

HOPE SOUTHERN INDIANA, INC.

Audited Financial Statements

Year Ended June 30, 2012

HOPE SOUTHERN INDIANA, INC.
Audited Financial Statements
June 30, 2012

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- Certified Public Accountants
- Business Advisors

p: 812.945.5236
f: 812.949.4095
w: rodefermoss.com
301 East Elm Street
New Albany, IN 47150



Independent Auditors' Report

To the Board of Directors
Hope Southern Indiana, Inc.

We have audited the accompanying statement of financial position of Hope Southern Indiana, Inc. (a nonprofit organization), as of June 30, 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope Southern Indiana, Inc., as of June 30, 2012, 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.

Rodefer Moss & Co, PLLC

Rodefer Moss & Co, PLLC
New Albany, Indiana
November 26, 2012

HOPE SOUTHERN INDIANA, INC.
Statement of Financial Position
June 30, 2012

| | |
|---|---------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 494,752 |
| Investments | 103,389 |
| Grant receivable | 197,491 |
| Pledges receivable | 22,053 |
| Property and equipment, net of accumulated depreciation | <u>208,934</u> |
| Total assets | <u>\$ 1,026,619</u> |
| LIABILITIES AND NET ASSETS | |
| Liabilities | |
| Accrued expenses | <u>\$ 20,815</u> |
| Total liabilities | <u>20,815</u> |
| Net Assets | |
| Unrestricted | 409,038 |
| Temporarily restricted | 590,163 |
| Permanently restricted | <u>6,603</u> |
| Total net assets | <u>1,005,804</u> |
| Total liabilities and net assets | <u>\$ 1,026,619</u> |

HOPE SOUTHERN INDIANA, INC.
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2012

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| PUBLIC SUPPORT AND REVENUES | | | | |
| Public Support | | | | |
| Contributions | | | | |
| United Way | \$ - | \$ 201,841 | \$ - | \$ 201,841 |
| General public | 121,686 | 224,342 | - | 346,028 |
| Donated services and supplies | <u>487,702</u> | <u>-</u> | <u>-</u> | <u>487,702</u> |
| Total public support | 609,388 | 426,183 | - | 1,035,571 |
| Revenues | | | | |
| Grants from government agencies | 76,526 | - | - | 76,526 |
| Interest income | 1,954 | - | - | 1,954 |
| Rental income | 425 | - | - | 425 |
| Gain (loss) on disposal of fixed assets | (643) | - | - | (643) |
| Other | <u>4,685</u> | <u>-</u> | <u>-</u> | <u>4,685</u> |
| Total revenues | 82,947 | - | - | 82,947 |
| Unrealized/realized gain on investments | <u>1,341</u> | <u>-</u> | <u>-</u> | <u>1,341</u> |
| | 693,676 | 426,183 | - | 1,119,859 |
| Net assets released from restrictions: | | | | |
| Satisfaction of purpose or time restrictions | <u>432,028</u> | <u>(432,028)</u> | <u>-</u> | <u>-</u> |
| Total public support and revenues | 1,125,704 | (5,845) | - | 1,119,859 |
| EXPENSES | | | | |
| Program Services | | | | |
| Family Services | 358,755 | - | - | 358,755 |
| Retired Senior Volunteer Program (RSVP) | 173,861 | - | - | 173,861 |
| Youth Services | <u>262,672</u> | <u>-</u> | <u>-</u> | <u>262,672</u> |
| Total program services | 795,288 | - | - | 795,288 |
| Supporting Services | | | | |
| Management and general | 140,913 | - | - | 140,913 |
| Fundraising | <u>22,927</u> | <u>-</u> | <u>-</u> | <u>22,927</u> |
| Total supporting services | <u>163,840</u> | <u>-</u> | <u>-</u> | <u>163,840</u> |
| Total expenses | <u>959,128</u> | <u>-</u> | <u>-</u> | <u>959,128</u> |
| Change in net assets | 166,576 | (5,845) | - | 160,731 |
| Net assets at the beginning of the year | <u>242,462</u> | <u>596,008</u> | <u>6,603</u> | <u>845,073</u> |
| Net assets at the end of the year | <u>\$ 409,038</u> | <u>\$ 590,163</u> | <u>\$ 6,603</u> | <u>\$ 1,005,804</u> |

See notes to financial statements.

HOPE SOUTHERN INDIANA, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2012

| | Program Services | | | |
|------------------------------------|------------------|------------|----------------|------------|
| | Family Services | RSVP | Youth Services | Total |
| Assistance to individuals | - | 23,225 | 209,930 | 233,155 |
| Salaries | 57,762 | 95,440 | 20,228 | 173,430 |
| Food (in-kind) | 234,518 | - | - | 234,518 |
| Program expense | 54,228 | 8,685 | 27,780 | 90,693 |
| Employee benefits | 4,716 | 7,793 | 1,651 | 14,160 |
| Payroll taxes | 4,174 | 6,897 | 1,462 | 12,533 |
| Telephone & internet | - | 3,710 | - | 3,710 |
| Utilities | - | - | - | - |
| Miscellaneous | 1,080 | 6,814 | - | 7,894 |
| Repairs & maintenance | - | 2,970 | - | 2,970 |
| Professional fees | - | - | - | - |
| Rent | - | 900 | - | 900 |
| Supplies | 295 | 3,008 | - | 3,303 |
| Travel | 234 | 3,193 | - | 3,427 |
| Volunteer recognition | - | 5,324 | - | 5,324 |
| Insurance | - | 1,224 | - | 1,224 |
| Postage & shipping | - | 1,967 | - | 1,967 |
| Staff training & conferences | 126 | 867 | - | 993 |
| Dues & subscriptions | - | 666 | - | 666 |
| Promotion & printing | - | 570 | - | 570 |
| | 357,133 | 173,253 | 261,051 | 791,437 |
| Total expenses before depreciation | | | | |
| Depreciation | 1,622 | 608 | 1,621 | 3,851 |
| | \$ 358,755 | \$ 173,861 | \$ 262,672 | \$ 795,288 |
| Total functional expenses | | | | |

See notes to financial statements.

Supporting Services

| | Management and General | Fundraising | Total | Total Program and Supporting Services |
|------------------------------------|---------------------------|------------------|-------------------|--|
| Assistance to individuals | \$ 8,607 | \$ - | \$ 8,607 | \$ 241,762 |
| Salaries | 46,173 | 15,171 | 61,344 | 234,774 |
| Food (in-kind) | - | - | - | 234,518 |
| Program expense | 13,660 | 5,422 | 19,082 | 109,775 |
| Employee benefits | 3,772 | 1,238 | 5,010 | 19,170 |
| Payroll taxes | 3,338 | 1,096 | 4,434 | 16,967 |
| Telephone & internet | 11,147 | - | 11,147 | 14,857 |
| Utilities | 13,212 | - | 13,212 | 13,212 |
| Miscellaneous | 4,567 | - | 4,567 | 12,461 |
| Repairs & maintenance | 5,436 | - | 5,436 | 8,406 |
| Professional fees | 8,030 | - | 8,030 | 8,030 |
| Rent | 6,557 | - | 6,557 | 7,457 |
| Supplies | 4,134 | - | 4,134 | 7,437 |
| Travel | 2,253 | - | 2,253 | 5,680 |
| Volunteer recognition | - | - | - | 5,324 |
| Insurance | 3,893 | - | 3,893 | 5,117 |
| Postage & shipping | 2,018 | - | 2,018 | 3,985 |
| Staff training & conferences | 2,310 | - | 2,310 | 3,303 |
| Dues & subscriptions | 1,354 | - | 1,354 | 2,020 |
| Promotion & printing | 24 | - | 24 | 594 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total expenses before depreciation | 140,485 | 22,927 | 163,412 | 954,849 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Depreciation | 428 | - | 428 | 4,279 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total functional expenses | <u>\$ 140,913</u> | <u>\$ 22,927</u> | <u>\$ 163,840</u> | <u>\$ 959,128</u> |

HOPE SOUTHERN INDIANA, INC.
Statement of Cash Flows
Year Ended June 30, 2012

Cash Flows From Operating Activities

| | |
|--|-------------|
| Change in net assets | \$ 160,731 |
| Adjustments to reconcile changes in net assets to net cash flows from operating activities: | |
| Depreciation | 4,279 |
| Unrealized/realized (gains) losses on investments | (1,341) |
| Decrease (increase) in assets: | |
| Grants and pledges receivable | 15,557 |
| Increase (decrease) in liabilities: | |
| Accrued expenses | 1,133 |
| Loss (gain) on the disposal of assets | <u>643</u> |
| Net cash flows from operating activities | 181,002 |

Cash Flows From Investing Activities

| | |
|--|-----------------------|
| Purchases of fixed assets | (200,872) |
| Proceeds from sale of fixed assets | <u>1,200</u> |
| Net cash flows from investing activities | (199,672) |
| Net change in cash and cash equivalents | (18,670) |
| Cash and cash equivalents at the beginning of the year | <u>513,422</u> |
| Cash and cash equivalents at the end of the year | <u>\$ 494,752</u> |

HOPE SOUTHERN INDIANA, INC.
Notes to Financial Statements (Continued)

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Activities - Hope Southern Indiana, Inc., formerly known as Interfaith Community Council, Inc., (“the Organization”) is a not-for-profit, charitable organization incorporated in the State of Indiana as an ecumenical Christian mission which provides social and educational services to persons from every socioeconomic background regardless of race, religion, class, gender, or age. The Organization was organized November 5, 1964, as the Downtown Neighborhood Council. In 1978, the name was changed to Interfaith Community Council, Inc. in order to reflect Protestant and Catholic composition and in April 2012, the name was changed to Hope Southern Indiana, Inc. The Organization’s primary programs are as follows:

Hope Southern Indiana works collaboratively and in partnership with many area nonprofits, entities and churches. Two well-known programs that represent this are the Pack the Bus Collaboration, a collaboration with more than 50 partners annually that provides a backpack of school supplies for children in the New Albany Floyd County School system who are on the Free Lunch Program; and the Snack Attack Café Partnership, a partnership with four partners that provides a healthy snack or meal after school along with homework help and/or a physical activity.

Hope also works with community redevelopment efforts, efforts to relieve hunger, housing issues affecting the community, and in other ongoing collaborative relationships, some of which are housed at the 1200 Bono Road site. These include but are not limited to the New Albany Housing Authority, Southern Indiana Asset Building Coalition, Clean Socks Hope and Northside on Oak outreach ministries.

Family & Emergency Services (FES) of the Organization provides emergency assistance to individuals and families in need. These services include a Food Pantry, eviction prevention, basic utility assistance to prevent disconnection, emergency medical assistance on rare occasion, seasonal assistance by way of small household appliances, and public transportation assistance for medical and employment related travel.

Other programs offered through Hope are Spirit of the Season which recently combined two programs into one and is designed to assist struggling families through traditional holidays. It offers holiday themed food baskets, basic necessities, toys at Christmas, etc. Additionally Seniors Gathering and Sharing is a fellowship opportunity for area seniors to visit and reconnect which is provided with the intention of overall health and wellness. Hope offers its location as a foundation for sharing ideas and services with the community. The Clothe-A-Teen Program provides new back to school clothing for area teens. It also continues to develop and provide programs and trainings designed to assist families through tragic circumstances toward self sufficiency.

In April 2012, Interfaith Community Council Foundation, Inc. (“the Foundation”) dissolved. The Foundation held the investments for the Organization. When the Foundation dissolved, the investments were transferred to the Organization and are included on the Statement of Financial Position.

Basis of Presentation - The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents - The Organization considers all highly liquid investments and certificates of deposits with a maturity of three months or less when purchased to be cash equivalents.

Grants and Pledges Receivable - Grants and pledges receivable are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and deems all grants and pledges receivable to be fully collectible at year-end. Management determines if an allowance for uncollectible amounts is necessary based on historical collection of receivables. At June 30, 2012 no allowance was considered necessary.

HOPE SOUTHERN INDIANA, INC.
Notes to Financial Statements (Continued)

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment - Property and equipment are stated at cost or, if donated, at their estimated fair value at the date of donation. The Organization's policy is to expense assets costing \$500 or less. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

| | |
|-------------------------|-----------|
| Equipment and furniture | 3-7 years |
| Vehicles | 5 years |
| Leasehold improvements | 39 years |

Accounting Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Donor-Imposed Restrictions - The Organization records and reports its assets, liabilities, revenues, expenses, gains and losses and other support based on the existence or absence of donor-imposed restrictions. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 and Changes in Net Assets as net assets released from restrictions.

The Organization reports gifts as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Permanently restricted net assets include those contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Contributed Services, Supplies and Property - Certain contributed food, supplies and the use of facilities are recorded as support and expenses at fair value when determinable, otherwise at values indicated by the donor. Contributions of services are recognized in the financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Volunteer services which neither create nor enhance nonfinancial assets nor require specialized skills, are not recognized as support in the accompanying Statement of Activities and Changes in Net Assets. For the year ended June 30, 2012, the Organization received food, supplies, services, and the use of facilities valued at \$ 487,702.

Income Tax Status - The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as an organization that is not a private foundation. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization evaluates its uncertain tax positions in accordance with applicable standards. It has evaluated its tax positions, and believes that it has none that are uncertain. At the Statement of Financial Position date, the Organization's Form 990s for the years ending June 30, 2012, 2011, and 2010 remain subject to examination by the Internal Revenue Service.

Reclassifications - Beginning of the year net asset balances and certain prior year revenues and expenses have been reclassified to conform to the presentation in the current year financial statements.

Date of Management Review - Management has evaluated events and transactions occurring subsequent to the Statement of Financial Position date of June 30, 2012 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through November 26, 2012, the date these financial statements were available to be issued.

HOPE SOUTHERN INDIANA, INC.
Notes to Financial Statements (Continued)

NOTE 2 - CASH ON DEPOSIT IN EXCESS OF FEDERAL DEPOSIT INSURANCE LIMITS

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Organization has never experienced any losses related to these balances. All of the non-interest bearing cash balances were fully insured at June 30, 2012 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution and the non-interest bearing cash balances may again exceed federally insured limits.

NOTE 3 - INVESTMENTS

The Organization's investments consist of marketable securities stated at fair market value as of June 30, 2012. In accordance with the Fair Value Measurements Topic of the FASB Accounting Standards Codification, the following table represents the Organization's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of June 30, 2012. Mutual funds are measured at net asset value (NAV) of shares at year-end; these investments are included in Level 1.

| | Cost | Fair Value | Unrealized Appreciation (Depreciation) |
|---|-------------------|-------------------|---|
| Franklin Templeton Investments (unrestricted) | \$ 24,615 | \$ 21,624 | \$ (2,991) |
| American Funds (unrestricted) | 34,348 | 40,573 | 6,225 |
| American Funds (temporarily restricted) | 36,944 | 32,961 | (3,983) |
| American Funds (permanently restricted) | <u>7,277</u> | <u>8,231</u> | <u>954</u> |
| Total | <u>\$ 103,184</u> | <u>\$ 103,389</u> | <u>\$ 205</u> |

NOTE 4 - GRANT RECEIVABLE

Grant Receivable consists of the following at June 30, 2012:

| | |
|------------------------|-------------------|
| Grant Receivable | |
| Metro United Way | \$ 197,491 |
| Total grant receivable | <u>\$ 197,491</u> |

NOTE 5 - PLEDGES RECEIVABLE

Pledges receivable represent unconditional promises to give to the Organization that are due over a three year period. The Organization has considered discount rates for pledges receivable due past one year; however, the discount is not material to the audit as a whole. Accordingly, pledges receivable at year-end approximate present value.

The Organization began a capital campaign during the fiscal year ended June 30, 2011 to raise funds for program expansion and to remodel and purchase equipment for the Brown Starks Building located at Bono Road in New Albany, Indiana. As of June 30, 2012, the Organization had raised pledges in the amount of \$394,439, of which \$22,053 was receivable at June 30, 2012. Unconditional pledges to give are recorded as revenue in the period when the pledge is made; all pledges made during the fiscal year ended June 30, 2012 are recognized on the Statement of Activities and Changes in Net Assets. The cash balance in the capital campaign checking account is \$ 180,116, which is reflected as temporarily restricted net assets at June 30, 2012.

HOPE SOUTHERN INDIANA, INC.
Notes to Financial Statements (Continued)

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following components at June 30, 2012:

| | |
|-------------------------------|-------------------|
| Leasehold improvements | \$ 191,959 |
| Equipment and furniture | 36,537 |
| Vehicles | <u>7,575</u> |
| | 236,071 |
| Less accumulated depreciation | <u>(27,137)</u> |
| Total | <u>\$ 208,934</u> |

NOTE 7 - RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at June 30, 2012:

| | |
|---|-------------------|
| Capital Campaign | \$ 202,169 |
| Metro United Way | 158,869 |
| Retired Senior Volunteer Program | 92,078 |
| Stem Investment | 32,961 |
| Spirit of the Season | 30,471 |
| Neighbor Fund | 29,517 |
| Clothe-A-Teen | 22,959 |
| Family Service | 10,842 |
| Seasonal Assistance Program | 9,796 |
| Family Self-Sufficiency | <u>501</u> |
| Total temporarily restricted net assets | <u>\$ 590,163</u> |

Permanently restricted net assets were available for the following purposes at June 30, 2012:

| | |
|---|-----------------|
| Wiseheart Investment | <u>\$ 6,603</u> |
| Total permanently restricted net assets | <u>\$ 6,603</u> |

NOTE 8 - CONCENTRATIONS

For the year ended June 30, 2012, United Way contributions of \$201,841, represented 18% of the Organization's total revenues.

NOTE 9 - RETIREMENT PLAN

As of January 1, 2003, the Organization established a Simplified Employee Pension Plan. Under this plan, the Organization has agreed to contribute a dollar-for-dollar match of up to 3% of the employee's annual salary if the employee contributes to the plan. For the year ended June 30, 2012, the contribution was \$4,727.

HOPE SOUTHERN INDIANA, INC.
Notes to Financial Statements (Continued)

NOTE 10 - LEASES

On October 13, 2011, the Organization entered into a lease agreement with Housing Authority of the City of New Albany to lease office space located in the Brown Starks Neighborhood Place Building located at 1200 Bono Road, New Albany, Indiana. The lease was from November 1, 2011 until October 31, 2012, where the lease automatically renewed for a successive one year period. This renewal will continue annually unless either party provides at least a 90 day notice of non-renewal of the lease prior to the anniversary of the lease. The monthly rent is \$1 per month plus the portion of the utilities and services for the building that is the responsibility of the Organization.

The Organization also has a lease for office equipment that is classified as an operating lease. Total expense for the year ended June 30, 2012 was \$ 6,557.

Future minimum lease payments under the noncancellable operating leases with initial or remaining terms of one year or more are as follows:

| <u>Years ending June 30,</u> | |
|------------------------------|-----------------|
| 2013 | \$ 5,875 |
| 2014 | <u>978</u> |
| Total | <u>\$ 6,853</u> |

NOTE 11 - RELATED PARTY TRANSACTIONS

The Organization does business with River Valley Financial Bank including maintaining a checking account. Bob Kleehamer, Senior Vice-President for River Valley Financial Bank, is a board member of Hope Southern Indiana, Inc.