

VILLAGE OF HOPE OF
PALM BEACH COUNTY, INC.

FINANCIAL STATEMENTS

December 31, 2014

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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, 2014, 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.

Village of Hope of Palm Beach County, Inc.

Basis for Qualified Opinion

As more fully described in Note 8 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. 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 Place of Hope, Inc., Treasures for Hope, Inc., Thousand Hills Holding Company, Inc., and The Place of Hope at the Haven Campus, Inc. 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 described 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 Village of Hope of Palm Beach County, Inc. as of December 31, 2014, and the change 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 8, 2015

VILLAGE OF HOPE OF PALM BEACH COUNTY, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2014

ASSETS

ASSETS:	
Cash and cash equivalents	\$ 88,045
Rent receivable	5,035
Prepaid expenses	28,600
Due from related parties	114,417
Property and equipment, less accumulated depreciation of \$ 522,454	<u>2,891,312</u>
Total assets	<u>\$ 3,127,409</u>

LIABILITIES AND NET ASSETS

LIABILITIES:	
Accounts payable	\$ 2,000
Accrued expenses	21,968
Tenant deposits	1,300
Deferred revenue	36,146
Due to related party	<u>39,845</u>
Total liabilities	<u>101,259</u>
NET ASSETS:	
Unrestricted - undesignated	<u>3,026,150</u>
Total net assets	<u>3,026,150</u>
Total liabilities and net assets	<u>\$ 3,127,409</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, 2014

	<u>Unrestricted</u>
CHANGE IN NET ASSETS:	
Operating revenue:	
Contributions	\$ 471,582
Donated goods and services	91,644
Other revenue	41,459
Grants and contracts	35,977
Rental income	32,738
Total operating revenue	673,400
Expenses:	
Operating expenses	576,425
Provision for depreciation	119,125
Total expenses	695,550
Net operating revenue	(22,150)
Nonoperating revenue:	
Interest income	82
Total nonoperating revenue	82
Change in net assets	(22,068)
 NET ASSETS, January 1, 2014	 3,048,218
 NET ASSETS, December 31, 2014	 \$ 3,026,150

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, 2014

	Supporting Services				
	Program Services	Management and General	Fund- raising	Total Supporting Services	Total
PERSONNEL COSTS:					
Salaries, including in-kind donations of \$ 88,578	\$ 257,654	\$ 19,029	\$ 15,817	\$ 34,846	\$ 292,500
Employee benefits and payroll taxes	<u>27,009</u>	<u>915</u>	<u>915</u>	<u>1,830</u>	<u>28,839</u>
Total personnel costs	<u>284,663</u>	<u>19,944</u>	<u>16,732</u>	<u>36,676</u>	<u>321,339</u>
OTHER EXPENSES:					
Provision for depreciation	112,398	6,727	-	6,727	119,125
Insurance	72,350	6,776	-	6,776	79,126
Repairs and maintenance	50,500	4,426	-	4,426	54,926
Professional fees	17,094	17,094	-	17,094	34,188
Household expenses	22,725	-	-	-	22,725
Utilities	16,938	1,883	-	1,883	18,821
Miscellaneous expenses	7,454	721	287	1,008	8,462
Provision for doubtful accounts	7,966	-	-	-	7,966
Office expenses	4,810	1,190	-	1,190	6,000
Licenses and permits	5,103	-	-	-	5,103
Telephone	4,011	446	-	446	4,457
In-kind donations	-	3,066	-	3,066	3,066
Marketing	-	-	2,669	2,669	2,669
Website	2,160	240	-	240	2,400
Dues and subscriptions	1,671	-	-	-	1,671
Bank fees	-	1,587	-	1,587	1,587
Events and public relations	-	-	1,136	1,136	1,136
Travel	<u>391</u>	<u>-</u>	<u>392</u>	<u>392</u>	<u>783</u>
Total other expenses	<u>325,571</u>	<u>44,156</u>	<u>4,484</u>	<u>48,640</u>	<u>374,211</u>
Total expenses	<u>\$ 610,234</u>	<u>\$ 64,100</u>	<u>\$ 21,216</u>	<u>\$ 85,316</u>	<u>\$ 695,550</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, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (22,068)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Provision for depreciation	119,125
Provision for doubtful accounts	7,966
Changes in assets and liabilities:	
Increase in rent receivable	(4,403)
Decrease in prepaid expenses	16,438
Increase in due from related parties	(114,417)
Decrease in accounts payable	(152)
Increase in accrued expenses	5,864
Increase in tenant deposits	300
Increase in deferred revenue	36,146
Increase in due to related party	<u>32,751</u>
Net cash provided by operating activities	<u>77,550</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	<u>(21,568)</u>
Net cash used in investing activities	<u>(21,568)</u>
Net increase in cash and cash equivalents	55,982
CASH AND CASH EQUIVALENTS, January 1, 2014	<u>32,063</u>
CASH AND CASH EQUIVALENTS, December 31, 2014	\$ <u><u>88,045</u></u>

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

VILLAGE OF HOPE OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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 5), 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. ("Haven") (Notes 5 and 8). 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.

VILLAGE OF HOPE OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The Organization had no temporarily or permanently restricted net assets as of December 31, 2014.

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 a financial institution which may exceed federally insured amounts. These amounts are maintained with what management believes to be a quality financial institution.

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, 2014.

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, 2014, 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
Vehicles	5-7 years
Furniture and fixtures	7 years
Office equipment	5 years

VILLAGE OF HOPE OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. In addition, revenues from special events that are considered exchange transactions are deferred until the special event takes place.

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.

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.

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:

Subsequent events have been evaluated by management through May 8, 2015, which is the date the financial statements were available for issuance.

VILLAGE OF HOPE OF PALM BEACH COUNTY, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

NOTE 3 - DONATED GOODS AND SERVICES

The Organization receives donated goods and services, paying for most services requiring specific expertise. However, 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, 2014, the Organization recorded as a revenue and as an expense \$ 88,578 in donated services, which related to program and supporting services received from Place (Note 5). Further, the Organization received \$ 3,066 in donated professional services (management and general).

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2014:

Buildings and improvements	\$	2,335,260
Land improvements		687,943
Vehicles		56,124
Furniture and fixtures		24,016
Office equipment		4,309
		3,107,652
Less accumulated depreciation		522,454
		2,585,198
Land		306,114
	\$	2,891,312

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 5 - 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 \$ 89,000 of in-kind services and \$ 250,000 of contributions from Place. In addition, as of December 31, 2014, the Organization had an amount due from Place amounting to \$ 14,417, for expense reimbursements.

The Organization is also related to Treasures, Thousand Hills, and Haven, all not-for-profit entities, through common board members and management. As of December 31, 2014, the Organization had an amount due from Treasures amounting to \$ 100,000, for short-term working capital needs. The Organization also received \$ 25,000 of contributions from Treasures during the year. In addition, as of December 31, 2014, the Organization had an amount due to Haven amounting to \$ 39,845, for expense reimbursements. Amounts due to/from related parties bear no interest and have no established repayment schedule.

VILLAGE OF HOPE OF PALM BEACH COUNTY, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

NOTE 6 - 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 income 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.

NOTE 7 - 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, 2014, the Organization contributed approximately \$ 5,000 to the Plan.

NOTE 8 - COMBINATION OF RELATED PARTY ENTITIES

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, 2014 is as follows:

Total assets	\$ 12,272,464
Total liabilities	<u>477,301</u>
 Total net assets	 \$ <u><u>11,795,163</u></u>
 Total change in net assets	 \$ <u><u>602,654</u></u>

Summarized financial information for Treasures as of and for the year ended December 31, 2014 is as follows:

Total assets	\$ 2,258,775
Total liabilities	<u>1,718,132</u>
 Total net assets	 \$ <u><u>540,643</u></u>
 Total change in net assets	 \$ <u><u>219,602</u></u>

VILLAGE OF HOPE OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 8 - COMBINATION OF RELATED PARTY ENTITIES (continued)

Summarized financial information for Thousand Hills as of and for the year ended December 31, 2014 is as follows:

Total assets	\$ 109,233
Total liabilities	<u>17,766</u>
Total net assets	<u>\$ 91,467</u>
Total change in net assets	<u>\$ (327,236)</u>

Summarized financial information for Haven as of and for the year ended December 31, 2014 is as follows:

Total assets	\$ 4,965,084
Total liabilities	<u>339,096</u>
Total net assets	<u>\$ 4,625,988</u>
Total change in net assets	<u>\$ 1,320,920</u>

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. as to which the independent auditor's reports are dated May 8, 2015.

NOTE 9 - SUPPLEMENTAL CASH FLOW INFORMATION

Cash received during the year for -	
Interest income	\$ 82