

CIRCLE OF HOPE, INC.
FINANCIAL STATEMENTS
June 30, 2021

CIRCLE OF HOPE, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Circle of Hope, Inc.
Needham, Massachusetts

We have audited the accompanying financial statements of Circle of Hope, Inc. (a non-profit corporation), which comprise the statement of Financial Position as of June 30, 2021 and the related statements of Activities and Changes in Net Assets, Functional Expenses and Cash Flows for the year then ended, and the related Notes to the Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

(Continued...)

INDEPENDENT AUDITORS' REPORT (Concluded...)

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 financial statements referred to above present fairly, in all material respects, the financial position of Circle of Hope, Inc. as of June 30, 2021 and the changes in its net assets, functional expenses and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

October 4, 2021

CIRCLE OF HOPE, INC.
Statement of Financial Position
June 30, 2021

ASSETS

Cash and Cash Equivalents	<u>\$</u>	<u>533,496</u>
TOTAL CURRENT ASSETS		533,496
Property and Equipment:		
Office Equipment		2,065
Motor Vehicles		<u>30,553</u>
Total Property and Equipment		32,618
Accumulated Depreciation		<u>32,618</u>
NET PROPERTY AND EQUIPMENT		<u>-</u>
Other Assets		
Refundable Security Deposits		<u>9,706</u>
TOTAL ASSETS		<u><u>\$ 543,202</u></u>

LIABILITIES AND NET ASSETS

Accounts Payable and Accrued Expenses	<u>\$</u>	<u>20,036</u>
TOTAL LIABILITIES		<u>20,036</u>
NET ASSETS		
Without Donor Restrictions		522,807
With Donor Restrictions (Note 5)		<u>359</u>
TOTAL NET ASSETS		<u>523,166</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 543,202</u></u>

See accompanying notes and independent auditors' report.

CIRCLE OF HOPE, INC.
Statement of Activities and Change in Net Assets
For the Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 331,889	\$ 83,719	\$ 415,608
Special event sponsorship	58,625	-	58,625
In-kind donations	613,280	-	613,280
Contributed Professional Services (Note 3)	73,000	-	73,000
PPP loan forgiveness	17,700	-	17,700
Interest income	242	-	242
Net assets released from restriction	125,104	(125,104)	-
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	1,219,840	(41,385)	1,178,455
EXPENSES			
Program services:			
COH Boston	846,810	-	846,810
Supporting services:			
Management and general	123,224	-	123,224
Fundraising	78,395	-	78,395
TOTAL EXPENSES	1,048,429	-	1,048,429
CHANGE IN NET ASSETS	171,411	(41,385)	130,026
NET ASSETS, BEGINNING OF YEAR	351,396	41,744	393,140
NET ASSETS, END OF YEAR	\$ 522,807	\$ 359	\$ 523,166

See accompanying notes and independent auditors' report.

CIRCLE OF HOPE, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2021

	<u>PROGRAM SERVICES</u>	<u>SUPPORT SERVICES</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Clothing and toiletries	\$ 719,862	\$ -	\$ -	\$ 719,862
Events	-	-	8,500	8,500
Payroll	38,903	57,653	30,995	127,551
Contributed Professional Services	14,600	36,500	21,900	73,000
Facilities and equipment	49,412	12,353	-	61,765
Operations	21,733	5,433	-	27,166
Professional fees	2,300	11,285	17,000	30,585
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENSES	<u>\$ 846,810</u>	<u>\$ 123,224</u>	<u>\$ 78,395</u>	<u>\$ 1,048,429</u>

See accompanying notes and independent auditors' report.

CIRCLE OF HOPE, INC.
Statement of Cash Flows
For the Year Ended June 30, 2021

Cash Flows from Operating Activities	
Increase in net assets	\$ 130,026
Adjustments to reconcile change in net assets to net cash flow from operations:	
PPP Loan Forgiveness	17,700
Decrease in Accounts Payable and Accrued Expenses	<u>(5,215)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>107,111</u>
 Net Increase in Cash and Cash Equivalents	 107,111
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>426,385</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u><u>\$ 533,496</u></u>
 Supplement disclosures:	
Interest paid	\$ -
Taxes	\$ -

See accompanying notes and independent auditors' report.

CIRCLE OF HOPE, INC.

Notes to the Financial Statements

June 30, 2021

NOTE 1 - Summary of Significant Accounting Policies:

Organization

Circle of Hope, Inc. (“the Organization”) is a non-profit organization dedicated to serving people in need. Their mission is to promote the health and dignity of homeless children, women and men in Boston and Metro West Massachusetts. They are staffed by compassionate volunteers and their programs rely on generous contributions of goods, services and monetary gifts to provide clothing and necessities to over 8,000 homeless individuals. This number reached more than 20,000 with the recent pandemic. Circle of Hope is a not-for-profit corporation organized under Massachusetts law, and is managed by a volunteer board of directors. Circle of Hope derives a substantial amount of its revenue from donations and a small and an increasing amount of revenue from grants.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence, or absence, of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported in one of two categories: net assets without donor restrictions and net assets with donor restrictions.

Net assets with donor restrictions consist of contributions with donor-imposed program specific or time-based restrictions, in addition to contributions with donor-imposed restrictions that do not expire with the passage of time and cannot be removed or fulfilled by the Organization’s actions. These classifications are broadly similar to the prior classifications where restricted amounts were reported either as temporarily or permanently restricted.

CIRCLE OF HOPE, INC.
Notes to the Financial Statements
June 30, 2021

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments available for current use with an initial maturity of three months or less. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes, if any, are not considered cash and cash equivalents for purposes of the statement of cash flows.

Income Taxes

Circle of Hope is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income, if any, from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income during the fiscal year ended June 30, 2021.

Circle of Hope recognizes the tax benefit from any uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the tax position. Any tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. Management has analyzed Circle of Hope's tax positions and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for open years (2017-2019) or expected to be taken in the 2020 tax return.

Circle of Hope identifies its major tax jurisdictions as U.S. Federal and the Commonwealth of Massachusetts. Circle of Hope is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next twelve months. Circle of Hope also follows the policy to recognize interest and penalties related to unrecognized tax benefits (if any) in income tax expense. No such interest and penalties have been accrued as of June 30, 2021.

CIRCLE OF HOPE, INC.

Notes to the Financial Statements

June 30, 2021

NOTE 1 - Summary of Significant Accounting Policies - Concluded:

Contributions

Contributions, including unconditional promises to give, are recognized when made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions that are restricted by the donor are reported as increases in unrestricted net assets 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. When a restriction expires, restricted net assets are reclassified to unrestricted net assets.

Donated Goods & Services

The value of clothing and other goods donated to Circle of Hope is measured by using the Salvation Army Donation Value Guide for used clothing (including shoes, boots, coats), bedding, and linens.

Property and Equipment

Property and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives. Major additions and betterments are charged to the property accounts while replacements, maintenance and repairs which will not improve or extend the life of the respective assets are expensed in the year incurred. The Organization capitalizes all expenditures for property and equipment in excess of \$500.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. These costs include direct and indirect costs that have been allocated, on the basis of time records and utilization estimates made by Management. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

CIRCLE OF HOPE, INC.

Notes to the Financial Statements

June 30, 2021

NOTE 2 - Date of Management's Review:

In preparing the financial statements, Management has evaluated events and transactions for potential recognition or disclosure through October 4, 2021, the date the financial statements were available to be issued.

NOTE 3 - Donated Services:

The Organization does not recognize any support, revenue or expense from services contributed by donors or volunteers, unless fair value of the service donated exceeds \$1,000. Contributed services are recognized as revenue only if the services create or enhance non-financial assets or require special skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation.

During the fiscal year ended June 30, 2021 contributed services meeting these requirements for recognition in the financial statements were provided by Barbara Waterhouse, the executive director, who specializes in public health. The value of her donated services for the fiscal year ended June 30, 2021 was \$73,000.

NOTE 4 - Concentration of Credit Risk:

The Organization maintains its cash balances in one financial institution. Cash accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Share Insurance fund insures all deposits above that amount. At June 30, 2021, the cash balances exceeded the FDIC insured amount by \$283,496.

NOTE 5 - Net Assets - With Donor Restrictions:

Net Assets with donor restrictions are restricted for the following purposes and amounts:

Dignity Project, Welcome Baby, Get Set & Emergencies	\$ 359
Total net assets with donor restrictions	<u>\$ 359</u>

CIRCLE OF HOPE, INC.

Notes to the Financial Statements

June 30, 2021

NOTE 6 - Lease Commitments:

The Organization is obligated under a ten-year lease for its current premises. The lease expires December 31, 2029, with an option to extend for an additional three years. Estimated future rental obligations for the next five years by fiscal year are as follows:

2022	\$ 55,000
2023	\$ 56,680
2024	\$ 57,800
2025	\$ 58,920
2026	\$ 58,920

NOTE 7 - Special Events:

Donations solicited through the special event "Hope Blooms" are presented in the Statement of Activities, gross of applicable expenses. Revenue from Hope Blooms totaled a \$58,625 with expenses from this event totaling \$11,278 for the year ended June 30, 2021.

NOTE 8 - Risks and Uncertainties:

In 2020, an outbreak of the novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been mandates from federal, state and local authorities resulting in an overall decline in economic activity. The ultimate impact of COVID-19 on the financial performance of the Organization is not reasonably estimable at this time.

NOTE 9 – PPP Loan Forgiveness:

The Organization had obtained a Payroll Protection Program loan in the amount of \$17,700 from Needham Bank in May 2020. In November 2020, the loan was entirely forgiven by the Small Business Association resulting in no repayments due on this loan. The loan forgiveness was recognized as income during the fiscal year ending June 30, 2021.