

A Hole in the Roof Foundation
(a nonprofit organization)

FINANCIAL STATEMENTS

December 31, 2016

A Hole in the Roof Foundation
INDEX TO FINANCIAL STATEMENTS
December 31, 2016

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 – 2
STATEMENT OF FINANCIAL POSITION December 31, 2016	3
STATEMENT OF ACTIVITIES For the Year Ended December 31, 2016	4
STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2016	5
STATEMENT OF CASH FLOWS For the Year Ended December 31, 2016	6
NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2016	7 - 9



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
A HOLE IN THE ROOF FOUNDATION
Southfield, MI 48034

We have audited the accompanying financial statements of A Hole in the Roof Foundation (a nonprofit organization) and subsidiary, which comprise the statement of financial position as of December 31, 2016, and the 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 assessment of the risk 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 A Hole in the Roof Foundation and subsidiary as of December 31, 2016, 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.

A handwritten signature in black ink that reads "Morgenstern Waxman Ellershaw, LLC". The signature is written in a cursive, flowing style.

MORGENSTERN WAXMAN ELLERSHAW, LLC
Certified Public Accountants
November 30, 2017

A Hole in the Roof Foundation
STATEMENT OF FINANCIAL POSITION
December 31, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 144,300
Due from affiliate	<u>74,100</u>

TOTAL CURRENT ASSETS 218,400

TOTAL ASSETS \$ 218,400

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	<u>32,046</u>
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TOTAL CURRENT LIABILITIES 32,046

UNRESTRICTED NET ASSETS 186,354

TOTAL LIABILITIES AND NET ASSETS \$ 218,400

A Hole in the Roof Foundation
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

UNRESTRICTED NET ASSETS

Support

Contributions

\$ 611,678

TOTAL UNRESTRICTED SUPPORT

611,678

EXPENSES

Program expenses

573,894

General and administrative expenses

10,694

TOTAL EXPENSES

584,588

INCREASE IN UNRESTRICTED NET ASSETS

27,090

NET ASSETS, BEGINNING OF YEAR

159,264

NET ASSETS, END OF YEAR

\$ 186,354

A Hole in the Roof Foundation
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	<u>Program Services</u>	<u>Supporting Services Management and General</u>	<u>Totals</u>
DRY Library Project	\$ 32,202	\$ -	\$ 32,202
Have Faith Haiti expenses	541,692	-	541,692
Professional services	-	6,000	6,000
Bank fees	-	2,025	2,025
Credit card processing	-	2,669	2,669
Total	<u>\$ 573,894</u>	<u>\$ 10,694</u>	<u>\$ 584,588</u>

A Hole in the Roof Foundation
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 27,090
Adjustments to reconcile increase (decrease) in entity capital to net cash provided (used) by operating activities:	
Change in assets and liabilities	
Accounts payable and accrued expenses	<u>21,045</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	48,135
CASH FLOWS FROM INVESTING ACTIVITIES	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	48,135
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>96,165</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 144,300</u></u>

A Hole in the Roof Foundation
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

A Hole in the Roof Foundation (the Organization) is a Michigan not-for-profit organization which is committed to helping faith groups who care for the homeless and repair the spaces in which they carry out their work. The Organization has taken part in activities in the Detroit area including repairing the roof of the I Am My Brother's Keeper Church and providing various support for Working Homes Working Families. Additionally, the Organization has been active in improving the Have Faith Haiti Mission in Port Au Prince, Haiti. The Organization has partnered with the National Bookstore in Philippines to start the DRY Library Project to construct libraries in Tacloban, Philippines after the typhoon.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management Review

Management has evaluated subsequent events through November 30, 2017, the date the financial statements were available to be issued.

Basis of Accounting and Presentation

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

Cash and Cash Equivalents

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

Unrestricted Fund Balance

Unrestricted fund balance represents resources over which the Board of Directors has discretionary control and is used to carry out the operations of the Organization in accordance with its by-laws.

Functional Allocation of Expenses

The cost of providing various program 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.

A Hole in the Roof Foundation
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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 the 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.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets

Public Support and Revenue - Donated Services

A number of people have contributed significant amounts of time to the activities of the Organization without compensation. No amounts have been reflected in the financial statements for donated services. The Organization estimates approximately 100 volunteers spend about 1,400 hours. The Organization generally pays for services requiring specific expertise.

Advertising and Promotional Literature

The Organization's policy is to expense costs related to advertising and promotional literature when the promotion first takes place.

Income Taxes

The Organization has elected to be treated as a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 (b) (1) (A).

The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service. It believes that its tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on its financial condition, results of operations, or cash flows. The Organization's federal and state income tax returns for 2013, 2014 and 2015 are subject to examination by federal, state and local taxing authorities, generally for three years after they are filed.

A Hole in the Roof Foundation
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 – RELATED PARTY TRANSACTIONS

Due from Affiliate

Due from affiliate is an amount receivable from an affiliate of the Organization run by the same board of directors and officers. As of December 31, 2016, the balance receivable was \$74,100.

Contributions

The Organization regularly receives contributions from related parties. In 2016, the Organization received \$136,861 of contributions from a Private Foundation with a trustee who is also a trustee of the Organization.

Payable

The Director paid program expenses on behalf of the Organization in December 2016. This amount was subsequently refunded to the Director in 2017. The balance payable to the Director as of December 31, 2016 was \$19,910, and is included in accounts payable and accrued expenses on the accompanying statement of financial position.

NOTE 4 - CONCENTRATIONS

Credit Risk

The Organization maintains its cash balances at one financial institution. The balance is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2016, the Organization did not have any unsecured cash balances.

Contributions

The Organization received 77% of its contributions from two generous donors, including the Private Foundation referenced in Note 3.