

THE HOPE CENTER, INC.
YEARS ENDED JULY 31, 2017 AND 2016



HOUSE PARK DOBRATZ & WIEBLER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

THE HOPE CENTER, INC.

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Hope Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of July 31, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Hope Center, Inc. as of July 31, 2017 and 2016, 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.

House Park Dobratz & Wiebler, P.C.

Kansas City, Missouri
May 14, 2018

THE HOPE CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
JULY 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 531,784	\$ 443,646
Certificates of deposit	584,498	510,868
Grant receivable	75,900	
Prepaid insurance	2,933	2,962
Real estate held for development and sale	99,948	95,948
Property and equipment (Note 2)	981,417	1,014,585
Other assets	<u>10,059</u>	<u>8,929</u>
	<u>\$ 2,286,539</u>	<u>\$ 2,076,938</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 11,931	\$ 7,646
Rent received in advance	6,667	6,250
Due to related parties (Note 4)		700
	<u>18,598</u>	<u>14,596</u>
Net assets:		
Unrestricted	1,981,690	2,020,329
Temporarily restricted (Note 3)	<u>286,251</u>	<u>42,013</u>
	<u>2,267,941</u>	<u>2,062,342</u>
	<u>\$ 2,286,539</u>	<u>\$ 2,076,938</u>

See notes to financial statements.

THE HOPE CENTER, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JULY 31, 2017

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Revenues, gains and other support:			
Contributions	\$ 425,086	\$ 304,968	\$ 730,054
Special events, net of direct expenses of \$27,260	63,914		63,914
Investment income	4,382		4,382
Other income, net (Note 4)	80,674		80,674
Net assets released from restrictions	<u>60,730</u>	<u>(60,730)</u>	<u>879,024</u>
	<u>634,786</u>	<u>244,238</u>	<u>879,024</u>
Expenses:			
Program services	539,097		539,097
Management and general	114,529		114,529
Fundraising	<u>19,799</u>		<u>19,799</u>
	<u>673,425</u>		<u>673,425</u>
Change in net assets	(38,639)	244,238	205,599
Net assets, beginning of year	<u>2,020,329</u>	<u>42,013</u>	<u>2,062,342</u>
Net assets, end of year	<u>\$ 1,981,690</u>	<u>\$ 286,251</u>	<u>\$ 2,267,941</u>

See notes to financial statements.

THE HOPE CENTER, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JULY 31, 2016

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Revenues, gains and other support:			
Contributions	\$ 568,701	\$ 4,240	\$ 572,941
Investment income	3,753		3,753
Other income, net (Note 4)	83,571		83,571
Net assets released from restrictions	<u>26,640</u>	<u>(26,640)</u>	
	<u>682,665</u>	<u>(22,400)</u>	<u>660,265</u>
Expenses:			
Program services	449,504		449,504
Management and general	96,352		96,352
Fundraising	<u>18,310</u>		<u>18,310</u>
	<u>564,166</u>		<u>564,166</u>
Change in net assets	118,499	(22,400)	96,099
Net assets, beginning of year	<u>1,901,830</u>	<u>64,413</u>	<u>1,966,243</u>
Net assets, end of year	<u>\$ 2,020,329</u>	<u>\$ 42,013</u>	<u>\$ 2,062,342</u>

See notes to financial statements.

THE HOPE CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JULY 31, 2017

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Compensation	\$ 277,534	\$ 62,445	\$ 6,939	\$ 346,918
Payroll taxes	18,841	4,239	471	23,551
Employee benefits	<u>62,236</u>	<u>14,003</u>	<u>1,556</u>	<u>77,795</u>
	358,611	80,687	8,966	448,264
Bank service charges		992	264	1,256
Depreciation (Note 2)	33,598	8,399		41,997
Donor development			10,159	10,159
Dues and subscriptions		1,312		1,312
Insurance	13,998	904		14,902
Information technology		2,328		2,328
Licenses and permits		536		536
Occupancy expenses	68,180	1,674		69,854
Office supplies	149	658		807
Other expenses	307	72		379
Printing and reproduction	1,412	249		1,661
Professional fees		16,718	410	17,128
Program supplies and related expenses	<u>62,842</u>			<u>62,842</u>
	<u>\$ 539,097</u>	<u>\$ 114,529</u>	<u>\$ 19,799</u>	<u>\$ 673,425</u>

See notes to financial statements.

THE HOPE CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JULY 31, 2016

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Compensation	\$ 242,267	\$ 54,510	\$ 6,057	\$ 302,834
Payroll taxes	16,097	3,622	402	20,121
Employee benefits	51,539	11,596	1,288	64,423
	<u>309,903</u>	<u>69,728</u>	<u>7,747</u>	<u>387,378</u>
Bank service charges		328	766	1,094
Depreciation (Note 2)	32,462	8,115		40,577
Donor development			9,797	9,797
Dues and subscriptions		728		728
Insurance	4,809	849		5,658
Information technology	500	2,319		2,819
Licenses and permits		431		431
Occupancy expenses	44,382			44,382
Office supplies		497		497
Other expenses	2,116	106		2,222
Printing and reproduction	1,254	221		1,475
Professional fees		12,667		12,667
Program supplies and related expenses	<u>54,078</u>	<u>363</u>	<u></u>	<u>54,441</u>
	<u>\$ 449,504</u>	<u>\$ 96,352</u>	<u>\$ 18,310</u>	<u>\$ 564,166</u>

See notes to financial statements.

THE HOPE CENTER, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JULY 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 205,599	\$ 96,099
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	41,997	40,577
Changes in operating assets and liabilities:		
Grant receivable	(75,900)	
Prepaid insurance	29	(354)
Other assets	(1,130)	1,705
Accounts payable and accrued expenses	4,285	(8,642)
Rent received in advance	417	416
Due to related parties	(700)	350
Net cash provided by operating activities	<u>174,597</u>	<u>130,151</u>
Cash flows from investing activities:		
Increase in certificates of deposit	(73,630)	(30,665)
Increase in real estate held for development and sale	(4,000)	
Purchase of property and equipment	(8,829)	(39,266)
Net cash used by investing activities	<u>(86,459)</u>	<u>(69,931)</u>
Net increase in cash and cash equivalents	88,138	60,220
Cash and cash equivalents, beginning of year	<u>443,646</u>	<u>383,426</u>
Cash and cash equivalents, end of year	<u>\$ 531,784</u>	<u>\$ 443,646</u>

See notes to financial statements.

THE HOPE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2017 AND 2016

1. Organization and summary of significant accounting policies:

Organization:

The Hope Center, Inc. (the Center) provides leadership development training opportunities for urban youth in under-resourced communities, establishes housing and economic development projects to develop Kansas City's urban core, and is primarily supported through donor contributions.

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 accounts up to \$250,000 are insured by the Federal Deposit Insurance Corporation. The balances in these accounts occasionally exceed federally insured limits.

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

Cash and cash equivalents:

The Center considers all liquid investments with original maturities of three months or less to be cash equivalents. At July 31, 2017 and 2016, cash and cash equivalents consist of cash in banks and money market funds.

Property and equipment and depreciation:

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. The Center capitalizes additions greater than \$1,000 that have a useful life of more than one year.

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.

Real estate held for development and sale:

The Center's program to develop the urban core of Kansas City includes purchasing and developing real estate for sale to inner city residents. Real estate held for development and sale is carried at lower of cost or market value.

THE HOPE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2017 AND 2016

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 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 years ended July 31, 2017 and 2016. 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 2014.

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 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 May 14, 2018, which is the date the financial statements were available to be issued.

THE HOPE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JULY 31, 2017 AND 2016

2. Property and equipment:

	<u>2017</u>	<u>2016</u>
Land	\$ 13,200	\$ 14,200
Land improvements	37,287	37,287
Buildings	823,622	823,622
Building improvements	465,435	457,835
Vehicles	61,160	61,160
Furniture and equipment	23,683	21,454
Computer equipment	15,083	15,083
Software	6,740	6,740
	<u>1,446,210</u>	<u>1,437,381</u>
Accumulated depreciation	<u>(464,793)</u>	<u>(422,796)</u>
	<u>\$ 981,417</u>	<u>\$ 1,014,585</u>

Depreciation expense was \$41,997 and \$40,577 for the years ended July 31, 2017 and 2016, respectively.

3. Temporarily restricted net assets:

Temporarily restricted net assets are designated for the following:

	<u>2017</u>	<u>2016</u>
Hope Leadership House	<u>\$ 286,251</u>	<u>\$ 42,013</u>

4. Related party transactions:

Hope Family Care Center, LLC (HFCC) and Hope Leadership Academy Charter School (HLA) are financially independent organizations. The Center is the sole member of HFCC and has the authority to appoint two Board positions at HLA.

As of July 31, 2016, the amount due to HFCC was \$700.

The Center leases a portion of its facility to HLA under an operating lease, which expires June 2018. The Center recognized \$75,417 and \$70,416 of rental income for the years ended July 31, 2017 and 2016, respectively.