

**VOICES OF HOPE, INC.**

AUDITED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

**VOICES OF HOPE, INC.**

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## INDEPENDENT AUDITORS' REPORT

To the Members of the Board  
Voices of Hope, Inc.  
Elkton, Maryland

We have audited the accompanying financial statements of the Voices of Hope, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Voices of Hope, Inc. as of December 31, 2019, and the changes 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.

*Weyrich, Cronin & Sosa, LLC*

Elkton, Maryland  
August 26, 2020

**Voices of Hope, Inc.**

Statement of Financial Position  
December 31, 2019

ASSETS

CURRENT ASSETS:

Cash	\$	973	
Grants receivable		<u>100,537</u>	

Total Current Assets			\$ <u>101,510</u>
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Total Assets			\$ <u><u>101,510</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Payroll liabilities	\$	<u>295</u>	
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Total Current Liabilities			\$ <u>295</u>
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NET ASSETS:

Without donor restrictions		<u>101,215</u>	
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			<u>101,215</u>
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Total Liabilities and Net Assets			\$ <u><u>101,510</u></u>
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See accompanying notes to financial statement

**Voices of Hope, Inc.**

Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2019

SUPPORT AND REVENUE:	
WITHOUT DONOR RESTRICTIONS:	
Contributions	\$ 12,838
Grant income	663,173
Fundraising income, net of expenses (\$15,432)	4,683
Other income	<u>5,923</u>
TOTAL SUPPORT AND REVENUE	
WITHOUT DONOR RESTRICTIONS	<u>686,617</u>
EXPENSES:	
Program services	269,785
Management and general	157,080
Fundraising	<u>159,197</u>
Total Expenses	<u>586,062</u>
CHANGE IN NET ASSETS	
WITHOUT DONOR RESTRICTIONS	100,555
NET ASSETS WITHOUT DONOR	
RESTRICTIONS - BEGINNING OF YEAR	<u>660</u>
NET ASSETS WITHOUT DONOR	
RESTRICTIONS - END OF YEAR	<u>\$ 101,215</u>

See accompanying notes to financial statement

**Voices of Hope, Inc.**

Statement of Functional Expenses  
For the Year Ended December 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising and marketing	\$ 11,119	\$ 741	\$ 2,965	\$ 14,825
Business expenses	991	668	645	2,304
Client services	68,939	- 0 -	- 0 -	68,939
Compensation and benefits	129,696	125,881	125,882	381,459
Insurance	1,573	1,527	1,526	4,626
Occupancy	16,535	16,049	16,049	48,633
Office expenses	1,779	1,727	1,726	5,232
Professional fees	20,486	10,243	10,242	40,971
Training expenses	7,722	244	162	8,128
Travel expenses	10,945	- 0 -	- 0 -	10,945
	<u>\$ 269,785</u>	<u>\$ 157,080</u>	<u>\$ 159,197</u>	<u>\$ 586,062</u>

See accompanying notes to financial statement

**Voices of Hope, Inc.**

Statement of Cash Flows  
For the Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 100,555
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Increase in current assets:	
Grants receivable	(100,537)
Increase in current liabilities:	
Payroll liabilities	<u>295</u>
Net cash provided by operating activities	<u>313</u>
NET INCREASE IN CASH	313
CASH AT BEGINNING OF YEAR	<u>660</u>
CASH AT END OF YEAR	<u><u>\$ 973</u></u>

See accompanying notes to financial statement

## **VOICES OF HOPE, INC.**

Notes to Financial Statements  
December 31, 2019

### 1. Organization and Summary of Significant Accounting Policies

**Nature of Operations** - Voices of Hope, Inc. (Organization) was organized as a nonprofit corporation without capital stock under the laws of the State of Maryland in 2016. The Organization was formed to educate the community about drug addiction and to equip those struggling with addiction with the resources to overcome addiction.

**Basis of Accounting** - The accompanying financial statements are presented in accordance with the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. As such, revenue is recognized when earned and expenditures when incurred.

**Financial Statement Presentation** - The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions represent the portion of net assets that is not subject to donor-imposed restrictions. Such net assets are available for use at the discretion of management and/or the Board of Directors for general operating purposes. The Board of Directors may designate a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.

Net assets with donor restrictions represent the portion of net assets that is subject to donor-imposed restrictions. Such restrictions may specify a purpose for which, or time in which, resources can be used. Some net assets with donor restrictions include stipulations that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board-approved spending policy. The Organization has no net assets with donor restrictions at December 31, 2019.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures at the date of the financial statements, and certain reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Grants Receivable** - Grants receivable represent amounts due from government agencies, foundations, and other organizations and are recorded at their net realizable value. No allowance has been deemed necessary. Long-term grants receivable represent amounts due in more than one year. Grants made to the Organization are recorded as a receivable and as revenue as of the date the grants are awarded, if the awards are unconditional or if the conditions for recognition have been met. These amounts are recorded at the present value of such future payments.

## **VOICES OF HOPE, INC.**

Notes to Financial Statements  
December 31, 2019

### 1. Organization and Summary of Significant Accounting Policies (continued)

**Property and Equipment** - Property and equipment are stated at cost, if purchased, or at fair value at the date of the gift, if donated. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Expenditures for maintenance and repairs are charged against operations as expended. Renewals and betterments that materially extend the life of the assets are capitalized. The Organization's policy is to capitalize all property expenditures as well as renewals and betterments greater than \$1,000 with a useful life of a year or more. The cost or market value of property and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method. The Organization has no property and equipment at December 31, 2019 which met the criteria for capitalization.

**Revenue Recognition** - Contributions and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All contributions and grants are considered available for the Organization's general programs unless specifically restricted by donors. Amounts received that are restricted for future periods or specific purposes by donors are reported as restricted support and increase net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. Contributions and grants received with donor-imposed conditions and restrictions that are met within the same reporting period are presented as support without donor restrictions and increase net assets without donor restrictions.

**Contributed Services** - Contributed professional services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No amounts relating to donated services have been recognized in the statements of activities and changes in net assets as contributions because the criteria for recognition have not been satisfied.

**Functional Allocation of Expenses** - Expenses are presented by both function and natural classification in the statements of functional expenses. Expenses that are directly identifiable with a particular function are charged to the program or supporting service benefited. Other expenses may benefit more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated, are allocated on the basis of estimates of time and effort if they are related to wages or reasonably allocated based on wages. Other expenses are allocated based on management's estimate of time spent on each function when the costs were incurred.

# VOICES OF HOPE, INC.

## Notes to Financial Statements

December 31, 2019

### 1. Organization and Summary of Significant Accounting Policies (continued)

**Income Taxes** - The Organization is a not-for-profit entity and has been recognized by the Internal Revenue Service as tax-exempt pursuant to Internal Revenue Code 501(c)(3) and is exempt from federal income tax. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2016.

**Advertising** - It is the Organization's policy to expense advertising as incurred. Advertising expense for the year ended December 31, 2019 was \$14,825.

**Change in Accounting Principle** - In June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances the comparability of financial information among not-for-profit entities. The change in accounting principle was adopted retrospectively in 2019. For the year ended December 31, 2018, no reclassifications or other adjustments were necessary in adopting this new standard. As a result, there was no cumulative-effect adjustment to opening net assets with or without donor restrictions as of January 1, 2019.

### 2. Lease Obligation

The Organization entered into a commercial lease agreement with KST, LLC for its office at 224 East Main Street, Elkton, Maryland in October 2018 for a term of three years at \$1,200 per month, with a 3% annual increase each year. In addition to the rent, the Organization pays \$50 per month for internet service. In August 2019 the lease was amended for additional building space at a rate of \$1,600 per month for a term of three years, set to expire in August 2022. Total rent and internet expense for the year ended December 31, 2019 was \$16,500 and is included in occupancy on the statement of functional expenses.

Future minimum lease payments at December 31, 2019 are as follows:

Year ending December 31, 2020	\$	19,992
2021		20,572
2022		<u>13,976</u>
	\$	<u>54,540</u>

**VOICES OF HOPE, INC.**

Notes to Financial Statements  
December 31, 2019

3. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of December 31, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	<u>2019</u>
Financial assets at year end	\$ 101,510
Less those unavailable for general expenditures within one year	<u>- 0 -</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 101,510</u>

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

4. Concentration of Credit Risk

In the ordinary course of business, the Organization's cash balance may exceed the FDIC insurance limits. The Organization continually reviews credit concentrations as part of its asset and liability management.

5. Contingency

The Organization receives a portion of its revenues from grants, some of which are subject to audit by the grantor. The ultimate determination of amounts received under these programs often is based upon allowable costs reported to and audited by the donor. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

## **VOICES OF HOPE, INC.**

Notes to Financial Statements  
December 31, 2019

### 6. Subsequent Events

In March 2020, significant mitigation efforts began taking effect in the United States in an attempt to curtail the spread of coronavirus (COVID-19) pandemic. Such efforts have included travel restrictions, business disruptions, and event cancellations. Capital markets have seen significant volatility in the wake of the pandemic and significant economic disruptions are likely to occur. In response, the Organization has altered its operation and interactions with donors. Management cannot reasonably estimate the related financial impact and duration of the situation at this time. However, management believes it has sufficient cash reserves to sustain operations in the event of continued disruption. Management intends to monitor the situation on an ongoing basis and to continue efforts to reduce its impact on the Organization's operation and financial resources.

In April 2020, the Organization applied for and received Paycheck Protection Program Loans of approximately \$73,240. Under certain circumstances these loans may be forgiven.

In June 2020, the Organization received a \$10,000 loan from the Small Business Administration. Monthly payments of \$43 will begin in June 2021 and the loan has a 2.75% interest rate.

Management has evaluated subsequent events through August 26, 2020, the date which the financial statements were available to be issued.