

AUGUST 13, 2018



FORT WORTH HOPE CENTER

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2017



PREPARED BY: MITZI E. SULLIVAN, CPA
DECATUR, TX

**Fort Worth Hope Center
Table of Contents
December 31, 2017**

	Page
INDEPENDENT AUDITOR’S REPORT.....	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets.....	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	6
NOTES TO FINANCIAL STATEMENTS	7-13

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Fort Worth Hope Center

I have audited the accompanying financial statements of Fort Worth Hope Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements 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.

Management's Responsibility for the Financial Statements

Fort Worth Hope Center's 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 controls 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. 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 controls 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 controls. 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.

Opinion

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

A handwritten signature in black ink that reads "Mitzi Sullivan". The signature is written in a cursive, flowing style.

M.E. Sullivan, CPA

August 13, 2018

**Fort Worth Hope Center
Statement of Financial Position
December 31, 2017**

ASSETS

Current Assets	
Cash and cash equivalents	\$ 22,357
Accounts receivable, net	2,529
Inventory	201,387
Total current assets	226,273
Non-current Assets	
Notes receivable	27,292
Property and equipment, net	162,704
Total non-current assets	189,996
TOTAL ASSETS	416,269

LIABILITIES AND NET ASSETS

Liabilities

Current Liabilities	
Accounts payable	7,793
Accrued payroll and other expenses	2,806
Total current liabilities	10,599
Promissory note payable, net	31,464
TOTAL LIABILITIES	42,063

Net Assets

Unrestricted	370,356
Temporarily Restricted Net Assets	3,850
TOTAL NET ASSETS	374,206
TOTAL LIABILITIES AND NET ASSETS	\$ 416,269

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

Fort Worth Hope Center
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017

Changes in Net Assets		Temporarily	
Revenues and Support	Unrestricted	Restricted	Total
Program service fees	\$ 68,506	-	68,506
Contributions	134,830	10,000	144,830
Grants	49,345	-	49,345
Interest income	2,722	-	2,722
Gain on asset sales	6,600	-	6,600
In-kind	3,117,714	-	3,117,714
Other income	23,058	-	23,058
	<u>3,402,775</u>	<u>10,000</u>	<u>3,412,775</u>
Net assets released from restrictions	6,150	(6,150)	-
Total Revenues and Support	<u>3,408,925</u>	<u>3,850</u>	<u>3,412,775</u>
Expenses			
Program services	3,366,069	-	3,366,069
Supporting services	104,849	-	104,849
Fundraising	13,451	-	13,451
Total Expenses	<u>3,484,369</u>	<u>-</u>	<u>3,484,369</u>
Increase/(Decrease) in Net Assets	(75,444)	3,850	(71,594)
Net assets, beginning of year	<u>445,800</u>	<u>-</u>	<u>445,800</u>
Net assets, end of year	<u>\$ 370,356</u>	<u>\$ 3,850</u>	<u>\$ 374,206</u>

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

**Fort Worth Hope Center
Statement of Functional Expenses
For the Year Ended December 31, 2017**

	Program			Supporting	Fundraising	Total
	Food Distribution	Education and Training	Total Program			
Operations expenses		\$ 12,994	\$ 12,994	\$ 2,451	\$ -	\$ 15,445
Food distributions	3,139,072	-	3,139,072	-	-	3,139,072
Personnel and contractors	71,310	24,645	95,955	81,877	10,334	188,166
Occupancy	37,830	6,147	43,977	2,364	946	47,287
Advertising	1,896	-	1,896	-	893	2,789
Professional fees	-	-	-	11,627	-	11,627
Office supplies	16,845	3,159	20,004	1,053	-	21,057
Bank and credit card fees	-	-	-	3,833	1,278	5,111
Interest	-	-	-	30	-	30
Depreciation	43,028	9,143	52,171	1,614	-	53,785
Total Expenses	<u>\$ 3,309,981</u>	<u>\$ 56,088</u>	<u>\$ 3,366,069</u>	<u>\$ 104,849</u>	<u>\$ 13,451</u>	<u>\$ 3,484,369</u>

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

Fort Worth Hope Center
Statement of Cash Flows
For the Year Ended December 31, 2017

Cash Flows From Operating Activities	
Increase in Net Assets	\$ (71,594)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	53,785
Gain on asset disposal	(6,600)
(Increase)/Decrease in Assets:	
Accounts receivable, net	(1,600)
Inventory	18,726
Increase/(Decrease) in Liabilities:	
Accounts payable	(21,902)
Accrued expenses	7,845
Net Cash Used by Operating Activities	<u>(21,340)</u>
Cash Flows From Investing Activities	
Purchases of equipment	(15,000)
Proceeds from real estate note receivable	2,586
Proceeds from sale of assets	6,600
Net Cash Used by Investing Activities	<u>(5,814)</u>
Cash Flows From Financing Activities	
Payments on loans	(1,635)
Proceeds from loans	31,464
Net Cash Provided by Financing Activities	<u>29,829</u>
Net Increase in Cash	2,675
Cash, beginning of year	<u>19,682</u>
Cash, end of year	<u><u>\$ 22,357</u></u>

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

Fort Worth Hope Center, Inc.
Notes to Financial Statements
December 31, 2017

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Fort Worth Hope Center is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Fort Worth Hope Center's management, who is responsible for the fairness and objectivity embodied in the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

Organization

Fort Worth Hope Center ("the Organization") was incorporated in 2004 as a Texas nonprofit organization under Code Section 501(c)(3) of the Internal Revenue Code. The Organization strengthens individuals, families and communities through education, collaboration and coalition building. This is accomplished through distributing food, networking with medical teams and other care-giving professionals, educating and mentoring adults and children and being involved in community economic development.

Mission - to fight hunger by distributing food twice per week to families who live in Tarrant County and to feed Hope by getting people ready for new and better jobs by providing education, job certification, and dental health services.

The Organization 's activities include the following programs:

Food Distribution - the Organization fights hunger by distributing food twice per week to families who live in Tarrant County.

Education and Job Certification- the Organization has developed various educational programs that give its members the opportunity to gain the skill set to get back on their feet and excel in the professional world. Programs include forklift & scissor lift training and culinary arts training.

The Organization is governed by a board of directors who oversee policy and operational goals, objectives and achievements. The day to day operations are led by the president. The Organization is primarily funded by individual, business and foundation contributions.

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recorded when incurred.

Fort Worth Hope Center, Inc.
Notes to Financial Statements
December 31, 2017

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those assumed in recording the allocation of functional expenses, determining the fair value of contributed goods and services and valuation allowances for outstanding receivables and inventory. It is at least reasonably possible that the significant estimates used will change within the next year. Actual results could vary from estimates.

Financial Statement Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporarily restricted net assets (*i.e.*, the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Functional Allocation of Expenses

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

Cash and Cash Equivalents

The Organization considers all short-term investments with an original maturity of ninety days or less to be cash equivalents. The Organization places cash and marketable securities, which at times may exceed federally-insured limits, with high-credit quality financial institutions. The Organization has not experienced any losses on such assets.

Inventory

Inventory, consisting of frozen food and dry good food received as in-kind donations and ready for distribution to families, is stated at estimated fair market value.

Fort Worth Hope Center, Inc.
Notes to Financial Statements
December 31, 2017

Property and Equipment

Property and equipment are stated at cost, when purchased, or at fair value as of the date of the gift, when donated. Major expenditures and expenditures which substantially increase useful lives are capitalized. Maintenance, repairs, and replacements, which do not improve or extend the lives of the respective assets, are charged to operations when incurred. When property or equipment is sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed, and any gain or loss is included in operations.

Donated assets are reported as unrestricted support unless the donor has restricted the asset for a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Depreciation is calculated using the straight-line method at rates sufficient to amortize the related costs over the estimated useful lives of the respective assets. Estimated useful lives at December 31, 2017 were as follows:

Furniture and fixtures	5-7 years
Machinery and equipment	5-10 years
Vehicles	5 years
Leasehold improvements	15 years
Buildings and improvements	15-30 years

Accounts Receivable, net

Accounts receivable, net represents program service tuition that is due, net of an allowance for doubtful accounts. Management reviews collection history and other economic factors to determine charitable assistance to individuals and bad debt expense. Accounts are written off against the allowance account when deemed uncollectible. No allowance was deemed necessary at December 31, 2017.

Advertising Expenses

Advertising costs are charged to operations when incurred.

Fort Worth Hope Center, Inc.
Notes to Financial Statements
December 31, 2017

Income Taxes

The Organization is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) of 1986, as amended, as an organization described in Section 501(c)(3) of the IRC. FWHC has been classified as an organization that is not a private foundation under IRC Section 509(a)(2), and as such, contributions to the Organization qualify for deductions as charitable contributions. However, income generated from activities unrelated to the Organization's exempt purpose is subject to tax under IRC Section 511.

Accounting for Uncertainty in Income Taxes

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) Topic 740-10, *Accounting for Income Taxes*, would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the statement of activities or accrued in the statement of financial position. Federal and state tax returns of the entity are generally open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

Contributed Goods and Services

Items received for food inventory represent revenues earned for the goods provided and are classified as "In-kind" revenue on the *Statement of Activities and Changes in Net Assets*. The costs of the food inventory distributed to families are included in "Food distributions" on the *Statement of Functional Expenses*. Contributed goods and services are recognized at their estimated fair values at date of receipt with an equal and offsetting amount in unrestricted functional expenses in the statement of activities, resulting in no net impact on the change in net assets during the year.

The approximate average wholesale value of one pound of donated food at the national level, which was determined to be \$1.70 during 2017, was based upon a study performed by the Organization. The pounds that have been donated to the Organization and then distributed to individuals amounted to 1,784,744 in 2017. The dollar amount of these pounds is approximately \$3,034,064 and is included within in-kind goods and services in the accompanying financial statements.

Contributed services are reported as contributions if such services create or enhance nonfinancial assets or if they would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing such specialized skills.

Fort Worth Hope Center, Inc.
Notes to Financial Statements
December 31, 2017

Contributed Goods and Services (continued)

A substantial number of unpaid volunteers have made significant contributions of their time in the furtherance of FWHC's activities. Such services do not meet the criteria for recognition as contributions; therefore, their value is not reflected in the accompanying financial statements. FWHC estimates that volunteers contributed services with an estimated fair market value of \$582,929 for the year ending December 31, 2017. Contributed services for which fair value can be validated and requiring specific expertise have been reflected in the financial statements at their estimated fair value. The dollar amount of these services is estimated to be approximately \$60,000 and is included within in-kind goods and services in the accompanying financial statements.

NOTE 2: PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2017 consisted of the following:

Equipment	\$	485,985
Vehicles		96,048
Leasehold Improvements		<u>35,913</u>
Net		617,946
Less accumulated depreciation		<u>(455,242)</u>
Property and equipment, net	\$	<u>162,704</u>

NOTE 3: INVENTORY

Inventory consists of frozen food and dry good food and the balance at December 31, 2017 was as follows:

		<u>Estimated Value</u>
Frozen food	\$	176,387
Dry good food		<u>25,000</u>
Total Inventory	\$	<u>201,387</u>

Fort Worth Hope Center, Inc.
Notes to Financial Statements
December 31, 2017

NOTE 4: RELATED PARTY TRANSACTIONS

In 2017, the Organization entered a non-interest bearing promissory note with a board member in the amount of \$37,114 resulting from a board member paying for certain expenses for the organization. The principal amount together with all other charges, costs and expenses, is due and payable as \$600 per month until paid in full, see Note 6. The Organization included approximately \$60,000 within in-kind services in the accompanying financial statements resulting from contributed service provided by a board member.

These transactions were consummated on terms equivalent to those that prevail in arm's-length transactions.

NOTE 5: PROMISSORY NOTE RECEIVABLE

In 2012, the Organization issued a note receivable in the amount of \$35,000 secured by certain real property related to the sale of real estate. Interest earned by the organization was \$2,719 for the year ended December 31, 2017 and the outstanding balance on the note receivable at December 31, 2017 was as follows:

Note receivable from the sale of land at an interest rate of 6.5%, with monthly payments of principal and interest and a term of 180 months, with the final balance due on November 1, 2027. The note is secured by certain real property. \$ 27,292

Maturities of the note receivable as of December 31, 2017 are as follows:

2018	\$ 2,144
2019	2,126
2020	2,269
2021	2,421
2022	2,583
Thereafter	15,750
	<u>\$ 27,292</u>

Fort Worth Hope Center, Inc.
Notes to Financial Statements
December 31, 2017

NOTE 6: PROMISSORY NOTE PAYABLE

In 2012, the Organization issued an unsecured note payable in the amount of \$37,114 related to certain expenses of the Organization paid by board members, see Note 4. Interest of \$5,650 has been imputed on the promissory note utilizing a rate of 6.5%. This rate is based upon the Organization's current financing transactions. The imputed interest is recorded as a discount on the note payable and a corresponding in-kind donation and the discount will be amortized over the term of the note and charged to interest expense. The outstanding balance on the note payable at December 31, 2017 was as follows:

Unsecured note payable with monthly payments of \$600 until paid in full. Original amount of \$37,114 with imputed interest of \$5,650 for a net liability balance of \$31,464	\$ 31,464
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Maturities of the note payable as of December 31, 2017 are as follows:

2018	\$ 5,311
2019	5,667
2020	6,046
2021	6,451
2022	6,883
Thereafter	1,106
	\$ 31,464

NOTE 7: OPERATING LEASES

On August 31, 2016, the Organization entered into a noncancelable operating lease for certain office equipment. The lease expires in December 2021. Lease expense under the terms of this lease amounted to \$4,234 in 2017 and is reported within office supplies.

Future minimum lease payments as of December 31, 2017 are as follows:

2018	\$ 7,929
2019	\$ 7,929
2020	\$ 7,929
2021	\$ 7,929
	\$ 31,716

NOTE 8: DATE OF MANAGEMENT'S REVIEW

Subsequent events have been evaluated for potential recognition or disclosure through August 13, 2018, which is the date the financial statements were available to be issued.