

THE PLACE OF HOPE AT
THE HAVEN CAMPUS, INC.

FINANCIAL STATEMENTS

December 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Place of Hope at the Haven Campus, Inc.
Palm Beach Gardens, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of The Place of Hope at the Haven Campus, Inc. (the "Organization") (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2014, 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.

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. 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.

The Place of Hope at the Haven Campus, Inc.

Basis for Qualified Opinion

As more fully described in Note 10 to the financial statements, the Organization's financial statements do not include the accounts of Place of Hope, Inc., Village of Hope of Palm Beach County, Inc., Treasures for Hope, Inc., and Thousand Hills Holding Company, Inc., which are related parties to the Organization. The related parties and the Organization have been identified by management as meeting the requirements for the presentation of combined financial statements as required by accounting principles generally accepted in the United States of America; however, these financial statements are not presented on a combined basis. In our opinion, the Organization's financial statements should include the accounts of Place of Hope, Inc., Village of Hope of Palm Beach County, Inc., Treasures for Hope, Inc., and Thousand Hills Holding Company, Inc. to conform with accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of The Place of Hope at the Haven Campus, Inc. as of December 31, 2014, and the change 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.

KEEFE McCULLOUGH

Fort Lauderdale, Florida
May 8, 2015

THE PLACE OF HOPE AT THE HAVEN CAMPUS, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2014

A S S E T S

ASSETS:	
Cash and cash equivalents	\$ 792,373
Grants and contracts receivable	146,114
Due from related party	39,845
Property held for resale	20,000
Property and equipment, less accumulated depreciation of \$ 51,075	<u>3,966,752</u>
Total assets	<u>\$ 4,965,084</u>

L I A B I L I T I E S A N D N E T A S S E T S

LIABILITIES:	
Accounts payable	\$ 105,225
Accrued expenses	22,225
Deferred revenue	945
Due to related party	<u>210,701</u>
Total liabilities	<u>339,096</u>
NET ASSETS:	
Unrestricted - undesignated	<u>4,625,988</u>
Total net assets	<u>4,625,988</u>
Total liabilities and net assets	<u>\$ 4,965,084</u>

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

THE PLACE OF HOPE AT THE HAVEN CAMPUS, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
CHANGE IN NET ASSETS:			
Operating revenue:			
Contributions	\$ 1,200,493	\$ -	\$ 1,200,493
Grants and contracts	826,115	-	826,115
Other operating income	15,676	-	15,676
In-kind donations	76,045	-	76,045
	<u>2,118,329</u>	<u>-</u>	<u>2,118,329</u>
Total operating revenue			
Net assets released from restrictions	<u>35,500</u>	<u>(35,500)</u>	<u>-</u>
Total operating revenue and net assets released from restrictions	<u>2,153,829</u>	<u>(35,500)</u>	<u>2,118,329</u>
Expenses:			
Operating expenses	768,286	-	768,286
Provision for depreciation	29,123	-	29,123
	<u>797,409</u>	<u>-</u>	<u>797,409</u>
Total expenses			
Change in net assets	<u>1,356,420</u>	<u>(35,500)</u>	<u>1,320,920</u>
NET ASSETS, January 1, 2014	<u>3,269,568</u>	<u>35,500</u>	<u>3,305,068</u>
NET ASSETS, December 31, 2014	\$ <u><u>4,625,988</u></u>	\$ <u><u>-</u></u>	\$ <u><u>4,625,988</u></u>

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

THE PLACE OF HOPE AT THE HAVEN CAMPUS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2014

	Supporting Services				Total
	Program Services	Management and General	Fund- raising	Total Supporting Services	
PERSONNEL COSTS:					
Salaries, including in-kind donations of \$ 72,748	\$ 265,342	\$ 30,721	\$ 17,105	\$ 47,826	\$ 313,168
Employee benefits and payroll taxes	38,890	-	-	-	38,890
Total personnel costs	304,232	30,721	17,105	47,826	352,058
OTHER EXPENSES:					
Event expenses	130,562	16,320	16,320	32,640	163,202
Insurance	28,400	2,498	-	2,498	30,898
Utilities	26,605	2,955	-	2,955	29,560
Provision for depreciation	23,799	5,324	-	5,324	29,123
Printing and reproductions	15,698	5,233	5,233	10,466	26,164
Repairs and maintenance	21,616	2,402	-	2,402	24,018
Professional fees	17,130	6,336	-	6,336	23,466
Marketing	4,800	-	18,660	18,660	23,460
Miscellaneous	12,871	5,397	3,825	9,222	22,093
Household expenses	18,386	-	-	-	18,386
Computer	13,436	-	-	-	13,436
Travel (program advancement)	4,581	-	4,581	4,581	9,162
Communications	9,054	-	-	-	9,054
Bank charges and fees	4,213	4,213	-	4,213	8,426
Office supplies and other	5,465	683	683	1,366	6,831
Interest expense	2,387	2,388	-	2,388	4,775
In-kind donations	-	3,297	-	3,297	3,297
Total other expenses	339,003	57,046	49,302	106,348	445,351
Total expenses	\$ 643,235	\$ 87,767	\$ 66,407	\$ 154,174	\$ 797,409

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

THE PLACE OF HOPE AT THE HAVEN CAMPUS, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 1,320,920
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Provision for depreciation	29,123
Changes in assets and liabilities:	
Decrease in promises to give	35,500
Decrease in grants and contracts receivable	25,571
Decrease in prepaid expenses	101,407
Increase in due from related party	(39,845)
Increase in accounts payable	49,797
Increase in accrued expenses	15,266
Increase in deferred revenue	945
Increase in due to related party	<u>190,701</u>
Net cash provided by operating activities	<u>1,729,385</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	<u>(1,236,716)</u>
Net cash used in investing activities	<u>(1,236,716)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from line of credit	200,000
Principal payments on line of credit	<u>(200,000)</u>
Net cash provided by (used in) financing activities	<u>-</u>
Net increase in cash and cash equivalents	492,669
CASH AND CASH EQUIVALENTS, January 1, 2014	<u>299,704</u>
CASH AND CASH EQUIVALENTS, December 31, 2014	<u>\$ <u>792,373</u></u>

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

THE PLACE OF HOPE AT THE HAVEN CAMPUS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 - ORGANIZATION AND OPERATIONS

The Place of Hope at the Haven Campus, Inc. (the "Organization") is a not-for-profit organization, incorporated in January 2013, after The Haven, Inc.'s (the "Haven") Board of Directors chose Place of Hope, Inc. to carry on the Haven's mission and to steward the Haven's assets and resources, which their friends and supporters had entrusted to them over the years. The Haven was a not-for-profit corporation with a long-standing and respected charitable purpose similar to that of Place of Hope, Inc. This transition included a transfer of all of the Haven's remaining assets with no assumption of liabilities.

The Organization partners with its affiliate organizations Place of Hope, Inc. ("Place"), Village of Hope of Palm Beach County, Inc. ("Village"), Treasures for Hope, Inc. ("Treasures"), and Thousand Hills Holding Company, Inc. ("Thousand Hills") (Notes 7 and 10). Place, a not-for-profit entity incorporated in 1998, provides family-style foster care, family outreach and intervention, transitional housing and support services, adoption and foster care recruitment and support, a maternity home, hope and healing opportunities for children and families who have been traumatized by abuse and neglect throughout Palm Beach County. Village, a not-for-profit entity incorporated in 2006, provides a residential campus which may serve up to eighteen (18) young adults on a daily basis who have "aged out" (eighteen years old) of the foster care system or who are otherwise found homeless. Treasures, a not-for-profit entity incorporated in 2012, operates a charity store which sells second-hand items, to support the activities of Place and Village. Thousand Hills, a not-for-profit entity incorporated in 2012, provides independent living residential support and essential life-skills development for minor girls in crisis.

Place was provided the opportunity to expand its services to meet the needs of youth and their families within the South Palm Beach County region. At the beginning of 2014, it was given the opportunity to open the Organization in Boca Raton. The Boca Raton campus will be similar to the combined services offered by Place and Village, in the North Palm Beach County area, providing residential foster care, developing residential programs for those who have "aged out", and operating foster care recruitment and support in the South Palm Beach County area. In the near term, Place intends to relocate certain specific program operations from Palm Beach Gardens to the Organization's Campus in Boca Raton; this will create a regional assessment center, allowing for sufficient time to assess foster youth for future placements within traditional foster homes or Family Cottages. Management also plans to utilize office space at the Boca Raton Campus to further their efforts in the local community to promote adoptions and child abuse prevention and awareness.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation:

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958, *Not-for-Profit Entities*. Under FASB ASC No. 958, the Organization is required to report 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 PLACE OF HOPE AT THE HAVEN CAMPUS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted and unrestricted revenue and support:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Noncash contributions are recorded at their estimated fair value on the date received.

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.

The Organization had no temporarily or permanently restricted net assets as of December 31, 2014.

Cash and cash equivalents:

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization occasionally maintains cash balances at a financial institution which may exceed federally insured amounts. These amounts are maintained with what management believes to be a quality financial institution.

Promises to give:

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of 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. The Organization had no unconditional or conditional promises to give as of December 31, 2014.

Allowance for doubtful accounts:

Management periodically reviews the grants and contracts receivable balance and provides an allowance for accounts which may be uncollectible. At December 31, 2014, management considered the grants and contracts receivable balance to be fully collectible within the current accounting period and no allowance for doubtful accounts was considered necessary.

Property held for resale:

Property held for resale represents real estate property received from the Haven and located in Middleburg, Florida, approximately 30 miles southwest of downtown Jacksonville. It is the Organization's management intent to sell the property and use the proceeds to further its mission.

THE PLACE OF HOPE AT THE HAVEN CAMPUS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment:

Property and equipment are carried at cost if purchased or, if donated, at estimated fair value on the date of donation, less accumulated depreciation. The Organization's policy is to provide for depreciation using the straight-line method over the estimated useful life of each type of asset which is as follows:

Buildings and improvements	27.5 years
Vehicles	5 years
Furniture, fixtures, and equipment	5-7 years
Land improvements	7 years
Office equipment	5 years

Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset for a specific 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. Without donor stipulations regarding how long these donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service, reclassifying temporarily restricted net assets to unrestricted net assets at that time.

Maintenance and repairs to property and equipment are charged to expense when incurred. Additions and major renewals are capitalized.

Deferred revenue:

Grants and contracts revenue that is not recognized because the allowable costs as defined the individual grant or contract have not been incurred and/or the unit of service has not been provided is considered deferred revenue. In addition, revenues from special events that are considered exchange transactions are deferred until the special event takes place.

Grants and contracts revenue:

Grants and contracts revenue is recognized when the allowable costs as defined by the individual grant or contract are incurred and/or the unit of service has been provided. Grants and contracts receivable at year end represent expenditures and/or units of service provided, which have not yet been reimbursed by the granting agency.

Functional expenses:

Program and supporting services are charged with their direct expenses. Other expenses are allocated based on their proportionate share of total expenses, as well as other estimates provided my management.

Joint costs of fundraising appeals:

The Organization utilizes various pamphlets, brochures and informational methods to inform the general public of their activities and to solicit funds. These costs are charged to fundraising.

THE PLACE OF HOPE AT THE HAVEN CAMPUS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain 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.

Date of management's review:

Subsequent events have been evaluated by management through May 8, 2015, which is the date the financial statements were available for issuance.

NOTE 3 - GRANTS AND CONTRACTS

Funding agreements for services to be provided are generally entered into on an annual basis. The release of funds is subject to monies made available by the federal and state government, and certain other grantor agencies, as applicable. These agreements may generally be terminated by either party upon thirty to ninety days written notice; however, such an event would be unlikely if contract performance continues to be satisfactory.

Program expenditures made by the Organization are subject to additional audit by grantor agencies. As a result of such audits, the grantor may require that amounts be returned. In certain instances, the grantor may increase its grant of funds to the Organization to offset amounts which would otherwise be repayable based on audits. As of December 31, 2014, no amounts are known to be owed to grantor agencies.

In accordance with OMB A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the Florida Single Audit Act, the Organization is required to perform "single audits" when the required threshold of \$ 500,000 in grant expenditures from federal or state sources is exceeded. The Organization did not exceed the threshold, from either source, for the year ended December 31, 2014.

NOTE 4 - DONATED GOODS, PROPERTY, AND SERVICES

The Organization receives donated goods and services, paying for most services requiring specific expertise. However, a number of volunteers have donated their time in certain of the Organization's program service areas, fundraising activities and efforts to solicit charitable contributions. Because of the difficulty in determining the number of hours for such services, those items are not disclosed in the accompanying financial statements. However, when the value of donated services requires specific expertise, they are recorded in the financial statements as revenue and as an expense, or as property and equipment, depending on the nature of the services provided. For the year ended December 31, 2014, the Organization recorded as a revenue and as an expense \$ 72,748 in donated services, which related to program and supporting services received from Place (Note 7). Further, the Organization received \$ 3,297 in donated professional services (management and general).

THE PLACE OF HOPE AT THE HAVEN CAMPUS, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2014:

Buildings and improvements	\$	733,186
Vehicles		26,100
Furniture, fixtures, and equipment		4,022
Land improvements		1,600
Office equipment		1,137
		766,045
Less accumulated depreciation		51,075
		714,970
Land		1,859,166
Construction in progress		1,392,616
		\$ 3,966,752

The real estate property (main campus) transferred by the Haven to the Organization was originally received as a donation from Palm Beach County. The property now conveyed to the Organization carries a covenant that it shall be used exclusively for the construction and operation of facilities for a staffed residential behavioral health and educational program for at risk children, including independent living transition services for older children and young adults. In the event that the property is used for any other purpose, title to the property shall automatically revert back to Palm Beach County. In addition, certain grant revenue has been awarded to the Organization for the purpose of improving existing real estate. The grantor retains a security interest in the subject property. If the improved real estate is no longer used for its intended purpose, the Organization must obtain approval from the grantor agency to use this property for other lawful purposes within the prescribed time-frame.

Construction Commitment

The Organization previously entered into an agreement with a contractor to provide for campus renovations. The contracted price amounted to \$ 2,500,000 through December 2015. As of December 31, 2014, the Organization had a remaining commitment of approximately \$ 1,300,000 relative to this contract.

NOTE 6 - LINE OF CREDIT

The Organization had available a revolving term note agreement with a financial institution, in the principal amount of \$ 500,000, for working capital needs, which expired in February 2015. Outstanding balances under the line of credit agreement bear interest at the prevailing LIBOR rate plus 4.05% (4.21% at December 31, 2014). The revolving term note agreement is collateralized by a security interest in all assets now owned and subsequently acquired by the Organization. As of December 31, 2014, there was no outstanding balance on the credit facility. The Organization intends to renew this credit facility during 2015.

THE PLACE OF HOPE AT THE HAVEN CAMPUS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 7 - RELATED PARTY TRANSACTIONS (NOTE 1)

The Organization is related to Place through common board members and management. The Organization also receives support in the form of donated services and contributions for its general operations from Place. During the year, the Organization received approximately \$ 73,000 of in-kind services from Place. In addition, as of December 31, 2014, the Organization had an amount due to Place amounting to \$ 210,701 for expense reimbursements. This amount bears no interest and there is no established repayment schedule.

The Organization is also related to Village, Treasures, and Thousand Hills, all not-for-profit entities, through common board members and management. As of December 31, 2014, the Organization had an amount due from Village amounting to \$ 39,845, for expense reimbursements. This amount bears no interest and there is no established repayment schedule.

NOTE 8 - INCOME TAXES

The Organization qualifies as a non-profit corporation exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3), with the exception of any unrelated business income. Management has evaluated the unrelated business income tax implications and believes that the effects, if any, are immaterial to the Organization's financial statements. Accordingly, no provision for income taxes has been made to these financial statements.

NOTE 9 - RETIREMENT PLAN

The Organization's SIMPLE IRA retirement plan is available to all employees who have worked for the Organization for at least one year and have earned or are expected to earn a specified minimum salary. For the year ended December 31, 2014, the Organization contributed approximately \$ 1,000 to the Plan.

NOTE 10 - COMBINATION OF RELATED PARTY ENTITIES

FASB Accounting Standards Codification (ASC) 958-810-25-3 for Not-for-Profit Organizations requires combination of related party financial statements if one of the related parties has (1) control through a majority voting interest, and (2) economic interest. The Organization, Place, Village, Treasures, and Thousand Hills are all not-for-profit entities which share common Board members and Officers. Furthermore, Place provides general support to these entities in the form of contributions and donated services. Management indicated that, although the criterion for combination was met for the current year, they had chosen not to combine the financial statements for presentation. The Organization determined that if combination had taken place, as required by accounting principles generally accepted in the United States of America, the current year activity would have been affected by the summarized financial information documented in the tables on the following page.

THE PLACE OF HOPE AT THE HAVEN CAMPUS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 10 - COMBINATION OF RELATED PARTY ENTITIES (continued)

Summarized financial information for Place as of and for the year ended December 31, 2014 is as follows:

Total assets	\$ 12,272,464
Total liabilities	<u>477,301</u>
Total net assets	\$ <u>11,795,163</u>
Total change in net assets	\$ <u>602,654</u>

Summarized financial information for Village as of and for the year ended December 31, 2014 is as follows:

Total assets	\$ 3,127,409
Total liabilities	<u>101,259</u>
Total net assets	\$ <u>3,026,150</u>
Total change in net assets	\$ <u>(22,068)</u>

Summarized financial information for Treasures as of and for the year ended December 31, 2014 is as follows:

Total assets	\$ 2,258,775
Total liabilities	<u>1,718,132</u>
Total net assets	\$ <u>540,643</u>
Total change in net assets	\$ <u>219,602</u>

Summarized financial information for Thousand Hills as of and for the year ended December 31, 2014 is as follows:

Total assets	\$ 109,233
Total liabilities	<u>17,766</u>
Total net assets	\$ <u>91,467</u>
Total change in net assets	\$ <u>(327,236)</u>

Reference should be made to the financial statements of Place of Hope, Inc., Village of Hope of Palm Beach County, Inc., Treasures for Hope, Inc., and Thousand Hills Holding Company, Inc. as to which the independent auditor's reports are dated May 8, 2015.

NOTE 11 - SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid during the year for -	
Interest expense	\$ 4,775