



**The HOPE Program, Inc. and Subsidiaries
Consolidated Financial Statements
and Supplementary Information
(Together with Independent Auditors' Report)**

June 30, 2019 and 2018

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

THE HOPE PROGRAM, INC. AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
and Supplementary Information
(Together with Independent Auditors' Report)**

JUNE 30, 2019 AND 2018

CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1-2
Consolidated Financial Statements:	
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Activities.....	4
Consolidated Statements of Functional Expenses.....	5-6
Consolidated Statements of Cash Flows.....	7
Notes to Consolidated Financial Statements.....	8-15
Supplementary Information:	
Consolidating Schedules of Financial Position.....	16
Consolidating Schedules of Activities.....	17
Consolidating Schedules of Functional Expenses.....	18

INDEPENDENT AUDITORS' REPORT

The Board of Directors
The HOPE Program, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of The HOPE Program, Inc. and Subsidiaries (collectively, the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2019, and 2018, 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.

Emphasis of Matter

As discussed in Note 2L to the consolidated financial statements, during the year ended June 30, 2019, the Organization adopted Accounting Standards Update 2016-14, "Not-for-Profit Entities." Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements of the Organization as a whole. The consolidating information (shown on pages 16-18) is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual companies and is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Marks Paneth LLP

New York, NY
January 15, 2020

THE HOPE PROGRAM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND 2018

ASSETS	<u>2019</u>	<u>2018</u>
Cash and cash equivalents (Notes 2D and 13)	\$ 1,490,326	\$ 877,450
Investments (Notes 2E and 6)	1,305,269	1,170,523
Accounts receivable (Note 2G)	306,407	844,315
Contributions and grants receivable, net (Note 2G)	912,421	1,067,018
Prepaid expenses and other assets	57,115	58,666
Property and equipment, net (Notes 2F and 4)	107,314	88,883
Security deposit	<u>72,486</u>	<u>75,431</u>
TOTAL ASSETS	<u>\$ 4,251,338</u>	<u>\$ 4,182,286</u>
 LIABILITIES		
Accounts payable and accrued expenses (Note 2I)	\$ 339,331	\$ 268,007
Deferred revenue (Note 2H)	<u>904</u>	<u>42,014</u>
TOTAL LIABILITIES	<u>340,235</u>	<u>310,021</u>
 COMMITMENTS AND CONTINGENCIES (Note 5)		
 NET ASSETS (Note 2C)		
Without donor restrictions		
General operating	2,750,661	2,256,193
Designated reserve fund (Notes 8 and 9)	<u>500,000</u>	<u>500,000</u>
Total without donor restrictions	3,250,661	2,756,193
With donor restrictions (Notes 7 and 8)	<u>660,442</u>	<u>1,116,072</u>
TOTAL NET ASSETS	<u>3,911,103</u>	<u>3,872,265</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,251,338</u>	<u>\$ 4,182,286</u>

THE HOPE PROGRAM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	Year Ended June 30, 2019			Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018	Without Donor Restrictions	With Donor Restrictions
SUPPORT AND REVENUE						
Foundation and corporate contributions (Notes 2G and 12)	\$ 643,019	\$ 1,561,953	\$ 2,204,972	\$ 2,833,619	\$ 1,692,129	\$ 1,141,490
Individual contributions	496,661	-	496,661	492,690	492,690	-
Government grants	2,601,523	-	2,601,523	1,799,142	1,799,142	-
Other not-for-profit organizations	70,750	-	70,750	65,291	40,291	25,000
Investment activity (Note 6)	57,947	-	57,947	87,665	78,569	9,096
Special events revenue (Note 12)	528,809	-	528,809	441,025	441,025	-
Program service revenue	209,230	-	209,230	163,021	163,021	-
Net assets released from restrictions (Note 2C)	2,017,583	(2,017,583)	-	-	526,101	(526,101)
TOTAL SUPPORT AND REVENUE	<u>6,625,522</u>	<u>(455,630)</u>	<u>6,169,892</u>	<u>5,882,453</u>	<u>5,232,968</u>	<u>649,485</u>
EXPENSES (Note 2J)						
Program services	4,554,805	-	4,554,805	3,617,173	3,617,173	-
Supporting services:						
Management and general	1,057,651	-	1,057,651	940,319	940,319	-
Fundraising	518,598	-	518,598	513,695	513,695	-
Total supporting services	1,576,249	-	1,576,249	1,454,014	1,454,014	-
TOTAL EXPENSES	<u>6,131,054</u>	<u>-</u>	<u>6,131,054</u>	<u>5,071,187</u>	<u>5,071,187</u>	<u>-</u>
CHANGE IN NET ASSETS	494,468	(455,630)	38,838	811,266	161,781	649,485
Net Assets - Beginning of Year	2,756,193	1,116,072	3,872,265	3,060,999	2,594,412	466,587
NET ASSETS - END OF YEAR	<u>\$ 3,250,661</u>	<u>\$ 660,442</u>	<u>\$ 3,911,103</u>	<u>\$ 3,872,265</u>	<u>\$ 2,756,193</u>	<u>\$ 1,116,072</u>

THE HOPE PROGRAM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	For the Year Ended June 30, 2019				
	Program Services	Supporting Services		Total 2019	Total 2018
		Management and General	Fundraising		
Salaries	\$ 1,799,087	\$ 426,504	\$ 249,720	\$ 2,475,311	\$ 2,087,954
Participant salaries	579,742	-	-	579,742	307,980
Payroll taxes and benefits (Note 10)	372,717	88,358	51,735	512,810	431,245
Total salaries and related costs	2,751,546	514,862	301,455	3,567,863	2,827,179
Professional fees (Note 12)	232,350	397,708	43,961	674,019	633,983
Rent (Notes 2I and 5A)	323,727	61,473	49,000	434,200	472,507
Insurance	61,684	22,621	6,312	90,617	47,193
Student travel and meals	188,311	-	-	188,311	114,366
Maintenance and security	16,920	5,302	1,995	24,217	46,113
Printing and postage	19,402	2,207	4,050	25,659	21,202
Utilities	18,878	4,087	2,719	25,684	26,319
Telephone	22,948	3,223	3,786	29,957	33,398
Food expense	62,299	-	-	62,299	32,989
Program supplies	423,610	-	-	423,610	228,043
Coolroof program materials (Note 1)	249,319	-	-	249,319	267,667
Office expenses	129,237	27,909	21,851	178,997	143,753
Miscellaneous	30,460	-	-	30,460	19,186
Special events (Notes 11 and 12)	998	-	83,469	84,467	81,622
Interest expense	-	-	-	-	6,352
Bad debt expense	15,930	500	-	16,430	56,279
Depreciation and amortization (Note 4)	7,186	17,759	-	24,945	13,036
TOTAL EXPENSES	\$ 4,554,805	\$ 1,057,651	\$ 518,598	\$ 6,131,054	\$ 5,071,187

The accompanying notes are an integral part of these consolidated financial statements.

THE HOPE PROGRAM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$ 1,540,142	\$ 286,437	\$ 261,375	\$ 2,087,954
Participant salaries	307,980	-	-	307,980
Payroll taxes and benefits (Note 10)	<u>323,776</u>	<u>61,641</u>	<u>45,828</u>	<u>431,245</u>
Total salaries and related costs	2,171,898	348,078	307,203	2,827,179
Professional fees (Note 12)	169,589	453,254	11,140	633,983
Rent (Notes 2I and 5A)	345,985	61,669	64,853	472,507
Insurance	37,520	4,591	5,082	47,193
Student travel and meals	114,366	-	-	114,366
Maintenance and security	26,911	13,377	5,825	46,113
Printing and postage	16,020	1,596	3,586	21,202
Utilities	19,141	4,057	3,121	26,319
Telephone	24,619	4,380	4,399	33,398
Food expense	18,349	13,994	646	32,989
Program supplies	228,043	-	-	228,043
Coolroof program materials (Note 1)	267,667	-	-	267,667
Office expenses	97,272	24,720	21,761	143,753
Miscellaneous	14,527	2,098	2,561	19,186
Special events (Notes 11 and 12)	-	-	81,622	81,622
Interest expense	-	6,352	-	6,352
Bad debt expense	56,279	-	-	56,279
Depreciation and amortization (Note 4)	<u>8,987</u>	<u>2,153</u>	<u>1,896</u>	<u>13,036</u>
TOTAL EXPENSES	<u>\$ 3,617,173</u>	<u>\$ 940,319</u>	<u>\$ 513,695</u>	<u>\$ 5,071,187</u>

The accompanying notes are an integral part of these consolidated financial statements.

**THE HOPE PROGRAM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 38,838	\$ 811,266
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	24,945	13,036
Bad debt expense	16,430	56,279
Realized gain on investments	(11,094)	(9,378)
Unrealized gain on investments	(11,294)	(51,536)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	537,908	(571,799)
Contributions and grants receivable	138,167	(478,129)
Prepaid expenses and other assets	1,551	10,667
Security deposit	2,945	(31,118)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	71,324	88,680
Deferred revenue	(41,110)	42,014
Net Cash Provided by (Used in) Operating Activities	768,610	(120,018)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(43,376)	(85,256)
Proceeds from sales of investments	9,651	18,483
Purchases of investments	(122,009)	(23,010)
Net Cash Used in Investing Activities	(155,734)	(89,783)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of line of credit	-	(208,163)
Net Cash Used in Financing Activities	-	(208,163)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	612,876	(417,964)
Cash and cash equivalents - beginning of year	877,450	1,295,414
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,490,326	\$ 877,450
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ -	\$ 6,352

The accompanying notes are an integral part of these consolidated financial statements.

THE HOPE PROGRAM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The HOPE Program, Inc. (“HOPE”) was organized in November 1984 and incorporated in March 1985. HOPE is organized under the Not-for-Profit Corporation Law of the State of New York and has been granted exemption from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. The purpose of HOPE is to empower New Yorkers to lift themselves out of poverty through training, jobs and career advancement. HOPE provides direct services primarily to individuals who live in the five boroughs of New York City.

Sustainable South Bronx, Inc. (“SSBx”) was incorporated in 2002 and is organized under the Not-for-Profit Corporation Law of the State of New York and is located in the Bronx, NY. SSBx has been granted exemption from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. SSBx empowers residents of the South Bronx and other neighborhoods through job training with a focus on green construction (see “Coolroof program materials” in the accompanying consolidated statements of functional expenses) and building operations/maintenance, and social enterprise.

Intervine, LLC (“Intervine”) is a wholly owned subsidiary of SSBx whose purpose is to employ graduates of HOPE and SSBx’s job training programs through the completion of projects related to the environment, energy efficiency, and building maintenance. Intervine was formed pursuant to and in accordance with the Limited Liability Company Law of the State of New York and became operational in 2008.

HOPE is the sole member of SSBx. Accordingly, the consolidated financial statements of The HOPE Program, Inc. and Subsidiaries (collectively, the “Organization”) have been prepared by consolidating SSBx and Intervine from the date of control transfer.

During the year ended June 30, 2019, the Organization began the legal process to combine HOPE, SSBx, and Intervine into one corporate entity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. ***Basis of Accounting*** – The Organization prepares its consolidated financial statements using the accrual basis of accounting. The Organization adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. ***Basis of Consolidation*** – The consolidated financial statements include the accounts of HOPE, SSBx, and Intervine. Upon consolidation, all significant intercompany balances and transactions are eliminated.
- C. ***Net Assets*** – The Organization maintains its accounts in accordance with the following net asset groups:

Without Donor Restrictions

General Operating – represents unrestricted resources available for support of the Organization’s operations over which the Board of Directors has discretionary control.

Designated Reserve Fund – represents funds that have been designated by the Board. These funds are to be used at the sole discretion of the Board for the benefit of the Organization.

Contributions are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

THE HOPE PROGRAM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

With Donor Restrictions

The Organization reports gifts of cash and other assets which have been received with donor stipulations that limit the use of the donated assets and donor-restricted endowment funds as net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished or endowment earnings are appropriated, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Net assets with donor restrictions that have been both earned and have had their restrictions met in the current year are recorded as net assets without donor restrictions.

D. **Cash and Cash Equivalents** – The Organization considers money market funds and all unrestricted highly liquid investments with a maturity of three months or less when acquired to be cash equivalents.

E. **Investments and Fair Value Measurements** – The Organization reports its investments at fair value. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, U.S. GAAP established a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels, as described below:

Level 1: Valuations based on quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; or model derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data. As of June 30, 2019 and 2018, the Organization had no financial assets or liabilities whose fair values were determined based on Level 2 inputs.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs. As of June 30, 2019 and 2018, the Organization had no financial assets or liabilities whose fair values were determined based on Level 3 inputs.

F. **Property and Equipment** – Property, equipment and leasehold improvements are recorded at cost less accumulated depreciation and amortization. The Organization capitalizes property and equipment with a cost of \$1,000 or more and a useful life of greater than one year. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized using the straight-line method over the lesser of their useful lives or the term of the lease.

G. **Contributions and Receivables** – Contributions are recognized as revenue when they are received or unconditionally pledged. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization reports such contributions at their estimated value when received. Contributions that are expected to be collected in future years are computed using risk-adjusted interest rates applicable to the years in which the contributions are received unless such discount is immaterial.

The Organization determines whether an allowance for doubtful accounts should be recorded for accounts receivable and contributions and grants receivable. Such estimates are based on management's assessment of the aged basis of its receivables, current economic conditions, subsequent receipts and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. As of June 30, 2019 and 2018, there was an allowance for doubtful accounts amounting to \$29,342 and \$0, respectively.

THE HOPE PROGRAM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As of June 30, contributions and grants receivable were due as follows:

	<u>2019</u>	<u>2018</u>
Due within one year	\$ 961,763	\$ 611,253
Due in one to five years	-	455,765
Allowance for doubtful accounts	<u>(29,342)</u>	<u>-</u>
	<u>\$ 932,421</u>	<u>\$ 1,067,018</u>

- H. **Deferred Revenue** – Deferred revenue represents assets received by the Organization under governmental grants for which the Organization has not yet met the grant conditions or provided services.
- I. **Deferred Rent** – The Organization leases real property under various leases through 2025. The difference between rental payments due under the lease and rent expense calculated on a straight-line basis for the years ended June 30, 2019 and 2018, amounted to \$25,078 and \$21,199, respectively, and is reflected in the accompanying consolidated statements of expenses as rent expense. As of June 30, 2019 and 2018, a liability in the amount of \$46,277 and \$21,199, respectively, is reflected on the accompanying consolidated statements of financial position within accounts payable and accrued expenses.
- J. **Use of Estimates** – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- K. **Functional Allocation of Expenses** – The costs of providing the Organization’s services and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated between the program and supporting services benefited. Expenses that have been allocated include salaries and payroll taxes and benefits, which are allocated based on estimates of time and effort, and rent, insurance, utilities and office expenses, which are allocated based on the ratio of personnel expenses.
- L. **Recently Enacted Accounting Standard** – Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-14, “Not-for-Profit Entities” was adopted for the year ended June 30, 2019. ASU 2016-14 provides for a number of changes, including the presentation of two classes of net assets and enhanced disclosure of liquid resources and expense allocation. These changes had no impact on the change in net assets for the years ended June 30, 2019 and 2018. Due to these changes, the Organization has renamed the prior year net assets and fully comparative consolidated financial statements are presented.
- M. **Reclassification** – Certain line items in the June 30, 2018 consolidated financial statements have been reclassified to conform to the June 30, 2019 presentation. These changes had no impact on the change in net assets for the year ended June 30, 2018.

NOTE 3 – LIQUIDITY AND AVIALABILITY OF RESOURCES TO MEET GENERAL EXPENDITURES

The Organization’s management monitors levels of available financial assets to anticipate cash requirements for general expenditures as obligations become due. As part of the Organization’s liquidity management plan, the Organization invests cash in excess of operational needs. The Organization also has a line of credit as more fully described in Note 14.

The Organization has a Board-designated reserve fund, which is more fully described in Note 9 and is not available for general expenditures.

THE HOPE PROGRAM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 3 – LIQUIDITY AND AVIALABILITY OF RESOURCES TO MEET GENERAL EXPENDITURES
(Continued)

Financial assets as of June 30, 2019 available for general expenditure, within one year of the consolidated statement of financial position date, without donor or other restrictions limiting their use, were as follows:

Cash and cash equivalents	\$	1,490,326
Investments		1,305,269
Accounts receivable		306,407
Contributions and grants receivable, net		<u>932,421</u>
Total financial assets		4,034,423
Less: donor-restricted net assets		(660,442)
Less: Board-designated net assets		<u>(500,000)</u>
		<u>\$ 2,873,981</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30:

	<u>2019</u>	<u>2018</u>	<u>Estimated Useful Lives</u>
Furniture and equipment	\$ 518,047	\$ 502,254	3-5 years
Leasehold improvements	632,838	610,055	10 years
Website	<u>20,313</u>	<u>15,513</u>	5 years
Total cost	1,171,198	1,127,822	
Less: accumulated depreciation and amortization	<u>(1,063,884)</u>	<u>(1,038,939)</u>	
Net book value	<u>\$ 107,314</u>	<u>\$ 88,883</u>	

For the years ended June 30, 2019 and 2018, depreciation and amortization expense amounted to \$24,945 and \$13,036, respectively,

NOTE 5 – COMMITMENTS AND CONTINGENCIES

- A. The Organization has a lease agreement at One Smith Street, Brooklyn, NY. The lease term expires on October 31, 2024. The Organization also has a lease agreement for space in the Bronx, NY that expires February 28, 2025.

Pursuant to the terms of the lease agreements, the Organization's approximate minimum future lease obligations for the years ending after June 30, 2019, are as follows:

2020	\$	447,000
2021		460,000
2022		474,000
2023		488,000
2024		503,000
Thereafter		<u>205,000</u>
		<u>\$ 2,577,000</u>

Rent expense amounted to \$434,200 and \$472,507 for the years ended June 30, 2019 and 2018, respectively.

THE HOPE PROGRAM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 5 – COMMITMENTS AND CONTINGENCIES (Continued)

B. The Organization believes it has no uncertain tax positions as of June 30, 2019 and 2018, in accordance with Accounting Standards Codification (“ASC”) Topic 740, “Income Taxes,” which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 6 – INVESTMENTS AND INVESTMENT ACTIVITY

Investments carried at fair value (all Level 1 measurements) are as follows as of June 30:

	<u>Level 1 - 2019</u>	<u>Level 1 - 2018</u>
Common stock	\$ -	\$ 1,738
Mutual funds	382,474	275,645
Exchange traded funds	<u>922,795</u>	<u>893,140</u>
	<u>\$ 1,305,269</u>	<u>\$ 1,170,523</u>

Investments in common stock, actively traded mutual funds, and exchange traded funds (a marketable security that tracks an index) are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Investment activity consists of the following for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 35,559	\$ 26,751
Realized gain	11,094	9,378
Unrealized gain	<u>11,294</u>	<u>51,536</u>
	<u>\$ 57,947</u>	<u>\$ 87,665</u>

Interest and dividend income includes interest earned on cash and cash equivalent balances. Investments are subject to market volatility that could substantially change their values.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
Program services	\$ 313,172	\$ 376,206
Time restricted for future periods	127,039	519,635
Endowment corpus	<u>220,231</u>	<u>220,231</u>
	<u>\$ 660,442</u>	<u>\$ 1,116,072</u>

NOTE 8 – ENDOWMENT NET ASSETS

The Organization accounts for its endowment funds in accordance with U.S. GAAP and its interpretation of state law. The assets that are classified as donor-restricted endowment funds are included in cash and investments in the accompanying consolidated statements of financial position. The income from these assets is to be used for support of the Organization’s general activities.

THE HOPE PROGRAM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 8 – ENDOWMENT NET ASSETS (Continued)

U.S. GAAP provides guidance on the net asset classifications of donor-restricted endowment funds for not-for-profit organizations that are subject to the New York Prudent Management of Institutional Funds Act (“NYPMIFA”). The Board of Directors has interpreted NYPMIFA as requiring the preservation of the historical dollar value of the original donor restricted endowment gift as of the gift date, absent explicit donor stipulations to the contrary. See Note 2C for how the Organization maintains its net assets.

In accordance with U.S GAAP, the Organization is required to disclose any deterioration of the fair value of assets associated with donor-restricted endowment funds that fall below the level the donor required the Organization to retain in perpetuity. These deficiencies can result from unfavorable market fluctuations that can occur in the economy as a whole which affect the donor-restricted endowment fund. As of June 30, 2019 and 2018, there were no deficiencies in the Organization’s endowment funds.

The Organization’s investment objective is to diversify its investments without incurring volatility in the rate of return and to avoid undue risk concentration in any asset class. The Board of Directors has appointed its Finance Committee to manage its investments. They are assisted by an Investment Committee which includes several members of the Finance Committee as well as several additional (non-Board) members with experience in money management. The Investment Committee is chaired by a member of the Finance Committee and the collective experience of the members is extensive.

The investment income from donor-restricted endowment funds (whose earnings are not already restricted by the donor) is classified as net assets with donor restrictions until appropriated for expenditure by the Board. The Board (or a designated committee of the Board) determines (using a rolling 5-year average) how much of the earnings of such donor-restricted endowment funds to appropriate for expenditure up to 7% as deemed prudent at the time. Any unappropriated earnings that are not otherwise restricted by the donor are reflected as net assets with donor restrictions until appropriated.

Changes in endowment net assets for the year ended June 30, 2019, are as follows:

	<u>Board Designated</u>	<u>Unappropriated Earnings</u>	<u>Endowment Corpus</u>	<u>Total 2019</u>
Investment activity (See Note below)	\$ -	\$ 9,777	\$ -	\$ 9,777
Board appropriations	<u>-</u>	<u>(9,777)</u>	<u>-</u>	<u>(9,777)</u>
Change in endowment net assets	-	-	-	-
Endowment net assets, beginning of year	<u>500,000</u>	<u>-</u>	<u>220,231</u>	<u>720,231</u>
Endowment net assets, end of year	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 220,231</u>	<u>\$ 720,231</u>

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	<u>Board Designated</u>	<u>Unappropriated Earnings</u>	<u>Endowment Corpus</u>	<u>Total 2018</u>
Investment activity (See Note below)	\$ -	\$ 9,096	\$ -	\$ 9,096
Board appropriations	<u>-</u>	<u>(9,096)</u>	<u>-</u>	<u>(9,096)</u>
Change in endowment net assets	-	-	-	-
Endowment net assets, beginning of year	<u>500,000</u>	<u>-</u>	<u>220,231</u>	<u>720,231</u>
Endowment net assets, end of year	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 220,231</u>	<u>\$ 720,231</u>

* Investment activity for the endowment fund only reflects the donor-restricted endowment since the Board Designated Fund earnings are allocated to net assets without donor restrictions.

THE HOPE PROGRAM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 9 – DESIGNATED RESERVE FUND

The Organization’s Board of Directors maintains a \$500,000 Designated Reserve Fund, solely for use at the discretion of the Board.

NOTE 10 – RETIREMENT PLAN

The Organization has a 401(k) Plan (the “Plan”) which covers all employees meeting the eligibility requirements. The Organization may elect to make matching contributions to the Plan. Employer contributions during the years ended June 30, 2019 and 2018 amounted to \$40,870 and \$23,490, respectively.

NOTE 11 – SPECIAL EVENTS

The Organization holds annual fundraising events: “A Taste of HOPE” and “Humor for HOPE”. Net revenue from these events excluding in-kind support, as described in Note 12, amounted to \$471,057 and \$389,225 for the years ended June 30, 2019 and 2018, respectively, as follows:

	Total 2019	In-Kind	Net of In-Kind
Revenue	\$ 528,809	\$ 57,752	\$ 471,057
Expenses	120,170	57,752	62,418
Net Revenue	\$ 408,639	\$ -	\$ 408,639
	Total 2018	In-Kind	Net of In-Kind
Revenue	\$ 441,025	\$ 51,800	\$ 389,225
Expenses	81,622	51,800	29,822
Net Revenue	\$ 359,403	\$ -	\$ 359,403

NOTE 12 – IN-KIND SUPPORT

In-kind contributions are included in foundation and corporate contributions and special events revenue in the accompanying consolidated statements of activities. A portion of this amount is offset by like amounts included in the consolidated statements of functional expenses.

In-kind support consisted of the following for the years ended June 30:

	2019	2018
Legal	\$ 23,747	\$ 104,931
Special events revenue – event, venue, and catering	57,752	51,800
	\$ 81,499	\$ 156,731

NOTE 13 – CONCENTRATIONS

Cash and cash equivalents that potentially subject the Organization to a concentration of credit risk include cash accounts with banks that may exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Interest bearing accounts are insured up to \$250,000 per depositor. As of June 30, 2019 and 2018, cash and cash equivalents held in one bank exceeded FDIC limits by approximately \$269,000 and \$218,000, respectively.

THE HOPE PROGRAM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 14 – BANK LINE OF CREDIT

SSBx has an unsecured line of credit with a bank and a maximum borrowing limit of \$275,000 to provide working capital. The line of credit is payable on demand and bears interest at a variable rate of The Wall Street Journal prime rate plus .50% per annum for the years ended June 30, 2019 and 2018. The line of credit matured in June 2019 and was renewed with a maturity date in June 2020. There are no loan covenants associated with the line of credit. As of June 30, 2019 and 2018, outstanding borrowings on the line of credit amounted to \$0 and \$0, respectively. As of January 15, 2020, outstanding borrowings on the line of credit amounted to \$0.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the consolidated statement of financial position through January 15, 2020, the date the consolidated financial statements were available to be issued.

THE HOPE PROGRAM, INC. AND SUBSIDIARIES
CONSOLIDATING SCHEDULES OF FINANCIAL POSITION
AS OF JUNE 30, 2019
(With Comparative Totals for June 30, 2018)

	As of June 30, 2019				Consolidated	Consolidated
	The HOPE	Sustainable	Intervine,	Consolidating	Total	Total
	Program, Inc.	South Bronx, Inc.	LLC	Eliminations	2019	2018
ASSETS						
Cash and cash equivalents	\$ 1,367,779	\$ 122,547	\$ -	\$ -	\$ 1,490,326	\$ 877,450
Investments	1,305,269	-	-	-	1,305,269	1,170,523
Accounts receivable	-	306,407	-	-	306,407	844,315
Contributions and grants receivable, net	597,864	292,757	21,800	-	912,421	1,067,018
Due from related party	1,227,361	159,683	184,382	(1,571,426)	-	-
Prepaid expenses and other assets	44,548	6,763	5,804	-	57,115	58,666
Property and equipment, net	23,769	83,545	-	-	107,314	88,883
Security deposit	56,168	16,318	-	-	72,486	75,431
TOTAL ASSETS	\$ 4,622,758	\$ 988,020	\$ 211,986	\$ (1,571,426)	\$ 4,251,338	\$ 4,182,286
LIABILITIES						
Accounts payable and accrued expenses	\$ 200,451	\$ 124,062	\$ 14,818	\$ -	\$ 339,331	\$ 268,007
Due to related party	184,383	1,227,361	159,682	(1,571,426)	-	-
Deferred revenue	904	-	-	-	904	42,014
TOTAL LIABILITIES	385,738	1,351,423	174,500	(1,571,426)	340,235	310,021
NET ASSETS						
Without donor restrictions	3,656,850	(443,675)	37,486	-	3,250,661	2,756,193
With donor restrictions	580,170	80,272	-	-	660,442	1,116,072
TOTAL NET ASSETS	4,237,020	(363,403)	37,486	-	3,911,103	3,872,265
TOTAL LIABILITIES AND NET ASSETS	\$ 4,622,758	\$ 988,020	\$ 211,986	\$ (1,571,426)	\$ 4,251,338	\$ 4,182,286

THE HOPE PROGRAM, INC. AND SUBSIDIARIES
CONSOLIDATING SCHEDULES OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for June 30, 2018)

	For the Year Ended June 30, 2019									
	The HOPE Program, Inc.			Sustainable South Bronx, Inc.			Intervine, LLC			
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Consolidating Eliminations	Consolidated Total 2019	Consolidated Total 2018
OPERATING SUPPORT AND REVENUE:										
Foundation and corporate contributions	\$ 306,761	\$ 1,451,953	\$ 1,758,714	\$ 336,258	\$ 110,000	\$ 446,258	\$ -	\$ -	\$ 2,204,972	\$ 2,833,619
Individual contributions	490,000	-	490,000	6,661	-	6,661	-	-	496,661	492,690
Government grants	795,643	-	795,643	1,292,503	-	1,292,503	513,377	-	2,601,523	1,799,142
Other not-for-profit organizations	70,750	-	70,750	-	-	-	-	-	70,750	65,291
Investment activity	57,947	-	57,947	-	-	-	-	-	57,947	87,665
Special events revenue	528,809	-	528,809	-	-	-	-	-	528,809	441,025
Program service revenue	-	-	-	-	-	-	209,230	-	209,230	163,021
Net assets released from restrictions	1,717,396	(1,717,396)	-	300,187	(300,187)	-	-	-	-	-
TOTAL OPERATING SUPPORT AND REVENUE	3,967,306	(265,443)	3,701,863	1,935,609	(190,187)	1,745,422	722,607	-	6,169,892	5,882,453
OPERATING EXPENSES:										
Program Services	2,453,441	-	2,453,441	1,544,460	-	1,544,460	556,904	-	4,554,805	3,617,173
Supporting Services:										
Management and general	562,623	-	562,623	395,664	-	395,664	99,364	-	1,057,651	940,319
Fundraising	458,730	-	458,730	59,868	-	59,868	-	-	518,598	513,695
Total supporting services	1,021,353	-	1,021,353	455,532	-	455,532	99,364	-	1,576,249	1,454,014
TOTAL OPERATING EXPENSES	3,474,794	-	3,474,794	1,999,992	-	1,999,992	656,268	-	6,131,054	5,071,187
CHANGE IN NET ASSETS	492,512	(265,443)	227,069	(64,383)	(190,187)	(254,570)	66,339	-	38,838	811,266
Net Assets (Deficit) - Beginning of Year	3,164,338	845,613	4,009,951	(379,292)	270,459	(108,833)	(28,853)	-	3,872,265	3,060,999
NET ASSETS (DEFICIT) - END OF YEAR	\$ 3,656,850	\$ 580,170	\$ 4,237,020	\$ (443,675)	\$ 80,272	\$ (363,403)	\$ 37,486	\$ -	\$ 3,911,103	\$ 3,872,265

THE HOPE PROGRAM, INC. AND SUBSIDIARIES
CONSOLIDATING SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for June 30, 2018)

	For the Year Ended June 30, 2019												Consolidated Total 2019	Consolidated Total 2018
	The Hope Program, Inc.				Sustainable South Bronx, Inc.				Intervine, LLC					
	Supporting Services				Supporting Services				Supporting Services					
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Total			
Salaries	\$ 1,203,175	\$ 132,260	\$ 208,257	\$ 1,543,692	\$ 479,270	\$ 229,730	\$ 41,463	\$ 750,463	\$ 116,642	\$ 64,514	\$ 181,156	\$ 2,475,311	\$ 2,087,954	
Participant salaries	51,982	-	-	51,982	302,488	-	-	302,488	225,272	-	225,272	579,742	307,980	
Payroll taxes and benefits	242,271	27,400	43,145	312,816	77,129	47,593	8,590	133,312	53,317	13,365	66,682	512,810	431,245	
Total salaries and related costs	1,497,428	159,660	251,402	1,908,490	858,887	277,323	50,053	1,186,263	395,231	77,879	473,110	3,567,863	2,827,179	
Professional fees	165,696	348,122	43,679	557,497	22,064	44,316	282	66,662	44,590	5,270	49,860	674,019	633,983	
Rent	256,440	28,189	44,388	329,017	53,310	25,553	4,612	83,475	13,977	7,731	21,708	434,200	472,507	
Insurance	20,688	2,274	3,581	26,543	31,564	15,130	2,731	49,425	9,432	5,217	14,649	90,617	47,193	
Student travel and meals	122,806	-	-	122,806	48,697	-	-	48,697	16,808.00	-	16,808	188,311	114,366	
Maintenance and security	7,967	876	1,379	10,222	7,122	3,414	616	11,152	1,831.00	1,012.00	2,843	24,217	46,113	
Printing and postage	19,210	2,112	4,036	25,358	160	77	14	251	32	18	50	25,659	21,202	
Utilities	13,652	1,501	2,363	17,516	4,119	1,974	356	6,449	1,107	612	1,719	25,684	26,319	
Telephone	21,116	2,321	3,655	27,092	1,516	727	131	2,374	316	175	491	29,957	33,398	
Food expense	46,503	-	-	46,503	14,650	-	-	14,650	1,146	-	1,146	62,299	32,989	
Program supplies	124,245	-	-	124,245	230,509	-	-	230,509	68,856	-	68,856	423,610	228,043	
Coolroof program materials	-	-	-	-	249,319	-	-	249,319	-	-	-	249,319	267,667	
Office expenses	120,044	17,068	20,778	157,890	6,613	9,391	1,073	17,077	2,580	1,450	4,030	178,997	143,753	
Miscellaneous	30,460	-	-	30,460	-	-	-	-	-	-	-	30,460	19,186	
Special events	-	-	83,469	83,469	-	-	-	-	998	-	998	84,467	81,622	
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	6,352	
Bad debt expense	-	500	-	500	15,930	-	-	15,930	-	-	-	16,430	56,279	
Depreciation and amortization	7,186	-	-	7,186	-	17,759	-	17,759	-	-	-	24,945	13,036	
TOTAL EXPENSES	\$ 2,453,441	\$ 562,623	\$ 458,730	\$ 3,474,794	\$ 1,544,460	\$ 395,664	\$ 59,868	\$ 1,999,992	\$ 556,904	\$ 99,364	\$ 656,268	\$ 6,131,054	\$ 5,071,187	