

**GENERATION HOPE
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2018**

GENERATION HOPE
JUNE 30, 2018

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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, 2018, and the related statements of activities and changes in net assets, 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.

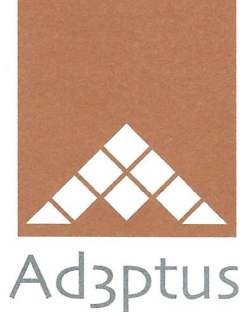
Offices:

Maryland

New York City

Long Island

New Jersey



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, 2018, 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.

Supplementary Information: Schedule of Functional Expenses

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule of functional expenses for the year ended June 30, 2018, on page 11, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Adeptus Partners, LLC

ADEPTUS PARTNERS, LLC
Certified Public Accountants

Olney, Maryland
March 13, 2019

GENERATION HOPE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

CURRENT ASSETS	
Cash	\$ 364,437
Grants receivable	314,760
Contributions receivable	87,730
Accounts receivable	6,967
Prepaid expenses and other current assets	<u>4,200</u>
 TOTAL CURRENT ASSETS	 <u>778,094</u>
 FURNISHINGS AND EQUIPMENT, Net	 <u>4,042</u>
 OTHER ASSETS	
Security deposit	<u>5,252</u>
 TOTAL ASSETS	 <u>\$ 787,388</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 10,366
Accrued expenses	<u>35,034</u>
 TOTAL CURRENT LIABILITIES	 <u>45,400</u>
 NET ASSETS	
Unrestricted	573,228
Temporarily restricted	<u>168,760</u>
 TOTAL NET ASSETS	 <u>741,988</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 787,388</u>

See accompanying notes to financial statements.

GENERATION HOPE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grants	\$ 410,109	\$ 332,760	\$ 742,869
Contributions	278,015	-	278,015
Sponsorships	261,605	-	261,605
In-kind revenue	99,719	-	99,719
Interest Income	28	-	28
Net assets released from restrictions	175,000	(175,000)	-
 TOTAL SUPPORT AND REVENUE	 1,224,476	 157,760	 1,382,236
 EXPENSES			
Program services	717,756	-	717,756
Management and general	121,994	-	121,994
Fundraising	252,866	-	252,866
 TOTAL EXPENSES	 1,092,616	 -	 1,092,616
 CHANGES IN NET ASSETS	 131,860	 157,760	 289,620
 NET ASSETS, BEGINNING OF YEAR	 441,368	 11,000	 452,368
 NET ASSETS, END OF YEAR	 \$ 573,228	 \$ 168,760	 \$ 741,988

See accompanying notes to financial statements.

GENERATION HOPE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Changes in net assets	\$ 289,620
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Depreciation and amortization	4,049
(Increase) decrease in assets	
Grants receivable	(284,760)
Contributions receivable	(54,416)
Accounts receivable	24,772
Prepaid expenses and other current assets	(1,681)
Security deposit	(4,252)
Increase in liabilities	
Accounts payable	8,407
Accrued expenses	<u>14,877</u>
Net cash used in operating activities	<u>(3,384)</u>
NET DECREASE IN CASH	(3,384)
CASH, BEGINNING OF YEAR	<u>367,821</u>
CASH, END OF YEAR	<u><u>\$ 364,437</u></u>

See accompanying notes to financial statements.

GENERATION HOPE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – NATURE OF ORGANIZATION

Generation Hope (the “Organization”) was organized on November 10, 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 three classes of net assets. Net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. The Board of Directors will, at times, designate unrestricted net assets for a particular purpose of the Organization. These net assets, if any, are shown separately on the statement of financial position.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets, if any, subject to donor-imposed stipulations that will be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. The Organization maintained no such net assets as of June 30, 2018.

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 temporarily or permanently restricted support and increase the respective class of net assets. When restrictions imposed by grantors are fully satisfied, temporarily restricted net assets are reclassified as unrestricted net assets.

GENERATION HOPE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Furnishings and equipment

Furnishings and equipment are stated at cost when purchased or at fair market value at the time of donation if contributed. Assets have estimated lives of 3 to 5 years and are depreciated using the straight-line method. 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 unrestricted net assets. All other donor restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets 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 \$4,679 for the year ended June 30, 2018.

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 unrestricted support 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, 2018, 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, 2018

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

Recent Accounting Pronouncements

ASU 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, 2019, and interim periods within fiscal years beginning after December 15, 2020, 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.

ASU 2016-14 Presentation of Financial Statements of Not-for-Profit Entities

FASB added a project to its agenda to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's (NFP's) liquidity, financial performance, and cash flows. The main provisions of this update, which amend the requirements for financial statements and notes in Topic 958, *Not-for-Profit Entities*, require an NFP to:

- 1) Report amounts for net assets with donor restrictions and net assets without donor restrictions, as well as the currently required amount for total net assets.
- 2) Present on the face of the statement of activities the amount of the change in each of the two classes of net assets.
- 3) Continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer require the presentation or disclosure of the indirect method if using the direct method.
- 4) Provide enhanced disclosures about a number of qualitative and quantitative items.
- 5) Report investment return net of external and direct internal investment expenses and no longer require disclosure of those netted expenses.
- 6) Use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption.

The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 31, 2018. Early application of the amendments in this update is permitted. The amendments in this update should be applied on a retrospective basis in the year that the update is first applied. Management does not expect a material impact on the Organization's financial statements.

Subsequent Event Evaluation

The Organization has evaluated events and transactions for potential recognition or disclosure through March 13, 2019, the date the financial statements were available to be issued.

GENERATION HOPE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 – IN-KIND CONTRIBUTIONS

The Organization received in-kind contributions during the year ended June 30, 2018 in the form of services, supplies, and other goods to be used for 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, 2018:

Professional services	\$	89,228
Materials		10,491
Total		99,719

NOTE 4 – FURNISHINGS AND EQUIPMENT

A summary of furnishings and equipment as of June 30, 2018 is as follows:

Computer equipment	\$	5,505
Furniture and fixtures		5,897
Software		5,550
Total		16,952
Less: accumulated depreciation and amortization		(12,910)
Furnishings and equipment, net	\$	4,042

For the year ended June 30, 2018, depreciation and amortization expense was \$4,049.

NOTE 5 – LEASE COMMITMENTS

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

During the fiscal year ended June 30, 2018, the Organization leased additional office space in Washington, DC expiring on March 31, 2021. The annual base rent is \$51,025 with an annual escalation rate of 5%. The lease includes an option to renew any time before the expiration date.

Future minimum annual lease payments are as follows:

Year ending June 30,		
2019	\$	78,892
2020		82,837
2021		64,616
Total	\$	226,345

For the year ended June 30, 2018, total rent expense was \$43,264.

NOTE 6 – 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, 2018, the Organization had approximately \$102,000 of cash balances in excess of FDIC insured limits.

GENERATION HOPE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – RETIREMENT PLAN

The Organization adopted a 403(b) retirement plan in 2015 covering substantially all eligible employees. The employer matching contribution for the year ended June 30, 2018 was \$7,910.

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30, 2018:

Time restricted grants	\$ <u>168,760</u>
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Temporarily restricted net assets released from restrictions consist of the following for the year ended June 30, 2018:

Release of foundation grants restricted for operating expenditures	\$ 97,500
Next Generation Academy program	51,500
Strategy planning and new software program	15,000
Contributions for Scholar program	8,000
Release of time restricted contributions	<u>3,000</u>
Total	\$ <u>175,000</u>

NOTE 9 – LINE OF CREDIT

The Organization opened a \$50,000 secured line of credit with M&T Bank. The interest rate on the line of credit is the Prime Rate (currently 4.5%) plus 3.5 percentage points. During the fiscal year ended June 30, 2018, the Organization has not made any draws upon the line of credit.

NOTE 10 – 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 11 SUBSEQUENT EVENTS

Conference Space Commitment

Subsequent to year end, the Organization signed an agreement with a hotel for 2019 Gala event conference space. The total cost of commitments under the agreement is not determinable as it depends upon attendance and other factors. There are penalties that would be due if the agreement was cancelled prior to the event date. As of the audit report date of March 13, 2019, the maximum amount due under the commitment was approximately \$104,405.

Office Space Renovation

Subsequent to year end, the Organization signed a short-term agreement with a contractor for office space renovations. Total cost of the renovations is approximately \$177,507, and the project is expected to be finished in April 2019.

SUPPLEMENTARY INFORMATION

GENERATION HOPE
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 271,684	\$ 68,548	\$ 94,387	\$ 434,619
Legal and professional	7,588	17,163	124,283	149,034
Tuition	147,227	-	-	147,227
Donated goods and services expense	97,744	118	1,856	99,718
Conferences and meetings	46,409	3,226	1,782	51,417
Rent	27,536	7,107	8,621	43,264
Payroll taxes	20,002	5,031	6,968	32,001
Computer and internet	15,369	1,207	4,582	21,158
Travel	14,992	3,690	1,858	20,540
Supplies	15,543	1,037	625	17,205
Scholar program expense	13,101	-	-	13,101
Printing and publications	8,408	1,838	2,639	12,885
Training	11,037	171	173	11,381
Professional development	3,753	4,040	531	8,324
Insurance	4,540	1,272	1,714	7,526
Dues and subscriptions	4,972	270	1,016	6,258
Advertising	3,354	180	1,145	4,679
Depreciation and amortization	-	4,049	-	4,049
Bank fees	583	2,650	-	3,233
Volunteer expenses	2,493	46	-	2,539
Postage	1,415	301	386	2,102
Licenses and permits	-	40	300	340
Miscellaneous expenses	6	10	-	16
TOTAL EXPENSES	\$ 717,756	\$ 121,994	\$ 252,866	\$ 1,092,616

See independent auditor's report