

HOPE HOSPITALITY AND WARMING CENTER, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2017

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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, 2017, 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

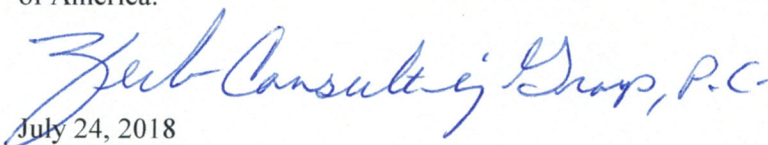
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 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.


July 24, 2018

HOPE HOSPITALITY AND WARMING CENTER, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

ASSETS

Current Assets	
Cash	\$ 64,333
Accounts Receivable - Pledged	95,856
Total Current Assets	<u>160,189</u>
Property and Equipment (Note A)	
Land	72,138
Buildings	276,539
Building Improvements	5,050
Equipment	8,398
	<u>362,125</u>
Less Accumulated Depreciation	<u>(20,824)</u>
	<u>341,301</u>
Other Assets	
Closing costs	2,575
Less Accumulated Amortization	(64)
	<u>2,511</u>
TOTAL ASSETS	<u>\$ 504,001</u>

See accompanying notes to financial statements.

HOPE HOSPITALITY AND WARMING CENTER, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

LIABILITIES AND NET ASSETS

Current Liabilities	
Accrued Liabilities	\$ 22,539
Total Current Liabilities	<u>22,539</u>
Note Payable (Note E)	<u>167,726</u>
Total Liabilities	<u>190,265</u>
Net Assets	
Net Assets - Temporarily Restricted (Note D)	23,623
Net Assets - Unrestricted	<u>290,113</u>
Total Net Assets	<u>313,736</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 504,001</u>

HOPE HOSPITALITY AND WARMING CENTER, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

REVENUES	
Revenues	\$ 1,032,633
TOTAL REVENUES	<u>1,032,633</u>
EXPENSES	
Functional expenses	<u>1,011,829</u>
TOTAL EXPENSES	<u>1,011,829</u>
OTHER INCOME / (EXPENSE)	
Interest Income	140
Gain on disposal of assets	<u>106</u>
TOTAL OTHER INCOME	<u>246</u>
INCREASE IN NET ASSETS	<u>21,050</u>
NET ASSETS AT BEGINNING OF YEAR - ADJUSTED	<u>292,686</u>
NET ASSETS AT END OF YEAR	<u>\$ 313,736</u>

See accompanying notes to financial statements.

HOPE HOSPITALITY AND WARMING CENTER, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 21,050
Operating activities:	
Amoritization	64
Depreciation	4,187
Increase in accounts receivable	(13,496)
Gain on sale of assets	(106)
Increase in operating liabilities	
Accrued liabilities	1,580
Prior period adjustments	3,015
NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>16,294</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Expenditures for property and equipment	(212,145)
Increase in other assets	<u>(2,567)</u>
CASH FLOWS USED BY INVESTING ACTIVITIES	<u>(214,712)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Increase in mortgage payable	<u>167,726</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>167,726</u>
NET DECREASE IN CASH	<u>(30,692)</u>
BEGINNING CASH	<u>95,025</u>
ENDING CASH	<u>\$ 64,333</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, 2017 property and equipment consists of the following:

	Beginning Balance	Additions	Dispositions	Ending Balance
Building	\$ 89,112	\$ 187,427	\$ -	\$ 276,539
Building Improvements	5,050	-	-	5,050
Land	52,138	20,000	-	72,138
Equipment	3,680	4,718	-	8,398
	<u>\$ 149,980</u>	<u>\$ 212,145</u>	<u>-</u>	362,125
Less accumulated depreciation				20,824
				<u>\$ 341,301</u>

Depreciation

Depreciation of property and equipment is computed using for book purposes straight-line methods, and methods based on usage. Depreciation expense was \$4,187 for 2017.

HOPE HOSPITALITY AND WARMING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B - CONCENTRATIONS

The Organization received approximately 74% 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 – TEMPORARILY RESTRICTED

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 \$167,726, 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. No Payments were made in 2017.

NOTE F – IN KIND DONATIONS

<u>Item</u>	<u>Average Price</u>	<u>Amount Donated</u>	<u>Value</u>
Food	\$3 per meal	68,399	\$ 205,197
Socks (new)	\$1 per pair	25,641	25,641
Underwear (new)	\$3 per pair	2,000	6,000
T-shirts (new)	\$4 per shirt	2,450	9,800
Shelter supplies	\$25 per supply	1,152	28,800
Capital improvements	\$500 per donation	3	1,500
Gift cards	\$25 per card	100	2,500
Total			<u>\$ 279,438</u>

HOPE HOSPITALITY AND WARMING CENTER, INC.

SCHEDULE OF REVENUES

YEAR ENDED DECEMBER 31, 2017

REVENUES	
MSHDA Grant	\$ 58,484
ESG Grant	127,262
In kind donations (Note F)	279,438
Salvation Army ESP/MDHHS	281,828
Public Support - Individual/ Business and Organizattions	155,156
Public Support - Religious/Congregations	60,195
Miscellaneous	<u>70,270</u>
 TOTAL REVENUES	 <u>\$ 1,032,633</u>

See accompanying notes to financial statements.

HOPE HOSPITALITY AND WARMING CENTER, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

EXPENSES

Personnel	
Salaries and Wages	\$ 516,839
Fringe Benefits	24,255
Payroll Taxes	53,921
Accounting/Legal Fees	9,837
Amoritization	64
Auto expenses	5,483
Consulting Services/ Other Personnel	635
Depreciation	4,187
Bank Service Charges	338
Building Maintenance and Supplies	15,835
Dues, Fees and Subscriptions	1,144
Consumable Supplies	2,510
Conferences / seminars/meetings	119
Liability and Workers Comp Insurance	21,283
Medical supplies	21
Postage	221
Program services - In kind	279,438
Program Activity and Materials	785
Promotion and Publicity	1,584
Office Supplies	4,985
Utilities	32,299
Rental - Building	36,000
Specific Assistance	<u>46</u>
TOTAL EXPENSES	<u>\$ 1,011,829</u>

See accompanying notes to financial statements.