



**Baton Rouge, Louisiana**

**FINANCIAL REPORT**

**As of and for the Year Ended**

**June 30, 2020**



Baton Rouge, Louisiana

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June 30, 2020

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**John L. McKowen**  
Certified Public Accountant

2178 Myrtle Avenue  
Baton Rouge, Louisiana 70806

Office (225) 615-7844  
jlmckowen@cox.net

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
HOPE Ministries of Baton Rouge  
Baton Rouge, Louisiana

I have audited the accompanying financial statements of HOPE Ministries of Baton Rouge (HOPE Ministries), a nonprofit organization, which comprise the statement of financial position as of June 30, 2020, and the related statement 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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Member**

*American Institute of Certified Public Accountants  
Society of Louisiana Certified Public Accountants*

## Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HOPE Ministries as of June 30, 2020, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits and other payments to the Executive Director on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.



John L. McKowen, CPA

Baton Rouge, Louisiana  
December 15, 2020

**HOPE Ministries of Baton Rouge**  
Baton Rouge, Louisiana

**Statement of Financial Position**

June 30, 2020

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 62,531
Investments	423,435
Accounts receivable	44,033
Inventory	8,578
Unconditional promises to give (next year)	<u>185,000</u>
Total current assets	<u>723,577</u>

**NON-CURRENT ASSETS**

Property and equipment, net	<u>849,199</u>
Total non-current assets	<u>849,199</u>
Total assets	<u><u>\$1,572,776</u></u>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	<u>\$ 65,973</u>
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**LONG TERM LIABILITIES**

PPP Loan	<u>94,960</u>
Total liabilities	<u>\$ 160,933</u>

**NET ASSETS**

Without donor restrictions	683,329
With donor restrictions	<u>728,514</u>
Total net assets	<u>1,411,843</u>
Total liabilities and net assets	<u><u>\$1,572,776</u></u>

**HOPE Ministries of Baton Rouge**  
Baton Rouge, Louisiana

**STATEMENT OF ACTIVITIES**

For the year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUE</b>			
Grants	183,003	531,936	\$ 714,939
Contributions:			
Community	130,557	-	130,557
Individual	119,447	3,372	122,819
Other:			
In-kind	-	532,341	532,341
Social enterprise	137,066	-	137,066
Investment	1,295	-	1,295
Other	34	-	34
	571,402	1,067,649	1,639,051
Net assets released from restrictions	1,221,337	(1,221,337)	-
Total public support and revenue	1,792,739	(153,688)	1,639,051
<b>EXPENSES</b>			
Program services	1,299,339	-	1,299,339
Fundraising	37,134	-	37,134
Management and general	143,225	-	143,225
	1,479,698	-	1,479,698
Increase (decrease) in net assets	313,041	(153,688)	159,353

The accompanying notes are an integral part of these statements.

**NET ASSETS**

Beginning of period	<u>370,288</u>	<u>882,202</u>	<u>1,252,490</u>
End of period	<u>683,329</u>	<u>728,514</u>	<u>\$ 1,411,843</u>

# HOPE MINISTRIES OF BATON ROUGE

Baton Rouge, Louisiana

## STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2020

	Program Services			Supporting Services		Total
	The Way to Work	Client Choice Food Pantry	Early Head Start	Fundraising	Management and General	
<b>EXPENSES</b>						
Programming	36,210	538,236	-	-	-	574,446
Salaries	397,718	78,051	-	2,508	56,652	534,929
Professional fees	14,931	7,762	-	1,176	2,715	26,584
Other	4,031	117	-	7,480	6,111	17,739
Payroll taxes	29,487	5,917	-	188	4,933	40,525
Fund development	-	-	-	11,600	-	11,600
Insurance	16,989	11,915	-	9,262	-	38,166
Employee benefits	34,346	6,430	-	273	9,867	50,916
Office/occupancy expense	22,410	12,835	-	2,556	6,010	43,811
Technology expense	14,778	2,238	-	785	3,442	21,243
Facility maintenance	7,884	6,277	-	320	4,358	18,839
Depreciation	-	-	-	-	35,511	35,511
Travel	4,708	94	-	13	8,319	13,134
Telephone	5,171	2,271	-	207	412	8,061
Professional development	26,299	12,234	-	766	4,895	44,194
Total expenses	614,962	684,377	-	37,134	143,225	1,479,698



**HOPE Ministries of Baton Rouge**  
Baton Rouge, Louisiana

**STATEMENT OF CASH FLOWS**

For the year ended June 30, 2020

<b>CASH FLOWS FROM OPERATING ACTIVITES</b>	
Increase (decrease) in net assets	\$ 159,353
Adjustments for non-cash items:	
Depreciation	35,511
Change in operating assets and liabilities	
Receivables and other assets	135,815
Accounts payable and other liabilities	<u>24,246</u>
Net cash provided by operating activities	<u>354,925</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
(Purchase) sale of furniture and equipment	(64,652)
(Purchase) sale of investments	<u>(401,295)</u>
Net cash used by investing activities	<u>(465,947)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds of PPP loan	<u>94,960</u>
Net cash provided by financing activities	<u>94,960</u>
Net increase (decrease) in cash	(16,062)
<b>CASH</b>	
Beginning of period	<u>78,593</u>
End of period	<u>\$ 62,531</u>

HOPE Ministries had no interest expense and no income tax expense for the year ended June 30, 2020.

## **HOPE Ministries of Baton Rouge**

Baton Rouge, Louisiana

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Nature of activities**

HOPE Ministries of Baton Rouge (HOPE Ministries) is a faith based nonprofit organization working with transitionally homeless families, and impoverished individuals in south Louisiana to help them become self-sufficient, enhance work and education possibilities and become equipped to make sound decisions and solve problems. HOPE Ministries is funded through contributions and grants from various organizations and individuals in south Louisiana.

##### **Basis of presentation**

HOPE Ministries prepares its financial statements on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements.

HOPE Ministries reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and restricted net assets with donor restrictions.

The statement of activities presents expenses of HOPE Ministries functionally by program services, fundraising, and management and general.

##### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. Estimates are used primarily when accounting for the allowance for doubtful accounts, depreciation, prepaid assets, accrued liabilities and in-kind revenues.

##### **Income tax status**

HOPE Ministries qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code; therefore, the financial statements have no provision for federal and state income tax.

HOPE Ministries follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management has determined that there is no impact to the financial statements as a result of ASC 740-10. HOPE Ministries' open audit periods are 2016 through 2019.

### **Cash and cash equivalents**

HOPE Ministries considers all highly liquid investments, money market funds and certificates of deposit with a maturity of three months or less at the date of acquisition to be cash equivalents. There were no cash equivalents at June 30, 2020.

### **Investments**

Investments have been recorded at market value, with the amount of unrealized gain or loss recorded in the statement of activities. The investments are pooled funds maintained by the United Methodist Foundation of Louisiana (UMFL) in a bond fund that is invested in a diversified portfolio of domestic and international bonds.

FASB ASC 810, *Fair Value Measurements*, establishes a framework for measuring fair value through a hierarchy that prioritizes the sources of pricing information (inputs) to valuation techniques used for measurement. The highest priority is given to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 810 are described as follows:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that HOPE Ministries has the ability to access.

Level 2– Inputs including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs that are unobservable and significant to the fair value measurement.

Investments in debt and equity securities with readily determinable fair values are recorded at fair value using level 1 inputs. Unrealized gains and losses are recorded in current period operations as increases or decreases in net assets. Dividend, interest, and other investment income are recorded as an increase in net assets.

**Accounts receivable**

Accounts receivable are trade receivables recorded at cost, net of an allowance for doubtful accounts. Management believes all accounts are collectible; therefore, an allowance has not been recorded at June 30, 2020. HOPE Ministries does not require collateral for its receivables. All \$44,033 in receivables were less than 90 days past due at June 30, 2020.

**Inventory**

Inventory is valued at cost using the first in, first out method and consists of food held by the Food Pantry program and curriculum manuals for The Way to Work program. The cost is recorded as an expense as inventory items are consumed.

**Property and depreciation**

Property is stated at cost, or fair market value if donated, and depreciated over the estimated useful lives using the straight-line method for values in excess of \$500. Maintenance and repairs expenditures are expensed as incurred.

**Personal leave benefit**

Personal leave is earned at varying rates for four to five weeks per year depending on the length of service. A maximum of 26 days of unused vacation leave may be carried over at December 31. Vacation leave at June 30, 2020, was \$28,705, and is included in accrued liabilities.

**Fair value of financial instruments**

The carrying value of receivables, prepaid insurance, accounts payable and accrued liabilities approximates fair value due to the short-term maturity of these instruments. None of these financial instruments are held for trading purposes.

**Grant revenue**

HOPE Ministries receives grants to support its activities as well as grants restricted for specific purposes. Restricted grants that have not been fully expended at period-end are classified as net assets with donor restrictions.

**Concentrations of credit risk**

Financial instruments which subject HOPE Ministries to concentrations of credit risk consist primarily of investments in money market funds and mutual funds. HOPE Ministries typically maintains cash in local banks. Cash deposits are fully insured by Federal Deposit Insurance Corporation (FDIC) as they are below the maximum insured amounts of \$250,000.

### **In-kind contributions**

The value of contributed goods and services has been recognized at the fair market value of the benefit received. HOPE Ministries received \$532,341 of in-kind contributions during the year ended June 30, 2020, which included \$464,579 in contributed food and \$67,762 in contributed services.

Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing these skills, and would typically be purchased if not provided by donation.

### **Advertising**

Advertising costs are expensed as incurred. Advertising expenses during the period were \$4,059.

### **NOTE 2- INVESTMENTS**

Investments, with a cost of \$423,435 and fair value of \$423,435, were held in the United Methodist Foundation of Louisiana Fixed Income Fund.

### **NOTE 3 – UNCONDITIONAL PROMISES TO GIVE**

At June 30, 2020, HOPE Ministries had a total of \$185,000 in unconditional promises to give, all of which, was expected to be received in the next twelve months.

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal period in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior experience and management's analysis of specific promises made. Management has determined that no allowance is necessary as of June 30, 2020.

### **NOTE 4 – PROPERTY AND EQUIPMENT**

At June 30, 2020, property was as follows:

<u>Description</u>	<u>Estimated Service Life</u>	<u>Amount</u>
Building	39 years	\$ 849,324
Equipment	5 years	88,348

Intangibles	5 years	14,590
Furniture and fixtures	7 years	12,641
Land	-	142,000
		<u>1,106,903</u>
Less accumulated depreciation		(257,704)
		<u>\$ 849,199</u>

Depreciation expense for the year ended June 30, 2020 was \$35,511.

Purchases during the year ended June 30, 2020 included equipment costing \$2,200, and building improvements costing \$62,452.

#### **NOTE 5 – NET ASSETS**

At June 30, 2020, HOPE Ministries had \$683,329 in net assets without restriction.

Net assets with donor restrictions included the \$401,514 net value of the headquarters building and the \$142,000 value of the land upon which the building rests. Title to the land and building will revert to the Louisiana Conference of the United Methodist Church should HOPE Ministries cease to exist. There was also \$185,000 in time restricted grants receivable for a total of \$728,514.

#### **NOTE 6 – SIGNIFICANT SOURCES OF REVENUE**

The majority of support during the year ended June 30, 2020 was received from contributors and granting agencies from the Baton Rouge area. Most significantly, the Greater Baton Rouge Food Bank provided food to the Food Pantry program, representing 25% of total revenues.

#### **NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization has \$714,999 of financial assets available within one year of the statement of financial position date available to meet cash needs for general and operating expenditures, consisting of cash and equivalents of \$62,531, investments of \$423,435 and receivables and unconditional promise to give of \$229,033.

As part of the organization's liquidity management plan, excess cash is placed in the United Methodist Foundation of Louisiana Fixed Income Fund that can be accessed to meet unexpected liquidity needs or in the event of financial distress.

## **NOTE 8 – ALLOCATION OF FUNCTIONAL EXPENSES**

The Statement of Functional Expenses reports certain categories of expenses that are attributable to more than one program or support function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits and professional fees, which are allocated on the basis of estimates of time and effort.

## **NOTE 9 – SUBSEQUENT EVENTS**

Management of HOPE Ministries has evaluated subsequent events through December 15, 2020, the date that these financial statements were available to be issued and has determined that there are no significant subsequent events that require recognition or disclosure through that date.

**HOPE Ministries of Baton Rouge**  
Baton Rouge, Louisiana

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO  
AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

June 30, 2020

**AGENCY HEAD NAME: Janet C. Simmons, President and CEO**

Ms. Simmons received the following compensation, benefits and other payments derived from public (governmental) funds which require disclosure in accordance with La. R.S. 24:513(A)(3).

Salary	\$8,070
Benefits	911
Mileage	<u>188</u>
Total	<u>\$9,169</u>