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Independent Auditors' Report

To the Board of Directors of
Hope and Comfort Inc.
(a non-profit organization)

We have audited the accompanying financial statements of **Hope and Comfort Inc.**, 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 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 of 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 financial statement presentation.

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

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Independent Auditors' Report (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Hope and Comfort Inc.** as of December 31, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

BacallConniff Inc.

June 18, 2020

Hope and Comfort Inc.
Statements of Financial Position
December 31, 2019 and 2018

<u>Assets</u>	2019	2018
<u>Current Assets</u>		
Cash	1,007,737	596,519
Inventory	182,704	217,375
Pledges receivable	-	10,000
Total current assets	1,190,441	823,894
<u>Investments with Donor Restrictions</u>	117,040	71,764
<u>Property and Equipment</u>		
Office furniture	25,789	16,928
Accumulated depreciation	(12,913)	(7,738)
Total property and equipment	12,876	9,190
<u>Other Assets</u>		
Security Deposit	12,555	12,555
Total other assets	12,555	12,555
<u>Total Assets</u>	1,332,912	917,403
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Credit card payable	671	192
Total current liabilities	671	192
<u>Net Assets</u>		
Net assets without donor restrictions	1,165,613	824,175
Net assets with donor restrictions	166,628	93,036
Total net assets	1,332,241	917,211
<u>Total Liabilities and Net Assets</u>	1,332,912	917,403

See independent auditors' report and accompanying notes.

Hope and Comfort Inc.
Statements of Activities
For the Years Ended December 31, 2019 and 2018

	2019	2018
<u>Changes in Net Assets Without Donor Restrictions</u>		
Revenues and Transfers:		
Contributions	800,308	477,608
In-kind contributions	665,138	755,070
Released from restrictions	9,183	18,286
Miscellaneous	2	12,393
Interest	9,618	1,517
Total Revenues and Transfers	1,484,249	1,264,874
Functional Expenses:		
Products to charity	741,197	624,903
Salaries and wages	170,275	147,625
Rent	113,596	60,232
Consultant fees	23,319	17,149
Payroll taxes	14,457	12,291
Retirement plan contributions	13,289	10,823
Professional fees	10,106	23,913
Miscellaneous expenses	10,058	5,621
Repairs and maintenance	9,000	-
Health insurance	7,731	9,191
Information Technology	6,178	4,000
Depreciation	5,175	2,648
Marketing/Advertising	4,329	-
Dues and subscriptions	3,412	4,027
Insurance	3,408	610
Shipping	2,817	3,681
Inventory adjustment	2,450	3,024
Utilities	2,015	469
Total Functional Expenses	1,142,812	930,207
Change in Net Assets Without Donor Restrictions	341,437	334,667
<u>Changes in Net Assets With Donor Restrictions</u>		
Revenues and Transfers:		
Contributions	62,500	35,000
Expenses	-	(447)
Transfer to net assets without donor restrictions	(9,183)	(18,286)
Investment income/(loss)	20,276	(6,200)
Total Revenues and Transfers	73,593	10,067
<u>Change in Net Assets</u>	415,030	344,734
<u>Net Assets, Beginning</u>	917,211	572,477
<u>Net Assets, Ending</u>	1,332,241	917,211

See independent auditors' report and accompanying notes.

Hope and Comfort Inc.
Statements of Functional Expenses
For the Years Ended December 31, 2019 and 2018

<u>Functional Expenses</u>	<u>Program Service</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>2019</u>	<u>2018</u>
Products to charity	741,197	-	-	741,197	624,903
Salaries and wages	144,733	12,771	12,771	170,275	147,625
Rent	113,596	-	-	113,596	60,232
Consultant fees	6,996	-	16,323	23,319	17,149
Payroll taxes	12,289	1,084	1,084	14,457	12,291
Retirement plan contributions	11,295	997	997	13,289	10,823
Professional fees	-	10,106	-	10,106	23,913
Miscellaneous expenses	10,058	-	-	10,058	5,621
Repairs and maintenance	9,000	-	-	9,000	-
Health insurance	6,571	580	580	7,731	9,191
Information Technology	6,178	-	-	6,178	4,000
Depreciation	5,175	-	-	5,175	2,648
Marketing/Advertising	3,247	-	1,082	4,329	-
Dues and subscriptions	3,412	-	-	3,412	4,027
Insurance	3,408	-	-	3,408	610
Shipping	2,817	-	-	2,817	3,681
Inventory adjustment	2,450	-	-	2,450	3,024
Utilities	2,015	-	-	2,015	469
Total Functional Expenses	<u>1,084,437</u>	<u>25,538</u>	<u>32,837</u>	<u>1,142,812</u>	<u>930,207</u>

See independent auditors' report and accompanying notes.

Hope and Comfort Inc.
Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
<u>Cash Provided by/(Applied to) Operating Activities</u>		
Change in Net Assets	415,030	344,734
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,175	2,648
Adjusted income to net cash	420,205	347,382
Changes in Operating Assets and Liabilities:		
Inventory - (increase)/decrease	34,671	(144,152)
Prepaid expenses	-	2,819
Pledges receivable	10,000	(10,000)
Security deposit	-	(12,555)
Credit card payable	479	192
Net cash provided by operating activities	465,355	183,686
<u>Cash (Applied to) Investing Activities</u>		
Investments - Endowment	(45,276)	(13,795)
Office furniture (In-kind contribution)	(8,861)	(5,618)
Net cash (applied to) investing activities	(54,137)	(19,413)
<u>Increase in Cash</u>	411,218	164,273
<u>Cash at Beginning of Year</u>	596,519	432,246
<u>Cash at End of Year</u>	1,007,737	596,519

See independent auditors' report and accompanying notes.

Hope and Comfort Inc.
Notes to Financial Statements
December 31, 2019 and 2018

Note 1 - **Summary of Significant Accounting Policies**

Nature of Activities

The organization is a non-profit entity that was founded in 2011 and is engaged in providing access for the needy to basic and essential personal hygiene products.

Income Taxes

The organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

Contributed Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the organization. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under generally accepted accounting principles was not met. In-kind services of \$9,000 is included in In-kind contributions and operating expenses for 2019.

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

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

Note 2 - **Property and Equipment**

Fixed assets are recorded at cost if acquired by purchase or fair value if acquired by gift. Depreciation is recorded on the straight line basis over the estimated useful lives of the respective assets.

Note 3 - **Inventory**

Inventory is recorded at cost if acquired by purchase or fair market value if acquired by gift. Inventory consists of soap, shampoo and other personal hygiene products.

Note 4 - **Retirement Plan**

The organization offers a 401(k) plan for its employees. The organization matches up to seven and one-half percent of compensation. There are no unfunded liabilities under the plan.

Note 5 - **Pledges Receivable**

Unconditional promises to give are recognized as revenues or gains in the period the pledges are received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

The organization follows FASB ASC 310, Receivables which requires the organization to report its pledges receivable at net present value. Management believes all pledges will be collected and thus no allowance for uncollectible accounts has been recorded. All pledges are due within one year.

Hope and Comfort Inc.
Notes to Financial Statements
December 31, 2019 and 2018

Note 6 - **Lease**

The organization occupies premises under a five year lease through August 31, 2023. The minimum annual rental payments under the operating lease are as follows:

	Annual Rent
2020	71,230
2021	73,744
2022	76,258
2023	51,956 (eight months)

Note 7 - **Investments**

Investments are measured at fair value in accordance with FASB ASC 820, Fair Measurements and Disclosures. FASB ASC 820 establishes a hierarchy to be used in determining the fair value of an asset to be sold or a liability to be transferred. The three levels of hierarchy are as follows:

Level 1 - Quoted prices that are available in active markets for identical assets or liabilities.

Level 2 - Pricing inputs other than quoted prices in active markets, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The investments held at December 31, 2019 consist of mutual funds which are considered level one assets (quoted prices in active markets for identical assets). Under FASB ASC 320, Investments - Debt and Equity Securities, the organization is required to report investments at fair value on the statements of financial position and report realized and unrealized gains and losses in the statements of activities. At December 31, 2019 and 2018 investment income/(loss) consists of the following:

	<u>2019</u>	<u>2018</u>
Dividends (net of foreign taxes)	\$ 1,993	\$ 1,381
Realized gain/(loss)	(850)	8,066
Unrealized gain/(loss)	19,133	(15,647)
Total	\$ 20,276	\$ (6,200)

Note 8 - **Net Assets With Donor Restrictions**

Net assets with donor restrictions consist of the following:

	<u>2019</u>	<u>2018</u>
Endowment Fund	\$ 117,040	\$ 71,764
Innovation Fund	45,000	15,000
Other Restricted	4,588	6,272
Total	\$ 166,628	\$ 93,036

Hope and Comfort Inc.
Notes to Financial Statements
December 31, 2019 and 2018

Note 9 - **Concentrations of Credit Risk**

FASB ASC 825, Financial Instruments identifies deposits in excess of insured limits as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The Federal Deposit Insurance Corporation (FDIC) provides coverage up to \$250,000. As of December 31, 2019, the amount in excess of federally insured limits was \$453,068. The amounts in excess of federally insured limits are insured by the Share Insurance Fund (SIF), which is a private fund owned by the member co-operative banks.

Note 10 - **Subsequent Events**

The organization has evaluated subsequent events through June 18, 2020, the date that the financial statements were available to be issued.