

NEW FOUNDATION OF HOPE, INC.
FINANCIAL STATEMENTS – MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2016
(With Independent Auditors' Report Thereon)

NEW FOUNDATION OF HOPE, INC.

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YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
New Foundation of Hope, Inc.

We have audited the accompanying financial statements of New Foundation of Hope, Inc. (the "Organization") which comprise the statement of financial position as of December 31, 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 the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 organization'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 organization'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 New Foundation of Hope, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with the modified accrual basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

ICL, LLC

ICL, LLC
Chicago, IL

May 8, 2018

NEW FOUNDATION OF HOPE, INC.

STATEMENT OF FINANCIAL POSITION – MODIFIED CASH BASIS

DECEMBER 31, 2016

ASSETS

Cash - operating	\$	1,238
Property and equipment, net		<u>-</u>
TOTAL ASSETS	\$	<u><u>1,238</u></u>

LIABILITIES AND NET ASSETS

Accounts payable	\$	<u>-</u>
TOTAL LIABILITIES	\$	<u><u>-</u></u>

NET ASSETS

Unrestricted net assets		<u>1,238</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>1,238</u></u>

See accompanying notes to the financial statements.

NEW FOUNDATION OF HOPE, INC.

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2016

REVENUE:

Contributions	\$ <u>371,136</u>
TOTAL REVENUE	<u>371,136</u>

EXPENSES:

Program services	261,364
Management and general	51,942
Fundraising	<u>59,684</u>
TOTAL EXPENSES	<u>372,990</u>

CHANGE IN NET ASSETS (1,854)

UNRESTRICTED NET ASSETS, BEGINNING OF YEAR 3,092

UNRESTRICTED NET ASSETS, END OF YEAR \$ 1,238

See accompanying notes to the financial statements.

NEW FOUNDATION OF HOPE, INC.

STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2016

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, wages, payroll taxes	\$ 7,994	\$ -	\$ 1,411	\$ 9,405
Professional services	99,752	24,938	41,563	166,253
Field trips and summer outings for kids	40,497	2,131	-	42,628
Travel and transportation	30,306	-	7,577	37,883
Occupancy	38,000	7,125	2,375	47,500
Office expense	37,393	2,635	6,758	46,786
Repairs and maintenance	2,795	4,192	-	6,987
Utilities	4,577	1,525	-	6,102
Accounting	-	5,000	-	5,000
Bank Fees	-	3,273	-	3,273
Security	50	50	-	100
Depreciation	-	1,073	-	1,073
Total expenses	<u>\$ 261,364</u>	<u>\$ 51,942</u>	<u>\$ 59,684</u>	<u>\$ 372,990</u>

See accompanying notes to the financial statements.

NEW FOUNDATION OF HOPE, INC.

STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2016

Operating Activities:

Change in net assets	\$ (1,854)
Adjustment to Reconcile Change in Net Assets to Net Cash Used In Operating Activities:	
Depreciation expense	1,073
Other assets	<u>-</u>
Net cash used in operating activities	<u>(781)</u>
Cash Flows From Investing Activities:	<u>-</u>
Cash Flows From Financing Activities:	<u>-</u>
Net decrease in cash	(781)
Cash at Beginning of Year	<u>2,019</u>
Cash at End of Year	<u>\$ 1,238</u>

See accompanying notes to the financial statements.

NEW FOUNDATION OF HOPE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

NOTE 1 – NATURE OF ORGANIZATION

New Foundation of Hope, Inc. (the “Organization”) was established on October 31, 2002 to provide tutoring and mentoring programs for youth from grades kindergarten to twelfth. The tutoring programs are designed to improve academic skills.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows:

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under that basis, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligations are incurred. Consequently, the Organization has not recognized pledges receivable from donors, accounts payable to vendors, and their related effects on the change in net assets in the accompanying financial statements.

Financial Statement Presentation

The Organization presents financial information pursuant to ASC 958-205 *Not-for-Profit Entities: Presentation of Financial Statements*, which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified into distinct net asset categories according to externally (donor), imposed restrictions. In addition, the Organization is required to present a statement of cash flows.

Property and Equipment

Purchased property and equipment are recorded as cost or, if donated, at the approximate fair value at the date of donation. Additions to property and equipment over \$1,000 are capitalized. Depreciation expense is computed using the straight-line method.

NEW FOUNDATION OF HOPE, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

YEAR ENDED DECEMBER 31, 2016

Revenue Recognition

In accordance with ASC 985-605, contributions in the form of an *unconditional* promise to give are recognized as revenue by the Organization in the period in which the promise. All contributions are considered to be available for unrestricted use unless specified by the donor. Contributions are recognized as revenues when the contributions are awarded.

All donor-restricted support and revenue is reported as an increase in temporarily or permanently restricted net assets, depending upon the nature of the restriction. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Classification of Net Assets

The Organization follows the recommendations of the Financial Accounting Standards Board in its statement of 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 did not have any temporarily or permanently restricted net assets during fiscal 2016.

Functional Allocation of Expenses

The Organization classifies its expenses into their functional categories. Expenses directly identified with a functional area are charged to that area and, where expenses affect more than one area, they are allocated to the respective areas based on estimates made by management.

Use of 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.

NEW FOUNDATION OF HOPE, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

YEAR ENDED DECEMBER 31, 2016

Subsequent Events

The Organization has evaluated subsequent events for potential recognition and/or disclosures through May 8, 2018, the date the financial statements were issued.

NOTE 3 – CASH – OPERATING

As of December 31, 2016, the Organization had an operating cash balance of \$1,238. All cash balances during the year are insured by the Federal Deposit Insurance Corporation up to \$250,000.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2016, consists of the following:

Furniture and fixtures	\$	19,253
Less: Accumulated depreciation		(19,253)
Property and equipment, net	\$	<u>-</u>

Depreciation expense totaled \$1,073 during fiscal 2016.

NOTE 5 – LEASE COMMITMENTS

The Organization's office space is leased on a month to month basis. Rent expense for fiscal 2016 was \$43,750.

NOTE 6 – TAX-EXEMPT STATUS

New Foundation of Hope, Inc. is a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code and related State of Illinois statutes, respectively. The Organization has been classified as an entity that is not a private foundation within the meaning of section 509(a) and qualifies as tax deductible contributions as provided in section 170(b)(1)(a)(vi). There was no unrelated business income during fiscal 2016.