

**THE HOPE CENTER, INC.**  
**YEAR ENDED JULY 31, 2011**

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## Independent Auditors' Report

Board of Directors  
The Hope Center, Inc.  
Kansas City, Missouri

We have audited the accompanying statement of financial position of The Hope Center, Inc. (the Center) as of July 31, 2011 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

U.S. generally accepted accounting principles require the related entities of not-for-profit organizations be combined where an economic interest exists. As discussed in Note 1, management has not combined the entities that meet the definition of affiliated entities as set forth under U.S. generally accepted accounting principles and, therefore, the financial statements referred to above are not intended to be a complete presentation of the combined financial position, results of operations, and cash flows in conformity with U.S. generally accepted accounting principles of The Hope Center, Inc.

In our opinion, except for the effects of not combining the affiliated entities discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of The Hope Center, Inc. as of July 31, 2011 and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

*House Park & Dobratz, P.C.*

February 15, 2012

**THE HOPE CENTER, INC.**

STATEMENT OF FINANCIAL POSITION - JULY 31, 2011

ASSETS

Cash	\$ 214,377
Certificates of deposit	240,092
Prepaid insurance	4,808
Real estate held for development	38,504
Property and equipment (Note 2)	1,009,525
Other assets	<u>11,330</u>
	<u>\$ 1,518,636</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 5,476
Due to related parties (Note 4)	<u>9,842</u>
	<u>15,318</u>
Net assets:	
Unrestricted	1,431,485
Temporarily restricted (Note 3)	<u>71,833</u>
	<u>1,503,318</u>
	<u>\$ 1,518,636</u>

See notes to financial statements.

**THE HOPE CENTER, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JULY 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Revenues, gains and other support:			
Contributions	\$ 330,823	\$ 82,079	\$ 412,902
Investment income	2,097		2,097
Other income (Note 4)	10,415		10,415
Net assets released from program restrictions	<u>529,576</u>	<u>( 529,576)</u>	<u>          </u>
	<u>872,911</u>	<u>( 447,497)</u>	<u>425,414</u>
Expenses:			
Grants	<u>687,089</u>		<u>687,089</u>
Program services	165,392		165,392
Management and general	290,088		290,088
Fundraising	<u>14,314</u>		<u>14,314</u>
	<u>469,794</u>		<u>469,794</u>
	<u>1,156,883</u>		<u>1,156,883</u>
Change in net assets	( 283,972)	( 447,497)	( 731,469)
Net assets, beginning of year	<u>1,715,457</u>	<u>519,330</u>	<u>2,234,787</u>
Net assets, end of year	<u>\$ 1,431,485</u>	<u>\$ 71,833</u>	<u>\$ 1,503,318</u>

See notes to financial statements.

**THE HOPE CENTER, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED JULY 31, 2011**

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Compensation	\$ 105,264	\$ 151,478		\$ 256,742
Payroll taxes	5,808	14,933		20,741
Employee benefits	<u>6,387</u>	<u>21,382</u>		<u>27,769</u>
	117,459	187,793		305,252
Bank service charges		328		328
Board development		59		59
Depreciation and amortization		36,272		36,272
Donor development			\$ 14,314	14,314
Dues and subscriptions		620		620
Insurance		19,796		19,796
Information technology		8,209		8,209
Licenses and permits		699		699
Occupancy expenses		24,793		24,793
Office supplies		1,349		1,349
Printing and reproduction		129		129
Professional fees		10,041		10,041
Program supplies and related expenses	43,252			43,252
Travel and transportation expenses	<u>4,681</u>			<u>4,681</u>
	<u>\$ 165,392</u>	<u>\$ 290,088</u>	<u>\$ 14,314</u>	<u>\$ 469,794</u>

See notes to financial statements.

**THE HOPE CENTER, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JULY 31, 2011**

Cash flows from operating activities:	
Change in net assets	(\$ 731,469)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation and amortization	36,272
Changes in operating assets and liabilities:	
Prepaid insurance	( 537)
Other assets	830
Accounts payable and accrued expenses	1,374
Due to related parties	<u>235,684</u>
Net cash used by operating activities	( <u>457,846</u> )
Cash flows from investing activities:	
Redemption of certificates of deposit	59,729
Purchase of property and equipment	( 26,219)
Purchase of real estate held for development	<u>( 8,856)</u>
Net cash provided by investing activities	<u>24,654</u>
Net decrease in cash	( 433,192)
Cash, beginning of year	<u>647,569</u>
Cash, end of year	<u>\$ 214,377</u>

See notes to financial statements.

# THE HOPE CENTER, INC.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JULY 31, 2011

### 1. Organization and summary of significant accounting policies:

#### *Organization:*

The Hope Center, Inc. (the Center) provides bible study opportunities and leadership training to inner-city youth and establishes projects to develop the urban core of Kansas City, Missouri, and is supported primarily through private donor contributions.

The Center is the sole member of wholly-owned affiliates Hope Family Care Center, LLC (HFCC) and Hope Leadership Academy Charter School (HLA). Hope Family Care Center, LLC (HFCC) is a primary care practice serving the low-income east side community of Kansas City. Hope Leadership Academy Charter School (HLA) is a charter school focusing on youth leadership development.

The accompanying financial statements do not include the accounts of HFCC or HLA (Note 4).

#### *Concentrations of credit risk:*

Financial instruments, which potentially subject the Center to significant concentrations of credit risk, consist principally of cash and certificates of deposit (CDs). The Center maintains cash and CDs with various major financial institutions, where non-interest bearing deposits are insured by the FDIC's temporary unlimited insurance coverage through December 31, 2012. Deposits in interest-bearing accounts are insured up to \$250,000 under the FDIC's general deposit insurance rules.

A majority of contributions are from individuals and corporate and charitable entities in the Greater Kansas City area.

#### *Cash equivalents:*

The Center considers all liquid investments with original maturities of three months or less to be cash equivalents. At July 31, 2011, cash equivalents consist of money market funds.

#### *Property and equipment and depreciation and amortization:*

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Leasehold improvements are stated at cost and are amortized using the straight-line method over the shorter of estimated useful lives of the assets or the term of the lease.

#### *Functional allocation of expenses:*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on management's estimate of resources devoted to the program or support service.

## THE HOPE CENTER, INC.

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JULY 31, 2011

#### 1. Organization and summary of significant accounting policies (continued):

##### *Basis of accounting:*

All financial transactions have been recorded in and reported by the following net asset groups:

Unrestricted net assets represent resources over which the Board of Directors has discretionary control and are used to carry out operations of the Center in accordance with its bylaws.

Temporarily restricted net assets represent resources available for use currently or in the future, but expendable only for purposes specified by the donor or within a donor-designated time period. Resources of these funds originate from gifts.

The Center reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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.

##### *Income taxes:*

The Center is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Center's accounting policy is to provide liabilities for uncertain income tax provisions when a liability is probable and estimable. The Center has no uncertain income tax positions for the year ended July 31, 2011. Management is not aware of any violation of its tax status as an organization exempt from income taxes. The Center is no longer subject to audits for Federal or state purposes for years prior to fiscal 2008.

##### *Use of estimates:*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the 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. Actual results could differ from those estimates.

##### *Subsequent events:*

Subsequent events have been evaluated through February 15, 2012, which is the date the financial statements were available to be issued.

**THE HOPE CENTER, INC.**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JULY 31, 2011

**2. Property and equipment:**

Land	\$ 14,200
Land improvements	25,887
Buildings	808,693
Building improvements	309,942
Vehicles	36,300
Furniture and equipment	16,045
Computer equipment	11,210
Software	<u>6,740</u>
	1,229,017
Accumulated depreciation and amortization	( <u>226,313</u> )
	1,002,704
Construction in progress	<u>6,821</u>
	<u>\$ 1,009,525</u>

**3. Temporarily restricted net assets:**

Temporarily restricted net assets are designated for the following:

Basement renovation	\$ 54,324
Leadership Academy	10,509
Bus	<u>7,000</u>
	<u>\$ 71,833</u>

**4. Related party transactions:**

HFCC's financial statements reported the following financial information as of and for the year ended July 31:

Assets	\$ 383,760
Liabilities	9,034
Net assets, unrestricted	320,241
Net assets, restricted	54,485
Revenues	791,341
Expenses	<u>458,166</u>
Change in net assets	<u>\$ 333,175</u>

**THE HOPE CENTER, INC.**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JULY 31, 2011

**4. Related party transactions (continued):**

HLA's financial statements reported the following financial information as of and for the year ended June 30:

Assets	\$ 481,303
Liabilities	3,719
Net assets, unrestricted	477,584
Revenues	356,101
Expenses	<u>114,926</u>
Change in net assets	<u>\$ 241,175</u>

As of July 31, 2011, the amount due to HFCC was \$3,760. As of July 31, 2011, the amount due to HLA was \$6,082.

The Center leases a portion of its facility to HLA under a one-year operating lease. The Center recognized \$5,320 of rental income during the year ended July 31, 2011.

February 17, 2012

Mr. Jake Latta  
The Hope Center  
2800 E. Linwood Boulevard  
Kansas City, Missouri 64128

Dear Jake:

Enclosed are three copies of the audited financial statements of The Hope Center, Inc. for the year ended July 31, 2011. Also enclosed are three copies of the Internal Control Letter.

If we can be of further assistance, please let us know.

Very truly yours,

**HOUSE PARK & DOBRATZ, P.C.**

by Stanley H. House, CPA

SHH/cc  
Enclosures