

ST. MARTIN DE PORRES HOUSE OF HOPE, INC.

Report on Audited Financial Statements

May 31, 2018 and 2017

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

ST. MARTIN DE PORRES HOUSE OF HOPE, INC.
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MAY 31, 2018 AND 2017

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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, 2018 and 2017 and the related statements of activities and changes in net assets, 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

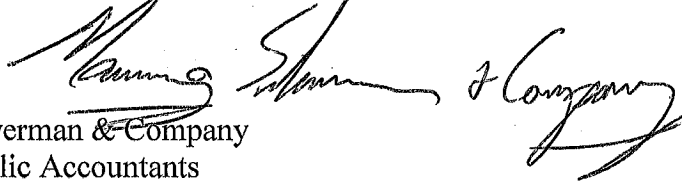
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audits to obtain reasonable assurance about 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 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, 2018 and 2017 and the results of its activities and changes in net assets, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Manning Silverman & Company
Certified Public Accountants
Lincolnshire, Illinois

October 15, 2018

ST. MARTIN DE PORRES HOUSE OF HOPE, INC.
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2018 AND 2017

ASSETS	2018	2017
Current Assets:		
Cash and Cash Equivalents	\$ 65,731	\$ 147,460
Receivables:		
Grants Receivable	2,132	40,783
In-Kind Receivable	-	11,732
Other Current Assets	15,169	-
Prepaid Expenses	9,278	5,516
Total Current Assets	92,310	205,491
Building and Improvements, Furniture, Equipment and Vehicles Net of Accumulated Depreciation of \$1,203,217 and \$1,200,320 for 2018 and 2017, respectively		
	293,383	296,845
Investments, Board Designated	789,350	855,408
Total Assets	\$ 1,175,043	\$ 1,357,744

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 36,210	\$ 2,800
Accrued Payroll	11,085	31,788
Total Current Liabilities	47,295	34,588
Net Assets:		
Unrestricted Net Assets:		
Unrestricted, Undesignated	66,118	80,929
Unrestricted, Board Designated	1,018,400	1,187,035
Total Unrestricted Net Assets	1,084,518	1,267,964
Temporarily Restricted	43,230	55,192
Total Net Assets	1,127,748	1,323,156
Total Liabilities and Net Assets	\$ 1,175,043	\$ 1,357,744

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

ST. MARTIN DE PORRES HOUSE OF HOPE, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED MAY 31, 2018 AND 2017

	2018		2017	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Support				
Contributions	\$ 428,722	\$ 43,230	\$ 471,952	\$ 43,460
Grants from Government Agencies	62,350	-	62,350	-
Total Support	491,072	43,230	534,302	43,460
Other Revenue				
Special Events, Net of Direct Expenses of \$16,410 and \$22,291 for 2018 and 2017, respectively	29,343	-	29,343	-
Investment Income, Net	34,042	-	34,042	-
In-Kind Contributions	136,298	-	136,298	11,732
Other Revenue	-	-	-	-
Net Assets Released from Restrictions	55,192	(55,192)	-	(12,000)
Total Other Revenue	254,875	(55,192)	199,683	(268)
Total Support and Other Revenue	745,947	(11,962)	733,985	43,192
Expenses				
Program Services:				
Behavioral Health Counseling	80,352	-	80,352	-
Substance Abuse	149,396	-	149,396	-
Food Program	193,497	-	193,497	-
Health and Wellness	86,692	-	86,692	-
Shelter	156,998	-	156,998	-
Total Program Services	666,935	-	666,935	-
Supporting Services:				
Management and General	64,460	-	64,460	-
Fundraising and Development	197,998	-	197,998	-
Total Supporting Services	262,458	-	262,458	-
Total Expenses	929,394	-	929,394	-
Increase (Decrease) in Net Assets	(183,447)	(11,962)	(195,409)	43,192
Net Assets, Beginning of Year	1,267,964	55,192	1,323,156	12,000
Net Assets, End of Year	\$ 1,084,518	\$ 43,230	\$ 1,127,748	\$ 55,192

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, 2018

	Program Services					Supporting Services			Total Supporting Services Expenses	
	Behavioral Health Counseling	Substance Abuse	Food Program	Health and Wellness	Shelter	Total Program Services	Management and General	Fundraising and Development		
Salaries	\$ 50,698	\$ 83,740	\$ 63,366	\$ 51,975	\$ 73,288	\$ 323,067	\$ 27,649	\$ 54,830	\$ 82,479	\$ 405,546
Payroll Taxes	5,583	9,220	6,970	5,716	8,064	35,553	3,044	6,037	9,081	44,634
Employee Benefits	1,656	3,105	2,069	1,696	2,511	11,037	12,059	1,792	13,851	24,888
Total Salaries and Related Expenses	57,937	96,065	72,405	59,387	83,863	369,657	42,752	62,659	105,411	475,068
Advertising and Marketing	157	259	196	160	831	1,603	319	6,545	6,864	8,467
Bank Charges and Fees	-	-	-	-	-	-	480	490	970	970
Computer and IT Expenses	-	-	-	-	379	379	416	422	838	1,217
Dues and Subscriptions	133	137	564	85	833	1,752	113	1,287	1,400	3,152
In-Kind Food Donations	-	-	46,664	-	-	46,664	-	-	-	46,664
In-Kind Professional Services	-	-	-	-	-	-	-	78,750	78,750	78,750
Insurance	1,156	1,909	1,443	1,183	1,670	7,561	630	1,250	1,880	9,241
Miscellaneous	72	7,605	64	3	2,745	10,489	1,806	57	1,863	12,352
Occupancy Expenses and Maintenance	6,630	10,270	8,818	7,183	31,306	64,207	5,891	6,713	12,604	76,811
Office Expenses and Supplies	1,786	3,260	2,230	1,891	5,787	14,954	2,339	2,328	4,667	19,621
Postage and Shipping	82	136	103	84	119	524	108	929	1,037	1,561
Printing and Reproduction	122	202	153	125	176	778	242	564	806	1,584
Professional Fees	7,248	16,874	9,653	7,420	10,469	51,664	4,512	29,825	34,337	86,001
Program Expenses	-	-	45,010	4,330	10,721	60,061	-	-	-	60,061
Telephone	685	1,131	855	701	1,887	5,259	374	741	1,115	6,374
Travel, Meetings and Conferences	579	5,290	637	285	773	7,564	2,330	1,367	3,697	11,261
Vehicle Expense	135	262	169	138	195	899	168	146	314	1,213
Total Expenses Before Depreciation	76,722	143,400	188,964	82,975	151,754	643,815	62,480	194,073	256,553	900,369
Depreciation	3,630	5,996	4,533	3,717	5,244	23,120	1,980	3,925	5,905	29,025
Total Expenses	\$ 80,352	\$ 149,396	\$ 193,497	\$ 86,692	\$ 156,998	\$ 666,935	\$ 64,460	\$ 197,998	\$ 262,458	\$ 929,394

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		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.
STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2018 AND 2017

	2018	2017
Cash Flows from Operating Activities		
(Decrease) in Net Assets	\$ (195,409)	\$ (141,771)
Adjustments to Reconcile (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	29,025	21,946
Unrealized Loss (Gain) on Investments	49,640	(25,627)
Decrease (Increase) in Assets		
Grants Receivable	38,651	(36,129)
In-Kind Receivable	11,732	(11,732)
Prepaid Expenses and Deposits	(3,762)	14,310
Other Current Assets	(15,169)	-
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	33,410	(26,807)
Accrued Payroll	(20,703)	15,742
	<u>(72,585)</u>	<u>(190,068)</u>
Net Cash (Used in) Operating Activities		
Cash Flows from Investing Activities		
Purchase of Investments	(350,934)	(906,066)
Sales of Investments	467,352	1,384,972
Net Cash Transferred from Investment Fund	(100,000)	(250,000)
Purchase of Fixed Assets	(25,563)	(66,974)
	<u>(9,145)</u>	<u>161,932</u>
Net Cash Provided by (Used in) Investing Activities		
Net (Decrease) in Cash and Cash Equivalents	(81,730)	(28,136)
Cash and Cash Equivalents, Beginning of Year	<u>147,460</u>	<u>175,596</u>
Cash and Cash Equivalents, End of Year	<u>\$ 65,731</u>	<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, 2018 AND 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, 2018 AND 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 statements 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:

Description	Years
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 statements of activities and changes in net assets.

ST. MARTIN DE PORRES HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
MAY 31, 2018 AND 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, 2018 AND 2017

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements 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, 2014 and thereafter remain subject to examination by the Internal Revenue Service.

Employee Benefits

Employee benefits expense at May 31, 2018 included employer paid benefits which were added during the 2018 fiscal year.

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, 2018 AND 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 70,000	\$ 70,000
Buildings and Improvements	1,104,647	1,090,527
Furniture and Fixtures	132,758	134,002
Machinery and Equipment	177,099	190,540
Vehicles	<u>12,096</u>	<u>12,096</u>
	1,496,600	1,497,165
Less: Accumulated Depreciation	<u>(1,203,217)</u>	<u>(1,200,320)</u>
Total	<u>\$ 293,383</u>	<u>\$ 296,845</u>

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:

<u>Grantor</u>	<u>Beginning Balance</u>	<u>Amount</u>	<u>Expended</u>	<u>Ending Balance</u>
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	(10,000)	10,000
St. Anne Catholic Community	20,000	-	(20,000)	-
San Francisco Foundation	-	33,230	-	33,230
	<u>\$ 55,192</u>	<u>\$ 43,230</u>	<u>\$ (55,192)</u>	<u>\$ 43,230</u>

ST. MARTIN DE PORRES HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
MAY 31, 2018 AND 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, 2018 and 2017:

	2018		2017	
	Cost	Market	Cost	Market
Cash	\$ 84,008	\$ 84,008	\$ 180	\$ 180
Equities	273,400	280,642	210,538	243,816
FlexInsured	-	-	10,325	10,325
Corporate Bonds	283,238	274,618	312,910	311,018
Government Bonds	198,346	150,082	193,023	189,320
Government Agency Bonds	-	-	59,907	59,250
Municipal Bonds	-	-	43,555	41,499
	<u>\$ 838,992</u>	<u>\$ 789,350</u>	<u>\$ 830,438</u>	<u>\$ 855,408</u>

The following schedule summarizes the investment return and its components for the years ended May 31, 2018 and 2017:

	2018	2017
Interest and Dividends	\$ 27,289	\$ 22,010
Realized Gains	63,322	12,741
Unrealized Gain (Loss)	(49,640)	25,627
Advisory and Transaction Fees	(6,929)	(13,495)
Net Investment Return	<u>\$ 34,042</u>	<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, 2018 AND 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 statements 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

The Organization is changing its name to Southside Center of Hope. The name change is pending as of October 15, 2018.

Subsequent events have been evaluated through October 15, 2018, 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.