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Independent Auditors' Report

To the Board of Directors of
Hope and Comfort Inc.
(a nonprofit organization)

We have audited the accompanying financial statements of **Hope and Comfort Inc.**, which comprise the statements of financial position as of December 31, 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.

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, 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.

Other Matter

The statement of financial position of **Hope and Comfort Inc.** as of December 31, 2017 and the related statements of activities and cash flows for the year then ended were reviewed by us. As noted in our report on those financial statements dated June 11, 2018, a review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. It is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we did not express such an opinion on the December 31, 2017 financial statements.

BacallConniff Inc.

July 1, 2019

Hope and Comfort Inc.
Statements of Financial Position
December 31, 2018 and 2017

<u>Assets</u>	2018	2017
<u>Current Assets</u>		
Cash	596,519	432,246
Inventory	217,375	73,223
Pledges receivable	10,000	-
Prepaid expenses	-	2,819
Total current assets	823,894	508,288
<u>Investments with Donor Restrictions</u>	71,764	57,969
<u>Property and Equipment</u>		
Office furniture	16,928	11,310
Accumulated depreciation	(7,738)	(5,090)
Total property and equipment	9,190	6,220
<u>Other Assets</u>		
Security Deposit	12,555	-
Total other assets	12,555	-
<u>Total Assets</u>	917,403	572,477
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Credit card payable	192	-
Total current liabilities	192	-
<u>Net Assets</u>		
Net Assets Without Donor Restrictions	824,175	489,508
Net Assets With Donor Restrictions	93,036	82,969
Total net assets	917,211	572,477
<u>Total Liabilities and Net Assets</u>	917,403	572,477

See independent auditors' report and accompanying notes.

Hope and Comfort Inc.
Statements of Activities
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Changes in Net Assets Without Donor Restrictions</u>		
Revenues and Transfers:		
Contributions	477,608	330,852
In-kind contributions	755,070	93,992
Released from restrictions	18,286	-
Miscellaneous	12,393	1,318
Interest	1,517	795
Total Revenues and Transfers	<u>1,264,874</u>	<u>426,957</u>
Expenses:		
Products to charity	624,903	181,979
Salaries and wages	147,625	81,548
Rent	60,232	35,897
Professional fees	23,913	4,775
Consultant fees	17,149	53,760
Payroll taxes	12,291	7,224
Retirement plan contributions	10,823	-
Health insurance	9,191	5,803
Miscellaneous expenses	5,621	4,354
Dues and subscriptions	4,027	3,305
Website	4,000	-
Shipping	3,681	-
Inventory adjustment	3,024	-
Depreciation	2,648	2,262
Insurance	610	986
Utilities	469	-
Marketing/Advertising	-	382
Total Expenses	<u>930,207</u>	<u>382,275</u>
Change in Net Assets Without Donor Restrictions	<u>334,667</u>	<u>44,682</u>
<u>Changes in Net Assets With Donor Restrictions</u>		
Revenues and Transfers:		
Contributions	35,000	57,005
Expenses	(447)	-
Transfer to net assets without donor restrictions	(18,286)	-
Investment income/(loss)	(6,200)	5,964
Total Revenues and Transfers	<u>10,067</u>	<u>62,969</u>
<u>Change in Net Assets</u>	<u>344,734</u>	<u>107,651</u>
<u>Net Assets, Beginning</u>	<u>572,477</u>	<u>464,826</u>
<u>Net Assets, Ending</u>	<u>917,211</u>	<u>572,477</u>

See independent auditors' report and accompanying notes.

Hope and Comfort Inc.
Statements of Functional Expenses
For the Years Ended December 31, 2018 and 2017

<u>Functional Expenses</u>	<u>Program Service</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>2018</u>	<u>2017</u>
Products to charity	624,903	-	-	624,903	181,979
Salaries and wages	125,481	7,381	14,763	147,625	81,548
Rent	60,232	-	-	60,232	35,897
Professional fees	16,739	7,174	-	23,913	4,775
Consultant fees	4,287	-	12,862	17,149	53,760
Payroll taxes	10,447	615	1,229	12,291	7,224
Retirement plan contributions	9,200	541	1,082	10,823	-
Health insurance	7,812	460	919	9,191	5,803
Miscellaneous expenses	5,621	-	-	5,621	4,354
Dues and subscriptions	4,027	-	-	4,027	3,305
Website	3,600	-	400	4,000	-
Shipping	3,681	-	-	3,681	-
Inventory adjustment	3,024	-	-	3,024	-
Depreciation	2,648	-	-	2,648	2,262
Insurance	610	-	-	610	986
Utilities	469	-	-	469	-
Marketing/Advertising	-	-	-	-	382
Total	<u>882,781</u>	<u>16,171</u>	<u>31,255</u>	<u>930,207</u>	<u>382,275</u>

See independent auditors' report and accompanying notes.

Hope and Comfort Inc.
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017
<u>Cash Provided by/(Applied to) Operating Activities</u>		
Change in Net Assets	344,734	107,651
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,648	2,262
Adjusted income to net cash	347,382	109,913
Changes in Operating Assets and Liabilities:		
Inventory - (increase)/decrease	(144,152)	78,840
Prepaid expenses	2,819	(2,819)
Pledges receivable	(10,000)	-
Security deposit	(12,555)	-
Credit card payable	192	-
Net cash provided by operating activities	183,686	185,934
<u>Cash (Applied to) Investing Activities</u>		
Investments - Endowment	(13,795)	(37,969)
Office furniture (In-kind contribution)	(5,618)	-
Net cash (applied to) investing activities	(19,413)	(37,969)
<u>Increase in Cash</u>	164,273	147,965
<u>Cash at Beginning of Year</u>	432,246	284,281
<u>Cash at End of Year</u>	596,519	432,246

See independent auditors' report and accompanying notes.

Hope and Comfort Inc.
Notes to Financial Statements
December 31, 2018 and 2017

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

The organization receives services contributed by numerous volunteers. The value of this donated time is not reflected in these statements since it is not susceptible to objective measurement or valuation. However, the fair value of services would be recognized if they would otherwise be purchased from the donor by the organization.

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, 2018 and 2017

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
2019	68,716
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, 2018 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, 2018 and 2017 investment income/(loss) consists of the following:

	2018	2017
Dividends (net of foreign taxes)	\$ 1,381	\$ 937
Realized gain	8,066	1,354
Unrealized gain/(loss)	(15,647)	3,673
Total	\$ (6,200)	\$ 5,964

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

Net assets with donor restrictions consist of the following:

	2018	2017
Endowment Fund	\$ 71,764	\$ 57,969
Innovation Fund	15,000	-
Restricted for purchase of shampoo	6,272	25,000
Total	\$ 93,036	\$ 82,969

Hope and Comfort Inc.
Notes to Financial Statements
December 31, 2018 and 2017

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, 2018, the amount in excess of federally insured limits was \$132,153. 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 July 1, 2019, the date that the financial statements were available to be issued.