

# Hope Inspire Love, Inc.

## Financial Report

December 31, 2021



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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors  
Hope Inspire Love, Inc.  
Lancaster, Pennsylvania

We have reviewed the accompanying financial statements of Hope Inspire Love, Inc. (a non-profit organization), which comprise the statements of assets, liabilities, and net assets – modified cash basis as of December 31, 2021 and 2020, and the related statements of revenues and expenses – modified cash basis and functional expenses – modified cash basis for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for 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.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Hope Inspire Love, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### **Accountant's Conclusion**

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.



**Simon Lever LLC**  
Lititz, PA

January 25, 2022

## FINANCIAL STATEMENTS

**Hope Inspire Love, Inc.**  
**(A Non-Profit Organization)**

**STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS -  
MODIFIED CASH BASIS**

**December 31, 2021 and 2020**

**See Independent Accountant's Review Report**

	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
<b>ASSETS</b>		
Cash and cash equivalents	13,098	7,420
Property and equipment		
Photography equipment	7,859	6,588
Computers	2,892	0
Furniture and fixtures	1,374	0
Total cost	<u>12,125</u>	<u>6,588</u>
Less accumulated depreciation	<u>(1,993)</u>	<u>(941)</u>
Property and equipment, net of accumulated depreciation	<u>10,132</u>	<u>5,647</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>23,230</u></b>	<b><u>13,067</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Sales tax withheld	495	14
Agency funds payable	<u>0</u>	<u>2,593</u>
<b>TOTAL LIABILITIES</b>	<b>495</b>	<b>2,607</b>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b><u>22,735</u></b>	<b><u>10,460</u></b>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>23,230</u></b>	<b><u>13,067</u></b>

See Notes to Financial Statements

**Hope Inspire Love, Inc.**  
**(A Non-Profit Organization)**

**STATEMENTS OF REVENUES AND EXPENSES -  
MODIFIED CASH BASIS**  
**Years Ended December 31, 2021 and 2020**  
**See Independent Accountant's Review Report**

	<u>2021</u>	<u>2020</u>
	\$	\$
<b>REVENUES</b>		
Contributions	69,482	11,086
Merchandise sales, net of discounts and cost of goods sold of \$37,902 - 2021; \$13,307 - 2020	20,490	5,883
Booth sales	0	2,191
Coffee sales, net of cost of goods sold of \$12,577 - 2021; \$0 - 2020	8,132	0
Fundraising - Freedom Walk, net of expenses of \$2,422 - 2021; \$0 - 2020	<u>14,328</u>	<u>0</u>
Total Revenues	<u>112,432</u>	<u>19,160</u>
 <b>EXPENSES</b>		
Program	47,475	8,537
General and administrative	50,711	13,831
Fundraising	<u>1,971</u>	<u>2,293</u>
Total Expenses	<u>100,157</u>	<u>24,661</u>
 <b>CHANGE IN NET ASSETS</b>	12,275	(5,501)
 Net Assets, Beginning	<u>10,460</u>	<u>15,961</u>
 <b><u>NET ASSETS, ENDING</u></b>	<u><u>22,735</u></u>	<u><u>10,460</u></u>

See Notes to Financial Statements

**Hope Inspire Love, Inc.**  
**(A Non-Profit Organization)**

**STATEMENT OF FUNCTIONAL EXPENSES -  
MODIFIED CASH BASIS  
Year Ended December 31, 2021  
See Independent Accountant's Review Report**

	Program	General and Administrative	Fundraising	Total
	\$	\$	\$	\$
Advertising and promotion	1,424	2,309	0	3,733
Bank fees	0	42	0	42
Board meeting expense	0	642	0	642
Branded merchandise purchases	32,213	0	18,266	50,479
Conference expenses	3,699	1,401	0	5,100
Depreciation	137	915	0	1,052
Donation fees	0	2,666	0	2,666
Employee benefits	644	187	0	831
Events charitable contributions	6,961	0	0	6,961
Information technology and website	836	6,607	0	7,443
Insurance	0	2,995	0	2,995
Meals and entertainment	17	281	50	348
Mentorship program	1,144	767	0	1,911
Office supplies	3,693	4,252	0	7,945
Outreach and awareness	2,452	0	4,343	6,795
Rent	3,880	0	0	3,880
Photography	1,250	0	0	1,250
Prevention program	17,151	0	0	17,151
Professional fees	359	13,843	0	14,202
Salaries and wages	3,828	13,141	0	16,969
Speical event supplies	0	0	0	0
Telephone	0	459	0	459
Taxes	0	204	0	204
	<u>79,688</u>	<u>50,711</u>	<u>22,659</u>	<u>153,058</u>
Less direct expenses related to:				
Cost of goods sold	(32,213)	0	(18,266)	(50,479)
Special events	0	0	(2,422)	(2,422)
Total Functional Expenses	<u><u>47,475</u></u>	<u><u>50,711</u></u>	<u><u>1,971</u></u>	<u><u>100,157</u></u>

See Notes to Financial Statements



**Hope Inspire Love, Inc.**  
**(A Non-Profit Organization)**

**STATEMENT OF FUNCTIONAL EXPENSES -  
MODIFIED CASH BASIS  
Year Ended December 31, 2020  
See Independent Accountant's Review Report**

	Program	General and Administrative	Fundraising	Total
	\$	\$	\$	\$
Advertising and promotion	5,360	157	654	6,171
Bank fees	0	3	0	3
Branded merchandise purchases	13,013	294	0	13,307
Conference expenses	475	2,660	0	3,135
Depreciation	123	818	0	941
Donation fees	0	1	1,349	1,350
Employee benefits	390	0	0	390
Fundraiser expenses	0	0	198	198
Grants to other non-profit organizations	500	0	0	500
Information technology and website	203	2,136	0	2,339
Licenses, fees and dues	0	737	18	755
Meals and entertainment	150	75	74	299
Office supplies	318	2,382	0	2,700
Photography	118	789	0	907
Professional fees	900	4,055	0	4,955
Telephone	0	18	0	18
	<u>21,550</u>	<u>14,125</u>	<u>2,293</u>	<u>37,968</u>
Less direct expenses related to:				
Cost of goods sold	<u>(13,013)</u>	<u>(294)</u>	<u>0</u>	<u>(13,307)</u>
<b>Total Functional Expenses</b>	<u><u>8,537</u></u>	<u><u>13,831</u></u>	<u><u>2,293</u></u>	<u><u>24,661</u></u>

**Hope Inspire Love, Inc.**  
**(A Non-Profit Organization)**

**Notes to Financial Statements**  
**See Independent Accountant's Review Report**

**Note 1 – Summary of Accounting Policies**

Organization – Hope Inspire Love, Inc. (the Organization) is a non-profit organization, based in Pennsylvania, whose nature of activities and mission is to eradicate human trafficking and sexual exploitation. The Organization's method of accomplishing its mission is to conduct prevention and awareness education throughout communities and schools while also providing funding to other charitable organizations that seek to provide shelter, transition programs, and aid to those impacted by human trafficking and sexual exploitation.

Basis of Accounting – The Organization prepares its financial statements on the modified cash basis of accounting which includes depreciation of capitalized assets. Under this basis, certain revenues are recognized when collected rather than when earned, and certain expenses are recognized when cash is disbursed rather than when the obligation is incurred. Therefore, accounts receivable, accounts payable, and other accruals and prepayments, which would be recognized under generally accepted accounting principles, and which may be material in amount, are not recognized in the accompanying financial statements.

Public Support and Revenue – Grants and contributions received are recorded as support with donor restrictions or support without donor restrictions, depending on the existence or nature of any donor restrictions. Gifts of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit use of the donated assets. When a restriction expires, that is, when a stipulated restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of revenues and expenses – modified cash basis as net assets released from restrictions. The Organization has no net assets with donor restrictions as of December 31, 2021 and 2020.

Agency Transactions – Through December 31, 2020, the Organization received donations in the form of cash on behalf of another organization. These funds are not recorded as contributions. Instead, they are recorded as agency funds payable until the funds are remitted to the other organization. Hope Inspire Love, Inc. had agency funds payable of \$0 and \$2,593 as of December 31, 2021 and 2020, respectively.

Estimates – The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Assets – The Organization reports 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.

Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as follows:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets that have been designated by the board for specific purposes are included as net assets without donor restrictions.

**Hope Inspire Love, Inc.**  
**(A Non-Profit Organization)**

**Notes to Financial Statements**  
**See Independent Accountant's Review Report**

**Note 1 – Summary of Accounting Policies – Continued**

Net Assets with Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization.

Cash and Cash Equivalents – The Organization considers all short-term investments with a maturity of ninety days or less to be cash equivalents. In the normal course of operations, the Organization may have deposits in excess of FDIC insurance. The Organization has not experienced any losses from these accounts and believes they are not exposed to any significant credit risk on cash and cash equivalents.

Property and Equipment – Property and equipment are stated at cost. Expenditures for renewals and improvements that significantly add to productive capacity or extend the useful life of an asset are capitalized. Maintenance and repairs are charged to expense as incurred. When depreciable properties are retired or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts, and the resultant gain or loss is reflected in income. Depreciation is computed using the straight-line method for all depreciable assets at rates based on estimated service lives.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restriction unless the donor has restricted the donated assets 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 net assets 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 as instructed by the donor. The Organization reclassifies net assets with donor restrictions to without donor restrictions at that time.

Merchandise and Coffee Sales – The Organization sells branded merchandise to customers consisting of clothing, fashion accessories, coffee, and various other novelty items. Revenue from merchandise sales is recognized at the time of purchase and consideration is transferred at or shortly after the time of the transaction.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses – modified cash basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Presentation of Sales Tax – The State of Pennsylvania imposes a sales tax on all of the Organization's sales to non-exempt customers. The Organization collects that sales tax from customers and remits the entire amount to the State. The Organization's accounting policy is to exclude the tax collected and remitted to the State from revenues and expenses.

Federal Income Tax Status – The Organization is exempt from federal income taxes under Code Section 501(c)(3).

**Hope Inspire Love, Inc.**  
**(A Non-Profit Organization)**

**Notes to Financial Statements**  
**See Independent Accountant's Review Report**

**Note 1 – Summary of Accounting Policies – Continued**

Interest and Penalties Related to Unrecognized Tax Benefits – The Organization reports accrued interest and penalties related to unrecognized tax benefits as interest expense and penalties expense, respectively. There were no interest or penalties related to unrecognized tax benefits for the years ended December 31, 2021 and 2020.

Advertising Costs – The Organization expenses advertising as incurred. Advertising costs totaled \$4,483 and \$6,171 for the years ended December 31, 2021 and 2020, respectively.

Subsequent Events – Events that occurred subsequent to December 31, 2021 have been evaluated by the Organization's management through the date of the independent accountant's review report, which is the date the financial statements were available to be issued.

**Note 2 – Liquidity and Availability**

As of December 31, 2021 and 2020, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, totaled \$13,098 and \$7,420 of cash and cash equivalents, respectively. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statements of assets, liabilities, and net assets – modified cash basis. The Organization has a goal to maintain financial assets, consisting of cash on hand, to meet obligations as they become due.

**Note 3 – Operating Leases**

In October 2020, the Organization entered into a lease agreement for storefront space. The lease had an initial lease term of six months with the option to continue the lease on a month-to-month basis following the initial lease term. The Organization continued the lease on a month-to-month basis following the initial term during 2021. Rental expense under this lease totaled \$2,280 and \$380 for the years ended December 31, 2021 and 2020, respectively.

In April 2021, the Organization entered into an additional lease agreement for storefront space. The lease had an initial lease term of six months with the option to continue the lease on a month-to-month basis following the initial lease term. The Organization continued the lease on a month-to-month basis following the initial term during 2021. Rental expense under this lease totaled \$1,600 for the year ended December 31, 2021.

**Note 4 – COVID-19**

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China and has subsequently spread into the United States and specifically Pennsylvania. Subsequent to the date of the statements of assets, liabilities, and net assets – modified cash basis, COVID-19 may continue to have an impact on operations for the foreseeable future; however, the related financial impact and duration cannot be reasonably estimated at this time.

**Hope Inspire Love, Inc.**  
**(A Non-Profit Organization)**

**Notes to Financial Statements**  
**See Independent Accountant's Review Report**

**Note 5 – Reclassification**

Certain items in the financial statements for the year ended December 31, 2020 have been reclassified to conform with the current year's financial statement presentation.