

HOPE Hospitality and Warming Center, Inc.

Financial Report

December 31, 2023

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Independent Auditor's Report

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

Opinion

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, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HOPE Hospitality and Warming Center, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HOPE Hospitality and Warming Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 HOPE Hospitality and Warming Center, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HOPE Hospitality and Warming Center, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Zerbo Consulting Group, P.C.

May 29, 2024

Statement of Financial Position

As of December 31, 2023

Assets

Current Assets

Cash	\$ 123,630
Accounts Receivable - Contributions	312,841
Total Current Assets	<u>436,471</u>

Property and Equipment - Net (Note 2)	495,483
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Other Assets

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

Total Assets	<u><u>\$ 931,954</u></u>
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Liabilities and Net Assets

Current Liabilities

Accrued Liabilities	\$ 41,403
Total Current Liabilities	<u>41,403</u>

Note Payable - (Note 3)	37,800
Total Liabilities	<u>79,203</u>

Net Assets

Without Donor Restrictions	770,751
With Donor Restrictions	<u>82,000</u>
Total Net Assets	<u>852,751</u>

Total Liabilities and Net Assets	<u><u>\$ 931,954</u></u>
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Statement of Activities and Changes In Net Assets

Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Grant revenue	\$ 1,123,289	\$ -	\$ 1,123,289
Direct public support	367,518	82,000	449,518
Direct public support - in kind (Note 5)	112,564	-	112,564
Other income	941	-	941
Total Revenue and Other Support	<u>1,604,312</u>	<u>82,000</u>	<u>1,686,312</u>
Operating Expenses			
Program activities	1,347,237	-	1,347,237
Management and general	234,955	-	234,955
Total Expenses	<u>1,582,192</u>	<u>-</u>	<u>1,582,192</u>
Change in Net Assets	22,120	82,000	104,120
Net Assets - Beginning of year	<u>748,631</u>	<u>-</u>	<u>748,631</u>
Net Assets - End of year	<u>\$ 770,751</u>	<u>\$ 82,000</u>	<u>\$ 852,751</u>

Statement of Functional Expenses

Year Ended December 31, 2023

	Program Activities	Management and General	Total
Salaries and benefits	\$ 849,537	\$ 127,779	\$ 977,316
Building operations and utilities	115,657	5,761	121,418
Advertising and promotion	-	30,738	30,738
Depreciation and amortization	17,425	706	18,131
Professional fees	-	20,450	20,450
Office	-	21,556	21,556
Insurance	-	27,965	27,965
Auto	3,728	-	3,728
Direct public support - in kind (Note 5)	112,564	-	112,564
Guest meals	160,477	-	160,477
Temporary housing	44,230	-	44,230
Other - client assistance and supplies	43,619	-	43,619
Total Expenses	<u>\$ 1,347,237</u>	<u>\$ 234,955</u>	<u>\$ 1,582,192</u>

Statement of Cash Flows

Year Ended December 31, 2023

Cash flows from Operating Activities:

Change in net assets	\$ 104,120
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	18,131
Changes in operating assets and liabilities that provided (used) cash:	
Accounts receivable	39,030
Accrued liabilities	764
Net cash provided by operating activities	<u>162,045</u>

Cash flows from Investing Activities:

Purchase of property and equipment	(59,671)
Proceeds from sale of investments	51,081
Net cash used in investing activities	<u>(8,590)</u>

Cash flows from Financing Activities:

Payments on mortgage payable	(24,252)
Payments on line of credit	(75,000)
Net cash used in financing activities	<u>(99,252)</u>

Net increase in cash and cash equivalents 54,203

Cash and cash equivalents - Beginning of year 69,427

Cash and cash equivalents - End of year \$ 123,630

December 31, 2023

Note 1 – Nature of Activities and Significant Accounting Policies

Organization

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

HOPE Shelters 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 Shelters operates two shelters which serve adults experiencing homelessness.

The HOPE Shelters Adult Shelter is a low barrier (no sobriety, ID or background check requirement) emergency shelter where guests are mostly self-referred. HOPE Shelters is the only low barrier shelter in Oakland County. In addition to safe shelter, HOPE Shelters 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 Shelters 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 Shelters Recuperative is the first medical shelter in Michigan and only one of two in the state.

Between the two shelters, HOPE Shelters has an annual positive housing rate of approximately 50%.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed there by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with 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 during the reported period. Actual results could differ from those estimates.

December 31, 2023

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments with maturities of three months or less when purchased are considered cash equivalents and recorded at cost, which approximates fair value.

Concentrations of Cash Balances

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

Accounts Receivable

The Organization considers accounts receivable to be fully collectible at December 31, 2023; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Property and Equipment

Property and equipment is carried at cost or, if donated, at fair market value at the time of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of 3 to 27.5 years. The Organization's policy is to capitalize acquisitions of \$1,000 or more.

Revenue and Other Support

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received and are measured at fair value. The Organization receives support in the form of local government, corporate, and individual grants and contributions. Management has determined that these grants and contributions are from arrangements for which there is no commensurate benefit provided to the resource providers. Therefore, all of this support is considered to be contribution revenue. Contributions that are restricted by the donor are reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the contributions are recognized. Contributions with donor-imposed time or purpose restrictions are reported as support with donor restrictions. All other contributions are reported as support without donor restrictions.

Unconditional promises to give with payments due in future periods are assumed to have an implicit time restriction. Those restrictions are released as contributions when collected or when allocations or grants are made to recipient organizations based on those future collections. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. There were no conditional promises to give recognized as of December 31, 2023.

In-kind Revenue

The Organization recognizes and records contributions of donated non-cash assets at their fair values in the period received.

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.

December 31, 2023

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)***Functional Allocation of Expenses (Continued)***

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 May 29, 2024, which is the date the financial statements were available to be issued.

Note 2 - Property and Equipment

At December 31, 2023 property and equipment consists of the following:

	2023
Building	\$ 310,583
Building Improvements	74,872
Land	72,138
Land Improvements - In Kind	70,592
Equipment	59,935
Total cost	588,120
Less accumulated depreciation	(92,637)
Net property and equipment	<u>\$ 495,483</u>

Depreciation expense was \$18,131 for the year ended December 31, 2023.

Note 3 – Note Payable

HOPE Shelters has a note payable to an organization in the amount of \$37,800, 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. With the exception of the outstanding balance of the note in total, there are no future required payments on this note.

Note 4 – Line of Credit

On March 25, 2022, HOPE obtained a line of credit from a financial institution in the amount of \$100,000 at an interest rate of 8.5%. Monthly payments and draws are due on the 25th day of each month. As of December 31, 2023, the balance on the line of credit was \$0.

December 31, 2023

Note 5 – In Kind Donations

HOPE Shelters received various in-kind donations for its clients and shelters. The in-kind donations were used by the clients and shelters, and there were no donor-imposed restrictions associated with the contributed non-financial assets. Fair value of the contributed non-financial assets was determined based on the market value cost of a given item. In-kind donations for the year-ended December 31, 2023 are as follows:

Description	Value
Consumable supplies (various supplies including paper towels, soap, and hand sanitizer)	\$ 41,602
Meals (includes breakfast foods and snack foods)	38,214
Clothing and coats	32,748
Total	<u>\$ 112,564</u>

Note 6 – Liquidity and Availability of Financial Resources

HOPE Shelters has \$436,471 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 \$123,630 and accounts and contributions receivable of \$312,841. 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 with the exception of \$82,000 to be used for future shelter renovations and staffing needs. The contributions receivable are subject to implied time restrictions but are expected to be collected within one year. HOPE Shelters 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 \$264,000. HOPE Shelters has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.