

HOPEKIDS, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

[CLAconnect.com](https://www.CLAconnect.com)

**HOPEKIDS, INC.
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

| | |
|--|----------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| FINANCIAL STATEMENTS | |
| STATEMENTS OF FINANCIAL POSITION | 3 |
| STATEMENTS OF ACTIVITIES | 4 |
| STATEMENTS OF FUNCTIONAL EXPENSES | 5 |
| STATEMENTS OF CASH FLOWS | 7 |
| NOTES TO FINANCIAL STATEMENTS | 8 |



INDEPENDENT AUDITORS' REPORT

Board of Directors
HopeKids, Inc.
Scottsdale, Arizona

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of HopeKids, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 HopeKids, Inc. as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HopeKids, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 HopeKids, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' 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 GAAS 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 GAAS, 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 HopeKids, 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 HopeKids, 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.



CliftonLarsonAllen LLP

Phoenix, Arizona
May 7, 2022

HOPEKIDS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

| | 2021 | 2020 |
|--|--------------|--------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 3,131,717 | \$ 2,275,757 |
| Investments | 650,282 | 780,581 |
| Contributions Receivable | 38,304 | 39,789 |
| Prepaid Expenses and Other Assets | 153,530 | 18,647 |
| Total Current Assets | 3,973,833 | 3,114,774 |
| PROPERTY AND EQUIPMENT, Net | 11,067 | 15,096 |
| Total Assets | \$ 3,984,900 | \$ 3,129,870 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accrued Expenses and Credit Card Payable | \$ 20,676 | \$ 24,259 |
| Total Liabilities | 20,676 | 24,259 |
| NET ASSETS | | |
| Without Donor Restrictions | 3,599,216 | 2,746,540 |
| With Donor Restrictions | 365,008 | 359,071 |
| Total Net Assets | 3,964,224 | 3,105,611 |
| Total Liabilities and Net Assets | \$ 3,984,900 | \$ 3,129,870 |

See accompanying Notes to Financial Statements.

HOPEKIDS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020

| | 2021 | | | 2020 | | |
|--|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| SUPPORT AND REVENUES | | | | | | |
| Contributions | \$ 2,602,004 | \$ 144,921 | \$ 2,746,925 | \$ 1,960,532 | \$ 46,084 | \$ 2,006,616 |
| Special Event Income, Less Direct Donor Benefit of \$229,894 and \$163,388, Respectively | 526,118 | - | 526,118 | 369,515 | - | 369,515 |
| Contributed Goods and Services | 1,708,377 | - | 1,708,377 | 1,384,473 | - | 1,384,473 |
| Investment Income, Net | (1,276) | - | (1,276) | 31,545 | - | 31,545 |
| Other | 17,794 | - | 17,794 | 19,184 | - | 19,184 |
| Net Assets Released from Restrictions | 138,984 | (138,984) | - | 250,016 | (250,016) | - |
| Total Support and Revenues | <u>4,992,001</u> | <u>5,937</u> | <u>4,997,938</u> | <u>4,015,265</u> | <u>(203,932)</u> | <u>3,811,333</u> |
| EXPENSES | | | | | | |
| Program Services | 3,476,686 | - | 3,476,686 | 2,989,003 | - | 2,989,003 |
| Management and General | 263,526 | - | 263,526 | 304,083 | - | 304,083 |
| Fundraising | 399,113 | - | 399,113 | 331,286 | - | 331,286 |
| Total Expenses | <u>4,139,325</u> | <u>-</u> | <u>4,139,325</u> | <u>3,624,372</u> | <u>-</u> | <u>3,624,372</u> |
| CHANGE IN NET ASSETS | 852,676 | 5,937 | 858,613 | 390,893 | (203,932) | 186,961 |
| Net Assets - Beginning of Year | <u>2,746,540</u> | <u>359,071</u> | <u>3,105,611</u> | <u>2,355,647</u> | <u>563,003</u> | <u>2,918,650</u> |
| NET ASSETS - END OF YEAR | <u>\$ 3,599,216</u> | <u>\$ 365,008</u> | <u>\$ 3,964,224</u> | <u>\$ 2,746,540</u> | <u>\$ 359,071</u> | <u>\$ 3,105,611</u> |

See accompanying Notes to Financial Statements.

HOPEKIDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

| EXPENSES | Supporting Services | | | Total Supporting Services | Direct Donor Benefit | Total Functional Expenses |
|---|---------------------|---------------------------|-------------------|---------------------------------|-------------------------|---------------------------------|
| | Program Services | Management and General | Fundraising | | | |
| Salaries | \$ 846,324 | \$ 93,936 | \$ 260,273 | \$ 354,209 | \$ - | \$ 1,200,533 |
| Payroll Taxes and Fringe Benefits | 215,513 | 23,920 | 66,277 | 90,197 | - | 305,710 |
| HopeDay and HopeCommunity Program | 2,263,591 | - | - | - | - | 2,263,591 |
| Office | 39,538 | 11,929 | 11,190 | 23,119 | - | 62,657 |
| Outside Services | 43,889 | 85,419 | 5,502 | 90,921 | - | 134,810 |
| Occupancy | 10,372 | 967 | 2,936 | 3,903 | - | 14,275 |
| Insurance | 19,063 | 1,961 | 5,648 | 7,609 | - | 26,672 |
| Travel | 11,453 | 1,068 | 7,848 | 8,916 | - | 20,369 |
| Depreciation and Amortization | 4,052 | 378 | 1,147 | 1,525 | - | 5,577 |
| Marketing | - | 1,775 | - | 1,775 | - | 1,775 |
| Miscellaneous | 22,891 | 42,173 | 38,292 | 80,465 | - | 103,356 |
| Special Event - Direct Donor Benefit | - | - | - | - | 229,894 | 229,894 |
| | <u>3,476,686</u> | <u>263,526</u> | <u>399,113</u> | <u>662,639</u> | <u>229,894</u> | <u>4,369,219</u> |
| Less Expenses Netted Against Revenues on the Statement of Activities: | | | | | | |
| Special Event Expenses | - | - | - | - | (229,894) | (229,894) |
| Total Expenses Included in the Expense Section of the Statement of Activities | <u>\$ 3,476,686</u> | <u>\$ 263,526</u> | <u>\$ 399,113</u> | <u>\$ 662,639</u> | <u>\$ -</u> | <u>\$ 4,139,325</u> |

See accompanying Notes to Financial Statements.

HOPEKIDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

| EXPENSES | Supporting Services | | | Total Supporting Services | Direct Donor Benefit | Total Functional Expenses |
|---|---------------------|---------------------------|-------------------|---------------------------------|-------------------------|---------------------------------|
| | Program Services | Management and General | Fundraising | | | |
| Salaries | \$ 880,290 | \$ 116,188 | \$ 214,091 | \$ 330,279 | \$ - | \$ 1,210,569 |
| Payroll Taxes and Fringe Benefits | 222,455 | 29,362 | 54,102 | 83,464 | - | 305,919 |
| HopeDay and HopeCommunity Program | 1,768,347 | - | - | - | - | 1,768,347 |
| Office | 36,921 | 13,255 | 8,628 | 21,883 | - | 58,804 |
| Outside Services | 34,734 | 83,038 | 2,649 | 85,687 | - | 120,421 |
| Occupancy | 9,227 | 1,140 | 2,156 | 3,296 | - | 12,523 |
| Insurance | 17,414 | 2,231 | 4,159 | 6,390 | - | 23,804 |
| Travel | 1,588 | 196 | 8,729 | 8,925 | - | 10,513 |
| Depreciation and Amortization | 7,516 | 928 | 1,756 | 2,684 | - | 10,200 |
| Marketing | - | 1,072 | - | 1,072 | - | 1,072 |
| Donated Marketing | - | 25,475 | - | 25,475 | - | 25,475 |
| Miscellaneous | 10,511 | 31,198 | 35,016 | 66,214 | - | 76,725 |
| Special Event - Direct Donor Benefit | - | - | - | - | 163,388 | 163,388 |
| | <u>2,989,003</u> | <u>304,083</u> | <u>331,286</u> | <u>635,369</u> | <u>163,388</u> | <u>3,787,760</u> |
| Less Expenses Netted Against Revenues on the Statement of Activities: | | | | | | |
| Special Event Expenses | - | - | - | - | (163,388) | (163,388) |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(163,388)</u> | <u>(163,388)</u> |
| Total Expenses Included in the Expense Section of the Statement of Activities | <u>\$ 2,989,003</u> | <u>\$ 304,083</u> | <u>\$ 331,286</u> | <u>\$ 635,369</u> | <u>\$ -</u> | <u>\$ 3,624,372</u> |

See accompanying Notes to Financial Statements.

HOPEKIDS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

| | 2021 | 2020 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 858,613 | \$ 186,961 |
| Adjustments to Reconcile Change in Net Assets to | | |
| Net Cash Provided by Operating Activities: | | |
| Depreciation and Amortization | 5,577 | 10,200 |
| Net Realized and Unrealized (Gains) Losses on Investments | 20,739 | (12,277) |
| (Increase) Decrease in Assets: | | |
| Contributions Receivable | 1,485 | (14,894) |
| Prepaid Expenses and Other Assets | (134,883) | 31,035 |
| Increase (Decrease) in Liabilities: | | |
| Accrued Expenses and Other Liabilities | (3,583) | (22,364) |
| Deferred License Fee | - | (2,329) |
| License Fee Incentive Liability | - | (3,333) |
| Net Cash Provided by Operating Activities | 747,948 | 172,999 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of Property and Equipment | (1,548) | (1,221) |
| Purchase of Investments | (90,440) | (104,925) |
| Proceeds from Sales of Investments | 200,000 | 200,000 |
| Net Cash Provided by Investing Activities | 108,012 | 93,854 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 855,960 | 266,853 |
| Cash and Cash Equivalents - Beginning of Year | 2,275,757 | 2,008,904 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 3,131,717 | \$ 2,275,757 |

See accompanying Notes to Financial Statements.

HOPEKIDS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 with life-threatening medical conditions, their families, and the communities in which they serve. The Organization provides ongoing events, activities, and a powerful, unique support community for families who have a child with cancer or some other life-threatening medical condition. They surround these remarkable children and their families with the message that hope is a powerful medicine. 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, 2021 AND 2020

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, 2021 and 2020 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, 2021 AND 2020

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, 2021 and 2020.

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 donor-imposed restriction expires, net assets with donor restrictions 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 and tickets 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, 2021 AND 2020

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:

| | 2021 | | | |
|--------------------------|--------------|---------------------------|-------------|--------------|
| | Program | Management and General | Fundraising | Total |
| Program Events | \$ 1,681,599 | \$ - | \$ - | \$ 1,681,599 |
| Professional IT Services | 12,876 | - | - | 12,876 |
| Other | 2,670 | 249 | 755 | 3,674 |
| Internet Services | 7,432 | 693 | 2,103 | 10,228 |
| Total | \$ 1,704,577 | \$ 942 | \$ 2,858 | \$ 1,708,377 |
| | 2020 | | | |
| | Program | Management and General | Fundraising | Total |
| Program Events | \$ 1,340,366 | \$ - | \$ - | \$ 1,340,366 |
| Marketing | - | 25,475 | - | 25,475 |
| Professional IT Services | 4,626 | - | - | 4,626 |
| Other | 2,784 | 344 | 650 | 3,778 |
| Internet Services | 7,536 | 931 | 1,761 | 10,228 |
| Total | \$ 1,355,312 | \$ 26,750 | \$ 2,411 | \$ 1,384,473 |

The Organization also received donated services from unpaid volunteers at HopeDay and HopeCommunity Program events throughout the years ended December 31, 2021 and 2020. No amounts have been recognized in the statements of activities because the criteria for recognition have not been satisfied.

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.

HOPEKIDS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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, 2021 and 2020.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in these financial statements through May 7, 2022, 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:

| | 2021 | 2020 |
|---|--------------|--------------|
| Cash and Cash Equivalents | \$ 3,131,717 | \$ 2,275,757 |
| Investments | 650,282 | 780,581 |
| Contributions Receivable | 38,304 | 39,789 |
| Total | 3,820,303 | 3,096,127 |
| Donor-Imposed Restrictions: | | |
| Restricted Funds | (365,008) | (359,071) |
| Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year | \$ 3,455,295 | \$ 2,737,056 |

HOPEKIDS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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.

The following table presents assets measured at fair value by classification within the fair value hierarchy as of December 31, 2021:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-----------------|------------------|-------------------|----------------|-------------------|
| Mutual Funds | \$ 88,057 | \$ - | \$ - | \$ 88,057 |
| Corporate Bonds | - | 562,225 | - | 562,225 |
| Total | <u>\$ 88,057</u> | <u>\$ 562,225</u> | <u>\$ -</u> | <u>\$ 650,282</u> |

Investments at December 31, 2020 consisted of corporate bonds that are considered Level 2 investments.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | <u>2021</u> | <u>2020</u> |
|---|------------------|------------------|
| Software | \$ 89,880 | \$ 89,880 |
| Leasehold Improvements | - | 20,000 |
| Office Equipment | 47,446 | 45,898 |
| Total Property and Equipment | <u>137,326</u> | <u>155,778</u> |
| Less: Accumulated Depreciation and Amortization | <u>(126,259)</u> | <u>(140,682)</u> |
| Property and Equipment, Net | <u>\$ 11,067</u> | <u>\$ 15,096</u> |

Depreciation and amortization expense was \$5,577 and \$10,200 for the years ended December 31, 2021 and 2020, respectively.

HOPEKIDS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 5 NET ASSETS

Net Assets Without Donor Restrictions

Board-designated net assets consist of the following:

| | 2021 | 2020 |
|---------------------------------------|--------------|--------------|
| Board-Designated Operating Reserves | \$ 1,770,438 | \$ 1,256,615 |
| Board-Designated Opportunity Reserves | 600,277 | 394,376 |
| Board-Designated Emergency Reserves | 500,000 | 500,000 |
| Board-Designated Program Reserves | 550,907 | 550,907 |
| Total Board-Designated Net Assets | \$ 3,421,622 | \$ 2,701,898 |

Net Assets With Donor Restrictions

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

| | 2021 | 2020 |
|--|------------|------------|
| Subject to Expenditure for Specified Purpose: | | |
| HopeSuite Minnesota | \$ 227,009 | \$ 323,498 |
| HopeDay Events | 4,228 | 15,000 |
| Week of Hope | 69,271 | - |
| Special Events | 8,000 | 7,000 |
| Total | 308,508 | 345,498 |
| Subject to Passage of Time: | | |
| Contributions that are Restricted by Donors for use in Future Periods | 56,500 | 13,573 |
| Total Contributions with Donor Restrictions | \$ 365,008 | \$ 359,071 |

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.

HOPEKIDS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 6 FUNCTIONALIZED EXPENSES (CONTINUED)

- 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 TRANSACTIONS

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

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, 2021 and 2020, a significant portion of the cash balance was in excess of the FDIC insurance coverage limit.

One donor accounted for approximately 11% and 14% of total contributions for the years ended December 31, 2021 and 2020, respectively.

NOTE 9 RETIREMENT PLANS

The Organization has outsourced its payroll and benefits function to Insuperity, a Professional Organization (PEO). Under the Organization’s co-employment agreement, Insuperity 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 \$40,372 and \$43,227 for fiscal years 2021 and 2020, respectively.

HOPEKIDS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 10 PAYCHECK PROTECTION PROGRAM

In April 2020, the Organization obtained a loan through the U.S. Small Business Administration Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The loan was \$276,875 and in accordance with the CARES Act, the loan was fully forgiven in November 2020 upon demonstrating that the proceeds were used in the 24-week period subsequent to the funding of the loan for payroll. Therefore, the Organization was legally released from the debt and the loan forgiveness has been recorded as a gain on extinguishment of debt, which is included in Contributions during the year ended December 31, 2020.

In May 2021, the Organization obtained a loan through the U.S. Small Business Administration Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The loan was \$288,609 and in accordance with the CARES Act, the loan was fully forgiven in November 2021 upon demonstrating that the proceeds were used in the 24-week period subsequent to the funding of the loan for payroll. Therefore, the Organization was legally released from the debt and the loan forgiveness has been recorded as a gain on extinguishment of debt, which is included in Contributions during the year ended December 31, 2021.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

NOTE 11 RISKS AND UNCERTAINTIES

The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. As a result of COVID-19, the Organization had to continue providing virtual programming throughout the year. The Organization was able to provide some regular in-person programming once health restrictions were eased and were able to be done so safely by following CDC recommendations. With the cessation of regular in-person programming for the majority of the year the Organization lost approximately \$1,000,000 of contributed program goods and services from their event partners.

COVID-19 may impact part of the Organization's fiscal year 2022 operations and financial results. 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.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor. CLA is an independent member of Nexia International, a leading, global network of independent accounting and consulting firms. See [nexia.com/member-firm-disclaimer](https://www.nexia.com/member-firm-disclaimer) for details. **CliftonLarsonAllen LLP**

