



Baton Rouge, Louisiana

FINANCIAL REPORT

December 31, 2017



Baton Rouge, Louisiana

TABLE OF CONTENTS

December 31, 2017

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	6
Notes to Financial Statements	7
SUPPLEMENTARY INFORMATION	
Internal Control over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13
Schedule of Findings and Questioned Costs	15
Schedule of Prior Year Findings and Recommendations	16
Statement of Functional Expenses	17
Schedule of Compensation, Benefits and Other Payments to the Executive Director	18

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
HOPE Ministries of Baton Rouge
Baton Rouge, Louisiana

I have audited the accompanying financial statements of HOPE Ministries of Baton Rouge (HOPE Ministries), a nonprofit organization, which comprise the statement of financial position as of December 31, 2017, and the related statement of activities 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Member
American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HOPE Ministries as of December 31, 2017, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of functional expenses on page 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

I have previously audited HOPE Ministries' 2016 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated July 13, 2017. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it was derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 22, 2018, on my consideration of HOPE Ministries' internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HOPE Ministries' internal control over financial reporting and compliance.



John L. McKowen, CPA

Baton Rouge, Louisiana
June 22, 2018

HOPE Ministries of Baton Rouge
Baton Rouge, Louisiana

Statement of Financial Position

December 31, 2017
(with comparative amounts for 2016)

ASSETS

CURRENT ASSETS	2017	2016
Cash	\$ 138,224	\$ 133,357
Investments	100,164	99,169
Accounts receivable	111,693	131,196
Inventory	8,085	8,085
Prepaid expenses	11,335	11,168
Total current assets	369,501	382,975
PROPERTY, net	<u>811,896</u>	<u>817,938</u>
Total assets	<u>\$1,181,397</u>	<u>\$1,200,913</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 14,689	\$ 15,934
LONG TERM LIABILITIES		
Notes payable	<u>61,400</u>	<u>92,100</u>
Total liabilities	<u>76,089</u>	<u>108,034</u>
NET ASSETS		
Unrestricted	383,224	337,328
Temporarily restricted	580,084	613,551
Permanently restricted	<u>142,000</u>	<u>142,000</u>
Total net assets	<u>1,105,308</u>	<u>1,092,879</u>
Total liabilities and net assets	<u>\$1,181,397</u>	<u>\$1,200,913</u>

HOPE Ministries of Baton Rouge

Baton Rouge, Louisiana

STATEMENT OF ACTIVITIES

For the year ended December 31, 2017
(with comparative amounts for 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
Grants	65,717	309,000	-	374,717
Contributions:				\$ 485,120
Community	63,966	691	-	64,657
Individual	142,257	780	-	143,037
Other:				141,249
In-kind	2,030	589,764	-	591,794
Social enterprise	18,543	-	-	18,543
Investment	995	-	-	995
Rental and other	29,751	-	-	29,751
	323,259	900,235	-	1,223,494
Net assets released from restrictions	933,702	(933,702)	-	-
Total public support and revenue	1,256,961	(33,467)	-	1,223,494
				1,188,705
EXPENSES				
Program services	1,084,218	-	-	1,084,218
Fundraising	14,821	-	-	14,821
Management and general	112,026	-	-	112,026
Total expenses	1,211,065	-	-	1,211,026
				1,059,287

The accompanying notes are an integral part of this statement.

Increase (decrease) in net assets	<u>45,896</u>	<u>(33,467)</u>	<u>-</u>	<u>12,429</u>	<u>129,418</u>
NET ASSETS					
Beginning of year	<u>337,328</u>	<u>613,551</u>	<u>142,000</u>	<u>1,092,879</u>	<u>963,461</u>
End of year	<u><u>383,224</u></u>	<u><u>580,084</u></u>	<u><u>142,000</u></u>	<u><u>1,105,308</u></u>	<u><u>\$ 1,092,879</u></u>

HOPE Ministries of Baton Rouge
Baton Rouge, Louisiana

STATEMENT OF CASH FLOWS

For the year ended December 31, 2017
(with comparative amounts for 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 12,429	\$ 129,418
Adjustments for non-cash items:		
Depreciation	28,667	25,753
Change in operating assets and liabilities		
Receivables and other assets	19,336	(70,898)
Accounts payable and other liabilities	(1,245)	3,557
Net cash provided by operating activities	59,187	87,830
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	(22,625)	(1,268)
(Purchase) sale of investments	(995)	(6,155)
Net cash provided by investing activities	(23,620)	(7,423)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan from East Baton Rouge City-Parish	(30,700)	(30,700)
Net cash used for capital and related financing activities	(30,700)	(30,700)
Net increase (decrease) in cash	4,867	49,707
CASH		
Beginning of year	133,357	83,650
End of year	\$ 138,224	\$ 133,357

HOPE Ministries had no interest expense and no income tax expense for the years ended December 31, 2017 or December 31, 2016.

HOPE Ministries of Baton Rouge

Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

HOPE Ministries of Baton Rouge (HOPE Ministries) is a faith based nonprofit organization working with transitionally homeless families, and impoverished individuals in south Louisiana to help them become self-sufficient, enhance work and education possibilities, and become equipped to make sound decisions and solve problems. HOPE Ministries is funded through contributions and grants from various organizations and individuals in south Louisiana.

Basis of presentation

HOPE Ministries prepares its financial statements on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements.

HOPE Ministries reports 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.

The statement of activities presents expenses of HOPE Ministries functionally by program services, fundraising, and management and general.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with HOPE Ministries' financial statements for the year ended December 31, 2016, from which the summarized information was derived.

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 disclosures of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. Estimates are used primarily when accounting for the allowance for doubtful accounts, depreciation, prepaid assets, accrued liabilities and in-kind revenues.

Income tax status

HOPE Ministries qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code; therefore, the financial statements have no provision for federal and state income tax.

HOPE Ministries follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management has determined that there is no impact to the financial statements as a result of ASC 740-10. HOPE Ministries' open audit periods are 2015 through 2017.

Net assets

Unrestricted net assets represent resources over which the Board of Directors has discretionary control and are used to fund operations of HOPE Ministries in accordance with its bylaws.

Temporarily restricted net assets are contributions and grants restricted for various purposes. During 2017, contributions of \$933,702 were transferred to unrestricted net assets as restrictions were satisfied.

Permanently restricted net assets are comprised of land that was donated to HOPE Ministries by the Louisiana Annual Conference of the United Methodist Church. The property cannot be sold and is to revert to the Louisiana Annual Conference of the United Methodist Church should HOPE Ministries cease to exist.

Cash and cash equivalents

HOPE Ministries considers all highly liquid investments, money market funds and certificates of deposit with a maturity of three months or less at the date of acquisition to be cash equivalents. There were no cash equivalents at December 31, 2017.

Investments

Investments have been recorded at market value, with the amount of unrealized gain or loss recorded in the statement of activities. The investments are pooled funds maintained by the United Methodist Foundation of Louisiana (UMFL) in a bond fund that is invested in a diversified portfolio of domestic and international bonds.

FASB ASC 810, *Fair Value Measurements*, establishes a framework for measuring fair value through a hierarchy that prioritizes the sources of pricing information (inputs) to valuation techniques used for measurement. The highest priority is given 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 ASC 810 are described as follows:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that HOPE Ministries has the ability to access.

Level 2– Inputs including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs that are unobservable and significant to the fair value measurement.

Investments in debt and equity securities with readily determinable fair values are recorded at fair value using level 1 inputs. Unrealized gains and losses are recorded in current year operations as increases or decreases in net assets. Dividend, interest, and other investment income are recorded as an increase in net assets.

Accounts receivable

Accounts receivable are recorded at cost, net of an allowance for doubtful accounts. Management believes all accounts are collectible; therefore, an allowance has not been recorded at December 31, 2017. HOPE Ministries does not require collateral for its receivables. There were \$5,843 in receivables less than 90 days past due at December 31, 2017. The remaining \$105,850 in receivables consisted of grants and pledges expected to be collected in the subsequent year.

Inventory

Inventory is valued at cost using the first in, first out method and consists primarily of food held by the Food Pantry program. The cost is recorded as an expense as inventory items are consumed.

Property and depreciation

Property is stated at cost, or fair market value if donated, and depreciated over the estimated useful lives using the straight-line method for values in excess of \$500. Maintenance and repairs expenditures are expensed as incurred.

Personal leave benefit

Personal leave is earned at varying rates for four to five weeks per year depending on the length of service. A maximum of 26 days of unused vacation leave may be carried over at December 31. Vacation leave at December 31, 2017, was \$11,335, and is included in accrued liabilities.

Fair value of financial instruments

The carrying value of receivables, prepaid insurance, accounts payable and accrued liabilities approximates fair value due to the short-term maturity of these instruments. None of these financial instruments are held for trading purposes.

Grant revenue

HOPE Ministries receives grants to support its activities as well as grants restricted for specific purposes. Restricted grants that have not been fully expended at year-end are classified as temporarily restricted net assets.

Concentrations of credit risk

Financial instruments which subject HOPE Ministries to concentrations of credit risk consist primarily of investments in money market funds and mutual funds. HOPE Ministries typically maintains cash in local banks. Cash deposits are fully insured by Federal Deposit Insurance Corporation (FDIC) as they are below the maximum insured amounts of \$250,000.

In-kind contributions

The value of contributed goods and services has been recognized at the fair market value of the benefit received. HOPE Ministries received \$591,794 of in-kind contributions during 2017, which included \$500,138 in contributed food and \$91,656 in contributed services.

Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing these skills, and would typically be purchased if not provided by donation.

Advertising

Advertising costs are expensed as incurred. Advertising expenses during 2017 were \$4,023.

NOTE 2- INVESTMENTS

Investments, with a cost of \$100,164 and fair value of \$100,164, were held in the UMFL Fixed Income Fund.

NOTE 3 – ACCOUNTS RECEIVABLE

At December 31, 2017, accounts receivable were as follows:

	<u>Amount</u>
Capital Area United Way	\$103,750
Trade receivables	5,843
Unconditional promises to give	2,100
	<u>\$111,693</u>

NOTES 4 – PROPERTY

At December 31, 2017, property was as follows:

<u>Description</u>	<u>Estimated Service Life</u>	<u>Amount</u>
Building	39 years	\$ 752,470
Equipment	5 years	82,764
Furniture and fixtures	7 years	8,567
Land	-	142,000
		<u>985,801</u>
Less accumulated depreciation		(173,905)
		<u>\$ 811,896</u>

Depreciation expense for the year ended December 31, 2017 was \$28,667.

The organization purchased equipment during the year ended December 31, 2017 at a cost of \$22,650.

NOTE 6 – NOTES PAYABLE

Included in notes payable is a loan from the City of Baton Rouge-Parish of East Baton Rouge. The loan represents funding to renovate the HOPE Ministries Family Center through a Community Development Block Grant. On each anniversary date, beginning one year after construction is completed, one fifth of the loan will be forgiven. The forgiveness is subject to the agreement that should HOPE Ministries sell or convert the property to an ineligible Community Development Block Grant use, the portion of the loan not previously forgiven will become immediately due in full and payable to the City of Baton Rouge-Parish of East Baton Rouge.

At December 31, 2017, the balance of the loan was \$92,100 to be amortized as follows:

2018	\$30,700
2019	<u>30,700</u>
Total	\$61,400

NOTE 7 – NET ASSETS

At December 31, 2017, HOPE Ministries had \$383,224 in unrestricted net assets.

Temporarily restricted net assets included the \$474,234 net value of the headquarters building, which will revert to the Louisiana Conference of the United Methodist Church should HOPE Ministries cease to exist and \$105,850 in time restricted grants receivable for a total of \$580,084.

Permanently restricted net assets of \$142,000 represent the value of the land upon which the headquarters building is located.

NOTE 8 – SIGNIFICANT SOURCES OF REVENUE

The majority of 2017 support was received from contributors and granting agencies from the Baton Rouge area. The Greater Baton Rouge Food Bank provided food to the Food Pantry program, representing 39% of total revenues, while the Capital Area United Way contributed 17% of total revenue.

NOTE 9 – OPERATING LEASE

In 2017, HOPE Ministries received rental income of \$25,473. The lease is through December 2018, but is cancelable by either party.

NOTE 11 – SUBSEQUENT EVENTS

Management of HOPE Ministries has evaluated subsequent events through June 22, 2018, the date that these financial statements were available to be issued and has determined that there are no significant subsequent events that require recognition or disclosure through that date.

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Certified Public Accountant

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
HOPE Ministries of Baton Rouge
Baton Rouge, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of HOPE Ministries, which comprise the statement of financial position as of December 31, 2017 and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated June 22, 2018.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered HOPE Ministries' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HOPE Ministries' internal control. Accordingly, I do not express an opinion on the effectiveness of HOPE Ministries' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not

identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HOPE Ministries' financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Under Louisiana Revised Statute 24:513, the Legislative Auditor distributes this report as a public document.



John L. McKowen, CPA

Baton Rouge, Louisiana
June 22, 2018

HOPE Ministries of Baton Rouge
Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2017

Section I Internal Control and Compliance Material to the Financial Statements

None

Section II Internal Control and Compliance Material to Federal Awards

N/A

Section III Management Letter

None

HOPE Ministries of Baton Rouge
Baton Rouge, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2017

2016.01 Compliance with Audit Law

Status: Resolved

HOPE MINISTRIES OF BATON ROUGE

Baton Rouge, Louisiana

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2017
(with comparative amounts for 2016)

EXPENSES	2017					2016	
	Program Services			Supporting Services		Total	Total
	The Way to Work	Client Choice Food Pantry	Early Head Start	Fundraising	Management and General		
Programming	13,165	594,082	-	-	-	607,247	474,324
Salaries	267,358	49,973	-	-	55,723	373,054	341,168
Professional fees	19,860	4,500	-	-	8,640	33,000	35,905
Other	2,602	-	-	4,830	8,969	16,401	25,457
Payroll taxes	21,156	2,360	-	-	7,517	31,033	25,827
Insurance	9,598	4,824	8,006	980	2,700	26,108	32,331
Employee benefits	17,530	1,982	-	-	5,770	25,282	30,213
Office/occupancy expense	8,086	7,774	7,632	852	8,992	33,336	33,524
Technology expense	2,277	1,181	-	2,728	2,506	8,692	8,569
Facility maintenance	2,735	5,216	2,537	937	2,908	14,333	9,163
Depreciation	10,893	12,040	-	3,440	2,294	28,667	25,753
Travel	-	-	-	-	1,802	1,802	6,712
Telephone	4,164	2,189	-	622	1,045	8,020	6,161
Professional development	227	271	-	432	3,160	4,090	4,180
Total expenses	379,651	686,392	18,175	14,821	112,026	1,211,065	1,059,287

HOPE Ministries of Baton Rouge
Baton Rouge, Louisiana

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

AGENCY HEAD NAME: Janet C. Simmons, President and CEO

Ms. Simmons received no compensation, benefits or other payments derived from public (governmental) funds which require disclosure in accordance with La. R.S. 24:513(A)(3).