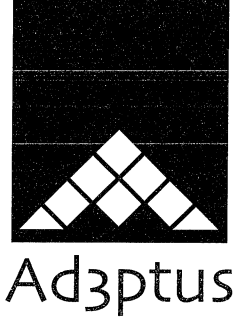


**GENERATION HOPE
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2019**

GENERATION HOPE
JUNE 30, 2019

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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, 2019, 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.

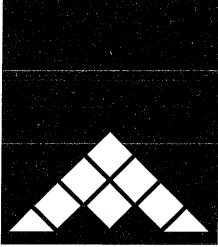
Auditor's Responsibility

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



Aptus

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, 2019, 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 27, 2020

GENERATION HOPE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

CURRENT ASSETS	
Cash	\$ 503,748
Grants receivable	372,752
Contributions receivable	42,025
Accounts receivable	76,881
Prepaid expenses and other current assets	<u>12,410</u>
 TOTAL CURRENT ASSETS	 1,007,816
 PROPERTY AND EQUIPMENT, Net	 181,500
 OTHER ASSETS	
Security deposit	<u>5,252</u>
 TOTAL ASSETS	 <u>\$ 1,194,568</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 3,528
Accrued expenses	<u>54,771</u>
 TOTAL CURRENT LIABILITIES	 <u>58,299</u>
 NET ASSETS	
Without donor restrictions	766,567
With donor restrictions	<u>369,702</u>
 TOTAL NET ASSETS	 <u>1,136,269</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,194,568</u>

See accompanying notes to financial statements.

GENERATION HOPE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grants	\$ 472,774	\$ 654,042	\$ 1,126,816
Contributions	320,273	-	320,273
Sponsorships	293,658	-	293,658
In-kind revenue	113,847	-	113,847
Other income	96	-	96
Net assets released from restrictions	453,100	(453,100)	-
TOTAL SUPPORT AND REVENUE	1,653,748	200,942	1,854,690
EXPENSES			
Program services	974,991	-	974,991
Management and general	176,834	-	176,834
Fundraising	308,584	-	308,584
TOTAL EXPENSES	1,460,409	-	1,460,409
CHANGES IN NET ASSETS	193,339	200,942	394,281
NET ASSETS, BEGINNING OF YEAR	573,228	168,760	741,988
NET ASSETS, END OF YEAR	\$ 766,567	\$ 369,702	\$ 1,136,269

See accompanying notes to financial statements.

GENERATION HOPE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services			Supporting Services			Total
	Children's Program	Scholar Program	Program Services Total	Management and General	Fundraising		
Payroll	\$ 30,384	\$ 390,204	\$ 420,588	\$ 89,599	\$ 86,170	\$	\$ 596,357
Legal and professional	933	38,941	39,874	15,173	146,209		201,256
Tuition	-	142,200	142,200	-	-		142,200
Donated goods and services	51,179	12,314	63,493	7,932	30,562		101,987
Rent expense	1,880	56,063	57,943	12,863	11,098		81,904
Conferences and meetings	-	62,444	62,444	811	32		63,287
Supplies	6,464	28,393	34,857	6,875	4,677		46,409
Payroll taxes	2,519	29,115	31,634	6,644	6,301		44,579
Travel	7,853	10,771	18,624	3,535	2,267		24,426
Computer and internet expenses	5,496	11,148	16,644	2,100	3,285		22,029
Training	6,831	12,333	19,164	-	-		19,164
Depreciation and amortization	-	-	-	18,705	-		18,705
Scholar program expense	-	16,649	16,649	-	-		16,649
Printing and reproduction	146	9,569	9,715	2,012	2,222		13,949
Advertising	1,451	7,116	8,567	1,232	1,846		11,645
Professional development	3,300	3,821	7,121	2,840	364		10,325
Bank fees	-	259	259	2,625	6,665		9,549
Insurance	-	6,016	6,016	1,481	1,398		8,895
Education fund	8,534	-	8,534	-	-		8,534
Volunteer expenses	88	6,195	6,283	-	-		6,283
Dues and subscriptions	540	1,433	1,973	366	1,166		3,505
License and permits	-	739	739	1,231	1,374		3,344
Bad debt	-	-	-	-	2,500		2,500
Postage	150	1,357	1,507	528	391		2,426
Miscellaneous expenses	-	163	163	109	57		329
Loss on asset disposal	-	-	-	173	-		173
TOTAL EXPENSES	\$ 127,748	\$ 847,243	\$ 974,991	\$ 176,834	\$ 308,584	\$	\$ 1,460,409

See accompanying notes to financial statements.

GENERATION HOPE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Changes in net assets	\$ 394,281
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation and amortization	18,705
Loss on disposal of assets	173
(Increase) decrease in assets	
Grants receivable	(57,992)
Contributions receivable	45,705
Accounts receivable	(69,914)
Prepaid expenses and other current assets	(8,210)
Increase (decrease) in liabilities	
Accounts payable	(6,838)
Accrued expenses	19,737
	<hr/>
Net cash provided by operating activities	<u>335,647</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	<u>(196,336)</u>
Net cash used in investing activities	<u>(196,336)</u>
NET INCREASE IN CASH	139,311
CASH, BEGINNING OF YEAR	<u>364,437</u>
CASH, END OF YEAR	<u><u>\$ 503,748</u></u>

See accompanying notes to financial statements.

GENERATION HOPE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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 three 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, 2019

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 \$11,645 for the year ended June 30, 2019.

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, 2019, 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, 2019

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, 2020, and interim periods within fiscal years beginning after December 15, 2021, 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

The Financial Accounting Standards Board ("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 amends the requirement 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. The Organization has adopted the update in the accompanying 2019 financial statements.

Subsequent Event Evaluation

The Organization has evaluated events and transactions for potential recognition or disclosure through April 27, 2020, the date the financial statements were available to be issued. See Note 13.

GENERATION HOPE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 – IN-KIND CONTRIBUTIONS

The Organization received in-kind contributions during the year ended June 30, 2019 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, 2019:

Professional services	\$ 77,290
Materials	<u>36,557</u>
Total	<u>\$ 113,847</u>

NOTE 4 – PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2019 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>(30,989)</u>
Property and equipment, net	<u>\$ 181,500</u>

For the year ended June 30, 2019, depreciation and amortization expense was \$18,705.

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, 2019, 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,	
2020	\$ 82,837
2021	<u>64,616</u>
Total	<u>\$ 147,453</u>

For the year ended June 30, 2019, total rent expense was \$81,904.

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, 2019, the Organization had approximately \$250,000 of cash balances in excess of FDIC insured limits.

NOTE 7 – 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, 2019 was \$7,468.

GENERATION HOPE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of June 30, 2019:

Subject to the passage of time:

Time restricted grant for operating expenditures	<u>\$ 369,702</u>
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Net assets released from donor restrictions consist of the following for the year ended June 30, 2019:

Office renovations	\$ 175,000
Release of foundation grants restricted for operating expenditures	97,500
Next Generation Academy program	66,000
Scholar program	64,600
Increase to operating reserves	<u>50,000</u>
Total	<u>\$ 453,100</u>

NOTE 9 – 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, 2019, the Organization has not made any draws upon the line of credit.

NOTE 10 – CONFERENCE SPACE COMMITMENTS

Subsequent to year end, the Organization signed an agreement with a hotel for 2020 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 April 27, 2020, the maximum amount due under the commitment was approximately \$107,051. As of the date of the audit report, the Gala has not been canceled. Management and the Board of Directors will be holding discussions with the hotel in the coming weeks.

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 and cash equivalents	\$ 503,748
Grants receivable	372,752
Contributions receivable	42,025
Accounts receivable	<u>76,881</u>
Financial assets as of June 30, 2019	995,406

Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:

Restricted by donor for operating expenditures in subsequent years	<u>(369,702)</u>
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Financial assets available for general expenditures within one year	<u>\$ 625,704</u>
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GENERATION HOPE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 – FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS (continued)

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 – SUBSEQUENT EVENTS

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on Generation Hope's employees, donors and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain.

On April 15, 2020, the Company obtained a loan under U.S. Small Business Administration Paycheck Protection Program for \$159,400. The term of the loan is 24 months and interest rate is fixed at 1% per year. Principal and interest payments are deferred for six months with \$8,926 due monthly beginning seven months from the commencement date of the loan.