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January 31, 2014

Board of Directors  
Hope House, Inc.  
1115 Garden St.  
Fort Wayne, IN 46802-4124

We have reviewed the audit report prepared by Leonard J. Andorfer & Co., LLP, Independent Public Accountants, for the period July 1, 2009 to June 30, 2010. 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 the Hope House, Inc., as of June 30, 2010, 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.

STATE BOARD OF ACCOUNTS

**HOPE HOUSE, INC.**  
**FORT WAYNE, INDIANA**  
**Financial Statements**  
**as of June 30, 2010**

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

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2410 Lake Avenue - P. O. Box 5486 - Fort Wayne, Indiana 46895-5486  
260-423-9405


**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying statement of financial position of Hope House, Inc. (a nonprofit organization) as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from Hope House, Inc.'s June 30, 2009 financial statements and, in our report dated September 14, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

September 30, 2010

# HOPE HOUSE, INC.

## Statements of Financial Position

| <b>ASSETS</b>                            | June 30<br>2010    | June 30<br>2009    |
|--|--------------------|--------------------|
| <b>CURRENT ASSETS</b>                    |                    |                    |
| Cash and cash equivalents - unrestricted | \$ 120,335         | \$ 87,742          |
| Accounts receivable - residents          |                    |                    |
| Residents                                | 283                | 266                |
| Donations                                | -                  | 315                |
| Grants receivable                        | 42,550             | 43,787             |
| Prepaid expenses                         | 2,282              | 18,797             |
|  | <u>165,450</u>     | <u>150,907</u>     |
| <b>INVESTMENTS</b>                       | 49,908             | 47,586             |
| <b>PROPERTY AND EQUIPMENT</b>            |                    |                    |
| Property and equipment                   | 303,599            | 294,807            |
| Less: accumulated depreciation           | ( <u>135,116</u> ) | ( <u>123,447</u> ) |
|  | <u>168,483</u>     | <u>171,360</u>     |
| <b>TOTAL ASSETS</b>                      | <u>\$ 383,841</u>  | <u>\$ 369,853</u>  |

(Continued)

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

# HOPE HOUSE, INC.

## Statements of Financial Position (Continued)

| <b>LIABILITIES AND NET ASSETS</b>               | June 30<br>2010   | June 30<br>2009   |
|---|-------------------|-------------------|
| <b>CURRENT LIABILITIES</b>                      |                   |                   |
| Resident deposits and expenses                  | \$ 488            | \$ 450            |
| Prepaid residential rent                        | -                 | 900               |
| Accounts payable                                | 10,812            | 8,794             |
| Accrued payroll                                 | 4,004             | 10,767            |
|   | <hr/>             | <hr/>             |
| Total Current Liabilities and Total Liabilities | 15,304            | 20,911            |
| <b>NET ASSETS</b>                               |                   |                   |
| Unrestricted                                    | 333,431           | 320,011           |
| Temporarily restricted                          | 21,175            | 15,000            |
| Permanently restricted                          | 13,931            | 13,931            |
|   | <hr/>             | <hr/>             |
| Total Net Assets                                | 368,537           | 348,942           |
|   | <hr/>             | <hr/>             |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>         | <b>\$ 383,841</b> | <b>\$ 369,853</b> |

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

HOPE HOUSE, INC.

Statements of Activities  
For the Year Ended June 30, 2010  
(With Comparative Totals for the Year Ended June 30, 2009)

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>June 30<br/>2010<br/>Total</u> | <u>June 30<br/>2009<br/>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| <b>REVENUE, GAINS AND OTHER SUPPORT</b>  |                     |                                   |                                   |                                   |                                   |
| <b>Support</b>   |                     |                                   |                                   |                                   |                                   |
| Federal Grant - Housing and Urban Development                                    | \$ 134,911          | \$                                | \$                                | \$ 134,911                        | \$ 134,906                        |
| Emergency Shelter Grants   | 48,293              |                                   |                                   | 48,293                            | 57,535                            |
| State grants   | 15,390              |                                   |                                   | 15,390                            | 4,731                             |
| Drug and Alcohol Consortium  | 9,900               |                                   |                                   | 9,900                             | 12,150                            |
| Foundations  | 42,354              | 21,175                            |                                   | 63,529                            | 43,725                            |
| United Way   | 20,000              |                                   |                                   | 20,000                            | 19,500                            |
| <b>Fundraising events</b>  |                     |                                   |                                   |                                   |                                   |
| Proceeds   | 11,870              |                                   |                                   | 11,870                            | 11,778                            |
| Less: cost of direct benefit to donors   | ( 1,260 )           |                                   |                                   | ( 1,260 )                         | -                                 |
| Contributions  | 19,681              |                                   |                                   | 19,681                            | 22,896                            |
| Miscellaneous  | 116                 |                                   |                                   | 116                               | 597                               |
| <b>Revenue</b>   |                     |                                   |                                   |                                   |                                   |
| Rental and supportive housing revenue  |                     |                                   |                                   |                                   |                                   |
| Client fees  | 39,868              |                                   |                                   | 39,868                            | 66,590                            |
| Reimbursement from state   | 43,720              |                                   |                                   | 43,720                            | 7,965                             |
| Net gain (loss) on investments   | 2,662               |                                   |                                   | 2,662                             | ( 147 )                           |
| <b>Net assets released from restrictions</b>                                     |                     |                                   |                                   |                                   |                                   |
| Restrictions satisfied by payments   | 15,000              | ( 15,000 )                        |                                   | -                                 | -                                 |
| Total Revenue, Gains, Other Support<br>and Net Assets Released from Restrictions | 402,505             | 6,175                             | -                                 | 408,680                           | 382,226                           |
| <b>EXPENSES</b>  |                     |                                   |                                   |                                   |                                   |
| Program services   | 310,571             |                                   |                                   | 310,571                           | 308,058                           |
| Management and general   | 53,698              |                                   |                                   | 53,698                            | 48,432                            |
| Fund raising   | 24,816              |                                   |                                   | 24,816                            | 25,740                            |
| Total Expenses   | 389,085             | -                                 | -                                 | 389,085                           | 382,230                           |
| <b>CHANGE IN NET ASSETS</b>  | 13,420              | 6,175                             | -                                 | 19,595                            | ( 4 )                             |
| <b>NET ASSETS - BEGINNING OF YEAR</b>  | 320,011             | 15,000                            | 13,931                            | 348,942                           | 348,946                           |
| <b>NET ASSETS - END OF YEAR</b>  | <u>\$ 333,431</u>   | <u>\$ 21,175</u>                  | <u>\$ 13,931</u>                  | <u>\$ 368,537</u>                 | <u>\$ 348,942</u>                 |

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

HOPE HOUSE, INC.

Statements of Functional Expenses  
For the Year Ended June 30, 2010  
(With Comparative Totals for the Year Ended June 30, 2009)

|                                  | Program<br>Services | Management<br>and General | Fund Raising | Total 2010<br>Expenses | Total 2009<br>Expenses |
|----------------------------------|---------------------|---------------------------|--------------|------------------------|------------------------|
| <b>Employee Compensation</b>     |                     |                           |              |                        |                        |
| Salaries                         | \$ 192,053          | \$ 23,981                 | \$ 19,068    | \$ 235,102             | \$ 240,630             |
| Payroll taxes                    | 16,782              | 2,095                     | 1,666        | 20,543                 | 20,453                 |
| Employee benefits                | 33,470              | 4,179                     | 3,323        | 40,972                 | 35,279                 |
| Total Employee Compensation      | 242,305             | 30,255                    | 24,057       | 296,617                | 296,362                |
| <b>Other Expenses</b>            |                     |                           |              |                        |                        |
| Advertising                      |                     | 1,693                     |              | 1,693                  | 2,090                  |
| Bad debt expense                 | 62                  |                           |              | 62                     | 396                    |
| Counseling                       | 8,278               |                           |              | 8,278                  | 6,618                  |
| Dues                             |                     | 659                       |              | 659                    | 459                    |
| Fund raising expenses            |                     |                           | 759          | 759                    | 531                    |
| Groceries and household supplies | 12,718              |                           |              | 12,718                 | 14,050                 |
| Insurance                        | 4,404               | 1,600                     |              | 6,004                  | 6,879                  |
| Lab fees                         | 3,199               |                           |              | 3,199                  | 1,965                  |
| Legal and professional           |                     | 8,504                     |              | 8,504                  | 5,300                  |
| Miscellaneous expenses           | 2,099               |                           |              | 2,099                  | 1,376                  |
| Office expenses                  |                     | 3,085                     |              | 3,085                  | 2,383                  |
| Payroll processing fees          |                     | 948                       |              | 948                    | 1,221                  |
| Postage                          |                     | 323                       |              | 323                    | 372                    |
| Printing                         |                     | 5                         |              | 5                      | 101                    |
| Repairs and maintenance          | 7,745               |                           |              | 7,745                  | 4,813                  |
| Residential services             | 1,503               |                           |              | 1,503                  | 1,309                  |
| Staff training                   | 874                 |                           |              | 874                    | 900                    |
| Technology                       |                     | 3,629                     |              | 3,629                  | 1,523                  |
| Transportation                   | 684                 |                           |              | 684                    | 584                    |
| Travel                           | 1,479               |                           |              | 1,479                  | 1,315                  |
| Utilities                        | 13,553              | 2,997                     |              | 16,550                 | 20,574                 |
| Total Before Depreciation        | 298,903             | 53,698                    | 24,816       | 377,417                | 371,121                |
| Depreciation expense             | 11,668              |                           |              | 11,668                 | 11,109                 |
| Total Expenses                   | \$ 310,571          | \$ 53,698                 | \$ 24,816    | \$ 389,085             | \$ 382,230             |

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, 2010</u> | <u>June 30, 2009</u> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                      |                      |
| Change in net assets  | \$ 19,595            | ( \$ 4 )             |
| <b>Adjustments to reconcile change in net assets to net cash provided by operating activities</b> |                      |                      |
| Depreciation  | 11,669               | 11,109               |
| Unrealized (gain) loss on investments   | ( 1,592 )            | 2,871                |
| Changes in operating assets and liabilities   |                      |                      |
| Decrease (increase) in accounts receivable  | 298                  | ( 173 )              |
| Decrease (increase) in grants receivable  | 1,237                | ( 7,360 )            |
| Decrease (increase) in prepaid expenses   | 16,515               | ( 11,255 )           |
| Increase (decrease) in resident deposits and expenses   | ( 862 )              | 1,180                |
| Increase (decrease) in accounts payable   | 2,018                | ( 2,925 )            |
| Increase (decrease) in accrued expenses   | ( 6,763 )            | 1,240                |
| Net Cash Provided by (Used for) Operating Activities  | 42,115               | ( 5,317 )            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                      |                      |
| Property acquisitions   | ( 8,792 )            | ( 14,455 )           |
| Increase in investments   | ( 730 )              | ( 1,304 )            |
| Net Cash Used for Investing Activities  | ( 9,522 )            | ( 15,759 )           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                      |                      |
| None  | -                    | -                    |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                       | 32,593               | ( 21,076 )           |
| <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>  | <u>87,742</u>        | <u>108,818</u>       |
| <b>CASH AND CASH EQUIVALENTS- END OF YEAR</b>   | <u>\$ 120,335</u>    | <u>\$ 87,742</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. 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).

**Financial Statement Presentation** - The organization has adopted FASB ASC 958-210-45-8 (prior authoritative literature Statement of Financial Accounting Standards (SFAS) No. 117, “Financial Statements of Not-for-Profit Organizations”). Under FASB ASC 958-210-45-8, the organization is required to report 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. In addition, the organization is required to present a statement of cash flows.

**Promise to Give** - Contributions are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. 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.

**Contributions** - The organization has adopted FASB ASC 958-605-05 (prior authoritative literature SFAS No. 116, “Accounting for Contributions Received and Contributions Made”). In accordance with FASB ASC 958-605-05, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 2 - Summary of Significant Accounting Policies (Continued)

**Contributed Services and Gifts in Kind** - During the period ended June 30, 2010 and 2009, the values of contributed goods meeting the requirements for recognition in the financial statements were \$0. In addition, many individuals volunteer their time and perform a variety of tasks that assist the organization's program services.

**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.

**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.

**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.

**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.

**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 (prior authoritative literature FIN 48 – Accounting for Uncertainty of Income Taxes), and determined no material unrecognized tax benefits or liabilities exist as of June 30, 2010. 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, 2010, 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.

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

**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.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 2 - Summary of Significant Accounting Policies (Continued)

**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.

**Reclassification** – Certain June 30, 2009 amounts as previously reported have been reclassified to conform to the June 30, 2010 presentation. The reclassifications have no effect on net income for the year ending June 30, 2009.

**Summarized Prior Year Information** – The financial statements include summarized comparative information from the prior year, which is not presented by net asset class and does not include sufficient detail to conform with generally accepted accounting principles. This information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2009, from which the comparative information was extracted.

### 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. Insured limits were temporarily increased from \$100,000 to \$250,000 on October 3, 2008. The standard coverage limit will return to \$100,000 on January 1, 2014. Total uninsured cash balances at June 30, 2010 and 2009 were \$0.

### NOTE 4 - Grant 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 \$22,550 and \$28,787 as of June 30, 2010 and 2009, respectively.

Grants receivable for the years ended June 30, 2010 and 2009 also include additional amounts of \$20,000 and \$15,000, respectively, from local foundations which are listed as temporarily restricted net assets in Note 9.

### NOTE 5 – Investments

Investments are recorded at fair market value and consist of the following as of June 30, 2010 and 2009:

|  | 2010             | 2009             |
|--|------------------|------------------|
| Certificates of deposit                                    | \$ 35,424        | \$ 34,694        |
| Investment - Community Foundation of<br>Greater Fort Wayne | 14,484           | 12,892           |
|  | <u>\$ 49,908</u> | <u>\$ 47,586</u> |

Additionally, the Foundation holds investment assets with a value of \$4,595 and \$3,658 at June 30, 2010 and 2009, respectively, for the benefit of the Organization for which they have retained variance power. These assets are not recorded as assets of the Organization.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 5 – Investments (Continued)

Net investment income consisted of the following:

|                                    | June 30<br>2010 | June 30<br>2009   |
|------------------------------------|-----------------|-------------------|
| Interest income and realized gains | \$ 1,070        | \$ 2,724          |
| Unrealized gains (losses)          | 1,737           | ( 2,871 )         |
| Investment management fees         | ( 145 )         | -                 |
| <b>Total</b>                       | <b>\$ 2,662</b> | <b>( \$ 147 )</b> |

### NOTE 6 – Fair Value of Financial Instruments

FASB ASC 820-10-50-1 (prior authoritative literature SFAS No. 157, “Fair Value Measurements” as amended), 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.

Fair value of financial instruments as of June 30, 2010 is as follows:

|   | Quoted<br>market prices<br>for identical<br>assets<br>Level 1 | Significant<br>other<br>observable<br>inputs<br>Level 2 | Significant<br>unobservable<br>inputs<br>Level 3 |
|---|---|---|--|
| Certificates of deposit                       | \$ 35,424   | \$  | \$   |
| Community Foundation of<br>Greater Fort Wayne |   |   | 14,484   |

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 6 – Fair Value of Financial Instruments (Continued)

Fair value of financial instruments as of June 30, 2009 is as follows:

|   | Quoted<br>market prices<br>for identical<br>assets<br><u>Level 1</u> | Significant<br>other<br>observable<br>inputs<br><u>Level 2</u> | Significant<br>unobservable<br>inputs<br><u>Level 3</u> |
|---|--|--|---|
| Certificates of deposit                       | \$ 34,694  |  |   |
| Community Foundation of<br>Greater Fort Wayne |  |  | 12,892  |

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 year ended June 30, 2010:

|   | Fair Value<br>Measurements<br>Using Significant<br>Unobservable<br>Inputs (Level 3) |
|---|---|
| Beginning Balance - July 1, 2009                                  | \$ 12,892   |
| Total gains or losses (realized/unrealized) included in earnings: |   |
| Interest and dividend income on securities                        | 464   |
| Unrealized gains  | 1,744   |
| Realized losses on sale of securities                             | ( 471 )   |
| Investment fees   | ( 145 )   |
| Ending Balance - June 30, 2010                                    | <u>\$ 14,484</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 year ended June 30, 2009:

|   | Fair Value<br>Measurements<br>Using Significant<br>Unobservable<br>Inputs (Level 3) |
|---|---|
| Beginning Balance - July 1, 2008                                  | \$ 15,763   |
| Total gains or losses (realized/unrealized) included in earnings: |   |
| Interest and dividend income on securities                        | 555   |
| Unrealized losses   | ( 2,296 )   |
| Realized losses on sale of securities                             | ( 984 )   |
| Investment fees   | ( 146 )   |
| Ending Balance - June 30, 2009                                    | <u>\$ 12,892</u>  |

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 7 – Line of Credit**

The Organization has entered into an agreement with 1<sup>st</sup> 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 is due November 7, 2011. Interest is due monthly on any outstanding balance. As of June 30, 2010 and 2009, there were no outstanding balances.

**NOTE 8 - Sponsorships**

Hope House, Inc. sponsors Genesis Outreach, Inc. for various grant collaborations for the provision of transitional residential client services. The following represents the funds retained by each entity for the fiscal years ended June 30, 2010 and 2009:

| <b>June 30, 2010</b>   | <u>Hope<br/>House</u> | <u>Genesis<br/>Outreach</u> |
|--|-----------------------|-----------------------------|
| Housing and Urban Development Grant -<br>Transitional Housing Program (H.U.D.) | \$ 134,911            | \$ 63,660                   |
| <br>   |                       |                             |
| <b>June 30, 2009</b>   | <u>Hope<br/>House</u> | <u>Genesis<br/>Outreach</u> |
| Housing and Urban Development Grant -<br>Transitional Housing Program (H.U.D.) | \$ 134,906            | \$ 63,672                   |

**NOTE 9 - Restrictions on Assets**

Temporarily restricted net asset are available for the following purposes:

|  | <u>Balance<br/>June 30, 2009</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance<br/>June 30, 2010</u> |
|--|----------------------------------|------------------|-------------------|----------------------------------|
| The St. Joseph Community Health<br>Foundation - Counseling | \$ 15,000                        | \$               | \$ 15,000         | \$ -                             |
| The St. Joseph Community Health<br>Foundation - Conference |                                  | 1,175            |                   | 1,175                            |
| Foellinger Foundation -<br>Operational Support             |                                  | 20,000           |                   | 20,000                           |
|  | <u>\$ 15,000</u>                 | <u>\$ 21,175</u> | <u>\$ 15,000</u>  | <u>\$ 21,175</u>                 |

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 10 – Endowments

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.

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, 2010, is as follows:

|                        | Unrestricted | Permanently<br>Restricted | Total     |
|------------------------|--------------|---------------------------|-----------|
| Donor-restricted funds | \$           | \$ 13,931                 | \$ 13,931 |

Endowment net asset composition by type of fund as of June 30, 2009, is as follows:

|                        | Unrestricted | Permanently<br>Restricted | Total     |
|------------------------|--------------|---------------------------|-----------|
| Donor-restricted funds | \$           | \$ 13,931                 | \$ 13,931 |

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 10 – Endowments (Continued)**

Changes in endowment net assets for the year ended June 30, 2010, are as follows:

|   | <u>Unrestricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>  |
|---|---------------------|-----------------------------------|---------------|
| Endowment net assets - beginning<br>of year           | \$                  | \$ 13,931                         | \$ 13,931     |
| Investment return:                                    |                     |                                   |               |
| Dividends, interest and realized<br>investment losses |                     | ( 7 )                             | ( 7 )         |
| Unrealized gains                                      |                     | 1,744                             | 1,744         |
| Total investment return                               |                     | 1,737                             | 1,737         |
| Appropriation of endowment assets<br>for expenditures |                     | ( 1,737 )                         | ( 1,737 )     |
| Endowment net assets - end of year                    | <u>\$ 0</u>         | <u>13,931</u>                     | <u>13,931</u> |

Changes in endowment net assets for the year ended June 30, 2009, are as follows:

|   | <u>Unrestricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>  |
|---|---------------------|-----------------------------------|---------------|
| Endowment net assets - beginning<br>of year           | \$                  | \$ 13,931                         | \$ 13,931     |
| Investment return:                                    |                     |                                   |               |
| Dividends, interest and realized<br>investment losses |                     | ( 429 )                           | ( 429 )       |
| Unrealized losses                                     |                     | ( 2,296 )                         | ( 2,296 )     |
| Total investment return                               |                     | ( 2,725 )                         | ( 2,725 )     |
| Appropriation of endowment assets<br>for expenditures |                     | 2,725                             | 2,725         |
| Endowment net assets - end of year                    | <u>\$ 0</u>         | <u>13,931</u>                     | <u>13,931</u> |

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 10 – Endowments (Continued)

**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.

### NOTE 11 – Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 30, 2010, the date the financial statements were available to be issued.