



Baton Rouge, Louisiana

FINANCIAL REPORT

As of and for the Year Ended

June 30, 2021



Baton Rouge, Louisiana

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June 30, 2021

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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, 2021, 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.

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, 2021, 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.

A handwritten signature in blue ink that reads "John L. McKowen, CPA". The signature is written in a cursive style.

John L. McKowen, CPA

Baton Rouge, Louisiana
November 15, 2021

HOPE Ministries of Baton Rouge
Baton Rouge, Louisiana

Statement of Financial Position

June 30, 2021

ASSETS

CURRENT ASSETS

Cash	\$ 55,337
Investments	575,133
Accounts receivable	98,813
Inventory	8,578
Unconditional promises to give (next year)	135,000
Prepaid expenses	<u>5,693</u>
Total current assets	<u>878,554</u>

NON-CURRENT ASSETS

Property and equipment, net	<u>904,083</u>
Total non-current assets	<u>904,083</u>
Total assets	<u><u>\$1,782,637</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	<u>\$ 70,832</u>
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LONG TERM LIABILITIES

	<u>-</u>
Total liabilities	<u>\$ 70,832</u>

NET ASSETS

Without donor restrictions	1,054,379
With donor restrictions	<u>657,426</u>
Total net assets	<u>1,711,805</u>
Total liabilities and net assets	<u><u>\$1,782,637</u></u>

HOPE Ministries of Baton Rouge
Baton Rouge, Louisiana

STATEMENT OF ACTIVITIES

For the year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Grants	352,697	460,519	\$ 813,216
Contributions:			
Community	94,790	-	94,790
Individual	199,628	4,845	204,473
Other:			
In-kind	-	342,932	342,932
Social enterprise	81,271	-	81,271
Investment	1,698	-	1,698
PPP loan forgiveness	94,960	-	94,960
	825,044	808,296	1,633,340
Net assets released from restrictions	879,384	(879,384)	-
Total public support and revenue	1,704,428	(71,088)	1,633,340
EXPENSES			
Program services	1,144,808	-	1,144,808
Fundraising	34,255	-	34,255
Management and general	154,315	-	154,315
	1,333,378	-	1,333,378
Total expenses	1,333,378	-	1,333,378
Increase (decrease) in net assets	371,050	(71,088)	299,962

NET ASSETS

Beginning of period	<u>683,329</u>	<u>728,514</u>	<u>1,411,843</u>
End of period	<u><u>1,054,379</u></u>	<u><u>657,426</u></u>	<u><u>\$ 1,711,805</u></u>

HOPE MINISTRIES OF BATON ROUGE

Baton Rouge, Louisiana

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2021

	Program Services		Supporting Services		Total
	The Way to Work	Client Choice Food Pantry	Fundraising	Management and General	
EXPENSES					
Salaries	440,256	93,812	18,828	46,774	599,670
Programming	33,162	348,210	-	-	381,372
Professional fees	32,915	31,486	2,167	4,742	71,310
Office/occupancy expense	24,451	15,245	2,938	5,707	48,341
Payroll taxes	34,344	7,454	1,374	3,636	46,808
Depreciation	-	-	-	38,932	38,932
Employee benefits	21,249	4,528	909	2,257	28,943
Insurance	-	-	-	26,363	26,363
Other	5,561	3,175	3,974	11,291	24,001
Facility maintenance	8,870	7,736	562	5,533	22,701
Technology expense	9,100	1,566	797	3,642	15,105
Professional development	5,875	2,729	2,134	499	11,237
Travel	3,981	1,027	117	4,286	9,411
Telephone	5,104	2,972	338	653	9,067
Fund development	-	-	117	-	117
Total expenses	<u>624,868</u>	<u>519,940</u>	<u>34,255</u>	<u>154,315</u>	<u>1,333,378</u>

HOPE Ministries of Baton Rouge
Baton Rouge, Louisiana

STATEMENT OF CASH FLOWS

For the year ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in net assets	\$ 299,962
Adjustments for non-cash items:	
Depreciation	38,932
Change in operating assets and liabilities	
Receivables and other assets	(10,473)
Accounts payable and other liabilities	<u>4,859</u>
Net cash provided by operating activities	<u>333,280</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
(Purchase) sale of property and equipment	(93,816)
(Purchase) sale of investments	<u>(151,698)</u>
Net cash used by investing activities	<u>(245,514)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Forgiveness of PPP loan	<u>(94,960)</u>
Net cash provided by financing activities	<u>(94,960)</u>
Net increase (decrease) in cash	(7,194)
CASH	
Beginning of period	<u>62,531</u>
End of period	<u>\$ 55,337</u>

HOPE Ministries had no interest expense and no income tax expense for the year ended June 30, 2021.

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, 2021.

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, 2021. HOPE Ministries does not require collateral for its receivables. All \$98,813 in receivables were less than 90 days past due at June 30, 2021.

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, 2021, was \$18,454, 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 \$342,932 of in-kind contributions during the year ended June 30,2021, which included \$289,860 in contributed food and \$53,072 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 \$5,481.

NOTE 2- INVESTMENTS

Investments, with a cost of \$575,133 and fair value of \$575,133, were held in the United Methodist Foundation of Louisiana Fixed Income Fund.

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

At June 30, 2021, HOPE Ministries had a total of \$135,000 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, 2021.

NOTE 4 – PROPERTY AND EQUIPMENT

At June 30, 2021, property was as follows:

<u>Description</u>	<u>Estimated Service Life</u>	<u>Amount</u>
Building	39 years	\$ 928,933
Equipment	5 years	101,085

Intangibles	5 years	14,590
Furniture and fixtures	7 years	14,111
Land	-	142,000
		<hr/>
		1,200,719
Less accumulated depreciation		(296,636)
		<hr/>
		<u>\$ 904,083</u>

Depreciation expense for the year ended June 30, 2021 was \$38,932.

Purchases during the year ended June 30, 2021 included equipment costing \$12,737, furniture costing \$1,471, and building improvements costing \$79,608.

NOTE 5 – NET ASSETS

At June 30, 2021, HOPE Ministries had \$683,329 in net assets without restriction.

Net assets with donor restrictions included the \$380,426 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 \$135,000 in time restricted grants receivable for a total of \$657,426.

NOTE 6 – SIGNIFICANT SOURCES OF REVENUE

The majority of support during the year ended June 30, 2021 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 16% of total revenues.

NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has \$864,283 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 \$55,337, investments of \$575,133 and receivables and unconditional promise to give of \$233,813.

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 November 15, 2021, 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, 2021

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	\$15,470
Benefits	1,637
Mileage	<u>125</u>
Total	<u>\$17,232</u>