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MARCH 22, 2022



HOPE  
Inc.

# AUDIT REPORT

With Independent Auditor's Report for the  
year ending December 31, 2021



CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

50 HURT PLAZA SE SUITE 1438 • ATLANTA, GA 30303 • (404) 217-1742 office • (404) 920-3312 fax

## **H.O.P.E, INC**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
H.O.P.E, Inc  
PO Box 3166  
Duluth, Georgia 30096

We have audited the accompanying financial statements of H.O.P.E, Inc. Helping Other People be Empowered (a nonprofit organization), which comprise the comparative statement of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

***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; and when required by the applicable financial framework, the evaluation of whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for the audit period.

***Auditor's Responsibilities for the Audit of the Financial Statements***

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 and the standards applicable to financial audits contained in *Generally Accepted Auditing Standards (GAAS)*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The auditor's objectives are to obtain reasonable assurance about whether the financial statements are free of material misstatement and to issue a report that includes the auditor's opinion. The reasonable assurance is a high level, but not absolute, assurance and is not a guarantee that the audit will always detect a material misstatement. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error because 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. The auditor's responsibilities are to a) exercise professional judgment and maintain professional skepticism throughout the audit; b) identify and assess the risks of material misstatement and design and perform audit procedures responsive to those risks; c) 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 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 H.O.P.E., Inc. as of December 31, 2021, 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.

***Other Matter***

Our audit was conducted for the purpose of forming an opinion of the financial statements as a whole. The schedule of functional expenses 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 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.

 CPA

Preston CPA P.C.  
Atlanta, GA  
March 22, 2022

**H.O.P.E, INC**  
**STATEMENTS OF FINANCIAL POSITION**  
**For the Year Ended December 31, 2021**  
**(With Summarized Financial Information for the Year Ended December 31, 2020)**

ASSETS	2021	2020
Current assets		
Cash and cash equivalents	\$ 245,110	\$ 108,785
Pledges receivable	-	-
Total current assets	245,110	108,785
Other assets-undeposited funds	110	33,156
Total assets	\$ <u>245,220</u>	\$ <u>141,941</u>
<b>LIABILITIES &amp; NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 2,055	\$ 156
Current portion of loans payable, PPP	-	16,908
Total current liabilities	2,055	17,064
Long-term liabilities		
Loan payables, EIDL	125,300	110,300
Total long-term liabilities	125,300	110,300
Total liabilities	127,355	127,364
Net assets		
Without donor restrictions		
Board-designated operating reserve for sustainability	10,000	1,000
Available for program and operating expenses	49,360	6,980
Total without donor restrictions	59,360	7,980
With donor restrictions	58,505	6,597
Total net assets	117,865	14,577
Total liabilities and net assets	\$ <u>245,220</u>	\$ <u>141,941</u>

The accompanying notes are an integral part of these financial statements

**H.O.P.E, INC**  
**STATEMENTS OF ACTIVITIES**  
**For the Year Ended December 31, 2021**  
**(With Summarized Financial Information for the Year Ended December 31, 2020)**

<b>REVENUES</b>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
<b>Direct Public Support:</b>				
Individual donations	\$70,728		\$70,728	\$28,281
Board Giving	5,990		5,990	4,605
Monthly Donors	14,299		14,299	14,153
Grants & Foundations	27,750	125,500	153,250	110,506
Fundraiser and Special Events	45,506		45,506	25,458
Less: Fundraiser expenses	<u>(3,199)</u>		<u>(3,199)</u>	<u>(3,342)</u>
Net income from fundraising	42,307		42,307	22,116
In-Kind Gifts	<u>116,246</u>		<u>116,246</u>	<u>84,012</u>
<b>Subtotal</b>	<b><u>\$277,320</u></b>	<b>125,500</b>	<b><u>\$402,820</u></b>	<b><u>\$263,673</u></b>
Other income	<u>75,583</u>		<u>75,583</u>	<u>30</u>
<b>Total revenue before releases</b>	<b><u>\$352,903</u></b>	<b><u>\$125,500</u></b>	<b><u>\$478,403</u></b>	<b><u>\$263,703</u></b>
Net assets released from restrictions	66,995	(66,995)	0	0
<b>Total revenue and support</b>	<b><u>\$419,898</u></b>	<b><u>\$58,505</u></b>	<b><u>\$478,403</u></b>	<b><u>\$263,703</u></b>
<b>EXPENSES</b>				
<b>Program Services:</b>				
Business & Program Expenses	\$118,958	-	\$118,958	\$74,834
Salaries & Wages	67,560	-	67,560	67,660
Payroll Taxes	21,465	-	21,465	18,590
Contract & Outside Services	7,238	-	7,238	8,217
Community Outreach	10,727	-	10,727	6,069
In-Kind expenses	<u>116,246</u>	-	<u>116,246</u>	<u>84,012</u>
<b>Total Program services</b>	<b>\$342,194</b>	<b>-</b>	<b>\$342,194</b>	<b>\$259,382</b>
<b>Support Services:</b>				
General & Administrative	\$22,814	-	\$22,814	\$7,354
Marketing & Communications	<u>10,107</u>	-	<u>10,107</u>	<u>1,655</u>
<b>Total Support</b>	<b>\$32,921</b>	<b>-</b>	<b>\$32,921</b>	<b>\$9,009</b>
<b>Total Expenses</b>	<b><u>\$375,115</u></b>	<b>-</b>	<b><u>\$375,115</u></b>	<b><u>\$268,391</u></b>
Change in net assets	44,783	58,505	103,288	(4,688)
Net assets, beginning of year	14,577		14,577	19,265
Net assets, end of year	59,360	58,505	117,865	\$14,577

The accompanying notes are an integral part of these financial statements

**H.O.P.E, INC**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2021**  
**(With Summarized Financial Information for the Year Ended December 31, 2020)**

	<b>2021</b>			<b>2020</b>	
	<u>Total Program</u> <u>Services</u>	<u>Management and</u> <u>General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Salaries & Wages	\$ 40,536	\$ 20,268	\$ 6,756	\$ 67,560	\$ 78,468
Payroll taxes and employee benefits	12,879	6,440	2,146	21,465	18,500
Advertising and promotion	69,748	34,874	11,624	116,246	84,012
Program Projects	121,204	-	-	121,204	57,464
Professional fees	2,995	1,498	499	4,992	4,384
Community Outreach	10,727	-	-	10,727	23,439
General & Administration	<u>-</u>	<u>32,921</u>	<u>-</u>	<u>32,921</u>	<u>2,124</u>
Total functional expenses	\$ 258,089	\$ 96,001	\$ 21,025	\$ 375,115	\$ 268,391

The accompanying notes are an integral part of these financial statements

**H.O.P.E, INC**  
**STATEMENTS OF CASH FLOWS**  
**For the Year Ended December 31, 2021**  
**(With Summarized Financial Information for the Year Ended December 31, 2020)**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income (Loss)	\$103,288	(\$4,688)
Adjustments to reconcile net income to net cash Provided by operating activities:		
Decrease in payables	<u>(15,009)</u>	<u>(9,448)</u>
Net cash provided (used) by operating activities	\$88,279	(\$14,136)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
PPP Loan	-	18,803
EIDL Loan	<u>15,000</u>	<u>110,300</u>
Net cash provided (used) by financing activities	\$15,000	\$129,103
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>103,279</b>	<b>114,967</b>
<b>CASH AND CASH EQUIVALENTS, BEG OF YEAR</b>	<b>\$141,941</b>	<b>\$26,974</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$245,220</u></b>	<b><u>\$141,941</u></b>

The accompanying notes are an integral part of these financial statements



**H.O.P.E, INC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING DECEMBER 31, 2021**

**1. ORGANIZATION AND OPERATIONS**

HOPE, Inc. (a 501(c)3 tax-exempt organization) offers services that support single parents. HOPE, Inc's mission is to serve low-income single parents working to obtain a college degree by providing assistance in subsidized housing, child care assistance, social services, and life skills.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting and financial statement presentation

The financial statements have been prepared on the accrual basis of accounting which recognized support and revenue when earned and expenses when incurred.

Net assets and changes therein are classified as follows:

- *Net assets without donor restrictions* – net assets not subject to donor-imposed stipulations. Net assets without donor restrictions includes a board-designated operating reserve for sustainability and funds available for normal operations to support mothers and agencies toward the mission of the organization. There is an annual budget generated for these operational expenses.

*Net assets with donor restrictions* – net assets whose use for HOPE is limited by donor-imposed stipulations that either expire by passage of time or can be filled and removed by actions of HOPE, as well as net assets subject to donor-imposed stipulations that required they be maintained in perpetuity.

Change in accounting principle

Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. Revenue from contributions and investment income are not impacted by this new standard. HOPE adopted ASU 2014-09 with a date of initial application of January 1, 2020, using the full retrospective method. The adoption of ASU 2014-09 did not have an impact of HOPE’s financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, which clarifies the criteria for evaluating whether a transaction is a contribution or an exchange transaction and whether a contribution is conditional or unconditional. HOPE adopted ASU 2018-08 with a date of the initial application of January 1, 2020, using the modified prospective method. The adoption of ASU 2018-08 did not have a significant impact on HOPE’s financial position, results of

**H.O.P.E, INC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING DECEMBER 31, 2021**

operations, or cash flows. HOPE has evaluated contributions received and has determined that there is no change as a result of the adoption of the standard.

Concentration of credit risk

HOPE's financial instruments consist primarily of cash and cash equivalents. Cash balances has not exceeded Federal Deposit Insurance Corporation (FDIC) limits on insurable amounts; therefore, credit risk is low.

Cash and cash equivalents

HOPE considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Pledge receivable

HOPE evaluates the collectability of its pledge's receivable on an ongoing basis and records a reserve for potential uncollectible pledges receivable. During the years ended December 31, 2021, and 2020, HOPE determined that all current pledges receivable were deemed collectible

Revenue recognition

Contributions are recognized as revenue when they are received or unconditionally promised as prescribed by ASC 958 – 605, *Not-for-Profit Entities – Revenue Recognitions* (“ASU 958 -605”). HOPE reports gifts or cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor stipulation expires, donor restrictions are reclassified to net assets without restrictions and reported as net assets released from restriction.

Donor-restricted contributions whose restrictions are met in the same reporting period as contribution is recorded as contributions with donor restrictions and net assets released from restriction as donor restrictions are met.

Use of estimates

The preparation 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

HOPE, Inc. is a nonprofit corporation exempt from Federal income e taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Therefore, these financial statements contain no provision for such taxes. Informational returns are filed annually with federal authority.

**H.O.P.E, INC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING DECEMBER 31, 2021**

**3. LOANS PAYABLE**

The Organization received loan proceeds of \$16,908 from a bank pursuant to the PPP program governed by the CARES Act. The loan was in the form of a non-recourse note payable administered by the Small Business Administration (“SBA”). Under the CARES Act, proceeds from the note payable were to be used for payroll costs, rent, mortgage interest and utilities during the 24-week period beginning on the date the loan was funded (the “covered period”). In addition, up to 100% of the principal and interest on the note payable could be forgiven. On August 30, 2021, 100% of the PPP loan was forgiven and the organization is not responsible for repayment.

The unsecured note payable bears interest at 1% and matures in January 2026. The note allows for the deferral of principal and interest payments to the date the SBA sends the borrower’s loan forgiveness amount to the lender. If the borrower does not apply for forgiveness, the deferral period lasts until ten months after the end of the covered period.

The Organization received loan proceeds of \$110,300 during the first round and \$15,000 during the second round from Small Business Administration pursuant to the Economic Injury Disaster Loan (EIDL) program. The loan is a low bearing interest loan (3.5%) with a term of up to 30 years. There is a 24-month deferment period before repayment begins.

Future principal maturities are as follows:

Year ending December 31,

2023	2,405
2024	2,490
2025	2,579
2026	2,670
2027	2,765
Thereafter,	<u>112,391</u>

**4. CONTINGENCIES**

MAP is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to such actions will not materially affect the financial position or results of operation of HOPE.

**5. RISK AND UNCERTAINTIES**

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders, including Georgia where HOPE is headquartered. In response, the U.S. Government enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Economic Relief extension to the CARES Act, and the American Rescue Plan Act, which includes significant provisions to provide relief and assistance to affected organizations.

**H.O.P.E, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING DECEMBER 31, 2021**

Impacts to HOPE's operations include disruptions and restrictions on employees' ability to work was minimal and the organization was able to adapt to a virtual environment. However, the impact for fundraising events were largely affected due to social distancing practices. The financial impact and duration cannot be reasonably estimated at this time.

**6. SUBSEQUENT EVENT**

There are no significant subsequent events that occurred up to the audit report date.