

**HOPE HOSPITALITY AND WARMING CENTER, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

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# ZERBO CONSULTING GROUP, P.C.

CERTIFIED PUBLIC ACCOUNTANCY  
8585 PGA DRIVE  
SUITE 202  
COMMERCE TOWNSHIP, MICHIGAN 48390

MEMBER  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

(248) 960-0278  
FAX (248) 960-0279  
E-MAIL: john@zerbocpa.com

MEMBER  
MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Hope Hospitality and Warming Center, Inc.

We have audited the accompanying financial statements of HOPE Hospitality and Warming Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities 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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HOPE Hospitality and Warming Center, Inc. as of December 31, 2018, 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.

  
June 20, 2019

HOPE HOSPITALITY AND WARMING CENTER, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

ASSETS

Current Assets	
Cash	\$ 54,553
Accounts Receivable - Pledged	65,498
Total Current Assets	<u>120,051</u>
Property and Equipment (Note A)	
Land	72,138
Land Improvements	54,292
Buildings	285,983
Building Improvements	20,477
Equipment	9,492
	<u>442,382</u>
Less Accumulated Depreciation	<u>(28,866)</u>
	<u>413,516</u>
Other Assets	
Closing costs	2,538
Less Accumulated Amortization	<u>(577)</u>
	<u>1,961</u>
TOTAL ASSETS	<u>\$ 535,528</u>

See accompanying notes to financial statements.

HOPE HOSPITALITY AND WARMING CENTER, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

LIABILITIES AND NET ASSETS

Liabilities	
Note Payable (Note E)	\$ <u>146,937</u>
Total Liabilities	<u>146,937</u>
Net Assets	
Without Donor Restrictions	364,968
With Donor Restrictions (Note D)	<u>23,623</u>
Total Net Assets	<u>388,591</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>535,528</u></u>

HOPE HOSPITALITY AND WARMING CENTER, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

REVENUES	
Revenues	\$ 916,414
TOTAL REVENUES	<u>916,414</u>
EXPENSES	
Functional expenses	<u>841,698</u>
TOTAL EXPENSES	<u>841,698</u>
OTHER INCOME / (EXPENSE)	
Interest and dividend income	259
Gain on disposal of assets	43
Interest expense	<u>(163)</u>
TOTAL OTHER INCOME / (EXPENSE)	<u>139</u>
INCREASE IN NET ASSETS	<u>74,855</u>
NET ASSETS AT BEGINNING OF YEAR	<u>313,736</u>
NET ASSETS AT END OF YEAR	<u>\$ 388,591</u>

See accompanying notes to financial statements.

HOPE HOSPITALITY AND WARMING CENTER, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 74,855
Operating activities:	
Amortization	514
Depreciation	8,041
Decrease in accounts receivable	30,437
Gain on sale of assets	(43)
Decrease in accrued liabilities	(22,539)
NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>91,265</u>
CASH FLOWS USED BY INVESTING ACTIVITIES	
Expenditures for property and equipment	<u>(80,257)</u>
CASH FLOWS USED BY INVESTING ACTIVITIES	<u>(80,257)</u>
CASH FLOWS USED BY FINANCING ACTIVITIES	
Decrease in mortgage payable	<u>(20,788)</u>
CASH FLOWS USED BY FINANCING ACTIVITIES	<u>(20,788)</u>
NET DECREASE IN CASH	<u>(9,780)</u>
BEGINNING CASH AND CASH EQUIVALENTS	<u>64,333</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 54,553</u>

See accompanying notes to financial statements.

# HOPE HOSPITALITY AND WARMING CENTER, INC.

## NOTES TO FINANCIAL STATEMENTS

### 1. NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

#### Organization

HOPE Hospitality and Warming Center, Inc. (the Organization) is tax exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as an organization that is not a private foundation.

HOPE Hospitality and Warming Center, Inc. welcomes homeless adults in need of safe shelter and support services without judgment.

HOPE Hospitality and Warming Center, Inc. envisions a community where all have the opportunity to move from homelessness to safe housing, gain access to resources, and develop the skills to enhance their quality of life.

#### Nature of Activities

HOPE Hospitality and Warming Center, Inc. operates two shelters which serve adults experiencing homelessness.

HOPE Hospitality and Warming Center, Inc. Adult Shelter is a low barrier (no sobriety, ID or background check requirement) emergency shelter where guests are mostly self-referred. HOPE is the only low barrier shelter in Oakland County. In addition to safe shelter, HOPE provides meals, showers, vital document assistance, as well as onsite access to services such as healthcare, mental health and substance use treatment and housing. The goal of the shelter is to resolve housing issues for individuals who are chronically homeless, veterans, those fleeing domestic violence and experiencing poverty.

HOPE Hospitality and Warming Center, Inc. Recuperative Care Center is a specialty 24/7/365 medical shelter for those experiencing homelessness who are discharged from an inpatient hospital setting. In addition to connection with the same services offered by the adult shelter, an RN supervises the care of each guest. HOPE Recuperative is the first medical shelter in Michigan and only one of two in the state.

Between the two shelters, HOPE Hospitality and Warming Center, Inc. has an annual positive housing rate of about 50%.

#### Management and General

This includes the functions necessary to maintain an adequate working environment, provide proper administrative support of the Organization's programs and manage the financial and budgeting responsibilities of the Organization.



HOPE HOSPITALITY AND WARMING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets unrestricted net assets, temporary restricted net assets and permanently restricted net assets.

Unrestricted Net Assets – net asset that are not subject to “donor-imposed” restrictions.

Temporarily Restricted Net Assets – net assets subject to “donor imposed” restrictions that may or will be met by actions of the Organization and/or the passage of time. Items that affect this net asset category are restricted contributions and grants.

Permanently Restricted Net Assets – net assets subject to “donor-imposed” restrictions that they be maintained in perpetuity. Restrictions that require an asset be invested and only allow the income to be used is classified as permanently restricted assets.

Property and Equipment

Management capitalizes expenditures for property and equipment. Expenditures for maintenance and repairs are charged to operating expense. Property and equipment are carried at cost.

At December 31, 2018 property and equipment consists of the following:

	Beginning Balance	Additions	Dispositions	Ending Balance
Building	\$ 276,539	\$ 9,444	\$ -	\$ 285,983
Building Improvements	5,050	15,427	-	20,477
Land	72,138	-	-	72,138
Land Improvements - In Kind	-	54,292	-	54,292
Equipment	8,398	1,094	-	9,492
	<u>\$ 362,125</u>	<u>\$ 80,257</u>	<u>-</u>	<u>442,382</u>
Less accumulated depreciation				28,866
				<u>\$ 413,516</u>

Depreciation

Depreciation of property and equipment is computed using for book purposes straight-line methods, and methods based on usage. Depreciation expense was \$8,041 for 2018.

HOPE HOSPITALITY AND WARMING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B - CONCENTRATIONS

The Organization received approximately 55% of its funding from four funding sources.

NOTE C - CONCENTRATIONS OF CASH BALANCES

The Organization maintains its cash balances in a financial institution located in southeastern Michigan. The balance is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

NOTE D – NET ASSETS – WITH DONOR RESTRICTIONS

Capital campaign contributions received in the amount of \$23,623 to be used for the construction of a new building.

NOTE E – NOTE PAYABLE

Note payable to a company in the amount of \$146,937, secured by the building located at 1416 Joslyn Ave, Pontiac, MI. The terms of the note include interest at 3% per annum with payments in the amount of \$1,732.75, with principle to be paid in full on December 1, 2025. There are no requirements to make payments on this note.

NOTE F – IN KIND DONATIONS

In Kind donations 2018

Item	Average Price	Amount Donated	Value
Food	\$3 per meal and consumable	12,378	\$ 37,134
Socks (new)	\$1 per pair	3,000	3,000
Underwear (new)	\$3 per pair	4,000	12,000
T-shirts (new)	\$1.5 per shirt	1,000	1,500
Winter coats	\$50 per coat	100	5,000
Capital improvements	-	54,292	54,292
Gift cards	\$25 per card	60	1,500
Total			\$ 114,426

HOPE HOSPITALITY AND WARMING CENTER, INC.

SCHEDULE OF REVENUES

YEAR ENDED DECEMBER 31, 2018

REVENUES	
MSHDA Grant	\$ 86,864
ESG Grant	56,615
FEMA EFSP Grant	3,648
Miscellaneous grants	67,311
In Kind Donations (Note F)	114,426
Salvation Army ESP/MDHHS	308,832
Public Support - Individual/ Business and Organizattions	172,491
Public Support - Religious/Congregations	41,947
Earned Income	14,280
Recuperative Grant	<u>50,000</u>
 TOTAL REVENUES	 <u>\$ 916,414</u>

See accompanying notes to financial statements.

HOPE HOSPITALITY AND WARMING CENTER, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

EXPENSES	
Personnel	
Salaries and wages	\$ 573,068
Fringe benefits	11,262
Payroll taxes	42,416
Accounting/legal fees	12,516
Amoritization	514
Auto expenses	5,087
Consulting services/ other personnel	250
Depreciation	8,041
Bank service charges	409
Building repairs and maintenance	37,782
Building repair and maintenance - In Kind	5,392
Dues, fees and subscriptions	190
Consumable supplies	2,228
Conferences / seminars/meetings	2,589
Liability and workers comp insurance	24,490
License and permits	2,650
Medical supplies	92
Postage	327
Program services - In Kind	54,742
Program activity and materials	3,640
Promotion and publicity	1,223
Office supplies	4,177
Utilities	43,454
Rental - building	1,805
Property tax	<u>3,354</u>
 TOTAL EXPENSES	 \$ <u>841,698</u>

See accompanying notes to financial statements.