

**VOICES OF HOPE, INC.**

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

# **VOICES OF HOPE, INC.**

## CONTENTS

	Page
Independent Auditors' Report	1 - 2
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statement of Functional Expenses for the Year Ended December 31, 2020	5
Statement of Functional Expenses for the Year Ended December 31, 2019	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 12

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Voices of Hope, Inc. (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 Voices of Hope, Inc. as of December 31, 2020 and 2019, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Weyrich, Cronin & Sousa, LLC*

Elkton, Maryland  
October 7, 2021

**Voices of Hope, Inc.**

Statements of Financial Position  
December 31, 2020 and 2019

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash	\$ 37,990	\$ 973
Grants receivable	<u>203,890</u>	<u>100,537</u>
Total current assets	<u>241,880</u>	<u>101,510</u>
PROPERTY AND EQUIPMENT:		
Vehicles and equipment	42,559	- 0 -
Less: accumulated depreciation	<u>(961)</u>	<u>- 0 -</u>
Total property and equipment	<u>41,598</u>	<u>- 0 -</u>
Total Assets	<u>\$ 283,478</u>	<u>\$ 101,510</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Payroll liabilities	\$ 695	\$ 295
Refundable advance under Paycheck Protection Program	<u>10,000</u>	<u>- 0 -</u>
Total Current Liabilities	<u>10,695</u>	<u>295</u>
NET ASSETS:		
Without donor restrictions	<u>272,783</u>	<u>101,215</u>
Total Liabilities and Net Assets	<u>\$ 283,478</u>	<u>\$ 101,510</u>

See accompanying notes to financial statements

**Voices of Hope, Inc.**

Statements of Activities and Changes in Net Assets  
For the Years Ended December 31, 2020 and 2019

	2020	2019
SUPPORT AND REVENUE:		
WITHOUT DONOR RESTRICTIONS:		
Contributions	\$ 23,468	\$ 12,838
Grant income	665,010	663,173
Fundraising income, net of expenses (\$14,484 and \$15,432, respectively)	11,033	4,683
Paycheck protection program funds utilized	83,240	- 0 -
Other income	- 0 -	5,923
TOTAL SUPPORT AND REVENUE WITHOUT DONOR RESTRICTIONS	782,751	686,617
EXPENSES:		
Program services	524,450	269,785
Management and general	77,625	157,080
Fundraising	9,108	159,197
Total Expenses	611,183	586,062
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	171,568	100,555
NET ASSETS WITHOUT DONOR RESTRICTIONS - BEGINNING OF YEAR	101,215	660
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	\$ 272,783	\$ 101,215

See accompanying notes to financial statements

## Voices of Hope, Inc.

### Statement of Functional Expenses For the Year Ended December 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising and marketing	\$ 3,541	\$ 88	\$ 423	\$ 4,052
Business expenses	2,152	94	2,163	4,409
Client services	15,880	- 0 -	- 0 -	15,880
Depreciation	961	- 0 -	- 0 -	961
Compensation and benefits	388,460	65,353	3,199	457,012
Insurance	1,749	- 0 -	- 0 -	1,749
Occupancy	58,733	4,568	1,958	65,259
Office expenses	8,395	143	393	8,931
Professional fees	32,740	5,508	270	38,518
Repairs and maintenance	2,191	459	493	3,143
Training expenses	6,643	1,400	209	8,252
Travel expenses	3,005	12	- 0 -	3,017
	<u>\$ 524,450</u>	<u>\$ 77,625</u>	<u>\$ 9,108</u>	<u>\$ 611,183</u>

See accompanying notes to financial statements

## 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 statements



**Voices of Hope, Inc.**Statements of Cash Flows  
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 171,568	\$ 100,555
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	961	- 0 -
Increase in current assets:		
Grants receivable	(103,353)	(100,537)
Increase in current liabilities:		
Payroll liabilities	400	295
Net cash provided by operating activities	<u>69,576</u>	<u>313</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	<u>(42,559)</u>	<u>- 0 -</u>
Net cash used in investing activities	<u>(42,559)</u>	<u>- 0 -</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Refundable advance under Paycheck Protection Program	<u>10,000</u>	<u>- 0 -</u>
Net cash provided by financing activities	<u>10,000</u>	<u>- 0 -</u>
NET INCREASE IN CASH	37,017	313
CASH AT BEGINNING OF YEAR	<u>973</u>	<u>660</u>
CASH AT END OF YEAR	<u>\$ 37,990</u>	<u>\$ 973</u>

See accompanying notes to financial statements

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

Notes to Financial Statements  
December 31, 2020 and 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 receivables, payables, and 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, 2020 or 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 disclosure of contingent assets and liabilities 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 as management considers all amounts to be fully collectible.

**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. Estimated useful lives for vehicles and equipment are five years.

**VOICES OF HOPE, INC.**

Notes to Financial Statements  
December 31, 2020 and 2019

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

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 fair value of property and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method.

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.

Grants are awarded by various government agencies to provide funding for services to the general public. These grants are considered conditional promises to give. Revenue is recognized as expenses are incurred on the accrual basis of accounting. Funds received in advance of expenses being incurred are recorded as refundable advances.

The Organization benefits from several different revenue streams. The disaggregation of revenue for the years ended December 31, 2020 and 2019 is included in the chart below:

Revenue Type	Timing of Revenue Recognition	2020	2019
Contributions	Upon receipt	\$ 23,468	\$ 12,838
Grant income	After expenditures incurred	665,010	663,173
Fundraising income	Date of event	11,033	4,683
Paycheck protection program funds	After expenditures incurred	83,240	- 0 -
Other income	Upon receipt	- 0 -	5,923
		<u>\$ 782,751</u>	<u>\$ 686,617</u>

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.

## VOICES OF HOPE, INC.

Notes to Financial Statements  
December 31, 2020 and 2019

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

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 include compensation and benefits which are allocated based on estimates of time and effort; and occupancy and office expenses which are allocated based on estimates of usage.

Income Taxes - The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) as an organization, other than a private foundation, as described in Section 509(a). The Organization is no longer subject to U.S. federal or state tax examinations by tax authorities for years before 2018.

Advertising - It is the Organization's policy to expense advertising as incurred. Advertising expense for the years ended December 31, 2020 and 2019 was \$4,052 and \$14,825, respectively.

Reclassifications – Certain items in the prior period financial statements have been reclassified for comparative purposes to conform to the current period presentation.

### 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 under this lease for the years ended December 31, 2020 and 2019 was \$22,188 and \$16,500, respectively and is included in occupancy on the statement of functional expenses.

Future minimum lease payments at December 31, 2020 are as follows:

Year ending December 31, 2021	\$	20,572
2022		<u>13,976</u>
	\$	<u>34,548</u>

During the year ended December 31, 2019, the Organization entered into a lease agreement for additional space to operate a community recovery center. The initial lease agreement was for a one-year period expiring in November 2020 with monthly rent at \$4,000. The agreement then provides for four additional one-year optional renewals with a 2% annual increase and the first option was exercised. Total rent and expense under this lease for the year ended December 31, 2020 was \$32,000 and is included in occupancy on the statement of functional expenses. No amount of rent is included for the year ended December 31, 2019 as the Organization did not take occupancy of the space until early 2020.

## VOICES OF HOPE, INC.

Notes to Financial Statements  
December 31, 2020 and 2019

### 3. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of December 31, 2020 and 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>2020</u>	<u>2019</u>
Financial assets at year end	\$ 241,880	\$ 101,510
Less those unavailable for general expenditures within one year	<u>- 0 -</u>	<u>- 0 -</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 241,880</u>	<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. Concentration of Income Sources

The Organization has grant agreements with various agencies of the State of Maryland. During the years ended December 31, 2020 and 2019, approximately 78% and 82%, respectively of the Organizations total revenue and support was provided by these agencies. A reduction in the level of support could have an impact on the operations of the Organization.

### 6. Contingencies

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.

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 included travel restrictions, business disruptions, and event cancellations. Capital markets have seen significant volatility in the wake of the pandemic and significant economic disruptions occurred across the country. 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.

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

Notes to Financial Statements  
December 31, 2020 and 2019

### 7. Paycheck Protection Program

In April 2020, the Organization applied for and received a \$73,240 loan under the Paycheck Protection Program (PPP). This loan qualifies for forgiveness after 24 weeks if all criteria are met. As of December 31, 2020, the Organization had incurred eligible expenses, applied for, and received forgiveness. Accordingly, the entire amount was recorded as revenue without donor restrictions for the year ended December 31, 2020.

In April 2020, the Organization also received \$10,000 in Economic Injury Disaster Loan (EIDL) funds which were subject to repayment. In December 2020, Congress passed, and the President signed the Consolidated Appropriations Act which required the SBA to forgive the EIDL. Subsequent to year end, the Organization received notification that the EIDL balance was formally forgiven. (See note 8)

### 8. Subsequent Events

In February 2021, the Organization received notification that the remaining \$10,000 of the EIDL had been forgiven.

In January 2021, the Organization applied for and received a second PPP loan for \$90,566. The Organization applied for forgiveness in September 2021 once all eligibility requirements had been met.

Management has evaluated subsequent events through October 7, 2021, the date which the financial statements were available to be issued.