

JESUS HOUSE OF HOPE, INC.
(D/B/A HOUSE OF HOPE, INC.)
STUART, FLORIDA

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015



**PROCTOR, CROOK,
CROWDER & FOGAL**

CERTIFIED PUBLIC ACCOUNTANTS & ASSOCIATES
AUDIT, TAXATION & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Jesus House of Hope, Inc.
d/b/a House of Hope, Inc.
Stuart, Florida

We have audited the accompanying financial statements of Jesus House of Hope, Inc. d/b/a House of Hope, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2016 and 2015, 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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.

MEMBER:

DIVISION FOR CPA FIRMS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Jesus House of Hope, Inc.
d/b/a House of Hope, Inc.

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 Jesus House of Hope, Inc. d/b/a House of Hope, Inc. as of September 30, 2016 and 2015, 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.

Robert, Cohen, Campbell & Rosen, PA

33 S.W. Flagler Avenue
Stuart, Florida
January 24, 2017

**JESUS HOUSE OF HOPE, INC.
(D/B/A HOUSE OF HOPE, INC.)**

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2016

ASSETS				
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Current assets:				
Cash and cash equivalents	\$ 226,014	\$ -	\$ -	\$ 226,014
Grant receivable	31,424	-	-	31,424
Inventory - pantry, clothing, and household goods	659,439	-	-	659,439
Restricted investment - annuity	24,665	-	-	24,665
Other current assets	25,500	-	-	25,500
Total current assets	<u>967,042</u>	<u>-</u>	<u>-</u>	<u>967,042</u>
Property and equipment, net	<u>1,227,493</u>	<u>-</u>	<u>-</u>	<u>1,227,493</u>
Other assets:				
Cash and cash equivalents for capital projects	-	28,900	-	28,900
Investments for endowment purposes	106,525	-	-	106,525
Investments for transportation equipment	-	21,059	-	21,059
Restricted investment - annuity	12,352	-	-	12,352
Deposits	26,306	-	-	26,306
Total other assets	<u>145,183</u>	<u>49,959</u>	<u>-</u>	<u>195,142</u>
Total assets	<u>\$ 2,339,718</u>	<u>\$ 49,959</u>	<u>\$ -</u>	<u>\$ 2,389,677</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued expenses	\$ 20,001	\$ -	\$ -	\$ 20,001
Accrued compensated absences	22,338	-	-	22,338
Deferred revenue	178,088	-	-	178,088
Due to annuitant	24,665	-	-	24,665
Total current liabilities	<u>245,092</u>	<u>-</u>	<u>-</u>	<u>245,092</u>
Long-term liabilities:				
Due to annuitant	<u>12,352</u>	<u>-</u>	<u>-</u>	<u>12,352</u>
Total liabilities	<u>257,444</u>	<u>-</u>	<u>-</u>	<u>257,444</u>
Net assets:				
Designated	106,525	-	-	106,525
Undesignated	1,975,749	49,959	-	2,025,708
Total net assets	<u>2,082,274</u>	<u>49,959</u>	<u>-</u>	<u>2,132,233</u>
Total liabilities and net assets	<u>\$ 2,339,718</u>	<u>\$ 49,959</u>	<u>\$ -</u>	<u>\$ 2,389,677</u>

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

**JESUS HOUSE OF HOPE, INC.
(D/B/A HOUSE OF HOPE, INC.)**

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2015

ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Current assets:				
Cash and cash equivalents	\$ 238,458	\$ -	\$ -	\$ 238,458
Inventory - pantry, clothing, and household goods	620,726	-	-	620,726
Restricted investment - annuity	23,941	-	-	23,941
Other current assets	13,039	-	-	13,039
Total current assets	<u>896,164</u>	<u>-</u>	<u>-</u>	<u>896,164</u>
Property and equipment, net	<u>898,135</u>	<u>-</u>	<u>-</u>	<u>898,135</u>
Other assets:				
Investments for endowment purposes	97,725	-	-	97,725
Restricted investment - annuity	37,017	-	-	37,017
Deposits	17,314	-	-	17,314
Total other assets	<u>152,056</u>	<u>-</u>	<u>-</u>	<u>152,056</u>
Total assets	<u>\$ 1,946,355</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,946,355</u>

LIABILITIES AND NET ASSETS

Current liabilities:				
Accounts payable and accrued expenses	\$ 17,542	\$ -	\$ -	\$ 17,542
Accrued compensated absences	28,294	-	-	28,294
Due to annuitant	23,941	-	-	23,941
Total current liabilities	<u>69,777</u>	<u>-</u>	<u>-</u>	<u>69,777</u>
Long-term liabilities:				
Due to annuitant	<u>37,017</u>	<u>-</u>	<u>-</u>	<u>37,017</u>
Total liabilities	<u>106,794</u>	<u>-</u>	<u>-</u>	<u>106,794</u>
Net assets:				
Designated	97,725	-	-	97,725
Undesignated	1,741,836	-	-	1,741,836
Total net assets	<u>1,839,561</u>	<u>-</u>	<u>-</u>	<u>1,839,561</u>
Total liabilities and net assets	<u>\$ 1,946,355</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,946,355</u>

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

**JESUS HOUSE OF HOPE, INC.
(D/B/A HOUSE OF HOPE, INC.)**

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support:				
Contributions and grants	\$ 1,185,375	\$ 49,757	\$ -	\$ 1,235,132
Donated food, clothing and household goods	2,698,458	-	-	2,698,458
Thrift store sales, net of cost of goods sold of \$419,617	410,679	-	-	410,679
Special events, net of direct expenses of \$9,132	52,730	-	-	52,730
Indirect public support	86,720	-	-	86,720
Interest and dividend income	2,428	70	-	2,498
Realized and unrealized gain on investments	6,696	132	-	6,828
Total revenues, gains and other support	<u>4,443,086</u>	<u>49,959</u>	<u>-</u>	<u>4,493,045</u>
Expenses and losses:				
Program services:				
Basic needs	3,344,908	-	-	3,344,908
Life skills	315,579	-	-	315,579
Supporting services:				
Fundraising (thrift and other)	395,975	-	-	395,975
Management and general	143,911	-	-	143,911
Total expenses and losses	<u>4,200,373</u>	<u>-</u>	<u>-</u>	<u>4,200,373</u>
Increase in net assets	242,713	49,959	-	292,672
Net assets at beginning of year	<u>1,839,561</u>	<u>-</u>	<u>-</u>	<u>1,839,561</u>
Net assets at end of year	<u><u>\$ 2,082,274</u></u>	<u><u>\$ 49,959</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,132,233</u></u>

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

**JESUS HOUSE OF HOPE, INC.
(D/B/A HOUSE OF HOPE, INC.)**

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support:				
Contributions and grants	\$ 794,415	\$ -	\$ -	\$ 794,415
Donated food, clothing and household goods	2,332,020	-	-	2,332,020
Thrift store sales, net of cost of goods sold of \$324,965	250,878	-	-	250,878
Special events, net of direct expenses of \$14,825	261,120	-	-	261,120
Indirect public support	76,952	-	-	76,952
Government support - FEMA	5,000	-	-	5,000
Interest and dividend income	2,223	-	-	2,223
Realized and unrealized loss on investments	(5,077)	-	-	(5,077)
Total revenues, gains and other support	<u>3,717,531</u>	<u>-</u>	<u>-</u>	<u>3,717,531</u>
Expenses and losses:				
Program services:				
Basic needs	2,520,219	-	-	2,520,219
Life skills	396,600	-	-	396,600
Supporting services:				
Fundraising (thrift and other)	319,190	-	-	319,190
Management and general	214,487	-	-	214,487
Total expenses and losses	<u>3,450,496</u>	<u>-</u>	<u>-</u>	<u>3,450,496</u>
Increase in net assets	267,035	-	-	267,035
Net assets at beginning of year	<u>1,572,526</u>	<u>-</u>	<u>-</u>	<u>1,572,526</u>
Net assets at end of year	<u><u>\$ 1,839,561</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,839,561</u></u>

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

**JESUS HOUSE OF HOPE, INC.
(D/B/A HOUSE OF HOPE, INC.)**

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2016

	Program Services			Supporting Services					
	Basic Needs	Life Skills	Total	Management and General	Fundraising			Total	Total Expenses
					Thrift	Other			
Rent and financial aid	\$ 20,270	\$ 2,978	\$ 23,248	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,248
Clothing and household	155,589	-	155,589	-	-	-	-	-	155,589
Food	2,122,202	-	2,122,202	-	-	-	-	-	2,122,202
Total direct client assistance	2,298,061	2,978	2,301,039	-	-	-	-	-	2,301,039
Salaries	541,621	190,673	732,294	95,360	108,013	125,128	233,141	328,501	1,060,795
Employee benefits	20,936	8,185	29,121	2,644	3,758	7,216	10,974	13,618	42,739
Payroll taxes	43,581	15,235	58,816	7,629	9,184	10,136	19,320	26,949	85,765
Total salaries and related expenses	606,138	214,093	820,231	105,633	120,955	142,480	263,435	369,068	1,189,299
Fees for services	23,223	3,569	26,792	1,876	1,412	1,360	2,772	4,648	31,440
Advertising and promotion	3,382	714	4,096	216	254	332	586	802	4,898
Office and supplies	44,207	6,477	50,684	7,226	20,707	19,647	40,354	47,580	98,264
Occupancy	218,151	60,551	278,702	13,174	61,781	2,467	64,248	77,422	356,124
Travel	10,373	766	11,139	194	1,694	137	1,831	2,025	13,164
Conferences and meetings	4,205	1,400	5,605	793	499	1,322	1,821	2,614	8,219
Volunteer recognition	2,493	2,725	5,218	2,894	146	141	287	3,181	8,399
Insurance	26,252	4,202	30,454	4,847	1,824	1,541	3,365	8,212	38,666
Information technology	25,905	5,879	31,784	1,848	2,117	5,435	7,552	9,400	41,184
Depreciation and amortization	82,518	12,225	94,743	5,210	5,001	4,723	9,724	14,934	109,677
Total other expenses	440,709	98,508	539,217	38,278	95,435	37,105	132,540	170,818	710,035
	\$ 3,344,908	\$ 315,579	\$ 3,660,487	\$ 143,911	\$ 216,390	\$ 179,585	\$ 395,975	\$ 539,886	\$ 4,200,373

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

**JESUS HOUSE OF HOPE, INC.
(D/B/A HOUSE OF HOPE, INC.)**

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2015

	Program Services			Supporting Services					Total Expenses
	Basic Needs	Life Skills	Total	Management and General	Thrift	Fundraising Other	Total	Total	
Rent and financial aid	\$ 24,532	\$ 3,440	\$ 27,972	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,972
Clothing and household	204,242	-	204,242	-	-	-	-	-	204,242
Food	1,520,410	-	1,520,410	-	-	-	-	-	1,520,410
Total direct client assistance	1,749,184	3,440	1,752,624	-	-	-	-	-	1,752,624
Salaries	373,847	243,267	617,114	144,053	85,065	102,239	187,304	331,357	948,471
Employee benefits	9,364	10,560	19,924	4,158	2,400	4,410	6,810	10,968	30,892
Payroll taxes	32,436	21,291	53,727	12,565	7,472	9,441	16,913	29,478	83,205
Total salaries and related expenses	415,647	275,118	690,765	160,776	94,937	116,090	211,027	371,803	1,062,568
Fees for services	12,735	4,504	17,239	10,423	1,656	1,616	3,272	13,695	30,934
Advertising and promotion	8,656	2,091	10,747	3,022	731	1,656	2,387	5,409	16,156
Office and supplies	46,411	18,207	64,618	9,906	11,390	23,476	34,866	44,772	109,390
Occupancy	148,910	62,740	211,650	3,640	45,784	(1,782)	44,002	47,642	259,292
Travel	12,323	1,253	13,576	375	2,262	219	2,481	2,856	16,432
Conferences and meetings	2,754	1,488	4,242	4,306	303	839	1,142	5,448	9,690
Volunteer recognition	4,343	4,469	8,812	240	77	154	231	471	9,283
Insurance	10,346	751	11,097	12,272	1,354	(535)	819	13,091	24,188
Information technology	14,749	8,589	23,338	1,918	2,034	5,833	7,867	9,785	33,123
Depreciation and amortization	94,161	13,950	108,111	7,609	-	11,096	11,096	18,705	126,816
Total other expenses	355,388	118,042	473,430	53,711	65,591	42,572	108,163	161,874	635,304
	<u>\$2,520,219</u>	<u>\$ 396,600</u>	<u>\$2,916,819</u>	<u>\$ 214,487</u>	<u>\$ 160,528</u>	<u>\$ 158,662</u>	<u>\$ 319,190</u>	<u>\$ 533,677</u>	<u>\$3,450,496</u>

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

**JESUS HOUSE OF HOPE, INC.
(D/B/A HOUSE OF HOPE, INC.)**

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Increase in net assets	\$ 292,672	\$ 267,035
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation and amortization	109,677	126,816
Donated food, clothing and household items	(2,698,458)	(2,332,020)
Food, clothing and household items distributed	2,659,745	2,009,485
Donated stock contribution	(60,173)	(51,716)
Contributions restricted for capital projects and equipment	(421,779)	(98,792)
Realized and unrealized (gain) loss on investments	(6,828)	5,077
Changes in assets and liabilities:		
Increase in grant receivable	(31,424)	-
Increase in other current assets and deposits	(21,453)	(11,677)
(Decrease) increase in accounts payable and accrued expenses	(3,497)	9,059
Increase in deferred revenue	178,088	-
Total adjustments	(296,102)	(343,768)
Net cash used by operating activities	(3,430)	(76,733)
Cash flows from investing activities:		
Purchases of cash and cash equivalents for capital projects	(28,900)	-
Proceeds from sale of investments	79,819	51,208
Purchases of investments	(42,678)	(69,856)
Acquisition of property and equipment	(439,034)	(201,721)
Net cash used by investing activities	(430,793)	(220,369)
Cash flows from financing activities:		
Contributions restricted for capital projects and equipment	421,779	98,792
Net cash provided by financing activities	421,779	98,792
Net decrease in cash and cash equivalents	(12,444)	(198,310)
Cash and cash equivalents at beginning of year	238,458	436,768
Cash and cash equivalents at end of year	\$ 226,014	\$ 238,458

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

**JESUS HOUSE OF HOPE, INC.
(D/B/A HOUSE OF HOPE, INC.)**

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

NOTE 1 - ORGANIZATION AND PURPOSE

Jesus House of Hope, Inc. (d/b/a House of Hope, Inc.) (the Organization) is a not-for-profit corporation incorporated in the State of Florida in 1984. The Organization operates as a community service agency and is Martin County's largest provider of safety net services. The mission of the Organization is to empower Martin County residents to overcome hunger and hardship. The Organization provides food, clothing, furniture, financial assistance, information and referral, and life-changing case management services to Martin County residents in need. The Organization assists low-income homebound seniors, veterans, low-wage workers, the unemployed or disabled, and the homeless population. There is no cost to residents seeking assistance.

To pursue that mission the Organization provides two programs to serve the needy at each of its four sites in Martin County, Florida - Stuart, Jensen Beach, Indiantown and Hobe Sound.

Basic Needs - Basic needs assistance includes food, clothing and shelter. Approximately 6,000 Martin County residents receive services monthly. In 2016 and 2015, the Organization distributed 700,000 and 619,000 pounds of nutritious food to hungry people, the equivalent of 583,000 and 515,833 meals, respectively. Nearly 77,000 and 100,000 items of clothing, furniture, appliances and small house wares are made available to people in need in 2016 and 2015, respectively; these items are located within the Organization's four thrift stores and they are provided to people in need, at no cost. The Organization also offers financial assistance for rent, mortgage, utilities, critical medical expenses, and prescriptions.

Life Skills - Life skills training are provided through the Organization's case workers and program assistants through a variety of methods, which include; assisting clients with creating a plan to establish greater stability in their lives; identifying strategies to access trade-related training and scholastic opportunities; referrals to other support services in the community; and educating clients in areas such as household and personal budgeting. Through further coaching and goal setting, clients are encouraged and empowered to advance towards self-sufficiency and breaking through the cycle of poverty.

Funding for the Organization's programs and services is derived from donations of cash, property and services by individuals and businesses. The Organization also receives funding from United Way as well as various other organizations and private foundations. Significant support is also derived from thrift store sales of donated items.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The financial statements are presented on the accrual basis, which recognizes income when earned, and expenses when incurred.

Financial Statement Presentation — The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. An asset's or liability's classification depends on the restrictions placed on it by the donor.

Accounting Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Notes continued on next page)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents — For the purposes of the statement of cash flows, the Organization considers all demand deposits, money market funds, and securities with original maturities of three months or less to be cash equivalents unless subject to donor-imposed restrictions to invest for long-term purposes or are part of an investment portfolio and awaiting reinvestment.

Inventory — Inventories of food, clothing/soft goods, furniture and appliances, other household items, vehicles, and gift cards are carried at the lower of cost or market, using the first-in, first-out method of costing or the fair value at the date of donation.

Investments — Investments include investments held for endowment and capital project purposes and a restricted investment in an annuity that is part of a split interest agreement and used to satisfy the liabilities to the lifetime beneficiaries. Investments are reported at fair value with realized and unrealized gains and losses included in the accompanying statements of activities.

Property and Equipment — The Organization capitalizes all long-lived assets with an estimated useful life of three years or more and original cost/value of \$2,500 or more. Property and equipment is stated at cost, or estimated fair value if contributed, and depreciated using the straight-line method over the following useful lives:

	Life
Buildings	5 - 40 Years
Furniture and equipment	3 - 15 Years
Vehicles	10 Years
Leasehold improvements	10 Years

Due to Annuitant — The Organization directly entered into a gift annuity agreement (split-interest agreement) with a donor in September 2001. Under the agreement, the donor transferred to the Organization the ownership of two whole life insurance contracts, which were converted into cash by the Organization. As part of the agreement, the Organization agreed to pay the donor (annuitant) and his wife (joint annuitant) an annual annuity payment during their joint lifetime. In November 2001, the Organization made the first annual annuity payment with the cash proceeds and invested the remaining cash proceeds into a single premium deferred annuity contract with an insurance company of which the Organization was the owner of the contract. In August 2002, an application for payment of plan benefits was submitted to the insurance company by the Organization to provide the required annual annuity amount to the annuitant and joint annuitant on a Joint & 100 survivor basis with no period certain. The necessary investment to provide this benefit was less than the amount invested in November 2001, and thus the Organization received an amount back from the insurance company, which represented the Organization's beneficial interest. Annual payments of the required annual annuity amount were made again in November 2002 and each year thereafter. After both deaths (annuitant and joint annuitant) no further annual annuity payments will be made and the Organization will not receive any additional benefits. No surrender or change can be made to any aspect of the plan. The Organization has recorded an asset (restricted investment - annuity) representing its ownership interest in the annuity contract and a corresponding liability (due to annuitant) representing the required annual annuity payments due to the lifetime beneficiaries. The value of the asset and corresponding liability at September 30, 2016 and 2015 is approximately \$37,000 and \$61,000, respectively, which has been determined using life expectancies, interest rates, and estimated cash flows. Amounts expected to be paid in years after 2016 are as follows: \$25,000 - 2017; and \$12,000 - 2018.

(Notes continued on next page)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Compensated Absences — The Organization accrues accumulated unpaid annual leave when earned by the employee. Although the Organization encourages the use of the leave in the year earned, up to 80 hours may be carried forward per year. Eligible employees who terminate their employment with the Organization are reimbursed for accumulated annual leave up to 75 hours.

Sales Taxes — Sales taxes collected as a result of revenue producing activities are recorded as a liability when received from a customer (net method) and are remitted to the appropriate governmental agency when due.

Income Taxes — Income taxes are not provided for in the financial statements since the Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not classified as a private foundation.

The Organization adopted the provisions of FASB ASC 740-10, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes by defining the criterion an individual tax position must meet for any part of the benefit of the tax position to be recognized in financial statements prepared in conformity with accounting principles generally accepted in the United States of America. The Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based solely on the technical merits of the tax position. The tax benefits recognized in the financial statements from such a tax position should be measured based on the largest benefit having a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority. Additionally, FASB ASC 740-10 provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. In accordance with the disclosure requirements, the Organization's policy on statement of activity and functional expense classification of interest and penalties related to income tax obligations is to include such items as part of total interest expense. The Organization has determined that it does not have any uncertain tax positions and thus has not recognized any liabilities, interest or penalties in these financial statements. With few exceptions, the Organization is no longer subject to examinations by taxing authorities for years prior to 2013.

Revenue Recognition — Contributions, including unconditional promises to give, are recognized at estimated fair value when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are presented as increases in unrestricted net assets if the restrictions expire in the 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 temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Unconditional promises to give cash over a period of time exceeding one year are recorded at their present value of estimated future cash flows using a discount rate appropriate for the level of risk involved. Any related interest income is recorded as contribution revenue over the duration of the pledge. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributions of property and equipment are recorded as revenue at their estimated fair value. Such contributions are reported as unrestricted revenue unless the donor has restricted the donated asset 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 revenue. 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.

(Notes continued on next page)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued) — Grant revenues are recognized in revenue when the conditions on which they depend are substantially met. If there are no conditions, the grant revenue is recognized when the grantor informs the Organization of its promise of the unconditional grant.

Thrift store sales are recognized at the point of sale.

Contributed Services — Contributed services are recorded in the financial statements to the extent that those services create or enhance a nonfinancial asset or meet the following criteria: a) the service requires specialized skills, b) the service is provided by individuals who possesses those skills, and c) the service would typically need to be purchased if not contributed. Despite the considerable value of donated time by volunteers (approximately 42,000 and 41,000 hours valued at approximately \$905,000 and \$884,000 in 2016 and 2015, respectively) to the mission of the Organization, no amounts for contributed services have been recorded in the accompanying financial statements as a result of not meeting the criteria for recognition as described above.

Functional Expense Allocations — Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Expenses which apply to more than one functional category have been allocated based on estimates made by management.

Advertising Costs — All advertising costs have been expensed as incurred in the accompanying financial statements.

Reclassification — Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation. Specifically, approximately \$99,000 of contributions received for capital projects and equipment has been reclassified from a cash flow from operating activities to a cash flow from financing activities.

NOTE 3 - CONCENTRATION OF RISK

The Organization maintains cash deposits at financial institutions located in Martin County, Florida. Deposits located at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain amounts and during the year balances may fluctuate above and below these amounts. At September 30, 2016 and 2015, the Organization did not have any uninsured portions of amounts held by financial institutions.

(Notes continued on next page)

NOTE 4 - INVESTMENTS

Investments at September 30, are approximately as follows:

	<u>2016</u>	<u>2015</u>
Investments for endowment purposes:		
Cash equivalents	\$ 3,000	\$ 3,000
Mutual funds:		
Bond funds	38,000	34,000
Equity funds	48,000	46,000
Other funds	<u>18,000</u>	<u>15,000</u>
	<u>107,000</u>	<u>98,000</u>
Investments for transportation equipment:		
Cash equivalents	1,000	-
Mutual funds:		
Bond funds	6,000	-
Equity funds	7,000	-
Other funds	<u>7,000</u>	<u>-</u>
	<u>21,000</u>	<u>-</u>
Restricted investments:		
Annuity	<u>37,000</u>	<u>61,000</u>
 Total investments	 <u>\$ 165,000</u>	 <u>\$ 159,000</u>

NOTE 5 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of September 30, is approximately as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 191,000	\$ 191,000
Buildings	963,000	720,000
Furniture and equipment	388,000	306,000
Vehicles	184,000	184,000
Leasehold improvements	<u>103,000</u>	<u>104,000</u>
	1,829,000	1,505,000
Less - accumulated depreciation	<u>(643,000)</u>	<u>(607,000)</u>
	1,186,000	898,000
Construction in progress	<u>41,000</u>	<u>-</u>
	<u>\$ 1,227,000</u>	<u>\$ 898,000</u>

(Notes continued on next page)

NOTE 5 - PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expense for the years ended September 30, 2016 and 2015 was approximately \$110,000 and \$127,000, respectively.

NOTE 6 - LINE OF CREDIT

The Organization has a line of credit with a local financial institution in the amount of \$125,000 for short-term working capital purposes. The line of credit is due on demand, requires interest payments at the prime rate plus 2.0%, is secured by a blanket lien on all assets, and expires in April 2019. The agreement includes a conversion option which states that the lender may, at its option, convert the line of credit to a term loan. As of and for the years ended September 30, 2016 and 2015, no amounts were outstanding on the line of credit.

NOTE 7 - DEFERRED REVENUE

During 2016, the Organization received resources from grants for a specific project that had not been completed as of September 30, 2016. As a result the Organization recorded approximately \$178,000 of deferred revenue as of September 30, 2016.

NOTE 8 - NET ASSETS

The board designated unrestricted net assets at September 30, 2016 and 2015 consists of amounts for a board designated endowment fund.

Temporarily restricted net assets are restricted at September 30, 2016 and 2015 approximately as follows:

	<u>2016</u>	<u>2015</u>
Golden Gate Center of Enrichment renovation project	\$ 29,000	\$ -
Transportation equipment	<u>21,000</u>	<u>-</u>
	<u>\$ 50,000</u>	<u>\$ -</u>

NOTE 9 - DEFINED CONTRIBUTION RETIREMENT PLAN

The Organization has a simple IRA retirement plan. The plan allows all eligible employees to contribute to retirement savings and requires the Organization to match dollar-for-dollar up to 3% of an employee's annual salary. For the years ended September 30, 2016 and 2015, the Organization contributed approximately \$7,500 and \$12,500, respectively to the plan.

NOTE 10 - RELATED PARTY TRANSACTIONS

During the years ended September 30, 2016 and 2015, the Organization entered into related party transactions with organizations in the approximate total amount of \$10,500 and \$56,500, respectively. Related party transactions were for printing services, repairs and maintenance, and contractor services. The amount owed to related parties at September 30, 2016 and 2015 was approximately \$100 and \$3,000, respectively.

(Notes continued on next page)

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Operating Leases

The Organization leases space for service centers located in Stuart, Indiantown, Jensen Beach and Hobe Sound under various operating leases with payments from \$1,967 to \$12,927 per month. Lease expense for the years ended September 30, 2016 and 2015 was approximately \$225,000 and \$160,000, respectively. The following is a schedule of approximate future minimum lease payments for leases that have non-cancellable lease terms in excess of one year as of September 30, 2016:

2017	\$ 217,000
2018	\$ 55,000
2019	\$ 27,000
2020	\$ 14,000

Other

The Organization executed an agreement with a construction contractor for a renovation project for approximately \$220,000, and the project commenced in August 2016. As of September 30, 2016, the total amount billed under the contract was approximately \$35,000 of which approximately \$31,500 was paid. The remaining amount under the construction agreement of approximately \$185,000 will be billed to the Organization subsequent to year end when the contract is anticipated to be substantially completed. The cost of the renovation project will be paid with contributions and grants that the Organization has or will receive during 2017.

NOTE 12 - ENDOWMENT

The Organization's endowment consists of a quasi-endowment fund. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization operates under the Florida Uniform Prudent Management of Institution Funds Act (FUPMIFA). The Board of Directors has interpreted FUPMIFA as requiring the presentation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies the amount which has been designated as a quasi-endowment by the Board of Directors as unrestricted.

For endowments and board designated funds which function as endowments, the Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to functions supported by its endowment while seeking to maintain purchasing power of the endowment assets over the long-term. The Organization's spending and investing policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. 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). The Organization targets a diversified asset allocation that places an emphasis on investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy establishes prudent objectives for the uses and purposes for which the endowment fund is established, consistent with the goal of conserving the purchasing power of the endowment. In making its decisions, the Organization uses reasonable care, skill, and caution in considering the purposes of the Organization, the intent of the donors of the endowments, the terms of applicable instruments, the long-term and short-term needs of the Organization in carrying out its purposes, the general economic conditions, the possible effect of inflation or deflation, other resources of the Organization, and perpetuation of the endowment.

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NOTE 12 - ENDOWMENT (CONTINUED)

Approximate endowment net asset composition by type and fund as of September 30, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board - designated endowment funds	<u>\$ 107,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,000</u>

Approximate changes in endowment net assets at September 30, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 98,000	\$ -	\$ -	\$ 98,000
Contributions	-	-	-	-
Investment income, net	2,000	-	-	2,000
Net appreciation (realized and unrealized)	7,000	-	-	7,000
Disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 107,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,000</u>

Approximate endowment net asset composition by type and fund as of September 30, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board - designated endowment funds	<u>\$ 98,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,000</u>

Approximate changes in endowment net assets at September 30, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 32,000	\$ -	\$ -	\$ 32,000
Contributions	68,000	-	-	68,000
Investment income, net	2,000	-	-	2,000
Net depreciation (realized and unrealized)	(4,000)	-	-	(4,000)
Disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 98,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,000</u>

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NOTE 13 - FAIR VALUE MEASUREMENTS

FASB ASC 820-10, *Fair Value Measurements and Disclosures*, established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

Level 1 - Fair Value Measurements

The fair value for investments held for endowment and capital project purposes is based on the closing price reported on the active market on which the securities are traded.

Level 3 - Fair Value Measurement

The fair value for restricted investments - annuity is based on the present value of expected future cash flows adjusted for the actuarial life expectancy of the gift annuitants including survivors.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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NOTE 13 - FAIR VALUE MEASUREMENTS (CONTINUED)

Approximate fair value of assets measured on a recurring basis at September 30, 2016 is as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments for endowment purposes:				
Cash equivalents	\$ 3,000	\$ 3,000	\$ -	\$ -
Mutual funds:				
Bond funds	38,000	38,000	-	-
Equity funds	48,000	48,000	-	-
Other funds	18,000	18,000	-	-
	<u>107,000</u>	<u>107,000</u>	<u>-</u>	<u>-</u>
Investments for transportation equipment:				
Cash equivalents	1,000	1,000	-	-
Mutual funds:				
Bond funds	6,000	6,000	-	-
Equity funds	7,000	7,000	-	-
Other funds	7,000	7,000	-	-
	<u>21,000</u>	<u>21,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 128,000</u>	<u>\$ 128,000</u>	<u>\$ -</u>	<u>\$ -</u>

Approximate fair value of assets measured on a non-recurring basis at September 30, 2016 is as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Restricted investments:				
Annuity	<u>\$ 37,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,000</u>

(Notes continued on next page)

NOTE 13 - FAIR VALUE MEASUREMENTS (CONTINUED)

The table below sets forth a summary of changes in the fair value of the restricted investment - annuity for the year ended September 30, 2016:

Balance, beginning of year	\$ 61,000
Realized gains/(losses)	-
Unrealized gains/(losses) related to instruments still held at the reporting date	-
Purchases, sales, issuances and settlements	<u>(24,000)</u>
Balance, end of year	<u>\$ 37,000</u>

Approximate fair value of assets measured on a recurring basis at September 30, 2015 is as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments for endowment purposes:				
Cash equivalents	\$ 3,000	\$ 3,000	\$ -	\$ -
Mutual funds:				
Bond funds	34,000	34,000	-	-
Equity funds	46,000	46,000	-	-
Other funds	15,000	15,000	-	-
	<u>\$ 98,000</u>	<u>\$ 98,000</u>	<u>\$ -</u>	<u>\$ -</u>

Approximate fair value of assets measured on a non-recurring basis at September 30, 2015 is as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Restricted investments:				
Annuity	<u>\$ 61,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,000</u>

(Notes continued on next page)

NOTE 13 - FAIR VALUE MEASUREMENTS (CONTINUED)

The table below sets forth a summary of changes in the fair value of the restricted investment - annuity for the year ended September 30, 2015:

Balance, beginning of year	\$ 84,000
Realized gains/(losses)	-
Unrealized gains/(losses) related to instruments still held at the reporting date	-
Purchases, sales, issuances and settlements	<u>(23,000)</u>
Balance, end of year	<u>\$ 61,000</u>

NOTE 14 - SUBSEQUENT EVENTS

On November 15, 2016, the Organization entered into a lease agreement to extend the length of time available to the Organization at the Jensen Beach service center. It is a non-cancelable operating lease with total minimum monthly payments of approximately \$2,300 for the next twelve months. Approximate future minimum lease payments under such non-cancelable lease for the years following September 30, 2016 and not included in note 11 are as follows: 2017 - \$23,000; 2018 - \$4,600.

NOTE 15 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 24, 2017, the date that the financial statements were available to be issued.

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