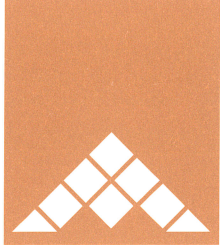


**GENERATION HOPE
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2020**

GENERATION HOPE
JUNE 30, 2020

C O N T E N T S

	PAGES
Independent auditor's report	1 - 2
Statement of financial position as of June 30, 2020	3
Statement of activities and changes in net assets for the year ended June 30, 2020	4
Statement of functional expenses for the year ended June 30, 2020	5
Statement of cash flows for the year ended June 30, 2020	6
Notes to financial statements	7 - 12



Ad3ptus

Adeptus Partners, LLC

Accountants | Advisors

3311 Olney Sandy Spring Road

Olney, MD 20832

phone 301.929.9700

fax 301.929.9701

www.AdeptusCPAs.com

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, 2020, 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.

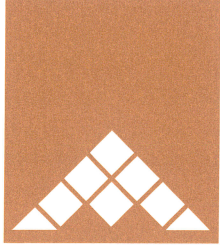
Offices:

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, 2020, 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
June 10, 2021

GENERATION HOPE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

CURRENT ASSETS	
Cash	\$ 1,095,645
Grants receivable	135,002
Contributions receivable	60,327
Prepaid expenses and other current assets	<u>36,291</u>
TOTAL CURRENT ASSETS	1,327,265
PROPERTY AND EQUIPMENT, net	82,418
OTHER ASSETS	
Security deposit	<u>5,252</u>
TOTAL ASSETS	<u><u>\$ 1,414,935</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 5,387
Accrued expenses	<u>76,043</u>
TOTAL CURRENT LIABILITIES	81,430
LONG-TERM LIABILITIES	
Note payable - Paycheck Protection Program	<u>159,723</u>
TOTAL LIABILITIES	<u>241,153</u>
NET ASSETS	
Without donor restrictions	573,403
With donor restrictions	<u>600,379</u>
TOTAL NET ASSETS	<u>1,173,782</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,414,935</u></u>

See accompanying notes to financial statements.

GENERATION HOPE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grants	\$ 319,325	\$ 757,477	\$ 1,076,802
Contributions	324,476	-	324,476
Sponsorships	222,165	-	222,165
Contracts - educational institutions	18,891	-	18,891
In-kind revenue	2,129	-	2,129
Other income	10,316	-	10,316
Net assets released from restrictions	526,800	(526,800)	-
TOTAL SUPPORT AND REVENUE	1,424,102	230,677	1,654,779
EXPENSES			
Program services	1,041,152	-	1,041,152
Management and general	342,782	-	342,782
Fundraising	233,332	-	233,332
TOTAL EXPENSES	1,617,266	-	1,617,266
CHANGES IN NET ASSETS	(193,164)	230,677	37,513
NET ASSETS, BEGINNING OF YEAR	766,567	369,702	1,136,269
NET ASSETS, END OF YEAR	\$ 573,403	\$ 600,379	\$ 1,173,782

See accompanying notes to financial statements.

GENERATION HOPE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services				Supporting Services			Total
	Children's Program	Scholar Program	National Impact Program		Management and General	Fundraising	Total	
			Program	Program				
Payroll	\$ 136,703	\$ 403,325	\$ 54,030	\$ 594,058	\$ 166,404	\$ 148,368	\$ 908,830	
Tuition	-	124,176	-	124,176	-	-	124,176	
Depreciation and amortization	-	-	-	-	99,082	-	99,082	
Rent expense	815	51,214	-	52,029	18,135	14,754	84,918	
Legal and professional	611	33,675	114	34,400	10,072	39,399	83,871	
Payroll taxes	11,346	32,273	4,242	47,861	11,547	11,911	71,319	
Supplies	6,039	24,355	4,100	34,494	2,969	1,996	39,459	
Scholar program expense	-	29,109	-	29,109	-	-	29,109	
Travel	5,093	14,446	592	20,131	2,847	2,901	25,879	
Computer and internet expenses	3,793	14,401	114	18,308	3,627	2,711	24,646	
Conferences and meetings	-	13,620	-	13,620	3,579	2,675	19,874	
Training	7,572	8,954	1,377	17,903	-	-	17,903	
Education fund	15,675	-	-	15,675	-	-	15,675	
Printing and reproduction	1,078	7,398	-	8,476	4,736	1,800	15,012	
Professional development	936	5,860	-	6,796	4,148	2,080	13,024	
Advertising	1,778	3,540	6,301	11,619	648	480	12,747	
Bad debt	-	-	-	-	9,150	-	9,150	
Insurance	744	3,374	607	4,725	1,464	1,159	7,348	
Bank fees	36	310	-	346	3,109	714	4,169	
Dues and subscriptions	920	1,216	-	2,136	238	973	3,347	
Postage	16	1,528	-	1,544	509	360	2,413	
Donated goods and services	959	792	-	1,751	198	180	2,129	
Volunteer expenses	40	1,322	-	1,362	-	-	1,362	
License and permits	21	264	-	285	117	794	1,196	
Miscellaneous expenses	-	348	-	348	203	77	628	
TOTAL EXPENSES	\$ 194,175	\$ 775,500	\$ 71,477	\$ 1,041,152	\$ 342,782	\$ 233,332	\$ 1,617,266	

See accompanying notes to financial statements.
-5-

GENERATION HOPE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Changes in net assets	\$ 37,513
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation and amortization	99,082
(Increase) decrease in assets	
Grants receivable	237,750
Contributions receivable	(18,302)
Accounts receivable	76,881
Prepaid expenses and other current assets	(23,881)
Increase (decrease) in liabilities	
Accounts payable	1,859
Accrued expenses	<u>21,272</u>
Net cash provided by operating activities	<u>432,174</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from note payable - Paycheck Protection Program	<u>159,723</u>
Net cash provided by financing activities	<u>159,723</u>
NET INCREASE IN CASH	591,897
CASH, BEGINNING OF YEAR	<u>503,748</u>
CASH, END OF YEAR	<u><u>\$ 1,095,645</u></u>

See accompanying notes to financial statements.

GENERATION HOPE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020

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 \$12,747 for the year ended June 30, 2020.

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, 2020, 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, 2020

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

Recent Accounting Pronouncements

ASC Update No. 2014-09 Revenue from Contracts with Customers

In May 2014, the FASB issued ASC Update No. 2014-09, (Topic 606) Revenue from Contracts with Customers. This ASU is a comprehensive new revenue recognition model that requires an organization to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This updated guidance impacts not-for-profit entities that have revenue transactions other than contributions. This standard was adopted by the Organization effective July 1, 2019. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognized revenue, and therefore no changes in the previously issued financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

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.

ASC Update No. 2018-08

In June 2018, the FASB issued ASC Update No. 2018-08, (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The ASU also provides additional guidance to help determine whether a contribution is conditional or unconditional. This standard was adopted by the Organization effective July 1, 2019. This ASU provides organizations with the option of applying the clarified guidance in the initial year of implementation on a prospective basis; therefore, the Organization has not restated its opening net assets for the year presented.

Subsequent Event Evaluation

The Organization has evaluated events and transactions for potential recognition or disclosure through June 10, 2021, the date the financial statements were available to be issued. See Note 13.

NOTE 3 – IN-KIND CONTRIBUTIONS

The Organization received in-kind contributions during the year ended June 30, 2020 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, 2020:

Professional services	\$ 1,000
Materials	<u>1,129</u>
Total	<u>\$ 2,129</u>

GENERATION HOPE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 – PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2020 is as follows:

Computer equipment	\$ 6,270
Furniture and fixtures	18,864
Leasehold Improvements	181,805
Software	<u>5,550</u>
Total	212,489
Less: accumulated depreciation and amortization	<u>(130,071)</u>
Property and equipment, net	<u>\$ 82,418</u>

For the year ended June 30, 2020, depreciation and amortization expense was \$99,082.

NOTE 5 – NOTE PAYABLE

The Organization received a loan from M&T Bank in the amount of \$159,723 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated April 15, 2020 and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. No determination has yet been made as to whether the Organization will be eligible for forgiveness, in whole or in part. 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. The loan may be repaid at any time with no prepayment penalty.

The Organization intends to apply for and receive full forgiveness of the loan, while any remaining balance would be repayable over a two-year term and subject to interest at the annual rate of 1%. The amount forgiven equals the amount incurred on qualifying costs (payroll, rent, utilities, as defined and subject to limitations) during the covered period. The amount forgiven is reduced if a) the Organization decreases its staffing levels during the covered period, or b) reduces salaries/wages during the covered period; however, those reductions are subject to certain exemptions. The Organization expects to meet the requirements for loan forgiveness. The Organization must prepare and submit a loan forgiveness application to the lender, which is then reviewed by both the bank and the Small Business Administration (SBA) and then approved. As of June 30, 2020, the Organization has incurred \$159,723 of qualifying costs which has been recorded as a Note Payable in the accompanying Statement of Financial Position.

NOTE 6 – LINE OF CREDIT

The Organization has a \$50,000 secured line of credit with M&T Bank due on demand. The interest rate on the line of credit is the Prime Rate (currently 5.5%) plus 3.5 percentage points. During the fiscal year ended June 30, 2020, the Organization has not made any draws upon the line of credit.

NOTE 7 – LEASE COMMITMENTS

The Organization had a long-term operating lease for office space in Washington, DC expiring 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.

GENERATION HOPE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 7 – LEASE COMMITMENTS (continued)

Subsequent to year end, the Organization exercised its option to renew both leases and entered into a three-year lease agreement combining both previous leases. The new lease commenced April 1, 2021 and expires March 31, 2024. Initial annual base rent is \$86,637, 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,	
2021	\$ 86,275
2022	89,886
2023	94,380
2024	<u>74,026</u>
Total	<u>\$ 344,567</u>

For the year ended June 30, 2020, total rent expense was \$84,918.

NOTE 8 – 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, 2020, the Organization had approximately \$800,000 of cash balances in excess of FDIC insured limits.

NOTE 9 – 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, 2020 was \$13,854.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of June 30, 2020:

Time restricted grants	\$ 357,324
Scholar program	177,526
National Impact program	<u>65,529</u>
Total	<u>\$ 600,379</u>

Net assets released from donor restrictions consist of the following for the year ended June 30, 2020:

Release of time restricted grants	\$ 262,253
Next Generation Academy program	151,502
Scholar program	81,074
National Impact program	16,971
Children's program	<u>15,000</u>
Total	<u>\$ 526,800</u>

GENERATION HOPE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 – 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	\$ 1,095,645
Grants receivable	135,002
Contributions receivable	<u>60,327</u>
Financial assets as of June 30, 2020	1,290,974
Less those unavailable for general expenditures within one year, due to donor-imposed restrictions	<u>(600,379)</u>
Financial assets available for general expenditures within one year	<u>\$ 690,595</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 12 – 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 13 – 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 and, more specifically, the Organization's activities in various significant ways:

- A reduction in the amount of grants, contributions and sponsorships received in fiscal-year 2020 compared to fiscal-year 2019.

Depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the Organization might experience further negative results and liquidity restraints. The exact impact on Organization's activities for the remainder of 2021 and thereafter cannot be predicted at this time.