

**ST. MARTIN DE PORRES HOUSE OF HOPE, INC.**

**ACCOUNTANTS REPORT**

**FOR THE YEARS ENDED MAY 31, 2016 AND 2015**

## Contents

Independent Auditor's Report

Statements of financial position -  
May 31, 2016 and 2015

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, 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 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 24, 2016

**ST. MARTIN DE PORRES HOUSE OF HOPE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**MAY 31, 2016 AND 2015**

	<u>ASSETS</u>	
	<u>May 31, 2016</u>	<u>May 31, 2015</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 175,596	\$ 166,306
Grant-receivable	4,654	
Prepaid insurance	12,626	7,988
Deposit on future event	7,200	
Total current assets	<u>200,076</u>	<u>174,294</u>
<b>Property and equipment - Note 1:</b>		
Land	70,000	70,000
Building and improvements	1,088,427	1,088,427
Machinery and equipment	152,243	149,758
Furniture and fixtures	107,424	107,424
Vehicles	12,096	12,096
	<u>1,430,190</u>	<u>1,427,705</u>
Less - depreciation to date	<u>1,178,375</u>	<u>1,165,088</u>
	<u>251,816</u>	<u>262,617</u>
<b>Other assets:</b>		
Investments - Notes 2 and 5	-	60,300
Investments designated by board - Notes 2, 3 and 5	1,058,688	1,154,821
	<u>1,058,688</u>	<u>1,215,121</u>
Total assets	<u>\$ 1,510,580</u>	<u>\$ 1,652,032</u>
	<b><u>LIABILITIES AND NET ASSETS</u></b>	
<b>Current liabilities:</b>		
Accounts payable	\$ 29,607	\$ 14,607
Accrued wages	16,046	14,687
Total current liabilities	<u>45,653</u>	<u>29,294</u>
<b>Net assets - Notes 3 and 4</b>		
Restricted	12,000	16,875
Undesignated	124,120	180,923
Designated by board	1,328,807	1,424,940
Total net assets - unrestricted	<u>1,464,927</u>	<u>1,622,738</u>
Total liabilities and net assets	<u>\$ 1,510,580</u>	<u>\$ 1,652,032</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, 2016 AND 2015**

	2016			2015 Total
	Unrestricted	Temporarily Restricted	Total	
<b>Public support and revenues-</b>				
Contributions grants and bequests - Note 1	\$ 387,711	\$ 125,159	\$ 512,870	\$ 435,835
Net assets released from restrictions by satisfaction of program restrictions - Note 4	130,034	(130,034)	-	-
Total public support and revenues	517,745	(4,875)	512,870	435,835
<b>Expenses -</b>				
Program service	\$537,059		537,059	535,415
Administration	\$118,345		118,345	42,186
Fundraising	\$28,063		28,063	34,402
Total expenses	683,467	-	683,467	612,002
Excess (deficiency) of contributions grants and bequests over expenses	(165,723)	(4,875)	(170,598)	(176,167)
<b>Investment gains and losses-</b>				
Realized gains (losses) endowment fund	(14,892)		(14,892)	17,455
Realized gains (losses) undesignated funds	27,778		27,778	
Unrealized gains (losses) on investments-				
Endowment fund	(29,145)		(29,145)	(26,776)
Undesignated	(20,199)		(20,199)	5,090
Interest and dividends				
Endowment fund	60,739		60,739	65,080
Undesignated	1,052		1,052	1,648
Investment expenses Endowment fund	(12,835)	-	(12,835)	(14,136)
Other income	290		290	-
Net investment income	12,787		12,787	48,361
Increase (decrease) in net assets	(152,936)	(4,875)	(157,811)	(127,806)
Net assets - Beginning of year	1,605,863	16,875	1,622,738	1,750,544
End of year	<u>\$ 1,452,927</u>	<u>\$ 12,000</u>	<u>\$ 1,464,927</u>	<u>\$ 1,622,738</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, 2016**

	<u>Program Services</u>	<u>Admin- istrative Expenses</u>	<u>Fund Raising</u>	<u>Total May 31, 2016</u>
Auto Expenses		\$ 2,163		\$ 2,163
Bank service charges		37		37
Dues and subscriptions	-	370		370
Insurance	20,625			20,625
Licenses and permits		15		15
Office supplies	1,885	942	1,850	4,677
Postage and delivery		168	168	336
Telephone	2,768	346	346	3,461
Donor mailings			2,753	2,753
Fundraising events			3,636	3,636
Fundraising web expenses			909	909
Salaries and wages	301,253	89,354	15,422	406,029
Social security and medicare taxes	21,510	6,803	1,174	29,487
State unemployment taxes	11,137	3,522	608	15,267
Audit and accounting		13,067		13,067
Case management and counseling	46,726	397	397	47,519
Music program	18,000			18,000
Payroll service	1,525			1,525
Building repairs	38,870			38,870
Rents	1,208	604	800	2,612
Food	5,728			5,728
Utilities	19,960			19,960
Other shelter expenses	6,989			6,989
Children's programs	13,500			13,500
Health services	12,019			12,019
Depreciation	13,286			13,286
Other expense	70	557		627
	<u>537,059</u>	<u>118,345</u>	<u>28,063</u>	<u>683,467</u>
Total functional expenses	<u>\$537,059</u>	<u>\$118,345</u>	<u>\$28,063</u>	<u>\$683,467</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 CASH FLOWS**  
**FOR THE YEARS ENDED MAY 31, 2016 AND 2015**

	2016			2015 Total
	Unrestricted	Temporarily Restricted	Total	
<b>Cash flows from operating activities:</b>				
Change in net assets	\$ (152,936)	\$ (4,875)	\$ (157,811)	\$ (127,806)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:				
Depreciation	13,286	-	13,286	16,601
Realized (gains) losses on sale of investments endowment fund	14,892		14,892	(17,455)
Realized (gains) losses on investments undesignated	(27,778)		(27,778)	
Unrealized (gains) losses on investments endowment fund	29,145		29,145	26,776
Unrealized (gains) losses on investments	20,199		20,199	(5,090)
Dividends received and retained in the endowment fund	(61,791)		(61,791)	(65,080)
Investment expenses paid from endowment fund	12,835		12,835	14,136
Changes in operating assets and liabilities -				
Decrease (increase) in prepaid insurance	(4,638)		(4,638)	647
Decrease (increase) in Grant-receivable	(4,654)		(4,654)	
Decrease (increase) in deposit on future event	(7,200)		(7,200)	
Increase (decrease) in accounts payable and other liabilities	16,359		16,359	(4,986)
Other adjustment	635		635	(221)
Total adjustments	<u>1,291</u>	<u>-</u>	<u>1,291</u>	<u>(34,672)</u>
Cash provided (used) by operating activities	<u>(151,644)</u>	<u>(4,875)</u>	<u>(156,519)</u>	<u>(162,478)</u>
<b>Cash flows from investing activities:</b>				
Additions to property	(2,485)		(2,485)	
Dividends reinvested	(1,052)		(1,052)	(1,048)
Transfer endowment fund to operating	100,000		100,000	100,000
Transfer investment funds to operating	69,347		69,347	
Cash provided (used) by investing activities	<u>165,810</u>	<u>-</u>	<u>165,810</u>	<u>98,952</u>
Net Increase (decrease) in cash and equivalents	14,166	(4,875)	9,291	(63,526)
Cash and equivalents - Note 3				
Beginning of year	149,431	16,875	166,306	229,832
End of year	<u>\$ 163,597</u>	<u>\$ 12,000</u>	<u>\$ 175,597</u>	<u>\$ 166,306</u>

**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	None	None	None	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, 2016 AND 2015**

**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, 2016 and 2015 amounted to \$13,286 and \$16,601 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, 2016 AND 2015**

**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, 2016</u>				
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
<b>Designated investments</b>				
<b>Endowment fund-</b>				
Money market	\$ 43,338			\$ 43,338
Mutual funds & exchange traded funds	270,466	43,717	0	314,183
Common and Preferred stocks	691,008	10,159		701,167
<b>Total designated investments</b>	<u>\$1,048,813</u>	<u>\$ 53,876</u>	<u>\$ 0</u>	<u>\$1,058,688</u>
<u>May 31, 2015</u>				
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
<b>Undesignated investments-</b>				
Money market	\$ 4,290			\$ 4,290
Mutual fund	14,055	\$ 1,994		16,049
Common stocks	25,793	\$ 14,168	\$ 0	39,961
<b>Total – Undesignated investments</b>	<u>\$ 44,138</u>	<u>\$ 16,162</u>	<u>\$ 0</u>	<u>\$ 60,300</u>
<b>Designated investments-</b>				
<b>Endowment fund-</b>				
Money Market	\$ 29,372			\$ 29,372
Mutual funds & exchange traded funds	1,046,201	79,248	\$ 0	1,125,449
<b>Total designated investments</b>	<u>\$ 1,075,573</u>	<u>\$ 79,248</u>	<u>\$ 0</u>	<u>\$ 1,154,821</u>



**ST. MARTIN DE PORRES HOUSE OF HOPE, INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2016 AND 2015**

**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, 2016</u>	<u>Year ended</u> <u>May 31, 2015</u>
<b>Designated as Endowment fund –</b>		
Balance at beginning of year	\$ 1,154,821	\$ 1,213,198
Investment income retained in the fund	47,905	50,944
Realized gain (loss) on sale of investments	(14,892)	17,455
Transferred to general fund	( 100,000)	(100,000)
Increase (decrease) in value to end of year	<u>(29,146)</u>	<u>(26,776)</u>
<b>Balance at end of year</b>	<b>\$ 1,058,688</b>	<b>\$ 1,154,821</b>
Designated to provide for one years operating expenses (not separately funded)	<u>270,119</u>	<u>270,119</u>
<b>Total designated net assets at end of year</b>	<b><u>\$ 1,328,807</u></b>	<b><u>\$ 1,424,940</u></b>

**ST. MARTIN DE PORRES HOUSE OF HOPE, INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2016 AND 2015**

**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:

<b><u>Year ended May 31, 2016</u></b>	<b><u>Amount of Grant</u></b>	<b><u>Expended</u></b>	<b><u>Unexpended</u></b>
Grant for food and related shelter expense	\$ 113,159	\$ 113,159	\$ 0
Grant for kitchen appliances	12,000	0	12,000
Total 2016 grants restricted by donors	<u>\$ 125,159</u>	<u>\$ 113,159</u>	<u>\$ 12,000</u>

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

**ST. MARTIN DE PORRES HOUSE OF HOPE, INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2016 AND 2015**

**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, 2016:

	Level 1	Level 2	Level 3	Total
Designated investments-				
Mutual funds and Exchange trade funds	314,183	-	-	314,183
Common and Preferred stocks	<u>701,167</u>	<u>                    </u>	<u>                    </u>	<u>701,167</u>
Total investments	<u>\$ 1,015,350</u>	<u>                    </u>	<u>                    </u>	<u>\$ 1,015,350</u>

**6. Subsequent events:**

Management has evaluated subsequent events through October 24, 2016, the date which the financial statements were available to be issued.