

Village of Hope of Palm Beach County, Inc.

Financial Statements
For the Year Ended December 31, 2022



Village of Hope of Palm Beach County, Inc.

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Village of Hope of Palm Beach County, Inc. (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of December 31, 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 the Organization as of December 31, 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 the 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.

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.
- Conclude 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.

KEEFE McCULLOUGH

Fort Lauderdale, Florida
August 25, 2023

Village of Hope of Palm Beach County, Inc.
Statement of Financial Position
December 31, 2022

Assets:

Cash and cash equivalents	\$	661,996
Investments		407,262
Prepaid expenses		14,931
Property and equipment, net		<u>2,060,401</u>
Total assets	\$	<u><u>3,144,590</u></u>

Liabilities:

Accounts payable and accrued expenses	\$	106,331
Tenant deposits		5,100
Due to related party		<u>19,783</u>
Total liabilities		<u>131,214</u>

Net Assets:

Without donor restrictions:		
Undesignated		<u>3,013,376</u>
Total net assets		<u>3,013,376</u>
Total liabilities and net assets	\$	<u><u>3,144,590</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, 2022

	Without Donor Restrictions
Public Support and Revenues:	
Contributions	\$ 1,084,388
Donated facilities	209,000
Contributed nonfinancial assets	142,525
Rental income	89,620
Grants and contracts	99,968
	<hr/>
Total public support and revenues	1,625,501
	<hr/>
Expenses:	
Program services	1,187,773
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Supporting services:	
Management and general	102,609
Fundraising	35,261
	<hr/>
Total supporting services	137,870
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Total expenses	1,325,643
	<hr/>
Net operating revenue	299,858
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Nonoperating Revenues (Expenses):	
Investment income (loss), net	(88,306)
	<hr/>
Total nonoperating revenues (expenses)	(88,306)
	<hr/>
Change in net assets	211,552
	<hr/>
Net Assets, Beginning of Year	2,801,824
	<hr/>
Net Assets, End of Year	\$ <u>3,013,376</u>

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, 2022

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Personnel Costs:				
Salaries	\$ 367,729	\$ 59,756	\$ 32,176	\$ 459,661
Employee benefits and payroll taxes	50,434	5,383	2,899	58,716
Total personnel costs	<u>418,163</u>	<u>65,139</u>	<u>35,075</u>	<u>518,377</u>
Other Expenses:				
Event expenses	4,140	1,035	-	5,175
Insurance	96,515	2,397	-	98,912
Licenses and permits	6,887	6,597	-	13,484
Management fees-in-kind	138,178	4,347	-	142,525
Miscellaneous expenses	3,186	-	-	3,186
Office supplies and other	4,409	-	-	4,409
Outreach	8,000	-	-	8,000
Professional fees	36,128	23,094	186	59,408
Promotional expenses	1,178	-	-	1,178
Provision for depreciation	122,570	-	-	122,570
Rent-in-kind	209,000	-	-	209,000
Repairs and maintenance	52,523	-	-	52,523
Residents support	29,840	-	-	29,840
Training and development	5,075	-	-	5,075
Utilities	51,981	-	-	51,981
Total other expenses	<u>769,610</u>	<u>37,470</u>	<u>186</u>	<u>807,266</u>
Total expenses	<u>\$ 1,187,773</u>	<u>\$ 102,609</u>	<u>\$ 35,261</u>	<u>\$ 1,325,643</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, 2022

Cash Flows from Operating Activities:	
Change in net assets	\$ 211,552
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Provision for depreciation	122,570
Net realized and unrealized (gains) losses on investments	106,163
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Rent receivable	4,904
Prepaid expenses	2,569
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	48,647
Tenant deposits	(2,690)
Due to related party	(579)
	<u>493,136</u>
Net cash provided by (used in) operating activities	<u>493,136</u>
Cash Flows from Investing Activities:	
Proceeds from sales of investments	46,502
Purchases of investments	(67,680)
	<u>(21,178)</u>
Net cash provided by (used in) investing activities	<u>(21,178)</u>
Net increase in cash and cash equivalents	471,958
Cash and Cash Equivalents, Beginning of Year	<u>190,038</u>
Cash and Cash Equivalents, End of Year	<u>\$ 661,996</u>

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 for placement in a residential supervised apartment setting. The Organization partnered with Place of Hope, Inc. ("Place of Hope"), a not-for-profit entity and related party (Note 8), to launch the residential campuses, located in unincorporated Palm Beach Gardens and Boca Raton, Florida, which combined currently accommodates up to fifty-eight (58) 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 of Hope, Treasures for Hope, Inc. d/b/a Peninsula Social Enterprises ("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"). Place of Hope, a not-for-profit entity incorporated in 1998, provides family-style foster care, family outreach and intervention, transitional housing and support services, 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 social enterprise to support the activities of the Organization. Haven, a nonprofit entity incorporated in 2013, provides real estate and other property and equipment to the Organization and Place of Hope in furtherance of their respective missions.

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 accounting principles generally accepted in the United States of America ("U.S. GAAP"). 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.

Generally, contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. 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 restrictions. All contributions are considered available for general use, unless specifically restricted by the donor or subject to other legal restrictions. The Organization reported no net assets with donor restrictions at December 31, 2022.

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.

Investments: Investments primarily include equity and fixed income securities. Investments are stated at their estimated fair value. Realized/unrealized gains and losses in fair value are recognized and are included in the accompanying statement of activities.

Promises to give: The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques based on the Organization's expected rate of return. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Consequently, the Organization had approximately \$ 415,000 of conditional promises to give that have not been recognized in the accompanying statement of activities as of December 31, 2022.

Rent receivable and allowance for doubtful accounts: Rent receivable consists principally of claims not yet reimbursed for amounts billed to individuals. Management periodically reviews the rent receivable balance and provides an allowance for accounts which may be uncollectible. There was no rent receivable at December 31, 2022.

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
Vehicles	5-7 years
Furniture, fixtures, and office equipment	3-7 years

Donations of property and equipment are reported as support without donor restrictions 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 an increase to net assets with donor restrictions. 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 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, 2022.

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.

Revenue and revenue recognition: The Organization recognizes revenues from nonexchange transactions when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met or explicitly waived.

The Organization provides residential services to young adult tenants who have aged out of the state's traditional foster care system. Rental income from these services is recognized when earned, as there is no fixed long-term arrangement.

Grants and contracts revenue derived from units of service contracts is recognized as revenue when the unit of service has been provided in compliance with the specific contract. Revenue derived from cost-reimbursement contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses, is recognized when such expenditures are incurred in compliance with specific contract provisions.

Refundable advances: Revenues received in advance (nonexchange transaction) that are not recognized because the allowable costs as defined by the individual grant or contract have not been incurred, the unit of service has not been provided, and/or the conditions have not been substantially met or explicitly waived are considered refundable advances. There were no refundable advances at December 31, 2022.

Donated facilities: Donated facilities are recognized, at estimated fair value, as a contribution, along with a corresponding expense, in the period the right-of-use of the facilities is received from a third party.

Donated goods and services: Donated services are recognized, at estimated fair value, as a contribution, along with corresponding expense, if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individual with those skills, and would otherwise have been purchased. Donated goods are recorded at their estimated fair market value when received. Donated equipment is capitalized at its estimated fair market value at the date of donation and depreciated over the estimated useful life of the asset.

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. Expenses that can be directly identified within a program or supporting service are charged accordingly. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses, including personnel costs, professional fees, and other expenses, are allocated on the basis of estimates of time and effort and other methods as determined 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.

Note 2 - Summary of Significant Accounting Policies (continued)

Concentration of credit risk: Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of cash and cash equivalents and investments. The Organization has cash in financial institutions that is insured by the Federal Deposit Insurance Corporation ("FDIC"). At various times throughout the year, the Organization may have cash balances at financial institutions that exceed the insured amount. Investments are held in brokerage accounts protected by the Securities Investor Protection Corporation ("SIPC"). In the event of broker-dealer failure, the Organization has up to \$ 500,000 of protection for each brokerage account. The SIPC insurance does not protect against market losses on investments. Deposit and investment accounts are maintained with what management believes to be quality financial institutions.

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 U.S. GAAP 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 August 25, 2023, 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	\$	661,996
Investments		<u>407,262</u>
	\$	<u><u>1,069,258</u></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, 2022, no amounts are known to be owed to grantor agencies.

Note 4 - Grants and Contracts (continued)

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, 2022, the Organization did not exceed the required threshold for either source and thus no single audit was required.

Note 5 - Investments

In accordance with the Statement of Financial Accounting Standards Board in its Accounting Standards Codification (FASB ASC) No. 820, *Fair Value Measurements and Disclosures*, the Organization has defined and established a framework for measuring fair value and expanded disclosures about fair value measurements. Various inputs are used in determining the fair value of the Organization’s investments. These inputs are summarized in three levels listed below:

- 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.

Fair values of investments held by the Organization are classified at December 31, 2022 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 277,447	\$ -	\$ -	\$ 277,447
Fixed income	<u>-</u>	<u>129,815</u>	<u>-</u>	<u>129,815</u>
Total	<u>\$ 277,447</u>	<u>\$ 129,815</u>	<u>\$ -</u>	<u>\$ 407,262</u>

Village of Hope of Palm Beach County, Inc.
Notes to Financial Statements
December 31, 2022

Note 5 - Investments (continued)

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

Interest and dividend income	\$	22,133
Fees		(4,276)
Net realized/unrealized gains (losses)		<u>(106,163)</u>
	\$	<u><u>(88,306)</u></u>

Note 6 - Property and Equipment

Property and equipment consist of the following at December 31, 2022:

Buildings and improvements	\$	2,415,592
Land improvements		687,943
Vehicles		120,981
Furniture, fixtures, and office equipment		<u>112,344</u>
		3,336,860
Less: accumulated depreciation		<u>1,582,573</u>
		1,754,287
Land		<u>306,114</u>
	\$	<u><u>2,060,401</u></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 7 - Contributed Nonfinancial Assets

The Organization receives significant services from unpaid volunteers who have made contributions of their time to develop and continue the programs and events of the Organization. The Organization has not disclosed the value of these services in the accompanying financial statements since they are not susceptible to objective measurement and valuation and therefore the criteria for recognition have not been satisfied.

For the year ended December 31, 2022 the Organization received approximately \$ 143,000 in donated management fees, which relate to program, administrative support and fundraising services received from Place of Hope (Note 8).

Note 8 - Related Party Transactions (Note 1)

Consolidation of other nonprofit organizations is based on whether the Organization has voting control over the other organization's board as evidenced in the other organization's governing documents. The accompanying financial statements do not consolidate Place of Hope, Treasures and Haven because management has determined that, although the Organization has economic interests and contracts with the entities, the requirements for consolidation have not been met.

The Organization is related to Place of Hope 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 of Hope. During the year, the Organization recorded in-kind management fees of approximately \$ 143,000 and received approximately \$ 117,000 of contributions from Place of Hope.

In addition, at December 31, 2022, the Organization had an amount due to Place of Hope amounting to approximately \$ 20,000, for expense reimbursements. This amount bears no interest and has no established repayment schedule.

The Organization also received approximately \$ 209,000 of donated facility revenue relating to a sublease agreement with Place of Hope (Note 10).

The Organization is related to Treasures through common board members and management. For the year ended December 31, 2022, the Organization received approximately \$ 380,000 of contributions from Treasures.

Note 9 - Retirement Plan

Previously, the Organization entered into a safe harbor 401k plan offered to eligible employees. Employee contributions are based upon the amount of compensation each participant elects to defer yearly, which may be "before tax" and are limited only by certain provisions of the Internal Revenue Code. The Organization provides a 100% match of up to 4% of the employees' eligible earnings. The total 401(k) plan expense for the Organization for the year ended December 31, 2022 amounted to approximately \$ 10,000. Subsequent to year end, the Organization amended the plan to increase the employer match to 5% of eligible earnings.

Note 10 - Lease Agreement

Previously, the Organization began using facilities leased by Place of Hope to further a significant portion of their program services. The Organization entered a 10-year sublease agreement with Place of Hope for use of these facilities. In consideration of this lease, the Organization will make annual payments of \$ 1 through May 2030. For the year ended December 31, 2022, the Organization recorded approximately \$ 209,000 of in-kind revenue and expense in relation to the lease.

Note 11 - Subsequent Event

Subsequent to year end, the Organization became a member of the Place of Hope Foundation, Inc., (the "Foundation") a nonprofit entity formed for the purpose of supporting Place of Hope, Treasures, and the Organization and transferred certain investments of the Organization to the Foundation.