



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

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

**JUNE 30, 2018**

**HOPEWORKS  
TABLE OF CONTENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**INTRODUCTORY SECTION**

Official Roster	1
-----------------	---

**FINANCIAL SECTION**

Independent Auditor's Report	2-3
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities	5
Consolidated Statement of Functional Expenses	6-7
Consolidated Statement of Cash Flows	8-9
Notes to Financial Statements	10-23

**COMPLIANCE SECTION**

Report on Internal Control Over Financial Reporting and on Compliance and Other Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .	24-25
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required By the Uniform Guidance	26-27

**SUPPLEMENTARY INFORMATION**

Consolidating Statement of Financial Position	28
Consolidating Statement of Activities	29
Schedule of Expenditures of Federal Awards	30
Notes to the Schedule of Expenditures of Federal Awards	31
Schedule of Findings and Questioned Costs	32
Exit Conference	33

**HOPEWORKS  
OFFICIAL ROSTER  
FOR THE YEAR ENDED JUNE 30, 2018**

**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
Sanjay Engineer	Director
Karen Glinski	Director
Harry Gauler	Director
Dr. Joe Gorvetzian	Director
Dr. Holly Nelson	Director
Dr. Alisha Parada	Director
Elizabeth A. Heaphy	Director

**ADMINISTRATIVE STAFF**

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

To the Board of Directors  
St. Martin's Hospitality Center dba  
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 HopeWorks, and Controlled Affiliate, (collectively referred to as HopeWorks), as of June 30, 2018, 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 HopeWorks as of June 30, 2018, 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**

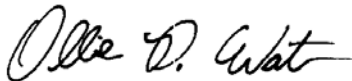
We have previously audited HopeWorks' 2017 financial statements, and in our report dated March 23, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, 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 October 26, 2018 on our consideration of the 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 HopeWorks' internal control over financial reporting and compliance.



Ollie D. Waters, CPA, CMA  
Moye, Waters and Associates, LLC  
Albuquerque, New Mexico  
October 26, 2018

**HOPEWORKS**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2018**  
**(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2017)**

ASSETS:

	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and Cash Equivalents (Note 2)	\$ 413,696	\$ 899,505
Short Term Investments (Note 3)	2,895	2,861
Pledges Receivable (Note 4)	108,800	126,000
Grant Receivables (Note 5)	828,617	804,025
Program Receivables (Note 6)	272,461	194,126
Prepaid Expenses & Deposits (Note 7)	32,541	80,626
Inventory	<u>10,692</u>	<u>5,948</u>
Total Current Assets	<u>1,669,702</u>	<u>2,113,091</u>
Property & Equipment		
Property & Equipment (Note 8)	3,747,916	3,720,576
Less Accumulated Depreciation (Note 8)	<u>(1,649,784)</u>	<u>(1,480,894)</u>
Net Property & Equipment	<u>2,098,132</u>	<u>2,239,682</u>
Other Assets		
Endowment (Note 1, item O)	<u>149,436</u>	<u>146,873</u>
Total Other Assets	<u>149,436</u>	<u>146,873</u>
Total Assets	<u>\$ 3,917,270</u>	<u>\$ 4,499,646</u>

LIABILITIES:

Current Liabilities		
Accounts Payable	\$ 88,464	\$ 242,631
Accrued Wages & Benefits (Note 9)	210,563	223,657
Payroll Tax Liabilities	-	38
Client Custodial Accounts (Note 10)	2,108	2,108
Accrued Interest	-	635
Deferred Revenue	-	-
Current Portion of Note Payable (Note 11)	<u>28,572</u>	<u>27,057</u>
Total Current Liabilities	<u>329,707</u>	<u>496,126</u>
Long Term Liabilities		
Note Payable-net of current portion (Note 11)	<u>500,321</u>	<u>529,252</u>
Total Long Term Liabilities	<u>500,321</u>	<u>529,252</u>
Total Liabilities	<u>830,028</u>	<u>1,025,378</u>

NET ASSETS:

Unrestricted (Note 12)	2,764,155	3,205,481
Temporarily Restricted (Note 12)	197,800	143,500
Permanently Restricted (Note 12)	<u>125,287</u>	<u>125,287</u>
Total Net Assets	<u>3,087,242</u>	<u>3,474,268</u>
Total Liabilities & Net Assets	<u>\$ 3,917,270</u>	<u>\$ 4,499,646</u>

SEE INDEPENDENT AUDITOR'S REPORT

The Accompanying Notes Are An Integral Part Of These Financial Statements

**HOPEWORKS**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2017)**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2018 TOTAL</u>	<u>2017 TOTAL</u>
REVENUE AND SUPPORT:					
Grants	\$ 5,036,115	\$ 89,000	\$ -	\$ 5,125,115	\$ 4,959,385
Medicaid Fees	2,274,136	-	-	2,274,136	2,099,851
Contributions and Support	679,393	-	-	679,393	449,495
In-Kind Income (Note 13)	437,291	-	-	437,291	345,324
Program Income	350,218	-	-	350,218	218,109
United Way Allocations	-	108,800	-	108,800	138,500
Administrative Income	52,526	-	-	52,526	15,158
Event Income	46,580	-	-	46,580	243,319
Investment Gain (Loss)	8,266	-	-	8,266	5,686
Interest Income	3,829	-	-	3,829	3,121
Net Assets released from restrictions:					
Restrictions satisfied by program payments	143,501	(143,501)	-	-	-
Total Revenue and Support	<u>9,031,855</u>	<u>54,299</u>	<u>-</u>	<u>9,086,154</u>	<u>8,477,948</u>
EXPENSES:					
Program	7,921,925	-	-	7,921,925	7,200,173
Management & General	1,145,387	-	-	1,145,387	760,819
Fundraising (Note 16)	236,978	-	-	236,978	370,227
Total Expenses before Depreciation	<u>9,304,290</u>	<u>-</u>	<u>-</u>	<u>9,304,290</u>	<u>8,331,219</u>
Change in Net Assets before Depreciation	(272,435)	54,299	-	(218,136)	146,729
Depreciation Expense (Note 8)	168,890	-	-	168,890	159,162
Increase (Decrease) in Net Assets	(441,325)	54,299	-	(387,026)	(12,433)
Net Assets at Beginning of Year	<u>3,205,480</u>	<u>143,501</u>	<u>125,287</u>	<u>3,474,268</u>	<u>3,486,701</u>
Net Assets at End of Year	<u>\$ 2,764,155</u>	<u>\$ 197,800</u>	<u>\$ 125,287</u>	<u>\$ 3,087,242</u>	<u>\$ 3,474,268</u>

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

**HOPEWORKS**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2017)**

	<b>PROGRAM SERVICES</b>							<b>TOTAL</b>
	<b>BEHAVIORAL</b>							<b>PROGRAM</b>
	<b>HEALTH</b>	<b>HOUSING</b>	<b>EMPLOYMENT</b>	<b>CRT</b>	<b>HOPE FOUND</b>	<b>SHELTER</b>		<b>SERVICES</b>
Salaries & Wages	\$ 1,625,033	\$ 185,290	\$ 443,485	\$ 937,750	\$ 63,532	\$ 332,104		\$ 3,587,194
Payroll Taxes	121,315	15,162	36,992	74,214	4,574	26,431		278,688
Benefits (Note 14)	166,879	13,404	34,472	104,774	3,613	37,975		361,117
Asst to Beneficiaries	108,327	1,525,320	224,001	61,182	38,157	492,467		2,449,454
Professional Services	443,989	18,906	799	42,930	360	81,941		588,925
Rents & Leases	75,183	3,593	22,736	2,035	682	612		104,841
Operating Supplies	4,935	-	97,730	2,519	-	401		105,585
Insurance	46,260	2,208	8,929	15,204	725	11,742		85,068
Utilities	45,989	2,095	1,310	3,594	786	22,840		76,614
Travel & Transportation	21,058	4,068	5,521	33,202	617	4,779		69,245
Communications	34,460	2,382	4,192	11,624	444	5,949		59,051
Fundraising	-	-	-	-	-	-		-
Repairs & Maintenance	13,494	-	2,198	938	247	16,022		32,899
Conferences & Meetings	9,192	777	416	11,970	1,551	301		24,207
Office Supplies	16,288	1,431	927	2,406	-	268		21,320
Miscellaneous	277	11,885	2,858	32	259	-		15,311
Equipment Non-Capital	8,894	-	934	2,963	2,000	973		15,764
Interest Expense	2,427	2,586	1,617	4,840	971	-		12,441
Postage & Printing	1,260	522	258	1,256	42	280		3,618
Recruiting (Note 15)	4,660	2,044	1,851	4,897	1,421	514		15,387
Dues & Subscriptions	3,327	350	3,856	1,187	-	195		8,915
Community Relations	554	50	5,135	175	-	367		6,281
Expenses Before Depreciation	<u>2,753,801</u>	<u>1,792,073</u>	<u>900,217</u>	<u>1,319,692</u>	<u>119,981</u>	<u>1,036,161</u>		<u>7,921,925</u>
Depreciation Expense (Note 8)	40,358	7,709	5,625	6,560	2,893	56,793		119,938
Total Expenses	<u>\$ 2,794,159</u>	<u>\$ 1,799,782</u>	<u>\$ 905,842</u>	<u>\$ 1,326,252</u>	<u>\$ 122,874</u>	<u>\$ 1,092,954</u>		<u>\$ 8,041,863</u>

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



**HOPEWORKS**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2017)**

	<b>SUPPORTING SERVICES</b>			<b>2018</b>	<b>2017</b>
	<b>MANAGEMENT</b>		<b>TOTAL</b>	<b>TOTAL</b>	<b>TOTAL</b>
	<b>&amp; GENERAL</b>	<b>FUNDRAISING</b>	<b>SUPPORTING</b>	<b>EXPENSES</b>	<b>EXPENSES</b>
	<b>SERVICES</b>		<b>SERVICES</b>		
Salaries & Wages	\$ 739,508	\$ 128,098	\$ 867,606	\$ 4,454,800	\$ 4,012,203
Payroll Taxes	58,562	9,983	68,545	347,233	322,810
Benefits (Note 14)	61,159	5,413	66,572	427,689	327,768
Asst to Beneficiaries	-	510	510	2,449,964	2,220,959
Professional Services	191,151	4,299	195,450	784,375	639,250
Rents & Leases	5,445	1,362	6,807	111,648	151,601
Operating Supplies	239	1,530	1,769	107,354	95,917
Insurance	5,853	1,414	7,267	92,335	91,021
Utilities	6,279	1,573	7,852	84,466	79,426
Travel & Transportation	2,137	187	2,324	71,569	68,610
Communications	3,545	580	4,125	63,176	60,220
Fundraising	-	51,867	51,867	51,867	56,549
Repairs & Maintenance	10,020	851	10,871	43,770	46,848
Conferences & Meetings	11,414	1,028	12,442	36,649	34,516
Office Supplies	8,532	6,469	15,001	36,321	25,340
Miscellaneous	15,936	136	16,072	31,383	23,748
Equipment Non-Capital	9,364	648	10,012	25,776	21,839
Interest Expense	7,750	1,939	9,689	22,130	13,757
Postage & Printing	2,975	14,986	17,961	21,579	12,222
Recruiting (Note 15)	3,630	1,820	5,450	20,837	11,239
Dues & Subscriptions	1,475	1,515	2,990	11,905	9,089
Community Relations	413	770	1,183	7,464	6,287
Expenses Before Depreciation	<u>1,145,387</u>	<u>236,978</u>	<u>1,382,365</u>	<u>9,304,290</u>	<u>8,331,219</u>
Depreciation Expense (Note 8)	43,170	5,782	48,952	168,890	159,162
Total Expenses	<u>\$ 1,188,557</u>	<u>\$ 242,760</u>	<u>\$ 1,431,317</u>	<u>\$ 9,473,180</u>	<u>\$ 8,490,381</u>

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

**HOPEWORKS**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2017)**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from grantors	\$ 5,100,523	\$ 4,704,914
Cash received from Medicaid fees	2,195,801	2,088,423
Cash received from program fees	345,474	218,773
Cash received from contributions and support	731,919	464,653
Cash received from United Way allocations	126,000	162,500
Cash received from fundraising event	46,580	195,946
Cash received from interest income	3,829	3,121
Cash paid to and on behalf of employees	(5,242,854)	(4,814,471)
Cash paid for assistance to beneficiaries	(2,012,673)	(2,220,959)
Cash paid for operating expenses	(1,716,265)	(865,621)
Cash paid for interest	(22,765)	(23,749)
Net cash provided (used) by operating activities	<u>(444,431)</u>	<u>(86,470)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash received from Endowment distribution	5,703	5,784
Cash paid for investment in property and equipment	(19,630)	(196,217)
Fees paid from Endowment	1,580	1,675
Dividends and interest reinvested	(1,615)	(1,525)
Net cash provided (used) by investing activities	<u>(13,962)</u>	<u>(190,283)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on debt	<u>(27,416)</u>	<u>(26,306)</u>
Net cash provided (used) by financing activities	<u>(27,416)</u>	<u>(26,306)</u>
Net increase (decrease) in cash and cash equivalents	(485,809)	(303,059)
Cash and cash equivalents at beginning of year	<u>899,505</u>	<u>1,202,564</u>
Cash and cash equivalents at end of year	<u>\$ 413,696</u>	<u>\$ 899,505</u>
Cash displayed on Statement of Position as:		
Cash & Cash Equivalents	<u>413,696</u>	<u>899,505</u>
	<u>\$ 413,696</u>	<u>\$ 899,505</u>

SEE INDEPENDENT AUDITOR'S REPORT

The Accompanying Notes Are An Integral Part Of These Financial Statements

**HOPEWORKS**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2017)**

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF (DECREASE) INCREASE IN NET ASSETS TO NET CASH PROVIDED (USED IN) OPERATING ACTIVITIES		
(Decrease) Increase in Net Assets	\$ (387,026)	\$ (12,433)
Adjustments to reconcile increases in net assets to cash provided by (used in) operating activities:		
Depreciation	168,890	159,162
Unrealized Investment (Gain) Loss	(8,266)	(16,531)
Loss on disposal of Fixed Assets	-	7,724
<i>(Increases) Decreases in Operating Assets:</i>		
(Increase )Decrease in Promises to Give	17,200	24,000
(Increase )Decrease in Grant Receivable	(24,592)	(254,471)
(Increase) Decrease in Program Receivables	(78,335)	(10,761)
(Increase) Decrease in Prepaid Expenses	40,376	42,562
(Increase )Decrease in Inventory	(4,744)	1,763
<i>Increases (Decreases) in Operating Liabilities:</i>		
Increase (Decrease) in Accounts Payable	(154,167)	172,083
Increase (Decrease) in Accrued Wages & Benefits	-	(133,890)
Increase (Decrease) in Payroll Liabilities	(13,132)	(17,800)
Increase (Decrease) in Custodial Liability	-	(475)
Increase (Decrease) in Accrued Interest	(635)	(30)
Increase (Decrease) in Deferred Revenue	-	(47,373)
Net cash provided by (used in) operating activities	<u>\$ (444,431)</u>	<u>\$ (86,470)</u>
 SIGNIFICANT NON CASH ACTIVITIES		
In-Kind Donation of Materials	437,291	345,324
Total non-cash activities	<u>437,291</u>	<u>345,324</u>

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

**HOPEWORKS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Note 1. Summary of significant accounting policies**

**A. Function of Entity**

**Parent Organization**

During the year ended June 30, 2018, St. Martin's Hospitality Center Board of Directors ratified the decision of doing business as (dba) HopeWorks with a legal name change to HopeWorks to occur during the subsequent fiscal year. St. Martin's Hospitality Center, dba 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.

**HOPEWORKS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**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.

**HOPEWORKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**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, 2018, 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.

**HOPEWORKS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**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, 2018. 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, 2018:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments	2,895	2,895	-0-	-0-
Endowment	149,436	-0-	149,436	-0-
Total assets	<u>\$152,331</u>	<u>\$ 2,895</u>	<u>\$149,436</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

**HOPEWORKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**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, 2018.

- 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.



**HOPEWORKS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**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, 2018 earnings from the endowment fund used in operations were \$5,703.

Endowment Net Asset Composition by Type of Funds as of June 30, 2018 includes:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Undesignated	35,999	-0-	35,999
Donor restricted endowment fund	-0-	10,025	10,025
Board designated endowment fund	-0-	103,412	103,412
Total Endowment Funds	<u>\$35,999</u>	<u>\$113,437</u>	<u>\$149,436</u>

**HOPEWORKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Note 1. Summary of significant accounting policies-continued**

Changes in Endowment Net Assets for the year ended June 30, 2018 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Endowment net assets, beginning of year	33,436	113,437	146,873
Investment income (loss)	9,846	-0-	9,846
Contribution from acquisition	-0-	-0-	-0-
Appropriation of endowments assets for expenditures	(1,580)	-0-	(1,580)
Endowment distributions	<u>(5,703)</u>	<u>-0-</u>	<u>(5,703)</u>
Endowment net assets, end of year	<u>\$ 35,999</u>	<u>\$113,437</u>	<u>\$149,436</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, 2018 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 2015.

**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, 2017 from which the summarized information was derived.

**S. Subsequent Events**

Management has evaluated subsequent events through October 26, 2018, the date which the financial statements were available to issue.

**HOPEWORKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Note 2. Cash Balances**

HopeWorks' cash balance on the Statement of Financial Position consists of the following at June 30, 2018:

<u>Account</u>	<u>Balance</u>
Operating Account	\$405,696
Petty Cash	<u>8,000</u>
Total	<u>\$413,696</u>

All deposits with financial institutions are fully insured with the Federal Deposit Insurance Corporation.

**Note 3. Short – Term Investments**

HopeWorks carries investments in certificate of deposits with readily determinable fair values. Market value at June 30, 2018 is as follows:

Short – Term Investments:	
Certificate of deposit	\$2,895
Investment return is summarized as follows:	
Interest Income	<u>33</u>
Total Investment Return	<u>\$ 33</u>
Average Investments	\$2,878
Net Investment Return	\$ 33
Average Return on Investments	1%

**Note 4. Pledges Receivable**

Pledges receivable at June 30, 2018 are as follows:

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

<u>Foundation / Grant</u>	<u>Amount</u>
United Way	<u>\$108,800</u>

**Note 5. Grant Receivable**

Grant receivables represent the following amounts due to HopeWorks at June 30, 2018:

City of Albuquerque	\$574,124
Optum BHSD – Local Lead Agency	71,222
Dept. of Health and Human Services	47,500
Dept. of Housing & Urban Development	20,439
Optum SAPT	9,583
Other	<u>105,749</u>
Total	<u>\$828,617</u>

**HOPEWORKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Note 6. Program Receivable**

Program receivables at June 30, 2018 are as follows:

<u>Program</u>	<u>Amount</u>
Molina Health Care	89,708
Presbyterian Health	65,450
United Health Care	56,676
New Mexico Medicaid	15,960
Blue Cross Blue Shield	10,603
Other	<u>37,675</u>
Total Program Receivable	276,072
Less Allowances	<u>3,611</u>
Net Program Receivables	<u>\$272,461</u>

**Note 7. Prepaid Expense and Deposits**

Prepaid expense represents amounts paid in advance for the following:

Prepaid Insurance	24,941
Hope Cafe Lease	<u>\$ 7,600</u>
Total	<u>\$32,541</u>

**Note 8. Property and Equipment**

The components of property and equipment at June 30, 2018 are as follows:

Building	\$2,053,467
Capital Improvements	962,091
Automobiles	242,030
Furniture & Equipment	189,304
Land	166,379
Computer Equipment & Software	127,110
Other	<u>7,535</u>
Total Property & Equipment	3,747,916
Less: Accumulated Depreciation	<u>1,649,784</u>
Net Property & Equipment	<u>\$ 2,098,132</u>

Depreciation expense for the year ended June 30, 2018 was \$168,890.

**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, 2018 the balance due was \$2,108.

**HOPEWORKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Note 11. 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, 2018 is as follows:

2019	\$ 14,373
2020	14,947
2021	15,623
2022	16,289
2023	16,984
Thereafter	<u>279,569</u>
Total	<u>\$357,785</u>

Interest expense for the year ended June 30, 2018 was approximately \$15,279.

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, 2018 is as follows:

2019	\$ 4,616
2020	4,801
2021	5,018
2022	5,232
2023	5,455
Thereafter	<u>89,814</u>
Total	<u>\$114,936</u>

Interest expense for the year ended June 30, 2018 was approximately \$4,908.

**HOPEWORKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Note 11. 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, 2018 is as follows:

2019	9,583
2020	9,975
2021	10,391
2022	10,821
2023	11,268
Thereafter	<u>4,134</u>
Total	<u>\$56,172</u>

Interest expense for the year ended June 30, 2018 was approximately \$2,482.

**Note 12. 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, 2018 consisted of:

*Time Restricted:*

United Way	<u>\$108,800</u>
------------	------------------

*Purpose Restricted:*

Albuquerque Community Foundation	29,000
Blue Cross Blue Shield	50,000
Larry H Miller Charities	<u>10,000</u>
Total Purpose Restricted	<u>89,000</u>

Total Temporarily Restricted Net Assets	<u>\$197,800</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 13. In-Kind Donations**

HopeWorks received in-kind contributions of materials with a market value of \$437,291. In addition, HopeWorks received over 12,000 hours of donated services that did not meet the criteria for inclusion in the financial statements.

**HOPEWORKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Note 14. 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, 2018 totaled \$9,845.

**Note 15. Recruiting**

HopeWorks expenses recruiting costs as incurred. Recruiting costs are incurred primarily for the recruitment of professional staff.

**Note 16. Fundraising**

For the year ended June 30, 2018, fundraising expense was \$242,760. Funds raised as a result of these expenses were approximately \$1,138,411. This resulted in a fundraising ratio of 21% (\$242,760 in expenses divided by \$1,138,411 in revenue).

**Note 17. New Accounting Standards**

Not-for-Profit Entities

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Not-for-Profit Entities* (FASB Codification Topic 958) to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The main provisions of the ASU are as follows:

- Present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes. That is, a not-for-profit will report amounts for *net assets with donor restrictions* and *net assets without donor restrictions*, as well as the currently required amount for total net assets.
- Present on the face of the statement of activities the amount of the change in each of the two classes of net assets rather than that of the currently required three classes. A not-for-profit entity would continue to report the currently required amount of the change in total net assets for the period.
- Continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method.
- Provide the following enhanced disclosures about:
  - Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions as of the end of the period.
  - Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.

**HOPEWORKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Note 17. New Accounting Standards-continued**

- Qualitative information that communicates how a not-for-profit manages its liquid resources available to meet cash needs for general expenditures within one year of the balance sheet date.
  - Quantitative information, either on the face of the balance sheet or in the notes, and additional qualitative information in the notes as necessary, that communicates the availability of a not-for-profit's financial assets at the balance sheet date to meet cash needs for general expenditures within one year of the balance sheet date. Availability of a financial asset may be affected by (1) its nature, (2) external limits imposed by donors, grantors, laws, and contract with others, and (3) internal limits imposed by governing board decisions.
  - Amounts of expenses by both their natural classification and their functional classification. That analysis of expenses is to be provided in one location, which could be on the face of the statement of activities, as a separate statement, or in notes to the financial statements.
  - Method(s) used to allocate costs among program and support functions.
  - Underwater endowment funds, which include required disclosures of (1) a not-for-profit's policy, and any actions taken during the period, concerning appropriation from underwater endowment funds, (2) the aggregate fair value of such funds, (3) the aggregate of the original gift amounts (or level required by donor or law) to be maintain, and (4) the aggregate amount by which funds are underwater (deficiencies), which are to be classified as part of net assets with donor restrictions.
- Report investment return net of external and direct internal investment expenses and no longer require disclosure of those netted expenses.
  - Use, in absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amount from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restriction over the estimated useful life of the acquires asset).

The amendments in this ASU are effective for annual financial statements issued for fiscal years beginning after December 15, 2017.

As of the date of these consolidated financial statements, management has not determined the impact these new ASUs will have on future reporting periods.

**Revenue Recognition**

In May 2014, the FASB has recently issued Accounting Standards Update (ASU) 2014-09, (Topic 606): *Revenue from Contracts with Customers* that was designed to develop a common revenue standard for U.S. Generally Accepted Accounting Principles (US GAAP) and international standards. The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Steps to apply the core principle are as follows:

1. Identify the contract(s) with the customer
2. Identify the separate performance obligations



**HOPEWORKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Note 17. New Accounting Standards-continued**

3. Determine the transaction price
4. Allocate the transaction price
5. Recognize revenue when a performance obligation is satisfied

Several new disclosures will also be required to include sufficient information to enable users of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This ASU will be effective for annual periods beginning after December 15, 2018.

**Leases**

In February 2016, the FASB issued ASU 2016-02 *Leases* (FASB Codification Topic 842) which significantly changes the accounting for leases in the financial statements of lessees and supersedes FASB Codification Topic 840. With this update, GAAP now will require lessees under operating leases to recognize a liability in the statement of financial position and an asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting election not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. Cash flows related to operating leases will continue to be reported within operating activities on the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2019.

**Note 18. Subsequent Event**

During the fiscal year ended June 30, 2018, HopeWorks received provisional funding for \$5,780,000 from New Mortgage Finance Authority (MFA) for new construction of a 42 unit one-bedroom permanent supportive housing facility for a two construction period and a 30-year permanent period. These funds are conditional upon awards / commitment letters from the City of Albuquerque and Bernalillo County capital funds.

One June 25<sup>th</sup>, 2018 the City of Albuquerque issued an initial notification of award in the amount of \$4,000,000 for the single site permanent supportive housing project. The award was subject to HopeWorks securing funding for supportive services and housing vouchers from Bernalillo County; a memorandum of understanding to be entered between the City of Albuquerque and Bernalillo County to provide funding for the project, and approval by the Albuquerque City Council.

As of the financial statement issuance date, October 26, 2018, the contract was in negotiation with the City of Albuquerque and had not been approved by the Albuquerque City Council. As such, the preliminary awards are not reflected in the audited financial statements.

**Note 19. Concentrations of Risk**

Funding from government agencies constitute 56% 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  
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 HopeWorks as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated October 26, 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.

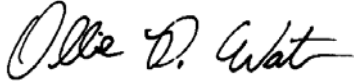
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 style with a large initial "O" and a long, sweeping underline.

Ollie D. Waters, CPA, CMA  
Moye, Waters and Associates, LLC  
Albuquerque, NM  
October 26, 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  
HopeWorks and Controlled Affiliate  
Albuquerque, New Mexico

**INDEPENDENT AUDITOR'S REPORT**

**Report on Compliance for Each Major Federal Program**

We have audited 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, 2018. 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, 2018.

## **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.

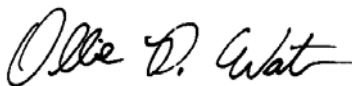
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect, and correct, noncompliance with a type of compliance requirement 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, 2018 and have issued our report thereon dated October 26, 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  
October 26, 2018

**HOPEWORKS AND CONTROLLED AFFILIATE  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2018**

ASSETS:	<u>HopeWorks</u>	<u>New Hope Housing, LLC</u>	<u>Eliminations</u>	<u>Total</u>
<b>Current Assets</b>				
Cash and Cash Equivalents (Note 2)	\$ 388,033	\$ 25,663	\$ -	\$ 413,696
Short Term Investments (Note 3)	2,895	-	-	2,895
Pledges Receivable (Note 4)	108,800	-	-	108,800
Grant Receivables (Note 5)	828,617	-	-	828,617
Due From NHH	23,191	-	(23,191)	-
Program Receivables (Note 6)	272,461	-	-	272,461
Prepaid Expenses and Deposits (Note 7)	32,541	-	-	32,541
Inventory	10,692	-	-	10,692
Total Current Assets	<u>1,667,230</u>	<u>25,663</u>	<u>(23,191)</u>	<u>1,669,702</u>
<b>Property &amp; Equipment</b>				
Property & Equipment (Note 8)	3,747,916	-	-	3,747,916
Less Accumulated Depreciation (Note 8)	<u>(1,649,784)</u>	<u>-</u>	<u>-</u>	<u>(1,649,784)</u>
Net Property & Equipment	<u>2,098,132</u>	<u>-</u>	<u>-</u>	<u>2,098,132</u>
<b>Other Assets</b>				
Endowment (Note 1, item O)	149,436	-	-	149,436
Total Other Assets	<u>149,436</u>	<u>-</u>	<u>-</u>	<u>149,436</u>
Total Assets	<u>\$ 3,914,798</u>	<u>\$ 25,663</u>	<u>\$ (23,191)</u>	<u>\$ 3,917,270</u>
<b>LIABILITIES:</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 88,089	\$ 23,566	\$ (23,191)	\$ 88,464
Accrued Wages & Benefits (Note 9)	210,563	-	-	210,563
Payroll Tax Liabilities	-	-	-	-
Client Custodial Accounts (Note 10)	2,108	-	-	2,108
Accrued Interest	-	-	-	-
Current Portion of Note Payable (Note 12)	28,573	-	-	28,573
Total Current Liabilities	<u>329,333</u>	<u>23,566</u>	<u>(23,191)</u>	<u>329,708</u>
<b>Long Term Liabilities</b>				
Note Payable-net of current portion (Note 12)	500,320	-	-	500,320
Total Long Term Liabilities	<u>500,320</u>	<u>-</u>	<u>-</u>	<u>500,320</u>
Total Liabilities	<u>829,653</u>	<u>23,566</u>	<u>(23,191)</u>	<u>830,028</u>
<b>NET ASSETS:</b>				
Unrestricted (Note 13)	2,762,058	2,097	-	2,764,155
Temporarily Restricted (Note 13)	197,800	-	-	197,800
Permanently Restricted (Note 13)	125,287	-	-	125,287
Total Net Assets	<u>3,085,145</u>	<u>2,097</u>	<u>-</u>	<u>3,087,242</u>
Total Liabilities & Net Assets	<u>\$ 3,914,798</u>	<u>\$ 25,663</u>	<u>\$ (23,191)</u>	<u>\$ 3,917,270</u>

**HOPEWORKS AND CONTROLLED AFFILIATE  
CONSOLIDATING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>HopeWorks</u>	<u>New Hope Housing, LLC</u>	<u>Eliminations</u>	<u>Totals</u>
<b>REVENUE:</b>				
Grants	\$ 5,125,115	\$ -	\$ -	\$ 5,125,115
Medicaid Fees	2,274,136	-	-	2,274,136
Contributions and Support	679,392	1	-	679,393
In-Kind Income (Note 13)	437,291	-	-	437,291
Program Income	350,218	-	-	350,218
United Way Allocation	108,800	-	-	108,800
Administrative Income	52,526	-	-	52,526
Event Income	46,580	-	-	46,580
Investment Gain (Loss)	8,266	-	-	8,266
Interest Income	3,829	-	-	3,829
Total Revenue	9,086,153	1	-	9,086,154
<b>EXPENSES:</b>				
Program	7,898,358	23,567	-	7,921,925
Management & General	1,145,387	-	-	1,145,387
Fundraising (Note 16)	236,978	-	-	236,978
Total Expenses before Depreciation	9,280,723	23,567	-	9,304,290
Change in Net Assets before Depreciation	(194,570)	(23,566)	-	(218,136)
Depreciation Expense (Note 8)	168,890	-	-	168,890
Increase (Decrease) in Net Assets	(363,460)	(23,566)	-	(387,026)
Net Assets at Beginning of Year	3,448,605	25,663	-	3,474,268
Net Assets at End of Year	\$ 3,085,145	\$ 2,097	\$ -	\$ 3,087,242

**HOPEWORKS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
<b>Department of Housing and Urban Development</b>				
Community Development Block Grant	14.218	City of Albuquerque	201800762	\$ 13,813
HOME Investment Partnership Program	14.239	City of Albuquerque	708596	168,497
Continuum of Care	14.267	City of Albuquerque	SHR000021183	91,978
Continuum of Care	14.267	City of Albuquerque	NM0112L6B001600	68,680
Continuum of Care	14.267	Direct Funding	NM0005L6B001609	96,774
Continuum of Care	14.267	City of Albuquerque	SHR00020533	588,574
<i>Total Department of Housing and Urban Development</i>				<u>1,028,316</u>
<b>Department of Health and Human Services</b>				
Projects for Assistance in the Transition from Homelessness	93.150	NM Human Services Department	none	190,000
Substance Abuse and Mental Health Services Administration	93.243	NM Human Services Department	1H79TI026053-01	583,584
Medical Assistance Program	93.778	NM Primary Care Association	MEP-17-1830	841
Substance Abuse Prevention Treatment	93.959	NM Human Services Department	1H79TI026053-01	115,000
<i>Total Department of Health and Human Services</i>				<u>889,425</u>
<i>Total Expenditures of Federal Awards</i>				<u>\$ 1,917,741</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE



**HOPEWORKS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal award activity of HopeWorks under programs of the federal government for the year ended June 30, 2018. 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 HopeWorks, it is not intended to and does not represent the financial position, changes in net assets, or cash flows of 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. HopeWorks has elected not to use the 10-percent de Minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3. Loans Outstanding**

HopeWorks had no federal loan balances outstanding at June 30, 2018.

**Note 4. Subrecipients**

Of the federal expenditures presented in the schedule, HopeWorks provided no federal awards to subrecipients.

**HOPEWORKS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.267	Continuum of Care
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk	No

**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

**HOPEWORKS  
EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2018**

On November 12<sup>th</sup>, 2018 an exit conference was held at the offices of HopeWorks. In attendance were the following:

**Representing HopeWorks:**

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

**Representing the City of Albuquerque**

Vicki Schwab	Sr. Principal Accountant
--------------	--------------------------

**Representing the Auditors**

Veronica Villanueva	Auditor
Ollie D. Waters, CPA, CMA	Auditor