

Financial Statements

Hope Center for Children

Year Ended September 30, 2013

**Hope Center for Children
Financial Statements
Years Ended September 30, 2013**

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Hope Center for Children
Spartanburg, South Carolina

We have audited the accompanying statements of financial statements of Hope Center for Children (a non-profit organization) which comprise the statements of financial position as of September 30, 2013 and the related statements of activities, functional expenses, and cash flow 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.

Auditors' 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 auditors' 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 auditors 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 Center for Children as of September 30, 2013 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Gosnell Menard Robinson Infante CPA's, PA
Spartanburg, SC

February 11, 2014

**Hope Center for Children
Statement of Financial Position
September 30, 2013**

| | 2013 |
|--|--------------|
| Assets | |
| Current Assets | |
| Cash and cash equivalents - unrestricted | \$ 102,626 |
| Cash and cash equivalents - restricted | 9,774 |
| Accounts receivable | 211,185 |
| Grants receivable | 196,226 |
| Investment at Spartanburg County Foundation | 859,067 |
| Prepaid expenses | 18,889 |
| Total current assets | 1,397,767 |
| Fixed Assets | |
| Land | 356,786 |
| Buildings | 3,231,908 |
| Furniture and equipment | 674,600 |
| Less: accumulated depreciation | (1,980,504) |
| Total fixed assets | 2,282,790 |
| Total assets | \$ 3,680,557 |
| Liabilities and Net Assets | |
| Current Liabilities | |
| Accounts payable | \$ 3,202 |
| Note payable | 10,018 |
| Deferred revenue | 196,226 |
| Payroll liabilities | 2,153 |
| Accrued expenses | 16,204 |
| Total current liabilities | 227,803 |
| Long Term Liabilities | |
| Note payable | 97,046 |
| Total liabilities | 324,849 |
| Net Assets | |
| Unrestricted net assets available for operations | 1,063,144 |
| Property and equipment | 2,282,790 |
| Total unrestricted net assets | 3,345,934 |
| Temporarily restricted net assets | 9,774 |
| Total net assets | 3,355,708 |
| Total liabilities and net assets | \$ 3,680,557 |

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

**Hope Center for Children
Statement of Activities
Year Ended September 30, 2013**

| | Unrestricted | Temporarily Restricted | Total |
|---|---------------------|---------------------------|--------------------|
| Support and Revenues | | | |
| Residential | | | |
| Department of Social Services | \$ 600,910 | \$ - | \$ 600,910 |
| Contributions | 183,595 | 93,540 | 277,135 |
| Fundraising | 54,631 | 46,105 | 100,736 |
| United Way | 89,974 | - | 89,974 |
| Grants | 65,741 | - | 65,741 |
| Spartanburg County | 46,800 | - | 46,800 |
| Capital gain | 8,050 | - | 8,050 |
| Gain on investments | 50,168 | - | 50,168 |
| VOCA | 31,082 | - | 31,082 |
| United States Department of Agriculture | 21,832 | - | 21,832 |
| Medicaid Family | 5,420 | - | 5,420 |
| Miscellaneous income | 4,441 | - | 4,441 |
| Empowering Families | | | |
| SAFY | 480,669 | - | 480,669 |
| Contributions | 90,830 | - | 90,830 |
| Fundraising | 26,726 | - | 26,726 |
| United Way | 18,326 | - | 18,326 |
| Grants | 13,979 | - | 13,979 |
| Gain on investments | 20,220 | - | 20,220 |
| Strengthening Families | | | |
| Grants | 64,110 | - | 64,110 |
| Contributions | 75,419 | - | 75,419 |
| Fundraising | 43,581 | - | 43,581 |
| Medicaid | 40,784 | - | 40,784 |
| United Way | 13,242 | - | 13,242 |
| Gain on investments | 8,392 | - | 8,392 |
| Miscellaneous income | 2,581 | - | 2,581 |
| Transitional Living | | | |
| TLP Grant | 49,483 | - | 49,483 |
| Gain on investments | 12,347 | - | 12,347 |
| Contributions | 11,192 | - | 11,192 |
| Fundraising | 6,932 | - | 6,932 |
| United Way | 3,779 | - | 3,779 |
| Grants | 2,598 | - | 2,598 |
| Net assets released from restriction | 137,171 | (137,171) | - |
| Total Support and Revenues | 2,285,005 | 2,474 | 2,287,479 |
| Expenses: | | | |
| Program services - Residential | 1,110,626 | - | 1,110,626 |
| Program services - Empowering Families | 512,317 | - | 512,317 |
| Program services - Strengthening Families | 230,853 | - | 230,853 |
| Program services - Transitional Living | 62,643 | - | 62,643 |
| Management and general | 225,084 | - | 225,084 |
| Total expenses | 2,141,523 | - | 2,141,523 |
| Change in net assets | 143,482 | 2,474 | 145,956 |
| Addition of assets from merger | 2,444,590 | - | 2,444,590 |
| Net assets at beginning of year | 757,862 | 7,300 | 765,162 |
| Net assets at end of year | \$ 3,345,934 | \$ 9,774 | \$3,355,708 |

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

**Hope Center for Children
Statement of Functional Expenses
Year Ended September 30, 2013**

| | Program Services | | | | Supporting Services | |
|-------------------------------------|---------------------|---------------------|------------------------|---------------------|-----------------------------|---------------------|
| | Residential | Empowering Families | Strengthening Families | Transitional Living | Management and Fund Raising | Total Expenses |
| Salaries | \$ 589,702 | \$ 298,166 | \$ 125,666 | \$ 43,433 | \$ 87,995 | \$ 1,144,962 |
| Insurance - group and workers comp | 62,027 | 35,387 | 15,207 | 2,635 | 7,905 | 123,161 |
| Retirement and payroll taxes | 59,855 | 30,264 | 12,755 | 4,409 | 8,938 | 116,221 |
| Total salaries and related expenses | 711,584 | 363,817 | 153,628 | 50,477 | 104,838 | 1,384,344 |
| Rent | 5,246 | 21,734 | 8,321 | 16 | 1,101 | 36,418 |
| Computers and software | 1,422 | 3,025 | 1,472 | 14 | 277 | 6,210 |
| Repairs & maintenance | 48,612 | 9,146 | 3,295 | 1,020 | 3,411 | 65,484 |
| Telephone | 8,001 | 4,275 | 1,644 | 319 | 1,190 | 15,429 |
| Utilities | 52,165 | 2,707 | 796 | 587 | 1,515 | 57,770 |
| Copier lease | 4,828 | 2,324 | 900 | 155 | 688 | 8,895 |
| Auto expenses | 18,856 | 26,892 | 11,918 | 61 | 118 | 57,845 |
| Insurance - general | 17,731 | 9,823 | 3,627 | 1,209 | 3,870 | 36,260 |
| Professional development & training | 16,935 | 6,219 | 14,549 | 954 | 1,938 | 40,595 |
| Consultation fees | 3,742 | 3,742 | 3,742 | - | - | 11,226 |
| Professional fees | 539 | 209 | 88 | 143 | 121 | 1,100 |
| Contract services | 28,359 | 4,268 | 1,210 | - | - | 33,837 |
| Resident expense | | | | | | |
| Family assistance | - | 4,484 | - | - | - | 4,484 |
| Household supplies | 15,088 | - | - | 203 | - | 15,291 |
| Food | 49,136 | - | - | 507 | - | 49,643 |
| Office supplies | 4,903 | 3,252 | 1,042 | 172 | 906 | 10,275 |
| Extracurricular | 14,279 | - | - | 18 | - | 14,297 |
| Miscellaneous expenses | 348 | 249 | 89 | - | - | 686 |
| Academic education | 6,040 | - | - | - | - | 6,040 |
| Advertising | 6,975 | 6,742 | 2,504 | 493 | 864 | 17,578 |
| Postage | 2,887 | 1,632 | 542 | 86 | 445 | 5,592 |
| Fund raising | 19,576 | 5,200 | 8,903 | 1,403 | 2,412 | 37,494 |
| In-Kind expenses | 63,424 | 29,821 | 11,458 | 3,644 | - | 108,347 |
| Interest expense | 215 | 186 | 119 | - | - | 520 |
| Bank fees | 9,735 | 2,570 | 1,006 | 1,162 | 1,393 | 15,866 |
| Total expenses before depreciation | 1,110,626 | 512,317 | 230,853 | 62,643 | 125,087 | 2,041,526 |
| Depreciation expense | - | - | - | - | 99,997 | 99,997 |
| Total expenses | <u>\$ 1,110,626</u> | <u>\$ 512,317</u> | <u>\$ 230,853</u> | <u>\$ 62,643</u> | <u>\$ 225,084</u> | <u>\$ 2,141,523</u> |

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

**Hope Center for Children
Statement of Cash Flows
Year Ended September 30, 2013**

| | 2013 |
|--|--------------|
| Cash flows from operating activities | |
| Change in net assets | \$ 145,956 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 99,997 |
| Investment income | (84,069) |
| Capital gain on sale of equipment | (8,050) |
| Increase in deferred revenue | 196,226 |
| Decrease in prepaid expenses | 994 |
| Decrease in accounts payable | (7,493) |
| Decrease in payroll liabilities | (6,195) |
| Decrease in accrued expenses | (13,290) |
| Increase in accounts receivable | (140,047) |
| Increase in grants receivable | (196,226) |
| Net cash used by operating activities | (12,197) |
| Cash flows from investing activities | |
| Increase in net other assets due to merger | 11,580 |
| Building improvement purchases | (53,741) |
| Equipment purchases | (6,897) |
| Contributions to Hope Center for Children fund | (455) |
| Proceeds from sale of fixed assets | 10,000 |
| Scholarships paid from Hope Center for Children fund | 11,225 |
| Net cash used by investing activities | (28,288) |
| Cash flows from financing activities | |
| Repayment to Spartanburg County Foundation fund | (25,000) |
| Increase in note payable due to merger | 114,254 |
| Repayment of note payable | (7,190) |
| Net cash provided by financing activities | 82,064 |
| Net increase in cash | 41,579 |
| Cash at beginning of year | 70,821 |
| Cash at end of year | \$ 112,400 |
| Noncash Items | |
| Increase of Hope Center for Children fund from Ellen Hines Smith Girls' Home Fund | \$ 550,229 |
| Increase of Hope Center for Children fund from Sylvia Stahley Legacy Fund | \$ 210,539 |
| Increase net fixed assets due to merger | \$ 2,197,470 |

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

**Hope Center for Children
Notes to Financial Statements
Year Ended September 30, 2013**

Note A – Organization and Summary of Significant Accounting Policies

Merger

On January 1, 2013 the Ellen Hines Smith Girls Home and the Children Shelter of the Upstate merged to create the Hope Center for Children.

Organization

The Hope Center for Children (the Center) offers emergency shelter for children removed from their home due to abuse or neglect 24 hours a day, 365 days per year at the Faucette House. This “house” provides basic needs, gives love and support as the children heal, and helps to advocate for the best long-term environment.

The Anchor House provides around-the-clock care serving girls between 11 and 21 years old. This “house” provides girls with teaching which results in successful high-school graduation and improvement in life skills.

The Transitional Living Program provides temporary shelter to youths between 16 and 21 years old who have no safe place to live as they move into adulthood. In addition, the program provides parenting skills promoting a strong mother-child bond.

The Center also provides a Family Strengthening Program and Empowering Families Program to prevent child abuse and neglect, with the objective of building stable, healthy families.

Basis of Accounting

The financial statements of the Center are kept on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The Center has adopted FASB ASC 958-205 *Not-For-Profit Presentation of Financial Statements*.

The Center 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. In addition the Center is required to present a statement of cash flows.

Donor-Imposed Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same period in which the contribution is received, the Center reports that support as unrestricted.

**Hope Center for Children
Notes to Financial Statements
Year Ended September 30, 2013**

Note A – Organization and Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are defined by the Center as assets with an initial, individual cost greater than or equal to \$5,000 and with an estimated useful life in excess of one year.

The Center follows the practice of capitalizing expenditures for furniture and equipment; the fair value of donated fixed assets is similarly capitalized. Depreciation is provided on a straight-line basis over the estimated useful life of the assets.

Contributed Items

Contributed items are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Donated Services

A substantial number of volunteers donated significant amounts of their time to the Center's program services. The value of these services has not been recorded in the financial statements because they do not meet the definition for recognition under generally accepted accounting principles.

In-Kind Donations

In-kind donations received by the Center for the year ended September 30, 2013 is estimated at \$108,347.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers all highly liquid debt instruments purchases with maturity of three months or less from date of purchase to be cash equivalents.

Revenue Concentration

The Center received approximately 28 percent of its operating revenue from the Department of Social Services for the year ended September 30, 2013. The Center also received 22 percent of its operating revenue from the Specialized Alternatives for Families and Youth of South Carolina, Inc. (SAFY) for the year ended September 30, 2013.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs for the year ended September 30, 2013 was \$6,040.

**Hope Center for Children
Notes to Financial Statements
Year Ended September 30, 2013**

Note A – Organization and Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax-Exempt Status

The Center is a not-for-profit corporation that is exempt from income taxes under section 501(c) (3) of the Internal Revenue Code.

FASB ASC 740-10-25 requires that the Center recognize the financial statement effects of a tax position based on a 'more-likely-than-not' threshold for positions taken or expected to be taken in a tax return. The Center has adopted the application of ASC 740-10-25 for the fiscal year ended September 30, 2013. The Center's accounting policy for evaluating uncertain tax positions is to recognize tax positions if they are probable of being ultimately realized. The Center does not believe there are any unrecognized tax benefits or liabilities that should be recorded.

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value because of terms and relative short maturity of financial instruments. The carrying values, which are the fair value of investments, are based on values provided by an external investment manager or comparison to quoted market values.

Note B – Functional Allocation of Expense

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

**Hope Center for Children
Notes to Financial Statements
Year Ended September 30, 2013**

Note C – Investment held at Spartanburg County Foundation

Hope Center for Children Fund

The Spartanburg Children's Shelter, Inc. previously reported the Sylvia Stahley Legacy Fund in the organization's financial statements. The merger caused this fund to be moved to the Hope Center for Children's investment assets.

Ellen Hines Smith Girls' Home fund was reported in the financial statements of The Spartanburg County Foundation as a special trust fund, therefore it was reported as a contingent asset in the financial statements of Ellen Hines Smith Girls' Home.

On June 17, 2013 an amendment and restatement of agreement(s) was executed between Hope Center for Children and The Spartanburg County Foundation. This agreement combined the Sylvia Stahley Legacy Fund (originally dated February 23, 1996) reported by Children's Shelter, Inc. and the Ellen Hines Smith Girls' Home fund (originally dated August 27, 1985) reported by The Spartanburg County Foundation. This new agreement created the Hope Center for Children Fund currently reported as an investment asset.

A confirmation of the Fund balance was received from the Foundation for the fiscal year ended September 30, 2013.

**Hope Center for Children
Notes to Financial Statements
Year Ended September 30, 2013**

Note D – Contingent Assets

Ellen Hines Smith Girls' Home Scholarship Fund

In August of 1998, a special trust fund was created by agreement between the Spartanburg County Foundation and the Girls' Home to remember the endless endeavors of Ellen Hines Smith. An annual award of scholarship is to be made to a deserving resident or former resident of the Center who desires to pursue any level of further education.

A confirmation of the Fund balance was received from the Foundation for the fiscal years ended September 30, 2013, which included the following financial data related to the Fund:

STATEMENT OF FINANCIAL POSITION

| | September 30, 2013 |
|-------------------|-----------------------|
| Assets | |
| Investments | \$ 36,834 |
| Net Assets | |
| Unrestricted | \$ 36,834 |

STATEMENT OF ACTIVITIES

| | Year Ended September 30, 2013 |
|--|-------------------------------------|
| Revenues | |
| Investment income | \$ 533 |
| Net gain/(loss) in investment | 3,422 |
| Total revenues | \$ 3,955 |
| Expenses | |
| Scholarships | \$ - |
| Fees | 702 |
| Total Expenses | 702 |
| Increase/(Decrease) in net assets | 3,253 |
| Net assets, beginning of year | 33,581 |
| Net assets, end of year | \$ 36,834 |

**Hope Center for Children
Notes to Financial Statements
Year Ended September 30, 2013**

Note E – Cash and Cash Equivalents

The Center maintains its cash balances at two banks in South Carolina. Cash accounts at the banks are insured by the Federal Deposit Insurance Corporation for up to \$250,000. As of September 30, 2013 the Center had no cash balance with financial institutions in excess of federally insured limits.

Note F – Accounts Receivable

Accounts receivable consist of the amounts described below and are considered by management to be fully collectable except for specific items determined to be uncollectable.

| | |
|---|------------------------------|
| Accounts receivable as of September 30, | 2013 |
| State and local grants | <u>\$ 205,785</u> |
| Contributions by individuals | <u>5,400</u> |
| Total accounts receivable | <u><u>\$ 211,185</u></u> |

Note G – Tax-Sheltered Annuity Plan

Full-time employees may participate through payroll deduction in tax deferred retirement accounts through Edward Jones of Spartanburg, South Carolina (employer matched Simple IRA). After one continuous year of employment, the Center will match an employee's contributions up to 3% of annual gross salary. After three years of continuous employment, the Center will match up to 5% of the employee's annual gross salary. Employer contributions for the year end September 30, 2013 are \$8,993.

**Hope Center for Children
Notes to Financial Statements
Year Ended September 30, 2013**

Note H – Lease Commitment

The Center leases two copiers under a 5 year operating lease from IKON Financial Services. The term of the leases started on February 6, 2012, and expires February 6, 2017. Total lease expense for the year ended September 30, 2013 was \$2,542.

Future minimum lease payments are as follows:

| <u>Year ending September 30</u> | <u>Amount</u> |
|-------------------------------------|------------------------|
| 2014 | \$ 2,542 |
| 2015 | 2,542 |
| 2016 | 2,542 |
| 2017 | <u>847</u> |
| Total minimum lease payments | <u><u>\$ 8,473</u></u> |

Note I – Subsequent Events

Subsequent events have been evaluated through February 11, 2014 which is the date the financial statements were available to be issued.

The Center closed the former banking accounts with Certus Bank acquired from the merger (both checking and savings).

**Hope Center for Children
Notes to Financial Statements
Year Ended September 30, 2013**

Note J - Fair Value Measurements

The Organization's investments are reported at fair value using a fair value hierarchy defined by generally accepted accounting principles (GAAP) that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under GAAP are:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (that is, inputs supported by little or no market activity).

| <u>Year</u> | <u>Fair Value</u> | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Observable Inputs (Level 2)</u> |
|--|-------------------|---|--|
| Spartanburg County Foundation Trusts - September 30, 2013 | <u>\$ 859,067</u> | <u>\$ 859,067</u> | <u>\$ -</u> |