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October 29, 2014

Board of Directors
Hope House, Inc.
1115 Garden Street
Fort Wayne, IN 46802

We have reviewed the audit report prepared by Leonard J. Andorfer & Co., LLP, for the period July 1, 2012 to June 30, 2013. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of Hope House, Inc., as of June 30, 2013, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

HOPE HOUSE, INC.
FORT WAYNE, INDIANA
Financial Statements
as of June 30, 2013 and 2012

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LEONARD J. ANDORFER & CO., LLP
Certified Public Accountants

Park Lake Medical Building
2410 Lake Avenue - P. O. Box 5486 - Fort Wayne, Indiana 46895-5486
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hope House, Inc.
Fort Wayne, Indiana

We have audited the accompanying financial statements of Hope House, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope House, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Leonard J. Andorfer & Co., LLP

LEONARD J. ANDORFER & CO., LLP
Fort Wayne, Indiana
Certified Public Accountants

October 7, 2013

HOPE HOUSE, INC.

Statements of Financial Position

ASSETS	June 30 <u>2013</u>	June 30 <u>2012</u>
CURRENT ASSETS		
Cash and cash equivalents - unrestricted	\$ 122,201	\$ 166,569
Grants receivable	76,993	36,441
Prepaid expenses	<u>3,177</u>	<u>2,914</u>
Total Current Assets	202,371	205,924
INVESTMENTS		
Certificates of deposit	36,164	36,049
Beneficial Interest - Community Foundation of Greater Fort Wayne, Inc.	<u>19,710</u>	<u>17,611</u>
Total Investments	55,874	53,660
PROPERTY AND EQUIPMENT		
Property and equipment	299,012	299,012
Less: accumulated depreciation	<u>(160,096)</u>	<u>(149,112)</u>
Total Property and Equipment (Net)	<u>138,916</u>	<u>149,900</u>
TOTAL ASSETS	<u>\$ 397,161</u>	<u>\$ 409,484</u>

(Continued)

The Notes to Financial Statements
are an integral part of the statements.

HOPE HOUSE, INC.

Statements of Financial Position (Continued)

LIABILITIES AND NET ASSETS	June 30 2013	June 30 2012
CURRENT LIABILITIES		
Resident deposits and expenses	\$ 300	\$ 450
Accounts payable	2,932	9,960
Accrued payroll	<u>8,030</u>	<u>6,782</u>
Total Current Liabilities and Total Liabilities	11,262	17,192
NET ASSETS		
Unrestricted	329,098	319,909
Temporarily restricted	42,870	58,452
Permanently restricted	<u>13,931</u>	<u>13,931</u>
Total Net Assets	<u>385,899</u>	<u>392,292</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 397,161</u>	<u>\$ 409,484</u>

The Notes to Financial Statements
are an integral part of the statements.

HOPE HOUSE, INC.

Statement of Activities
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	June 30 2013 Total	June 30 2012 Total
REVENUE, GAINS AND OTHER SUPPORT					
Support					
Federal Grant - Housing and Urban Development	\$ 135,975	\$	\$	\$ 135,975	\$ 134,932
Emergency Shelter Grants	64,382			64,382	49,514
State and local grants	42,549			42,549	42,989
Drug and Alcohol Consortium - scholarship Foundations	11,400			11,400	11,400
United Way	37,771	47,750		85,521	101,320
	20,000			20,000	20,000
Fund raising events					
Proceeds	18,010			18,010	26,177
Less: cost of direct benefit to donors	(3,467)			(3,467)	(6,840)
Contributions	27,136			27,136	31,932
Miscellaneous	13,193			13,193	6,822
Revenue					
Rental and supportive housing revenue	45,447			45,447	51,783
Client fees	12,498			12,498	13,632
Reimbursement from state	228			228	441
Interest income - certificates of deposit	2,099			2,099	(369)
Net investment income (loss)					
Net assets released from restrictions					
Restrictions satisfied by payments	63,332	(63,332)			
Total Revenue, Gains, Other Support and Net Assets Released from Restrictions	490,553	(15,582)	-	474,971	483,733
EXPENSES					
Program services	426,648			426,648	396,604
Management and general	41,200			41,200	31,447
Fund raising	13,516			13,516	12,830
Total Expenses	481,364	-		481,364	440,881
CHANGE IN NET ASSETS					
	9,189	(15,582)	-	(6,393)	42,852
NET ASSETS - BEGINNING OF YEAR	319,909	58,452	13,931	392,292	349,440
NET ASSETS - END OF YEAR	\$ 329,098	\$ 42,870	\$ 13,931	\$ 385,899	\$ 392,292

The Notes to Financial Statements are an integral part of the Statements.

HOPE HOUSE, INC.

Statement of Activities

For the Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	June 30 2012 Total
REVENUE, GAINS AND OTHER SUPPORT				
Support				
Federal Grant - Housing and Urban Development	\$ 134,932	\$	\$	134,932
Emergency Shelter Grants	49,514			49,514
State and local grants	42,989			42,989
Drug and Alcohol Consortium - scholarship Foundations	11,400	71,250		11,400
United Way	30,070			101,320
Fund raising events	20,000			20,000
Proceeds	25,877	300		26,177
Less: cost of direct benefit to donors	(6,840)		(6,840)
Contributions	31,932			31,932
Miscellaneous	6,822			6,822
Revenue				
Rental and supportive housing revenue	51,783			51,783
Client fees	13,632			13,632
Reimbursement from state	441			441
Interest income - certificates of deposit	369		(369)
Net investment income (loss)				
Net assets released from restrictions				
Restrictions satisfied by payments	(31,573)	(31,573)		
Total Revenue, Gains, Other Support and Net Assets Released from Restrictions	443,756	39,977	-	483,733
EXPENSES				
Program services	396,604			396,604
Management and general	31,447			31,447
Fund raising	12,830			12,830
Total Expenses	440,881	-		440,881
CHANGE IN NET ASSETS	2,875	39,977	-	42,852
NET ASSETS - BEGINNING OF YEAR	317,034	18,475	13,931	349,440
NET ASSETS - END OF YEAR	\$ 319,909	\$ 58,452	\$ 13,931	\$ 392,292

The Notes to Financial Statements are an integral part of the Statements.

HOPE HOUSE, INC.

**Statement of Functional Expenses
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)**

	Program Services	Management and General	Fund Raising	Total 2013 Expenses	Total 2012 Expenses
Employee Compensation					
Salaries	\$ 266,683	\$ 12,295	\$ 8,603	\$ 287,581	\$ 264,458
Payroll taxes	26,026	1,037	868	27,931	27,759
Employee benefits	37,260	1,718	1,202	40,180	40,972
Total Employee Compensation	329,969	15,050	10,673	355,692	333,169
Other Expenses					
Advertising			470	470	692
Contract services	1,743	9,706	39	11,488	8,820
Counseling	8,463			8,463	7,725
Craft and jewelry expense	14,327			14,327	5,884
Fund raising expenses			1,154	1,154	55
Groceries and household supplies	15,725			15,725	14,103
Insurance	5,473	1,166		6,639	6,335
Lab fees	2,359			2,359	3,490
Legal and professional	747	7,240		7,240	5,000
Licenses, permits, dues and bonds	624	307		1,054	944
Miscellaneous expenses	2,475	1,457		2,081	1,851
Office expenses	391	612	29	3,116	4,761
Printing	10,530	347	414	1,152	251
Repairs and maintenance	758	1,069		11,599	5,639
Residential services	1,265			758	1,881
Staff training	1,361	304	10	1,579	1,549
Technology	784	720	727	2,808	2,469
Transportation	466	972		784	5,114
Travel	18,804	1,650		1,438	2,359
Utilities	416,264	40,600	13,516	20,454	17,495
Total Before Depreciation				470,380	429,586
Depreciation expense		600		10,984	11,295
Total Expenses	\$ 426,648	\$ 41,200	\$ 13,516	\$ 481,364	\$ 440,881

The Notes to Financial Statements
are an integral part of the statements.

HOPE HOUSE, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2012

	Program Services	Management and General	Fund Raising	Total 2012 Expenses
Employee Compensation				
Salaries	\$ 247,384	\$ 8,126	\$ 8,948	\$ 264,458
Payroll taxes	25,872	956	911	27,739
Employee benefits	38,327	1,259	1,386	40,972
Total Employee Compensation	311,583	10,341	11,245	333,169
Other Expenses				
Advertising		50	642	692
Contract services	1,310	7,510		8,820
Counseling	7,725			7,725
Craft and jewelry expense	5,884			5,884
Fund raising expenses		55		55
Groceries and household supplies	14,007		96	14,103
Insurance	5,245	965	125	6,335
Lab fees	3,490			3,490
Legal and professional		5,000		5,000
Licenses, permits, dues and bonds		944		944
Miscellaneous expenses	997	854		1,851
Office expenses	3,502	1,017	242	4,761
Printing		70	181	251
Repairs and maintenance	3,953	1,686		5,639
Residential services	1,881			1,881
Staff training	1,111	438		1,549
Technology	1,736	434	299	2,469
Transportation	5,114			5,114
Travel	1,438	921		2,359
Utilities	16,933	562		17,495
Total Before Depreciation	385,909	30,847	12,830	429,586
Depreciation expense	10,695	600		11,295
Total Expenses	\$ 396,604	\$ 31,447	\$ 12,830	\$ 440,881

The Notes to Financial Statements are an integral part of the statements.

HOPE HOUSE, INC.

Statements of Cash Flows

	For the Years Ended	
	<u>June 30, 2013</u>	<u>June 30, 2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	(\$ 6,393)	\$ 42,852
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	10,984	11,295
Unrealized loss on investments	460	939
Changes in operating assets and liabilities		
Increase in grants receivable	(40,552)	(15,120)
Increase in prepaid expenses	(263)	(284)
Decrease in resident deposits and expenses	(150)	-
Increase (decrease) in accounts payable	(7,028)	3,944
Increase in accrued expenses	<u>1,248</u>	<u>1,472</u>
Net Cash Provided by (Used For) Operating Activities	(41,694)	45,098
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investments	(2,674)	(770)
CASH FLOWS FROM FINANCING ACTIVITIES		
None	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(44,368)	44,328
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>166,569</u>	<u>122,241</u>
CASH AND CASH EQUIVALENTS- END OF YEAR	<u>\$ 122,201</u>	<u>\$ 166,569</u>

The Notes to Financial Statements
are an integral part of the statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Nature of Activities

The mission of Hope House, Inc. is to provide homeless, chemically dependent women of Allen County, Indiana with opportunities to pursue recovery and self-sufficiency in a healthy, supportive living environment.

NOTE 2 - Summary of Significant Accounting Policies

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Certificates of Deposit - At June 30, 2013 and 2012, investments contain certificates of deposit held for investment that are not debt securities. These certificates of deposit are held at local financial institutions and have original maturities ranging from 12 to 24 months. Certificates of deposit are recorded at cost plus accrued interest, which approximates fair value.

Investments - The organization's investments are reported at fair value. Fair value is the price that would be received when selling an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 6 for discussion of fair value measurements.

Purchases and sales are recorded on a trade-date basis. Interest income is recorded when received and dividends are recorded on the ex-dividend date.

Net realized and unrealized gains or losses are determined by comparison of asset cost, using the specific identification method, to net proceeds received at the time of sale and changes in the difference between market values and cost, respectively.

Hope House, Inc.'s investment portfolio is managed by professional investment managers in compliance with the investment policy established by the Community Foundation of Greater Fort Wayne, Inc. Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect account balances.

Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to 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. Property and equipment is depreciated using the straight-line method over the following periods:

Buildings and improvements	10-40 years
Property and equipment	5-15 years

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - Summary of Significant Accounting Policies (Continued)

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

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

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Hope House, Inc. and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in net unrestricted assets if the restriction expires or is met in the reported period in which the support is recognized.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by Hope House, Inc. Generally, the donors of these assets permit Hope House, Inc. to use all or part of the income earned on any related investments for general or specific purposes. The Board of Hope House, Inc. elected to direct endowment funds to the Community Foundation of Greater Fort Wayne (See Note 5).

Contributions and Contributions Receivable - Contributions including gifts, grants, bequest, pledges, and other unconditional promises to give are recorded as revenue in the period received. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Uncollectible Accounts Receivable - Management has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

Donated Materials and Services - Donated services are recognized as contributions in accordance with FASB ASC 958-605-05 if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the organization. During the year ended June 30, 2013 and 2012 there were no contributed materials and services meeting the requirements for recognition in the financial statements.

Compensated Absences - The organization's employee base is made up of full-time and part-time employees. No liability for compensated absences has been recorded in the financial statements. Any liability that may exist is deemed immaterial.

Functional Expenses - Hope House, Inc. allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to multiple functions are allocated by various statistical bases.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Advertising Costs - Advertising and promotional program costs are charged to expense during the period in which they are incurred.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes - Hope House, Inc. is a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the 50% charitable contribution limitation.

The organization has adopted FASB ASC 710-10-25, and determined no material unrecognized tax benefits or liabilities exist as of June 30, 2013. The adoption of FASB ASC 740-10-25 did not impact the organization's financial position or results of operations. If applicable, the organization will recognize interest and penalties related to underpayment of income taxes as income tax expense. As of June 30, 2013, the organization had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. The organization does not anticipate any significant changes to unrecognized income tax benefits over the next year. The organization is generally no longer subject to examination by Federal and State agencies for tax years before June 30, 2010.

Reclassification - Prior year presentation has been reclassified to conform with the current year presentation. These reclassifications have no effect on previously reported operational results.

NOTE 3 - Concentration of Credit Risk

The organization maintains cash balances at two financial institutions. Deposits at these institutions are insured by the Federal Deposit Insurance Corporation. No uninsured cash balances existed at June 30, 2013 and 2012.

NOTE 4 - Grants Receivable

Hope House, Inc. incurs expenses and then submits requests for reimbursement by third-party grantors. The reimbursement requests are reviewed by the grantor, taking into consideration the purpose of the expenditures, the amount of the original grant and the provisions set forth. Grants receivable under these terms amounted to \$41,993 and \$11,441 as of June 30, 2013 and 2012, respectively.

Grants receivable for the years ended June 30, 2013 and 2012 also include additional amounts of \$35,000 and \$25,000, respectively, from local foundations which are listed as temporarily restricted net assets in Note 8.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 - Beneficial Interest - Community Foundation of Greater Fort Wayne, Inc.

Funds held at the Community Foundation of Greater Fort Wayne, Inc. (Foundation) as of June 30, 2013 and 2012 were \$19,710 and 17,611, respectively.

The investments held at the Foundation are the result of agreements whereby the organization has transferred assets, without variance power, to the Foundation and has specified itself as the beneficiary of those assets. The organization may draw up to a certain percentage of the value of the assets each year, but may only obtain a return of the full value of the assets upon consent of the Foundation.

Additionally, the Community Foundation of Greater Fort Wayne holds investment assets with a value of \$9,002 and \$6,967 at June 30, 2013 and 2012, respectively, for the benefit of the organization for which they have retained variance power. These assets are not recorded as assets of the organization.

Net investment income consisted of the following:

	June 30 2013	June 30 2012
Interest income and realized gains	\$ 2,691	\$ 711
Unrealized losses	(460)	(939)
Investment management fees	(132)	(141)
Net Investment Income (Loss)	<u>\$ 2,099</u>	<u>(\$ 369)</u>

NOTE 6 - Fair Value of Financial Instruments

FASB ASC 820-10-50-1 requires certain disclosures regarding the fair value of financial instruments. Financial instruments held by Hope House, Inc. impacted by this pronouncement include the investments held at market value.

FASB ASC 820-10-50-1 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of input described below:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - Fair Value of Financial Instruments (Continued)

Fair value of financial instruments as of June 30, 2013 is as follows:

	Quoted market prices for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Community Foundation of Greater Fort Wayne	<u>\$</u>	<u>\$</u>	<u>\$ 19,710</u>

Fair value of financial instruments as of June 30, 2012 is as follows:

	Quoted market prices for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Community Foundation of Greater Fort Wayne	<u>\$</u>	<u>\$</u>	<u>\$ 17,611</u>

The table below presents a reconciliation and statement of activities classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ending June 30, 2013 and 2012:

	June 30, 2013 Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	June 30, 2012 Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Beginning Balance - July 1	\$ 17,611	\$ 17,980
Total gains or losses (realized/unrealized) included in earnings:		
Interest and dividend income on securities	560	562
Unrealized losses	(460)	(939)
Realized gains on sale of securities	2,131	149
Investment fees	(132)	(141)
Ending Balance - June 30	<u>\$ 19,710</u>	<u>\$ 17,611</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 - Line of Credit

The organization has entered into an agreement with 1st Source Bank for a \$31,000 line of credit. The note is secured by a \$10,000 certificate of deposit and the money management account, bears interest at the bank's prime interest rate plus 1.75%, currently 5%, and expires November 7, 2013. Interest is due monthly on any outstanding balance. As of June 30, 2013 and 2012, there were no outstanding balances.

NOTE 8 - Restrictions on Assets

Temporarily restricted net asset are available for the following purposes:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
The St. Joseph Community Health Foundation - Fostering Recovery	\$ 5,011	\$ 11,250	\$ 9,891	\$ 6,370
Foellinger Foundation				
Operational Support	20,000	25,000	20,000	25,000
Strengthening Organizations	9,000		9,000	-
Beads of Hope	9,141		9,141	-
English Bonter Mitchell				
Operational Support	5,000		5,000	-
Bowker Family Foundation				
Operational Support	5,000		5,000	-
Flora Dale Krouse Foundation				
Operational Support	5,000		5,000	-
Community Foundation of Greater Fort Wayne - Operational Support	-	10,000		10,000
Golf Outing Sponsorship	300		300	-
Junior League of Fort Wayne - Operational Support	-	1,500		1,500
	<u>\$ 58,452</u>	<u>\$ 47,750</u>	<u>\$ 63,332</u>	<u>\$ 42,870</u>

NOTE 9 - Endowment

The organization's endowment consists of one fund established for providing revenue from earnings. Its endowment includes donor restricted endowment funds. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with permanently restricted funds, including designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date of the donor permanently restricted funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the organization classifies as permanently restricted net assets (a) the original value of gifts, (b) the original value of subsequent gifts, and (c) accumulations made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted fund that is not classified in permanently restricted net assets is classified as designated net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - Endowment (Continued)

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Endowment net asset composition by type of fund as of June 30, 2013, is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds	<u>\$ 5,779</u>	<u>\$ 13,931</u>	<u>\$ 19,710</u>

Endowment net asset composition by type of fund as of June 30, 2012, is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds	<u>\$ 3,680</u>	<u>\$ 13,931</u>	<u>\$ 17,611</u>

Changes in endowment net assets for the year ended June 30, 2013, are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ 3,680	\$ 13,931	\$ 17,611
Investment return:			
Dividends, interest and realized investment gains		2,691	2,691
Unrealized losses		(460)	(460)
Total investment return		2,231	2,231
Appropriation of endowment assets for expenditures		(132)	(132)
Transfers	2,099	(2,099)	
Endowment net assets - end of year	<u>\$ 5,779</u>	<u>\$ 13,931</u>	<u>\$ 19,710</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - Endowment (Continued)

Changes in endowment net assets for the year ended June 30, 2012, are as follows:

	Unrestricted	Permanently Restricted	Total
Endowment net assets - beginning of year	\$ 4,049	\$ 13,931	\$ 17,980
Investment return:			
Dividends, interest and realized investment losses		711	711
Unrealized losses	()	(939)	(939)
Total investment return		(228)	(228)
Appropriation of endowment assets for expenditures		(141)	(141)
Transfer	(369)	369	()
Endowment net assets - end of year	\$ 3,680	\$ 13,931	\$ 17,611

Funds With Deficiencies - From time to time, the fair value of assets associated with individual donor permanently restricted funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. These deficiencies result from unfavorable investment performance due to unfavorable market conditions for the investments supporting the permanently restricted and designated net assets.

Return Objectives and Risk Parameters - The organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as designated funds. The organization expects its endowment fund, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy - The organization has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value over the prior four quarters through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the organization considered the long-term expected return on its endowment. Accordingly, over the long term, the organization expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 10 – Sponsorships – Federal Grant

Hope House, Inc. sponsors Genesis Outreach, Inc. for various grant collaborations for the provision of transitional residential client services. Income from the Housing and Urban Development Grant (HUD) includes funds specifically allocated as follows:

	<u>2013</u>	<u>2012</u>
Total HUD Grant Received	\$ 173,112	\$ 198,580
Less: allocated to Genesis Outreach, Inc.	<u>37,137</u>	<u>63,648</u>
Income retained by Hope House, Inc.	<u>\$ 135,975</u>	<u>\$ 134,932</u>

Accounts payable for the years ended June 30, 2013 and 2012 include amounts of \$0 and \$5,304, respectively, due to Genesis Outreach, Inc.

NOTE 11 - Subsequent Events

In preparing these financial statements, the organization has evaluated events and transactions for potential recognition or disclosure through October 7, 2013, the date the financial statements were available to be issued.

