
Hope Hospitality and Warming Center, Inc.

Financial Report

December 31, 2019

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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, 2019, and the related statements of activities, functional expenses, 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, 2019, 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.

September 14, 2020

Statement of Financial Position

As of December 31, 2019

Assets

Current Assets

Cash	\$	76,058
Accounts Receivable - Pledged		55,991
Total Current Assets		<u>132,049</u>

Property and Equipment - Net (Note 2) 422,876

Investments 22,266

Other Assets

Closing Costs		2,538
Less Accumulated Amortization		<u>(1,092)</u>
Other Assets - Net		1,446

Total Assets **\$ 578,637**

Liabilities and Net Assets

Liabilities

Note Payable (Note 5)	\$	124,417
Accrued Liabilities		<u>33,412</u>
Total Liabilities		157,829

Net Assets

Without Donor Restrictions		<u>420,808</u>
Total Net Assets		420,808

Total Liabilities and Net Assets **\$ 578,637**

Statement of Activities

For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Grant Revenue	\$ 698,145	\$ -	\$ 698,145
Direct Public Support	247,413	-	247,413
Interest and Dividend Income	248	-	248
Direct Public Support - In Kind (Note 6)	45,283	-	45,283
Net assets released from restrictions	23,623	(23,623)	-
Total Revenue and Other Support	<u>1,014,712</u>	<u>(23,623)</u>	<u>991,089</u>
Operating Expenses			
Program activities	731,834	-	731,834
Management and general	227,038	-	227,038
Total Expenses	<u>958,872</u>	<u>-</u>	<u>958,872</u>
Change in Net Assets	55,840	(23,623)	32,217
Net Assets - Beginning of year	<u>364,968</u>	<u>23,623</u>	<u>388,591</u>
Net Assets - End of year	<u><u>\$ 420,808</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 420,808</u></u>

Statement of Functional Expenses

Year Ended December 31, 2019

	Program Activities	Management and General	Total
Salaries and benefits	\$ 631,036	\$ 152,861	\$ 783,897
Building operations and utilities	60,368	9,610	69,978
Advertising and promotion	-	1,810	1,810
Depreciation and amortization	7,804	2,000	9,804
Professional fees	371	19,417	19,788
Office	1,676	6,436	8,112
Insurance	-	23,292	23,292
Auto	-	5,280	5,280
Other	30,579	6,332	36,911
Total Expenses	<u>\$ 731,834</u>	<u>\$ 227,038</u>	<u>\$ 958,872</u>

Statement of Cash Flows

For the Year Ended December 31, 2019

Cash flows from Operating Activities:

Increase in net assets	\$	32,217
Operating activities:		
Amortization		514
Depreciation		9,290
Decrease in accounts receivable		9,507
Increase in donated investments		(22,266)
Increase in accrued liabilities		33,412
Net cash provided by operating activities		<u>62,674</u>

Cash flows from investing activities:

Purchase of property and equipment		<u>(18,650)</u>
Net cash flows used by investing activities		(18,650)

Cash flows from financing activities:

Decrease in mortgage payable		<u>(22,520)</u>
Net cash used from financing activities		(22,520)

Net increase in cash and cash equivalents 21,504

Cash and cash equivalents - Beginning of year 54,554

Cash and cash equivalents - End of year \$ 76,058

December 31, 2019

Note 1 – Nature of Activities and Significant Accounting Policies

Organization

Hope Hospitality and Warming Center, Inc. ("Hope") 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 welcomes homeless adults in need of safe shelter and support services without judgment.

Hope 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 operates two shelters which serve adults experiencing homelessness.

The Hope 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.

The Hope 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 has an annual positive housing rate of approximately 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.

Basis of Presentation

The financial statements of Hope have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require Hope to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Hope's management and the board of directors.

Notes to Financial Statements

December 31, 2019

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Hope or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction has been met or when a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Functional Allocation of Expenses

Costs of providing the program and management services have been reported on a functional basis in the statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. Occupancy is allocated on the basis of square footage for the appropriate area of usage, Depreciation and amortization are allocated on the basis of the program or support service that uses the fixed asset. Costs have been allocated between the various programs and support services based on estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including September 14, 2020, which is the date the financial statements were available to be issued.

Covid-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020 as of the date of this report.

Note 2 - 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.

Notes to Financial Statements

December 31, 2019

Note 2 - Property and Equipment (Continued)

At December 31, 2019 property and equipment consists of the following:

	Beginning Balance	Additions	Ending Balance
Building	\$ 285,983	\$ 2,350	\$ 288,333
Building Improvements	20,477	-	20,477
Land	72,138	-	72,138
Land Improvements - In Kind	54,292	16,300	70,592
Equipment	9,492	-	9,492
Total cost	<u>\$ 442,382</u>	<u>\$ 18,650</u>	461,032
Less accumulated depreciation			<u>(38,156)</u>
Net property and equipment			<u>\$ 422,876</u>

Depreciation

Depreciation of property and equipment is computed using for book purposes straight-line methods, and methods based on usage. Depreciation expense was \$9,290 for 2019.

Note 3 - Concentrations

The Organization received approximately 54% of its funding from four funding sources.

Note 4 – 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 5 – Note Payable

Note payable to an Organization in the amount of \$124,417, 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.

Notes to Financial Statements

December 31, 2019

Note 6 – In Kind Donations

In Kind donations 2019

Description	Value
Consumable supplies (various supplies including paper towels, soap, and hand sanitizer)	\$ 27,483
Repairs and maintenance	1,500
Land improvements	16,300
Total	<u>\$ 45,283</u>

Note 7 – Liquidity and Availability of Financial Resources

Hope has \$132,049 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash of \$76,058 and contributions receivable of \$55,991 . None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The contributions receivable are subject to implied time restrictions but are expected to be collected within one year. Hope has a goal to maintain financial assets, which consist of cash and contributions receivable, on hand to meet 60 days of normal operating expenses, which are, on average approximately \$153,000. Hope has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.