

HopeWorks of Howard County, Inc.

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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TAKSEY NEFF FEINBERG^{LLC}

certified public accountants
business consultants

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 statement of financial position as of June 30, 2017 and the related statement of activities and change in net assets, cash flows, and functional expenses 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 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, 2017 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of HopeWorks of Howard County, Inc. for the fiscal year ending June 30, 2016 were audited by a predecessor auditor whose report dated January 30, 2017 expressed an unqualified opinion on those statements. Their report was issued prior to adjustments outlined in Note 11. As part of our audit of the June 30, 2017 financial statements, we also audited the adjustments described in Note 11. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the June 30, 2016 financial statements of the HopeWorks of Howard County, Inc., other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the June 30, 2016 financial statements as a whole.

Taksey Neff Feinberg, LLC

A handwritten signature in cursive script that reads "Taksey Neff Feinberg LLC". The signature is written in black ink and is positioned below the typed name of the firm.

January 9, 2018

HOPEWORKS OF HOWARD COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 154,705	\$ 40,712
Grants receivable	320,419	242,601
Contributions receivable	-	165,000
Prepaid expenses and other current assets	44,275	14,653
Total Current Assets	519,399	462,966
Property, Plant and Equipment		
Land	19,759	19,759
Buildings and improvements	597,831	589,081
Furniture and equipment	96,747	290,169
Auto	26,844	26,844
Total Property, Plant and Equipment	741,181	925,853
Less: accumulated depreciation	(250,582)	(415,828)
Net Property, Plant and Equipment	490,599	510,025
Other Assets		
Security deposits	7,610	10,624
TOTAL ASSETS	\$ 1,017,608	\$ 983,615
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 36,601	\$ 24,983
Accrued expenses	91,422	42,626
Refundable advances	19,160	13,179
Total Current Liabilities	147,183	80,788
Net Assets		
Unrestricted	820,425	756,544
Temporarily restricted	50,000	146,283
Total Net Assets	870,425	902,827
TOTAL LIABILITIES AND NET ASSETS	\$ 1,017,608	\$ 983,615

HOPEWORKS OF HOWARD COUNTY, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	For the Year Ended June 30, 2017			For the Year Ended June 30, 2016		
	Temporarily		Total	Temporarily		Total
	Unrestricted	Restricted		Unrestricted	Restricted	
REVENUES, GAINS AND OTHER SUPPORT						
Special events, gross	\$ 74,408	\$ -	\$ 74,408	\$ 20,198	\$ -	\$ 20,198
Less direct benefit to donors	-	-	-	-	-	-
Net special events	<u>74,408</u>	<u>-</u>	<u>74,408</u>	<u>20,198</u>	<u>-</u>	<u>20,198</u>
Contributions						
United Way	139,913	-	139,913	338,721	146,283	485,004
Government grants	15,019	-	15,019	24,910	-	24,910
Donated rent	1,770,092	-	1,770,092	1,604,606	-	1,604,606
Donated food and supplies	24,000	-	24,000	24,000	-	24,000
Counseling fees	25,223	-	25,223	29,044	-	29,044
Other income	25,720	-	25,720	30,025	-	30,025
Other income	<u>28</u>	<u>-</u>	<u>28</u>	<u>2,327</u>	<u>-</u>	<u>2,327</u>
Total revenue, gains and other support	<u>1,995,995</u>	<u>-</u>	<u>1,995,995</u>	<u>2,053,633</u>	<u>146,283</u>	<u>2,199,916</u>
Total Revenue, gains and other support	<u>2,074,403</u>	<u>-</u>	<u>2,074,403</u>	<u>2,073,831</u>	<u>146,283</u>	<u>2,220,114</u>
Expenses						
Program Services	1,743,702	-	1,743,702	1,453,932	-	1,453,932
Supporting services						
Management and general	297,839	-	297,839	351,157	-	351,157
Fund raising	54,188	-	54,188	73,750	-	73,750
Total Supporting Services	<u>352,027</u>	<u>-</u>	<u>352,027</u>	<u>424,907</u>	<u>-</u>	<u>424,907</u>
Total Expenses	<u>2,095,728</u>	<u>-</u>	<u>2,095,728</u>	<u>1,878,839</u>	<u>-</u>	<u>1,878,839</u>
Change in net assets	(21,325)	-	(21,325)	194,992	146,283	341,275
Net assets beginning of year	756,544	146,283	902,827	561,552	-	561,552
Change in temporarily restricted funds	96,283	(96,283)	-	-	-	-
Prior period adjustment-See Note 11	(11,077)	-	(11,077)	-	-	-
Net assets end of year	<u>\$ 820,425</u>	<u>\$ 50,000</u>	<u>\$ 870,425</u>	<u>\$ 756,544</u>	<u>\$ 146,283</u>	<u>\$ 902,827</u>

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.
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HOPEWORKS OF HOWARD COUNTY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash Flows From Operating Activities		
Change in net assets	\$ (21,325)	\$ 341,275
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	39,323	40,406
(Gain) loss on disposal of fixed assets	292	-
(Increase) decrease in assets:		
Grants receivable	(77,818)	(68,949)
Contributions receivable	165,000	(165,000)
Prepaid expenses and other current assets	(26,608)	(3,686)
Increase (decrease) in liabilities:		
Accounts payable	11,618	1,388
Accrued expenses	37,719	(11,463)
Refundable advances	5,982	13,025
	134,183	146,996
Cash Flows From Investing Activities		
Cash paid for purchases of fixed assets	(20,190)	(28,136)
	(20,190)	(28,136)
Cash Flows From Financing Activities		
Line of credit repayments, net	-	(95,000)
	-	(95,000)
Net Increase (Decrease) in Cash and Cash Equivalents	113,993	23,860
Cash and Cash Equivalents at Beginning of Year	40,712	16,852
Cash and Cash Equivalents at End of Year	\$ 154,705	\$ 40,712

See independent auditors' report.

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

HOPEWORKS OF HOWARD COUNTY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

Expenses	For the Year Ended June 30, 2017			For the Year Ended June 30, 2016			
	Supporting Services			Supporting Services			
	Program Services	Management and General	Fundraising	Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,193,466	\$ 186,391	\$ 34,474	\$ 1,037,017	\$ 255,301	\$ 47,844	\$ 1,340,162
Professional fees	119,689	29,466	5,522	17,290	38,927	11,791	68,008
Supplies, including food	60,792	9,500	1,194	30,018	1,663	312	31,993
Donated food and supplies	54,309	-	-	29,044	-	-	29,044
Communications	41,942	10,325	1,935	42,479	4,561	1,280	48,320
Occupancy	122,047	30,046	5,631	126,198	20,250	5,673	152,121
Client occupancy	33,708	-	-	50,987	-	-	50,987
Insurance	14,198	3,495	655	13,731	3,380	633	17,744
Travel	11,324	2,788	522	10,913	1,173	220	12,306
Conferences, meetings and dues	19,289	4,749	890	17,733	4,366	818	22,917
Postage and printing	20,924	5,151	965	9,150	3,904	3,375	16,429
Repairs and maintenance	17,642	4,343	814	30,530	412	77	31,019
Marketing	-	3,120	-	-	3,686	-	3,686
Interest expense	-	1	-	-	4,103	-	4,103
Other expenses	3,944	971	182	5,313	4,061	220	9,594
Depreciation	30,428	7,491	1,404	33,529	5,370	1,507	40,406
Total Expenses	\$ 1,743,702	\$ 297,839	\$ 54,188	\$ 1,453,932	\$ 351,157	\$ 73,750	\$ 1,878,839

HOPEWORKS OF HOWARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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, 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, 2017, the donation in kind for this waived rent was \$24,000.

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.

HOPEWORKS OF HOWARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

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, 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 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 by 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.

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, 2017 and 2016.

Cash Equivalents

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

HOPEWORKS OF HOWARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

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, 2017 and 2016 was \$39,323 and \$40,406 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 Balance Sheets under accrued expenses.

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.

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:

	2017	2016
Strategic planning	\$ -	\$ 1,283
Time	50,000	145,000
Total temporary restricted net assets	<u>\$ 50,000</u>	<u>\$ 146,283</u>

HOPEWORKS OF HOWARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 4 – CONCENTRATION OF RISK

Hope Works received approximately 39% and 37% of its revenue from Howard County Department of Finance for years ended June 30, 2017 and 2016.

NOTE 5 – ALLOCATION OF EXPENSES

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

	2017	2016
Program	\$1,743,702	\$1,453,932
Fundraising	54,188	73,750
General and Administrative	297,839	351,157
Total	\$2,095,728	\$1,878,839

NOTE 6 – COMMITMENTS

Hope Works 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 \$157,724 and \$152,121 for the years ended June 30, 2017 and 2016, respectively.

Hope Works 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, 2016.

Future minimum rentals for the years ending June 30:

2018	\$ 90,898
2019	94,821
2020	91,026
2021	88,719
2022	83,034
Thereafter	\$ 445,864

Hope Works maintains a line of credit with an available amount of \$150,000 with Columbia Bank with a 5.25 % rate. There were no outstanding balance on the line as of June 30, 2017 or 2016, respectively.

HOPEWORKS OF HOWARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 7 – SUPPLEMENTAL CASH FLOW INFORMATION

Total cash paid for interest for the years ended June 30, 2017 and 2016 was \$1 and \$4,103 respectively.

NOTE 8 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following unconditional promises to give at June 30, 2016:

Collectible in less than 1 year	\$115,000
Collectible in 1-5 years	50,000
Total contributions receivable	\$165,000

There were no contributions receivable at year ended June 30, 2017.

NOTE 9 – DONATED SERVICES, FACILITIES AND MATERIALS

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

	2017	2016
Donated food and supplies	\$25,223	\$29,044
Donated rent	24,000	24,000
Total donated services, facilities and materials	\$49,223	\$53,044

NOTE 10 – RETIREMENT PLAN

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

NOTE 11 – PRIOR PERIOD ADJUSTMENT

As part of the June 30, 2017 financial statement audit, certain adjustments were brought to light 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.

HOPEWORKS OF HOWARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 11 – PRIOR PERIOD ADJUSTMENT-continued

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	<u>\$ 745,467</u>	<u>\$ 146,283</u>	<u>\$ 891,750</u>

NOTE 12 – SUBSEQUENT EVENTS

HopeWorks has evaluated subsequent events through the date the financial statements were available to be issued on January 9th, 2018. 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 is \$10,990 and HopeWorks is responsible for all utilities on the property. The annual rent increases to \$18,000 starting the third year of the lease. The lease has three successive five year renewal term options.