

ST. MARTIN DE PORRES HOUSE OF HOPE, INC.

Report on Audited Financial Statements

May 31, 2017

**MANNING SILVERMAN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
(847) 459-8850**

ST. MARTIN DE PORRES HOUSE OF HOPE, INC.
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
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. (an Illinois not-for-profit corporation), which comprise the statements of financial position as of May 31, 2017 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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

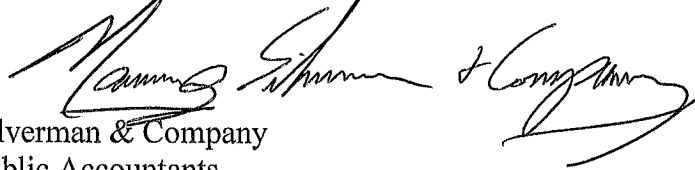
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about 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 Organization'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 Organization'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. as of May 31, 2017 and the results of its activities and changes in net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script, appearing to read "Manning Silverman & Company", is written over the printed name of the firm.

Manning Silverman & Company
Certified Public Accountants
Lincolnshire, Illinois

October 5, 2017

ST. MARTIN DE PORRES HOUSE OF HOPE, INC.
STATEMENT OF FINANCIAL POSITION
MAY 31, 2017

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 147,460
Receivables:	
Grants Receivable	40,783
In-Kind Receivable	11,732
Prepaid Expenses	<u>5,516</u>
Total Current Assets	205,491
Building and Improvements, Furniture, Equipment and Vehicles Net of Accumulated Depreciation of \$1,200,320	296,845
Investments, Board Designated	<u>855,408</u>
Total Assets	<u>\$ 1,357,744</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts Payable and Accrued Expenses	\$ 2,800
Accrued Payroll	<u>31,788</u>
Total Current Liabilities	<u>34,588</u>
Net Assets:	
Unrestricted Net Assets:	
Unrestricted, Undesignated	412,556
Unrestricted, Board Designated	<u>855,408</u>
Total Unrestricted Net Assets	1,267,964
Temporarily Restricted	<u>55,192</u>
Total Net Assets	<u>1,323,156</u>
Total Liabilities and Net Assets	<u>\$ 1,357,744</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

ST. MARTIN DE PORRES HOUSE OF HOPE, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED MAY 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support			
Contributions	\$ 495,595	\$ 43,460	\$ 539,055
Grants from Government Agencies	<u>63,690</u>	<u>-</u>	<u>63,690</u>
Total Support	<u>559,285</u>	<u>43,460</u>	<u>602,745</u>
Other Revenue			
Special Events, Net of Direct Expenses of \$22,291	13,152	-	13,152
Investment Income, Net	46,883	-	46,883
In-Kind Contributions	53,530	11,732	65,262
Other Revenue	5,800	-	5,800
Net Assets Released from Restrictions	<u>12,000</u>	<u>(12,000)</u>	<u>-</u>
Total Other Revenue	<u>131,365</u>	<u>(268)</u>	<u>131,097</u>
Total Support and Other Revenue	<u>690,650</u>	<u>43,192</u>	<u>733,842</u>
Expenses			
Program Services:			
Behavioral Health Counseling	150,732	-	150,732
Substance Abuse	188,888	-	188,888
Food Program	154,042	-	154,042
Health and Wellness	19,642	-	19,642
Shelter	<u>198,708</u>	<u>-</u>	<u>198,708</u>
Total Program Services	<u>712,012</u>	<u>-</u>	<u>712,012</u>
Supporting Services:			
Management and General	90,552	-	90,552
Fundraising and Development	<u>73,049</u>	<u>-</u>	<u>73,049</u>
Total Supporting Services	<u>163,601</u>	<u>-</u>	<u>163,601</u>
Total Expenses	<u>875,613</u>	<u>-</u>	<u>875,613</u>
Increase (Decrease) in Net Assets	(184,963)	43,192	(141,771)
Net Assets, Beginning of Year	<u>1,452,927</u>	<u>12,000</u>	<u>1,464,927</u>
Net Assets, End of Year	<u>\$ 1,267,964</u>	<u>\$ 55,192</u>	<u>\$ 1,323,156</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

ST. MARTIN DE PORRES HOUSE OF HOPE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2017

	Program Services				Supporting Services			Total Expenses		
	Behavioral Health Counseling	Substance Abuse	Food Program	Health and Wellness	Shelter	Total Program Services	Management and General		Fundraising and Development	Total Supporting Services
Salaries	\$ 96,379	\$ 144,976	\$ 52,022	\$ 12,120	\$ 103,153	\$ 408,650	\$ 68,895	\$ 42,760	\$ 111,655	\$ 520,305
Payroll Taxes	11,170	18,190	6,091	1,406	11,924	48,781	7,439	5,035	12,474	61,255
Employee Benefits	3,907	2,789	2,029	508	4,178	13,411	1,368	1,666	3,034	16,445
Total Salaries and Related Expenses	111,456	165,955	60,142	14,034	119,255	470,842	77,702	49,461	127,163	598,005
Advertising and Marketing	-	-	-	-	-	-	250	692	942	942
Bank Charges and Fees	-	-	-	-	-	-	724	262	986	986
Computer and IT Expenses	-	-	-	-	280	280	119	449	568	848
Dues and Subscriptions	340	2,253	1,639	410	3,374	8,016	1,144	2,874	4,018	12,034
Insurance	3,035	-	-	-	-	3,035	-	-	-	3,035
Miscellaneous	988	2,024	513	128	3,913	7,566	418	493	911	8,477
Occupancy Expenses and Maintenance	8,482	5,664	6,093	1,115	26,908	48,262	3,016	3,398	6,414	54,676
Office Expenses and Supplies	3,201	2,702	2,062	417	3,522	11,904	1,159	2,505	3,664	15,568
Postage and Shipping	588	420	306	77	629	2,020	206	1,714	1,920	3,940
Printing and Reproduction	-	88	-	-	-	88	622	1,934	2,556	2,644
Professional Fees	15,615	4,469	3,251	814	14,692	38,841	2,922	6,179	9,101	47,942
Program Expenses	-	-	76,666	1,854	15,209	93,729	-	-	-	93,729
Telephone	882	630	458	115	943	3,028	309	376	685	3,713
Travel, Meetings and Conferences	932	903	203	-	2,044	4,082	136	489	625	4,707
Vehicle Expense	-	57	-	-	2,364	2,421	-	-	-	2,421
Total Expenses Before Depreciation	145,519	185,165	151,333	18,964	193,133	694,114	88,727	70,826	159,553	853,667
Depreciation	5,213	3,723	2,709	678	5,575	17,898	1,825	2,223	4,048	21,946
Total Expenses	\$ 150,732	\$ 188,888	\$ 154,042	\$ 19,642	\$ 198,708	\$ 712,012	\$ 90,552	\$ 73,049	\$ 163,601	\$ 875,613

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

ST. MARTIN DE PORRES HOUSE OF HOPE, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED MAY 31, 2017

Cash Flows from Operating Activities	
(Decrease) in Net Assets	\$ (141,771)
Adjustments to Reconcile (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	21,946
Unrealized (Gain) on Investments	(25,627)
Decrease (Increase) in Assets	
Grants Receivable	(36,129)
In-Kind Receivable	(11,732)
Prepaid Expenses and Deposits	14,310
Increase (Decrease) in Liabilities	
Accounts Payable and Accrued Expenses	(26,807)
Accrued Payroll	<u>15,742</u>
Net Cash (Used in) Operating Activities	<u>(190,068)</u>
Cash Flows from Investing Activities	
Purchase of Investments	(906,066)
Sales of Investments	1,384,972
Net Cash Transferred from Investment Fund	(250,000)
Purchase of Fixed Assets	<u>(66,974)</u>
Net Cash Provided by Investing Activities	<u>161,932</u>
Net (Decrease) in Cash and Cash Equivalents	(28,136)
Cash and Cash Equivalents, Beginning of Year	<u>175,596</u>
Cash and Cash Equivalents, End of Year	<u>\$ 147,460</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

ST. MARTIN DE PORRES HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017

Note 1 – Organization and Nature of Activities

St. Martin de Porres House of Hope, Inc. (the “Organization”) is an Illinois not-for-profit corporation dedicated to providing housing for women and children in the Chicago Woodlawn community.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The accounts of the Organization are maintained on the accrual basis.

Information regarding the financial position and activities of the Organization are reported in three classes of net assets (as applicable): unrestricted, temporarily restricted or permanently restricted, the latter two of which are based on the existence or absence of externally (donor) imposed restrictions on contributions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted Net Assets – Unrestricted net assets are not subject to donor-imposed stipulations. They include all activities of the Organization, except for those that are temporarily or permanently restricted by donors. Board designated amounts are part of unrestricted net assets.
- Temporarily Restricted Net Assets – Temporarily restricted net assets are subject to donor-imposed stipulations that can be removed through the passage of time (time restrictions) or actions of the Organization (purpose restrictions).
- Permanently Restricted Net Assets – Permanently restricted net assets are subject to the restrictions imposed by donors who require that the principal of this class of net assets be retained in perpetuity as an endowment with only the income to be reclassified to unrestricted net assets.

There are no permanently restricted net assets.

Revenue Recognition: Contributions, Grants and Contracts

Contracts and grants are recognized as revenue in the periods in which the contracts or grants are received, at the face amounts stated therein; however, they may be subject to adjustment in subsequent periods. All revenues from contracts or grants are considered to be available for unrestricted use unless specifically restricted as to time or purpose by the respective grantors or contracting agencies. Amounts received that are designated for future periods or are restricted for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Contract and grant revenues for which time or purpose restrictions expire in the period received are considered unrestricted revenues.

ST. MARTIN DE PORRES HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
MAY 31, 2017

A restriction expires when a stipulated time restriction ends, when an unconditional promise with an implied time restriction is collected or when a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities and changes in net assets as net assets released from restrictions.

Donations are recognized as revenue upon receipt of donors' commitments. Unconditional promises to give, which do not state a due date or use restriction, are presumed to be unrestricted net assets.

Donated Goods and Services

A substantial number of volunteers have donated their time to the Organization during the year. These volunteer activities include participating on the Board of Directors and numerous committees. These donated services are not reflected in the financial statements because the services do not meet the criteria for inclusion therein.

Donated services that create or enhance nonfinancial assets or that require specialized skills may be provided by individuals possessing those skills. They would typically need to be purchased if not provided by donation and are recorded at their fair values in the period received.

Contributions of donated noncash assets are recorded at their fair values in the period received. The Organization reports these gifts as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used.

Grants Receivable

Grants receivable are stated at face value. To the extent that collections on particular accounts are at less than face value, the Organization adjusts gross revenues in the periods in which such collections are made.

Property and Equipment

Property and equipment is recorded at historical cost. The Organization capitalizes fixed asset additions over \$500. Depreciation is computed using the straight-line method for all property and equipment. The estimated useful lives in computing depreciation are as follows:

<u>Description</u>	<u>Years</u>
Machinery and Equipment	5
Furniture and Fixtures	5 - 7

Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in the statement of activities and changes in net assets.

ST. MARTIN DE PORRES HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
MAY 31, 2017

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, excluding those amounts contained in the investment portfolios.

Fair Value Measurements

Under GAAP, *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Organization utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique.

The Organization's assessment of the significance of a particular input to the fair value measurements requires judgment and may affect the valuation of fair value of assets and liabilities and their placement within the fair value hierarchy levels.

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, maximizes the use of observable inputs, and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to measurements involving significant unobservable inputs (Level III measurements). The three levels of fair value hierarchy are as follows:

Level I Valuation based on quoted prices in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level II Valuation based on inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly. Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets, or liabilities in markets that are not active, that is, markets in which there are few transactions, prices are not current, or prices vary substantially over time.

Level III Valuation based on inputs that are unobservable for an asset or liability and should be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. This input, therefore, reflects the Organization's assumptions about what market participants would use in pricing the asset or liability based on the best information available in the circumstances.

ST. MARTIN DE PORRES HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
MAY 31, 2017

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Expenses that are easily and directly associated with a particular program or supporting service are allocated directly to that functional category. Certain costs have been allocated among the programs and supporting services benefited based on time devoted to the functional areas and other appropriate methods.

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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the relevant period. Actual results could differ from those estimates.

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and is not considered to be a private foundation. It is also required to recognize or derecognize in its financial statements positions taken or expected to be taken in a tax return on a “more likely than not” threshold. The Organization does not believe its financial statements include any uncertain tax positions. The Organization’s income tax filings for the years ending May 31, 2013 and thereafter remain subject to examination by the Internal Revenue Service.

Note 3 – Concentrations

Financial Instruments

The Organization places its temporary cash and money market accounts with creditworthy, high-quality financial institutions. The Organization maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

The Organization has significant investments in stocks, bonds, and mutual funds and, therefore, is subject to concentrations of credit risk. Investments are made by the investment managers engaged by the Organization, and the investments are monitored for the Organization by an investment advisor. Although the fair value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organization and its beneficiaries.

ST. MARTIN DE PORRES HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
MAY 31, 2017

Note 4 – Buildings and Improvements, Furniture, Equipment and Vehicles

The following is a summary of buildings and improvements, furniture, equipment and vehicles as of May 31, 2017.

Land	\$	70,000
Buildings and Improvements		1,090,527
Furniture and Fixtures		134,002
Machinery and Equipment		190,540
Vehicles		12,096
		1,497,165
Less: Accumulated Depreciation		(1,200,320)
Total	\$	296,845

Note 5 – Temporarily Restricted Net Assets

Temporarily restricted net assets represent grants applicable to periods subsequent to the date of the financial statements, the details of which are as follows:

Grantor	Beginning Balance	Amount	Expended	Ending Balance
Grants for Kitchen Appliances	\$ 12,000	\$ -	\$ (12,000)	\$ -
North Shore Baptist Church	-	1,460	-	1,460
Service Club of Chicago	-	11,732	-	11,732
Sisters of Charity of the Blessed Virgin Mary	-	9,000	-	9,000
Dominican Sisters of Springfield Illinois	-	3,000	-	3,000
Hospital Sisters of St. Francis	-	10,000	-	10,000
St. Anne Catholic Community	-	20,000	-	20,000
Total	\$ 12,000	\$ 55,192	\$ (12,000)	\$ 55,192

ST. MARTIN DE PORRES HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
MAY 31, 2017

Note 6 – Investments; Board Designated Endowment

The Organization’s investments are to benefit its long-term financial position. They consist of cash and cash equivalents, equities and corporate, government and municipal bonds that are designated by the Board of Directors to function as an endowment. GAAP requires net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, to be classified and reported based on the existence or absence of donor-imposed restrictions, of which there are none.

The Organization’s investments, all of which are considered to be Level I under the fair value hierarchy described above, consist of the following at May 31, 2017:

	Cost	Market
Cash	\$ 180	\$ 180
Equities	210,538	243,816
FlexInsured	10,325	10,325
Corporate Bonds	312,910	311,018
Government Bonds	193,023	189,320
Government Agency Bonds	59,907	59,250
Municipal Bonds	43,555	41,499
	<u>\$ 830,438</u>	<u>\$ 855,408</u>

The following schedule summarizes the investment return and its components for the year ended May 31, 2017:

Interest and Dividends	\$ 22,010
Realized Gains	12,741
Unrealized Gains	25,627
Advisory and Transaction Fees	<u>(13,495)</u>
Net Investment Return	<u>\$ 46,883</u>

Endowment assets are managed by a professional investment manager to provide a rate of return commensurate with a low level of investment risk. The Organization has adopted investment and spending policies for the endowment assets that attempt to preserve these assets while providing a modest return to be withdrawn annually and spent for general purposes.

ST. MARTIN DE PORRES HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
MAY 31, 2017

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 a greater emphasis on mutual fund investments than on other securities to achieve its long-term return objectives within prudent risk constraints. Interest and dividends and unrealized and realized gains and losses are included in the statement of activities and changes in net assets.

Investments are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in any of the enumerated risks in the near-term could materially affect investment balances and the amounts reported in the financial statements.

Note 7 – In-Kind Donations

The Organization frequently receives in-kind donations from outside organizations and individuals. These donations consist of hot meals and other food products. The values of the contributions are determined by the Organization's chef in conjunction with the outside organizations, based on what it would cost St. Martin de Porres to prepare the meals internally or purchase the products.

Note 8 – Subsequent Events

Subsequent events have been evaluated through October 5, 2017, which is the date the financial statements were available to be issued. There are no other subsequent events requiring recognition and/or disclosure in the financial statements.