

*HopeWorks of Howard County, Inc.*

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED**

**JUNE 30, 2018 AND 2017**

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
HopeWorks of Howard County, Inc.  
Columbia, Maryland

**Report on the Financial Statements**

We have audited the accompanying financial statements of HopeWorks of Howard County, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017 and the related statements of activities and changes in net assets, statements of cash flows, and statements of functional expenses for the years 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HopeWorks of Howard County, Inc. as of June 30, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Taksey Neff + Associates LLC*  
January 11, 2019

**HOPEWORKS OF HOWARD COUNTY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2018 AND 2017**

	2018	2017
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 168,017	\$ 154,705
Grants receivable	306,111	320,419
Prepaid expenses and other current assets	62,823	44,275
Deposit for computers	48,145	-
<b>Total Current Assets</b>	585,096	519,399
<b>Property, Plant and Equipment</b>		
Land	19,759	19,759
Buildings and improvements	597,831	597,831
Furniture and equipment	99,543	96,747
Auto	26,844	26,844
<b>Total Property, Plant and Equipment</b>	743,977	741,181
Less: accumulated depreciation	(288,664)	(250,582)
<b>Net Property, Plant and Equipment</b>	455,313	490,599
<b>Other Assets</b>		
Security deposits	7,610	7,610
<b>TOTAL ASSETS</b>	\$ 1,048,019	\$ 1,017,608
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and credit cards payable	\$ 15,202	\$ 36,601
Accrued expenses and other current liabilities	83,605	91,422
Refundable advances	17,247	19,160
<b>Total Current Liabilities</b>	116,054	147,183
<b>Net Assets</b>		
Unrestricted	931,965	820,425
Temporarily restricted	-	50,000
<b>Total Net Assets</b>	931,965	870,425
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 1,048,019	\$ 1,017,608

See independent auditors' report.

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

**HOPEWORKS OF HOWARD COUNTY, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	For the Year Ended June 30, 2018			For the Year Ended June 30, 2017		
	Temporarily		Total	Temporarily		Total
	Unrestricted	Restricted		Unrestricted	Restricted	
<b>REVENUES, GAINS AND OTHER SUPPORT</b>						
Special events, gross	\$ 39,296	\$ -	\$ 39,296	\$ 74,408	\$ -	\$ 74,408
Revenue, Gains and Other Support						
Contributions	188,098	-	188,098	139,913	-	139,913
United Way	-	-	-	15,019	-	15,019
Government grants	2,007,397	-	2,007,397	1,770,092	-	1,770,092
Donated rent	24,000	-	24,000	24,000	-	24,000
Donated food and supplies	14,638	-	14,638	25,223	-	25,223
Counseling fees	27,481	-	27,481	25,720	-	25,720
Other income	2,495	-	2,495	28	-	28
Total Revenue, Gains and Other Support	2,264,109	-	2,264,109	1,999,995	-	1,999,995
Total Special Events, Revenue, Gains and Other Support	2,303,405	-	2,303,405	2,074,403	-	2,074,403
Expenses						
Program Services	1,856,628	-	1,856,628	1,743,702	-	1,743,702
Supporting services						
Management and general	326,588	-	326,588	297,839	-	297,839
Fund raising	58,649	-	58,649	54,187	-	54,187
Total Supporting Services	385,237	-	385,237	352,026	-	352,026
Total Expenses	2,241,865	-	2,241,865	2,095,728	-	2,095,728
Change in net assets	61,540	-	61,540	(21,325)	-	(21,325)
Net assets beginning of year	820,425	50,000	870,425	756,544	146,283	902,827
Change in temporarily restricted funds	50,000	(50,000)	-	96,283	(96,283)	-
Prior period adjustment-See Note 10	-	-	-	(11,077)	-	(11,077)
Net assets end of year	\$ 931,965	\$ -	\$ 931,965	\$ 820,425	\$ 50,000	\$ 870,425

**HOPEWORKS OF HOWARD COUNTY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 61,540	\$ (21,325)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	38,084	39,323
(Gain) loss on disposal of fixed assets	-	292
(Increase) decrease in assets:		
Grants receivable	14,308	(77,818)
Contributions receivable	-	165,000
Prepaid expenses and other current assets	(18,549)	(26,608)
Increase (decrease) in liabilities:		
Accounts payable	(14,905)	11,618
Accrued expenses	(14,311)	37,719
Refundable advances	(1,913)	5,982
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>64,254</u>	<u>134,183</u>
<b>Cash Flows From Investing Activities</b>		
Cash paid for purchases of fixed assets	<u>(50,942)</u>	<u>(20,190)</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>(50,942)</u>	<u>(20,190)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	13,312	113,993
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>154,705</u>	<u>40,712</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 168,017</u>	<u>\$ 154,705</u>

**HOPEWORKS OF HOWARD COUNTY, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

Expenses	For the Year Ended June 30, 2018			For the Year Ended June 30, 2017		
	Program Services	Supporting Services		Program Services	Supporting Services	
		Management and General	Fundraising		Management and General	Fundraising
	\$ 38,731	\$ -	\$ -	\$ 33,708	\$ -	\$ 33,708
Client occupancy	28,201	6,943	1,301	41,942	10,325	54,202
Communications	4,628	1,139	214	19,289	4,749	24,928
Conferences, meetings and dues	29,469	7,255	1,360	30,428	7,491	39,323
Depreciation	38,638	-	-	54,309	-	54,309
Donated food and supplies	14,283	3,516	659	14,198	3,495	18,347
Insurance	-	248	-	-	1	1
Interest expense	-	4,898	-	-	3,120	3,120
Marketing	115,928	28,540	5,348	122,047	30,046	157,724
Occupancy	7,983	1,965	368	3,944	971	5,097
Other expenses	20,688	5,093	954	20,924	5,152	27,041
Postage and printing	186,386	45,885	8,599	119,689	29,467	154,678
Professional fees	58,832	14,484	2,714	17,642	4,343	22,799
Repairs and maintenance	1,274,260	199,269	35,984	1,193,466	186,391	1,414,331
Salaries	23,909	3,736	470	60,792	9,500	71,486
Supplies, including food	14,692	3,617	678	11,324	2,788	14,634
Travel						
<b>Total Expenses</b>	<b>\$ 1,856,628</b>	<b>\$ 326,588</b>	<b>\$ 58,649</b>	<b>\$ 1,743,702</b>	<b>\$ 297,839</b>	<b>\$ 2,095,728</b>

**HOPEWORKS OF HOWARD COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

HopeWorks of Howard County, Inc. (HopeWorks) is a not-for-profit organization, offering twenty-four-hour crisis intervention to victims (primary and secondary) of domestic violence and sexual assault. They provide information and referral services, community education, individual and group counseling, crisis and transitional shelters, professional in-service and training of volunteers. HopeWorks is funded primarily through contributions and government grants.

**Basis of Accounting**

The Organization prepares its financial statements using the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

**Contributed Services & Materials**

HopeWorks recognizes contributed services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included as expenses or additions to property and equipment.

**Donated Property, Services and Equipment**

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support, 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 restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, HopeWorks reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. HopeWorks reclassifies temporarily restricted net assets to unrestricted net assets at that time. For consumables and perishables donated during the fiscal year, management has taken the position that all donations are considered used up by the end of the fiscal year. There are two locations where the landlords have stipulated zero rent. HopeWorks recognizes donation in kind for the rent waived, if determinable. For year ending June 30, 2018 and 2017, the donation in kind for this waived rent was \$24,000.



**HOPEWORKS OF HOWARD COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued**

**Promise to Give**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. When material, the discounts on those amounts are computed using risk-free interest rates applicable to the facts and circumstances of each of the promises received.

Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. At June 30, 2018 and 2017, there were no such promises to give.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates, judgments and assumptions that affect the reported amounts and classifications of assets, liabilities, revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Contributions and Revenue Recognition**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

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 the purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and change in net assets as net assets released from restrictions. Governmental grant awards are classified as refundable advances until expended for the purpose of the grants.

If expenses have been incurred on an approved grant, but the grant has not been billed before the close of the accounting period, an asset for grants receivable is recognized for the unbilled portion. Since the grants received are from state and local government with low probability of default, as well as based on historical collections, no allowance for uncollectible grants is estimated by management.

Grants received before the fiscal yearend that have not been earned are recorded as refundable advances. For the year ended June 30, 2018 and 2017 the deferred revenue was \$17,247 and \$19,160, respectively.

**HOPEWORKS OF HOWARD COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued**

**Impairment of Long-Lived Assets**

HopeWorks reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the years ended June 30, 2018 and 2017.

**Cash Equivalents**

HopeWorks considers all highly liquid investments purchased with a maturity of three (3) months or less to be cash equivalents.

**Property and Equipment**

HopeWorks capitalizes substantial expenditures for property and equipment having a useful life of three (3) or more years. Expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed over the estimated useful lives of three (3) - forty (40) years using the straight-line method. HopeWorks uses the direct expensing method to account for planned major maintenance activities. The depreciation expense for the years ended June 30, 2018 and 2017 was \$38,084 and \$39,323 respectively.

**Deferred Rent**

HopeWorks recognizes the minimum non-contingent rents required under operating leases as rent expense on a straight-line basis over the life of the lease, with differences between amounts recognized as expense and the amounts actually paid recorded as deferred rent on the accompanying Statement of Financial Position under accrued expenses. The deferred rent at June 30, 2018 and 2017 was \$15,508 and \$21,023 , respectively.

**NOTE 2 – INCOME TAXES**

HopeWorks is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (Code), and comparable State law. Contributions to HopeWorks are tax deductible within the limitations prescribed by the Code. HopeWorks has been classified as a publicly supported organization which is not a private foundation under Section 509(a) of the Code.

The previous three fiscal years remain open to examination by the Internal Revenue Service. HopeWorks has not taken any questionable tax positions with respect to unrelated business income tax or anything that would jeopardize its 501(c)(3) status.

**HOPEWORKS OF HOWARD COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS**

Net assets are required to be classified as either unrestricted, temporarily restricted or permanently restricted. Within HopeWorks’s net assets are the following:

*Unrestricted* - These are comprised of net assets available at the discretion of HopeWorks’s management to fund general operating activities.

*Unrestricted-board designated* - These funds are established by the board of directors at their discretion.

Temporarily restricted net assets are available for the following as of June 30:

	<u>2018</u>	<u>2017</u>
Time	\$ -	\$ 50,000
Total temporarily restricted net assets	<u>\$ -</u>	<u>\$ 50,000</u>

**NOTE 4 – CONCENTRATION OF RISK**

HopeWorks received approximately 35% and 39% of its revenue from Howard County Department of Finance for the years ended June 30, 2018 and 2017, respectively.

**NOTE 5 – ALLOCATION OF EXPENSES**

The following is the allocation of expenses between general and administrative expenses, fundraising and program expenses, as of June 30:

	<u>2018</u>	<u>2017</u>
Program	\$ 1,856,628	\$ 1,743,702
Fundraising	58,649	54,187
General and administrative	326,588	297,839
Total	<u>\$ 2,241,865</u>	<u>\$ 2,095,728</u>

**NOTE 6 – COMMITMENTS**

HopeWorks leases its office facilities under the terms of operating leases. The lease in effect for the previous location was from December 1, 2011 through March 31, 2017. HopeWorks changed its office location negotiating a new lease that runs from April 2017 through May 2027. The monthly rent is \$8,200 compared to \$6,700 previously. Rent expense was \$149,816 and \$157,724 for the years ended June 30, 2018 and 2017, respectively.

**HOPEWORKS OF HOWARD COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 6 – COMMITMENTS-continued**

HopeWorks leased a copier under an operating lease expiring in March 2017. Monthly rentals approximated \$470 per month on this lease. A new operating lease was acquired in August 2016 with the monthly lease amounts approximating \$740. The lease expense approximated \$11,000 for the year ended June 30, 2017 and \$5,600 for year ended June 30, 2018.

Future minimum rentals for the years ending June 30:

2019	\$	94,670
2020		90,875
2021		88,568
2022		90,986
2023		85,373
Thereafter	\$	<u>359,749</u>
Total	\$	<u><u>810,221</u></u>

HopeWorks maintains a line of credit with an available amount of \$150,000 with Columbia Bank with a 5.25 % interest rate. There was no outstanding balance on the line as of June 30, 2018 or 2017, respectively.

**NOTE 7 – SUPPLEMENTAL CASH FLOW INFORMATION**

Total cash paid for interest for the years ended June 30, 2018 and 2017 was \$249 and \$1 respectively.

**NOTE 8 – DONATED SERVICES, FACILITIES AND MATERIALS**

Donated services, facilities and materials included in the financial statements are as follows for the years ended June 30:

	2018	2017
Donated food and supplies	\$14,638	\$25,223
Donated rent	24,000	24,000
Total donated services, facilities and materials	<u>\$38,638</u>	<u>\$49,223</u>

**NOTE 9 – RETIREMENT PLAN**

HopeWorks offers a 403(b) retirement plan to which all eligible employees may contribute. HopeWorks does not make contributions to the plan.

**HOPEWORKS OF HOWARD COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 10 – PRIOR PERIOD ADJUSTMENT**

As part of the June 30, 2017 financial statement audit, certain adjustments were made pertaining to June 30, 2016 total net assets. Management proposed making the below cited adjustments to reflect the June 30, 2016 net assets more accurately.

Due to the below adjustments, net assets, overall, were reduced by \$11,077 at June 30, 2016.

	Unrestricted Net Assets	Temporarily restricted Net Assets	Total
Balance per financial statements audited by prior accountant at June 30, 2016	\$ 756,544	\$ 146,283	\$ 902,827
Prior period adjustment			
Grants adjusted due to improper cutoff at June 30, 2016	(27,890)	-	(27,890)
UST reserve balance established at June 30, 2016	13,338	-	13,338
AFLAC June 30, 2016 balance reversed, incorrect liability	3,475	-	3,475
Balance at June 30, 2016 should have been	\$ 745,467	\$ 146,283	\$ 891,750

There were no prior period adjustments for the year ended June 30, 2018.

**NOTE 11 – DEPOSIT FOR COMPUTERS**

A payment was made for new computers in the amount of \$48,145; however, the computers were not placed in service before June 30, 2018.

**NOTE 12 – SUBSEQUENT EVENTS**

HopeWorks has evaluated subsequent events through the date the financial statements were available to be issued on January 11, 2019. In December 2017, HopeWorks signed a new five-year lease agreement for an additional transitional house location. The annual rent commitment for the first two years of the lease was \$10,990 and HopeWorks was responsible for all utilities on the property. Starting in May 2018, the annual rent was projected to increase to \$18,000 starting the third year of the lease. Due to flooding, the transitional house was determined in July of 2018 to be no longer usable. The landlord refunded a prorated amount of the rent in August 2018 for \$6,050. The amount of the initial prepaid rent is included in prepaid expenses on the Statement of Financial Position and will be reduced in the subsequent fiscal year.

**HOPEWORKS OF HOWARD COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 12 – SUBSEQUENT EVENTS-continued**

HopeWorks committed to another year of University of Maryland work in August 2018 for the New Behaviors program for \$41,393, payable in quarterly installments of 25% each, with the contract ending June 30, 2019. HopeWorks also extended the Grassroots contract through June 30, 2019 for \$14,000 for the crisis hotline.