

The Ladies of Hope Ministries, Inc.
(A Not-for-Profit Organization)
Financial Statements
Years ended December 31, 2021 and 2020

The Ladies of Hope Ministries, Inc.
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December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of The Ladies of Hope Ministries, Inc (a nonprofit organization), which comprise 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.

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, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Ladies of Hope Ministries, Inc 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 accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Ladies of Hope Ministries Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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.
- 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 Ladies of Hope Ministries, Inc's internal control. Accordingly, no such opinion is expressed.
- 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Ladies of Hope Ministries, Inc's ability to continue as a going concern for a reasonable period of time.

We are required to 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.

Lehman Flynn Vollaro

Melville, NY
September 14, 2022

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

	2021	2020
Assets		
Cash and cash equivalents	\$ 162,099	\$ 758,431
Total assets	<u>\$ 162,099</u>	<u>\$ 758,431</u>
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 78,818	\$ 6,200
Credit cards payable	45,077	29,981
Client savings	7,268	4,323
SBA PPP loan	46,964	110,589
Total current liabilities	<u>178,127</u>	<u>151,093</u>
Long-term liabilities		
SBA EIDL loan	150,000	150,000
NFF loan	500,000	-
Total long-term liabilities	<u>650,000</u>	<u>150,000</u>
Total liabilities	<u>828,128</u>	<u>301,093</u>
Net assets		
Without restrictions	(666,029)	457,338
Total net assets	<u>(666,029)</u>	<u>457,338</u>
Total liabilities and net assets	<u>\$ 162,099</u>	<u>\$ 758,431</u>

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

	2021	2020
Revenue, support and gains		
Grants and contributions	\$ 1,676,392	\$ 1,936,174
Program revenue	7,473	2,192
Net special events revenue	1,683,865	1,938,366
Other income	3,348	300
Interest	121	22
Total revenue, support, and gains	1,687,334	1,938,688
Expenses and losses		
Program services expense	2,056,082	1,167,138
Supporting services expense		
Management and general	678,615	463,285
Fundraising and development	76,004	22,567
Total supporting services expenses	754,619	485,852
Total expenses and losses	2,810,701	1,652,990
Change in net assets	(1,123,367)	285,698
Net assets, beginning of year	457,338	171,640
Net assets, end of year	\$ (666,029)	\$ 457,338

See notes to financial statements

LEHMAN FLYNN VOLLARO PLLC
CERTIFIED PUBLIC ACCOUNTANTS

The Ladies of Hope Ministries, Inc.
Statement of Functional Expenses
Year Ended December 31, 2021

	Program	Management and General	Fundraising	Total
Salaries and related expenses	\$ 1,124,585	\$ 333,132	\$ 22,133	\$ 1,479,850
Consultants	400,021	44,384	53,871	498,276
Occupancy	134,033	77,389	-	211,422
Stipends and gifts	132,358	5,441	-	137,799
Travel	26,600	79,615	-	106,215
Trainers	71,775	-	-	71,775
Program supplies	51,578	-	-	51,578
Office and other expenses	10,772	41,234	-	52,006
Professional fees	10,412	24,317	-	34,729
Dues and subscriptions	18,701	15,664	-	34,365
Advertising	22,162	8,589	-	30,751
Meals	5,110	23,021	-	28,131
Technology and software	15,375	6,316	-	21,691
Utilities	16,569	3,226	-	19,795
Repairs and maintenance	10,976	154	-	11,130
Storage	-	6,365	-	6,365
Postage	1,622	3,592	-	5,214
Donations	-	5,000	-	5,000
Insurance	3,433	1,176	-	4,609
Total expenses by function	<u>\$ 2,056,082</u>	<u>\$ 678,615</u>	<u>\$ 76,004</u>	<u>\$ 2,810,701</u>

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	\$ 119,530	\$ 22,567	\$ 681,082
Consultants	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	23,298	-	43,718
Meals	12,747	10,952	-	23,699
Program 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
Postage	519	380	-	899
Total expenses by function	<u>\$ 1,167,138</u>	<u>\$ 463,285</u>	<u>\$ 22,567</u>	<u>\$ 1,652,990</u>

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

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ (1,123,367)	\$ 283,506
Forgiveness of SBA PPP loan	(27,267)	-
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Changes in operating assets and liabilities		
Accounts payable and accrued expenses	72,619	200
Credit cards	15,096	17,856
Client savings	2,945	4,323
Net cash from (used for) operating activities	<u>(1,059,974)</u>	<u>305,885</u>
Cash flows from investing activities		
Proceeds from SBA PPP loan	-	110,589
Paydown of SBA PPP loan	(36,358)	-
Proceeds from SBA EIDL loan	-	150,000
Proceeds from NFF loan	500,000	-
Net cash from investing activities	<u>463,642</u>	<u>260,589</u>
Net change in cash and cash equivalents	(596,332)	566,474
Cash and cash equivalents, beginning of year	758,431	191,957
Cash and cash equivalents, end of year	<u>\$ 162,099</u>	<u>\$ 758,431</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for		
Interest	\$ 1,433	\$ 754
Unrelated business income taxes	\$ -	\$ -

The Ladies of Hope Ministries, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020

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, 2021 and 2020.

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, 2021 and 2020

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.

Subsequent events

We have evaluated subsequent events through September 14, 2022, the date the financial statements were available to be issued.

Recent accounting pronouncements

In February 2016, The FASB issued Accounting Standards Update (ASU) 2016-02, Lease (Topic 842). The ASU requires most lease obligations to be recognized as a right-of-use asset with a corresponding liability on the statement of financial position. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. The guidance should be implemented for the earliest period presented using a modified retrospective approach, which includes optional practical expedients primarily focused on leases that commence before the effective date. We plan to elect to use such practical expedients upon adoption on January 1, 2022. Management is currently evaluating the impact of adopting ASU 2016-02 on the Committee's financial statements.

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The amendments in this ASU should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021. Early adoption is permitted. Management is currently evaluating the impact of adopting ASU 2020-07 on the Organization's financial statements.

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>2021</u>	<u>2020</u>
Cash and cash equivalents	<u>\$ 162,099</u>	<u>\$ 758,431</u>
	<u><u>\$ 162,099</u></u>	<u><u>\$ 758,431</u></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.

The Ladies of Hope Ministries, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

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

Note 3 - Accounts payable and accrued expenses

Accounts payable and accrued expenses are made up of the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Consultants	\$ 61,113	\$ -
Professional fees	<u>17,705</u>	<u>6,200</u>
	<u>\$ 78,818</u>	<u>\$ 6,200</u>

Note 4 - 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 5 - SBA PPP loan

In April 2020 the Organization received a Small Business Administration loan under the Paycheck Protection Program (PPP). In July 2021, the Organization received forgiveness on the loan in the amount of \$27,267. Under the terms of the loan, monthly payment of \$9,413 will be due until the loan has been paid off in its entirety. The outstanding PPP loan balance as of December 31, 2021 is \$46,964.

Note 6 - SBA 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. The loan carries an interest rate of 2.75% per annum.

Note 7 - NFF loan

In July 2021 the Organization received a loan from the Nonprofit Finance Fund. The amount of this loan was \$500,000. Quarterly installment payments are to begin twenty-five months from the date of the promissory note in the amount of \$150,000 per quarter. The loan carries no interest rate and is payable in its entirety three years from the initial loan date.

The Ladies of Hope Ministries, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

Note 8 - Leases

The Organization entered into a lease agreement on December 1, 2019 for the premises located at 2023 Caesar Place, Bronx, NY. This lease will expire on December 31, 2021, at which point a new lease will commence. This new lease will expire on December 31, 2023. Rent expense related to this lease was \$61,500 and \$61,500 for the years ended December 31, 2021 and 2020 respectively.

The Organization entered into a lease agreement on May 1, 2020 for the premises located at 2525 Valentine Ct, New Orleans, LA. This lease will expire on April 30, 2025. Rent expense related to this lease was \$36,000 and \$24,000 for the years ended December 31, 2021 and 2020 respectively.

The minimum future rental payments under the non-cancelable operating leases having a minimum term in excess of one year as of December 31, 2021 for the next 4 years is as follows:

<u>Years ending December 31,</u>	
2022	\$ 100,260
2023	100,260
2024	36,000
2025	12,000
	<u>\$ 248,520</u>

Note 9 - Revenue recognition

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

1. Private funding is revenue provided to the Organization by private companies and foundations either for general purposes or to be spent on a specific purpose. Revenue is recorded when received or when the related purpose is accomplished.
2. Individual funding is revenue provided to the Organization by individuals either for general purposes or to be spent on a specific purpose. Revenue is recorded when received or when the related purpose is accomplished.
3. Government funding is revenue provided to the Organization via various governmental programs or governmental grants. This revenue is either used for general purposes, or for specific purposes highlighted by the governmental program or grant. Revenue is recorded when received or when the related purpose is accomplished.
4. Program revenue is revenue earned from the various programs offered by the Organization. Revenue is recognized when it is earned.
5. Other income is income that stems from various other activities that are not in the regular course of business.
6. 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, 2021 and 2020

Below is a summary of our revenues by segment:

Segment	2021	2020
Private funding	\$ 1,580,630	1,691,825
Individual funding	68,496	244,349
Government funding	27,267	-
Program revenue	7,473	2,192
Other income	3,348	300
Interest income	121	22
Total revenue	<u>\$ 1,687,335</u>	<u>\$ 1,938,688</u>

Note 10 - 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.

Note 11 - Related parties

The Organization leases property from Topeka K. Sam Ventures LLC, a company owned by the Organization's executive director, at market value. For the years ended December 31, 2021 and 2020 rent expense was \$36,000 and \$24,000 respectively.