

**WE HOPE
REPORT ON THE AUDIT
OF THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016**

WE HOPE
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
We HOPE

We have audited the accompanying financial statements of We HOPE (a California not-for-profit organization), which comprise the statement of financial position as of December 31, 2017 and 2016, and the related 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 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.

Auditors' 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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 We HOPE as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Knuttle & Associates, P.C.

**WE HOPE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

ASSETS

	2017	2016
CURRENT ASSETS		
Cash	\$ 177,793	\$ 335,287
Grants Receivable	235,779	223,628
Prepaid Expenses	7,087	14,112
TOTAL CURRENT ASSETS	<u>420,659</u>	<u>573,027</u>
FIXED ASSETS		
Vehicles	397,398	272,124
Furniture and Equipment	34,864	31,573
Leasehold Improvements	46,928	45,428
	<u>479,190</u>	<u>349,125</u>
Less -- Accumulated Depreciation	173,102	105,761
TOTAL FIXED ASSETS	<u>306,088</u>	<u>243,364</u>
OTHER ASSETS		
Deposits	2,000	2,000
TOTAL OTHER ASSETS	<u>2,000</u>	<u>2,000</u>
TOTAL ASSETS	<u><u>\$ 728,747</u></u>	<u><u>\$ 818,391</u></u>

LIABILITIES AND NET ASSETS

	2017	2016
CURRENT LIABILITIES		
Accounts Payable	\$ 23,615	\$ 1,825
Client Savings Accounts	71,949	63,248
Accrued Payroll Liabilities	43,355	55,779
Other	5,449	5,449
Deferred Rent	0	2,380
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TOTAL CURRENT LIABILITIES	144,368	128,681
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TOTAL LIABILITIES	144,368	128,681
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NET ASSETS		
Unrestricted - Undesignated	213,779	129,613
Unrestricted - Board Designated	370,600	560,097
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TOTAL NET ASSETS	584,379	689,710
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 728,747</u>	<u>\$ 818,391</u>

See The Accompanying Notes To The Financial Statements.

**WE HOPE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUES				
Special Events	\$ 80,624	\$ 0	\$ 0	\$ 80,624
Less: Cost of Direct Benefits to Donors	25,630	0	0	25,630
Net Special Events Revenue	54,994	0	0	54,994
Grants	848,157	0	0	848,157
Donations	471,398	0	0	471,398
Interest	42	0	0	42
Other	0	0	0	0
Net Assets Released from Restrictions	0	0	0	0
TOTAL PUBLIC SUPPORT AND REVENUES	1,374,591	0	0	1,374,591
FUNCTIONAL EXPENSES				
Program Services	1,263,523	0	0	1,263,523
Management and General	198,399	0	0	198,399
Fundraising	18,000	0	0	18,000
TOTAL FUNCTIONAL EXPENSES	1,479,922	0	0	1,479,922
CHANGE IN NET ASSETS	(105,331)	0	0	(105,331)
NET ASSETS,				
BEGINNING OF YEAR	689,710	0	0	689,710
END OF YEAR	\$ 584,379	\$ 0	\$ 0	\$ 584,379

See The Accompanying Notes To The Financial Statements.

**WE HOPE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUES				
Special Events	\$ 71,792	\$ 0	\$ 0	\$ 71,792
Less: Cost of Direct Benefits to Donors	24,900	0	0	24,900
Net Special Events Revenue	46,892	0	0	46,892
Grants	861,098	0	0	861,098
Donations	311,930	0	0	311,930
Interest	62	0	0	62
Other	1,876	0	0	1,876
Net Assets Released from Restrictions	0	0	0	0
TOTAL PUBLIC SUPPORT AND REVENUES	1,221,858	0	0	1,221,858
FUNCTIONAL EXPENSES				
Program Services	990,550	0	0	990,550
Management and General	176,997	0	0	176,997
Fundraising	19,350	0	0	19,350
TOTAL FUNCTIONAL EXPENSES	1,186,897	0	0	1,186,897
CHANGE IN NET ASSETS	34,961	0	0	34,961
NET ASSETS,				
BEGINNING OF YEAR	654,749	0	0	654,749
END OF YEAR	\$ 689,710	\$ 0	\$ 0	\$ 689,710

See The Accompanying Notes To The Financial Statements.

**WE HOPE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services	Management and General	Fundraising	Total
Functional Expenses				
Employer Payroll Tax	\$ 68,547	\$ 6,755	\$ 0	\$ 75,302
Fringe Benefits	34,341	1,964	0	36,305
Salaries	715,232	54,079	18,000	787,311
Workmen's Compensation	<u>41,042</u>	<u>2,992</u>	<u>0</u>	<u>44,034</u>
Total Salaries & Related Expenses	859,162	65,790	18,000	942,952
Awards, Grants, and Donations	1,197	2,040	0	3,237
Bank Charges	111	2,422	0	2,533
Conferences & Training	1,480	2,557	0	4,037
Contract Labor	1,480	300	0	1,780
Contract Services	37,324	57,394	0	94,718
Depreciation	65,208	2,133	0	67,341
Dues and Subscriptions	1,315	1,794	0	3,109
Equipment Rental	80	610	0	690
Insurance	22,176	0	0	22,176
Interest	0	0	0	0
Internet and Telephone	11,868	7,674	0	19,542
Laundry	8,075	0	0	8,075
Licenses and Permits	5,803	5,029	0	10,832
Miscellaneous	2,713	4,951	0	7,664
Occupancy	70,820	422	0	71,242
Penalties and Fines	285	9,069	0	9,354
Postage and Delivery	0	682	0	682
Printing	103	246	0	349
Propane/Fuel	20,994	0	0	20,994
Repairs & Maintenance	23,163	6,028	0	29,191
Supplies	73,639	18,765	0	92,404
Travel & Entertainment	13,694	4,289	0	17,983
Utilities	41,179	5,763	0	46,942
Vending Machines	<u>1,654</u>	<u>441</u>	<u>0</u>	<u>2,095</u>
Total Expenses	<u>\$ 1,263,523</u>	<u>\$ 198,399</u>	<u>\$ 18,000</u>	<u>\$ 1,479,922</u>

See The Accompanying Notes To The Financial Statements.

**WE HOPE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Program Services	Management and General	Fundraising	Total
Functional Expenses				
Employer Payroll Tax	\$ 43,867	\$ 3,554	\$ 0	\$ 47,421
Fringe Benefits	22,516	8,906	0	31,422
Salaries	582,174	38,040	19,350	639,564
Workmen's Compensation	5,636	32,420	0	38,056
Total Salaries & Related Expenses	654,193	82,920	19,350	756,463
Awards, Grants, and Donations	769	6,704	0	7,473
Bank Charges	145	1,868	0	2,013
Business Expense	0	75	0	75
Conferences & Training	1,209	3,665	0	4,874
Contract Labor	2,503	425	0	2,928
Contract Services	30,259	27,289	0	57,548
Depreciation	60,387	0	0	60,387
Dues and Subscriptions	1,362	1,671	0	3,033
Equipment Rental	59	1,243	0	1,302
Insurance	21,527	0	0	21,527
Interest	61	8	0	69
Internet and Telephone	7,823	10,096	0	17,919
Laundry	2,185	0	0	2,185
Licenses and Permits	3,870	1,560	0	5,430
Miscellaneous	10,309	2,916	0	13,225
Occupancy	62,570	0	0	62,570
Penalties and Fines	0	14,992	0	14,992
Postage and Delivery	233	710	0	943
Propane/Fuel	6,660	0	0	6,660
Repairs & Maintenance	26,669	1,995	0	28,664
Supplies	76,145	11,005	0	87,150
Travel & Entertainment	7,590	4,143	0	11,733
Utilities	10,121	3,226	0	13,347
Vending Machines	3,901	486	\$ 0	\$ 4,387
Total Expenses	990,550	176,997	\$ 19,350	\$ 1,186,897

See The Accompanying Notes To The Financial Statements.

**WE HOPE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Supporters and Other Sources	\$ 1,396,729	\$ 1,129,238
Interest Received	42	62
Paid to Suppliers and Employees	(1,424,200)	(1,120,521)
Interest Paid	0	(69)
Income Taxes Paid	0	0
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NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(27,429)	8,710
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CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Payments for Purchase of Fixed Assets	(130,065)	(156,060)
NET CASH USED IN INVESTING ACTIVITIES	(130,065)	(156,060)
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CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments to Related Parties	0	(11,055)
NET CASH USED IN FINANCING ACTIVITIES	0	(11,055)
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NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(157,494)	(158,405)
CASH AND CASH EQUIVALENTS,		
BEGINNING OF YEAR	335,287	493,692
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END OF YEAR	\$ 177,793	\$ 335,287
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See The Accompanying Notes To The Financial Statements.

**WE HOPE
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	\$ (105,331)	\$ 34,961
Adjustments to Reconcile Change in Net Assets to Net Cash (Used In) Provided by Operating Activities:		
Depreciation	67,341	60,387
Changes in Certain Assets and Liabilities:		
Grants Receivable	(12,151)	(97,399)
Prepaid Expenses	7,025	(8,993)
Accounts Payable	21,790	(1,000)
Client Deposits	8,701	(18,052)
Accrued Liabilities	(12,424)	43,493
Other Liabilities	0	(2,007)
Deferred Rent	(2,380)	(2,680)
Total Adjustments	<u>77,902</u>	<u>(26,251)</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>\$ (27,429)</u>	<u>\$ 8,710</u>

See The Accompanying Notes To The Financial Statements.

WE HOPE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

A) Organization and Nature of Activities

We Hope (The "Organization") is a California not-for-profit corporation founded on May 11, 2000. The Organization was established to help the unhoused, homeless and those at-risk in rebuilding their lives through a customized Supportive Housing Program customized to the needs of each individual.

B) Basis of Accounting

The Organization's accounts are maintained on the accrual basis of accounting. Grants and other contributions are reported as temporarily restricted support if they are received with stipulations that limit the use of the funding. When the 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. Expenses are recorded when incurred.

C) 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. The Organization does not use fund accounting.

D) Accounting Policies

Cash and Cash Equivalents - For purposes of reporting cash flows, cash is defined as cash on hand, amounts held at financial institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash. Investments with an original maturity of three months or less are considered short-term for these purposes.

Allowance for Doubtful Accounts - Management provides for probable uncollectible amounts through bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants and donations. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable receivable. The allowance for doubtful accounts is \$0 for the years ended December 31, 2017 and 2016, respectively.

**WE HOPE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D) Accounting Policies (Continued)

Fixed Assets - Equipment is stated at cost. Expenditures for maintenance and repairs are charged to expense as incurred. The Organization capitalizes assets with an original cost of \$2,000 or greater. Depreciation of property and equipment is computed using the straight-line method over various useful lives. Depreciation expense for the years ended December 31, 2017 and 2016 is \$67,341 and \$60,387, respectively.

Income Taxes - The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, a provision for income taxes has not been made on the financial statements.

The Organizations files its tax returns with the U.S. federal and various state and local tax jurisdictions. With few exceptions, the Organization is no longer subject to examinations by major tax jurisdictions for tax year June 30, 2014 and prior. The Organization had no income tax expense for the years ended December 31, 2017 and 2016.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CONCENTRATIONS

The Organization receives a major portion of its revenues from the various counties in northern California. The level of services available in the future could be impacted if the Organization were to lose the support of this donor.

NOTE 3 - LEASE COMMITMENTS

The Organization leases its facility under a five year operating lease that expired on July 31, 2017. Monthly rent is on a month to month basis at \$6,100 per month. The lease called for one five year renewal option. Deferred rent in the accompanying statement of financial position results from the straight-line recognition of rent expense over the terms of the lease agreement. Rent expense is \$71,242 and \$62,570 for the years ended December 31, 2017 and 2016, respectively.

**WE HOPE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 4 - RELATED PARTY TRANSACTIONS

Related party transactions for the years ended December 31, 2017 and 2016 are as follows:

Due from Related Party - The Organization was owed \$3,977 at December 31, 2016 from BFM, Inc., a company that is owned by a board member and founder of the Organization. This advance was unsecured and due on demand.

Due to Related Party - The Organizations owed \$15,032 at December 31, 2016 to various board members for advances made less repayments. These advances were unsecured and due on demand.

NOTE 5 - BOARD DESIGNATED NET ASSETS

The Board of Directors has made a designation of unrestricted net assets for the following purposes at December 31:

	2017	2016
Dignity on Wheels	\$ 439,526	\$ 322,482
Homeless Shelter	<u>(68,926)</u>	<u>237,615</u>
	<u>\$ 370,600</u>	<u>\$ 560,097</u>

NOTE 6 - SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2017, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is June 20, 2018, the date the financial statements were available to be issued.