

BLESSINGS OF HOPE
REVIEWED FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019



www.HostetterCPA.com

40 Friendly Drive
Quarryville, PA 17566

2296 South Market Street
Elizabethtown, PA 17022

Office (717) 284-2468 FAX (717) 284-2390

Members of Pennsylvania Institute of Certified Public Accountants
Members of American Institute of Certified Public Accountants

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Officers and Directors
Blessings of Hope
Leola, Pennsylvania

We have reviewed the accompanying financial statements of Blessings of Hope (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets – modified cash basis as of December 31, 2020 and 2019, and the related statements of revenues, expenses, and other changes in net assets – modified cash basis and functional expenses – modified cash basis for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organizational management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

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

Accountants' Conclusion

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

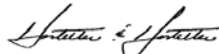
Basis of Accounting

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

Other Matter

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "public health emergency of international concern" and on March 10, 2020, declared it to be a pandemic. The actions taken since then to mitigate the virus have had and are expected to continue to have an adverse impact on the economy, financial markets, and the geographical area in which the Organization operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Organization.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.



Hostetter and Hostetter
Certified Public Accountants

Quarryville, PA
April 26, 2021

BLESSINGS OF HOPE
 Statements of Assets, Liabilities, and Net Assets - Modified Cash Basis
 As of December 31, 2020 and 2019

	December 31,	
ASSETS	2020	2019
CURRENT ASSETS		
Cash	\$ 294,779	\$ 473,156
Inventory (see Note 1)	1,461,594	724,962
Accounts Receivable	468,517	17,463
TOTAL CURRENT ASSETS	2,224,890	1,215,581
 PROPERTY AND EQUIPMENT		
Land	125,000	125,000
Building	1,149,614	1,149,614
Building Improvements	2,088,101	517,317
Equipment	1,326,324	312,111
Less: Accumulated Depreciation	(279,625)	(106,217)
PROPERTY AND EQUIPMENT, NET	4,409,414	1,997,825
 OTHER ASSETS		
Security Deposit	10,000	-
TOTAL ASSETS	\$ 6,644,304	\$ 3,213,406
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 360,927	\$ 22,982
Deposits	-	1,694
Demand Notes Payable - Individuals	186,500	169,500
Current Portion of Long-Term Debt	416,148	139,390
TOTAL CURRENT LIABILITIES	963,575	333,566
 LONG-TERM LIABILITIES		
Notes Payable - Equipment	317,738	116,531
Note Payable - Foundation	1,000,000	-
Notes Payable Bank - Land & Building	1,160,637	1,275,000
Less: Current Portion	(416,148)	(139,390)
TOTAL LONG-TERM LIABILITIES	2,062,227	1,252,141
 NET ASSETS		
Net Assets Without Donor Restrictions	3,618,502	1,627,699
TOTAL LIABILITIES AND NET ASSETS	\$ 6,644,304	\$ 3,213,406

BLESSINGS OF HOPE
 Statements of Revenues, Expenses, and Other Changes in Net Assets-
 Modified Cash Basis
 For the Years Ended December 31, 2020 and 2019

	Year Ended December 31,	
REVENUE	2020	2019
Contributions	\$ 1,152,764	\$ 1,075,741
Government Grants	188,383	-
Donated Food, net (see Note 1)	116,443,508	22,279,770
Service Fees	4,668,704	445,965
Other Income	54,522	12,939
Interest Income	85	-
Gain (Loss) on Sale of Assets	(8,928)	5,404
Capital Campaign (net of \$159,640 and \$12,363 of direct expenses at December 31, 2020 and 2019, respectively)	451,755	523,837
Fundraising Activities (net of \$3,161 and \$58,501 of direct expenses at December 31, 2020 and 2019, respectively)	51,449	136,254
	123,002,242	24,479,910
EXPENSES		
Program Services	120,776,318	23,280,166
Management and General	202,511	143,920
Fundraising Expenses	32,609	107,103
	121,011,439	23,531,190
CHANGE IN NET ASSETS	1,990,803	948,720
NET ASSETS - JANUARY 1	1,627,699	678,979
NET ASSETS - DECEMBER 31	\$ 3,618,502	\$ 1,627,699

BLESSINGS OF HOPE
Statement of Functional Expenses - Modified Cash Basis
For the Year Ended December 31, 2020

	Program Services	Management and General	Fundraising	Total Expenses
Expenses				
Equipment/Storage Rent	\$ 50,231	\$ 1,656	\$ 3,312	\$ 55,199
Payroll/Employee Leasing	1,041,628	140,400	-	1,182,028
Employee Expenses	10,349	1,612	-	11,961
Outside Services	401,319	-	-	401,319
Donated Food Distributed (see Note 1)	115,727,463	-	-	115,727,463
Donations	457,341	-	-	457,341
Travel	2,048	-	-	2,048
Professional Fees	-	29,033	-	29,033
Building/Equipment Maintenance	80,982	-	-	80,982
Advertising and Promotion	71,850	-	4,586	76,436
Utilities	58,898	12,082	4,531	75,510
Trash Disposal	67,687	-	-	67,687
Depreciation Expense	164,811	5,433	10,867	181,111
Insurance Expense	45,826	9,400	3,525	58,751
Interest Expense	53,754	1,772	3,544	59,070
Real Estate Taxes	5,571	-	-	5,571
Vehicle Expenses				
Fuel	272,338	-	-	272,338
Trucking/Hauling	794,292	-	-	794,292
Leasing	486,200	-	-	486,200
Maintenance and Repairs	155,378	-	-	155,378
Insurance	14,691	-	-	14,691
Registrations and Fees	24,228	-	-	24,228
Parking, Tolls and Reimbursements	92,052	-	-	92,052
Interest	5,171	-	-	5,171
Supplies	658,160	-	-	658,160
Bank/Merchant Fees	34,052	1,122	2,245	37,419
Total Functional Expenses	\$ 120,776,318	\$ 202,511	\$ 32,609	\$ 121,011,439

BLESSINGS OF HOPE
Statement of Functional Expenses - Modified Cash Basis
For the Year Ended December 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Expenses				
Building Rent/CAM	\$ 71,971	\$ 14,763	\$ 5,536	\$ 92,270
Payroll	284,189	14,957	-	299,146
Payroll Taxes	21,681	1,204	-	22,885
Outside Services	95,800	76,640	19,160	191,599
Donated Food Distributed	22,354,334	-	-	22,354,334
Donations	160,211	-	-	160,211
Travel & Meals	2,761	-	-	2,761
Professional Fees	-	24,587	-	24,587
Repairs and Maintenance	11,691	-	-	11,691
Advertising and Promotion	-	-	73,502	73,502
Utilities	34,499	7,077	2,654	44,229
Depreciation Expense	49,341	-	-	49,341
Insurance Expense	15,768	3,235	1,213	20,216
Interest Expense	14,442	-	-	14,442
Real Estate Taxes	26,422	-	-	26,422
Vehicle Expenses	95,252	-	-	95,252
Supplies	35,737	-	-	35,737
Bank/Merchant Fees	6,069	344	5,038	11,451
Miscellaneous	-	1,114	-	1,114
Total Functional Expenses	<u>\$ 23,280,166</u>	<u>\$ 143,920</u>	<u>\$ 107,103</u>	<u>\$ 23,531,190</u>

BLESSINGS OF HOPE
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Blessings of Hope (the Organization) is located in Lancaster County, Pennsylvania. The Organization is a food distribution warehouse that was set up to allow large food distributors to efficiently donate to the community. The food is received, stored and redistributed to smaller food ministries, outreaches and families in need in the community. Blessings of Hope is a ministry of Light of Hope Ministries. These financial statements include only the activity of Blessings of Hope. In 2020, Blessings of Hope was set up as an integrated auxiliary of Light of Hope Ministries and now operates under its own employer identification number and its own 501(c)(3) status.

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting. That basis differs from accounting principles generally accepted in the United States of America primarily because certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligations are incurred. Consequently, the Organization has not recognized pledges receivable from donors, unbilled accruals or unbilled accounts payable to vendors, and their related effects on the change in net assets in the accompanying financial statements. The Organization has recognized accounts receivable from customers and accounts payable for invoices received.

Inventory

Inventory consists of food received from various large food distributors. Inventory is valued at \$1.70 per pound for public donations.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using straight-line methods based on the estimated useful lives of the assets ranging from 5 to 39 years and totaled \$181,111 and \$49,341 for the years ended December 31, 2020 and 2019, respectively.

Advertising

The Organization uses advertising to promote its programs and fundraising efforts. Total advertising expense for the years ended December 31, 2020 and 2019 was \$76,436 and \$73,502, respectively.

Contributions

The Organization records contributions and grants when they are received. All contributions are considered to be net assets without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases in net assets with donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports

BLESSINGS OF HOPE
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (Continued)

Contributions (Continued)

the support as net assets without donor restrictions. Donated food is recorded at the approximate average wholesale value of one pound of donated product at the national level, which was determined to be \$1.70 based upon research of similar organizations. As of December 31, 2020 and 2019, the Organization had no net assets with donor restrictions.

Contributed Goods and Services

Blessings of Hope reports the fair value of gifts of donated food and grocery products over which it has control (i.e. variance power) as unrestricted public support, and shortly thereafter, as expense when granted to smaller food ministries, outreaches and families in the community. During the years ended December 31, 2020 and 2019, Blessings of Hope distributed approximately 68.07 million and 13.15 million pounds of food, respectively. The Organization is using the approximate average wholesale value of one pound of donated product at the national level, which was determined to be \$1.70 based upon research of similar organizations.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization that have not been recorded in the statement of revenues, expenses, and other changes in net assets.

Functional Allocation of Expenses

The cost of providing the program and supporting services have been allocated between program and supporting services on a direct charge basis. Costs which may serve both program and supporting services are allocated based on management's estimates.

Income Taxes

No provision has been made for income taxes in the financial statements. The Organization is exempt from Federal and State income taxes under Internal Revenue Code Section 501(c)(3). This code section enables the Organization to accept donations which qualify as charitable contributions to the donor. The Organization is not a private foundation as defined in Section 509 of the Internal Revenue Code. The Organization was formed from a church council, accordingly it is recognized as a church by the Internal Revenue Service and is not required to file form 990.

NOTE 2 – USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 3 – DEMAND NOTES PAYABLE - INDIVIDUALS

Several individuals have loaned funds to the Organization totaling \$186,500 and \$169,500 at December 31, 2020 and 2019, respectively. These loans range from \$12,000 to \$100,000. There is no interest rate or set repayment terms on these loans. They are considered due on demand with at least 30 days notice.

BLESSINGS OF HOPE
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

NOTE 4 – LONG-TERM DEBT

Long-Term debt consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Installment notes payable secured by equipment, due in monthly installments of \$2,941, no interest.	\$ 82,874	\$ 116,531
Note payable - Bank secured by equipment, due in monthly installments of \$3,727 including interest at 7.74% at December 31, 2020.	234,864	-
Note payable - Foundation unsecured, Due in annual principal installments of \$250,000 due each June beginning in 2021; interest at 4% is also due each June until paid in full June of 2024.	1,000,000	-
Note payable - Bank secured by real estate, Due in monthly installments of interest only at 4.9%; Principal payments in the amount of \$90,000 are due March 1 of each year until paid in full March 1, 2024.	360,000	450,000
Note payable - Bank secured by real estate, Due in monthly installments of interest only at 4.9% for first six months; principal and interest due for next 53 months amortized over 300 months with a balloon payment of entire unpaid balance due September 1, 2024.	<u>800,637</u>	<u>825,000</u>
	2,478,375	1,391,531
Less: Current Portion	<u>(416,148)</u>	<u>(139,390)</u>
Long-Term Debt	<u>\$ 2,062,227</u>	<u>\$ 1,252,141</u>

Maturities of long-term debt are as follows:

Year Ended December 31, 2021	\$ 416,148
Year Ended December 31, 2022	415,814
Year Ended December 31, 2023	405,211
Year Ended December 31, 2024	1,129,859
Year Ended December 31, 2025	37,418
Thereafter	<u>73,925</u>
Total	<u>\$ 2,478,375</u>

NOTE 5 – LEASE AGREEMENTS

On April 1, 2016, the Organization entered into a three-year lease for its warehouse space. The monthly rent was \$7,327 through March 2017, and then it increased to \$7,545 per month through March 2018 and \$7,777 through March 2019 at which time it becomes month to month. Total rent expense, under this lease, for 2019 was \$92,270 and is included in occupancy expense on the statement of functional expenses. This lease is terminated as of December 31, 2019. Any other equipment/vehicle leases are month to month.

BLESSINGS OF HOPE
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

NOTE 6 – RELATED PARTY TRANSACTIONS

Light of Hope Ministries, the founding body of Blessings of Hope, pays service fees to Blessings of Hope in the amount of \$395 per month for its Pennsylvania and West Virginia ministries for a total of \$790 per month. The annual total for the years ended December 31, 2020 and 2019 was \$9,480 and \$9,480, respectively and is included in service fee income on the statement of revenues, expenses, and other changes in net assets. In January 2020, a related entity, Kingdom Harvesters, LLC, was formed as an employee leasing company for the purpose of assisting with Form 4029 exempt employees. Kingdom Harvesters, LLC provides payroll services to Blessings of Hope at a fee of \$3.50 per employee per paycheck.

NOTE 7 – LIQUIDITY

The following reflects the Organization's financial assets as of the date of the statement of assets, liabilities and net assets – modified cash basis, reduced by amounts not available for general use because of contractual, donor-imposed, or board set-aside restrictions.

Financial assets at year-end	\$ 763,296
Less those unavailable for general expenditure due to:	
Board Designation	-
Named Endowments	-
Donor Restrictions	-
Amounts set aside for liquidity reserve	<u>-</u>
 Financial assets available to meet cash needs for General expenditures within one year	 <u>\$ 763,296</u>

Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Board may designate a portion of any operating surplus to its liquidity reserve, which was \$0 as of December 31, 2020.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 26, 2021 the date on which the financial statements were available to be issued. On March 12, 2021, the Organization received a \$1,000,000 private loan for the purchase of real estate. The loan bears interest at 5% and the interest is payable monthly. The principal is due in a lump sum on March 12, 2022. Also on March 12, 2021, the Organization entered into an agreement of sale to purchase real estate in the amount of \$3,534,000. A 10% deposit was given at this time. The Organization intends to obtain bank financing for the remaining amount due as well as the amount payable to the private lender.