

Audited Financial Statements

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

For the Years Ended December 31, 2018 and 2017

Audited Financial Statements

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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, 2018 and 2017, 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, 2018 and 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.



Certified Public Accountants

October 8, 2019
Pittsburgh, Pennsylvania

Audited Financial Statements

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

Statements of Financial Position

At December 31, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 190,255	\$ 363,252
Accounts receivable	1,722	34,500
Accounts receivable – related party	128,214	56,716
Grant receivable – net discount of \$-0- and \$1,526	71,500	48,474
Investments	1,686	20
Prepaid expenses	5,606	5,972
	<u>398,983</u>	<u>508,934</u>
Total current assets		
Property and equipment:		
Office equipment	3,552	3,552
Less: accumulated depreciation	<u>(2,219)</u>	<u>(1,787)</u>
	<u>1,333</u>	<u>1,765</u>
Total property and equipment		
	<u>\$ 400,316</u>	<u>\$ 510,699</u>
Total assets		
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 18,284	\$ 8,948
Accrued expenses	8,250	8,250
Due to related party	<u>1,301</u>	<u>3,536</u>
	<u>27,835</u>	<u>20,734</u>
Total liabilities		
Net assets:		
Without donor restriction	2	161,325
With donor restriction	<u>372,479</u>	<u>328,640</u>
	<u>372,481</u>	<u>489,965</u>
Total net assets		
	<u>\$ 400,316</u>	<u>\$ 510,699</u>
Total liabilities and net assets		

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, 2018 and 2017

	2018			2017		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Revenue and support:						
Program services:						
Chaplaincy program	\$ 326,246	-	\$ 326,246	\$ 308,007	-	\$ 308,007
Pre-release program	170,234	-	170,234	180,890	-	180,890
Aftercare mentoring	6,000	-	6,000	178,285	-	178,285
Contributions	39,961	317,184	357,145	48,879	302,162	351,041
Fundraising events	22,225	-	22,225	540	-	540
Realized gain/(loss)	(275)	-	(275)	(111)	-	(111)
Net assets released from restrictions	273,345	(273,345)	-	168,189	(168,189)	-
Total revenue and support	837,736	43,839	881,575	884,679	133,973	1,018,652
Expenses:						
Program services:						
Chaplaincy program	361,732	-	361,732	343,381	-	343,381
Pre-release program	162,279	-	162,279	140,729	-	140,729
Aftercare mentoring	125,192	-	125,192	157,895	-	157,895
Diversion program	180,097	-	180,097	56,170	-	56,170
Support services:						
Administrative	151,572	-	151,572	104,246	-	104,246
Fundraising	18,187	-	18,187	2,465	-	2,465
Total expenses	999,059	-	999,059	804,886	-	804,886
Increase (decrease) in net assets	(161,323)	43,839	(117,484)	79,793	133,973	213,766
Net assets, beginning of year	161,325	328,640	489,965	81,532	194,667	276,199
Net assets, end of year	\$ 2	\$ 372,479	\$ 372,481	\$ 161,325	\$ 328,640	\$ 489,965

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, 2018

	Program Services				Supporting Services		Total	
	Chaplaincy	Aftercare Mentoring	Pre-Release	Diversion	Total Program	Admin-istrative		Fund-raising
Salaries and wages	\$ 274,293	\$ 78,358	\$ 116,781	\$ 112,682	\$ 582,114	\$ 96,915	\$ -	\$ 679,029
Employee benefits	3,069	603	3,146	-	6,818	3,566	-	10,384
Pension	18,939	3,584	8,421	4,158	35,102	4,926	-	40,028
Payroll taxes	8,143	5,819	8,673	7,100	29,735	8,061	-	37,796
Bank service charges	-	-	-	-	-	353	-	353
Fundraising events	-	-	-	-	-	-	18,187	18,187
Professional fees	9,214	-	5,409	18,000	32,623	24,370	-	56,993
Program services	25,930	17,991	5,888	18,980	68,789	234	-	69,023
Charitable contributions	659	-	-	-	659	757	-	1,416
Insurance	-	-	-	-	-	5,134	-	5,134
Office expenses	4,384	4,818	6,343	5,288	20,833	3,407	-	24,240
Rent	-	10,800	-	6,600	17,400	-	-	17,400
Travel and conferences	6,556	513	4,493	1,388	12,950	49	-	12,999
Depreciation	-	-	-	-	-	432	-	432
Loss on disposal	-	-	-	-	-	-	-	-
Reimbursables	4,694	1,708	1,330	3,927	11,659	2,486	-	14,145
Continuing education	5,485	998	1,795	1,974	10,252	369	-	10,621
Staff development	366	-	-	-	366	513	-	879
Total expenses	\$ 361,732	\$ 125,192	\$ 162,279	\$ 180,097	\$ 829,300	\$ 151,572	\$ 18,187	\$ 999,059

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

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, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (117,484)	\$ 213,766
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used for) operating activities:		
Depreciation	432	396
(Increase) decrease in:		
Accounts receivable	(1,722)	(21,915)
Accounts receivable – related party	(36,998)	47,374
Grant receivable	(23,026)	(10,974)
Investments	(1,666)	(20)
Prepaid expenses	366	(3,004)
Increase (decrease) in:		
Accounts payable	9,336	(10,039)
Accrued expenses	-	-
Due to related party	(2,235)	3,536
	(172,997)	219,120
Net cash provided by (used for) operating activities	(172,997)	219,120
Cash flows from investing activities:		
(Purchase) of equipment	-	(2,161)
Disposal of equipment	-	1,444
	-	(717)
Net cash provided by (used for) investing activities	-	(717)
Net increase (decrease) in cash and cash equivalents	(172,997)	218,403
Cash and cash equivalents, beginning of year	363,252	144,849
Cash and cash equivalents, end of year	\$ 190,255	\$ 363,252
Supplemental disclosure:		
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, 2018 and 2017

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:

Net assets without donor restrictions – net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – net assets that are subject to donor restrictions. Currently all restricted net assets may or will be met either by actions of the Foundation and/or passage of time. There are no restricted assets intended to be used for purposes of endowments. See Note 4 for a description of net assets with donor restrictions at December 31, 2018 and 2017.

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, 2018 and 2017

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 net assets with donor restrictions or net assets without donor restrictions, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. All other donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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, 2018 and 2017 is required.

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

Notes to Financial Statements (Continued)

For the Years Ended December 31, 2018 and 2017

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 \$432 and \$396 for years ended December 31, 2018 and 2017, respectively.

H. Program Services

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

I. Functional Allocation of Expenses

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The following expenses that are allocated based on hours worked are salaries, benefits and payroll taxes. The remainder of the expenses are allocated based off of actual usage by each program.

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, 2017, 2016, and 2015 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, 2018 and 2017

Note 2. Summary of Significant Accounting Policies (Continued)

K. Reclassifications

Certain amounts in these financial statements for the year ended December 31, 2017 have been reclassified to conform with the reporting categories for the year ended December 31, 2018.

L. New Accounting Pronouncement

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The Foundation has adjusted the presentation on its financial statements accordingly, applying the changes retrospectively to the comparative periods presented. The new standards change the following aspects of the Foundation's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources - Note 10.

The changes have the following effect on net assets at December 31, 2017:

	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 161,325	\$ -
Temporarily restricted net assets	328,640	-
Permanently restricted net assets	-	-
Net assets without donor restrictions	-	161,325
Net assets with donor restrictions	-	328,640
	<hr/>	<hr/>
Total net assets	\$ 489,965	\$ 489,965

In addition, certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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

Notes to Financial Statements

For the Years Ended December 31, 2018 and 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, 2018 and 2017, the Foundation's uninsured cash balance was \$-0- and \$113,888, 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:

	2018	2017
Inmate charities	\$ 13,561	17,886
Chaplaincy program	27,547	4,553
Pre-release program	20,517	7,500
Aftercare program	18,317	85,400
Diversion program	<u>193,403</u>	<u>52,850</u>
Total	<u>\$ 273,345</u>	<u>\$ 168,189</u>

B. Net Assets With Donor Restriction

Net assets with donor restrictions are available for the following purposes at December 31:

	2018	2017
Inmate charities	\$ 37,535	\$ 51,096
Chaplaincy program	32,404	53,693
Pre-release program	-	12,500
Aftercare program	3,600	14,200
Diversion program	<u>298,940</u>	<u>197,151</u>
Total	<u>\$ 372,479</u>	<u>\$ 328,640</u>

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

Notes to Financial Statements

For the Years Ended December 31, 2018 and 2017

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:

	2018	2017
In one year or less	\$ 71,500	\$ 25,000
Between one year and five years	-	25,000
Subtotal	71,500	50,000
Less discount, at 3.20%	-	(1,526)
Total	\$ 71,500	\$ 48,474

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, 2018 and 2017, the Foundation's program service revenue for the Pre-Release and Chaplaincy programs totaled \$496,480 and \$488,897 for services provided to Allegheny County under CASP's contracts for which the Foundation has administrative responsibility.

At December 31, 2018 and 2017, amounts due to the Foundation from CASP totaled \$128,214 and \$56,716, respectively. Amounts due to CASP were \$1,301 and \$3,536 at December 31, 2018 and 2017, respectively.

For the years ended December 31, 2018 and 2017, the Foundation paid CASP administrative and affiliation fees totaling \$15,294 and \$14,715, respectively.

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

Notes to Financial Statements

For the Years Ended December 31, 2018 and 2017

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, 2018 and 2017, revenue from this source comprised of 56% and 48% of total revenue, respectively.

At December 31, 2018 and 2017, 99% and 62% of trade accounts receivable were comprised of amounts due from CASP, respectively.

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 \$5,673 and \$3,933 for years ended December 31, 2018 and 2017, respectively. At December 31, 2018, future minimum annual rental payments required under this lease with terms in excess of one year are as follows:

Year Ending December 31	
2019	\$ 3,492
2020	<u>291</u>
Total	<u>\$ 3,783</u>

The Foundation rented aftercare office space for \$900 and \$900 a month during 2018 and 2017, respectively. The Foundation rented additional space in the same building for the diversion program for \$550 starting July 2017. Total rent expenses amounted to \$17,400 and \$14,400 for the years ended December 31, 2018 and 2017, respectively.

Note 9. Pension Plan

The Foundation sponsors 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 \$40,028 and \$28,299 for the years ended December 31, 2018 and 2017, respectively.

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

Notes to Financial Statements

For the Years Ended December 31, 2018 and 2017

Note 10. Liquidity and Availability of Financial Assets

The Foundation manages its liquid resources by focusing on grant requests, fundraising and programmatic efforts to ensure the organization has adequate contributions, grants and contract revenue to fulfill its mission and conduct key programs. The Foundation prepares detailed budgets annually and has been very active in monitoring its costs to ensure the Foundation remains liquid.

The following reflects the Foundation's financial assets as of December 31, 2018 and 2017 expected to be available within one year to meet the cash needs for general expenditures. Amounts available include grant receivables expected to be collected within one year as well as donor-restricted amounts that are available for program specific general expenditure in the following year.

	2018	2017
Cash	\$ 190,255	\$ 363,252
Receivables	1,722	34,500
Receivables – related party	128,214	56,716
Grant receivables	71,500	48,474
Investments	<u>1,686</u>	<u>20</u>
Total financial assets	<u>393,377</u>	<u>502,962</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 393,377</u>	<u>\$ 502,962</u>

Note 11. Evaluation of Subsequent Events

The Foundation has evaluated subsequent events through October 8, 2019, the date on which the financial statements were available to be issued.