2 - Summary of Significant Accounting Policies (continued)

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

Contributions: Contributions received are recorded as increases to net assets without donor restrictions or with donor restrictions depending on the existence of any donor-imposed restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as without donor restrictions.

Deferred revenue: Grants and contracts revenue that is not recognized because the allowable costs as defined by the individual grant or contract have not been incurred and/or the unit of service has not been provided is considered deferred revenue.

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: The costs of providing the various programs and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. 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.

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 June 25, 2019, which is the date the financial statements were available for issuance.

Note 3 - Liquidity and Availability

Financial assets available for general expenditure, 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	\$	122,775
Investments		177,737
Rent receivable		3,048
Due from related party		65,585
		<u>65,585</u>
	\$	<u>369,145</u>

Note 4 - 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, 2018, 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, 2018, the Organization did not exceed the required threshold for either source and thus no single audit was required.

Note 5 - 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, 2018, the Organization recorded as a revenue and as an expense approximately \$ 102,300 in donated services, which related to program and supporting services received from Place (Note 8).

Note 6 - 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).

Note 6 - Investments (continued)

- 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, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 153,611	\$ -	\$ -	\$ 153,611
Mutual funds	<u>24,126</u>	<u>-</u>	<u>-</u>	<u>24,126</u>
Total	<u>\$ 177,737</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,737</u>

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

Interest and dividend income, net	3,562
Net realized and unrealized gains (losses)	\$ <u>(7,398)</u>
	<u>\$ (3,836)</u>

Note 7 - Property and Equipment

Property and equipment consists of the following at December 31, 2018:

Buildings and improvements	\$ 2,414,543
Land improvements	687,943
Furniture, fixtures, and office equipment	76,052
Vehicles	<u>66,588</u>
	3,245,126
Less: accumulated depreciation	<u>1,014,479</u>
	2,230,647
Land	<u>306,114</u>
	<u>\$ 2,536,761</u>

Certain grant revenue have 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 8 - 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 \$ 102,300 of in-kind services and \$ 250,000 of contributions from Place. In addition, as of December 31, 2018, the Organization had an amount due from Place amounting to \$ 65,585, for expense reimbursements. This amount bears no interest and there is no established repayment schedule.

Note 8 - Related Party Transactions (Note 1) (continued)

The Organization is also related to Treasures, and Haven, all not-for-profit entities, through common board members and management. For the year ended December 31, 2018, the Organization received \$ 75,000 of contributions from Treasures.

Note 9 - 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, 2018, the Organization contributed approximately \$ 4,200 to the plan.

Note 10 - Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel costs, insurance, professional fees, miscellaneous expenses, and other expenses; which are allocated on the basis of estimates of time and effort, and other methods as determined by management.

Note 11 - 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, 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, 2018, is as follows:

Total assets	\$ 21,940,538
Total liabilities	<u>1,006,659</u>
Total net assets	<u>\$ 20,933,879</u>
Total change in net assets	<u>\$ 1,513,978</u>

Village of Hope of Palm Beach County, Inc.
Notes to Financial Statements
December 31, 2018

Note 11 - Combination of Related Party Entities (Note 1) (continued)

Summarized financial information for Treasures, as of and for the year ended December 31, 2018, is as follows:

Total assets	\$ 2,094,311
Total liabilities	<u>1,254,982</u>
Total net assets	\$ <u>839,329</u>
Total change in net assets	\$ <u>34,469</u>

Summarized financial information for Haven, as of and for the year ended December 31, 2018, is as follows:

Total assets	\$ 11,926,836
Total liabilities	<u>1,396,203</u>
Total net assets	\$ <u>10,530,633</u>
Total change in net assets	\$ <u>2,073,086</u>

Reference should be made to the financial statements of Place of Hope, Inc., Treasures for Hope, 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 June 25, 2019.

Note 12 - Supplemental Cash Flows Information

Cash received during the year for - Interest income	\$ <u>3,562</u>
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