

Hope House of Central Louisiana

Alexandria, Louisiana

Annual Financial Report

December 31, 2022

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A Professional Accounting Corporation

John E. Theriot II, CPA, CGMA
Dona C. Manuel, CPA
Stephanie R. Lemoine, CPA

Independent Auditors' Report

To the Board of Directors
Hope House of Central Louisiana
Alexandria, Louisiana

Opinion

We have audited the accompanying financial statements of Hope House of Central Louisiana (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, 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 House of Central Louisiana as of December 31, 2022, 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 House of Central Louisiana 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 House of Central Louisiana's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

5615 J Jackson Street
Alexandria, Louisiana 71303
PH: 318-445-9334
FAX: 318-445-0996
www.knightmasden.com

Auditors' 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 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.

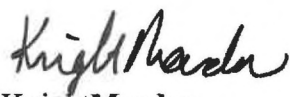
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 House of Central Louisiana'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 House of Central Louisiana'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.

Report on Summarized Comparative Information

We have previously audited the Hope House of Central Louisiana's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



KnightMasden
Alexandria, Louisiana
July 26, 2023

Hope House of Central Louisiana
Statements of Financial Position
December 31

	<u>2022</u>	2021 Summarized <u>Total</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 290,731	\$ 249,385
Grants and pledges receivable	<u>97,523</u>	<u>-</u>
Total Current Assets	388,254	249,385
Plant, Property and Equipment, net	493,812	267,842
Other Assets		
Investments	521,384	641,728
Restricted cash	<u>1,696</u>	<u>1,269</u>
Total Other Assets	<u>523,080</u>	<u>642,997</u>
Total Assets	<u>\$ 1,405,146</u>	<u>\$ 1,160,224</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 1,455	\$ 1,558
Payroll liabilities	30,453	27,455
Accrued liabilities	1,696	1,269
Notes Payable	<u>331,240</u>	<u>-</u>
Total Current Liabilities	364,844	30,282
Net Assets		
without Donor Restrictions	553,662	713,180
with Donor Restrictions	<u>486,640</u>	<u>416,762</u>
Total Net Assets	<u>1,040,302</u>	<u>1,129,942</u>
Total Liabilities and Net Assets	<u>\$ 1,405,146</u>	<u>\$ 1,160,224</u>

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

Hope House of Central Louisiana
Statements of Activities
For the Years Ended December 31

	<u>without</u> Donor <u>Restrictions</u>	<u>2022</u> with Donor <u>Restrictions</u>	<u>Total</u>	<u>2021</u> Summarized <u>Total</u>
Revenues				
Contributions, gifts and grants	\$ 91,800	\$ 228,241	\$ 320,041	\$ 478,160
In-kind donations	15,753		15,753	23,149
Fund raising income	107,377	-	107,377	87,707
Investment income	(89,076)	-	(89,076)	64,462
Client fees	23,937	-	23,937	26,556
Other income	71,678	-	71,678	66,518
Total Revenues	<u>221,469</u>	<u>228,241</u>	<u>449,710</u>	<u>746,552</u>
 Net Assets released from restrictions	 158,363	 (158,363)	 -	 -
Functional Expenses				
Program Services				
Transitional housing	403,534	-	403,534	508,994
Supporting Services				
Management and general	93,804	-	93,804	70,971
Fund raising	42,012	-	42,012	46,047
Total Supporting Services	<u>135,816</u>	<u>-</u>	<u>135,816</u>	<u>117,018</u>
Total Functional Expenses	<u>539,350</u>	<u>-</u>	<u>539,350</u>	<u>626,012</u>
 Change in Net Assets	 (159,518)	 69,878	 (89,640)	 120,540
 Net Assets - Beginning	 <u>713,180</u>	 <u>416,762</u>	 <u>1,129,942</u>	 <u>1,009,402</u>
 Net Assets - Ending	 <u>\$ 553,662</u>	 <u>\$ 486,640</u>	 <u>\$ 1,040,302</u>	 <u>\$ 1,129,942</u>

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

Hope House of Central Louisiana
Statements of Cash Flows
For the Years Ended December 31

	<u>2022</u>	<u>2021</u> Summarized <u>Total</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (89,640)	\$ 120,540
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities		
Depreciation	9,229	9,266
In-kind donations	(15,753)	(23,149)
Donated services and supplies	15,753	23,149
Net (income) loss from investment accounts	120,344	(61,241)
(Increase) decrease in accounts and grants receivable	(97,523)	-
Increase (decrease) in accounts payable	(103)	(784)
Increase (decrease) in other liabilities	3,425	80
Net Cash Provided/(Used) by Operating activities	<u>(54,268)</u>	<u>67,861</u>
Cash flows from Investing Activities		
Purchase of fixed assets	<u>(235,199)</u>	<u>(38,321)</u>
Net Cash Provided/(Used) by Investing Activities	<u>(235,199)</u>	<u>(38,321)</u>
Cash flows from Financing Activities		
Borrowing of Debt	<u>331,240</u>	<u>-</u>
Net Cash Used by Financing Activities	<u>331,240</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash equivalents	41,773	29,540
Cash and Cash Equivalents - Beginning	<u>250,654</u>	<u>221,114</u>
Cash and Cash Equivalents - Ending	<u>\$ 292,427</u>	<u>\$ 250,654</u>
Consisting of:		
Cash and cash equivalents	\$ 290,731	\$ 249,385
Restricted cash	<u>1,696</u>	<u>1,269</u>
Total	<u>\$ 292,427</u>	<u>\$ 250,654</u>

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

Hope House of Central Louisiana
 Statements of Functional Expenses
 For the Years Ended December 31

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fund</u> <u>Raising</u>	2022 <u>Total</u> <u>Expenses</u>	2021 <u>Summarized</u> <u>Total</u>
Vehicle expense	\$ 278	\$ -	\$ -	\$ 278	\$ 42
Bank charges	795	3,222	-	4,017	3,180
Client expenses	7,782	-	-	7,782	9,274
Depreciation	5,000	4,229	-	9,229	9,266
Dues and subscriptions	3,292	656	-	3,948	3,713
Fundraising direct expenses	-	-	32,012	32,012	46,030
Insurance	31,306	-	-	31,306	36,146
Miscellaneous	2,502	129	-	2,631	1,370
Office supplies	1,377	2,029	-	3,406	3,823
Professional services	21,117	8,539	-	29,656	26,939
Repairs and maintenance	8,023	-	-	8,023	96,295
Salaries and benefits	288,792	75,000	10,000	373,792	356,030
Supplies	2,172	-	-	2,172	5,832
Telephone	4,815	-	-	4,815	4,694
Travel and seminars	200	-	-	200	-
Utilities	26,083	-	-	26,083	23,378
	<u>\$ 403,534</u>	<u>\$ 93,804</u>	<u>\$ 42,012</u>	<u>\$ 539,350</u>	<u>\$ 626,012</u>

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

Hope House of Central Louisiana
Notes to the Financial Statements
December 31, 2022

Note 1 – Summary of Significant Accounting Policies

Organization

Hope House of Central Louisiana (Hope House) is a nonprofit organization organized under the laws of the State of Louisiana. Hope House provides transitional housing and supportive services for homeless women and their children. Participants are required to establish goals and engage in activities that will allow them to become independent. Progress is monitored and assistance is provided by case workers.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Hope House and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Hope House and/or the passage of time or be permanently maintained by Hope House. When a restriction expires, 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.

Contributions

Contributions are recorded as received. Unconditional promises to give are recorded as they are made. Conditional promises to give are recognized as revenue when the necessary conditions are fulfilled.

Income Taxes

Hope House is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Furthermore, Hope House is not classified as a “private foundation” by the Internal Revenue Service.

Cash and Cash Equivalents

Cash and cash equivalents represent unrestricted bank deposits and highly liquid investments with original maturities of three months or less.

Hope House of Central Louisiana
Notes to the Financial Statements
December 31, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost on the date of acquisition. Donated property is recorded at the estimated fair value upon receipt. Depreciation on buildings and equipment is computed using the straight-line basis over estimated useful lives ranging from 3 to 40 years.

Repairs, maintenance and minor replacements are charged to operations as incurred. Major replacements and improvements are capitalized at cost. When capitalized items are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of operations.

Assets donated with explicit restrictions regarding their use and contributions of cash designated to acquire property and equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Hope House reports expirations of donor restrictions when the donated or acquired assets are placed in service. Temporarily restricted net assets are reclassified to unrestricted net assets at that time.

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 reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, Leases (Topic 842), which among other things, requires the recognition of right-of-use lease assets and lease liabilities on the balance sheet of lessees for operating leases, along with the disclosure of key information about leasing arrangements. A lessee is required to record lease assets and lease liabilities for all leases with a term of greater than 12 months. Leases with a term of 12 months or less will be accounted for in a manner similar to existing guidance for operating leases today. The ASU is expected to impact the financial statements as the Company has certain operating leases for which it is the lessee. The effective date for this standard is fiscal years beginning after December 15, 2021. The Company's 2022 numbers reflect the new standard. The comparative data is based on the accounting standards in effect at the time.

In July 2018, the FASB issued ASU No. 2018-11, which provided entities with an additional transition method. Under the new transition method, an entity initially applies the new standard at the adoption date, versus at the beginning of the earliest period presented, and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Company elected this transition method and adopted Topic 842 using a modified

Hope House of Central Louisiana
Notes to the Financial Statements
December 31, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

retrospective approach for 2022 with the cumulative effect of initially applying the new standard recognized in Retained earnings at January 1, 2022. Comparative prior period information has not been adjusted and continues to be reported in accordance with previous lease accounting guidance in Accounting Standards Codification (ASC) Topic 840 — *Leases*.

Note 2 – Investments and Marketable Securities

Hope House has two investment accounts, one account houses its permanently restricted assets and is held at a national investment company (See Note 7). The account has investments in several different marketable securities and cash investments. The second investment account was opened by transferring money into a local non-endowed agency fund with the Central Louisiana Community Foundation (the Foundation). Investments held in these two accounts at December 31, 2022 had a total value of \$521,384.

Details regarding amounts reported as investment income are presented as follows:

<u>Description</u>	
Interest and Dividends	\$ 24,821
Realized Losses	(1,263)
Unrealized Losses	<u>(112,634)</u>
 Total Investment Income(Loss)	 <u>(\$ 89,076)</u>

Note 3 – Fair Value Measurement

FASB ACS 820-10, Fair Value measurement, defines fair value, establishes a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurement and enhances disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of the fair value of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – Represented by quoted prices that are available in an active market. Level 1 securities include checking and savings accounts, certificates of deposit, highly liquid government bonds, treasury securities, mortgage products and exchange traded equities.

Level 2 – Represented by assets and liabilities similar to Level 1 where quoted prices are not available, but observable, either directly or indirectly through corroboration with observable market data and estimated using pricing models or discounted cash flows. Level 2 securities would include U.S. agency securities, mortgage-

Hope House of Central Louisiana
Notes to the Financial Statements
December 31, 2022

Note 3 – Fair Value Measurement (Continued)

backed agency securities, obligations of states and political subdivisions, and certain corporate, asset backed securities, and swap agreements.

Level 3 – Represented by financial instruments where there is limited activity or unobservable market prices and pricing models significant to determining the fair value measurement include the reporting entity's own assumptions about market risk. Level 3 securities would include hedge funds, private equity securities, and private investments in public entities.

Fair value of assets measured on a recurring basis at December 31, 2022 are as follows:

<u>Description</u>	<u>Fair Value Measurement at December 31, 2022</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash	\$292,427	\$292,427	-	-
Investments	\$521,384	\$477,779	\$43,605	-

Note 4 – Restricted Cash

Hope House maintains a separate account with funds that belong to the residents. The total in this account at December 31, 2022 totaled \$1,696. Hope House also maintains several cash accounts that are not restricted for specific purposes but are subject to board approval for expenditure.

Note 5 – Land, Buildings and Equipment

Land, buildings and equipment utilized by Hope House are presented as follows:

<u>Description</u>	<u>Life</u>	
Building and Improvements	7 - 40 years	\$246,511
Land		55,817
Furniture, Fixtures and Equipment	5 – 7 years	42,490
Vehicles	5 – 7 years	40,688
Construction in Progress		259,334
Accumulated Depreciations		<u>(151,028)</u>
Net		<u>\$493,812</u>

Depreciation expense for 2022 was \$9,229.

Hope House of Central Louisiana
Notes to the Financial Statements
December 31, 2022

Note 6 – Net Asset with Donor Restrictions

A portion of net assets are subject to donor-imposed restrictions. Details associated with net assets with donor restrictions are presented as follows:

<u>Description</u>	
Children’s Services	\$ 16,342
Resident Computers	210
Beds	10,000
Capital Improvements	10,700
Licensed Counselor	28,215
Conflict Resolution Training	10,000
Fundraising Coordinator	7,126
New Facility Donations	26,424
Participant Outreach	650
Emergency Shelter	6,125
Hope Community	92,848
Playground Equipment	3,000
Shepherd Ministries Endowment	<u>275,000</u>
 Total	 <u>\$486,640</u>

Note 7 – Shepherd Ministries Endowment

Hope House was initially a component of Shepherd Ministries, Inc. but effective January 1, 2001 Hope House became a completely separate and autonomous nonprofit organization known as Hope House of Central Louisiana. This was accomplished on January 1, 2001 by transferring the portion of Shepherd Ministries assets, liabilities and net assets attributable to Hope House to the new organization.

In addition to the assets transferred on January 1, 2001, Shepherd Ministries, Inc. also had a substantial endowment fund. During 2004, Shepherd Ministries, Inc. transferred \$345,836 to Hope House. By mutual consent, \$275,000 was designated as being permanently restricted, with the earnings being designated as unrestricted. The funds are held in a separate investment account.

Endowment Spending Policy

The Board can request funds be withdrawn from the endowment to the extent the value of the account exceeds the original \$275,000 corpus. No funds have been drawn down from the investment in several years.

Hope House of Central Louisiana
Notes to the Financial Statements
December 31, 2022

Note 7 – Shepherd Ministries Endowment (Continued)

Endowment Investment Policy

The Board has developed an investment policy that states that Hope House shall maintain funds equivalent to 3 to 6 months of operating reserves in short-term, highly liquid investments, such as money market or other interest-bearing commercial bank accounts. The remaining available funds shall be maintained in very liquid investments with a long-term return horizon.

Changes in Endowment Net Assets

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance December 31, 2021	\$ 317,874	\$275,000	\$592,874
Contributions	-	-	-
Investment Revenue	(115,095)	-	(115,095)
Withdrawals	-	-	-
Balance December 31, 2022	<u>\$202,779</u>	<u>\$275,000</u>	<u>\$477,779</u>

Endowment Net Assets Composition by Type of Fund

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Shepherd Ministries Endowment	\$202,779	\$275,000	\$477,779

Note 8 – Concentration of Credit Risk

Hope House received grants from the Department of Housing and Urban Development (HUD) for its Supportive Housing program. These grants constituted approximately 29% of operating revenues in 2022. Hope House is dependent on continuing support by this agency.

Note 9 – Unemployment Compensation Reserve

Hope House has elected not to pay into the state unemployment compensation fund, but to be self insured by establishing a reserve fund. The balance of the reserve fund at December 31, 2022 was \$13,950. During 2022, \$2,693.97 was paid out in unemployment compensation benefits.

Hope House of Central Louisiana
Notes to the Financial Statements
December 31, 2022

Note 10 – Donated Supplies and Services

During 2022, Hope House received donated supplies and fundraising silent auction items of \$15,753.

Unpaid volunteers have made significant contributions of their time to Hope House. The value of the contributed time is not reflected in these statements since it is not susceptible to an objective measurement.

Note 11 – Notes Payable

Hope House entered into an agreement with the Louisiana Housing Corporation to construct single-family homes. The balance owed at December 31, 2022 is \$223,717.

The Corporation has a \$150,000 line of credit with a regional bank. The line of credit is used to help with the cash flow related to the housing project. As of December 31, 2022, \$107,523 was owed on the line of credit.

Note 12 – Income Taxes

Hope House's tax return for the years ended December 31, 2019 through December 31, 2021, remain open and subject to examination by taxing authorities. The tax return for the year ended December 31, 2022 has not been filed as of the report date.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the organization and recognize a tax liability (or asset) if the organization has undertaken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the organization, and has concluded that as of December 31, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or assets) or disclosure in the financial statements.

Note 13 – Liquidity Note

Hope House monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. As part of Hope House's liquidity management, Hope House structures its financial assets to be available as general expenditures, liabilities, and other obligations become due. The following reflects Hope House's financial assets as of December 31, 2022, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

Hope House of Central Louisiana
Notes to the Financial Statements
December 31, 2022

Note 13 – Liquidity Note (Continued)

Financial assets:	
Cash	\$292,427
Investments	<u>521,384</u>
Total financial assets are year-end	813,811
Less those unavailable for general expenditures	<u>(486,640)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$327,171</u>

Note 14 – Subsequent Events

Hope House has no material subsequent events that would require disclosure. Subsequent events have been evaluated through July 26, 2023, which is the date the financial statements were available for issuance.

SUPPLEMENTARY DATA

Hope House of Central Louisiana
Schedule of Compensation, Benefits and Other Payments to Sandy Ray,
Executive Director
For the Year Ended December 31, 2022

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 73,410