
ST. MARTIN DE PORRES HOUSE OF HOPE, INC.

ACCOUNTANTS REPORT

FOR THE YEARS ENDED MAY 31, 2015 AND 2014

Contents

Independent Auditor's Report

Statements of financial position -
May 31, 2015 and 2014

Exhibit 1

Statements of activities

Exhibit 2

Statements of functional expense

Exhibit 3

Statements of cash flows

Exhibit 4

Notes to financial statements

Exhibit 5



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
St. Martin de Porres House of Hope, Inc.
Chicago, Illinois

We have audited the accompanying financial statements of St. Martin de Porres House of Hope, Inc. (a nonprofit organization), which comprise the statements of financial position as of May 31, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

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 St. Martin de Porres House of Hope, Inc., 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.

Dennis A. Quinn & Associates, Ltd.

Burr Ridge, Illinois

October 28, 2015

ST. MARTIN DE PORRES HOUSE OF HOPE, INC.
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2015 AND 2014

	<u>ASSETS</u>	
	<u>May 31, 2015</u>	<u>May 31, 2014</u>
Current assets:		
Cash and cash equivalents	\$ 166,306	\$ 229,832
Prepaid insurance	7,988	8,635
Total current assets	<u>174,294</u>	<u>238,467</u>
Property and equipment - Note 1:		
Land	70,000	70,000
Building and improvements	1,088,427	1,088,427
Machinery and equipment	149,758	149,758
Furniture and fixtures	107,424	107,424
Vehicles	12,096	34,412
	<u>1,427,705</u>	<u>1,450,021</u>
Less - depreciation to date	<u>1,165,088</u>	<u>1,170,804</u>
	<u>262,617</u>	<u>279,217</u>
Other assets:		
Investments - Notes 2 and 5	60,300	53,943
Investments designated by board - Notes 2, 3 and 5	<u>1,154,821</u>	<u>1,213,198</u>
	<u>1,215,121</u>	<u>1,267,141</u>
Total assets	<u>\$ 1,652,032</u>	<u>\$ 1,784,825</u>
	<u>LIABILITIES AND NET ASSETS</u>	
Current liabilities:		
Accounts payable	\$ 14,607	\$ 18,928
Accrued wages	<u>14,687</u>	<u>15,352</u>
Total current liabilities	<u>29,294</u>	<u>34,280</u>
Net assets - Notes 3 and 4		
Restricted	16,875	
Undesignated	180,923	267,228
Designated by board	<u>1,424,940</u>	<u>1,483,317</u>
Total net assets - unrestricted	<u>1,622,738</u>	<u>1,750,545</u>
Total liabilities and net assets	<u>\$ 1,652,032</u>	<u>\$ 1,784,825</u>

The accompanying notes are an integral part of these statements.

ST. MARTIN DE PORRES HOUSE OF HOPE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MAY 31, 2015 AND 2014

	2015			2014 Total
	Unrestricted	Temporarily Restricted	Total	
Public support and revenues-				
Contributions grants and bequests - Note 1	\$ 323,357	\$ 112,478	\$ 435,835	\$ 438,991
Net assets released from restrictions by satisfaction of program restrictions - Note 4	95,603	(95,603)	-	-
Total public support and revenues	418,960	16,875	435,835	438,991
Expenses -				
Program service	535,415		535,415	571,940
Administration	42,186		42,186	44,596
Fundraising	34,402		34,402	37,197
Total expenses	612,002	-	612,002	653,733
Excess (deficiency) of contributions grants and bequests over expenses	(193,042)	16,875	(176,167)	(214,742)
Investment gains and losses-				
Realized gains (losses) endowment fund	17,455		17,455	15,911
Unrealized gains (losses) on investments-				
Endowment fund	(26,776)		(26,776)	21,109
Undesignated	5,090		5,090	4,327
Interest and dividends				
Endowment fund	65,080		65,080	72,158
Undesignated	1,648		1,648	1,020
Investment expenses Endowment fund	(14,136)	-	(14,136)	(15,973)
Other income			-	-
Net investment income	48,361		48,361	98,552
Increase (decrease) in net assets	(144,681)	16,875	(127,806)	(116,190)
Net assets -				
Beginning of year	1,750,544		1,750,544	1,866,734
End of year	<u>\$ 1,605,863</u>	<u>\$ 16,875</u>	<u>\$ 1,622,738</u>	<u>\$ 1,750,544</u>

The accompanying notes are an integral part of these statements.

ST. MARTIN DE PORRES HOUSE OF HOPE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2015

	<u>Program Services</u>	<u>Admin- istrative Expenses</u>	<u>Fund Raising</u>	<u>Total May 31, 2015</u>
Auto Expenses		1,930		1,930
Bank service charges		15		15
Dues and subscriptions	707	706		1,413
Insurance	26,023			26,023
Licenses and permits	-	15		15
Office Equipment & Repairs		625		625
Office supplies	-	619		619
Postage and delivery		268	268	536
Telephone	4,568	570	570	5,708
Donor mailings			1,221	1,221
Fundraising-Grant Writer			275	275
Fundraising web expenses			930	930
Salaries and wages	315,475	27,836	27,836	371,147
Social security and medicare taxes	24,004	2,118	2,118	28,240
State unemployment taxes	13,416	1,184	1,184	15,783
Audit		6,300		6,300
Case management and counseling	31,390			31,390
Music program	18,000			18,000
Payroll service	1,519			1,519
Staff development	12,000			12,000
Equipment repairs	11,627			11,627
Food	6,214			6,214
Utilities	26,511			26,511
Household maintenance	4,636			4,636
Other shelter expenses	7,212			7,212
Children's programs	2,088			2,088
Health services	13,300			13,300
Depreciation	16,601			16,601
Other expense	124			124
Total functional expenses	<u>\$535,415</u>	<u>\$42,186</u>	<u>\$34,402</u>	<u>\$612,002</u>

The accompanying notes are an integral part of these statements

ST. MARTIN DE PORRES HOUSE OF HOPE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2014

	<u>Program Services</u>	<u>Admin- istrative Expenses</u>	<u>Fund Raising</u>	<u>Total May 31, 2014</u>
Auto Expenses		\$ 1,458		\$ 1,458
Bank service charges		15		15
Dues and subscriptions	597	596		1,193
Insurance	34,158			34,158
Licenses and permits		115		115
Office supplies		803		803
Postage and delivery		341	341	682
Telephone	5,099	637	637	6,373
Donor mailings			698	698
Fundraising events			500	500
Fundraising web expenses			690	690
Salaries and wages	349,596	30,847	30,847	411,290
Social security and medicare taxes	26,750	2,360	2,360	31,470
State unemployment taxes	12,743	1,124	1,124	14,991
Audit		6,300		6,300
Case management and counseling	32,886			32,886
Music program	18,000			18,000
Payroll service	1,502			1,502
Staff development	12,000			12,000
Building repairs	-			-
Equipment repairs	3,833			3,833
Food	3,930			3,930
Utilities	29,210			29,210
Household maintenance	4,837			4,837
Other shelter expenses	3,429			3,429
Children's programs	2,000			2,000
Health services	13,708			13,708
Depreciation	17,487			17,487
Other expense	175			175
Total functional expenses	<u>\$571,940</u>	<u>\$44,596</u>	<u>\$37,197</u>	<u>\$653,733</u>

The accompanying notes are an integral part of these statements

ST. MARTIN DE PORRES HOUSE OF HOPE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2015 AND 2014

	2015			2014 Total
	Unrestricted	Temporarily Restricted	Total	
Cash flows from operating activities:				
Change in net assets	\$ (144,681)	\$ 16,875	\$ (127,806)	\$ (116,190)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:				
Depreciation	16,601	-	16,601	17,487
Securities received as contributions	-		-	(1,886)
Realized (gains) losses on sale of investments endowment fund	(17,455)		(17,455)	(15,911)
Unrealized (gains) losses on investments endowment fund	26,776		26,776	(21,109)
Unrealized (gains) losses on investments	(5,090)		(5,090)	(4,327)
Dividends received and retained in the endowment fund	(65,080)		(65,080)	(72,158)
Investment expenses paid from endowment fund	14,136		14,136	15,973
Changes in operating assets and liabilities -				
Decrease (increase) in prepaid insurance	647		647	3,251
Increase (decrease) in accounts payable and other liabilities	(4,986)		(4,986)	(4,513)
Other adjustment	-		(221)	(105)
Total adjustments	(34,451)	-	(34,672)	(83,298)
Cash provided (used) by operating activities	(179,132)	16,875	(162,478)	(199,488)
Cash flows from investing activities:				
Additions to property			-	
Dividends reinvested	(1,048)		(1,048)	(492)
Transfer endowment fund to operating	100,000		100,000	325,000
Cash provided (used) by investing activities	98,952	-	98,952	324,508
Net Increase (decrease) in cash and equivalents	(80,180)	16,875	(63,526)	125,020
Cash and equivalents - Note 3				
Beginning of year	229,832		229,832	104,812
End of year	\$ 149,652	\$ 16,875	\$ 166,306	\$ 229,832

Disclosure of accounting policy:

For purposes of the statement of cash flows, the organization considers all highly liquid instruments with maturities of 1 year or less to be cash equivalents.

Payments during the year-

Interest	\$7	None	\$7	None
Income taxes	None	None	None	None

The accompanying notes are an integral part of these statements.

ST. MARTIN DE PORRES HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015 AND 2014

1. Summary of significant accounting policies:

A. Services provided:

The organization operates a homeless shelter, which provides food, education and temporary housing for women and children in the Chicago Woodlawn Community.

B. The organization reports income and expenses using the accrual basis of accounting. This method recognizes income when earned and expenses as incurred.

C. Financial statement presentation:

St. Martin de Porres House of Hope, Inc. has adopted Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, St. Martin de Porres House of Hope, Inc. 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) based upon the existence of donor-imposed restrictions.

St. Martin de Porres House of Hope, Inc. has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made". In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and / or nature of any donor restrictions.

D. Property and equipment:

Property and equipment are stated at cost if purchased. In-kind contributions of property and equipment are recorded at fair market value as of the date of the contribution. Major improvements to existing properties are capitalized. Expenditures for maintenance and repairs which do not extend the life of the assets are charged to expense as incurred.

Depreciation expense charged to income for the years ended May 31, 2015 and 2014 amounted to \$16,601 and \$17,487 respectively. Assets are depreciated using both the straight-line and accelerated methods over useful lives ranging from 5 to 40 years.

E. Income tax status:

The organization is currently exempt from income tax pursuant to Section 501(c) (3) of the Internal Revenue Code.

F. 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.

ST. MARTIN DE PORRES HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015 AND 2014

2. Investments:

Investments are classified as “available for sale” and are thus shown at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Information about the cost and valuation of the investments is shown below.

<u>May 31, 2015</u>	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Undesignated investments-				
Money market	\$ 4,290			\$ 4,290
Mutual funds	14,055	\$ 1,994		16,049
Common stocks	<u>25,793</u>	<u>14,168</u>	<u>0</u>	<u>39,961</u>
Total – Undesignated investments	<u>\$ 44,138</u>	<u>\$ 16,162</u>	<u>\$ 0</u>	<u>\$ 60,300</u>

Designated investments

Endowment fund-				
Money market	\$ 29,372			\$ 29,372
Mutual funds & exchange traded funds	<u>1,046,201</u>	<u>\$ 79,248</u>	<u>0</u>	<u>1,125,449</u>
Total designated investments	<u>\$1,075,573</u>	<u>\$ 79,248</u>	<u>\$ 0</u>	<u>\$1,154,821</u>

<u>May 31, 2014</u>	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Undesignated investments-				
Money market	\$ 4,172			\$ 4,172
Mutual fund	13,007	\$ 1,967		14,974
Common stocks	<u>25,816</u>	<u>\$ 8,981</u>	<u>\$ 0</u>	<u>34,797</u>
Total – Undesignated investments	<u>\$ 42,995</u>	<u>\$ 10,948</u>	<u>\$ 0</u>	<u>\$ 53,943</u>

Designated investments-

Endowment fund-				
Money Market	\$ 98,720			\$ 98,720
Mutual funds & exchange traded funds	<u>1,015,913</u>	<u>98,565</u>	<u>\$ 0</u>	<u>1,114,478</u>
Total designated investments	<u>\$ 1,114,633</u>	<u>\$ 98,565</u>	<u>\$ 0</u>	<u>\$ 1,213,198</u>

ST. MARTIN DE PORRES HOUSE OF HOPE, INC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015 AND 2014

3. Unrestricted net assets designated by the board for specific purposes:

The organization received disbursements from an estate in 2007 and 2008. The board of directors voted to use this bequest to start an endowment fund.

The activity of the designated endowment fund and other designated funds is summarized here:

	<u>Year ended</u> <u>May 31, 2015</u>	<u>Year ended</u> <u>May 31, 2014</u>
Designated as Endowment fund –		
Balance at beginning of year	\$ 1,213,198	\$ 1,444,993
Investment income retained in the fund	50,944	56,185
Realized gain (loss) on sale of investments	17,455	15,911
Transferred to general fund	100,000	325,000
Increase (decrease) in value to end of year	<u>(26,776)</u>	<u>21,109</u>
Balance at end of year	\$ 1,154,821	\$ 1,213,198
Designated to provide for one years operating expenses (not separately funded)	<u>270,119</u>	<u>270,119</u>
Total designated net assets at end of year	<u>\$ 1,424,940</u>	<u>\$ 1,483,317</u>

ST. MARTIN DE PORRES HOUSE OF HOPE, INC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015 AND 2014

4. Donations and grants restricted by donor designations:

The organization occasionally receives grants where the donor designates certain restrictions as to how the funds are to be spent. A summary of the activity for such grants is as follows:

<u>Year ended May 31, 2015</u>	<u>Amount of Grant</u>	<u>Expended</u>	<u>Unexpended</u>
Grant for food and related shelter expense	\$ 92,478	\$ 92,478	\$ 0
Grant for salary of grant writer	<u>20,000</u>	<u>3,125</u>	<u>16,875</u>
Total 2015 grants restricted by donors	<u>\$ 112,478</u>	<u>\$ 95,603</u>	<u>\$ 16,875</u>

<u>Year ended May 31, 2014</u>	<u>Amount of Grant</u>	<u>Expended</u>	<u>Unexpended</u>
Grant for food and related shelter expense	\$ 60,097	\$ 60,097	\$ 0
Grant and donations for building repairs	<u>0</u>	<u>0</u>	<u>0</u>
Total 2014 grants restricted by donors	<u>\$ 60,097</u>	<u>\$ 60,097</u>	<u>\$ 0</u>

5. Fair value measurement:

ASC 820 establishes 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 of liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 – inputs to the valuation methodology are unadjusted quoted prices for identical assets of liabilities in active markets that the Plan has the ability to access.

Level 2 – inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active market; 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; and 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.

Exhibit 5

Page 5

ST. MARTIN DE PORRES HOUSE OF HOPE, INC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015 AND 2014

5. Fair value measurement-continued

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's 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 use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan 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.

The following table sets forth a level, within the fair value hierarchy, the Plan's assets that are measured at fair value as of May 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Undesignated investments-				
Common Stocks	\$ 40,464	\$ -	\$ -	\$ 40,464
Mutual Funds	<u>15,973</u>	-	-	<u>15,973</u>
Total Undesignated investments	56,437	-	-	56,437
Designated investments-				
Mutual Funds	<u>1,125,449</u>	-	-	<u>1,125,449</u>
Total investments	<u>\$ 1,181,886</u>	<u>-</u>	<u>-</u>	<u>\$ 1,181,886</u>

6. Subsequent events:

Management has evaluated subsequent events through October 28, 2015, the date which the financial statements were available to be issued.