

# Dugan & Lopatka

Certified Public Accountants & Consultants  
A Professional Corporation  
104 East Roosevelt Road  
Wheaton, Illinois 60187  
(630) 665-4440  
Fax (630) 665-5030  
www.duganlopatka.com  
e-mail: info@duganlopatka.com

Michael J. Dugan  
Jerry L. Lopatka  
Mark F. Schultz  
Peter J. Zich  
Leo M. Misdorn

Karen M. Olson  
Hugh E. Elliott  
Ron A. Marklund

---

Gwen S. Henry

May 9, 2016

Mr. Jeff Gilbert, Executive Director  
Hope for Tomorrow, Inc.  
479 North Lake Street  
Aurora, Illinois 60506

*Transmitted via Email*

Dear Jeff:

Attached is a copy of the financial statements for Hope for Tomorrow, Inc. as of December 31, 2015, together with auditor's report.

Please call should you have any questions.

Sincerely,

DUGAN & LOPATKA



Mark F. Schultz

MFS:sds  
Attachment

**HOPE FOR TOMORROW, INC.**

**FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2015**

**TOGETHER WITH AUDITOR'S REPORT**

# Dugan & Lopatka

Certified Public Accountants & Consultants  
A Professional Corporation  
104 East Roosevelt Road  
Wheaton, Illinois 60187  
(630) 665-4440  
Fax (630) 665-5030  
www.duganlopatka.com  
e-mail: info@duganlopatka.com

Michael J. Dugan  
Jerry L. Lopatka  
Mark F. Schultz  
Peter J. Zich  
Leo M. Misdorn

Karen M. Olson  
Hugh E. Elliott  
Ron A. Marklund  

---

Gwen S. Henry

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Hope for Tomorrow, Inc.:

We have audited the accompanying financial statements of Hope for Tomorrow, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, cash flows and functional expenses 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.

To the Board of Directors of  
Hope for Tomorrow, Inc.  
Page two

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2015, 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.

  
DUGAN & LOPATKA

Wheaton, Illinois  
May 6, 2016

HOPE FOR TOMORROW, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2015

ASSETS

## CURRENT ASSETS:

Cash and cash equivalents	\$ 24,539
Receivables	51,956
Investments	1,990
	<hr/>
Total current assets	78,485

## PROPERTY AND EQUIPMENT:

Land	45,000
Leasehold improvements	31,398
Buildings	408,281
	<hr/>
	484,679
Less - Accumulated depreciation	(85,304)
	<hr/>
Net property and equipment	399,375

## OTHER ASSETS:

Security deposit	513
	<hr/>
Total assets	<u>\$ 478,373</u>

LIABILITIES AND NET ASSETS

## CURRENT LIABILITIES:

Notes payable, current maturities	\$ 51,490
Accounts payable	8,009
Accrued payroll taxes	80,530
Accrued penalties and interest	15,950
	<hr/>
Total current liabilities	155,979

## LONG-TERM LIABILITIES:

Notes payable, net of current maturities	97,706
Related party payables	78,010
	<hr/>
Total long-term liabilities	175,716
	<hr/>
Total liabilities	331,695

## COMMITMENTS

## NET ASSETS:

Unrestricted	146,678
	<hr/>
Total liabilities and net assets	<u>\$ 478,373</u>

The accompanying notes are an integral part of this statement.

HOPE FOR TOMORROW, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015

## CHANGES IN UNRESTRICTED NET ASSETS:

Support and revenue -	
Contributions	\$ 265,901
Program services	357,367
In-kind support	<u>200</u>
Total unrestricted support and revenue	<u>623,468</u>
Functional expenses -	
Program expenses	534,061
Supporting services -	
General and administrative	24,268
Fundraising	<u>1,769</u>
Total functional expenses	<u>560,098</u>
CHANGE IN TOTAL NET ASSETS	63,370
NET ASSETS, Beginning of year	<u>83,308</u>
NET ASSETS, End of year	<u><u>\$ 146,678</u></u>

The accompanying notes are an integral part of this statement.

HOPE FOR TOMORROW, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in total net assets	\$ 63,370
Adjustments to reconcile change in total net assets to net cash provided by operating activities:	
Depreciation and amortization	16,337
Interest and dividend income	30
(Increase) in receivables	(14,945)
Increase in accounts payable	4,425
(Decrease) in accrued payroll taxes	(17,936)
(Decrease) in accrued penalties and interest	(1,043)
(Decrease) in related party payables	(1,990)
	<hr/>
Net cash provided by operating activities	48,248
CASH FLOWS FROM FINANCING ACTIVITIES	
Net payments made on notes payable	(45,429)
	<hr/>
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,819
CASH AND CASH EQUIVALENTS, Beginning of year	21,720
	<hr/>
CASH AND CASH EQUIVALENTS, End of year	\$ 24,539
	<hr/> <hr/>

The accompanying notes are an integral part of this statement.

HOPE FOR TOMORROW, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Program Expenses</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Salaries and benefits	\$ 288,589	\$ -	\$ -	\$ 288,589
Operation expenses	12,672	1,769	-	14,441
Rent	90,000	-	-	90,000
Facilities costs	93,536	-	16,337	109,873
Contract labor	11,069	-	-	11,069
Professional fees	10,035	-	-	10,035
Donated services	917	-	-	917
Staff development	1,968	-	-	1,968
Insurance expense	5,285	-	-	5,285
Interest expense	-	-	7,931	7,931
Miscellaneous expenses	19,990	-	-	19,990
	<u>\$ 534,061</u>	<u>\$ 1,769</u>	<u>\$ 24,268</u>	<u>\$ 560,098</u>

The accompanying notes are an integral part of this statement.



HOPE FOR TOMORROW, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Hope for Tomorrow, Inc. (the Organization) was formed on October 26, 2001, in accordance with the not-for-profit statutes of the State of Illinois. The Organization provides highly structured, sober, supportive residential quarters to men and women in early recovery suffering from the diseases of substance abuse, chemical dependency, and compulsive pathological gambling. In addition, they provide outpatient alcohol and drug treatment to adolescents and adults, along with DUI evaluation, remedial education and crisis intervention.

The financial statements were available to be issued on May 6, 2016, with subsequent events being evaluated through this date.

Basis of Accounting -

The financial statements of the Organization are prepared on the accrual basis of accounting which recognizes revenue as it is earned and expenses as they are incurred.

Basis of Presentation -

Financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC), *Financial Statements for Not-for-Profit Organizations*. Under the ASC, the Organization is required to report information regarding three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Estimates -

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Organization considers all investments purchased with an original maturity of three months or less to be cash equivalents.

Property and Equipment -

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method over 5 to 40 years. Depreciation expense at December 31, 2015, was \$16,337.

Income Taxes -

The Organization is exempt from federal income taxes under Revenue Code Section 501(c)(3) as a public charity and not a private foundation. The Organization is also exempt from Illinois income tax. Accordingly, no provision for income tax has been established.

The Organization files income tax returns in the U.S. federal jurisdiction and Illinois. With few exceptions, it is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2012. The Organization does not expect a material net change in unrecognized tax benefits in the next twelve months.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Revenue Recognition -

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

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, such as the payment of expenses related to the restriction), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of support, revenues and expenses as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted. As of December 31, 2015, there were no temporarily restricted or permanently restricted net assets.

Expense Allocation -

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

In-Kind Services -

The Organization receives substantial support from volunteers who donate their time to accomplish the Organization's purpose. The value of such time is not included in the accompanying financial statements. If the in-kind services and expenses were recorded, they would have no effect on the change in net assets. Total hours donated by volunteers during 2015 were approximately 825.

(2) NOTES PAYABLE:

A summary of the Organization's notes payable as of December 31, 2015, is as follows:

Note payable to a prior board member, with monthly principal and interest payments of \$1,388, bearing interest at 3.75%, due in September, 2017 and unsecured.	\$ 28,270
Note payable to a prior board member, with weekly principal and interest payments of \$747, bearing interest at 5.00%, due in April, 2019 and unsecured.	<u>120,926</u>
	149,196
Less - Current portion	<u>51,490</u>
Long-term portion	<u>\$ 97,706</u>

(2) NOTES PAYABLE: (Continued)

Aggregate maturities required on the long-term notes payable as of December 31, 2015, are due in future years as follows:

<u>Year ending December 31,</u>	
2016	\$ 51,490
2017	47,847
2018	37,267
2019	<u>12,592</u>
	<u>\$ 149,196</u>

(3) COMMITMENTS AND CONTINGENCIES:

The Organization has entered into an operating lease with a related party for its residential facilities in Aurora, Illinois in April, 2015. Monthly payments are \$7,500 and the lease will expire in May, 2020. Rent expense was \$90,000 for the year ended December 31, 2015.

Future minimum lease payments under this lease at December 31, 2015, are as follows:

<u>Year ending December 31,</u>	
2016	\$ 90,000
2017	90,000
2018	90,000
2019	90,000
2020	22,500

(4) CONCENTRATION:

Approximately 26% of the Organization's support and revenue for the year ended December 31, 2015, was provided by one grantor.

(5) RELATED PARTIES:

The Organization leases program facilities from a key member of management (see Note 3). The amount due on the leases at December 31, 2015, is \$78,010. The member of management has agreed to defer all payments until 2017.