

HOPE PARTNERSHIP, INC.
(A Nonprofit Organization)

FINANCIAL STATEMENTS
AND
INDEPENDENT ACCOUNTANT'S
REVIEW REPORT

For The Years Ended June 30, 2017 And 2016

**Lewitz, Balosie, Wollack,
Rayner & Giroux, LLC**
Certified Public Accountants
Old Saybrook, Connecticut 06475

HOPE PARTNERSHIP, INC.

(A Nonprofit Organization)

For The Years Ended June 30, 2017 And 2016

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Certified Public Accountants

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Hope Partnership, Inc.
Old Saybrook, CT 06475

We have reviewed the accompanying financial statements of Hope Partnership, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Sewitz, Balarie, Wallach, Ryne & Giroux

January 19, 2018

HOPE PARTNERSHIP, INC.

(A Nonprofit Organization)

Statements Of Financial Position

	June 30,	
	2017	2016
<u>Current Assets</u>		
Cash And Cash Equivalents	\$ 74,458.18	\$125,462.46
Unconditional Promises To Give	34,875.00	37,225.00
<u>Total Current Assets</u>	<u>109,333.18</u>	<u>\$162,687.46</u>
<u>Furnishings And Equipment</u>		
Cost	7,867.48	7,207.50
Less: Accumulated Depreciation	7,083.00	6,206.00
<u>Net Book Value</u>	<u>784.48</u>	<u>1,001.50</u>
<u>Other Assets</u>		
Land	60,000.00	60,000.00
Pre-Development Costs	31,631.00	—
Security Deposit	1,050.00	1,050.00
<u>Total Other Assets</u>	<u>92,681.00</u>	<u>61,050.00</u>
<u>TOTAL ASSETS</u>	<u>\$202,798.66</u>	<u>\$224,738.96</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ —	\$ 1,327.01
Accrued Expenses	2,560.65	1,748.47
Security Deposits	—	500.00
<u>Total Current Liabilities</u>	<u>2,560.65</u>	<u>3,575.48</u>
<u>Net Assets</u>		
Unrestricted	123,373.48	109,343.48
Unrestricted - Board Designated	20,249.53	27,320.00
Temporarily Restricted	56,615.00	84,500.00
<u>Total Net Assets</u>	<u>200,238.01</u>	<u>221,163.48</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$202,798.66</u>	<u>\$224,738.96</u>

See Accompanying Notes and Independent Accountant's Review Report.

HOPE PARTNERSHIP, INC.

(A Nonprofit Organization)

Statements Of Activities

	For The Years Ended June 30,	
	2017	2016
<u>Unrestricted Net Assets</u>		
<u>Revenue And Support</u>		
Contributions And Grants	\$ 36,650.22	\$ 16,084.73
Rental Income	1,440.00	1,440.00
Special Events - Net	20,916.10	16,420.46
Loss on Building Sale	—	(10,929.99)
<u>Total Revenue And Support</u>	59,006.32	23,015.20
<u>Net Assets Released From Restrictions</u>	55,385.00	30,900.00
<u>Total Unrestricted Revenue And Support And Net Assets Released From Restrictions</u>	114,391.32	53,915.20
<u>Expenses</u>		
Program Services	68,458.07	45,581.91
Management And General	21,882.96	37,378.69
Fundraising	17,090.76	16,225.53
<u>Total Expenses</u>	107,431.79	99,186.13
<u>Increase (Decrease) In Unrestricted Net Assets</u>	6,959.53	(45,270.93)
<u>Changes In Temporarily Restricted Net Assets</u>		
Grants Received	27,500.00	29,500.00
Net Assets Released From Restrictions - Restrictions Satisfied By Payments	(55,385.00)	(30,900.00)
<u>Increase (Decrease) In Temporarily Restricted Net Assets</u>	(27,885.00)	(1,400.00)
<u>Increase (Decrease) In Net Assets</u>	(20,925.47)	(46,670.93)
<u>Net Assets At Beginning Of Year</u>	221,163.48	267,834.41
<u>Net Assets At End Of Year</u>	\$200,238.01	\$221,163.48

See Accompanying Notes and Independent Accountant's Review Report.

HOPE PARTNERSHIP, INC.

(A Nonprofit Organization)

Statement Of Functional Expenses

For The Year Ended June 30, 2017

	<u>Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries & Wages	\$40,562.87	\$9,360.66	\$12,480.88	\$62,404.41
Payroll Taxes	3,910.16	902.35	1,203.13	6,015.64
Consultants	11,864.50	—	—	11,864.50
Professional Fees	—	7,000.00	—	7,000.00
Office Supplies & Expenses	791.44	518.18	243.52	1,553.14
Office Rent	4,560.07	1,052.33	1,403.10	7,015.50
Utilities	512.85	118.35	157.80	789.00
Telephone	976.08	225.25	300.33	1,501.66
Travel & Meetings	540.83	687.21	—	1,228.04
Insurance	2,203.24	508.44	677.92	3,389.60
Dues & Subscriptions	—	691.59	—	691.59
Website	443.67	102.38	136.51	682.56
Advertising	—	180.00	—	180.00
Miscellaneous Expenses	1,014.56	234.13	312.17	1,560.86
Depreciation	570.05	131.55	175.40	877.00
Program Expenses	507.75	—	—	507.75
Payroll Fees	—	170.54	—	170.54
Total	<u>\$68,458.07</u>	<u>\$21,882.96</u>	<u>\$17,090.76</u>	<u>\$107,431.79</u>

See Accompanying Notes and Independent Accountant's Review Report.

HOPE PARTNERSHIP, INC.

(A Nonprofit Organization)

Statement Of Functional Expenses

For The Year Ended June 30, 2016

	<u>Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries & Wages	\$26,293.28	\$12,641.00	\$11,629.72	\$50,564.00
Payroll Taxes	2,276.30	1,094.37	1,006.82	4,377.49
Consultants	8,500.00	—	—	8,500.00
Professional Fees	—	8,500.00	—	8,500.00
Office Supplies & Expenses	1,741.59	837.30	770.32	3,349.21
Office Rent	3,463.20	1,665.00	1,531.80	6,660.00
Utilities	410.28	197.25	181.47	789.00
Telephone	687.54	330.55	304.10	1,322.19
Travel & Meetings	279.97	279.96	—	559.93
Interest Expense	—	2,639.46	—	2,639.46
Insurance	—	3,041.60	—	3,041.60
Dues & Subscriptions	—	639.22	—	639.22
Website	844.70	406.10	373.61	1,624.41
Shoreline Basic Needs	118.09	—	—	118.09
Miscellaneous Expenses	180.72	86.88	79.93	347.53
Depreciation	786.24	378.00	347.76	1,512.00
Write-off Of Loan Origination Fees	—	4,642.00	—	4,642.00
Total	<u>\$45,581.91</u>	<u>\$37,378.69</u>	<u>\$16,225.53</u>	<u>\$99,186.13</u>

See Accompanying Notes and Independent Accountant's Review Report.

HOPE PARTNERSHIP, INC.

(A Nonprofit Organization)

Statement Of Cash Flows

	For The Years Ended June 30,	
	2017	2016
<u>Cash Flows From Operating Activities:</u>		
<u>Increase (Decrease) In Net Assets</u>	<u>(\$ 20,925.47)</u>	<u>(\$ 46,670.93)</u>
<u>Adjustments To Reconcile To Net Cash Provided By</u>		
<u>Operating Activities:</u>		
Depreciation	877.00	1,512.00
Write-off Of Loan Origination Fees	—	4,642.00
Loss On Building Sale	—	10,929.99
Change In Assets And Liabilities:		
Pledges Receivable	2,350.00	(6,325.00)
Accounts Payable	(1,327.01)	1,327.01
Accrued Expenses	812.18	1,515.47
Security Deposits	(500.00)	(1,600.00)
Total Adjustments	<u>2,212.17</u>	<u>12,001.47</u>
<u>Net Cash Provided (Used) By Operating Activities</u>	<u>(18,713.30)</u>	<u>(34,669.46)</u>
<u>Cash Flows From Investing Activities:</u>		
Gross Proceeds From Building Sale	—	179,098.64
Payment Of Pre-Development Costs	(31,631.00)	
Purchase Of Furnishings And Equipment	(659.98)	
<u>Net Cash Provided (Used) In Investing Activities</u>	<u>(32,290.98)</u>	<u>179,098.64</u>
<u>Cash Flows From Financing Activities</u>		
Payoff Of Building Mortgage	—	(178,000.00)
Payment Of Expenses Related To Building	—	(12,028.02)
<u>Net Cash Provided (Used) In Financing Activities</u>	<u>—</u>	<u>(190,028.02)</u>
<u>Net Change In Cash And Cash Equivalents</u>	<u>(51,004.28)</u>	<u>(45,598.84)</u>
<u>Cash And Cash Equivalents:</u>		
<u>Beginning Of Year</u>	<u>125,462.46</u>	<u>171,061.30</u>
<u>End Of Year</u>	<u>\$ 74,458.18</u>	<u>\$125,462.46</u>

See Accompanying Notes and Independent Accountant's Review Report.

HOPE PARTNERSHIP, INC.

(A Nonprofit Organization)

Notes To The Financial Statements

For The Years Ended June 30, 2017 And 2016

1) Summary Of Significant Accounting Policies

Nature Of Operations – HOPE PARTNERSHIP, INC. (HOPE) was organized in 2003 as a non-stock corporation under the laws of the State of Connecticut and is dedicated to developing affordable housing options on the Connecticut shoreline and lower Middlesex County.

Basis Of Presentation – Financial statement presentation is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Under U.S. GAAP, management of HOPE 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.

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 the organization 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.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the organization. Generally, the donors would permit the organization to use all or part of the income earned on any related investments for general or specific purposes. HOPE has not received any contributions with donor-imposed restrictions that would result in permanently restricted net assets.

Revenue Recognition – Contributions are recognized when the donor makes a promise to HOPE that is, in substance, unconditional. Contributions, which have donor restrictions expiring in the current year, are reported as increases in unrestricted net assets. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Unconditional Promises To Give – Unconditional promises to give (pledges receivable) that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Management periodically evaluates the collectability of HOPE's receivables and creates an allowance for any receivable deemed uncollectible. As of June 30, 2017, no allowance for doubtful accounts has been created.

HOPE PARTNERSHIP, INC.

(A Nonprofit Organization)

Notes To The Financial Statements

For The Years Ended June 30, 2017 And 2016

1) Summary Of Significant Accounting Policies (Continued)

Income Taxes – The Internal Revenue Service has determined that Hope Partnership, Inc. is exempt from Federal income tax on its exempt function income under Section 501(c)(3) of the Internal Revenue Code and is a charitable organization that is not a private foundation as described in Section 509(a) of the code.

The standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, HOPE may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of HOPE and various positions related to the potential sources of unrelated business taxable income (UBTI). The tax benefits recognized in the financial statements from a tax position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2017.

HOPE's Forms 990, *Return of Organization Exempt from Income Tax*, are generally subject to examination by the IRS for 3 years after the date that they were filed.

Donated Services – Many individuals, including present and past board members, have contributed significant amounts of time to the activities of HOPE without compensation. The financial statements do not reflect the value of those contributed services because, although clearly substantial, they do not meet the recognition criteria under generally accepted accounting principles since the services provided do not require specialized skills nor do they create or enhance a non-financial asset.

Restricted And Unrestricted Revenue And Support – Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

HOPE PARTNERSHIP, INC.

(A Nonprofit Organization)

Notes To The Financial Statements

For The Years Ended June 30, 2017 And 2016

1) Summary Of Significant Accounting Policies (Continued)

Cash Flows – For purposes of the statement of cash flows, HOPE considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents.

Use Of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain expenses not identifiable with a particular functional area have been allocated based upon the estimated utilization of the particular program.

Furnishings And Equipment – Assets acquired that are deemed to be of a permanent and lasting nature are capitalized. Maintenance, repairs and minor additions are expensed as incurred. The cost of capitalized assets that have been retired or otherwise disposed of are removed from the capital account.

Depreciation – Depreciation is calculated on the straight-line basis over 5 years, which is the estimated useful life of the respective assets.

2) Investment In Ferry Crossing, LLC

HOPE holds a program investment of a 49% interest in Ferry Crossing, LLC, which is an affordable housing complex located in Old Saybrook, Connecticut. No dollar value is recorded in HOPE's financial statements because its loss interest exceeds its equity interest and HOPE does not intend or expect to recover any part of its investment in the project. Under the terms of the LLC's operating agreement, HOPE is not required to contribute any additional capital to the partnership.

HOPE PARTNERSHIP, INC.
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Notes To The Financial Statements

For The Years Ended June 30, 2017 And 2016

3) Land

HOPE acquired three parcels of land as part of its merger with Old Lyme Affordable Housing, Inc. in 2014. These parcels are being leased to low or moderate income parties under ground lease agreements for a period of 99 years. Each lessee pays a monthly land use fee of \$25.00 plus a \$15.00 administration fee. The total annual fee for the three parcels is \$1,440.00. The monthly amount may be adjusted at the lessor's discretion to an amount not to exceed 15% each year. Upon the expiration of the lease term, or sooner if terminated in accordance with the lease, the improvements to the property shall revert to HOPE subject to existing mortgages. The lease agreements contain other provisions, such as restrictions on transfer and requirements to maintain the property. The lessee's have the option to extend the principal term of the lease for an additional period of 99 years.

This land is carried at its original cost of \$60,000.00. The leasing arrangement is part of HOPE's stated mission of providing affordable housing.

4) Leases

HOPE leases office space from an unrelated party. Monthly rent is \$680.00, plus utilities, and runs through December 31, 2016. Rent expense for the years ended June 30, 2017 and 2016 was \$7,015.50 and \$6,660.00, respectively. Minimum future rent payments under this contract are \$12,240.00.

5) Temporarily Restricted Net Assets

In consideration of merging with Old Lyme Affordable Housing, HOPE agreed to restrict \$50,000.00 for non-operational pre-development costs such a feasibility studies, option payments, engineering, architectural, outreach and advocacy activities related to a specific housing project, or other like expenditures to advance the mission of HOPE. These funds have been deposited into an account named the "HOPE Chest" where funds designated by the Board of Directors for the same purpose have also been deposited. During the year, \$25,885.00 was used to further the mission, leaving a balance of \$24,115.00.

Also, included in temporarily restricted net assets is grant income of \$27,500.00 that the donor has restricted for use during the fiscal year ending June 30, 2018 and \$5,000.00 restricted for use in the town of Westbrook.

HOPE PARTNERSHIP, INC.

(A Nonprofit Organization)

Notes To The Financial Statements

For The Years Ended June 30, 2017 And 2016

6) Concentrations

Unconditional Promises to Give consist of pledges receivable from one organization.

7) Special Events

Net revenue from special events consists of the following:

	<u>2017</u>	<u>2016</u>
Sponsorships, Contributions And Ticket Sales	\$26,715.52	\$23,665.64
Costs Of Events:		
Facility Rental	3,450.00	5,963.00
Other Costs	2,349.42	1,282.18
Total Cost	<u>5,799.42</u>	<u>7,245.18</u>
<u>Special Events - Net</u>	<u>\$20,916.10</u>	<u>\$16,420.46</u>

8) Commitments

The Organization has made a conditional offer to purchase a parcel of land. No amounts have been recorded in the financial statements as the conditions have not been met. Pre-development costs of \$31,631.00 have been incurred in exploring the feasibility of this and another project.

9) Subsequent Events

Management has evaluated subsequent events through January 19, 2018, which is the date the financial statements were available to be issued.