

HANDS of HOPE TUCSON
(formerly The Crisis Pregnancy Centers of Tucson)
Audited Financial Statements

June 30, 2019 and 2018

HANDS of HOPE TUCSON
(formerly The Crisis Pregnancy Centers of Tucson)

AUDITED FINANCIAL STATEMENTS

June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hands of Hope Tucson

We have audited the accompanying financial statements of Hands of Hope Tucson (formerly The Crisis Pregnancy Centers of Tucson) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

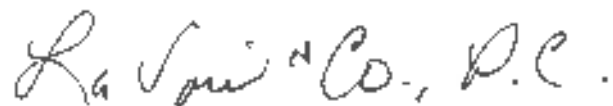
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hands of Hope Tucson as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


LaVoie & Co., P.C.
Tucson, Arizona
August 8, 2019

Hands of Hope Tucson
(formerly The Crisis Pregnancy Centers of Tucson)

STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2019	2018
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 201,585	\$ 245,443
Promise to give - Note B		36,000
Prepaid expenses	23,743	18,398
Total Current Assets	225,328	299,841
Land, Building and Equipment, net - Note C	679,563	459,886
Total Assets	\$ 904,891	\$ 759,727
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 31,119	\$ 31,201
Accrued payroll and taxes	23,909	30,322
Total Current Liabilities	55,028	61,523
NET ASSETS		
Net assets without donor restriction	848,863	697,204
Net assets with donor restriction - Note D	1,000	1,000
	<u>849,863</u>	<u>698,204</u>
Total Liabilities and Net Assets	\$ 904,891	\$ 759,727

The accompanying notes are an integral part of these financial statements.

Hands of Hope Tucson
(formerly The Crisis Pregnancy Centers of Tucson)

STATEMENTS OF ACTIVITIES

For the Years Ending June 30,

	2019			2018		
	Net Assets			Net Assets		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue:						
Contributions	\$ 1,133,021	\$ 120,470	\$ 1,253,491	\$ 1,101,401	\$ 177,700	\$ 1,281,101
In-kind contributions - Note E	340,227		340,227	119,715		119,715
Interest and other	16,574		16,574	14,270		14,270
Restrictions - Satisfied by payments	120,470	(120,470)		176,700	(176,700)	
Total Support and Revenue	1,610,292		1,610,292	1,414,086	1,000	1,415,086
Expenses:						
Program Services:						
Centers	821,461		821,461	387,654		387,654
Education	255,314		255,314	185,243		185,243
Supporting Services:						
Fundraising	191,170		191,170	238,214		238,214
Administration	190,688		190,688	209,384		209,384
Total Expenses	1,458,633		1,458,633	1,020,495		1,020,495
Increase In Net Assets	151,659		151,659	393,591	1,000	394,591
NET ASSETS						
BEGINNING OF YEAR	697,204	1,000	698,204	303,613		303,613
NET ASSETS END OF YEAR	\$ 848,863	\$ 1,000	\$ 849,863	\$ 697,204	\$ 1,000	\$ 698,204

The accompanying notes are an integral part of these financial statements.

Hands of Hope Tucson
(formerly The Crisis Pregnancy Centers of Tucson)

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ending June 30.

	2019				2018			
	Program Services		Supporting Services		Program Services		Supporting Services	
	Centers	Education	Fundraising	Admin- istration	Centers	Education	Fundraising	Admin- istration
Salaries and wages	\$ 207,244	\$ 150,426	\$ 30,595	\$ 125,522	\$ 142,587	\$ 104,315	\$ 57,374	\$ 140,199
Payroll taxes and related	15,578	10,870	2,757	9,768	10,666	7,666	4,289	10,351
Employees benefits	16,408	17,698	2,079	5,990	12,430	16,886	5,311	12,970
Advertising	59,156	2,523	50,314	87	45,668	5,301	71,074	500
Banquet hall, meal, speaker			62,717		44,366			
Continuing education	3,593	5,857		1,869	1,700		519	40
Contributions to other charities	36			1,850				1,700
Depreciation	21,896			1,892	17,699			719
Educational and training materials	1,667	10,294	216	119	1,124	11,924	39	40
Diapers, clothing and supplies distributed to clients	23,178	29			23,968			
Insurance	5,317	1,136		1,563	4,343	1,238	447	1,503
Medical costs of clients	5,238				3,221			
Office supplies	1,810	171	173	800	1,185	308	687	1,656
Other	5,491	8,251	16,169	7,617	8,703	3,602	18,998	4,196
Postage	27	24	5,102	484	29		4,030	784
Printing	4,843	4,145	4,523	1,420	196	487	3,903	600
Professional services	316,356	5,998	13,625	14,692	88,706	3,243	20,730	10,732
Rent	9,789	24,632	651	903		20,699	5,678	8,640
Repairs and maintenance	23,191	2,945	286	2,566	7,283	806		1,534
Supplies	81,838	3,555	798	3,348	1,465	510	87	1,121
Telephone	8,279	3,541	578	4,992	6,743	2,815	424	4,348
Travel	598	976	572	1,430	1,919	1,817	270	1,966
Utilities	9,932	2,863	11	3,884	8,399	3,815	16	5,785
	\$ 821,401	\$ 255,314	\$ 191,170	\$ 190,688	\$ 387,654	\$ 185,243	\$ 238,218	\$ 209,384
				\$ 1,458,633				\$ 1,020,495

The accompanying notes are an integral part of these financial statements.

Hands of Hope Tucson
(formerly The Crisis Pregnancy Centers of Tucson)

STATEMENTS OF CASH FLOWS

	June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in Net Assets	\$ 151,659	\$ 394,591
Adjustments to reconcile the increase in net assets to net cash used by operating activities:		
Depreciation	23,788	18,418
(Increase) decrease in assets:		
Promise to give	36,000	(36,000)
Prepaid expenses	(5,345)	3,659
Increase (decrease) in liabilities:		
Accounts payable	(82)	7,929
Accrued payroll and taxes	(6,413)	530
Net Cash Provided By Operating Activities	<u>199,607</u>	<u>389,127</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	<u>(243,465)</u>	<u>(198,195)</u>
Net Cash Used For Investing Activities	<u>(243,465)</u>	<u>(198,195)</u>
Net (Decrease) Increase in Cash	(43,858)	190,932
CASH AT THE BEGINNING OF YEAR	<u>245,443</u>	<u>54,511</u>
CASH AT THE END OF THE YEAR	<u>\$ 201,585</u>	<u>\$ 245,443</u>

The accompanying notes are an integral part of these financial statements.

HANDS of HOPE TUCSON
(formerly The Crisis Pregnancy Centers of Tucson)

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE A – NATURE OF OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND USE OF ESTIMATES

Nature of Operations

Hands of Hope Tucson (formerly The Crisis Pregnancy Centers of Tucson), was incorporated as a not-for-profit corporation in April 1981, pursuant to the laws of the State of Arizona. During fiscal year 2017, the Organization formally changed its name to Hands of Hope Tucson (the "Organization").

Hands of Hope Tucson is a Christ-centered organization promoting a culture of life, hope, and healing. This is accomplished by caring for those facing an unplanned pregnancy, revealing the truth about the unborn person, teaching sexual integrity, and offering a path to healing from an abortion experience. The Organization provides client services at Pregnancy Centers, recovery retreats, youth educational programs, and recovery support groups.

Hands of Hope Tucson is an accredited member of the Evangelical Council for Financial Accountability.

Significant Accounting Policies

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation - the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. These net assets classifications are described as follows:

Without Donor Restrictions (previously known as "Unrestricted Net Assets") - not subject to donor-imposed restrictions. These net assets may be designated for specific purposes or locations by action of the Board of Directors.

With Donor Restrictions:

Temporarily Restricted Net Assets - subject to donor-imposed stipulations that may be fulfilled by actions of the Organization to meet the stipulations or become unrestricted at the date specified by the donor.

Permanently Restricted Net Assets - subject to donor-imposed stipulations that they be retained and invested permanently.

Cash and Cash Equivalents - the Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

HANDS of HOPE TUCSON
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NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE A – NATURE OF OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND USE OF ESTIMATES (Continued)

Significant Accounting Policies (Continued)

Promises to Give – from time-to-time the Organization receives a promise-to-give contribution. These promises are recorded when the promise is made.

Property and Equipment - It is the Organization's policy to capitalize property and equipment over \$5,000. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded at fair value at the date of donation. 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 contributions. Property and equipment is depreciated using the straight-line method over the asset's estimated useful life.

Contributions - are considered available for unrestricted use unless specifically restricted by the donor.

In-Kind Contributions - of donated materials and facilities are recorded at fair market value. Donated services are recognized as contributions in accordance if the services: (a) create or enhance non-financial assets, or, (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization received donated professional medical and other professional services of \$307,000 and \$82,000 for 2019 and 2018, respectively. Professional medical and other professional services are used primarily in the Centers. Volunteer services, such as Board of Director's donated time, are not recorded. However, volunteers have donated significant amounts of their time to program service activities.

Functional Expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Income Taxes – The Organization is exempt from Federal and State income taxes under IRC Section 501(c)(3). The Organization will maintain its exempt status as long as operations continue to comply with the Internal Revenue Code and Arizona Revised Statutes. The Organization is not a private foundation.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE B - PROMISE TO GIVE

The Organization received a promise to give from a retirement trust. In addition, the Organization is a remainder beneficiary of certain trusts. Because the Organization is a remainder beneficiary, and the remainder amounts can not be estimated, the assets of those trusts are not reflected in these financial statements.

NOTE C - LAND, BUILDING AND EQUIPMENT, NET

Land, building and equipment, net at June 30 consists of the following:

	<u>2019</u>	2018
Equipment	\$ 91,551	\$ 97,063
Buildings and improvements	834,200	595,193
	925,751	692,256
Less accumulated depreciation	<u>(246,388)</u>	<u>(232,370)</u>
	<u>\$679,363</u>	<u>\$459,886</u>

NOTE D - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2019 consisted of:

	<u>Beginning</u>	<u>Received</u>	<u>Expended</u>	Remaining
Medical Park Building		\$117,630	\$117,630	
Other	\$1,000	<u>1,200</u>	\$1,200	\$1,000
	<u>\$1,000</u>	<u>\$118,830</u>	<u>\$118,830</u>	<u>\$1,000</u>

Temporarily restricted net assets at June 30, 2018 consisted of:

	<u>Received</u>	<u>Expended</u>	Remaining
Medical Park Building	\$170,500	\$170,500	
Telephone System	5,000	5,000	
Other	<u>2,200</u>	<u>1,200</u>	\$1,000
	<u>\$177,700</u>	<u>\$176,700</u>	<u>\$1,000</u>

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NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE E – IN-KIND CONTRIBUTIONS

The Organization received the following in-kind contributions for the year ending June 30:

	<u>2019</u>	<u>2018</u>
Diapers, clothes and supplies	\$ 21,852	\$ 22,559
Facilities	9,600	14,400
Professional services	307,305	82,305
Other	<u>1,470</u>	<u>451</u>
	<u>\$340,227</u>	<u>\$119,715</u>

All diapers, clothes, and supplies were distributed during the year.

NOTE F – CONCENTRATION OF CREDIT RISK AND DONOR CONCENTRATION

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash in banks. The Organization usually limits the amount of credit exposure to any one financial institution by not exceeding federal deposit insurance amounts.

The Organization received approximately 33% of its support from five individual donors and 31% of its support from six individual donors during the years ended June 30, 2019 and 2018, respectively. Support for 2019 and 2018 includes the capital campaign for the Medical Park Building listed in Note D.

NOTE G – PENSION PLAN

The Organization has a Simple-IRA Deferred Compensation Pension Plan. The Organization contributes to the Plan using a contribution rate of 3% match of the employee deferral. The Organization incurred \$9,600 and \$9,600 of pension expense for the years ended June 30, 2019 and 2018, respectively.

NOTE H – RELATED PARTY TRANSACTIONS

The Organization contracted with an entity, whose is an employer of a Board Member, in the amount of \$16,600 for 2018.

HANDS of HOPE TUCSON
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NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE I – COMMITMENT

The Organization acquired a building subject to a ground lease. The Organization is part of an association of improved property owners and currently pays \$800 per month association dues which includes amounts for the land lease, water and common area maintenance and property taxes. The underlying lease expires on February 28, 2040.

NOTE J – INFORMATION REGARDING LIQUIDITY AND AVAILABILITY

The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. The Organization has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets to meet 15 to 30 days of expected expenditures. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the years ended June 30, 2019 and 2018, the level of liquidity and reserves was managed within the policy requirements.

	<u>2019</u>	<u>2018</u>
Total financial assets	\$201,585	\$245,443
Donor-imposed restrictions:		
Cash	<u>(1,000)</u>	<u>(1,000)</u>
	\$200,585	\$244,443

NOTE K – SUBSEQUENT EVENTS

The Organization did not have any subsequent events through August 8, 2019, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2019.