



**ST. MARTIN'S HOSPITALITY CENTER, INC.
DBA ST. MARTIN'S HOPEWORKS
AND CONTROLLED AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2017

**ST. MARTIN'S HOPEWORKS
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2017**

BOARD OF DIRECTORS

Jessica Perez	Chair
Angie Kelic	Vice-Chair
Marty Mathisen, CPA	Treasurer
Sonya Burke	Secretary
Barbara Finn, R.J.E.	Director
Rev. Seth Finch	Director
Karen Glinski	Director
Harry Gauler	Director
Dr. Joe Gorvetzian	Director
Dr. Holly Nelson	Director
Dr. Alisha Parada	Director
Trish Rose	Director

ADMINISTRATIVE STAFF

Greg Morris	Executive Director
Vicky Palmer	Associate Director
Jason Greving, CPA	Chief Financial Officer

**ST. MARTIN'S HOPEWORKS
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FOR THE YEAR ENDED JUNE 30, 2017**

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To the Board of Directors
St. Martin's Hospitality Center dba
St. Martin's Hopeworks and
Controlled Affiliate
Albuquerque, New Mexico

INDEPENDENT AUDITOR'S REPORT

Report on the Consolidated Financial Statements

We have audited the consolidated statement of financial position of St. Martin's Hospitality Center, dba St. Martin's Hopeworks, and Controlled Affiliate, (collectively referred to as St. Martin's Hopeworks), as of June 30, 2017, and the related consolidated statements of activities, 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 consolidated 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 consolidated 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, based on our audit, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of St. Martin's Hopeworks as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

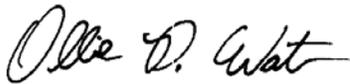
We have previously audited St. Martin's Hopeworks' 2016 financial statements, and in our report dated March 10, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2018 on our consideration of the St. Martin's Hopeworks' internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, grants agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the St. Martin's Hopeworks' internal control over financial reporting and compliance.



Ollie D. Waters, CPA, CMA
Moye, Waters and Associates, LLC
Albuquerque, New Mexico
March 23, 2018

ST. MARTIN'S HOPEWORKS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2016)

ASSETS:

	<u>2017</u>	<u>2016</u>
Current Assets		
Cash and Cash Equivalents (Note 2)	\$ 899,505	\$ 1,202,564
Short Term Investments (Note 3)	2,861	2,829
Pledges Receivable (Note 4)	126,000	150,000
Grant Receivables (Note 5)	804,025	549,554
Program Receivables (Note 6)	194,126	183,365
Prepaid Expenses & Deposits (Note 7)	80,626	115,479
Inventory	5,948	7,711
Total Current Assets	<u>2,113,091</u>	<u>2,211,502</u>
Property & Equipment		
Property & Equipment (Note 8)	3,720,576	3,745,711
Less Accumulated Depreciation (Note 8)	(1,480,894)	(1,527,651)
Net Property & Equipment	<u>2,239,682</u>	<u>2,218,060</u>
Other Assets		
Endowment (Note 1, item O)	146,873	136,308
Total Other Assets	<u>146,873</u>	<u>136,308</u>
Total Assets	<u>\$ 4,499,646</u>	<u>\$ 4,565,870</u>

LIABILITIES:

Current Liabilities		
Accounts Payable	\$ 242,631	\$ 70,548
Accrued Wages & Benefits (Note 9)	223,657	357,547
Payroll Tax Liabilities	38	17,838
Refunds Due	-	475
Client Custodial Accounts (Note 10)	2,108	2,108
Accrued Interest	635	665
Deferred Revenue	-	47,373
Current Portion of Note Payable (Note 12)	27,057	26,306
Total Current Liabilities	<u>496,126</u>	<u>522,860</u>
Long Term Liabilities		
Note Payable-net of current portion (Note 12)	529,252	556,309
Total Long Term Liabilities	<u>529,252</u>	<u>556,309</u>
Total Liabilities	<u>1,025,378</u>	<u>1,079,169</u>

NET ASSETS:

Unrestricted (Note 13)	3,205,481	3,053,995
Temporarily Restricted (Note 13)	143,500	308,269
Permanently Restricted (Note 13)	125,287	124,437
Total Net Assets	<u>3,474,268</u>	<u>3,486,701</u>
Total Liabilities & Net Assets	<u>\$ 4,499,646</u>	<u>\$ 4,565,870</u>

SEE INDEPENDENT AUDITOR'S REPORT

The Accompanying Notes Are An Integral Part Of These Financial Statements

ST. MARTIN'S HOPEWORKS
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2016)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2017 TOTAL</u>	<u>2016 TOTAL</u>
REVENUE AND SUPPORT:					
Grants	\$ 4,896,035	\$ 62,500	\$ 850	\$ 4,959,385	\$ 5,058,867
Medicaid Fees	2,099,851	-	-	2,099,851	2,014,665
Contributions and Support	449,495	-	-	449,495	687,813
In-Kind Income (Note 14)	345,324	-	-	345,324	522,939
Event Income	243,319	-	-	243,319	211,257
Program Income	218,109	-	-	218,109	275,020
United Way Allocations	12,500	126,000	-	138,500	150,000
Administrative Income	15,158	-	-	15,158	17,816
Investment Gain (Loss)	8,807	-	-	8,807	6,425
Net Assets released from restrictions:					
Restrictions satisfied by program payments	353,269	(353,269)	-	-	-
Total Revenue and Support	<u>8,641,867</u>	<u>(164,769)</u>	<u>850</u>	<u>8,477,948</u>	<u>8,944,802</u>
EXPENSES:					
Program	7,200,173	-	-	7,200,173	6,611,882
Management & General	760,819	-	-	760,819	728,820
Fundraising (Note 17)	370,227	-	-	370,227	328,775
Total Expenses before Depreciation	<u>8,331,219</u>	<u>-</u>	<u>-</u>	<u>8,331,219</u>	<u>7,669,477</u>
Change in Net Assets before Depreciation	310,648	(164,769)	850	146,729	1,275,325
Depreciation Expense (Note 8)	159,162	-	-	159,162	125,889
Increase (Decrease) in Net Assets	151,486	(164,769)	850	(12,433)	1,149,436
Net Assets at Beginning of Year	<u>3,053,995</u>	<u>308,269</u>	<u>124,437</u>	<u>3,486,701</u>	<u>2,337,265</u>
Net Assets at End of Year	<u>\$ 3,205,481</u>	<u>\$ 143,500</u>	<u>\$ 125,287</u>	<u>\$ 3,474,268</u>	<u>\$ 3,486,701</u>

SEE INDEPENDENT AUDITOR'S REPORT
The Accompanying Notes Are An Intergral Part Of These Financial Statements

ST. MARTIN'S HOPEWORKS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2016)

	PROGRAM SERVICES					TOTAL
	BEHAVIORAL	HOUSING	EMPLOYMENT	CRT	SHELTER	PROGRAM SERVICES
	HEALTH					
Salaries & Wages	\$ 1,445,093	\$ 157,217	\$ 362,648	\$ 1,007,958	\$ 388,596	\$ 3,361,512
Payroll Taxes	113,122	12,750	33,262	79,394	31,606	270,134
Benefits (Note 15)	124,296	16,556	19,633	110,661	29,883	301,029
Asst to Beneficiaries	103,509	1,537,705	117,366	41,719	420,660	2,220,959
Professional Services	441,595	7,210	2,220	8,425	61,462	520,912
Fundraising	-		-	-	-	-
Rents & Leases	75,241	2,140	12,450	174	663	90,668
Operating Supplies	6,553	185	74,158	2,787	3,659	87,342
Utilities	39,142	-	-	5,447	22,121	66,710
Insurance	28,871	444	1,581	12,981	7,225	51,102
Travel & Transportation	12,857	3,377	4,912	35,397	2,326	58,869
Communications	29,948	1,448	3,677	10,864	6,120	52,057
Office Supplies	11,699	1,201	1,020	15,673	1,235	30,828
Equipment Non-Capital	10,806	405	7,468	25	1,692	20,396
Repairs & Maintenance	5,700		2,649	4,369	9,493	22,211
Interest Expense	4,176		-	3,745	-	7,921
Conferences & Meetings	11,435	1,213	317	2,850	351	16,166
Advertising (Note 16)	900	60	1,590	815	376	3,741
Miscellaneous	136	564	2,057	435	68	3,260
Dues & Subscriptions	4,475	142	1,060	1,316	162	7,155
Postage & Printing	894	570	93	186	415	2,158
Community Relations	2,118	10	2,600	277	38	5,043
Expenses Before Depreciation	<u>2,472,566</u>	<u>1,743,197</u>	<u>650,761</u>	<u>1,345,498</u>	<u>988,151</u>	<u>7,200,173</u>
Depreciation Expense (Note 8)	10,538	-	-	-	-	10,538
Total Expenses	<u>\$ 2,483,104</u>	<u>\$ 1,743,197</u>	<u>\$ 650,761</u>	<u>\$ 1,345,498</u>	<u>\$ 988,151</u>	<u>\$ 7,210,711</u>

SEE INDEPENDENT AUDITOR'S REPORT
The Accompanying Notes Are An Integral Part Of These Financial Statements

ST. MARTIN'S HOPEWORKS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2016)

	SUPPORTING SERVICES			2017	2016
	MANAGEMENT		TOTAL	TOTAL	TOTAL
	& GENERAL	FUNDRAISING	SUPPORTING	EXPENSES	EXPENSES
			SERVICES		
Salaries & Wages	\$ 484,437	\$ 166,254	\$ 650,691	\$ 4,012,203	\$ 3,683,111
Payroll Taxes	39,423	13,253	52,676	322,810	310,411
Benefits (Note 15)	22,607	4,132	26,739	327,768	295,292
Asst to Beneficiaries	-	-	-	2,220,959	2,291,753
Professional Services	102,456	15,882	118,338	639,250	346,955
Fundraising	-	151,601	151,601	151,601	103,290
Rents & Leases	5,249	-	5,249	95,917	74,849
Operating Supplies	2,701	978	3,679	91,021	123,554
Utilities	12,716	-	12,716	79,426	77,750
Insurance	17,265	243	17,508	68,610	57,536
Travel & Transportation	1,295	56	1,351	60,220	42,329
Communications	4,492	-	4,492	56,549	48,691
Office Supplies	12,491	3,529	16,020	46,848	30,589
Equipment Non-Capital	12,682	1,438	14,120	34,516	52,345
Repairs & Maintenance	3,129	-	3,129	25,340	27,681
Interest Expense	15,827	-	15,827	23,748	36,088
Conferences & Meetings	4,643	1,030	5,673	21,839	20,206
Advertising (Note 16)	5,110	4,906	10,016	13,757	9,004
Miscellaneous	8,561	401	8,962	12,222	5,084
Dues & Subscriptions	744	3,340	4,084	11,239	11,717
Postage & Printing	3,795	3,136	6,931	9,089	17,268
Community Relations	1,196	48	1,244	6,287	3,974
Expenses Before Depreciation	<u>760,819</u>	<u>370,227</u>	<u>1,131,046</u>	<u>8,331,219</u>	<u>7,669,477</u>
Depreciation Expense (Note 8)	<u>148,624</u>	<u>-</u>	<u>148,624</u>	<u>159,162</u>	<u>125,889</u>
Total Expenses	<u>\$ 909,443</u>	<u>\$ 370,227</u>	<u>\$ 1,279,670</u>	<u>\$ 8,490,381</u>	<u>\$ 7,795,366</u>

SEE INDEPENDENT AUDITOR'S REPORT
The Accompanying Notes Are An Integral Part Of These Financial Statements

ST. MARTIN'S HOPEWORKS
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2016)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grantors	\$ 4,704,914	\$ 5,124,622
Cash received from Medicaid fees	2,307,196	2,302,180
Cash received from contributions and support	464,653	705,629
Cash received from United Way allocations	162,500	190,000
Cash received from fundraising event	195,946	258,630
Cash received from interest income	-	12,721
Cash paid to and on behalf of employees	(4,814,471)	(4,235,223)
Cash paid for assistance to beneficiaries	(2,220,959)	(2,291,753)
Cash paid for operating expenses	(862,500)	(561,991)
Cash paid for interest	(23,749)	(37,037)
Net cash provided (used) by operating activities	<u>(86,470)</u>	<u>1,467,778</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from Endowment distribution	5,784	7,867
Cash paid for investment in property and equipment	(196,217)	(557,669)
Fees paid from Endowment	1,675	1,519
Dividends and interest reinvested	(1,525)	(3,122)
Net cash provided (used) by investing activities	<u>(190,283)</u>	<u>(551,405)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Loan Refinance	-	599,315
Principal payments on debt	(26,306)	(750,237)
Net cash provided (used) by financing activities	<u>(26,306)</u>	<u>(150,922)</u>
Net increase (decrease) in cash and cash equivalents	(303,059)	765,451
Cash and cash equivalents at beginning of year	<u>1,202,564</u>	<u>437,113</u>
Cash and cash equivalents at end of year	<u>\$ 899,505</u>	<u>\$ 1,202,564</u>
Cash displayed on Statement of Position as:		
Cash & Cash Equivalents	<u>899,505</u>	<u>1,202,564</u>
	<u>\$ 899,505</u>	<u>\$ 1,202,564</u>

SEE INDEPENDENT AUDITOR'S REPORT
The Accompanying Notes Are An Integral Part Of These Financial Statements

ST. MARTIN'S HOPEWORKS
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2016)

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF (DECREASE) INCREASE IN NET ASSETS TO NET CASH PROVIDED (USED IN) OPERATING ACTIVITIES		
(Decrease) Increase in Net Assets	\$ (12,433)	\$ 1,149,436
Adjustments to reconcile increases in net assets to cash provided by (used in) operating activities:		
Depreciation	159,162	125,889
Unrealized Investment (Gain) Loss	(16,531)	6,296
Loss on disposal of Fixed Assets	7,724	-
<i>(Increases) Decreases in Operating Assets:</i>		
(Increase)Decrease in Promises to Give	24,000	40,000
(Increase)Decrease in Grant Receivable	(254,471)	65,755
(Increase) Decrease in Program Receivables	(10,761)	12,494
(Increase) Decrease in Prepaid Expenses	42,562	(61,887)
(Increase)Decrease in Inventory	1,763	(919)
<i>Increases (Decreases) in Operating Liabilities:</i>		
Increase (Decrease) in Accounts Payable	172,083	31,173
Increase (Decrease) in Accrued Wages & Benefits	(133,890)	65,055
Increase (Decrease) in Payroll Liabilities	(17,800)	(11,463)
Increase (Decrease) in Custodial Liability	(475)	(475)
Increase (Decrease) in Accrued Interest	(30)	(949)
Increase (Decrease) in Deferred Revenue	(47,373)	47,373
Net cash provided by (used in) operating activities	<u>\$ (86,470)</u>	<u>\$ 1,467,778</u>
 SIGNIFICANT NON CASH ACTIVITIES		
In-Kind Donation of Materials	<u>345,324</u>	<u>522,939</u>
Total non-cash activities	<u><u>345,324</u></u>	<u><u>522,939</u></u>

SEE INDEPENDENT AUDITOR'S REPORT
The Accompanying Notes Are An Integral Part Of These Financial Statements

**ST. MARTIN'S HOPEWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Note 1. Summary of significant accounting policies

A. Function of Entity

Parent Organization

During the year ended June 30, 2017, St. Martin's Hospitality Center Board of Directors ratified the decision of doing business as (dba) St. Martin's HopeWorks with a legal name change to HopeWorks to occur during the subsequent fiscal year. St. Martin's Hospitality Center, dba St. Martin's Hopeworks (Hopeworks) a nonprofit organization, was incorporated under the laws of the State of New Mexico on October 30th, 1985. The stated mission of Hopeworks is to assist people living in conditions of extreme poverty to live independently by providing resources, services, and options.

Hopeworks' major funding is provided by the U.S. Department of Housing and Urban Development, the U.S. Department of Health and Human Services, the New Mexico Department of Health, the City of Albuquerque, the New Mexico Mortgage Finance Authority, the United Way of Central New Mexico, with additional support from various private foundations, individual and corporate contributions. Programs supported by these funding sources are as follows:

Shelter Services

- The Shelter Services program is designed to meet the most basic needs of persons living on the street. This program also serves as an entryway for other program services and assistance. This program provides individuals and families with a morning meal, shower and hygiene facilities, ID services, traveler's aid, storage, mail and telephone service, and advocacy services.

Behavioral Health Services

- The Behavioral Health program provides a continuum of behavioral health services including: psycho-social assessments, counseling and therapy, psych-social rehab groups and therapy groups, case management services including intensive case management for clients who have severe mental illness and/or co-occurring disorders, social work, and individual and group recovery services.
- The Behavioral Health program also provides services for the development and support of residence for former prisoners returning to society, counseling services, and behavioral health services.

Housing

- Hopeworks operates 4 housing programs: Continuum Of Care Rental Assistance, City of Albuquerque Almost Home, Home Tenant Based Rental Assistance and Continuum Of Care Transitional Housing. The Continuum Of Care Rental Assistance and Albuquerque Almost Home programs provide permanent supportive housing. Home Tenant Based Rental Assistance and Continuum Of Care Transitional Housing programs are designed to support clients while they get stabilized in employment, school and eventually permanent housing. Participants in all housing programs pay a portion of their rent based on their income.

**ST. MARTIN'S HOPEWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Note 1. Summary of significant accounting policies-continued

Employment

- Hopeworks provides pre-employment services, job placement services and other employment related options for clients who are willing and able to work.

The Hope Cafe

- The Hope Cafe is an employment training center for Hopeworks. It is a working classroom that teaches individuals that are exiting homelessness, marketable job skills so they can gain full-time employment.

Assertive Community Treatment

- The Assertive Community Treatment program (ACT) is an outreach oriented, service delivery model for people with severe persistent mental illness. It is designed to provide comprehensive treatment, rehabilitation, and support services within the community on a seven day a week, 24-hour basis.

Hopeworks is governed by a Board of Directors, which has the responsibility for determining policy and for the execution and evaluation of programs and activities conducted by the Organization. The Board is limited to a minimum of five members and a maximum of twenty-four members. Board members represent government, healthcare, business, public sector, private individuals and organizations that serve the community. The term served by a Board member is three years. A maximum of two terms can be served consecutively by a Board member.

Controlled Affiliate

The controlled affiliate consists of one single member Limited Liability Company. The function of the controlled affiliate is as follows:

- **New Hope Housing, LLC** – was organized under the laws of the State of New Mexico in October of 2012. New Hope Housing, LLC is a wholly owned affiliate of Hopeworks. The mission of New Hope Housing is to provide affordable, safe, and dignified housing for low income and / or individuals and families attempting to exit homelessness and find permanent housing.

Principles of Consolidation

The consolidated financial statements include the accounts of Hopeworks and New Hope Housing, LLC. Intercompany accounts and transaction for these entities have been eliminated in the preparation of the consolidated financial statements.

B. Tax Exempt Status

Hopeworks is exempt from Federal Income taxes under section 501C(3) of the Internal Revenue Code and is not considered a private foundation within the meaning of Section 509 (A) of the Code.

New Hope Housing, LLC. Is a domestic limited liability company exempt from taxation under the laws of the State of New Mexico and is considered a pass-through entity for federal income tax purposes.

ST. MARTIN'S HOPEWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note 1. Summary of significant accounting policies-continued

C. Basis of Accounting

The accompanying financial statements have been prepared using the accrual method of accounting. Under the accrual method of accounting, revenues are recognized when earned rather than received, and expenses are recognized when the related liability is incurred rather than when paid.

D. Financial Statement Presentation

The accompanying financial statements have been prepared following the guidance required under Accounting Standards Codification (ASC) #958-605 "*Not for Profit Entities-Revenue Recognition*" and (ASC) #958-205, "*Not-for-Profit Entities-Presentation of Financial Statements*." Under guidance expressed in these statements, "An organization's net assets and its revenues, expenses, gains and losses are classified based on whether they are restricted by donors. Amounts for each of these three classes of net assets; permanently restricted, temporarily restricted, and unrestricted, are required to be displayed in a statement of financial position and amounts of change in each of these classes of net assets are required to be displayed in a statement of activities. Recognition of the expiration of donor-imposed restrictions in the period in which the restrictions expire is required. Expirations of restrictions that simultaneously increase one class of net assets and decrease another (reclassifications) are reported separately from other transactions in the statement of activities".

Amounts for Hopeworks' total assets, liabilities and net assets are to be reported in a statement of financial position; the change in Hopeworks' net assets is reported in a statement of activities; and the change in its cash and cash equivalents is reported in a statement of cash flows.

E. Statement of Cash Flows

For purposes of the statement of cash flows, Hopeworks considers all highly liquid investments with an original maturity of three months or less as cash equivalents. At June 30, 2017, Hopeworks did not own any cash equivalents. Cash includes amounts held in checking accounts at local banking institutions.

F. Grant Receivables

Grant receivables represent the amount expended during the grant period but reimbursed by the grantor after year-end. When revenues are received in the next year, the receivable will then be reduced.

G. Fair Values Measured on Recurring Basis

In September 2006, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification (ASC) #820, *Fair Value Measurements and Disclosures*. ASC #820 defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. As of July 1, 2008, Hopeworks has adopted ASC #820.

ASC #820 establishes 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 measurement) and the lowest to unobservable inputs in which little or no market data exists (Level 3 measurements). The three levels of the fair value hierarchy under ASC #820 are described below.

**ST. MARTIN'S HOPEWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Note 1. Summary of significant accounting policies-continued

Basis of Fair Value Measurement

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable either directly or indirectly.

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following tables set forth, by level within the fair value hierarchy, Hopeworks' assets and liabilities at fair value, as of June 30, 2017. As required by ASC #820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The table below represents fair value measurement hierarchy of the assets at fair values as of June 30, 2017:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments	2,861	2,861	-0-	-0-
Endowment	<u>146,873</u>	<u>-0-</u>	<u>146,873</u>	<u>-0-</u>
Total assets	<u>\$149,734</u>	<u>\$ 2,861</u>	<u>\$146,873</u>	<u>\$ -0-</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

H. Fixed Assets

Fixed assets are stated at cost. Hopeworks capitalizes all acquisitions at cost in excess of \$2,500 with a useful life of more than one year. Depreciation, which includes the assets recorded under capital leases, is computed principally using the straight-line method over the estimated useful lives of individual assets. Asset lives range from three to forty years.

I. Contribution of Services

Contributions of services are recognized in the financial statements of Hopeworks only if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

J. Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specified purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Hopeworks reports expirations of donor restrictions when the donated

**ST. MARTIN'S HOPEWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Note 1. Summary of significant accounting policies-continued

or acquired assets are placed in service as instructed by the donor. Hopeworks reclassifies temporarily restricted net assets to unrestricted net assets at that time.

K. Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

L. Restricted and Unrestricted Support and Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

M. Allowance for Doubtful Accounts

Hopeworks uses the allowance method to account for uncollectible client receivables. Hopeworks provides an allowance for uncollectible accounts equal to the estimated uncollectible portion of a client receivable. Managements estimate is based on historical experience and its evaluation of the current status of the client receivable.

N. Expense Allocation

The costs of providing various programs have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

O. Endowment Fund

In August 2016, the Financial Accounting Standards Board (FASB) issued ASC 958-205-50-1B *Reporting Endowment Funds* which includes the following financial statement disclosure requirements for Hopeworks for the year ended June 30, 2017.

- Classification of net assets

Endowment funds are used to account for investments in which the principal is temporarily or permanently restricted or Board designated for a specific purpose.

**ST. MARTIN'S HOPEWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Note 1. Summary of significant accounting policies-continued

- Interpretation of relevant law

Hopeworks has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Hopeworks classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time of the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

- Spending Policy

- The amount and timing of each year's distribution shall be as stated in the Albuquerque Community Foundation's current distribution policy. Hopeworks will be notified annually following the end of the Foundation's fiscal year of the amount available for distribution. Hopeworks may elect, in writing, to receive all or part of its current distribution. During the year ended June 30, 2017 earnings from the endowment fund used in operations were \$5,784.

Endowment Net Asset Composition by Type of Funds as of June 30, 2017 includes:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Undesignated	33,436	-0-	33,436
Donor restricted endowment fund	-0-	10,025	10,025
Board designated endowment fund	-0-	103,412	103,412
Total Endowment Funds	<u>\$33,436</u>	<u>\$113,437</u>	<u>\$146,873</u>

ST. MARTIN'S HOPEWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note 1. Summary of significant accounting policies-continued

Changes in Endowment Net Assets for the year ended June 30, 2017 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Endowment net assets, beginning of year	22,871	113,437	136,308
Investment income (loss)	18,024	-0-	18,024
Contribution from acquisition	-0-	-0-	-0-
Appropriation of endowments assets for expenditures	(1,675)	-0-	(1,675)
Endowment distributions	<u>(5,784)</u>	<u>-0-</u>	<u>(5,784)</u>
Endowment net assets, end of year	<u>\$ 33,436</u>	<u>\$113,437</u>	<u>\$146,873</u>

P. Uncertain Tax Positions

Hopeworks annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Organization takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. As of June 30, 2017 there were no uncertain tax positions noted. Hopeworks' policy is to classify income tax penalties and interest, when applicable, according to their natural classification. Under the statute of limitations, Hopeworks' tax returns are no longer subject to examination by tax authorities for years prior to 2014.

Q. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

R. Prior –Year Comparative Information

The financial statements include prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with financial statements for the year ended June 30, 2016 from which the summarized information was derived.

S. Subsequent Events

Management has evaluated subsequent events through March 23, 2018, the date which the financial statements were available to issue.

**ST. MARTIN'S HOPEWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Note 2. Cash Balances

Hopeworks' cash balance on the Statement of Financial Position consists of the following at June 30, 2017:

<u>Account</u>	<u>Balance</u>
Operating Account	\$891,905
Petty Cash	<u>7,600</u>
Total	<u>\$899,505</u>

At June 30, 2017, the total bank balances were \$891,505 of which \$484,481 was insured by federal depository insurance leaving \$407,424 uninsured and uncollateralized. Hopeworks has not experienced any losses in such accounts and management does not believe it is exposed to any significant credit risk.

Note 3. Short – Term Investments

Hopeworks carries investments in certificate of deposits with readily determinable fair values. Market value at June 30, 2017 is as follows:

Short – Term Investments:	
Certificate of deposit	\$2,861
Investment return is summarized as follows:	
Interest Income	<u>33</u>
Total Investment Return	<u>\$ 33</u>
Average Investments	\$2,845
Net Investment Return	\$ 33
Average Return on Investments	1%

Note 4. Pledges Receivable

Pledges receivable at June 30, 2017 are as follows:

Unconditional promises expected to be collected in less than one year:

<u>Foundation / Grant</u>	<u>Amount</u>
United Way	<u>\$126,000</u>

Note 5. Grant Receivable

Grant receivables represent the following amounts due to Hopeworks at June 30, 2017:

City of Albuquerque	\$641,472
Optum BHSD – Local Lead Agency	58,421
Dept. of Health and Human Services	31,667
Dept. of Housing & Urban Development	18,322
Optum SAPT	9,583
Eagles Unlimited	8,820
Other	<u>35,740</u>
Total	<u>\$804,025</u>

**ST. MARTIN'S HOPEWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Note 6. Program Receivable

Program receivables at June 30, 2017 are as follows:

<u>Program</u>	<u>Amount</u>
Optum Health	\$18,740
Presbyterian Health	44,273
United Health Care	59,806
Molina Health Care	31,093
Blue Cross Blue Shield	31,274
Other	<u>13,621</u>
Total Program Receivable	198,807
Less Allowances	<u>4,681</u>
Net Program Receivables	<u>\$194,126</u>

Note 7. Prepaid Expense and Deposits

Prepaid expense represents amounts paid in advance for the following:

Hope Cafe Lease	\$ 7,600
Prepaid Insurance	65,316
Deposit-Range Hood	<u>7,710</u>
Total	<u>\$80,626</u>

Note 8. Property and Equipment

The components of property and equipment at June 30, 2017 are as follows:

Building	\$2,053,466
Capital Improvements	962,091
Land	166,379
Automobiles	227,819
Computer Equipment & Software	121,517
Furniture & Equipment	<u>189,304</u>
Total Property & Equipment	3,720,576
Less: Accumulated Depreciation	<u>1,480,894</u>
Net Property & Equipment	<u>\$ 2,239,682</u>

Depreciation expense for the year ended June 30, 2017 was \$159,162.

Note 9. Accrued Wages & Benefits

Employees of Hopeworks earn wages and annual leave based on stated policies. Earned but unpaid wages and annual leave are payable to the employee upon termination. These accrued amounts are shown as a liability on the statement of financial position and the related change in liability is reflected as an expense in the year of change.

Note 10. Client Custodial Accounts

Unclaimed property represents utility allowances for our housing clients who left the program without utilizing the funds and whose whereabouts are unknown. Hopeworks makes every effort to locate these individuals to return these funds. As of June 30, 2017 the balance due was \$2,108.

ST. MARTIN'S HOPEWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note 11. Line of Credit

Hopeworks maintains a \$300,000 revolving line of credit from Wells Fargo Bank to help finance its short-term capital needs. The line is secured by receivables with interest payable monthly on outstanding balances at an interest rate based on the "Wall Street Journal" Prime Rate. Borrowings and repayment of \$0 occurred during the fiscal year ended June 30, 2017. There was no balance due at June 30, 2017. Interest expense for the year ended June 30, 2017 was also \$0.

Note 12. Note Payable

New Mexico Bank & Trust

Hopeworks has an obligation to New Mexico Bank & Trust bearing an interest rate of 4.26%. This loan is payable in monthly installments of \$2,422, including interest and principal, and is collateralized by real estate.

Loan maturity for each of the five years subsequent to June 30, 2017 is as follows:

2018	\$ 13,476
2019	14,061
2020	14,672
2021	15,309
2022	15,974
Thereafter	<u>298,079</u>
Total	<u>\$371,571</u>

Interest expense for the year ended June 30, 2017 was approximately \$15,767.

New Mexico Bank & Trust

Hopeworks has an obligation to New Mexico Bank & Trust bearing an interest rate of 4.26%. This loan is payable in monthly installments of \$778, including interest and principal, and is collateralized by real estate.

Loan maturity for each of the five years subsequent to June 30, 2017 is as follows:

2018	\$ 4,328
2019	4,516
2020	4,713
2021	4,917
2022	5,131
Thereafter	<u>95,758</u>
Total	<u>\$119,363</u>

Interest expense for the year ended June 30, 2017 was approximately \$5,188.

**ST. MARTIN'S HOPEWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Note 12. Note Payable - continued

New Mexico Bank & Trust

Hopeworks has an obligation to New Mexico Bank & Trust bearing an interest rate of 4.00%. This loan is payable in monthly installments of \$974, including interest and principal, and is collateralized by real estate.

Loan maturity for each of the five years subsequent to June 30, 2017 is as follows:

2018	9,253
2019	9,630
2020	10,022
2021	10,431
2022	10,856
Thereafter	<u>15,183</u>
Total	<u>\$65,375</u>

Interest expense for the year ended June 30, 2017 was approximately \$2,797.

Note 13. Net Assets

Hopeworks classifies its net assets into the following categories:

Unrestricted – net assets that are not subject to donor-imposed stipulations. This includes certain amounts designated by the Board for grants, endowments and other purposes.

Temporarily Restricted – net assets subject to donor-imposed stipulations that may or will be met either by actions of Hopeworks and/or the passage of time. Temporarily restricted net assets at June 30, 2017 consisted of:

United Way	\$126,000
Blue Cross Blue Shield	7,500
TJX Foundation	5,000
Bank of America	<u>5,000</u>
Total Temporarily Restricted Net Assets	<u>\$143,500</u>

Permanently Restricted – net assets subject to board designated and gift instrument restrictions that Hopeworks permanently maintain them. Permanent net assets consist of following:

Endowment	\$103,412
Endowment	10,025
Allotta Foundation	<u>11,850</u>
Total Permanently Restricted Net Assets	<u>\$125,287</u>

Note 14. In-Kind Donations

Hopeworks received in-kind contributions of materials with a market value of \$345,324. In addition, Hopeworks received over 10,000 hours of donated services that did not meet the criteria for inclusion in the financial statements.

ST. MARTIN'S HOPEWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note 15. Retirement Plans

Hopeworks participates in a defined contribution retirement plan administered by Principal Funds. This plan is for the benefit of all eligible professional and support staff of Hopeworks who qualify under applicable participation requirements. Under the terms of the plan, contributions are made under Section 403(b) of the Code and are invested, at the discretion of the plan participant, in one or more of the investment vehicles available under the plan. The plan currently provides for Hopeworks to make matching contributions up to 1% of eligible employee salary. Retirement expense for the year ended June 30, 2017 totaled \$9,933.

Note 16. Advertising

Hopeworks expenses advertising costs as incurred. Advertising costs are incurred primarily for the recruitment of professional staff.

Note 17. Fundraising

For the year ended June 30, 2017, fundraising expense was \$370,227. Funds raised as a result of these expenses were approximately \$831,314. This resulted in a fundraising ratio of 45% (\$370,227 in expenses divided by \$831,314 in revenue).

Note 18. Concentrations of Risk

Funding from government agencies constitute 59% of Hopeworks' support. This funding is vulnerable to changes in the legislative priorities of the federal, state and local governments. The management of Hopeworks does not expect that the support from these sources will be lost in the near term.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors of
St. Martin's Hospitality Center dba
St Martin's Hopeworks and
Controlled Affiliates
Albuquerque, New Mexico

INDEPENDENT AUDITOR'S REPORT

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of St. Martin's Hopeworks (Hopeworks) as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated March 23, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hopeworks' internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hopeworks' internal control. Accordingly, we do not express an opinion on the effectiveness of Hopeworks' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hopeworks' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Ollie D. Waters". The signature is written in a cursive, flowing style.

Ollie D. Waters, CPA, CMA
Moye, Waters and Associates, LLC
Albuquerque, NM
March 23, 2018

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors of
St. Martin's Hospitality Center dba
St Martin's Hopeworks and
Controlled Affiliate
Albuquerque, New Mexico

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program

We have audited St. Martin's Hopeworks' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hopeworks' major federal programs for the year ended June 30, 2017. Hopeworks' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hopeworks' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hopeworks' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hopeworks' compliance.

Opinion on Each Major Federal Program

In our opinion, Hopeworks complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Hopeworks is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hopeworks' internal control over compliance with the requirements that could have a direct material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hopeworks' internal control over compliance.

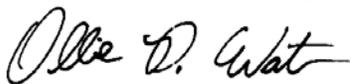
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect, and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Hopeworks as of and for the year ended June 30, 2017 and have issued our report thereon dated March 23, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Ollie D. Waters, CPA, CMA
Moye, Waters and Associates, LLC
Albuquerque, New Mexico
March 23, 2018

ST. MARTIN'S HOPEWORKS AND CONTROLLED AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS:	<u>St. Martin's Hopeworks</u>	<u>New Hope Housing, LLC</u>	<u>Eliminations</u>	<u>Total</u>
Current Assets				
Cash and Cash Equivalents (Note 2)	\$ 873,842	\$ 25,663	\$ -	\$ 899,505
Short Term Investments (Note 3)	2,861	-	-	2,861
Pledges Receivable (Note 4)	126,000	-	-	126,000
Grant Receivables (Note 5)	804,025	-	-	804,025
Program Receivables (Note 6)	194,126	-	-	194,126
Prepaid Expenses and Deposits (Note 7)	80,626	-	-	80,626
Inventory	5,948	-	-	5,948
Total Current Assets	<u>2,087,428</u>	<u>25,663</u>	<u>-</u>	<u>2,113,091</u>
Property & Equipment				
Property & Equipment (Note 8)	3,720,576	-	-	3,720,576
Less Accumulated Depreciation (Note 8)	<u>(1,480,894)</u>	<u>-</u>	<u>-</u>	<u>(1,480,894)</u>
Net Property & Equipment	<u>2,239,682</u>	<u>-</u>	<u>-</u>	<u>2,239,682</u>
Other Assets				
Endowment (Note 1, item O)	146,873	-	-	146,873
Total Other Assets	<u>146,873</u>	<u>-</u>	<u>-</u>	<u>146,873</u>
Total Assets	<u>\$ 4,473,983</u>	<u>\$ 25,663</u>	<u>\$ -</u>	<u>\$ 4,499,646</u>
LIABILITIES:				
Current Liabilities				
Accounts Payable	\$ 242,631	\$ -	\$ -	\$ 242,631
Accrued Wages & Benefits (Note 9)	223,657	-	-	223,657
Payroll Tax Liabilities	38	-	-	38
Client Custodial Accounts (Note 10)	2,108	-	-	2,108
Accrued Interest	635	-	-	635
Current Portion of Note Payable (Note 12)	27,057	-	-	27,057
Total Current Liabilities	<u>496,126</u>	<u>-</u>	<u>-</u>	<u>496,126</u>
Long Term Liabilities				
Note Payable-net of current portion (Note 12)	529,252	-	-	529,252
Total Long Term Liabilities	<u>529,252</u>	<u>-</u>	<u>-</u>	<u>529,252</u>
Total Liabilities	<u>1,025,378</u>	<u>-</u>	<u>-</u>	<u>1,025,378</u>
NET ASSETS:				
Unrestricted (Note 13)	3,179,818	25,663	-	3,205,481
Temporarily Restricted (Note 13)	143,500	-	-	143,500
Permanently Restricted (Note 13)	125,287	-	-	125,287
Total Net Assets	<u>3,448,605</u>	<u>25,663</u>	<u>-</u>	<u>3,474,268</u>
Total Liabilities & Net Assets	<u>\$ 4,473,983</u>	<u>\$ 25,663</u>	<u>\$ -</u>	<u>\$ 4,499,646</u>

**ST. MARTIN'S HOPEWORKS AND CONTROLLED AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>St. Martin's Hopeworks</u>	<u>New Hope Housing, LLC</u>	<u>Eliminations</u>	<u>Totals</u>
REVENUE:				
Grants	\$ 4,959,385	\$ -	\$ -	\$ 4,959,385
Contributions and Support	449,495	-	-	449,495
Medicaid Fees	2,099,851	-	-	2,099,851
Program Income	218,109	-	-	218,109
United Way Allocation	138,500	-	-	138,500
Event Income	243,319	-	-	243,319
Administrative Income	15,158	-	-	15,158
Investment Income	8,807	-	-	8,807
In-Kind Income (Note 14)	345,324	-	-	345,324
Total Revenue	8,477,948	-	-	8,477,948
EXPENSES:				
Program	7,200,173	-	-	7,200,173
Management & General	760,819	-	-	760,819
Fundraising (Note 17)	370,227	-	-	370,227
Total Expenses before Depreciation	8,331,219	-	-	8,331,219
Change in Net Assets before Depreciation	146,729	-	-	146,729
Depreciation Expense (Note 8)	159,162	-	-	159,162
Increase (Decrease) in Net Assets	(12,433)	-	-	(12,433)
Net Assets at Beginning of Year	3,461,038	25,663	-	3,486,701
Net Assets at End of Year	\$ 3,448,605	\$ 25,663	\$ -	\$ 3,474,268

**ST. MARTIN'S HOPEWORKS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Department of Housing and Urban Development				
Emergency Solutions Grant Program	14.231	City of Albuquerque	708736	\$ 39,296
Continuum of Care Rental Assistance	14.238	City of Albuquerque	708410	595,793
HOME-Tenant Based Rental Assistance	14.239	City of Albuquerque	708596	187,257
Continuum of Care	14.267	City of Albuquerque	707008	89,221
Continuum of Care	14.267	Direct Funding	NM005L6B001508	87,814
<i>Total Department of Housing and Urban Development</i>				<u>999,381</u>
Department of Health and Human Services				
Projects for Assistance in the Transition from Homelessness	93.150	NM Human Services Department	none	254,835
Substance Abuse and Mental Health Services Administration	93.243	NM Human Services Department	1H79TI026053-01	524,236
Substance Abuse Prevention Treatment	93.959	NM Human Services Department	none	111,865
<i>Total Department of Health and Human Services</i>				<u>890,936</u>
<i>Total Expenditures of Federal Awards</i>				<u>\$ 1,890,317</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE

ST. MARTIN'S HOPEWORKS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of St. Martin's Hopeworks under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a selected portion of the operations of St. Martin's Hopeworks, it is not intended to and does not represent the financial position, changes in net assets, or cash flows of St. Martin's Hopeworks.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in the prior years. St. Martin's Hopeworks has elected to use the 10-percent de Minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Loans Outstanding

St. Martin's Hopeworks had no federal loan balances outstanding at June 30, 2017.

Note 4. Subrecipients

Of the federal expenditures presented in the schedule, St. Martin's Hopeworks provided no federal awards to subrecipients.

**ST. MARTIN'S HOPEWORKS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

1. Type of auditors' report issued Unmodified

Internal control over financial reporting:

- | | |
|------------------------------------------------------------------------------------------------|------------|
| 1. Material weakness(es) identified? | No |
| 2. Significant deficiency(ies) identified that are not considered to be Material weakness(es)? | None noted |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards:

Internal control over major programs:

- | | |
|------------------------------------------------------------------------------------------------|------------|
| 1. Material weakness(es) identified? | No |
| 2. Significant deficiency(ies) identified that are not considered to be Material weakness(es)? | None noted |

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? No

Identification of major programs:

CFDA Number
93.243

Name of Federal Program or Cluster
Substance Abuse And Mental Health Service Adm.

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

PRIOR YEAR FINDINGS:

No matters were noted

CURRENT YEAR FINDINGS:

No matters were noted

SECTION III – FEDERAL AWARDS FINDINGS

No matters were noted

**ST. MARTIN’S HOPEWORKS
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2017**

On May 14th, 2018 an exit conference was held at the offices of St. Martin’s Hopeworks. In attendance were the following:

Representing St. Martin’s Hopeworks:

Jessica Perez	Chair
Angie Kelic	Vice-Chair
Marty Mathisen, CPA	Treasurer
Sonya Burke	Secretary
Greg Morris	Executive Director
Vicky Palmer	Associate Director
Jason Greving, CPA	Chief Financial Officer

Representing the City of Albuquerque

Patricia Sanchez	Accountant II
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Representing the Auditors

Ollie D. Waters, CPA, CMA	Auditor
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