
THE HOPE CENTER, INC.

(A MISSOURI NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS

(INCLUDING INDEPENDENT AUDITOR'S REPORT)

FOR THE YEAR ENDED JULY 31, 2023

THE HOPE CENTER, INC.

FOR THE YEAR ENDED JULY 31, 2023

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	4
Statement of Activities and Changes in Net Assets	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to the Financial Statements	8

Welch & Associates, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

2405 Grand Boulevard, Suite 1040
Kansas City, Missouri 64108
Ph. (816) 756-2620 • Fax (816) 756-2621
www.welchcpafirm.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Hope Center, Inc.
Kansas City, Missouri

Opinion

We have audited the accompanying financial statements of The Hope Center, Inc., which comprises the statement of financial position as of July 31, 2023 and the related statement of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of The Hope Center, Inc. as of July 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the auditing standards 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.

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 The Hope Center, Inc.'s ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 The Hope Center, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Hope Center, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Welch & Associates, L.L.C.

Welch & Associates, L.L.C.

Kansas City, Missouri

August 20, 2024

FINANCIAL STATEMENTS

THE HOPE CENTER, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JULY 31, 2023

	2023
ASSETS	
CURRENT ASSETS	
Cash	\$ 721,073
Grant Receivable	15,000
Prepaid Expense	27,599
TOTAL CURRENT ASSETS	763,672
RESTRICTED CASH	2,481,160
INVESTMENTS	1,348,107
OTHER ASSETS	75,729
FIXED ASSETS, NET	2,468,309
TOTAL ASSETS	\$ 7,136,977
 LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ 298,596
Accrued Expenses	6,600
Prepaid Rent	-
Miscellaneous Current Liabilities	-
TOTAL CURRENT LIABILITIES	305,196
CONTINGENT LIABILITY	57,854
TOTAL LIABILITIES	363,050
NET ASSETS	
Without Donor Restrictions	4,277,767
With Donor Restrictions	2,496,160
TOTAL NET ASSETS	6,773,927
TOTAL LIABILITIES AND NET ASSETS	\$ 7,136,977

See auditor's report and notes accompanying financial statements

THE HOPE CENTER, INC
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JULY 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Totals
OPERATING REVENUE			
Contributions	\$ 1,388,197	\$ 2,588,581	\$ 3,976,778
Contributed Nonfinancial Assets	95,743	-	95,743
Rental Income	97,000	-	97,000
Other	46,900	-	46,900
Net Assets Released from Restrictions:			
Satisfaction of restrictions	614,325	(614,325)	-
TOTAL OPERATING REVENUE	2,242,165	1,974,256	4,216,421
OPERATING EXPENSES			
Program	1,030,615	-	1,030,615
Management and General	252,037	-	252,037
Fundraising	350,845	-	350,845
OPERATING INCOME	608,668	1,974,256	2,582,924
NONOPERATING REVENUE(EXPENSES)			
Interest and dividend income	28,157	-	28,157
Realized gains	5,704	-	5,704
Unrealized gains	8,465	-	8,465
	42,326	-	42,326
CHANGE IN NET ASSETS	650,994	1,974,256	2,625,250
NET ASSETS, BEGINNING OF YEAR	3,626,773	521,904	4,148,677
NET ASSETS, END OF YEAR	\$ 4,277,767	\$ 2,496,160	\$ 6,773,927

See auditor's report and notes accompanying financial statements

THE HOPE CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JULY 31, 2023

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES				
Payroll	\$ 440,921	\$ 114,361	\$ 137,802	\$ 693,084
Payroll Taxes	35,305	8,468	7,169	50,942
Retirement	1,984	4,854	1,737	8,575
Employee Benefits	26,308	14,960	5,668	46,936
Meals and Entertainment	130,018	4,729	23,901	158,648
Transportation and Lodging	12,978	11	-	12,989
Supplies	23,245	23	-	23,268
Scholarships and Education Fees	31,797	1,307	-	33,104
Community Support	23,396	-	-	23,396
Professional Fees	44,133	44,806	65,627	154,566
Occupancy	72,362	555	555	73,472
Utilities	44,142	2,333	2,333	48,808
Vehicle Expense	15,317	10	-	15,327
Depreciation	86,828	2,017	2,842	91,687
Conference	2,288	15,164	-	17,452
Bank Fees	-	12,306	320	12,626
Dues and Subscriptions	3,481	3,244	2,471	9,196
Information Technology	643	3,186	117	3,946
Insurance	22,300	2,571	-	24,871
Office Expenses	5,820	1,116	48	6,984
Meetings	-	-	1,087	1,087
Printing and Mailing	6,909	12,450	26,027	45,386
Fundraising Events and Supplies	135	-	73,141	73,276
Miscellaneous Expense	305	3,566	-	3,871
TOTAL EXPENSES	<u>\$ 1,030,615</u>	<u>\$ 252,037</u>	<u>\$ 350,845</u>	<u>\$ 1,633,497</u>

See auditor's report and notes accompanying financial statements

THE HOPE CENTER, INC.
STATEMENT OF CASH FLOWS
AS OF JULY 31, 2023

	2023
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 2,625,250
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	91,687
Decrease/(Increase) in operating assets:	
Accounts Receivable	(15,000)
Prepaid Expenses	(3,596)
Increase/(Decrease) in operating liabilities:	
Accounts Payable	277,767
Accrued Expenses	6,600
Deferred Revenues	(7,500)
Contingent Liability	57,854
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,033,062
CASH FLOWS FROM INVESTING ACTIVITIES	
Fixed Asset Purchases	(642,708)
Investment, Net	(42,326)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES	(685,034)
NET CHANGE IN CASH AND RESTRICTED CASH	2,348,028
CASH AND RESTRICTED CASH - BEGINNING OF YEAR	854,205
CASH AND RESTRICTED CASH - END OF YEAR	\$ 3,202,233
<u>SUPPLEMENTAL DISCLOSURE:</u>	
Cash paid during the year for interest	\$ -
Cash paid during the year for income taxes	\$ -
<u>Reconciliation of Cash and Restricted Cash in Statements of Cash Flows to Financial Position</u>	
Cash	\$ 721,073
Restricted Cash	2,481,160
Cash and restricted cash - end of year	\$ 3,202,233

See auditor's report and notes accompanying financial statements

THE HOPE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2023

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The Hope Center, Inc. (the Organization) was founded in 1998 as a Missouri not-for-profit corporation. Its vision is to develop healthy communities where the vulnerable can have hope and flourish. Its mission is to provide asset-based programs and opportunities for sustainable growth and development, where children, youth, and families can flourish on Kansas City's east side. The Organization is primarily supported through donor contributions.

Income Taxes

The Organization has been designated as tax-exempt organization pursuant to Internal Revenue Code (IRC) Section 501(c)(3). Further, the Organization has been determined not to be a private foundation per IRC Section 509(a). Management has reviewed all sources of revenue and does not believe the Organization to be subject to income tax on unrelated business income.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Organization's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

New Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets. The Organization has adjusted the presentation of its financial statements accordingly. The update changed the following aspects of the Organization's financial statements:

- Contributed nonfinancial assets must be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets.
- Enhanced disclosure about contributed nonfinancial assets recognized and how they are monetized or utilized during the reporting period. (See Note 9)

Basis of Accounting

Except for promises to give, the financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under this method, revenues are recognized when all conditions for income recognition have been met, and expenses are recognized when the obligation is incurred.

Fair Value Measurement

The carrying amounts of assets and liabilities, except for fixed assets, are reported on the statements of financial position at their approximate fair values. The measurement of reported value of fixed assets is discussed below.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the financial statement date and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. For example, Medicaid revenue is reported net, reflecting anticipated contractual adjustments submitted by insurance carriers. Actual results could differ from those estimates.

THE HOPE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2023

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Organization considers all unrestricted investment instruments with original maturities of three months or less to be cash and cash equivalents.

Promises to Give

Contributions are recognized using the cash basis of accounting, which is not in accordance with GAAP. Under this method, promises to give are recognized when the promise is made, rather than when the promise is funded.

Fixed Assets

Purchased assets are recorded at cost. Donated assets are recorded at their market value at the time of donation. If donors stipulate how long the asset must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of assets are recorded as unrestricted support. Major improvements are capitalized, and maintenance and repairs that do not improve or extend the life of the respective assets are charged against net assets in the current period.

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. The useful life of the asset for depreciation purposes may be different than their actual economic useful lives. Estimated useful lives of the assets are as follows:

Buildings and improvements	7-39 Years
Furniture and equipment	5-10 Years
Vehicles	5 Years

Financial Statement Presentation

The Organization reports its financial position of net assets as follows:

- Net Assets without Donor Restrictions
Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the objectives of the organization. Net assets without donor restrictions include board designated net assets with purpose restrictions determined by the Organization's Board of Directors.
- Net Assets with Donor Restrictions
Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions can be met by actions of the Organization or by the passage of time. Other restrictions are perpetual in nature and the net assets must be maintained in perpetuity.

Contributions

Contributions received are recorded as unrestricted or restricted support depending on the existence or nature of any 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 restricted support that increases this net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted.

THE HOPE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2023

Investments

Investment in marketable securities with readily determinable fair values are valued at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Real Estate Held For Development And Sale

The Organization's program to develop the urban core of Kansas City includes purchasing and developing real estate for sale to inner city residents. Real estate held for development and sale is carried at the lower of cost or market value.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. Directly identifiable expenses are charged to the programs and supporting services to which they relate. Expenses related to more than one function are allocated primarily based on staffing levels. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide the overall support and direction of the Organization.

Going Concern Analysis

Management evaluates whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within a year of the financial statement issue date.

NOTE 3 – ECONOMIC DEPENDENCY

The Organization received a significant amount of support from various grants and donations for the year ended July 31, 2023. If a significant reduction in the level of support from this source were to occur, it could have an adverse effect on the Organization's programs and services.

In addition, the Organization provides services to residents in Kansas City east side, Missouri. Future operations could be affected by changes in economic or other conditions in the geographic area.

NOTE 4 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the statement of financial position date available for use within one year for general purposes:

<u>Financial assets at July 31:</u>	2023
Cash and Restricted Cash	\$3,202,233
Grant Receivable	15,000
Investments	<u>1,348,107</u>
	<u>\$4,565,340</u>

General expenditures include all the expenditures necessary for the operation of the Organization. As part of the Organization's liquidity management, it has structured its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization has donor restricted net assets for future program amounting to \$2,496,160 at July 31, 2023.

THE HOPE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2023

NOTE 5 – CONCENTRATION OF CREDIT RISK

In 2023, the Organization held cash balances at one financial institution. Accounts at this institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization’s cash balance may periodically exceed FDIC insurance limits. At July 31, 2023, the Organization had \$2,952,796 of cash in excess of insurance limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the Statement of Financial Position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs as defined by FASB ASC 820, “Fair Value Measurements,” are as follows:

Level 1: Valuations for assets traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar technique, and not based on market exchange, dealer, or broker traded transactions. These valuations incorporate certain assumptions and projections in determining the fair value assigned to such an asset.

Fair Value on a Recurring Basis

The table below presents the balances at July 31, 2023 of assets measured at fair value on a recurring basis:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market	\$ 372,079	\$372,079	\$ -	\$ -
Mutual funds	13,517	13,517	-	-
Treasury notes	538,521	538,521	-	-
Certificates of deposit	<u>423,990</u>	<u>-</u>	<u>423,990</u>	<u>-</u>
	<u>\$1,348,107</u>	<u>\$924,117</u>	<u>\$423,990</u>	<u>\$ -</u>

NOTE 7 – EMPLOYEE BENEFIT PLAN

The Organization has adopted a Simple IRA plan where employees may contribute a portion of their gross earnings as allowed by the Internal Revenue Code. The Organization matches the employee contribution up to 3% of gross wages. The Organization’s contribution charged to expense was \$8,575 for the year ended July 31, 2023.

THE HOPE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2023

NOTE 8 – FIXED ASSETS

The major classes of fixed assets for the year ended July 31, 2023 are:

	2023
Land and improvements	\$ 482,217
Buildings and improvements	2,129,268
Vehicles	84,860
Furniture and equipment	83,132
Construction in progress	<u>508,361</u>
	3,287,838
Less accumulated depreciation	<u>819,529</u>
	<u><u>\$2,468,309</u></u>

NOTE 9 – CONTRIBUTED NONFINANCIAL ASSETS

During the year ended July 31, 2023, the Organization received contributed nonfinancial assets with a fair value of \$95,743. These assets include books, coats/scarves, food, gift cards, and tickets to various events. The contributed assets were valued based on market prices to purchase the items at the time of donation. A portion of these assets, valued at \$71,842, were utilized in program services, while the remaining \$23,901 were monetized in a fundraising auction.

NOTE 10 – RELATED PARTY TRANSACTIONS

The Organization has the authority to appoint two board positions at Hope Leadership Academy Charter School (HLA), a financially independent organization. The Organization leases a portion of its facility to HLA under an operating lease, which expires in July 2023. The Organization recognized \$91,000 of rental income from HLA for the year ended July 31, 2023.

NOTE 11 – CAPITAL CAMPAIGN

In September 2021, the Organization initiated a capital campaign to raise \$2,200,000 to renovate the church building. The campaign will run through 2026. The Organization recognized \$2,476,089 in contributions related to the capital campaign during the year ended July 31, 2023.

NOTE 12 – CLASSIFICATION OF NET ASSETS

As of July 31, 2023, the Organization's net assets with donor restrictions are subject to the following purpose restrictions:

Learn to Earn	\$ 4,000
Youth programs	15,000
Scholarships	89,839
Capital Campaign	<u>2,387,321</u>
	<u><u>\$2,496,160</u></u>

THE HOPE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2023

NOTE 13 – CONTINGENCY

During the year ended July 31, 2023, the Organization received Employee Retention Credits (ERC) under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and subsequent legislation. The ERC is a refundable tax credit intended to provide financial assistance to businesses affected by the COVID-19 pandemic. Management believes the Organization has met the eligibility criteria outlined in the legislation and has recorded the ERC refund in the statement of financial position as a liability.

The Organization has evaluated the guidance provided by the applicable accounting standards, including the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, Income Taxes, to determine the appropriate accounting treatment for the ERC.

The recognition of the ERC is subject to ongoing review and evaluation as additional guidance and clarifications are issued by the relevant authorities. Any necessary adjustments resulting from subsequent guidance will be recorded in the period in which the guidance is issued. The maximum estimated possible adjustment would be up to the full amount of the recognized credit, or \$57,854. The Organization has recorded a contingent liability for the credit received during the 2023 fiscal year. Amended payroll tax returns filed to claim the ERC remain subject to examination by the Internal Revenue Service for up to five years from the date of filing the amended returns (through 2028).

NOTE 14 – DATE OF MANAGEMENT’S REVIEW

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through August 20, 2024, the date the financial statements were available to be issued. No significant matters were identified for disclosure during this evaluation.