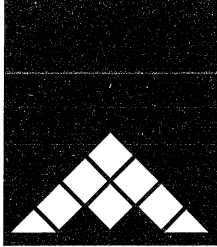


**GENERATION HOPE
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2021**

GENERATION HOPE
JUNE 30, 2021

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Ad3ptus

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Generation Hope
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of Generation Hope, which comprise the statement of financial position as of June 30, 2021, 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.

Auditor's Responsibility

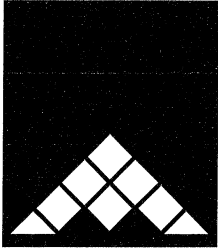
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about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

Offices:

Maryland
New York City
Long Island
New Jersey



Ad3ptus

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Generation Hope as of June 30, 2021, 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.

Adeptus Partners, LLC

ADEPTUS PARTNERS, LLC
Certified Public Accountants

Olney, Maryland
April 11, 2022

GENERATION HOPE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

CURRENT ASSETS	
Cash	\$ 1,782,583
Grants receivable	73,000
Contributions receivable	54,533
Prepaid expenses	<u>31,097</u>
 TOTAL CURRENT ASSETS	 1,941,213
 PROPERTY AND EQUIPMENT, net	 14,431
 OTHER ASSETS	
Security deposit	<u>12,777</u>
 TOTAL ASSETS	 <u><u>\$ 1,968,421</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 31,180
Accrued expenses	173,544
Deferred revenue	<u>78,800</u>
 TOTAL CURRENT LIABILITIES	 283,524
 LONG-TERM LIABILITIES	
Deferred rent	<u>1,670</u>
 TOTAL LIABILITIES	 <u>285,194</u>
 NET ASSETS	
Without donor restrictions	1,308,465
With donor restrictions	<u>374,762</u>
 TOTAL NET ASSETS	 <u>1,683,227</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 1,968,421</u></u>

See accompanying notes to financial statements.

GENERATION HOPE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grants	\$ 808,505	\$ 1,183,998	\$ 1,992,503
Contributions	473,600	-	473,600
Sponsorships	216,803	-	216,803
Contracts - educational institutions	11,500	-	11,500
In-kind contributions	9,501	-	9,501
Other income	9,309	-	9,309
Net assets released from restrictions	1,409,615	(1,409,615)	-
TOTAL SUPPORT AND REVENUE	2,938,833	(225,617)	2,713,216
EXPENSES			
Program services	1,628,611	-	1,628,611
Management and general	396,581	-	396,581
Fundraising	178,579	-	178,579
TOTAL EXPENSES	2,203,771	-	2,203,771
CHANGES IN NET ASSETS	735,062	(225,617)	509,445
NET ASSETS, BEGINNING OF YEAR	573,403	600,379	1,173,782
NET ASSETS, END OF YEAR	\$ 1,308,465	\$ 374,762	\$ 1,683,227

See accompanying notes to financial statements.

GENERATION HOPE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services			Supporting Services			Total
	Children's Program	Scholar Program	National Impact Program	Program Services Total	Management and General	Fundraising	
Payroll	\$ 170,538	\$ 413,547	\$ 194,921	\$ 779,006	\$ 244,493	\$ 114,844	\$ 1,138,343
Legal and professional	733	39,449	339,049	379,231	13,833	21,737	414,801
Tuition	-	162,700	-	162,700	-	-	162,700
Payroll taxes	13,557	32,714	15,490	61,761	19,053	9,152	89,966
Rent expense	-	53,831	-	53,831	20,445	13,669	87,945
Depreciation and amortization	-	-	-	-	75,279	-	75,279
Scholar program expense	-	43,787	-	43,787	-	-	43,787
Supplies	6,437	30,132	2,556	39,125	2,194	1,724	43,043
Computer and internet expenses	5,886	16,978	2,016	24,880	4,317	6,407	35,604
Professional development	1,644	7,850	4,539	14,033	-	677	14,710
Training	365	2,023	12,098	14,486	-	-	14,486
Insurance	1,016	4,573	1,041	6,630	6,057	1,204	13,891
Education fund	10,654	-	-	10,654	-	-	10,654
Advertising	374	1,980	7,318	9,672	450	404	10,526
Donated goods and services	-	6,864	-	6,864	2,489	148	9,501
Printing and reproduction	-	2,380	1,031	3,411	981	3,997	8,389
Dues and subscriptions	1,025	2,148	-	3,173	925	2,273	6,371
Conferences and meetings	385	4,217	14	4,616	902	641	6,159
Bank fees	-	1,306	-	1,306	4,006	168	5,480
Volunteer expenses	-	4,151	-	4,151	-	-	4,151
Travel	352	2,133	286	2,771	686	472	3,929
Postage	75	1,760	88	1,923	463	337	2,723
License and permits	-	-	-	-	-	725	725
Bad debt	300	300	-	600	-	-	600
Miscellaneous expenses	-	-	-	-	8	-	8
TOTAL EXPENSES	\$ 213,341	\$ 834,823	\$ 580,447	\$ 1,628,611	\$ 396,581	\$ 178,579	\$ 2,203,771

See accompanying notes to financial statements.

GENERATION HOPE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Changes in net assets	\$ 509,445
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation and amortization	75,279
Paycheck Protection Program loan forgiveness	(159,723)
(Increase) decrease in assets	
Grants receivable	62,002
Contributions receivable	5,794
Prepaid expenses	5,194
Security deposit	(7,525)
Increase (decrease) in liabilities	
Accounts payable	25,793
Accrued expenses	97,501
Deferred revenue	78,800
Deferred rent	<u>1,670</u>
Net cash provided by operating activities	<u>694,230</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of equipment	<u>(7,292)</u>
Net cash used in investing activities	<u>(7,292)</u>
NET INCREASE IN CASH	686,938
CASH, BEGINNING OF YEAR	<u>1,095,645</u>
CASH, END OF YEAR	<u><u>\$ 1,782,583</u></u>
Supplementary Cash Flows Information:	
Non-cash Investing and Financing Activities:	
Paycheck Protection Program loan forgiveness	<u><u>\$ 159,723</u></u>

See accompanying notes to financial statements.

GENERATION HOPE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – NATURE OF ORGANIZATION

Generation Hope (the “Organization”) was organized in 2010, under the laws of the District of Columbia. The Organization is a non-profit organization that supports the postsecondary education pursuits of teen parents from Northern Virginia, Washington, DC, and Maryland.

The Organization’s operations are generally funded by contributions, fundraising events and grants.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets. Net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to stipulations. The Board of Directors will, at times, designate net assets without donor restrictions for a particular purpose of the Organization. These net assets, if any, are shown separately in the statement of financial position.

Net assets with donor restrictions – Net assets subject to stipulations that will be met either by actions of the Organization and/or the passage of time. Other donors may impose restrictions.

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 certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash

The Organization considers all highly liquid money market funds and short-term investments with an original maturity of three months or less to be cash.

Contributions receivable

Contributions and accounts receivable are stated net of an allowance for doubtful accounts. In the opinion of management, all receivables, less the allowance for doubtful accounts, if any, are considered fully collectible.

Grants receivable

The Organization receives grants from various grantors. All grants received are considered available for the Organization’s general programs unless specifically restricted by the grantor. Amounts received that are designated for future periods or restricted by the grantor are reported as donor restricted support and increase the respective class of net assets. When restrictions imposed by grantors are fully satisfied, net assets with donor restrictions are reclassified as net assets without donor restrictions.

GENERATION HOPE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Property and equipment

Property and equipment are stated at cost when purchased or at fair market value at the time of donation if contributed. Furnishings and equipment have estimated lives of 3 to 5 years and are depreciated using the straight-line method. Leasehold improvements are amortized over the shorter of the lease term, including expected renewal periods, or the useful life of the improvements. The Organization capitalizes assets with costs or fair market values at the time of donation that are in excess of \$1,000.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional contributions are recorded when the conditions have been met. Contributions that are not restricted by the donor are reported as an increase in net assets without donor restrictions. All other donor restricted contributions are reported as an increase in 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 reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Costs that can be identified with particular programs or support functions are charged directly to that program or function. Salaries and related costs have been allocated among the programs and supporting services based upon management's best estimates of the portion of these costs applicable to each program. Other costs have been allocated to program services and to support services based upon management's best estimates.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$10,526 for the year ended June 30, 2021.

Donated materials and services

Donated materials are recorded as contributions at their estimated values at the date of receipt. The Organization recognizes donated services which create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Income tax status

The Organization has received a tax determination letter from the Internal Revenue Service stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code and is thus exempt from Federal and State income taxes. The Organization does not have any unrelated business income and accordingly, does not have any uncertain tax positions that require recognition or disclosure in the financial statements.

The Organization's management evaluates tax positions and recognizes a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Organization's management has analyzed its tax positions, and has concluded that as of June 30, 2021, there are no uncertain tax positions that would require recognition or disclosure. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

GENERATION HOPE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Recent Accounting Pronouncements

ASU Update 2016-02 Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). This update requires an entity to recognize lease assets and lease liabilities on the statement of financial position and to disclose key information about the entity's leasing arrangements. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022, with early adoption permitted. A modified retrospective approach is required. Management is currently evaluating the impact of adoption of ASU 2016-02 on the Organization's financial statements.

Subsequent Event Evaluation

The Organization has evaluated events and transactions for potential recognition or disclosure through April 11, 2022, the date the financial statements were available to be issued. See Note 12.

NOTE 3 – IN-KIND CONTRIBUTIONS

The Organization received in-kind contributions during the year ended June 30, 2021 in the form of services, supplies, and other goods to be used for the Organization's operations. Accordingly, the Organization recorded the in-kind contributions as revenue in the statement of activities and changes in net assets. The following is a summary of these transactions for the year ended June 30, 2021:

Professional services	\$ 2,222
Materials	7,279
Total	\$ 9,501

NOTE 4 – PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2021 is as follows:

Computer equipment	\$ 13,562
Furniture and fixtures	18,863
Leasehold Improvements	181,805
Software	5,550
Total	219,780
Less: accumulated depreciation and amortization	(205,349)
Property and equipment, net	\$ 14,431

For the year ended June 30, 2021, depreciation and amortization expense was \$75,279.

NOTE 5 – LINE OF CREDIT

The Organization has a \$50,000 line of credit with M&T Bank due on demand and secured by all assets of the Organization. The interest rate on the line of credit is the Prime Rate (currently 3.25%) plus 3.5 percentage points. During the fiscal year ended June 30, 2021, the Organization has not made any draws upon the line of credit.

GENERATION HOPE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

NOTE 6 – LEASE COMMITMENTS

The Organization had a long-term operating lease for office space in Washington, DC that expired on March 31, 2021. The annual base rent was \$23,805 with an annual escalation rate of 5%. The lease included an option to renew any time before the expiration date.

During the fiscal year ended June 30, 2019, the Organization leased additional office space in Washington, DC expiring on March 31, 2021. The annual base rent was \$51,025 with an annual escalation rate of 5%. The lease included an option to renew any time before the expiration date.

In April 2021, The Organization exercised its option to renew both leases and entered into a three-year lease agreement combining both previous leases and adding office space. The new lease commenced April 1, 2021 and expires March 31, 2024. Initial annual base rent is \$176,938, with an annual escalation rate of 5%. The lease includes an option to renew for three years any time before the expiration date.

Future minimum annual lease payments are as follows:

Year ending June 30,	
2022	\$ 178,021
2023	188,067
2024	<u>147,508</u>
Total	<u>\$ 513,596</u>

For the year ended June 30, 2021, total rent expense was \$87,945.

NOTE 7 – CONCENTRATION OF CREDIT RISK AND CASH IN BANKS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At June 30, 2021, the Organization had approximately \$1,532,000 of cash balances in excess of FDIC insured limits.

NOTE 8 – RETIREMENT PLAN

The Organization adopted a 403(b) - retirement plan in 2015 covering all eligible employees. The employer matching contribution for the year ended June 30, 2021 was \$23,021.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of June 30, 2021:

Time restricted grants	\$ 260,625
Scholar program	69,857
Children's program	39,280
National Impact program	<u>5,000</u>
Total	<u>\$ 374,762</u>

GENERATION HOPE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets released from donor restrictions consist of the following for the year ended June 30, 2021:

Release of time restricted grants	\$ 606,699
National Impact program	485,529
Scholar program	288,169
Children's program	<u>29,218</u>
Total	<u>\$ 1,409,615</u>

NOTE 10 – FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS

The Organization's financial assets available for general expenditures within one year of the accompanying statement of financial position are as follows:

Financial assets, at year-end	
Cash	\$ 1,782,583
Grants receivable	73,000
Contributions receivable	<u>54,533</u>
Financial assets as of June 30, 2021	1,910,116
Less those unavailable for general expenditures within one year, due to donor-imposed and time restrictions	<u>(374,762)</u>
Financial assets available for general expenditures within one year	<u>\$ 1,535,354</u>

The Organization is substantially supported by restricted grants and contributions. Because grants and contributions require resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 11 – CONTINGENCIES

From time to time, the Organization may become involved in legal claims arising in the ordinary course of its activities. In the opinion of management, the outcome of any legal proceedings would be covered by the Organization's insurance policies subject to normal deductibles, and accordingly, would not have a material effect on its financial position or changes in net assets.

NOTE 12 – UNCERTAINTIES

The COVID-19 pandemic has developed rapidly during 2020 and 2021, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. However, for the year ended June 30, 2021, the Organization's management has taken a number of steps that helped the Organization to avoid negative effects of these measures.

Depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the Organization might still experience negative results and liquidity restraints. The exact impact on Organization's activities for the remainder of 2022 and thereafter cannot be predicted at this time.

GENERATION HOPE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 – UNCERTAINTIES (continued)

On April 15, 2020, the Organization obtained a loan under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act for \$159,723. The loan bears interest at a rate of 1% and is payable in monthly installments of principal and interest over 24 months beginning 10 months after the end of the covered period for the Organization's loan forgiveness. Management filed an application for complete loan forgiveness under the Program and obtained approval and, accordingly, the loan has been recorded as grant income in the accompanying statement of activities and changes in net assets for the year ended June 30, 2021.