



**SERVICES OF HOPE ENTITIES, INC.**

Dallas, Texas

Financial Statements and Single Audit Required Supplementary Information

For the Year Ended December 31, 2021

# SERVICES OF HOPE ENTITIES, INC.

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Financial Statements and Single Audit Required Supplementary Information

For the Year Ended December 31, 2021

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## **FINANCIAL SECTION**

**Wade R. Moran CPA, PLLC**  
Certified Public Accounting Firm  
**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
SERVICES OF HOPE ENTITIES, INC.

**Opinion**

We have audited the accompanying financial statements of SERVICES OF HOPE ENTITIES, INC. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SERVICES OF HOPE ENTITIES, INC. as of December 31, 2021, 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.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SERVICES OF HOPE ENTITIES, INC. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SERVICES OF HOPE ENTITIES, INC.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 SERVICES OF HOPE ENTITIES, INC.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SERVICES OF HOPE ENTITIES, INC.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2022, on our consideration of SERVICES OF HOPE ENTITIES, INC.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SERVICES OF HOPE ENTITIES, INC.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SERVICES OF HOPE ENTITIES, INC.'s internal control over financial reporting and compliance.

*Wade R. Moran, CPA*

Wade R. Moran CPA, PLLC

Dallas, Texas

September 16, 2022

# **BASIC FINANCIAL STATEMENTS**

**SERVICES OF HOPE ENTITIES, INC.**  
**Statement of Financial Position**  
**December 31, 2021**

**ASSETS**

Current Assets

Cash and Cash Equivalents (Note 2-Section 3 and Note 3)	\$ 262,946
Accounts Receivable (Notes 3 and 4)	63,833
Prepaid Expenses	24,238
Total Current Assets	351,017

Net Property and Equipment (Note 2-Section 4 and Note 5)	128,441
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<b>TOTAL ASSETS</b>	<b>\$ 479,458</b>
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**LIABILITIES AND NET ASSETS**

Current Liabilities

Accounts Payable and Accrued Liabilities	\$ 35,267
Line of Credit (Note 6)	47,613
Total Current Liabilities	82,880

Long-Term Liabilities

Note Payable (Note 7)	0
Total Long-Term Liabilities	0

Total Liabilities	82,880
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Net Assets (Note 2-Section 6)

Without Restrictions	396,578
Total Net Assets	396,578

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 479,458</b>
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The accompanying notes are an integral part of the financial statements

**SERVICES OF HOPE ENTITIES, INC.**  
**Statement of Activities**  
**For The Year Ended December 31, 2021**

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total</u>
<b>REVENUE AND PUBLIC SUPPORT</b>			
Contributions	\$ 629,889	\$ 0	\$ 629,889
Grants (Note 8)	133,300	0	133,300
Fees for Services	3,186,760	0	3,186,760
In-Kind Donations (Note 9)	670,988	0	670,988
Other Income	<u>22,789</u>	<u>0</u>	<u>22,789</u>
<b>TOTAL REVENUE AND PUBLIC SUPPORT</b>	<b>4,643,726</b>	<b>0</b>	<b>4,643,726</b>
<b>EXPENSES</b>			
Program Services	4,084,267	0	4,084,267
Supporting Services			
Management and General	278,744	0	278,744
Fundraising	<u>149,595</u>	<u>0</u>	<u>149,595</u>
<b>TOTAL EXPENSES</b>	<b><u>4,512,606</u></b>	<b><u>0</u></b>	<b><u>4,512,606</u></b>
<b>CHANGE IN NET ASSETS</b>	<b>131,120</b>	<b>0</b>	<b>131,120</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b><u>265,458</u></b>	<b><u>0</u></b>	<b><u>265,458</u></b>
<b>NET ASSETS AT END OF YEAR</b>	<b><u><u>\$ 396,578</u></u></b>	<b><u><u>\$ 0</u></u></b>	<b><u><u>\$ 396,578</u></u></b>

The accompanying notes are an integral part of the financial statements

**SERVICES OF HOPE ENTITIES, INC.**  
**Statement of Functional Expenses**  
**For The Year Ended December 31, 2021**

Natural Expense Categories	Program Services	Support Services		Total
		Management and General	Fund Raising	
Salaries and Wages	\$ 86,850	\$ 72,418	\$ 65,051	\$ 224,319
Payroll Taxes	7,456	6,217	5,584	19,257
Employee Benefits	8,368	619	952	9,939
Contract Services	365,839	78,306	38,100	482,245
Professional Fees	12,905	12,484	357	25,746
Supplies and Materials	24,825	2,278	1,759	28,862
Transportation Expense	30,550	0	0	30,550
Travel Expense	2,687	29	88	2,804
Conferences and Meetings	969	1,104	4,937	7,010
Client Assistance	2,686,953	0	0	2,686,953
In-Kind Client Assistance (Note 9)	668,488	0	0	668,488
Grants	160,317	0	0	160,317
Communications and Marketing *	0	0	1,815	1,815
Occupancy	18,264	36,028	333	54,625
Equipment	0	557	0	557
Insurance	1,096	28,373	29,419	58,888
Taxes and Fees	0	4,746	0	4,746
Interest Expense	0	1,116	0	1,116
All Other Expenses	8,700	14,784	1,200	24,684
<b>TOTAL OPERATING EXPENSES</b>	<b>4,084,267</b>	<b>259,059</b>	<b>149,595</b>	<b>4,492,921</b>
<b>Other Expenses</b>				
Depreciation (Note 2-Section 4 and Note 5)	0	19,685	0	19,685
<b>TOTAL OTHER EXPENSES</b>	<b>0</b>	<b>19,685</b>	<b>0</b>	<b>19,685</b>
<b>TOTAL EXPENSES</b>	<b>\$ 4,084,267</b>	<b>\$ 278,744</b>	<b>\$ 149,595</b>	<b>\$ 4,512,606</b>

\* Includes \$1,326 of Advertising Expense (Note 2-Section 9)

The accompanying notes are an integral part of the financial statements

**SERVICES OF HOPE ENTITIES, INC.**  
**Statement of Cash Flows**  
**For The Year Ended December 31, 2021**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ 131,120
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation Expense	19,685
In-Kind Fixed Asset Contribution	(2,500)
Change in Accounts Receivable	(63,833)
Change in Prepaid Expenses	(24,238)
Change in Accounts Payable and Accrued Liabilities	<u>(197,545)</u>
Net Cash Provided (Used) by Operating Activities	(137,311)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Fixed Assets	<u>(10,550)</u>
Net Cash Provided (Used) by Investing Activities	(10,550)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Advances on Line of Credit	772,450
Principal Payments on Line of Credit	<u>(724,859)</u>
Net Cash Provided (Used) by Financing Activities	47,591

**CHANGE IN CASH AND CASH EQUIVALENTS** (100,270)

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** 363,216

**CASH AND CASH EQUIVALENTS AT END OF YEAR** \$ 262,946

**SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION**

Cash	
In-Kind Contributions	670,988
Interest Expense Paid	1,116

The accompanying notes are an integral part of the financial statements

## SERVICES OF HOPE ENTITIES, INC.

Notes to the Basic Financial Statements

December 31, 2021

### **NOTE 1 – NATURE OF ACTIVITIES**

SERVICES OF HOPE ENTITIES, INC. (hereinafter “The Organization”) is a faith-based 501(c) (3) organization founded in 2004 on the principles of self-help, spiritual enrichment, and community renewal. It was incorporated under the laws of the State of Texas. It began as a contractor for the Dallas County Juvenile Justice Department (hereinafter “DCJJD”) to work with at-risk and adjudicated youth in an after-school setting. Its mission has evolved over the years.

Today, The Organization provides an array of services. Its new mission is to improve and transform the lives of low to moderate income families. This mission is accomplished through; 1) Wrap-Around Social Services, 2) Financial Education/Literacy Training and Workforce Development Services. The Organization utilizes an Integrated Service Delivery Model which encompasses the entire person/family to give a good case assessment of their needs to move each person/family from where they are to sustainability. The Organization’s core beliefs include Christian values, integrity, community focus, respect, and stewardship.

The Organization primary sources of revenue are grants, donations, and fees for services. The Organization competes and are awarded grants that helps to fulfil its mission; financial education/counseling training, rental assistance programs, first time home buyers’ classes, food distribution and other useful services. In addition, the Organization has established a wide range of relationships that provides a wide range of in-kind donations annually.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Management selects accounting principles generally accepted in the United States of America and adopts methods for their application. This summary of significant accounting policies selected by the Organization’s management is presented to assist in understanding the financial statements.

- 1) Basis of Accounting - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when earned and expenses are recorded when incurred on the accrual basis of accounting.
- 2) Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Accordingly, it is reasonably possible for actual results to differ from those estimates.
- 3) Cash Equivalents - For statement of cash flow purposes, cash equivalents include highly liquid investments that are readily convertible to known amounts of cash. The Organization estimates that the fair value of cash and cash equivalents do not differ materially from the aggregate carrying value recorded in the accompanying statement of financial position as of December 31, 2021.
- 4) Property and Equipment - It is the Organization’s policy to capitalize property and equipment with an acquisition cost of \$1,000 and greater for all assets except leasehold improvements which are capitalized with an acquisition cost in excess of \$5,000. Lesser amounts are expensed. Donations of property and equipment are capitalized, and recorded as support, at their fair value at the date of receipt. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without restrictions at that time. The cost of maintenance and repairs are charged to expense as incurred. Property and equipment are depreciated using the straight-line method over the estimated useful life of the assets.

**SERVICES OF HOPE ENTITIES, INC.**

Notes to the Basic Financial Statements

December 31, 2021

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

- 5) Impairment of Long-Lived Assets - Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the undiscounted future cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value, less cost to sell. Management is of the opinion that the carrying amount of its long-lived assets does not exceed their estimated recoverable amount.
- 6) Net Asset Classification – In accordance with GAAP, the Organization has adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Therefore, the Organization classifies its net assets into two categories as follows: Without Donor Restrictions - Net assets which are not subject to donor-imposed stipulations. These may be used for any purpose or designated for specific purposes by action of the Board of Trustees. With Donor Restrictions - (1) Net assets which are subject to donor-imposed purpose restrictions or which expire by the passage of time (formerly called temporarily-restricted). (2) Net assets subject to donor-imposed stipulations that the corpus be maintained permanently (formerly called permanently-restricted). Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. These are often referred to as endowment.
- 7) Contributions – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Restrictions on gifts of fixed assets or cash for the purchase of fixed assets expire when the asset is placed in service.
- 8) Donated Tangible Assets, Services and Use of Property - Donated assets recorded at fair market value on the date of receipt in the appropriate investment, expense or equipment account. In the absence of donor restrictions, donated assets are reported as revenue without donor restrictions. Contributed services are recognized as revenues without donor restrictions if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution. Contributed use of facilities is recorded at fair value at the time of the transaction.
- 9) Advertising - The Organization utilizes advertising to promote the organization and its programs to its supporters and the general public. The costs of advertising are expensed when incurred and advertising expense was \$1,326 for the year ended December 31, 2021.
- 10) Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are compensation and benefits, which are allocated on the basis of estimates of time and effort; occupancy costs and depreciation, which are allocated on a square footage/usage basis.
- 11) Uncertain Tax Positions – The Organization is a not-for-profit organization that is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code as other than a private foundation. The Organization is not aware of any activities that would jeopardize its tax-exempt status and is not aware of any activities that are subject to tax on unrelated business income. As of December 31, 2021, the Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. With few exceptions, Federal information returns filed prior to 2018 for the Organization are no longer subject to examination by tax authorities.

## SERVICES OF HOPE ENTITIES, INC.

Notes to the Basic Financial Statements

December 31, 2021

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- 12) Coronavirus Aid, Relief, and Economic Security Act and Other Coronavirus Events – On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the year 2020 or 2021. In January 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act was signed into law. The Organization did receive an SBA PPP Loan to provide short-term COVID-19 Relief in April, 2020 in the amount of \$44,700 and another one for \$133,300 in March, 2021. The 2020 loan was forgiven and included in grant revenue in 2020. The 2021 loan was forgiven and included in grant revenue in 2021 (See Note 7).
- 13) Subsequent Events – Management reviewed Type 1 subsequent events (events that reveal conditions existing at or before the balance sheet date and require adjustment to the financial statements) and Type 2 subsequent events (events that reveal conditions arising after the balance sheet date and require disclosure in, but not adjustment to, the financial statements). There were two subsequent events noted including an increase in the line of credit (See Note 6) and a new lease (See Note 10). Management has evaluated subsequent events after the statement of financial position date of December 31, 2021 through the date the financial statements were available to be issued and concluded that no additional disclosures are required.
- 14) Recent Accounting Pronouncements – The accounting principles governing the reported amounts, presentations, and disclosures in our financial statements are subject to change from time to time based on the issuance of new pronouncements of various standard-setting bodies. New pronouncements not yet in effect as of December 31, 2021, will not have a material effect on our financial statements of financial position, activities, and cash flows.
- 15) Fair Value Measurements and Disclosures - Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 *Fair Value Measurements and Disclosures* established a framework for measuring fair value. That framework provides for a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows: *Level 1* - Inputs based on unadjusted quoted prices for identical assets or liabilities accessible at the measurement date, *Level 2* – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets, and *Level 3* - Unobservable inputs for the asset or liability including the reporting entity’s own assumptions in determining the fair value measurement.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value, or reflective of future fair values. Furthermore, while the Organization believes that its valuation methods are appropriate and consistent with other market techniques, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The estimated fair values of the Organization’s financial instruments not measured at fair value, including cash and cash equivalents, receivables, prepaid expenses, and accounts payable and accrued liabilities approximated their carrying values based on the short-term nature of these items as of December 31, 2021.

**SERVICES OF HOPE ENTITIES, INC.**

Notes to the Basic Financial Statements

December 31, 2021

**NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Financial Assets at Year-End	
Cash and Cash Equivalents	\$ 262,946
Accounts Receivable	<u>63,833</u>
Total Financial Assets Available	\$ 326,779
Less: Donor Imposed Restrictions	<u>(0)</u>
Financial Assets Available to Meet Cash Needs	
General Expenditures within One Year	<u>\$ 362,779</u>

The Organization strives to maintain liquid financial assets sufficient to cover 120 days of general expenditures. As part of this liquidity management the Guild invests cash in excess of daily requirements in savings accounts.

**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable from contract payments as of December 31, 2021, consists of the following:

Fees for Services	\$ 50,891
Client Assistance	<u>12,942</u>
Total	<u>\$ 63,833</u>

The receivables are deemed 100% collectible by management: therefore, no allowance for doubtful accounts was recorded as of December 31, 2021.

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment are used for operating purposes and consisted of the following at December 31, 2021:

Leasehold Improvements (15 years)	\$ 99,546
Furniture and Fixtures (7 years)	27,000
Equipment (5 years)	18,100
Vehicles (5 years)	26,050
Computers and Software (3 years)	<u>5,000</u>
Total Property and Equipment	\$ 175,696
Less: Accumulated Depreciation	<u>(47,255)</u>
Net Property and Equipment	<u>\$ 128,441</u>

Depreciation expense for the year ended December 31, 2021 was \$19,685.

**NOTE 6 – LINE OF CREDIT**

The Organization obtained a secured bank line of credit for \$50,000 for operating expenses on July 20, 2020 with a maturity date of July 20, 2021 bearing an interest rate of 4%. The line of credit was secured with the Organization's deposit account. The maturity date was extended to January 27, 2022. The balance of the line of credit as of December 31, 2021 amounted to \$47,613.

On March 25, 2022 the line of credit was increased to \$100K with an interest rate of 3.5%. The agreement matures September 25, 2022 and was secured with the Organization's certificate of deposit account, inventory, chattel paper, accounts, equipment and general intangibles,

**SERVICES OF HOPE ENTITIES, INC.**

Notes to the Basic Financial Statements

December 31, 2021

**NOTE 7 – NOTE PAYABLE**

The Organization obtained an SBA PPP loan through a financial institution in the amount of \$44,700 in April, 2020 for with an interest rate of 1% and all remaining principal and accrued interest is due and payable two (2) years from date of the Note. The amount of the Loan is forgivable, both principal and interest, if the Loan qualifies for such forgiveness under sections 1102 and 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act or the Act) and specifically Section 1102 of the Act titled the "Paycheck Protection Program". The Loan is unsecured and there is no guaranty of this Loan. The balance of the loan as of December 31, 2021 is \$0 as the loan was forgiven in 2020.

The Organization obtained a second SBA PPP loan through a financial institution in the amount of \$133,300 in February, 2021 for with an interest rate of 1% and all remaining principal and accrued interest is due and payable two (2) years from date of the Note. The amount of the Loan is forgivable, both principal and interest, if the Loan qualifies for such forgiveness under sections 1102 and 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act or the Act) and specifically Section 1102 of the Act titled the "Paycheck Protection Program". The Loan is unsecured and there is no guaranty of this Loan. The balance of the loan as of December 31, 2021 is \$0 as the loan was forgiven in 2021 (Note 8).

**NOTE 8– GRANTS REVENUE**

Grant revenues from contract grants from government and other agencies for the year ended December 31, 2021 were from the following sources:

Small Business Administration (PPP) 2021	<u>\$ 133,300</u>
Total	<u>\$ 133,300</u>

**NOTE 9 – IN-KIND CONTRIBUTIONS**

In-kind contributions for the year ended December 31, 2021 were used for the following purposes:

Client Assistance	
Food	\$ 354,060
Clothing and Household Items	288,978
All Others	<u>25,450</u>
Total Expenses	\$ 668,488
Vehicle	<u>2,500</u>
Total	<u>\$ 670,988</u>

**NOTE 10 – LEASE COMMITMENTS**

The Organization signed a new lease for office space in July, 2022 at 1137 Conveyor Lane, Suite 107. Dallas, Texas with payments of \$0 per month from August 1, 2022 until September 30, 2022, payments of \$3,750 per month from October 1, 2022 until September 30, 2023, payments of \$3,940 per month from October 1, 2023 until September 30, 2024 and payments of \$4,135 per month from October 1, 2024 until the end of the lease on September 30, 2025.

Future minimum lease payments are:	
2022	\$ 11,250
2023	45,570
2024	47,865
2025	<u>37,215</u>
Total future minimum lease payments	<u>\$ 141,900</u>

Office rental expense included in Occupancy costs was \$32,500 for the year ended December 31, 2021.

**SERVICES OF HOPE ENTITIES, INC.**

Notes to the Basic Financial Statements

December 31, 2021

**NOTE 11 – COMPENSATED ABSENCES**

Employees of the Organization are entitled to paid vacation and personal days off, depending on length of service and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the financial statements. The Organization's policy is to expense the costs of compensated absences when actually paid to employees.

**NOTE 12 – CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and equivalents on deposit at financial institutions. At December 31, 2021 total deposits in excess of federally insured limits amounted to \$31,441. The Organization's bank accounts are with a credit worthy, high quality financial institutions. Credit risk for cash and cash equivalents is considered small.

**NOTE 13 – VOLUNTEER CONTRIBUTED SERVICES**

The Organization is assisted by volunteers who contributed services (including board members) for the effective administration and program services of the Organization. The Organization estimates these volunteer hours during the year ending December 31, 2021 to be approximately 1,050. Volunteer services are not recorded in these financial statements since they do not meet the criteria set forth in Note 2 under Donated Tangible Assets, Services, and Use of Property.

**SINGLE AUDIT  
REQUIRED SUPPLEMENTARY INFORMATION**

# SERVICES OF HOPE ENTITIES, INC.

Dallas, Texas

Required Supplementary Information

For the Year Ended December 31, 2021

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**Wade R. Moran CPA, PLLC**  
Certified Public Accounting Firm

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of  
SERVICES OF HOPE ENTITIES, INC.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of SERVICES OF HOPE ENTITIES, INC. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 16, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered SERVICES OF HOPE ENTITIES, INC.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SERVICES OF HOPE ENTITIES, INC.'s internal control. Accordingly, we do not express an opinion on the effectiveness of SERVICES OF HOPE ENTITIES, INC.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether SERVICES OF HOPE ENTITIES, INC.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Wade R. Moran, CPA*

Wade R. Moran CPA, PLLC

Dallas, Texas

September 16, 2022

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of  
SERVICES OF HOPE ENTITIES, INC.

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited SERVICES OF HOPE ENTITIES, INC.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of SERVICES OF HOPE ENTITIES, INC.'s major federal programs for the year ended December 31, 2021. SERVICES OF HOPE ENTITIES, INC.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, SERVICES OF HOPE ENTITIES, INC. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of SERVICES OF HOPE ENTITIES, INC. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of SERVICES OF HOPE ENTITIES, INC.'s compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to SERVICES OF HOPE ENTITIES, INC.'s federal programs.

**Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on SERVICES OF HOPE ENTITIES, INC.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about SERVICES OF HOPE ENTITIES, INC.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding SERVICES OF HOPE ENTITIES, INC.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of SERVICES OF HOPE ENTITIES, INC.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of SERVICES OF HOPE ENTITIES, INC.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Wade R. Moran, CPA*

Wade R. Moran CPA, PLLC

Dallas, Texas

September 16, 2022

Services of Hope  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2021

<u>Federal Agency (Pass-Through Agency)</u>	<u>Name of Federal Program</u>	<u>CFDA Number</u>	<u>Other Award Number</u>	<u>From Pass- Through Awards</u>	<u>From Direct Awards</u>	<u>Total</u>	<u>Passed Through to Subrecipients</u>
U.S. Dept of Housing & Urban Development (HUD)	CDBG CARES ACT (CDBG-CV) Texas Emergency Rental Assistance Program (TERAP)	<b>14.228</b>	City of Dallas OCC-2021-00016278	\$ 392,039	\$ 0	\$ 392,039	\$ 0
U.S. TREASURY DEPT	CARES ACT - Emergency Rental Assistance & Utility Assistance Program - Phase 4	<b>21.023</b>	United Way of Metropolitan Dallas, Inc. OCC-2021-00015590	2,158,416	0	2,158,416	0
U.S. TREASURY DEPT	CARES ACT - Emergency Rental Assistance & Utility Assistance Program - Phase 5	<b>21.023</b>	United Way of Metropolitan Dallas, Inc. OCC-2021-00016760	4,046	0	4,046	0
U.S. TREASURY DEPT	CARES ACT - Emergency Rental Assistance & Utility Assistance Program - Phase 1.2	<b>21.023</b>	United Way of Metropolitan Dallas, Inc. (MOU Attached)	64,267	0	64,267	0
<b>Total Federal Awards Expended:</b>				<b>\$ 2,618,768</b>	<b>\$ 0</b>	<b>\$ 2,618,768</b>	<b>\$ 0</b>

**SERVICES OF HOPE ENTITIES, INC.**  
Notes to Schedule of Expenditures of Federal Awards  
December 31, 2021

**NOTE 1 – GENERAL**

The accompanying schedules of expenditures of federal awards (the Schedule) presents the activity of all federal and award programs of SERVICES OF HOPE ENTITIES, INC.

**NOTE 2 – BASIS OF ACCOUNTING**

The Schedules were prepared using the accrual basis of accounting. Federal award revenues/expenses are reported as revenues and expenses in the Organization's basic financial statements in the Statement of Activities.

**NOTE 3 – MONITORING**

United Way of Metropolitan Dallas, Inc. and the City of Dallas are pass-through entities that provide processes and procedures to ensure that subrecipients are complying with applicable laws, regulations, federal award policies, contract or grant agreement provisions, and that performance goals are being achieved through reviews of subrecipient financial and programmatic reports.

**SERVICES OF HOPE ENTITIES, INC.**  
Schedule of Findings and Questioned Costs  
December 31, 2021

**SECTION 1 – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditors’ report issued on whether financial statements were prepared in accordance with GAAP:  
Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? No
- Significant deficiency (ies) identified? No
- Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

- Material weakness (es) identified? No
- Significant deficiency (ies) identified? No

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR200.516? No

Identification of major federal programs:

- 14.228 CDBG CARES ACT (CDBG-CV) Texas Emergency Rental Assistance Program (TERAP)
- 21.023 CARES ACT - Emergency Rental Assistance & Utility Assistance Program - Phase 4
- 21.023 CARES ACT - Emergency Rental Assistance & Utility Assistance Program - Phase 5
- 21.023 CARES ACT - Emergency Rental Assistance & Utility Assistance Program - Phase 1.2

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

**SECTION 2 – FINANCIAL STATEMENT FINDINGS**

None Noted.

**SECTION 2 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None Noted.