

EPIC: END POVERTY & INCARCERATION OF WOMEN AND GIRLS



LADIES OF HOPE MINISTRIES 2020 AUDIT

MISSION

To create alternatives to incarceration, decarceration and post incarceration opportunities by providing access to resources for education, entrepreneurship, and sustainability through advocacy.

Hope Awareness **Change**

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May 8, 2021

To the Board of Directors

The Ladies of Hope Ministries, Inc.

We have audited the financial statements of The Ladies of Hope Ministries, Inc. for the years ended December 31, 2020 and 2019, and have issued our report thereon dated May 8, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 20, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by The Ladies of Hope Ministries, Inc. are described in Note 1 to the financial statements. The Organization changed its revenue accounting policy to conform with the updated FASB; see Note 1. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements were found during the audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 8, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the board of directors and management of The Ladies of Hope Ministries, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Lehman Flynn Vollaro

Melville, NY

The Ladies of Hope Ministries, Inc.
(A Not-for-Profit Organization)
Financial Statements
Years ended December 31, 2020 and 2019

The Ladies of Hope Ministries, Inc.
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December 31, 2020 and 2019

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Report of Independent Auditors

The Board of Directors
The Ladies of Hope Ministries, Inc.
New York, NY

Report on the Financial Statements

We have audited the accompanying financial statements of The Ladies of Hope Ministries, Inc., which include the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Ladies of Hope Ministries, Inc. as of December 31, 2020 and 2019, and the change 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.

Lehman Flynn Vollaro

Melville, NY
May 8, 2021

The Ladies of Hope Ministries, Inc.
 Statements of Financial Position
 December 31,

	2020	2019
Assets		
Cash and cash equivalents	\$ 758,431	\$ 191,957
Total assets	\$ 758,431	\$ 191,957
 Liabilities and net assets		
Accounts payable and accrued expenses	\$ 6,200	\$ 6,000
Credit cards	29,981	12,125
SBA PPP loan	110,589	-
SBA EIDL loan	150,000	-
Client savings	4,323	-
Total liabilities	301,093	18,125
 Net assets		
Without restrictions	457,338	173,832
Total net assets	457,338	173,832
Total liabilities and net assets	\$ 758,431	\$ 191,957

The Ladies of Hope Ministries, Inc.
Statement of Activities
Years Ended December 31,

	2020	2019
Revenue, support and gains		
Grants and contributions	\$ 1,936,174	\$ 812,425
Program revenue	2,192	-
Net special events revenue	1,936,174	812,425
Other revenue	300	-
Interest	22	34
Total revenue, support, and gains	1,936,495	812,459
Expenses and losses		
Program services expense	1,167,138	539,381
Supporting services expense		
Management and general	485,851	442,861
Fundraising and development	-	35,820
Total supporting services expenses	485,851	478,681
Total expenses and losses	1,652,989	1,018,062
Change in net assets	283,506	(205,603)
Net assets, beginning of year	173,832	379,435
Net assets, end of year	\$ 457,338	\$ 173,832

The Ladies of Hope Ministries, Inc.
Statement of Functional Expenses
Year Ended December 31, 2020

	Program	Management and General	Fundraising	Total
Salaries and related expenses	\$ 538,985	\$ 142,097	\$ -	\$ 681,082
Outside labor	291,243	175,678	-	466,921
Professional fees	100,655	101,237	-	201,892
Occupancy	84,031	5,820	-	89,851
Travel	29,500	17,746	-	47,246
Events	41,808	5,027	-	46,835
Office and other expenses	20,420	23,297	-	43,717
Meals	12,747	10,952	-	23,699
Supplies	13,830	-	-	13,830
Insurance	10,808	2,850	-	13,658
Repairs and maintenance	12,161	372	-	12,533
Utilities	8,933	-	-	8,933
Advertising	1,498	395	-	1,893
Delivery	519	380	-	899
Total expenses by function	<u>\$ 1,167,138</u>	<u>\$ 485,851</u>	<u>\$ -</u>	<u>\$ 1,652,989</u>

See notes to financial statements

The Ladies of Hope Ministries, Inc.
Statement of Functional Expenses
Year Ended December 31, 2019

	Program	Management and General	Fundraising	Total
Outside labor	\$ 220,206	\$ 192,322	\$ -	\$ 412,528
Salaries and related expenses	116,096	67,007	9,728	192,831
Travel	58,524	64,953	-	123,477
Occupancy	57,186	35,291	-	92,477
Events	30,781	-	25,500	56,281
Professional fees	-	45,943	-	45,943
Office and other expenses	18,005	24,546	-	42,551
Meals	10,939	8,766	-	19,705
Utilities	9,909	-	-	9,909
Licenses and permits	7,141	600	-	7,741
Advertising	4,990	-	592	5,582
Insurance	320	3,362	-	3,682
Delivery	3,163	-	-	3,163
Meetings	2,121	71	-	2,192
Total expenses by function	<u>\$ 539,381</u>	<u>\$ 442,861</u>	<u>\$ 35,820</u>	<u>\$ 1,018,062</u>

See notes to financial statements

The Ladies of Hope Ministries, Inc.
 Statements of Cash Flows
 Years Ended December 31,

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 283,506	\$ (205,603)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Changes in operating assets and liabilities		
Accounts receivable, net	-	885
Other assets	-	4,985
Accounts payable and accrued expenses	200	(107)
Credit cards	17,856	12,125
Client savings	4,323	-
Net cash from (used for) operating activities	305,885	(187,715)
 Cash flows from investing activities		
Proceeds from SBA PPP loan	110,589	-
Proceeds from SBA EIDL loan	150,000	-
Net cash from investing activities	260,589	-
 Net change in cash and cash equivalents	566,474	(187,715)
Cash and cash equivalents, beginning of year	191,957	379,672
Cash and cash equivalents, end of year	\$ 758,431	\$ 191,957
 Supplemental disclosure of cash flow information		
Cash paid during the year for		
Interest	\$ 754	\$ -
Unrelated business income taxes	\$ -	\$ -

The Ladies of Hope Ministries, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Note 1 - Principal activity and significant accounting policies

Organization

The Ladies of Hope Ministries, Inc. (“we, the Organization”) is a nonprofit corporation incorporated under the Not-for-Profit Corporation laws of the State of New York. The Organization’s mission is to help disenfranchised and marginalized formerly incarcerated women transition back into society.

Cash and cash equivalents

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Receivables and credit policies

Accounts receivable consist primarily of noninterest-bearing amounts due for grants and other programs. We determine the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At both December 31, 2020 and 2019, the allowance was \$0.

Investments

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Net assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows: *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

The Ladies of Hope Ministries, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Donated services and in-kind contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. We record donated professional services at the respective fair values of the services received. No significant contributions of such goods or services were received during the years ended December 31, 2020 and 2019.

Functional allocation of expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes

The Ladies Or Hope Ministries, Inc. is organized as a New York State nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as a organization described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under IRC Sections 509(a)(1) and (3), respectively. We are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, we are subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. We have determined that we are not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. We believe we have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial instruments and credit risk

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies, and foundations supportive of our mission.

The Ladies of Hope Ministries, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Compensated absences

Compensated absences for sick pay and personal time have not been accrued since they cannot be reasonably estimated. Our policy is to recognize these costs when actually paid.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued an updated (“ASU 2014-09”) establishing Accounting Standards Codification (“ASC”) Topic 606, Revenue from Contracts with Customers (“ASC 606”). ASU 2014-09, as amended by subsequent ASU’s on the topic, establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most of the existing revenue recognition guidance. This standard, which was effective for annual reporting periods in fiscal years that begin after December 15, 2018, requires an entity to recognize revenue to depict the transfer of promised goods or services and also requires certain additional disclosures. We adopted this standard effective January 1, 2019 using the modified retrospective method applied to all existing contracts not yet completed as of January 1, 2019 and recorded no adjustment to beginning net assets. The adoption of ASC 606 did not have a material impact on our financial statements (see Note 3 – Revenue Recognition)

Subsequent events

We have evaluated subsequent events through May 8, 2021, the date the financial statements were available to be issued.

Note 2 - Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, consists of the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 758,431	\$ 191,957
	<u>\$ 758,431</u>	<u>\$ 191,957</u>

The FASB requires all not-for-profits to add disclosures regarding how they manage liquidity and information that communicates the availability of financial assets to meet cash needs for general expenditures.

We regularly monitor the availability of resources required to meet our operating needs and other contractual commitments.

The Ladies of Hope Ministries, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Note 3 - PPP loan

In April 2020 the Organization received a Small Business Administration loan under the Paycheck Protection Program (PPP). The amount of this loan was \$110,589 and the Organization expects to be forgiven on the full amount under the terms of the program.

Note 4 - EIDL loan

In October 2020 the Organization received a Small Business Administration loan under the Economic Injury Disaster Loan (EIDL) program. The amount of this loan was \$150,000. Installment payments are to begin twelve months from the date of the promissory note with the entire loan payable thirty years from the promissory note date. The loan carries an interest rate of 2.75% per annum.

Note 5 - Client savings

The Organization receives rent payments from tenants in their Hope House programs. The payments are held by the Organization until the tenant is placed in permanent housing, at which point a portion of the funds are returned to the tenant. The funds not returned by the Organization are considered rental income.

Note 6 - Revenue Recognition

On January 1, 2019, we adopted ASC 606 which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most of the existing revenue recognition guidance. This standard requires us to recognize for certain our revenue sources the transfer of promised goods or services to customers in an amount that reflects the consideration we are entitled to in exchange for these goods or services. We adopted this standard effective January 1, 2019 using the modified retrospective method applied all existing contracts not yet completed as of January 1, 2019 and recorded no adjusted to beginning net assets. The adoption of ASC 606 did not have a material impact on our financial statements.

Our revenues primarily consist of foundation grants, rental income, and interest income.

1. Grants and contributions are funds provided to the organization either for general purposes or to be spent on a specific purpose. Revenue is recorded when it is received or when the related purpose is accomplished.
2. Program revenue is revenue earned from the various programs offered by the Organization. Revenue is recognized when it is earned.
3. Other income is income that stems from various other activities that are not in the regular course of business.
4. Interest income is income that stems from the savings and investment bank account. This income is recognized when earned.

The Ladies of Hope Ministries, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Below is a summary of our revenues by segment:

Segment	2020	2019
Grants and contributions	\$ 1,936,174	812,425
Program revenue	2,192	-
Other income	300	-
Interest income	22	34
Total revenue	<u>\$ 1,938,687</u>	<u>\$ 812,459</u>

Note 7 - Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, which is allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, insurance, and other, which are allocated on the basis of estimates of time and effort.

The Ladies of Hope Ministries, Inc.
Notes to Financial Statements
December 31, 2020 and 2019
