

Financial Statements

**Moments of Hope Outreach, Inc.**

December 31, 2019

**Mission**

We are a non-profit organization that gives hope to unsheltered homeless and poverty-stricken people in the Richmond area (and transients passing through) by providing them with life-sustaining supplies and connecting them with local, state and federal health and housing resources.

P.O. Box 161  
Studley, Virginia 23162

[www.momentsofhopeoutreach.org](http://www.momentsofhopeoutreach.org)

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# Steve Walls & Associates, PLLC

▪ Certified Public Accountant ▪ Certified Fraud Examiner ▪ Certified in Financial Forensics



## Independent Auditor's Report

To the Board of Directors  
Moments of Hope Outreach, Inc.

We have audited the accompanying financial statements of Moments of Hope Outreach, Inc. (the "Organization"), which are comprised of the statement of financial position as of December 31, 2019, and the statements of activities and changes in net assets, functional expenses and cash flows for the year then ended and the related notes to the financial statements (collectively hereafter the "financial statements").

### Management's Responsibility for the Financial Statements

Management of the Organization 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 the 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 of 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, 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.

(continued)

**Independent Auditor's Report**

-continued-

**Emphasis of Matter – Sole Employee**

The Organization's financial affairs are conducted by a sole employee who also serves as the Organization's Secretary and Treasurer and is subject to limited oversight. As such, the Organization is unable to achieve an appropriate degree of segregation of duties, a control feature that is pervasive to a properly designed and operating control environment. As such, it is feasible that fraudulent transactions may occur (historically or in the future) that have not been (or may not be) prevented or detected by the Organization's internal controls. The financial statements do not include any adjustments that might result from this matter. Our opinion is not modified with respect to this matter.

**Auditor's Opinion**

In our opinion, except for the matter above, the financial statements referred to herein present fairly, in all material respects, the financial position of the Organization as of December 31, 2019, and the changes in its net assets, its functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Steve Williams & Associates, PLLC*

Glen Allen, Virginia  
April 10, 2020



**Moments of Hope Outreach, Inc.****Statement of Financial Position****December 31, 2019**


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|                                         |                          |
|-----------------------------------------|--------------------------|
| <b>Assets</b>                           |                          |
| Current assets                          |                          |
| Cash (\$2,789 donor restricted)         | \$ 40,052                |
| Inventories                             | <u>49,150</u>            |
| <b>Total current assets</b>             | <u>89,202</u>            |
| Property and equipment, net (Note 3)    | 41,712                   |
| Other assets                            | <u>6,250</u>             |
| <b>Total assets</b>                     | <u><u>\$ 137,164</u></u> |
| <b>Liabilities and Net Assets</b>       |                          |
| Current liabilities                     |                          |
| Accrued payroll taxes                   | <u>\$ 495</u>            |
| <b>Total current liabilities</b>        | <u>495</u>               |
| Net assets (without donor restrictions) | 133,880                  |
| Net assets (with donor restrictions)    | <u>2,789</u>             |
| <b>Total net assets</b>                 | <u>136,669</u>           |
| <b>Total liabilities and net assets</b> | <u><u>\$ 137,164</u></u> |

See accompanying notes to financial statements.

## Moments of Hope Outreach, Inc.

## Statement of Activities and Changes in Net Assets

Year ended December 31, 2019

|                                                        | Without<br>Donor<br>Restrictions | With<br>Donor<br>Restrictions | Total             |
|--------------------------------------------------------|----------------------------------|-------------------------------|-------------------|
| <b>Change in Net Assets Without Donor Restrictions</b> |                                  |                               |                   |
| <b>Revenues</b>                                        |                                  |                               |                   |
| Contributions                                          | \$ 462,878                       | \$ 2,789                      | \$ 465,667        |
| <b>Total revenues</b>                                  | <b>462,878</b>                   | <b>2,789</b>                  | <b>465,667</b>    |
| <b>Expenses</b>                                        |                                  |                               |                   |
| Program services                                       | 402,393                          | -                             | 402,393           |
| Management and general                                 | 12,448                           | -                             | 12,448            |
| Fundraising                                            | 4,438                            | -                             | 4,438             |
| <b>Total expenses</b>                                  | <b>419,279</b>                   | <b>-</b>                      | <b>419,279</b>    |
| <b>Change in net assets</b>                            | <b>43,599</b>                    | <b>2,789</b>                  | <b>46,388</b>     |
| Net assets, beginning of year                          | 90,281                           | -                             | 90,281            |
| <b>Net assets, end of year</b>                         | <b>\$ 133,880</b>                | <b>\$ 2,789</b>               | <b>\$ 136,669</b> |

See accompanying notes to financial statements.

## Moments of Hope Outreach, Inc.

## Statement of Functional Expenses

Year ended December 31, 2019

|                                            | Program<br>Services | Management<br>and General | Fundraising     | Total             |
|--------------------------------------------|---------------------|---------------------------|-----------------|-------------------|
| Salaries                                   | \$ 22,050           | \$ 1,225                  | \$ 1,225        | \$ 24,500         |
| Payroll taxes                              | 1,845               | 102                       | 102             | 2,049             |
| <b>Total salaries and related expenses</b> | <b>23,895</b>       | <b>1,327</b>              | <b>1,327</b>    | <b>26,549</b>     |
| Advertising and marketing                  | 5,906               | 328                       | 328             | 6,562             |
| Automobiles and travel                     | 7,406               | 411                       | 411             | 8,228             |
| Depreciation (Note 3)                      | 8,563               | 475                       | 475             | 9,513             |
| Direct assistance: Food                    | 177,096             | -                         | -               | 177,096           |
| Direct assistance: Housing                 | 63,542              | -                         | -               | 63,542            |
| Direct assistance: Other                   | 18,689              | -                         | -               | 18,689            |
| Direct assistance: Personal Needs          | 63,640              | -                         | -               | 63,640            |
| Insurance                                  | 3,131               | 174                       | 174             | 3,479             |
| Maintenance and repairs                    | 8,361               | 464                       | 464             | 9,289             |
| Occupancy                                  | 18,246              | 1,014                     | 1,014           | 20,274            |
| Office and administration                  | -                   | 8,010                     | -               | 8,010             |
| Professional fees                          | 503                 | 55                        | 55              | 613               |
| Supplies                                   | 3,069               | 171                       | 171             | 3,411             |
| Taxes and licenses                         | 346                 | 19                        | 19              | 384               |
| <b>Total functional expenses</b>           | <b>\$ 402,393</b>   | <b>\$ 12,448</b>          | <b>\$ 4,438</b> | <b>\$ 419,279</b> |

See accompanying notes to financial statements.

**Moments of Hope Outreach, Inc.****Statement of Cash Flows****Year ended December 31, 2019****Cash Flows From Operating Activities**

|                                                                                                |               |
|------------------------------------------------------------------------------------------------|---------------|
| Change in net assets                                                                           | \$ 46,388     |
| Adjustments to reconcile change in net assets to<br>net cash provided by operating activities: |               |
| Depreciation                                                                                   | 9,513         |
| Non cash contributions of property and equipment                                               | (3,500)       |
| Increase in other assets                                                                       | (3,750)       |
| Increase in inventories                                                                        | (4,915)       |
| Decrease in accrued payroll taxes                                                              | (170)         |
| <b>Net cash provided by operating activities</b>                                               | <u>43,566</u> |

**Cash Flows From Investing Activities**

|                                              |                         |
|----------------------------------------------|-------------------------|
| Purchases of property and equipment          | <u>(32,082)</u>         |
| <b>Net cash used by investing activities</b> | <u>(32,082)</u>         |
| <b>Increase in cash and cash equivalents</b> | 11,484                  |
| Cash, beginning of year                      | <u>28,568</u>           |
| <b>Cash, end of year</b>                     | <u><u>\$ 40,052</u></u> |

See accompanying notes to financial statements.



**Moments of Hope Outreach, Inc.****Notes to Financial Statements**

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**Note 1—Nature of Activities and Significant Accounting Policies**

Nature of Organization: Moments of Hope Outreach, Inc. (the “Organization”) was formed in 2016 and is organized as a 501(c)(3) non-profit organization. The Organization’s mission is to provide hope and assistance to unsheltered homeless people in the Richmond, Virginia area (and transients passing through) by providing them with life-sustaining supplies and connecting them with local, state and federal health and housing resources. During 2019, the Organization served 3,450 individuals living at or below 200% of the Federal Poverty Guidelines.

Governance: Pursuant to the Organization’s Bylaws, the Organization is governed by a Board of Directors comprised of at least four (4) individuals. At December 31, 2019, the Board of Directors consisted of four (4) members.

The accompanying financial statements present the financial position and the results of activities of the Organization. A summary of the Organization’s significant accounting policies follows:

Basis of accounting: The Association’s policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Financial statement presentation: The Organization’s financial statements are presented under accounting principles generally accepted in the United States of America (“GAAP”) and follow the Financial Accounting Standards Board Accounting Standards Codification (“Codification”) Topic 958, *Not-for-Profit Entities*. Pursuant to the Codification, the Organization reports its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Donor-restricted contributions whose restrictions are met within the same reporting period as the contribution was received are reported as net assets without donor restrictions in the statement of activities and changes in net assets. The Organization did not hold any net assets with donor restrictions as of December 31, 2019.

Volunteer services: During the year ended December 31, 2019, the Organization was the grateful beneficiary of 5,116 hours of volunteer labor from individuals and entities within the communities it serves. Generally speaking, these volunteer services do not meet the criteria for revenue recognition under GAAP and are not reflected in the accompanying financial statements.

Revenue recognition: The Organization receives monetary contributions from individuals and entities predominantly located in Hanover County and the Greater Richmond, Virginia area. Pursuant to its license with the Virginia Department of Agricultural and Consumer Services, the Organization is legally permitted to solicit donations within Hanover County, Virginia and 5 contiguous municipalities. The Organization has never utilized donor pledge agreements and, accordingly, all monetary contributions are recorded as revenue upon receipt. Historically, approximately 41% of the Organization’s monetary contributions have been received in the fourth quarter of each year with the remaining portion being received equally in the other three quarters. With the exception of two generous donors who contributed a total of \$73,165 in 2019, the Organization’s monetary contributions are predominantly \$500 or less. Future monetary donations are subject to various social, economic and political factors and are not contractually recurring or guaranteed.

**Moments of Hope Outreach, Inc.****Notes to Financial Statements**

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**Note 1—Nature of Activities and Significant Accounting Policies (continued)**

Non-cash contributions: During 2019, the Organization received \$215,984 in contributions of food, tents, sleeping bags and toiletries in support of its activities. Pursuant to the Codification, non-cash donations are recorded as revenue in the period of receipt at estimated fair value.

Use of estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash equivalents: The Organization considers money market accounts and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. At December 31, 2019, the Organization did not hold any accounts classified as cash equivalents for financial statement purposes.

Financial credit risk: The Organization maintains its cash in a federally insured financial institution and such balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000.

Inventories: In the normal course of its program activities, the Organization maintains quantities of food, tents, sleeping bags and toiletries for distribution to guests. If purchased, inventories are recorded at the lower of cost or realizable value. If donated, inventories are recorded at the lower of estimated fair value or realizable value. The Organization also receives donations of clothing, books and other ancillary items used in its program activities but such items are not recognized for financial statement purposes.

Property and equipment: The Organization capitalizes assets with an original cost in excess of \$200. If purchased, equipment is capitalized at cost; if donated, equipment is capitalized using estimated fair value at the date of donation. Depreciation expense is computed using the straight-line method over three years to seven years. Routine maintenance and repairs are expensed as incurred.

Functional allocation of expenses: For purposes of the statements of functional expenses, expenses that are able to be allocated using the specific identification method are reported accordingly, as follows:

|                                   | <u>Program<br/>Services</u> | <u>Management<br/>and General</u> | <u>Fundraising</u> |
|-----------------------------------|-----------------------------|-----------------------------------|--------------------|
| Direct assistance: Food           | 100%                        | 0%                                | 0%                 |
| Direct assistance: Housing        | 100%                        | 0%                                | 0%                 |
| Direct assistance: Other          | 100%                        | 0%                                | 0%                 |
| Direct assistance: Personal Needs | 100%                        | 0%                                | 0%                 |
| Office and administration         | 0%                          | 100%                              | 0%                 |

All other expenses are allocated using a proprietary allocation model developed by management based on an analysis of time and effort expended by staff resulting in a 90% allocation to Program Services, a 5% allocation to Management and General and a 5% allocation to Fundraising.

**Moments of Hope Outreach, Inc.****Notes to Financial Statements**

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**Note 1—Nature of Activities and Significant Accounting Policies (continued)**

Advertising and marketing: The Organization utilizes advertising to promote its fundraising efforts which are expensed as incurred. The Organization incurred advertising and marketing costs of \$6,562 for the year ended December 31, 2019.

Recent accounting pronouncements: In February 2016, the FASB issued Accounting Standards Update 2016-02, Topic 842, *Leases*, (“ASU 2016-02”) regarding the accounting for and disclosure of lease arrangements. Implementation of ASU 2016-02 will be effective for the Organization’s 2020 calendar year although early implementation is permitted. The stated purpose of ASU 2016-02 is to increase transparency and comparability among all entities by recognizing lease assets and lease liabilities in the statement of financial position and disclosing key information about leasing arrangements. The Organization intends to implement ASU 2016-02 in 2020 and expects the impact of ASU 2016-02 to be immaterial as the Organization’s leasing activities have historically been insignificant.

Management is unaware of any additional accounting standards that have been issued or proposed by the FASB (or any other applicable standards-setting bodies) that are expected to have an impact on the Organization’s financial statements.

**Note 2—Liquidity**

The Organization’s financial assets available through the year ending December 31, 2020 consist solely of its operating cash which had an account balance in the amount of \$39,948 as of December 31, 2019. During the period from January 1, 2020 through March 31, 2020, the Organization received donations in the amount of \$324,566 (of which \$247,702 was donor restricted for Mo Hope Village). The Organization’s 2020 annual budget reflects monetary expenditures of approximately \$297,000. Management believes it has sufficient liquidity to meet the Organization’s operating needs for the upcoming calendar year; in the event liquidity issues arise in 2020, the Organization has the ability to reduce budgeted operating expenditures to meet available funding.

**Note 3—Inventories**

The Organization’s inventories at December 31, 2019 consisted of the following:

|               | <u>Amount</u>    |
|---------------|------------------|
| Food          | \$ 40,000        |
| Tents         | 1,350            |
| Sleeping bags | 2,800            |
| Toiletries    | <u>5,000</u>     |
| Total         | <u>\$ 49,150</u> |

Food and toiletries are measured by weight and valued at \$2 per pound; tents and sleeping bags are individually recorded and measured at \$45 and \$40 per item, respectively.

**Moments of Hope Outreach, Inc.****Notes to Financial Statements**

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**Note 4—Property and Equipment**

Property and equipment consisted of the following at December 31, 2019:

|                                | <u>Amount</u>    |
|--------------------------------|------------------|
| Equipment                      | \$ 20,428        |
| Trailer                        | 2,000            |
| Vehicles                       | <u>33,845</u>    |
| Total                          | 56,273           |
| Less: accumulated depreciation | <u>(14,561)</u>  |
| Net book value                 | <u>\$ 41,712</u> |

Depreciation expense for property and equipment for the year ended December 31, 2019 was \$9,513.

**Note 5—Net Assets with Donor Restrictions**

In late 2019, the Organization initiated a capital campaign to solicit donations for the acquisition of approximately 45 acres of land in Hanover County, Virginia. If acquired, the land is intended to be developed into low income housing branded as “Mo Hope Village”. Through December 31, 2019, the Organization received donations in the amount of \$2,789. Unrestricted operating funds of \$5,000 was expended as a deposit for the ultimate purchase and is being held in escrow being held by the seller’s realtor. This deposit is reported in the accompanying statement of position with “Other Assets”. As of December 31, 2019, the Organization held, in a separate commercial bank account, \$2,789 of donor restricted cash.

**Note 6—Operating Lease**

The Organization maintains an operating lease for commercial space that was executed effective October 13, 2017, for a period of twelve months with annual renewal options. The Association exercised its renewal option in 2018 and 2019, and the lease currently expires in October 2020. The lease agreement stipulates monthly rental payments of \$1,250 plus reimbursement of electricity usage (approximately \$300/month). Future minimum lease payments required under this operating lease agreement are \$12,500 due through October 2020.

Upon expiration in October 2020, it is expected that this lease will be renewed with substantially similar terms.

A security deposit in the amount of \$1,250 is held by the lessor. Total expense for this operating lease was \$15,000 for the year ended December 31, 2019, and is reported in the accompanying statement of functional expenses as “Occupancy”.

**Moments of Hope Outreach, Inc.****Notes to Financial Statements**

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**Note 7—Tax Matters**

The Organization is classified as a public charity exempt from income tax under Section 501(c)(3) of the Internal Revenue Code as evidenced by its tax determination letter dated March 11, 2016. Accordingly, the accompanying financial statements do not contain a provision for income taxes. For the period from March 16, 2016 (date of incorporation) to December 31, 2016, the Organization filed Form 990-N, *Electronic Notice (e-Postcard) for Tax Exempt Organization Not Required to File Form 990 or 990-EZ*. For the years ended December 31, 2017 and 2018, the Organization filed Form 990-EZ, *Short Form Return of Organization Exempt from Income Tax*. For the year ended December 31, 2019, the Organization filed Form 990, *Return of Organization Exempt from Income Tax*, and expects to file Form 990 hereafter annually.

As a qualifying non-profit organization, the Organization has been issued a Retail Sales and Use Tax Certificate of Exemption from the Department of Taxation of the Commonwealth of Virginia. The exemption enables the Organization to purchase qualifying tangible personal property without being subject to Virginia sales and use tax. The Organization is unable to accurately quantify the annual tax savings resulting from this exemption. The exemption expires in August 2021 and is expected to be renewed at that date.

With limited exceptions, the Organization's Form 990 for the years ended December 31, 2017 through 2019, are open to examination by the Internal Revenue Service. In accordance with FASB ASC Topic 740, *Income Taxes*, management has evaluated the Organization's tax positions and has concluded that the Organization has taken no uncertain tax positions that would require adjustment to or disclosure in the accompanying financial statements.

**Note 8—Subsequent Events**

The Organization's Executive Director has evaluated subsequent events through April 10, 2020, which is the date the financial statements were available to be issued. This review indicated no matters requiring adjustment to or disclosure in the accompanying financial statements.

**Note 9—Uncertainty**

In early 2020, the World Health Organization declared the COVID-19 (Coronavirus) outbreak to be a pandemic. The United States Government's response to the pandemic included significant limitations on many aspects of Americans' daily lives, including personal mobility and closures of many public facilities. These limitations have caused significant disruption to workflow for U.S. companies and also has negatively impacted the financial markets in the United States and around the globe. Beneficiaries of the Organization's direct assistance are expected to be severely impacted by these economic issues which could adversely impact the Organization's cash flow and liquidity. The Organization has not made any adjustments to these financial statements as a result of this uncertainty.