

Audited Financial Statements

**FOUNDATION OF H.O.P.E., INC.**

For the Years Ended December 31, 2017 and 2016

Audited Financial Statements

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**Table of Contents**

**Independent Auditor’s Report**.....1

**Audited Financial Statements:**

Statements of Financial Position.....3

Statements of Activities and Changes in Net Assets.....4

Statement of Functional Expenses – December 31, 2017.....5

Statement of Functional Expenses – December 31, 2016.....6

Statements of Cash Flows .....7

Notes to Financial Statements .....8



## **McKeever Varga & Senko**

*Certified Public Accountants*

*Personal Financial Planners*

*Business Consultants*

### **Independent Auditor's Report**

To the Board of Directors of  
**FOUNDATION OF H.O.P.E., INC.**  
Pittsburgh, Pennsylvania

We have audited the accompanying financial statements of Foundation of H.O.P.E., Inc. (a Pennsylvania nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, 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 from 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.

To the Board of Directors of  
**FOUNDATION OF H.O.P.E., INC.**  
(Continued)

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foundation of H.O.P.E., Inc. as of December 31, 2017 and 2016, 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.



Certified Public Accountants

July 25, 2018  
Pittsburgh, Pennsylvania

**Audited Financial Statements**

# FOUNDATION OF H.O.P.E., INC.

## Statements of Financial Position

At December 31, 2017 and 2016

	2017	2016
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 363,272	\$ 144,849
Accounts receivable	34,500	12,585
Accounts receivable – related party	56,716	104,090
Grant receivable – net discount of \$1,526 and -0-	48,474	37,500
Prepaid expenses	5,972	2,968
<b>Total current assets</b>	<b>508,934</b>	<b>301,992</b>
<b>Property and equipment:</b>		
Office equipment	3,552	3,041
Less: accumulated depreciation	(1,787)	(1,597)
<b>Total property and equipment</b>	<b>1,765</b>	<b>1,444</b>
<b>Total assets</b>	<b>\$ 510,699</b>	<b>\$ 303,436</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 8,948	\$ 18,987
Accrued expenses	8,250	8,250
Due to related party	3,536	-
<b>Total liabilities</b>	<b>20,734</b>	<b>27,237</b>
<b>Net assets:</b>		
Unrestricted net assets	161,325	81,532
Temporarily restricted net assets	328,640	194,667
<b>Total net assets</b>	<b>489,965</b>	<b>276,199</b>
<b>Total liabilities and net assets</b>	<b>\$ 510,699</b>	<b>\$ 303,436</b>

*The accompanying notes are an integral part of these financial statements.*



**FOUNDATION OF H.O.P.E., INC.**

Statements of Activities and Changes in Net Assets

For the Years Ended December 31, 2017 and 2016

	2017		2016		Total
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	
<b>Revenue and support:</b>					
Program services:					
Chaplaincy program	\$ 308,007	\$ -	\$ 308,007	\$ -	\$ 308,007
Pre-release program	180,890	-	180,890	-	167,931
Aftercare mentoring	178,285	-	178,285	-	20,110
Contributions	48,879	302,162	351,041	98,200	141,259
Fundraising events	540	-	540	-	32,413
Realized gain/(loss)	(111)	-	(111)	-	(87)
Net assets released from restrictions	168,189	(168,189)	-	(123,037)	-
<b>Total revenue and support</b>	<b>884,679</b>	<b>133,973</b>	<b>1,018,652</b>	<b>(24,837)</b>	<b>669,633</b>
<b>Expenses:</b>					
Program services:					
Chaplaincy program	343,381	-	343,381	-	342,079
Pre-release program	140,729	-	140,729	-	141,374
Aftercare mentoring	157,895	-	157,895	-	93,283
Diversion program	56,170	-	56,170	-	-
Support services:					
Administrative	104,246	-	104,246	-	81,606
Fundraising	2,465	-	2,465	-	43,990
<b>Total expenses</b>	<b>804,886</b>	<b>-</b>	<b>804,886</b>	<b>-</b>	<b>702,332</b>
<b>Increase (decrease) in net assets</b>	<b>79,793</b>	<b>133,973</b>	<b>213,766</b>	<b>(7,862)</b>	<b>(32,699)</b>
Net assets, beginning of year	81,532	194,667	276,199	219,504	308,898
<b>Net assets, end of year</b>	<b>\$ 161,325</b>	<b>\$ 328,640</b>	<b>\$ 489,965</b>	<b>\$ 194,667</b>	<b>\$ 276,199</b>

*The accompanying notes are an integral part of these financial statements.*

**FOUNDATION OF H.O.P.E., INC.**

Statement of Functional Expenses

For the Year Ended December 31, 2017

	Program Services				Supporting Services		Total	
	Chaplaincy	Aftercare Mentoring	Pre-Release	Diversion	Program	Admin-istrative		Fund-raising
Salaries and wages	\$ 258,550	\$ 94,956	\$ 108,398	\$ 41,167	\$ 503,071	\$ 59,695	\$ 1,963	\$ 564,729
Employee benefits	11,040	4,055	4,629	1,758	21,482	2,549	84	24,115
Pension	12,957	4,758	5,432	2,063	25,210	2,991	98	28,299
Payroll taxes	12,562	4,614	5,267	2,000	24,443	2,900	95	27,438
Bank service charges	-	-	-	-	-	123	-	123
Professional fees	8,657	-	5,269	-	13,926	24,143	-	38,069
Program services	26,867	28,062	4,273	691	59,893	715	-	60,608
Charitable contributions	-	-	-	-	-	950	-	950
Insurance	-	-	-	-	-	3,396	-	3,396
Office expenses	5,541	8,599	5,983	4,643	24,766	4,035	225	29,026
Rent	-	10,800	-	3,300	14,100	300	-	14,400
Travel and conferences	5,763	2,051	1,478	548	9,840	2,053	-	11,893
Depreciation	-	-	-	-	-	396	-	396
Loss on disposal	1,444	-	-	-	1,444	-	-	1,444
<b>Total expenses</b>	<b>\$ 343,381</b>	<b>\$ 157,895</b>	<b>\$ 140,729</b>	<b>\$ 56,170</b>	<b>\$ 698,175</b>	<b>\$ 104,246</b>	<b>\$ 2,465</b>	<b>\$ 804,886</b>

The accompanying notes are an integral part of these financial statements.



**FOUNDATION OF H.O.P.E., INC.**

Statement of Functional Expenses

For the Year Ended December 31, 2016

	Program Services			Supporting Services			
	Chaplaincy	Aftercare Mentoring	Pre-Release	Total Program	Admin-istrative	Fundraising	Total
Salaries and wages	\$ 250,369	\$ 64,157	\$ 105,614	\$ 420,140	\$ 33,612	\$ 34,602	\$ 488,354
Employee benefits	11,678	2,992	4,926	19,596	1,568	1,614	22,778
Pension	15,116	3,873	6,376	25,365	2,029	2,089	29,483
Payroll taxes	12,552	3,217	5,295	21,064	1,685	1,735	24,484
Bank service charges	-	-	-	-	985	-	985
Fundraising events	-	-	-	-	-	3,730	3,730
Professional fees	10,761	-	6,080	16,841	25,360	-	42,201
Program services	34,541	8,891	5,865	49,297	73	-	49,370
Charitable contributions	-	-	-	-	1,050	-	1,050
Insurance	-	-	-	-	2,967	-	2,967
Office expenses	3,731	1,365	5,680	10,776	5,115	220	16,111
Rent	-	7,200	-	7,200	3,700	-	10,900
Travel and conferences	3,331	1,588	1,538	6,457	2,534	-	8,991
Depreciation	-	-	-	-	928	-	928
<b>Total expenses</b>	<b>\$ 342,079</b>	<b>\$ 93,283</b>	<b>\$ 141,374</b>	<b>\$ 576,736</b>	<b>\$ 81,606</b>	<b>\$ 43,990</b>	<b>\$ 702,332</b>

The accompanying notes are an integral part of these financial statements.

## FOUNDATION OF H.O.P.E., INC.

### Statements of Cash Flows

For the Years Ended December 31, 2017 and 2016

	2017	2016
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	\$ 213,766	\$ (32,699)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used for) operating activities:		
Depreciation	396	928
(Increase) decrease in:		
Accounts receivable	(21,915)	(12,585)
Accounts receivable – related party	47,374	(53,156)
Grant receivable	(10,974)	(37,500)
Prepaid expenses	(3,004)	4,665
Increase (decrease) in:		
Accounts payable	(10,039)	13,745
Accrued expenses	-	(5,899)
Due to related party	3,536	(1,597)
	<u>219,140</u>	<u>(124,098)</u>
<b>Net cash provided by (used for) operating activities</b>	<b>219,140</b>	<b>(124,098)</b>
<b>Cash flows from investing activities:</b>		
(Purchase) of equipment	(2,161)	(1,650)
Disposal of equipment	1,444	-
	<u>(717)</u>	<u>(1,650)</u>
<b>Net cash provided by (used for) investing activities</b>	<b>(717)</b>	<b>(1,650)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>218,423</b>	<b>(125,748)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>144,849</b>	<b>270,597</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 363,272</b>	<b>\$ 144,849</b>
<b>Supplemental disclosure:</b>		
Cash paid for interest	\$ -	\$ -
Cash paid for income tax	\$ -	\$ -

*The accompanying notes are an integral part of these financial statements.*

## FOUNDATION OF H.O.P.E., INC.

### Notes to Financial Statements

For the Years Ended December 31, 2017 and 2016

#### **Note 1. Nature of Activity and Operations**

The Foundation of H.O.P.E., Inc. (the Foundation) is an interfaith-based nonprofit organization providing comprehensive chaplaincy ministry and pre-release and post-release after-care for offenders both within the Allegheny County Jail and within the outside community. The Foundation also provides eligible young people access to programs that are an alternative to prosecution. The Foundation's mission and goal is successful community reintegration of men and women who have been incarcerated in the Allegheny County Jail. The source of most of the Foundation's revenues are program services fees from government agencies. The Foundation also receives a significant portion of its revenues from contributions received from individuals, foundations, and other nonprofit organizations.

#### **Note 2. Summary of Significant Accounting Policies**

##### **A. Basis of Accounting**

The Foundation's financial statements were prepared using the accrual basis of accounting. Expenses are recognized in the period incurred. Revenues are recognized in the period in which they are earned.

##### **B. Basis of Presentation**

The Foundation presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205 and subsections. Under this standard, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Accordingly, net assets and changes therein are classified in these financial statements as follows:

*Unrestricted net assets* – net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* – net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

*Permanently restricted net assets* – net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. There were no permanently restricted net assets at December 31, 2017 and 2016.

The Foundation is also required to present a statement of cash flows.



## **FOUNDATION OF H.O.P.E., INC.**

### Notes to Financial Statements (Continued)

For the Years Ended December 31, 2017 and 2016

#### **Note 2. Summary of Significant Accounting Policies (Continued)**

##### **C. Use of Estimates**

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### **D. Cash and Cash Equivalents**

For purposes of reporting cash flows, cash consists of cash on hand and checking accounts. At times, balances in these accounts may be in excess of federally insured limits.

##### **E. Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions.

##### **F. Accounts Receivable**

Accounts receivable - related party represents amounts due from government contracts. All revenues are recognized when earned and receivables are recorded at net realizable value. The Foundation's policy for determining past due or delinquent status is based on how recently payments have been made or contractual terms, as applicable. It is the Foundation's policy to charge off uncollectable accounts receivable when management determines the receivable will not be collected. The Foundation has determined that no provision for uncollectable accounts receivable as of December 31, 2017 and 2016 is required.

## **FOUNDATION OF H.O.P.E., INC.**

Notes to Financial Statements (Continued)

For the Years Ended December 31, 2017 and 2016

### **Note 2. Summary of Significant Accounting Policies (Continued)**

#### **G. Property and Equipment**

It is the Foundation's policy to capitalize property and equipment purchases over \$1,000 and expense lesser amounts. Purchased property and equipment is recorded at cost and depreciated over the estimated useful life of the assets, using the straight-line method

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities and changes in net assets for the period. The cost of repairs and maintenance is charged to expense as incurred; whereas significant renewals and betterments are capitalized.

Depreciation expense totaled \$396 and \$928 for years ended December 31, 2017 and 2016, respectively.

#### **H. Program Services**

Fees for program services are recognized at the time the service is rendered.

#### **I. Functional Allocation of Expenses**

Costs of providing programs and other activities are summarized on a functional basis in the statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the various programs and supporting services benefitted. Indirect costs are allocated between programs and supporting services in proportion to the number of personnel performing those functions, as estimated by management.

#### **J. Income Taxes**

The Foundation has received a determination letter from the Internal Revenue Service that grants an exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code, except for any income that may be a result of unrelated business transactions. The Foundation does not believe its financial statements include, or reflect, any uncertain tax positions that require disclosure under FASB ASC 740-10-25 (FIN 48).

The Foundation's IRS Forms 990, Return of Organization Exempt from Income Tax, for the fiscal years ended December 31, 2016, 2015, and 2014 are subject to examination by the IRS, generally for three years after they were filed.

## FOUNDATION OF H.O.P.E., INC.

### Notes to Financial Statements (Continued)

For the Years Ended December 31, 2017 and 2016

#### Note 2. Summary of Significant Accounting Policies (Continued)

##### K. Reclassifications

Certain amounts in these financial statements for the year ended December 31, 2016 have been reclassified to conform with the reporting categories for the year ended December 31, 2017.

#### Note 3. Concentration of Credit Risk

The Foundation maintains its cash balance at a financial institution located in Pennsylvania, which at times may exceed federal insured limits of \$250,000. At December 31, 2017 and 2016, the Foundation's uninsured cash balance was \$113,888 and \$-0-, respectively. The Foundation has not experienced any losses in such accounts. Management believes the Foundation is not exposed to any significant credit risk related to cash.

#### Note 4. Restrictions on Net Assets

##### A. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or periods specified as follows during the years ended December 31 as follows:

	2017	2016
Create an executive director position to sustain faith-based programming for allegheny county jail inmates and ex-offenders	\$ -	\$ 26,897
Inmate charities	17,886	11,428
Chaplaincy program	4,553	-
Pre-release program	7,500	13,303
Aftercare program	85,400	71,409
Diversion program	52,850	-
Total	<u>\$ 168,189</u>	<u>\$ 123,037</u>



**FOUNDATION OF H.O.P.E., INC.**

Notes to Financial Statements (Continued)

For the Years Ended December 31, 2017 and 2016

**Note 4. Restrictions on Net Assets (Continued)**

**B. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes or periods at December 31:

	2017	2016
Inmate charities	\$ 51,096	\$ 68,983
Chaplaincy program	53,693	52,696
Pre-release program	12,500	5,000
Aftercare program	14,200	67,988
Diversion program	<u>197,151</u>	<u>-</u>
Total	<u>\$ 328,640</u>	<u>\$ 194,667</u>

**Note 5. Grant Receivable**

Unconditional promises to give are recorded as receivables and revenue when received. The Foundation distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows.

Pledges are expected to be realized in the following periods:

	2017	2016
In one year or less	\$ 25,000	\$ 37,500
Between one year and five years	<u>25,000</u>	<u>-</u>
Subtotal	50,000	37,500
Less discount, at 3.20%	<u>(1,526)</u>	<u>-</u>
Total	<u>\$ 48,474</u>	<u>\$ 37,500</u>

## FOUNDATION OF H.O.P.E., INC.

Notes to Financial Statements (Continued)

For the Years Ended December 31, 2017 and 2016

### **Note 6. Related Party Transactions**

Christian Associates of Southwestern Pennsylvania (CASP) has voting interest in the Foundation's governing board and is deemed to be a related party. CASP has two contracts through Allegheny County for Pre-Release and Chaplaincy programs. The Foundation performs all the duties within the scope of these contracts and invoices CASP for these services on a monthly basis. The contracts still remain with CASP.

For the years ended December 31, 2017 and 2016, the Foundation's program service revenue for the Pre-Release and Chaplaincy programs totaled \$488,897 and \$475,938 for services provided to Allegheny County under CASP's contracts for which the Foundation has administrative responsibility.

At December 31, 2017 and 2016, amounts due to the Foundation from CASP totaled \$56,716 and \$104,090, respectively. Amounts due to CASP were \$3,536 and \$-0- at December 31, 2017 and 2016, respectively.

For the years ended December 31, 2017 and 2016, the Foundation paid CASP administrative and affiliation fees totaling \$14,715 and \$15,211, respectively. The Foundation also began paying CASP \$400 per month in rent for use of their facilities beginning February 2015 and ending January 2016 – see Note 8.

### **Note 7. Economic Dependency**

The Foundation performs services under CASP contracts with Allegheny County and the U.S. Department of Justice for the Second Chance Act. For the years ended December 31, 2017 and 2016, revenue from this source comprised of 48% and 71% of total revenue, respectively.

At December 31, 2017 and 2016, 62% and 89% of trade accounts receivable were comprised of amounts due from CASP, respectively.

## FOUNDATION OF H.O.P.E., INC.

Notes to Financial Statements (Continued)

For the Years Ended December 31, 2017 and 2016

### Note 8. Operating Leases

The Foundation is party to a lease agreement for office equipment which extends through the year 2020. Total lease expense amounted to \$3,933 and \$4,192 for years ended December 31, 2017 and 2016, respectively. At December 31, 2017, future minimum annual rental payments required under this lease with terms in excess of one year are as follows:

Year Ending December 31	
2018	\$ 3,492
2019	3,492
2020	<u>291</u>
Total	<u>\$ 7,275</u>

The Foundation also leased office space on a month to month basis with CASP in the amount of \$400 per month. The Foundation stopped renting this space in January 2016.

The Foundation rented aftercare office space for \$900 and \$600 a month during 2017 and 2016, respectively. The Foundation rented additional space in the same building for the diversion program for \$550 starting July 2017. Total rent expenses amounted to \$14,400 and \$10,900 for the years ended December 31, 2017 and 2016, respectively.

### Note 9. Pension Plan

The Foundation created a Simplified Employee Pension plan (the Plan) covering all employees who have attained certain age and service requirements and who are not covered by a collective bargaining agreement. Total contributions to retirement plans totaled \$28,299 and \$29,483 for the years ended December 31, 2017 and 2016, respectively.

### Note 10. Evaluation of Subsequent Events

The Foundation has evaluated subsequent events through July 25, 2018, the date on which the financial statements were available to be issued.