

**HOPE COMMUNITY, INC.**  
**REPORT ON FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Hope Community, Inc.

We have audited the accompanying financial statements of Hope Community, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 Hope Community, Inc. as of June 30, 2015 and 2014, 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.

### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of functional expenses on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

  
Vogel & Russo, LLP

Hartsdale, New York  
February 5, 2016

HOPE COMMUNITY, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2015 AND 2014

	<u>ASSETS</u>	
	<u>2015</u>	<u>2014</u>
Current Assets		
Cash	\$2,165,617	\$1,714,169
Accounts receivable – net	1,512,921	1,529,354
Prepaid Expenses	44,540	42,348
Investments	<u>32,111</u>	<u>32,565</u>
Total Current Assets	<u>3,755,189</u>	<u>3,318,436</u>
Fixed Assets		
Property and equipment – net	<u>661,464</u>	<u>1,319,820</u>
Other Assets		
Investments in and due from affiliates	2,254,343	2,145,379
Security deposits	<u>232,641</u>	<u>232,762</u>
Total Other Assets	<u>2,486,984</u>	<u>2,378,141</u>
Total Assets	<u>\$6,903,637</u>	<u>\$7,016,397</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 369,611	\$ 649,309
Tenant’s security deposits payable	274,371	262,339
Due to affiliates	<u>35,000</u>	<u>35,266</u>
Total Current Liabilities	<u>678,982</u>	<u>946,914</u>
Long-Term Liabilities		
Deferred income	<u>48,319</u>	<u>623,057</u>
Total Long-Term Liabilities	<u>48,319</u>	<u>623,057</u>
Total Liabilities	727,301	1,569,971
Net Assets – Unrestricted	<u>6,176,336</u>	<u>5,446,426</u>
Total Liabilities and Net Assets	<u>\$6,903,637</u>	<u>\$7,016,397</u>

See accompanying notes to financial statements.

HOPE COMMUNITY, INC.  
STATEMENTS OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
UNRESTRICTED NET ASSETS		
Program Revenue		
Contract Income		
New York State Homes and Community Renewal	\$ 69,363	\$ 67,965
Jennie A. Clarke Residence	<u>1,647,116</u>	<u>1,811,920</u>
	1,716,479	1,879,885
Developer fees	130,259	281,850
Management and social services fees	1,554,490	1,410,606
Consulting fees	31,146	53,693
Janitorial fees	<u>1,673,511</u>	<u>1,617,647</u>
Total Program Revenue	<u>5,105,885</u>	<u>5,243,681</u>
Real Estate Operating Revenue		
Rental revenue	1,289,563	1,480,333
Gain on sale of commercial space	<u>1,009,594</u>	<u>--</u>
Total Real Estate Operating Revenue	<u>2,299,157</u>	<u>1,480,333</u>
General and Administrative Revenue		
Partnership management fees	68,884	67,326
Grants & donations	225,893	197,757
Interest income	20,063	18,546
Investment income (loss)	(2,774)	(571)
Other income	<u>2,500</u>	<u>--</u>
Total General and Administrative Revenue	<u>314,566</u>	<u>283,058</u>
<b>TOTAL UNRESTRICTED REVENUE</b>	<u><b>7,719,608</b></u>	<u><b>7,007,072</b></u>
Program Expenses		
Program Services	4,870,686	4,749,546
Rental Operations	<u>1,003,857</u>	<u>1,054,925</u>
Total Program Expense	5,874,543	5,804,471
Support Services		
General and Administrative	1,041,643	1,005,696
Fundraising	<u>73,512</u>	<u>114,414</u>
Total Support Services	<u>1,115,155</u>	<u>1,120,110</u>
<b>TOTAL EXPENSES</b>	<u><b>6,989,698</b></u>	<u><b>6,924,581</b></u>
Increase in Unrestricted Net Assets	729,910	82,491
Net Assets – Unrestricted at Beginning of Year	<u>5,446,426</u>	<u>5,363,935</u>
Net Assets – Unrestricted at End of Year	<u><b>\$ 6,176,336</b></u>	<u><b>\$ 5,446,426</b></u>

See accompanying notes to financial statements.

HOPE COMMUNITY, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Increase in net assets	\$ 729,910	\$ 82,491
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	44,341	56,425
(Increase) decrease in operating assets:		
Accounts receivable	16,433	105,802
Prepaid expenses	(2,192)	(5,026)
Security deposits	121	(230,240)
Increase (decrease) in operating liabilities:		
Accounts payable & accrued expenses	(279,698)	129,442
Security deposits payable	12,032	15,212
Deferred income	<u>(574,738)</u>	<u>135,947</u>
Net Cash Provided (Used) by Operating Activities	<u>(53,791)</u>	<u>290,053</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Decrease (increase) in marketable securities	454	(997)
(Increase) decrease of property and equipment- net	571,886	(38,945)
Payments for construction in progress	<u>42,129</u>	<u>(50,784)</u>
Net Cash Provided (Used) by Investing Activities	<u>614,469</u>	<u>(90,726)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Decrease (increase) in due from affiliates	(108,964)	(250,495)
Increase (decrease) in due to affiliates	<u>(266)</u>	<u>(16,317)</u>
Net Cash Provided (Used) by Financing Activities	<u>(109,230)</u>	<u>(266,812)</u>
NET INCREASE (DECREASE ) IN CASH & CASH EQUIVALENTS	451,448	(67,485)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>1,714,169</u>	<u>1,781,654</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$2,165,617</u>	<u>\$1,714,169</u>

See accompanying notes to financial statements.

HOPE COMMUNITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Hope Community, Inc. is a not-for-profit corporation organized under Section 501(c)(3) of the Internal Revenue Code. The organization develops, owns, manages and provides housing for low and moderate income individuals in East Harlem, New York and its vicinity. It also administers: funds, rents, fees earned, grants in aid and donations received from others in the furtherance of its goals and objectives.

The Jennie A. Clarke Residence, operated by Hope Community, Inc. pursuant to a contract with the New York City Department of Homeless Service (NYCDHS), was established to provide housing and rehabilitative services to homeless families.

The Organization maintains its books using the accrual basis of accounting for both financial statement and income tax reporting purposes. The accrual basis recognizes income when earned and expenses when incurred.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid debt investments available for current use with an initial maturity of six months or less to be cash equivalents.

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

Accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2015 and 2014, allowance for doubtful accounts was \$733,177 and \$719,204, respectively.

Investments

Investments consist primarily of marketable securities with readily determinable fair values and are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements are recorded at cost and are being depreciated using the straight-line method over their useful lives ranging from 5 to 50 years for both financial statement and tax reporting purposes.



HOPE COMMUNITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

Income Taxes

Hope Community, Inc. is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation.

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.

NOTE 2 – PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Property, equipment and leasehold improvements consist of the following:

<u>Description</u>	<u>Life</u>	<u>2015</u>	<u>2014</u>
Land	--	\$ 15,500	\$ 15,500
Buildings & improvements	20 to 40 years	894,220	1,568,931
Leasehold improvements	50 years	176,386	176,386
Furniture, fixtures and equipment	5 to 7 years	890,112	813,155
Construction in progress	--	<u>8,655</u>	<u>50,784</u>
Fixed Assets – at cost		1,984,873	2,624,756
Less: accumulated depreciation		<u>(1,323,409)</u>	<u>(1,304,936)</u>
Fixed Assets – net		<u>\$ 661,464</u>	<u>\$ 1,319,820</u>

NOTE 3 – LOANS PAYABLE

Hope Community, Inc. has a line of credit with Sterling National Bank. A \$750,000 line of credit is available until February 5, 2016 and bears interest at the prime rate plus 1.00% per annum. As of June 30, 2015 and 2014 no amount is outstanding on this line of credit.

NOTE 4 – DEFERRED INCOME

Deferred income will be recognized into income as it is earned.

NOTE 5 – RESTRICTED FUNDS AND OTHER CONTRACTS

Pursuant to separate contracts entered into with the New York State Homes and Community Renewal (HCR) and the New York City Department of Homeless Services (NYCDHS), Hope Community, Inc. is required to maintain the amounts advanced under these contracts in separate bank accounts until such time that they are disbursed for expenditures made pursuant to those contracts. As of June 30, 2015 amounts received under these contracts were either disbursed by the organization or maintained in separate restricted bank accounts.

HOPE COMMUNITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

NOTE 6 – INVESTMENTS IN AND DUE FROM AFFILIATES

The amount shown includes amounts due to Hope Community, Inc. from various affiliated entities for development, management, management incentive, janitorial, social service, and other fees.

NOTE 7 – DUE TO AFFILIATES

The amount shown represents amounts due to various affiliated entities from Hope Community, Inc.

NOTES 8 – FAIR VALUE MEASUREMENTS

The Organization's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurements accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using unadjusted quoted prices because they generally provide the most reliable evidence of fair values. There have been no changes in the methodologies used at June 30, 2015 and 2014.

The fair values of equities and mutual funds are based on quoted market prices from active markets.

	<u>Fair Value Measurements</u>	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Marketable Securities – Equities & Mutual Funds	<u>\$32,111</u>	<u>\$32,565</u>

NOTE 9 – SECURITY DEPOSITS

Security deposits (other assets) includes approximately \$230,000 deposited pursuant to an employee leasing agreement.

NOTE 10 – GAIN ON SALE OF COMMERCIAL SPACE

Gain on sale of commercial space represents gain on sale of a commercial unit (net of closing costs) acquired in 2012 and sold in August 2014. The commercial space that was sold was previously included under the caption property and equipment on the statement of financial position.

HOPE COMMUNITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Hope Community, Inc. has guaranteed a mortgage loan from The Community Preservation Corporation to Hope Crossroads Housing Development Fund Company, Inc. in the amount of \$446,483.

Hope Community, Inc. has guaranteed a mortgage loan from JP Morgan Chase Bank to Hope/Briarwood III LLC in the maximum amount of \$2,306,000.

Hope Community, Inc. has guaranteed loans made to Roosevelt Lane Hope HDFC and New Haarlem Village 1 Hope HDFC. In connection with these loans Hope Community, Inc. has agreed to keep the related housing affordable and in compliance for a period of fifteen years.

NOTE 12 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through February 5, 2016, the date which the financial statements were available to be issued.

HOPE COMMUNITY, INC.  
SUPPLEMENTAL INFORMATION  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2015 AND 2014

	Program Services	Rental Operations	General & Administrative	Fundraising	Total 2015	Expenses 2014
Salaries/leased employees	\$ 3,314,734	\$ -	\$ 580,016	\$ 36,476	\$ 3,931,226	\$ 3,713,573
Payroll taxes	268,062	-	38,158	3,728	309,948	316,600
Union & other employee benefits	568,083	-	80,744	3,787	652,614	710,035
Gas, electric, fuel and water	26,081	30,838	6,016	-	62,935	77,563
Insurance	28,553	31,947	-	-	60,500	55,136
Repairs, maintenance & supplies	81,157	18,384	5,397	-	104,938	237,885
Professional fees	71,354	36,633	112,225	-	220,212	228,861
Management fees	169,015	60,412	-	-	229,427	249,944
Developer fees	130,259	-	-	-	130,259	-
Bank charges	-	141	6,927	-	7,068	7,097
Office/Commercial rent	-	677,949	35,682	-	713,631	682,982
Janitorial expense	10,192	-	-	-	10,192	10,877
Travel	3,289	-	2,018	-	5,307	5,161
Telephone	24,903	2,215	63,673	-	90,791	89,956
Office Expense	90,406	1,143	39,607	-	131,156	111,284
Advertising and promotion	1,601	-	7,454	-	9,055	2,444
Office equipment maint	3,200	-	28,984	-	32,184	36,714
Staff training	4,032	-	4,817	-	8,849	2,337
Depreciation & amortization	1,605	22,784	19,952	-	44,341	56,425
Program expenses	12,639	-	9,505	-	22,144	34,113
Meeting expenses	31	-	468	-	499	3,230
Miscellaneous admin expenses	20,630	-	-	-	20,630	12,473
Permits, taxes and filing fees	-	32,331	-	-	32,331	6,643
Accounts receivable allowances	37,173	86,732	-	-	123,905	210,774
Special events	-	-	-	29,521	29,521	46,543
Exterminating	2,801	2,348	-	-	5,149	3,305
Other	886	-	-	-	886	12,626
<b>TOTALS</b>	<b>\$ 4,870,686</b>	<b>\$ 1,003,857</b>	<b>\$ 1,041,643</b>	<b>\$ 73,512</b>	<b>\$ 6,989,698</b>	<b>\$ 6,924,581</b>

See auditor's report.