Hope Community Services, Inc.
Financial Statements
For the Year Ended June 30, 2025

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Independent Auditor's Report

The Board of Directors
Hope Community Services, Inc.

Report on Audit of Financial Statements

Opinion
We have audited the accompanying financial statements of Hope Community Services, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope Community Services, Inc. as of June 30, 2025, 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.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Hope Community Services, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
October 9, 2025

Hope Community Services, Inc.
Statement of Financial Position
June 30, 2025

Assets		
Cash and cash equivalents	$	1,324,739
Government receivables, net		198,106
Security deposit		16,810
Prepaid expenses and other current assets		30,516
Property and equipment, net		47,713
Assets held for sale, net		511,036
Operating lease right of use asset		438,834
Total assets	$	2,567,754
Liabilities		
Accounts payable	$	36,053
Accrued expenses		71,449
Operating lease liability		480,729
Total liabilities		588,231
Net assets		
Without donor restrictions:		
Undesignated		1,977,721
With donor restrictions:		
Purpose restricted		1,802
Total net assets		1,979,523
Total liabilities and net assets	$	2,567,754

See accompanying notes to financial statements.

Hope Community Services, Inc.
Statement of Activities
For the Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and gains:			
Community support	$ 23,166	$	$ 23,166
Corporations and nongovernment grants	18,590	66,962	85,552
Foundations	9,875		9,875
Individuals	132,646		132,646
United Way	8,800		8,800
Gifts-in-kind	13,985		13,985
Total public support	207,062	66,962	274,024
Revenue:			
Governmental contracts and grants	2,725,264		2,725,264
Gain on sale of assets	473		473
Investment income	31,793		31,793
Total revenue	2,757,530		2,757,530
Net assets released from restrictions	167,047	(167,047)	-
Total Public Support and Revenue	3,131,639	(100,085)	3,031,554
Expenses:			
Program services			
Family support services	1,660,663		1,660,663
Behavioral health	1,085,988		1,085,988
Total program expenses	2,746,651		2,746,651
Supporting services			
Management and general	426,078		426,078
Fundraising	196,739		196,739
Total supporting services	622,817		622,817
Total expenses	3,369,468		3,369,468
Total expenses and losses	3,369,468		3,369,468
Change in net assets	(237,829)	(100,085)	(337,914)
Net assets, beginning of year	2,215,550	101,887	2,317,437
Net assets, end of year	$ 1,977,721	$ 1,802	$ 1,979,523

See accompanying notes to financial statements.

Hope Community Services, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2025

	Program Services			Supporting Services		
	Family Support Services	Behavioral Health	Total	General and Administrative	Fundraising	Total
Salaries and wages	$ 1,155,627	$ 696,715	$ 1,852,342	$ 145,619	$ 104,347	$ 2,102,308
Payroll taxes and employee related expenses	135,958	93,119	229,077	26,386	13,359	268,822
Employee Mileage	203,654		203,654		565	204,219
Employment Expenses	6,446	6,329	12,775	1,723	1,176	15,674
Insurance	21,541	8,802	30,343	10,140	1,412	41,895
Events & Meetings	173	903	1,076	908	21,249	23,233
Licenses & Fees		1,945	1,945	965	944	3,854
Office Expenses	336	1,486	1,822	744	225	2,791
Postage	408	258	666	702	467	1,835
Printing	380	120	500	273	257	1,030
Professional Fees	15,156	26,500	41,656	168,212	18,194	228,062
Program Supplies & Activities	974	50,773	51,747	73	12	51,832
Repairs & Maintenance	7,338	68,381	75,719	15,492	6,443	97,654
Security	170	154	324	26	10	360
Storage Rental	22,368	4,053	26,421	5,865	2,083	34,369
Other Expenses	260	4,273	4,533	393	15,804	20,730
Depreciation & Amortization		29,512	29,512			29,512
Telephone	18,086	8,655	26,741	2,032	791	29,564
Rent & Utilities	57,803	84,010	141,813	46,525	9,401	197,739
In-kind	13,985		13,985			13,985
Total expenses	$ 1,660,663	$ 1,085,988	$ 2,746,651	$ 426,078	$ 196,739	$ 3,369,468

See accompanying notes to financial statements.

Hope Community Services, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2025

Cash flows from operating activities:	
Change in net assets	$ (337,914)
Adjustments to reconcile change in net assets to net cash provided by/used for operating activities:	
Gain on sale of assets	(473)
Depreciation & amortization	29,512
Changes in assets and liabilities:	
Government receivables	104,107
Contributions receivables	16,454
Prepaid expenses and other current assets	(10,873)
Accounts payable	(44,645)
Accrued expenses	(25,872)
Operating lease assets and liabilities	(7,568)
Net cash provided by/used for operating activities	(277,272)
Cash flows from investing activities:	
Purchases of property and equipment	(5,641)
Proceeds from sale of property and equipment	10,999
Net cash provided by/used for investing activities	5,358
Net increase/decrease in cash and cash equivalents	(271,914)
Cash and cash equivalents, beginning of year	1,596,653
Cash and cash equivalents, end of year	$ 1,324,739

Supplemental disclosure of cash flow information

Cash paid during during the year for amounts included in the measurement of leases	$ 202,399

See accompanying notes to financial statements.

Note 1 – Summary of Significant Accounting Policies

Nature of Activities

Hope Community Services, Inc., (the Organization) was incorporated on November 5, 1986 in the state of Arizona as a nonprofit corporation under the name West Valley Child Crisis Center, Inc. In June 2018, the Organization changed their name to Hope Community Services, Inc. The Organization was established to find temporary and permanent homes for children (from infant to teens) in the Phoenix metropolitan area who are victims of, or at risk of, domestic violence, abuse, or abandonment. In addition, the organization provides supervised parental visitation and parenting skills training. The Organization's primary source of revenue for its programs are government contracts, health insurance contracts, grants, and contributions.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statements of the Organization have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to not-for-profit entities. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing not-for-profit accounting and financial reporting principles. The Organization is required to report information regarding its financial position and activities according to two classes based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds must be maintained in perpetuity.

Donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Note 1 – Summary of Significant Accounting Policies

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk

Financial instruments that potentially expose the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization maintains its cash and cash equivalents in bank deposit accounts, which, for short periods of time, may exceed federally insured limits. At year end, the carrying amount of the Organization's deposits was $1,324,739, and the bank balance was $1,324,721. At year end, $824,721 of the Organization's deposits were uninsured and uncollateralized. To minimize risk, cash accounts are maintained at high-quality financial institutions and credit exposure is limited to any one institution.

Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

Contributions. The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. The Organization did not have any conditional promises to give at June 30, 2025.

Government Contracts and Grants. The Organization's supervised visitation program is funded by government contracts. The government is billed monthly for services provided in the preceding month. The behavioral health program is funded by fee for service contracts with multiple health plans. The health plans set the reimbursement rates for billing by the organization. The health plans are billed biweekly for the services provided during the preceding two weeks.

Note 1 – Summary of Significant Accounting Policies

Government Receivables

Government receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to government receivables. At year end, the valuation allowance for government receivables was $16,500.

Contributions Receivable

Unconditional promises to give that are expected to be collected in less than one year are reported at net realizable value. Unconditional promises to give that are expected to be collected in periods greater than one year are recorded at net present value of expected cash flows. Management does not believe an allowance for uncollectible amounts is necessary based on historical experience with donors, and accordingly has made no allowance for doubtful accounts.

Property and Equipment

All acquisitions of property and equipment with a cost in excess of $5,000 and all expenses for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the respective assets, ranging from three to five years for vehicles, furniture and equipment to three to six years for leasehold improvements, to 40 years for buildings and improvements. Depreciation and amortization expense for the current fiscal year was $29,512.

Compensated Absences

Employees are entitled to personal time off (PTO), depending on job classification, length of service, and other factors. It is the Organization's policy to recognize the cost of compensated absence when leave is earned by employees. As of June 30, 2025, the balance in accrued PTO was $34,815 and is included in the accrued expenses on the Statement of Financial Position.

Leases

The Organization determines if an arrangement is or contains a lease at inception. All leases are recorded on the statement of financial position except for leases with an initial term less than 12 months. Lease assets and obligations are recognized based on the present value of future lease payments over the lease terms. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments when the implicit rate is not readily determinable.

Note 1 – Summary of Significant Accounting Policies

Operating lease right-of-use assets (ROU) include adjustments related to lease payments made and lease incentives received at or before the commencement date. The assets resulting from operating leases are included in right-of-use assets and the related liabilities are included in operating leases payable on the Statement of Financial Position. Finance lease assets are included in property and equipment, net, and the related liabilities are included in finance leases payable on the Statement of Financial Position.

Operating lease expense is recognized on a straight-line basis over the lease term. Lease and non-lease components of lease agreements are accounted for separately. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option.

In-Kind Contributions

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to 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 increases in net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without restrictions at that time.

Volunteers may contribute time to the Organization's program services, administration, and fundraising activities; however the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed in generally accepted accounting principles.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses.

Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and wages	Time and effort
Payroll taxes and employee related expenses	Time and effort
Rent and utilities	Square footage

Note 1 – Summary of Significant Accounting Policies

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and similar State of Arizona tax provisions. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1). The Organization's Form 990, *Return of Organization Exempt from Income Taxes,* is generally subject to examination by the Internal Revenue Service for three years after the date filed.

Management has evaluated the tax positions taken or expected to be taken, if any, on its exempt organization filings, and the likelihood that upon examination those positions would be sustained. Based on the results of this evaluation, management believes there are no uncertain tax positions.

Note 2 – Liquidity and Availability

The following represents the Organization's financial assets at fiscal year end:

Financial assets at year end:	
Cash and cash equivalents	$ 1,324,739
Government receivables, net	198,106
Total financial assets	1,522,845
Less amounts not available to be used within one year:	
Less: Net assets with purpose restrictions to be met in less than a year	1,802
Financial assets available to meet general expenditures over the next twelve months	$ 1,521,043

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

Note 3 – Government and Contributions Receivables

All government receivables are due within one year. As of June 30, 2025, the Organization has government receivables of $198,106, including an allowance for uncollectibles of $16,500.

Note 3 – Government and Contributions Receivables

Changes in government and contributions receivable for the fiscal year are as follows:

	Government Receivables	Contributions Receivables
Beginning of the year	$ 302,213	$ 16,454
Revenue recognized during the fiscal year	2,725,264	274,024
Revenue collected during the fiscal year	(2,829,371)	(290,478)
End of year	$ 198,106	$

No unconditional contributions receivable existed at year end.

Note 4 – Property and Equipment

Property and equipment consist of the following:

Land	$ 140,000
Leasehold improvements	35,675
Buildings and improvements	390,987
Vehicles, furniture and equipment	117,642
Total property and equipment	684,304
Less: Accumulated depreciation and amortization	(125,555)
Net property and equipment	$ 558,749

Included in capital assets are land and buildings that are held for sale. Those buildings are reported in governmental activities. The historical cost of the land and buildings held for sale is $530,987 with accumulated depreciation of $19,951 as of June 30, 2025.

Note 5 – Net Assets

Net assets without donor restrictions at year end of $1,977,721 were all considered undesignated. Net assets with donor restrictions were as follows:

Specific Purpose	
Foster and adopt program	$ 818
Marketing materials	168
Staff retention	518
Training	298
Passage of time	
Contribution receivable due in 2025	--
Total	$ 1,802

Note 5 – Net Assets

Net assets released from donor restrictions are as follows:

Satisfaction of purpose restrictions		
Trauma Therapy	$	83,631
Satisfaction of time passage		
Contribution receivable		16,454
Total	$	100,085

Note 6 – Leases

The Organization leases office facilities under a long-term noncancelable operating lease. The lease expires at October 31, 2027 and provides for no renewal options. The operating lease provides for increases in future minimum annual rental payments. Total operating lease expense for the fiscal year included $194,832 recognized straight-line over the term of the lease.

The Organization has determined that sales tax will be allocated to the lease as a nonlease component. In determining the value of the right-of-use asset and lease liabilities, future lease payments were discounted applying the risk-free discount rate of 2.66 percent. The Organization considers the discount rate to be an appropriate measure of the interest cost to obtain financing for the purchase of the leased property. The right-of-use asset consisted of $618,168, net of accumulated amortization of $179,334, resulting in a value of $438,834.

The following table provides a schedule of future lease payments and other supplemental information for the Organization's operating lease as of year end:

Year End:			
	2026	$	208,448
	2027		214,711
	2028		73,348
Total minimum lease payments			496,507
Less: Discount to present value			(15,778)
Present value of lease liabilities		$	480,729
Weighted average remaining lease term			28 months
Weighted average discount rate			2.66%

There were no noncash investing and financing transactions related to the operating cash flows from operating leases.

Note 7 – In-Kind Contributions

The Organization received $13,985 of supplies as contributions of nonfinancial assets during the fiscal year.

Contributed supplies are valued using current average prices located on a publicly available website for similar items. Contributed supplies are used in program services.

Note 8 – Concentrations

The Organization receives a substantial portion of its total revenue, approximately 74 percent under contracts negotiated with the Arizona Department of Child Safety (DCS). At June 30, 2025, 100 percent of their government receivables were from DCS. If the Organization is unable to renegotiate its contracts with DCS in the future, it would have an adverse effect on the operations of the Organization.

Note 9 – Employee Benefit Plans

Tax-deferred Annuity Plan
The Organization has a tax-deferred annuity plan that qualifies under Section 408(p) of the Internal Revenue Code. The plan covers full-time employees of the Organization. The Organization contributes up to three percent of gross salaries to the plan for qualified employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. Plan expenses were $13,356 for the fiscal year.

Note 10 – Subsequent Events

Subsequent events have been evaluated through October 9, 2025, which is the date the financial states were available to be issued.

The organization is in the process of selling the land and home that were previously used for the Animal Assisted Therapy program. As of August 2025, all animals used for the program have been re-homed and the Organization has not sold the property but has disclosed these assets held for sale.

The Organization was awarded a new Parenting Times Services (PTS) contract as of July 1, 2025. PTS is the new name for the Supervised Visitation (SVO) contract and was part of the state re-bid of the previously extended contract.