

Financial Statements

Moments of Hope Outreach, Inc.

December 31, 2020 and 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.

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Contents

Independent Auditor's Report	1 - 2
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Financial Statements

Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7

Notes to Financial Statements	8 - 13
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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 statements of financial position as of December 31, 2020 and 2019, and the statements of activities and changes in net assets, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 – Inventories

Due to the timing of our engagement, we were not able to observe the Organization's physical inventories on hand at December 31, 2020 or 2019, a presumptive procedure established by generally accepted auditing standards. Our opinion is modified with respect to this matter.

Auditor's Opinion

In our opinion, except as discussed above, the financial statements referred to herein present fairly, in all material respects, the financial position of the Organization as of December 31, 2020 and 2019, and the changes in its net assets, its functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Steve Wells & Associates, PLLC

Glen Allen, Virginia

May 27, 2021



Moments of Hope Outreach, Inc.

Statements of Financial Position

December 31, 2020 and 2019

	2020	2019
Assets		
Current assets		
Cash	\$ 146,793	\$ 37,263
Inventories	172,025	49,150
Total current assets	318,818	86,413
Property and equipment, net (Note 3)	69,148	41,712
Donor restricted cash	203,036	2,789
Other assets	-	6,250
Total assets	\$ 591,002	\$ 137,164
Liabilities and Net Assets		
Current liabilities		
Accrued payroll taxes	\$ 3,180	\$ 495
Total current liabilities	3,180	495
Net assets without donor restrictions	384,786	133,880
Net assets with donor restrictions	203,036	2,789
Total net assets	587,822	136,669
Total liabilities and net assets	\$ 591,002	\$ 137,164

See accompanying notes to financial statements.

Moments of Hope Outreach, Inc.

Statements of Activities and Changes in Net Assets
Years ended December 31, 2020 and 2019

	2020	2019
Change in Net Assets Without Donor Restrictions		
Revenues		
Contributions	\$ 435,232	\$ 246,894
Non-cash contributions	1,688,183	215,984
Emergency grants and other funding	52,600	-
Net assets released from restrictions	16,000	-
Total revenues	<u>2,192,015</u>	<u>462,878</u>
Expenses		
Program services	1,925,737	402,393
Management and general	28,587	12,448
Fundraising	23,011	4,438
Total expenses	<u>1,977,335</u>	<u>419,279</u>
Change in net assets without donor restrictions	214,680	43,599
Change in Net Assets With Donor Restrictions		
Contributions	270,032	2,789
Refund to donor	(50,000)	-
Funds expended for restricted purpose	(3,785)	-
Reclassifications	(16,000)	-
Change in net assets with donor restrictions	<u>200,247</u>	<u>2,789</u>
Change in net assets	414,927	46,388
Adjustment to record vehicles	36,226	-
Net assets, beginning of year	<u>136,669</u>	<u>90,281</u>
Net assets, end of year	<u><u>\$ 587,822</u></u>	<u><u>\$ 136,669</u></u>

See accompanying notes to financial statements.

Moments of Hope Outreach, Inc.

Statement of Functional Expenses

Year ended December 31, 2020

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 100,422	\$ 5,579	\$ 5,579	\$ 111,580
Payroll taxes	7,903	439	438	8,780
Total salaries and related expenses	108,325	6,018	6,017	120,360
Advertising and marketing	2,756	153	153	3,062
Automobiles and travel	6,088	338	338	6,764
Depreciation (Note 3)	18,221	1,012	1,012	20,245
Direct assistance: Food	1,506,918	-	-	1,506,918
Direct assistance: Housing	123,188	-	-	123,188
Direct assistance: Other	56,955	-	-	56,955
Direct assistance: Personal Needs	70,152	-	-	70,152
Insurance	4,184	232	233	4,649
Maintenance and repairs	4,015	223	223	4,461
Occupancy	20,740	1,152	1,152	23,044
Office and administration	-	10,401	-	10,401
Professional fees	-	8,825	13,650	22,475
Supplies	2,227	124	123	2,474
Taxes and licenses	1,968	109	110	2,187
Total functional expenses	\$ 1,925,737	\$ 28,587	\$ 23,011	\$ 1,977,335

See accompanying notes to financial statements.

Moments of Hope Outreach, Inc.

Statement of Functional Expenses

Year ended December 31, 2019

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 22,050	\$ 1,225	\$ 1,225	\$ 24,500
Payroll taxes	1,845	102	102	2,049
Total salaries and related expenses	23,895	1,327	1,327	26,549
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
Total functional expenses	\$ 402,393	\$ 12,448	\$ 4,438	\$ 419,279

See accompanying notes to financial statements.

Moments of Hope Outreach, Inc.

Statements of Cash Flows

Years ended December 31, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Change in net assets without donor restrictions	\$ 209,280	\$ 43,599
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	20,185	9,513
Non cash contributions of property and equipment	-	(3,500)
(Increase) decrease in other assets	6,250	(3,750)
Increase in inventories	(122,875)	(4,915)
Increase (decrease) in accrued payroll taxes	2,685	(170)
Net cash provided by operating activities	115,525	40,777
Cash Flows From Investing Activities		
Purchases of property and equipment	(5,995)	(32,082)
Net cash used in investing activities	(5,995)	(32,082)
Increase in cash	109,530	8,695
Cash, beginning of year	37,263	28,568
Cash, end of year	\$ 146,793	\$ 37,263

See accompanying notes to financial statements.

Moments of Hope Outreach, Inc.

Notes to Financial Statements

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 2020 and 2019, the Organization served 4,938 and 3,450 individuals, respectively, 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, 2020 and 2019, the Board of Directors consisted of thirteen (13) and four (4) members, respectively.

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 Organization’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 statements of activities and changes in net assets.

Volunteer services: During the years ended December 31, 2020 and 2019, respectively, the Organization was the grateful beneficiary of 4,941 and 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. With the exception of five generous donors who contributed a total of \$199,676 and \$73,165 in 2020 and 2019, respectively, 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

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

Non-cash contributions: During 2020 and 2019, the Organization received \$1,682,183 and \$215,984, respectively, in contributions of food, tents, sleeping bags, new clothing and toiletries in support of its activities. Pursuant to the Codification, non-cash donations are recorded as revenue in the year 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, 2020 and 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 used 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:

	Program Services	Management and General	Fundraising
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%
Professional fees	Actual	Actual	Actual

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

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 \$3,062 and \$6,562 for the years ended December 31, 2020 and 2019, respectively.

Reclassifications: Certain reclassifications of prior year financial statements have been made to conform to presentations adopted in the current year.

Recent accounting pronouncements: Management is unaware of any 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, 2021 consist solely of its operating cash which had an account balance in the amount of \$146,570 as of December 31, 2020. During the period from January 1, 2021 through March 31, 2021, the Organization received donations in the amount of \$166,421. The Organization's 2021 annual budget reflects monetary expenditures of approximately \$469,200. 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 2021, the Organization has the ability to reduce budgeted operating expenditures to meet available funding.

Note 3—Inventories

The Organization's inventories at December 31, 2020 and 2019 consisted of the following:

	2020	2019
Food	\$ 140,000	\$ 40,000
Tents and sleeping bags	7,025	4,150
Toiletries	25,000	5,000
Total	<u>\$ 172,025</u>	<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

Note 4—Property and Equipment

Property and equipment consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Equipment	\$ 20,428	\$ 20,428
Trailer and storage unit	7,454	2,000
Vehicles	<u>76,072</u>	33,845
Total	103,954	56,273
Less: accumulated depreciation	<u>(34,806)</u>	<u>(14,561)</u>
Net book value	<u><u>69,148</u></u>	<u><u>41,712</u></u>

Depreciation expense for property and equipment for the years ended December 31, 2020 and 2019 was \$19,645 and \$9,513, respectively.

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 Caroline County, Virginia. If acquired, the land is intended to be developed into low-income housing branded as “Mo Hope Village”. Funds of \$5,000 were expended in 2019 as a deposit for the ultimate purchase and were being held in escrow being held by the seller’s realtor. This deposit is reported in the accompanying statements of position with “Other Assets”. In 2020, this deposit was returned by the seller’s realtor. As of December 31, 2020 and 2019, the Organization held, in a separate commercial bank account, \$203,036 and \$2,789, respectively, 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 2019 and 2020, and the lease currently expires in October 2021. The lease agreement stipulates monthly rental payments of \$1,275 (\$1,250 in 2019) plus reimbursement of electricity usage (approximately \$300/month) (see Note 8).

Total expense for this operating lease was \$15,275 and \$15,000 for the years ended December 31, 2020 and 2019, respectively, and is reported in the accompanying statements of functional expenses as “Occupancy”.

Moments of Hope Outreach, Inc.

Notes to Financial Statements

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 years ended December 31, 2019 and 2020, 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.

Effective July 1, 2020, the Organization met the criteria established by the Virginia Department of Social Services' Neighborhood Assistance Program ("NAP"). NAP-designated contributions to the Organization for the year ended December 31, 2020 amounted to \$7,231. The Organization's NAP designation requires annual approval by the Virginia Department of Social Services. It is expected that the Organization's NAP designation will be renewed effective July 1, 2021 (for the NAP program's fiscal year ending June 30, 2022) for a similar amount.

With limited exceptions, the Organization's Form 990 for the years ended December 31, 2018 through 2020, 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

In May 2021, four of the Organization's board members acquired the commercial property being leased by the Organization (see Note 6) and intends to lease the property to the Organization under substantially similar terms.

The Organization's Executive Director has evaluated subsequent events through May 27, 2021, which is the date the financial statements were available to be issued. This review indicated no additional matters requiring adjustment to or disclosure in the accompanying financial statements.

Moments of Hope Outreach, Inc.

Notes to 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 have been severely impacted by these economic issues.

Specific impacts to the Organization as a result of the pandemic include the following:

Modification of Service Delivery Model: To continue providing services to its program recipients during the pandemic, the Organization implemented social distancing protocols to modify its program service model. Specifically, the Organization closed its food pantry during the week and developed a drive-thru food distribution process on Saturday mornings. Operations were ceased for three weeks and then resumed utilizing new protocols.

Federal Funding: The Organization met the criteria of Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") regarding the Paycheck Protection Program ("PPP") and received a PPP loan in the amount of \$9,600 and an Economic Injury Disaster Grant in the amount of \$2,000. It is expected that these amounts will be forgiven in 2021; as such, these amounts have been included in the accompanying 2020 statement of activities in "Emergency grants and other funding".

The Organization does not meet the criteria for a second PPP loan under criteria established by the Consolidated Appropriations Act, 2021, but does meet the criteria for the Employee Retention Credit ("ERC") and will apply for the ERC in the second quarter of 2021 which is expected to approximate \$15,000.

State and Local Funding: The Organization received a grant in the amount of \$24,000 from the Central Virginia COVID-19 Response Fund, activated by the Community Foundation for a Greater Richmond and the Emergency Management Alliance of Central Virginia. In addition, the Organization received emergency funding in the amount of \$17,000 from the United Way/Hanover County. These amounts have been included in the accompanying 2020 statement of activities in "Emergency grants and other funding".

Vaccine: In late 2020, the international medical community formulated a COVID vaccine and substantial quantities have been distributed in 2020 and 2021 throughout the United States. The ultimate efficacy of the vaccine and its long-term impacts, if any, are unknown at this time. Leading medical experts generally agree that the extent of COVID throughout the world may be substantially reduced by fall 2021; however, new variants of COVID have been identified in 2021 and have impacted individuals across the globe.

The Organization is continually monitoring the potential impact of the pandemic but has not made any adjustments herein as a result of COVID-related uncertainties. The Organization will review and adjust planned operations should it be determined the pandemic will significantly impact the Organization's financial position and/or its activities.