

Financial Statements

Moments of Hope Outreach, Inc.

December 31, 2021 and 2020

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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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Moments of Hope Outreach, Inc. (a non-profit organization hereafter referred to as the "Organization"), which are comprised of the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements (collectively hereafter the "financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the Organization's financial position as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("Professional Standards"). 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 U.S. GAAP, 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 for the year ending December 31, 2021.

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.

(continued)

Independent Auditor's Report – continued

Auditor's Responsibilities for the Audit of the Financial Statements – continued

Reasonable assurance is a high level of assurance, but not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with Professional 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements. In performing an audit in accordance with Professional Standards, we are required to:

1. Exercise professional judgment and maintain professional skepticism throughout the audit;
2. 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;
3. 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;
4. 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;
5. 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; and
6. 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.

Steve Walker & Associates, PLLC

Glen Allen, Virginia
March 17, 2022



Moments of Hope Outreach, Inc.

Statements of Financial Position

December 31, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash	\$ 229,091	\$ 146,793
Prepaid expenses	1,275	-
Inventories (Note 3)	241,447	172,025
Total current assets	<u>471,813</u>	<u>318,818</u>
Property and equipment, net (Note 4)	66,253	69,148
Donor restricted cash	173,056	203,036
Total assets	<u>\$ 711,122</u>	<u>\$ 591,002</u>
Liabilities and Net Assets		
Current liabilities		
Accrued payroll taxes	\$ 4,288	\$ 3,180
Other	1,474	-
Total current liabilities	<u>5,762</u>	<u>3,180</u>
Net assets without donor restrictions	532,304	384,786
Net assets with donor restrictions	173,056	203,036
Total net assets	<u>705,360</u>	<u>587,822</u>
Total liabilities and net assets	<u>\$ 711,122</u>	<u>\$ 591,002</u>

See accompanying notes to financial statements.

Moments of Hope Outreach, Inc.

Statements of Activities and Changes in Net Assets
Years ended December 31, 2021 and 2020

	2021	2020
Change in Net Assets Without Donor Restrictions		
Revenues		
Contributions and grants	\$ 493,620	\$ 435,232
Non-cash contributions	755,492	1,688,183
Emergency grants and other funding	-	52,600
Net assets released from restrictions	-	16,000
Total revenues	<u>1,249,112</u>	<u>2,192,015</u>
Expenses		
Program services	1,037,889	1,925,737
Management and general	50,104	28,587
Fundraising	13,600	23,011
Total expenses	<u>1,101,593</u>	<u>1,977,335</u>
Change in net assets without donor restrictions	147,519	214,680
Change in Net Assets With Donor Restrictions		
Contributions	19	270,032
Refunds to donors (Note 5)	(30,000)	(50,000)
Funds expended for restricted purpose	-	(3,785)
Reclassifications	-	(16,000)
Change in net assets with donor restrictions	<u>(29,981)</u>	<u>200,247</u>
Change in net assets	117,538	414,927
Adjustment to record vehicles	-	36,226
Net assets, beginning of year	<u>587,822</u>	<u>136,669</u>
Net assets, end of year	<u>\$ 705,360</u>	<u>\$ 587,822</u>

See accompanying notes to financial statements.

Moments of Hope Outreach, Inc.

Statement of Functional Expenses

Year ended December 31, 2021

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 149,987	\$ 8,333	\$ 8,333	\$ 166,653
Payroll taxes	<u>12,141</u>	<u>675</u>	<u>674</u>	<u>13,490</u>
Total salaries and related expenses	162,128	9,008	9,007	180,143
Advertising and marketing	8,132	452	452	9,036
Automobiles and travel	7,904	439	438	8,781
Depreciation (Note 4)	27,373	1,521	1,520	30,414
Direct assistance: Food	677,857	-	-	677,857
Direct assistance: Housing	101,099	-	-	101,099
Direct assistance: Other	8,119	-	-	8,119
Direct assistance: Personal Needs	7,050	-	-	7,050
Insurance	6,868	382	382	7,632
Maintenance and repairs	6,542	363	363	7,268
Occupancy (Note 6)	22,536	1,252	1,252	25,040
Office and administration	-	23,092	-	23,092
Professional fees	-	13,468	61	13,529
Supplies	1,172	65	64	1,301
Taxes and licenses	<u>1,109</u>	<u>62</u>	<u>61</u>	<u>1,232</u>
Total functional expenses	<u><u>\$ 1,037,889</u></u>	<u><u>\$ 50,104</u></u>	<u><u>\$ 13,600</u></u>	<u><u>\$ 1,101,593</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 4)	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 (Note 6)	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.

Statements of Cash Flows

Years ended December 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Change in net assets without donor restrictions	\$ 147,519	\$ 209,280
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	30,414	20,245
Non-cash contributions of property and equipment	(18,795)	-
Increase in prepaid expenses	(1,275)	-
Decrease in other assets	-	6,250
Increase in inventories	(69,422)	(122,875)
Increase in accrued payroll taxes	1,108	2,625
Increase in other liabilities	1,474	-
Net cash provided by operating activities	<u>91,023</u>	<u>115,525</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	<u>(8,725)</u>	<u>(5,995)</u>
Net cash used in investing activities	<u>(8,725)</u>	<u>(5,995)</u>
Increase in cash	82,298	109,530
Cash, beginning of year	<u>146,793</u>	<u>37,263</u>
Cash, end of year	<u><u>\$ 229,091</u></u>	<u><u>\$ 146,793</u></u>

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 2021 and 2020, the Organization served 4,796 and 4,938 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, 2021 and 2020, the Board of Directors consisted of ten (10) individuals.

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 (“U.S. GAAP”).

Financial statement presentation: The Organization’s financial statements are presented under U.S. 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, 2021 and 2020, respectively, the Organization was the grateful beneficiary of 9,252 and 4,941 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 five 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 generous donors who contributed a total of \$90,531 (15 donors) and \$199,676 (five donors) in 2021 and 2020, 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 2021 and 2020, the Organization received \$686,070 and \$1,688,183, respectively, in contributions of food, tents, sleeping bags, new clothing and toiletries and equipment 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 U.S. 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, 2021 and 2020, 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:

	<u>Program Services</u>	<u>Management 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%
Professional fees	Actual	Actual	Actual

All other expenses are allocated using a proprietary allocation model developed by executive 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 costs of \$9,036 and \$3,062 for the years ended December 31, 2021 and 2020, 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 a material impact on the Organization's financial statements.

Note 2—Liquidity

The Organization's financial assets at December 31, 2021 consist solely of its operating cash which had an account balance in the amount of \$229,091. During the period from January 1, 2022 through March 17, 2022, the Organization received donations in the amount of \$70,800. Not including direct assistance, the Organization's 2022 annual budget reflects operating expenditures of approximately \$329,000. 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 2022, the Organization has the ability to reduce budgeted operating expenditures to meet available funding.

The Organization's direct assistance budget for 2022 is approximately \$1,434,000; management expects a significant portion of its direct assistance budget to be met by non-cash donations. In the event non-cash donations do not meet budgeted levels, the Organization has the ability to reduce its direct assistance budgeted expenditures accordingly.

Note 3—Inventories

The Organization's inventories at December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Food	\$ 140,334	\$ 140,000
Tents and sleeping bags	21,300	7,025
Clothing and toiletries	<u>79,813</u>	<u>25,000</u>
Total	<u>\$ 241,447</u>	<u>\$ 172,025</u>

As of December 31, 2021 and 2020, food was measured by weight at \$3 and \$2 per pound, respectively. Tents and sleeping bags were individually recorded and valued measured at \$45 and \$40 per item, respectively (deemed to approximate fair value at date of donation). Clothing and toiletries were counted and valued at estimated fair value at date of donation.

Moments of Hope Outreach, Inc.

Notes to Financial Statements

Note 4—Property and Equipment

Property and equipment consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Equipment	\$ 47,147	\$ 20,428
Trailer and storage unit	7,454	7,454
Vehicles	<u>76,072</u>	<u>76,072</u>
Total	130,673	103,954
Less: accumulated depreciation	<u>(64,420)</u>	<u>(34,806)</u>
Net book value	<u>\$ 66,253</u>	<u>\$ 69,148</u>

Depreciation expense for property and equipment for the years ended December 31, 2021 and 2020 was \$30,414 and \$20,245, respectively. For purposes of the statements of cash flows, during the year ended December 31, 2021, the Organization donated fully depreciated equipment with an original cost of \$800 to individuals in need.

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 intended to be developed into low-income housing branded as “Mo Hope Village”. The Organization was unable to obtain zoning approvals for the original planned location for Mo Hope Village and is currently evaluating other potential sites. The Organization has offered refunds to all donors for their contributions to Mo Hope Village and the Organization refunded \$30,000 and \$50,000 during the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, the Organization held, in a separate commercial bank account, \$173,026 and \$203,036, respectively, of donor restricted cash for Mo Hope Village.

Note 6—Operating Lease

The Organization maintained an operating lease for commercial space that was executed effective October 13, 2017 for a period of twelve months with annual renewal options. The Organization exercised its renewal option in 2020 and 2021. In April 2021, the building’s owner sold the building to MoHo, LLC, a newly formed limited liability company owned and operated by four members of the Organization’s board. A new operating lease was executed with MoHo, LLC with terms requiring monthly payments of \$1,275 through March 31, 2024 with an annual increase of 3% each year. Accordingly, future required minimum payments for the years ending December 31, 2022 through 2024 under this lease agreement total \$15,644, \$16,114 and \$4,058, respectively. It is anticipated upon expiration, that this lease will be renewed with substantially similar terms. Total expense for this operating lease was \$16,575 and \$15,275 for the years ended December 31, 2021 and 2020, 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 years ended December 31, 2021 and 2020, the Organization filed Form 990, *Return of Organization Exempt from Income Tax*.

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 October 2026 and is expected to be renewed at that date.

As a qualified charity, the Organization participates in the Virginia Department of Social Services' Neighborhood Assistance Program ("NAP"). NAP-designated contributions to the Organization for the year ended December 31, 2021 and 2020 amounted to \$8,500 and \$7,231, respectively. 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, 2022 (for the NAP program's fiscal year ending June 30, 2023) for a similar amount.

The Organization is not currently under examination with any taxing authorities. With limited exceptions, the Organization's Form 990 for the years ended December 31, 2019 through 2021, 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 March 17, 2022, 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.

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.

Moments of Hope Outreach, Inc.

Notes to Financial Statements

Note 9—Uncertainty (continued)

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 in 2020 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. The Organization has met the forgiveness criteria and these amounts were forgiven in 2020; as such, these amounts have been included in the accompanying 2020 statement of activities in “Emergency grants and other funding”. The Organization did not meet the criteria for a second PPP loan under criteria established by the Consolidated Appropriations Act, 2021. The Organization does meet the criteria for the Employee Retention Credit (“ERC”) but has not filed for the credit as of March 17, 2022.

State and Local Funding: In 2020, 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”.

Food Donations: In 2020, the Organization was the grateful recipient of approximately \$950,000 in food donations from Feed More and the Target Corporation which was the direct result of increased giving due to COVID.

Vaccine: In late 2020, the international medical community formulated a COVID vaccine and substantial quantities have been distributed throughout the world. The ultimate efficacy of the vaccine and its long-term impacts, if any, are unknown at this time. Leading medical experts initially believed that the extent of COVID throughout the world would be substantially reduced by Autumn 2021; however, new variants of COVID have been identified in 2022 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.