

**HOPEKIDS, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**



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**HOPEKIDS, INC.  
TABLE OF CONTENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENTS OF ACTIVITIES</b>	<b>4</b>
<b>STATEMENTS OF FUNCTIONAL EXPENSES</b>	<b>5</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>7</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>8</b>



CliftonLarsonAllen LLP  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
HopeKids, Inc.  
Scottsdale, Arizona

We have audited the accompanying financial statements of HopeKids, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 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 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 auditors' 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 Organization'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 Organization'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.

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

Board of Directors  
HopeKids, Inc.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2019 and 2018, and the change 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
April 29, 2020

**HOPEKIDS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,008,904	\$ 1,584,473
Investments	863,379	837,952
Contributions Receivable	24,895	29,479
Prepaid Expenses and Other Assets	49,682	41,972
Total Current Assets	2,946,860	2,493,876
<b>PROPERTY AND EQUIPMENT, Net</b>	24,075	20,897
Total Assets	\$ 2,970,935	\$ 2,514,773
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accrued Expenses and Credit Card Payable	\$ 46,623	\$ 30,090
Deferred License Fee	2,329	4,636
License Fee Incentive Liability	3,333	10,000
Total liabilities	52,285	44,726
<b>NET ASSETS</b>		
Without Donor Restrictions	2,355,647	2,223,124
With Donor Restrictions	563,003	246,923
Total Net Assets	2,918,650	2,470,047
Total Liabilities and Net Assets	\$ 2,970,935	\$ 2,514,773

See accompanying Notes to Financial Statements.

**HOPEKIDS, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUES</b>						
Contributions	\$ 1,803,854	\$ 560,611	\$ 2,364,465	\$ 1,618,138	\$ 34,000	\$ 1,652,138
Special Event Income, Less Direct Donor Benefit of \$199,259 and \$185,994, Respectively	435,393	-	435,393	352,376	-	352,376
Contributed Goods and Services	2,684,686	-	2,684,686	2,225,435	-	2,225,435
Investment Income, Net	73,932	-	73,932	19,861	-	19,861
Other	453	-	453	14,485	-	14,485
Net Assets Released from Restrictions	244,531	(244,531)	-	257,305	(257,305)	-
Total Support and Revenues	<u>5,242,849</u>	<u>316,080</u>	<u>5,558,929</u>	<u>4,487,600</u>	<u>(223,305)</u>	<u>4,264,295</u>
<b>EXPENSES</b>						
Program Services	4,369,791	-	4,369,791	3,670,689	-	3,670,689
Management and General	280,157	-	280,157	392,130	-	392,130
Fundraising	460,378	-	460,378	277,801	-	277,801
Total Expenses	<u>5,110,326</u>	<u>-</u>	<u>5,110,326</u>	<u>4,340,620</u>	<u>-</u>	<u>4,340,620</u>
<b>CHANGE IN NET ASSETS</b>	132,523	316,080	448,603	146,980	(223,305)	(76,325)
Net Assets - Beginning of Year	<u>2,223,124</u>	<u>246,923</u>	<u>2,470,047</u>	<u>2,076,144</u>	<u>470,228</u>	<u>2,546,372</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,355,647</u>	<u>\$ 563,003</u>	<u>\$ 2,918,650</u>	<u>\$ 2,223,124</u>	<u>\$ 246,923</u>	<u>\$ 2,470,047</u>

See accompanying Notes to Financial Statements.

**HOPEKIDS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2019**

EXPENSES	Supporting Services			Total Supporting Services	Direct Donor Benefit	Total Functional Expenses
	Program Services	Management and General	Fundraising			
Salaries	\$ 779,323	\$ 65,850	\$ 311,226	\$ 377,076	\$ -	\$ 1,156,399
Payroll Taxes and Fringe Benefits	195,504	16,519	78,075	94,594	-	290,098
HopeDay and HopeCommunity Program	3,233,270	-	-	-	-	3,233,270
Office	44,142	10,801	13,717	24,518	-	68,660
Outside Services	40,850	83,228	2,129	85,357	-	126,207
Occupancy	8,263	680	2,568	3,248	-	11,511
Insurance	16,434	1,372	5,927	7,299	-	23,733
Travel	15,856	1,304	17,946	19,250	-	35,106
Depreciation and Amortization	9,090	748	2,825	3,573	-	12,663
Donated Marketing	-	66,596	-	66,596	-	66,596
Miscellaneous	27,059	33,059	25,965	59,024	-	86,083
Special Event - Direct Donor Benefit	-	-	-	-	199,259	199,259
	<u>4,369,791</u>	<u>280,157</u>	<u>460,378</u>	<u>740,535</u>	<u>199,259</u>	<u>5,309,585</u>
Less Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	-	-	-	-	(199,259)	(199,259)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 4,369,791</u>	<u>\$ 280,157</u>	<u>\$ 460,378</u>	<u>\$ 740,535</u>	<u>\$ -</u>	<u>\$ 5,110,326</u>

See accompanying Notes to Financial Statements.

**HOPEKIDS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**

EXPENSES	Supporting Services			Total Supporting Services	Direct Donor Benefit	Total Functional Expenses
	Program Services	Management and General	Fundraising			
Salaries	\$ 734,438	\$ 82,226	\$ 187,025	\$ 269,251	\$ -	\$ 1,003,689
Payroll Taxes and Fringe Benefits	177,442	19,866	45,186	65,052	-	242,494
HopeDay and HopeCommunity Program	2,560,776	-	-	-	-	2,560,776
Office	41,253	9,655	8,856	18,511	-	59,764
Outside Services	70,407	75,504	2,293	77,797	-	148,204
Occupancy	7,876	763	1,691	2,454	-	10,330
Insurance	15,787	1,655	3,723	5,378	-	21,165
Travel	12,295	1,190	11,769	12,959	-	25,254
Depreciation	8,631	836	1,853	2,689	-	11,320
Donated Marketing	-	166,025	-	166,025	-	166,025
Miscellaneous	41,784	34,410	15,405	49,815	-	91,599
Special Event - Direct Donor Benefit	-	-	-	-	185,994	185,994
	<u>3,670,689</u>	<u>392,130</u>	<u>277,801</u>	<u>669,931</u>	<u>185,994</u>	<u>4,526,614</u>
Less Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(185,994)</u>	<u>(185,994)</u>
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 3,670,689</u>	<u>\$ 392,130</u>	<u>\$ 277,801</u>	<u>\$ 669,931</u>	<u>\$ -</u>	<u>\$ 4,340,620</u>

See accompanying Notes to Financial Statements.



**HOPEKIDS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 448,603	\$ (76,325)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	12,663	11,320
Net Realized and Unrealized (Gains) Losses on Investments	(49,537)	7,031
(Increase) Decrease in Assets:		
Contributions Receivable	4,584	17,931
Prepaid Expenses and Other Assets	(7,710)	8,366
Increase (Decrease) in Liabilities:		
Accrued Expenses and Other Liabilities	16,533	2,895
Deferred License Fee	(2,307)	2,329
License Fee Incentive Liability	(6,667)	(6,667)
Net Cash Provided (Used) by Operating Activities	416,162	(33,120)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(15,841)	(2,534)
Purchase of Investments	(204,879)	(751,250)
Proceeds from Sales of Investments	228,989	162,580
Net Cash Provided (Used) by Investing Activities	8,269	(591,204)
 <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	424,431	(624,324)
Cash and Cash Equivalents - Beginning of Year	1,584,473	2,208,797
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,008,904	\$ 1,584,473

See accompanying Notes to Financial Statements.

**HOPEKIDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

HopeKids, Inc. (the Organization) is an Arizona nonprofit corporation. The Organization was established in 2001 to restore hope and transform lives of children who are fighting life-threatening illnesses. The Organization believes that by bringing joy to these remarkable children and their families via an ongoing schedule of special events and activities, they can help cultivate hope, acceptance, and most importantly, the will to live. The Organization has chapters in Arizona, Minnesota, Colorado, Texas, Tennessee, and the Kansas City area.

**Basis of Presentation**

The accompanying financial statements are presented in accordance with American Institute of Certified Public Accountants (AICPA) *Not-for-Profit Industry Guidance within the Financial Accounting Standards Board (FASB) Codification (Guidance)*. Net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for board-designated reserve funds.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restriction when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is 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 and reported in the statement of activities as Net Assets Released from Restrictions.

**HOPEKIDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of 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.

**Cash and Cash Equivalents**

The Organization classifies amounts on deposit in banks and cash invested in instruments with original maturities of three months or less as cash and cash equivalents.

**Investments**

Investments consist of fixed income corporate bonds that are recorded at fair value as determined by quoted prices for similar assets and liabilities in active markets. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the change of net assets in the accompanying statements of activities.

**Contributions Receivable**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. The contributions receivable at December 31, 2019 and 2018 are considered to be fully collectible by management and, accordingly, an allowance for doubtful accounts is not deemed necessary.

**Property and Equipment**

Property and equipment with a cost greater than \$1,000 are capitalized at historical cost or estimated historical cost if actual historical cost is not available. Donated property and equipment are recorded at the fair value at the date of gift to the Organization. Depreciation and amortization of property and equipment is computed on a straight-line basis over their estimated useful lives, which range from three to five years. Maintenance and repairs are charged to operations when incurred. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved and any gain or loss is included in operations.

**HOPEKIDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impairment of Long-Lived Assets**

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. Management does not believe impairment indicators were present at December 31, 2019 and 2018.

**Contributions**

All contributions are considered to be available for general operations 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 net assets with donor restrictions. When a with donor restriction expire, net assets with donor restricted are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**Contributed Goods and Services**

Noncash contributions are recorded at their fair values. The Organization receives gifts such as events, tickets, and the like in order to give to families who have a child with a life-threatening illness. These noncash items are recorded as noncash revenue at time of receipt and recorded to program expenses when given to families. The noncash contributions are almost immediately given to families so at any time during the year the Organization has no material inventory on hand.

Donated services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations.

**HOPEKIDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributed Goods and Services (Continued)**

A summary of contributed goods and services is as follow for the years ended December 31:

	2019			
	Program	Management and General	Fundraising	Total
Program Events	\$ 2,593,964	\$ -	\$ -	\$ 2,593,964
Marketing	-	64,250	-	64,250
Professional IT Services	11,500	-	-	11,500
Other	1,963	161	2,638	4,762
Internet Services	7,330	602	2,278	10,210
Total	\$ 2,614,757	\$ 65,013	\$ 4,916	\$ 2,684,686
	2018			
	Program	Management and General	Fundraising	Total
Program Events	\$ 1,980,073	\$ -	\$ -	\$ 1,980,073
Marketing	-	166,025	-	166,025
Professional IT Services	39,968	-	-	39,968
Other	23,864	2,311	5,123	31,298
Internet Services	6,154	596	1,321	8,071
Total	\$ 2,050,059	\$ 168,932	\$ 6,444	\$ 2,225,435

The Organization also received donated services from unpaid volunteers at HopeDay and HopeCommunity Program events throughout the years ended December 31, 2019 and 2018. No amounts have been recognized in the statements of activities because the criteria for recognition have not been satisfied.

During year ended December 31, 2018, the Organization received an unsolicited contributed donations for marketing valued at \$100,000 from the Minnesota Twins stadium. The advertising was not used to raise funds for the organization, but to raise awareness of the Organization's programs. A similar donation was not received by the Organization during the year ended December 31, 2019.

**HOPEKIDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurements**

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy at the measurement date. This fair value hierarchy maximizes the use of observable inputs by requiring that the observable inputs be used when available. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

*Level 1* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

*Level 2* – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

*Level 3* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

**Income Taxes**

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and, therefore, there is no provision for federal or state corporate income taxes. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the IRC.

Management believes that no uncertain tax positions exist for the Organization at December 31, 2019 and 2018.

**Reclassifications**

Certain reclassifications were made to the December 31, 2018 financial statements in order to present them in conformity with the December 31, 2019 financial statements. These reclassifications had no impact on net assets previously presented.

**HOPEKIDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Changes in Accounting Principles**

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in the update assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Organization's financial statements reflect the full retrospective application of ASU 2018-08 and ASU 2014-09 guidance beginning in fiscal year 2019. The adoption of ASU 2018-08 and ASU 2014-09 did not impact the Organization's reported revenue.

**Subsequent Events**

The Organization has evaluated events and transactions for potential recognition or disclosure in these financial statements through April 29, 2020, the date the financial statements were available to be issued.

**NOTE 2 LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2019	2018
Cash and Cash Equivalents	\$ 2,008,904	\$ 1,584,473
Investments	863,379	837,952
Contributions Receivable	24,895	29,479
Total	2,897,178	2,451,904
Donor-Imposed Restrictions:		
Restricted Funds	(563,003)	(246,923)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 2,334,175	\$ 2,204,981

**HOPEKIDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)**

The Organization receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization forecasts its future cash flows and monitors its liquidity reserves monthly.

**NOTE 3 FAIR VALUE**

The overall investment objective of the Organization is to invest its assets with a conservative investment strategy to manage risks using the conservation of principal to enable easy access to funds.

Investments at December 31, 2019 and 2018 consist of corporate bonds that are considered Level 2 investments.

**NOTE 4 PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	2019	2018
Software	\$ 89,880	\$ 89,880
Leasehold Improvements	20,000	20,000
Office Equipment	44,677	28,836
Total Property and Equipment	154,557	138,716
Less: Accumulated Depreciation and Amortization	(130,482)	(117,819)
Property and Equipment, Net	<u>\$ 24,075</u>	<u>\$ 20,897</u>

Depreciation and amortization expense was \$12,663 and \$11,320 and for the years ended December 31, 2019 and 2018, respectively.

**NOTE 5 NET ASSETS**

**Net Assets Without Donor Restrictions**

Board-designated net assets consist of the following:

	2019	2018
Board Designated Operating Reserves	\$ 1,149,731	\$ 887,531
Board Designated Opportunity Reserves	113,369	341,940
Board Designated Emergency Reserves	500,000	400,000
Board Designated Program Reserves	550,907	550,907
Total Board Designated Net Assets	<u>\$ 2,314,007</u>	<u>\$ 2,180,378</u>



**HOPEKIDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 5 NET ASSETS (CONTINUED)**

**Net Assets With Donor Restrictions**

Net assets with donor restrictions are available for the following purposes or periods:

	2019	2018
Subject to Expenditure for Specified Purpose:		
HopeSuite Minnesota	\$ 420,820	\$ 212,923
Events	21,104	11,500
Total	441,924	224,423
Subject to Passage of Time:		
Contributions that are Restricted by Donors for use in		
Future Periods	121,079	22,500
Total	121,079	22,500
Total Contributions with Donor Restrictions	\$ 563,003	\$ 246,923

**NOTE 6 FUNCTIONALIZED EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated are as follows:

- Salaries, payroll and fringe benefits and insurance – based on the result of all employee’s time study multiplied by each employee’s salary and resulting in a bottom line percentage.
- Office – based on the result of all employee’s time study added and resulting in a bottom line percentage. Postage, grouped with this category, is charged 100% to management and general.
- Occupancy, insurance, travel, depreciation and amortization – based on the result of all employee’s time study added and resulting in a bottom line percentage.
- Outside services – only cost for donor software is allocated based on estimated time of use of the software and the rest of the costs grouped with this category are allocated to management and general.
- Miscellaneous – based on the result of all employee’s time study added and resulting in a bottom line percentage. Bank fees and dues and fees, grouped with this category, are charged 100% to management and general.

**NOTE 7 RELATED PARTY TRANSACTION**

The Organization does not have office space and the employees work from their homes at no cost to the Organization.

**HOPEKIDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 8 CONCENTRATION OF CREDIT RISK**

The Organization maintains all of its cash with high-credit quality financial institutions. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Balances in excess of FDIC limits are uninsured. As of December 31, 2019 and 2018, a significant portion of the cash balance was in excess of the FDIC insurance coverage limit.

For the year ended December 31, 2019, one donor accounted for 14% of total contributions. For the year ended December 31, 2018, there were no concentrations in contributions.

**NOTE 9 RETIREMENT PLANS**

The Organization has outsourced its payroll and benefits function to Insperity, a Professional Organization (PEO). Under the Organization's co-employment agreement, Insperity established a 401(k) retirement savings plan for the employees. The Organization makes the employees aware of the plan, withholds voluntary contributions from paychecks, and remits the contributions to an independent trustee. Each participant may contribute their eligible compensation on a pretax basis to the plan up to a maximum allowed by the IRC. Total employer contributions to the plan were \$42,039 and \$37,989 for fiscal years 2019 and 2018, respectively.

**NOTE 10 COMMITMENTS**

The Organization has a contract to pay a license fee for a suite for professional sports played at the Talking Stick Resort Arena in Arizona. The term of the contract ends on June 30, 2020. The commitment outstanding for the remainder of the contract is \$80,761 at December 31, 2019. A deferred license fee is recorded on the books for the difference between the cash paid and the straight-line payments over the life of the contract. In conjunction with this contract, the Organization obtained a suite remodel credit of \$20,000, which is being amortized over the life of the contract and recorded as an incentive liability at year-end.

The Organization also has a contract to pay a license fee for a suite for professional sports played at the Xcel Energy Center in Minnesota. The term of the contract ends on August 31, 2021. The commitment outstanding for the remainder of the contract is \$334,281 at December 31, 2019.

**HOPEKIDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 11 SUBSEQUENT EVENTS**

Subsequent to year-end, the World Health Organization declared the spread of Corona Virus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 has impacted various parts of its 2020 operations and financial results, including a temporary suspension of program events and cancellation and postponement of spring and summer fundraising events until fall of 2020. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

Subsequent to year-end, the Organization applied for and was granted a loan through the Paycheck Protection Program with a principal balance of approximately \$277,000. The loan incurs interest at 1% with principal payments due beginning in November 2020 through April 2022, however up to the full balance of the loan may be forgiven if the proceeds are used for qualifying expenses with 8 weeks of the disbursement of the loan. The Organization estimates that approximately \$183,000 will be forgiven.

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