Hope Center for Kids, Inc.

Financial Statements
December 31, 2015, with
Comparative Totals for 2014
and Supplementary Information
December 31, 2015

Together with Independent Auditor's Report

Hope Center for Kids, Inc.

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SEIM JOHNSON

Independent Auditor's Report

To the Board of Directors of
Hope Center for Kids, Inc.
Omaha, Nebraska:

Report on the Financial Statements

We have audited the accompanying financial statements of Hope Center for Kids, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2015, and the related statements of activities 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope Center for Kids, Inc. as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Hope Center for Kids, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 12, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Seim Johnson, LLP ▸ 18081 Burt Street, Suite 200 ▸ Omaha, NE 68022-4722 ▸ Tel: 402.330.2660 ▸ Fax: 402.330.5108 ▸ SeimJohnson.com

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information (Exhibit 1) is presented for purposes of additional analysis 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Seim Johnson, LLP

Omaha, Nebraska,
March 29, 2016.

Hope Center for Kids, Inc.

Statement of Financial Position
December 31, 2015, with Comparative Totals for 2014

		2015	2014
ASSETS			
Cash and cash equivalents	$	601,907	458,928
Receivables -			
Pledges, net		100,379	178,891
Other		--	1,415
Prepaid expenses		18,133	11,335
Assets limited as to use		255,444	133,156
Property and equipment, net		4,148,576	4,286,727
Total assets	$	5,124,439	5,070,452
LIABILITIES AND NET ASSETS			
Accounts payable	$	33,375	22,610
Accrued salaries, wages and payroll taxes payable		33,541	28,040
Accrued vested benefits		16,428	22,015
Long-term debt and capital lease obligation		881,030	972,023
Total liabilities		964,374	1,044,688
Net assets -			
Unrestricted		3,802,692	3,711,217
Temporarily restricted		340,373	297,547
Permanently restricted		17,000	17,000
Total net assets		4,160,065	4,025,764
Total liabilities and net assets	$	5,124,439	5,070,452

See notes to financial statements

Hope Center for Kids, Inc.

Statement of Activities
For the Year Ended December 31, 2015, with Comparative Totals for 2014

	2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2014
REVENUE, GAINS AND OTHER SUPPORT:					
Contributions	$ 1,118,619	673,275	--	1,791,894	1,399,693
Special events income (net of direct expenses of $104,139 and $116,987 in 2015 and 2014, respectively)	526,639	--	--	526,639	470,913
Other income	32,249	--	--	32,249	22,420
Net assets released from restrictions	630,449	(630,449)	--	--	--
Total revenue, gains and other support	2,307,956	42,826	--	2,350,782	1,893,026
EXPENSES:					
Expenses -					
Program services:					
Omaha learning programs	1,310,553	--	--	1,310,553	1,075,135
Kid's Café	72,944	--	--	72,944	90,030
Skating rink	163,869	--	--	163,869	194,906
Fremont Hope Center	227,590	--	--	227,590	109,177
Total program services	1,774,956	--	--	1,774,956	1,469,248
Management and general	161,546	--	--	161,546	293,771
Fundraising	279,979	--	--	279,979	295,140
Total expenses	2,216,481	--	--	2,216,481	2,058,159
CHANGE IN NET ASSETS	91,475	42,826	--	134,301	(165,133)
NET ASSETS, beginning of year	3,711,217	297,547	17,000	4,025,764	4,190,897
NET ASSETS, end of year	$ 3,802,692	340,373	17,000	4,160,065	4,025,764

See notes to financial statements

Hope Center for Kids, Inc.

Statement of Cash Flows
For the Year Ended December 31, 2015, with Comparative Totals for 2014

		2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	$	134,301	(165,133)
Adjustments to reconcile change in net assets to net cash provided by operating activities -			
Depreciation and amortization		188,477	190,593
(Increase) decrease in assets -			
Receivables -			
Pledges		78,512	8,188
Other		1,415	42
Prepaid expenses		(6,798)	8,028
Increase (decrease) in liabilities -			
Accounts payable		10,765	10,005
Accrued salaries, wages and payroll taxes payable		5,501	4,240
Accrued vested benefits		(5,587)	138
Net cash provided by operating activities		406,586	56,101
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment		(50,326)	(34,400)
Deposits to assets limited as to use		(122,288)	(45,149)
Net cash used in investing activities		(172,614)	(79,549)
CASH FLOWS FROM FINANCING ACTIVITIES,			
Payments on long-term debt and capital lease obligation		(90,993)	(91,011)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		142,979	(114,459)
CASH AND CASH EQUIVALENTS, beginning of year		458,928	573,387
CASH AND CASH EQUIVALENTS, end of year	$	601,907	458,928
SUPPLEMENTAL SCHEDULE OF CASH FLOWS INFORMATION,			
Cash paid for interest	$	40,219	43,899

See notes to financial statements

(1) Description of Organization

Hope Center for Kids, Inc. (the Organization) was incorporated as a nonprofit entity on December 3, 1999 in the State of Nebraska. The mission of the Organization is to faithfully inspire hope in North Omaha and Fremont youth and children through education, employability, collaboration and faith.

(2) Summary of Significant Accounting Policies

These policies are in accordance with the accounting principles generally accepted in the United States of America.

A. Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

B. Cash and Cash Equivalents

Cash and cash equivalents for purposes of the statement of cash flows includes investments in highly liquid debt instruments with original maturities of three months or less.

The Organization periodically maintains deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. Management believes the risk relating to these excess deposits is minimal.

C. Pledges Receivable, Net

Pledges receivable are unconditional promises to give that are recognized as contributions when the promise is received. Pledges receivable that are expected to be collected in less than one year are reported at net realizable value. Pledges receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible pledges receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

D. Assets Limited as to Use

Assets limited as to use include assets restricted as to use by donors. These investments consist of cash and cash equivalents.

E. Property and Equipment, Net

Property and equipment are stated at cost. Depreciation is provided over the estimated useful lives of each class of depreciable assets and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. The Organization maintains a capitalization policy of all items over $2,500 with a useful life of more than one year. The useful lives of property and equipment for purposes of computing depreciation are:

Land improvements	15 years
Building and improvements	7-39 years
Furniture and equipment	3-15 years
Computer equipment	3-5 years

Gifts of long-lived assets such as land, buildings or equipment are reported 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, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

F. Net Assets

The Organization maintains the following classes of net assets:

Unrestricted – Represents net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted – Represents net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted – Represents net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all of the interest and dividends earned in related investments for general or specific purposes.

G. *Endowments*

The Organization's endowments consist of funds established to invest permanently restricted donations. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. As of December 31, 2015, the Organization had no board designated endowments.

The Board of Directors of the Organization has interpreted the Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) as not requiring the preservation of any specific amount of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization only classifies as permanently restricted assets the amounts in the endowments which are subject to permanent, specific, donor-imposed restrictions on appropriation (spending) of the fund.

The Organization classifies the remaining amounts in the endowments as temporarily restricted net assets until those amounts are appropriated for expenditure. In authorizing appropriations form the temporarily restricted endowments, NUPMIFA requires the Organization to focus on the purposes of the fund, giving priority to the donor's intent that the fund be maintained permanently.

In accordance with NUPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

H. Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received or given. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently 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 as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

I. Contributed Services and Gifts-in-Kind

Unpaid volunteers are active in providing valuable services to numerous programs. The value of those contributions of time is not recognized as revenue in the statement of activities since it does not meet the recognition requirements of Financial Accounting Standards Board (FASB) ASC Topic 958 Subtopic 605, *Revenue Recognition*.

Gifts-in-kind are recorded as revenue at their estimated fair value on the date of receipt. The Organization received donated materials of $56,964 and $67,939, respectively, which are included in the statement of activities for the years ending December 31, 2015 and 2014.

J. Fair Value of Financial Instruments

The Organization applies the provisions included in FASB ASC Topic 820 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. At December 31, 2015 and 2014, there were no nonfinancial assets or liabilities measured at fair value in the financial statements on a nonrecurring basis.

The carrying value of all financial instruments approximates estimated fair value. Cash and cash equivalents, receivables, long-term debt, and payables approximate fair value due to their short-term nature.

K. Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

L. Advertising

Advertising costs are expensed as incurred. Advertising costs were $46,292 and $35,411, respectively, for the years ending December 31, 2015 and 2014.

M. Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and has received a determination letter that it is exempt from federal income taxes on related income pursuant to the Section 501(a) of the Code. The Internal Revenue Service has established standards to be met to maintain the Organization's tax exempt status. In general, such standards require the Organization to meet a community benefits standard and comply with various laws and regulations.

The Organization accounts for uncertainties in accounting for income tax assets and liabilities using guidance included in FASB ASC 740, Income Taxes. The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. At December 31, 2015 and 2014, the Organization had no uncertain tax positions accrued.

N. Comparative Amounts

The amounts shown for 2014 in the accompanying financial statements are included to provide a basis for comparison with 2015, and are not intended to present all information necessary for a fair presentation of the 2014 financial statements in conformity with accounting principles generally accepted in the United States of America.

O. Subsequent Events

The Organization considered events occurring through March 29, 2016 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

(3) Pledges Receivable, Net

Included in pledges receivable are the following unconditional promises to give at December 31, 2015 and 2014:

		2015	2014
Restricted			
Hope Employment & Learning Academy	$	54,112	14,002
Kids Café		11,250	--
Fremont Hope Center		12,500	--
Restricted to future periods		19,025	166,858
Other		3,492	--
Unconditional promises to give before unamortized discount and allowance for uncollectibles		100,379	180,860
Less discounts for the time-value of money		--	(1,969)
Pledges receivable, net	$	100,379	178,891

Pledges receivable at December 31, 2015 are expected to be received in within one year.

(4) Property and Equipment

The components of property and equipment at December 31, 2015 and 2014 are as follows:

		2015	2014
Land	$	204,773	204,773
Land improvements		84,579	84,579
Building and improvements		5,027,352	4,979,932
Furniture and equipment		438,875	435,969
Computer equipment		113,064	113,064
		5,868,643	5,818,317
Less: Accumulated depreciation and amortization		(1,720,067)	(1,531,590)
	$	4,148,576	4,286,727

Depreciation and amortization expense of $188,477 and $190,593 is included in the accompanying statement of activities for the years ending December 31, 2015 and 2014, respectively.

(5) Long-term Debt and Capital Lease Obligation

A summary of long-term debt and capital lease obligations at December 31, 2015 and 2014 is as follows:

		2015	2014
Note payable to Mutual of Omaha Bank, 4.1%, due February 2018	$	877,870	967,693
Capital lease obligation, 4.1% imputed interest, due through April 2018, secured by leased copier		3,160	4,330
	$	881,030	972,023

Interest expense of $40,219 and $43,899 is included in the accompanying statement of activities for the years ending December 31, 2015 and 2014, respectively.

In 2014, the Organization refinanced a note and a line of credit with Mutual of Omaha Bank into a new note with principal of $1,147,338 and a fixed interest rate of 4.10%. This note is due in five annual principal payments of $89,823, beginning December 2014, with a final balloon payment in February 2018, and quarterly interest payments. This loan is collateralized by deeds of trust on the buildings.

Scheduled principal and interest payments on long-term debt are as follows:

Year Ending December 31		Note Payable	Capital Lease	Less: Interest	Total Principal
2016	$	89,823	1,392	103	1,289
2017		89,823	1,392	49	1,343
2018		698,224	531	3	528
	$	877,870	3,315	155	3,160
Less amount representing interest under capital lease obligation.			155		
			$ 3,160		

Property and equipment, net, includes $2,827 and 4,084 in property held under capital leases at December 31, 2015 and 2014, respectively.

(6) Retirement Plan

All employees of the Organization are eligible to participate in a SIMPLE retirement plan. Currently, the Organization will match up to 3% of contributions made by the employee through payroll deductions. The Organization contributed $10,081 and $15,947 in 2015 and 2014, respectively. There were no direct administrative costs.

(7) Temporarily and Permanently Restricted Net Assets

Temporarily Restricted

Temporarily restricted net assets related to the following at December 31, 2015 and 2014:

		2015	2014
Employment academy	$	172,381	127,871
Future operations		103,859	124,589
Fremont Hope Center		33,122	--
Scholarships		21,030	22,156
Clothing, totes, and gifts		7,586	9,843
Pageant		1,967	1,967
Emergency services		428	428
Basketball		--	10,693
	$	340,373	297,547

Net assets were released from donor restrictions during 2015 and 2014 by incurring expenses satisfying the restricted purposed as follows:

		2015	2014
Employment academy	$	187,975	218,699
Future operations		131,476	78,031
Fremont Hope Center		220,248	58,716
Kids Café		29,851	25,634
Clothing, totes, and gifts		22,257	13,534
Scholarships		11,126	7,968
Other program expenses		27,516	31,018
	$	630,449	433,600

Permanently Restricted

The Organization was the recipient of an endowment as contributed by a donor during 2013. The provisions require that the principal of the gift be maintained in perpetuity and that the investment income be used to support the operations of the Organization. During the year ending December 31, 2015, there were no distributions from the endowment fund.

(8) Operating Leases

The Organization has various leases for operating equipment. Total rental expense for the years ended December 31, 2015 and 2014 for all operating leases was $6,768. The following is a schedule by year of future minimum lease payments under operating leases as of December 31, 2015, that have initial or remaining lease terms in excess of one year:

2016	$	6,768
2017		2,612

(9) Related Party

The Organization has a loan with Mutual of Omaha Bank (see Note 5). Michael Homa, Nebraska State President of Mutual of Omaha Bank, is a member of the Organization's Board of Directors.

Hope Center for Kids, Inc.

Exhibit 1

Statement of Functional Expenses
For the Year Ended December 31, 2015

	Program Services							
	Omaha Learning Programs	Kids Café	Skating Rink	Fremont Hope Center	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries, wages, and related costs	$ 785,843	34,520	31,678	138,234	990,275	73,236	162,811	1,226,322
Children/youth expenses	133,120	35,004	588	41,109	209,821	100	--	209,921
Postage and delivery	18	--	--	32	50	1,424	14,013	15,487
Repair and maintenance	27,232	1,061	7,466	6,901	42,660	100	--	42,760
Advertising	5,702	--	--	4,577	10,279	2,570	33,443	46,292
Printing and reproduction	10,050	21	1,118	2,429	13,618	2,678	19,909	36,205
Professional fees	32,871	--	--	2,370	35,241	53,865	22,669	111,775
Interest	40,219	--	--	--	40,219	--	--	40,219
Insurance	32,993	1,358	14,274	4,209	52,834	6,443	6,675	65,952
Utilities	27,673	--	36,648	2,705	67,026	2,719	--	69,745
Other operating expenses	93,778	980	7,120	22,578	124,456	18,411	20,459	163,326
Total expenses before depreciation and amortization	1,189,499	72,944	98,892	225,144	1,586,479	161,546	279,979	2,028,004
Depreciation and amortization expense	121,054	--	64,977	2,446	188,477	--	--	188,477
Total expenses	$ 1,310,553	72,944	163,869	227,590	1,774,956	161,546	279,979	2,216,481