

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

HIGH RISK HOPE, INC.

December 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
High Risk Hope, Inc.

We have audited the accompanying financial statements of High Risk Hope, Inc. (the “Organization”), which comprise the statement of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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.

Auditor’s 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 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.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of High Risk Hope, Inc. at December 31, 2019 and 2018, and the changes 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.

Tampa, Florida
February 28, 2020

Buccio, Gordinier & Company, P.A.

High Risk Hope, Inc.
 STATEMENTS OF FINANCIAL POSITION
 December 31,

	2019	2018
ASSETS		
ASSETS		
Cash and cash equivalents (note A5)	\$ 343,983	\$ 329,083
Equipment, net of accumulated depreciation (notes A6 and C)	4,485	6,357
TOTAL ASSETS	\$ 348,468	\$ 335,440
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 8,927	\$ 717
Total liabilities	8,927	717
NET ASSETS (note A2 and D)		
Without donor restrictions	321,241	314,962
With donor restrictions	18,300	19,761
	339,541	334,723
TOTAL LIABILITIES AND NET ASSETS	\$ 348,468	\$ 335,440

The accompanying notes are an integral part of these statements.

High Risk Hope, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2019

	<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions</u>	<u>Total</u>
Public support and revenue			
Contributions	\$ 315,064	\$ -	\$ 315,064
Special events (note E)	61,267	-	61,267
Online store sales - net	4,451	-	4,451
Total public support and revenue	<u>380,782</u>	<u>-</u>	<u>380,782</u>
Other Revenue			
Interest	204	-	204
Total other revenue	<u>204</u>	<u>-</u>	<u>204</u>
Net assets released from restrictions - net	<u>1,461</u>	<u>(1,461)</u>	<u>-</u>
Total public support, revenue and net assets released from restrictions	<u>382,447</u>	<u>(1,461)</u>	<u>380,986</u>
EXPENSES			
Program expenses	<u>305,593</u>	<u>-</u>	<u>305,593</u>
Supporting services			
Management and general	26,730	-	26,730
Fundraising and development	43,845	-	43,845
Total supporting services	<u>70,575</u>	<u>-</u>	<u>70,575</u>
Total expenses	<u>376,168</u>	<u>-</u>	<u>376,168</u>
CHANGE IN NET ASSETS	6,279	(1,461)	4,818
Net assets at beginning of year	<u>314,962</u>	<u>19,761</u>	<u>334,723</u>
Net assets at end of year	<u>\$ 321,241</u>	<u>\$ 18,300</u>	<u>\$ 339,541</u>

The accompanying notes are an integral part of this statement.

High Risk Hope, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2018

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Public support and revenue			
Contributions	\$ 375,550	\$ -	\$ 375,550
Special events (note E)	64,667	-	64,667
Online store sales - net	2,669	-	2,669
Total public support and revenue	<u>442,886</u>	<u>-</u>	<u>442,886</u>
Other Revenue			
Other Income	1,022	-	1,022
Interest	171	-	171
Total other revenue	<u>1,193</u>	<u>-</u>	<u>1,193</u>
Net assets released from restrictions	<u>(2,649)</u>	<u>2,649</u>	<u>-</u>
Total public support, revenue and net assets released from restrictions	<u>441,430</u>	<u>2,649</u>	<u>444,079</u>
EXPENSES			
Program expenses	<u>348,558</u>	<u>-</u>	<u>348,558</u>
Supporting services			
Management and general	25,756	-	25,756
Fundraising and development	54,039	-	54,039
Total supporting services	<u>79,795</u>	<u>-</u>	<u>79,795</u>
Total expenses	<u>428,353</u>	<u>-</u>	<u>428,353</u>
CHANGE IN NET ASSETS	13,077	2,649	15,726
Net assets at beginning of year	<u>301,885</u>	<u>17,112</u>	<u>318,997</u>
Net assets at end of year	<u><u>\$ 314,962</u></u>	<u><u>\$ 19,761</u></u>	<u><u>\$ 334,723</u></u>

The accompanying notes are an integral part of this statement.

High Risk Hope, Inc.

STATEMENTS OF CASH FLOWS

For the year ended December 31,

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	<u>\$ 4,818</u>	<u>\$ 15,726</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	2,906	2,972
Increase (decrease) in accounts payable and accrued expenses	<u>8,209</u>	<u>(12,358)</u>
Total adjustments	<u>11,115</u>	<u>(9,386)</u>
Net cash provided by operating activities	<u>15,933</u>	<u>6,340</u>
Cash flows from investing activities		
Purchase of fixed assets	<u>(1,033)</u>	<u>-</u>
Net cash used by investing activities	<u>(1,033)</u>	<u>-</u>
Net increase in cash	14,900	6,340
Cash at beginning of year	<u>329,083</u>	<u>322,743</u>
Cash at end of year	<u>\$ 343,983</u>	<u>\$ 329,083</u>

The accompanying notes are an integral part of these statements.

High Risk Hope, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2019

	Program Expenses	Management and General	Fundraising and Development	Total
Community projects	\$ 88,073	\$ -	\$ -	\$ 88,073
Community awareness	12	567	-	579
Contract services	1,800	5,373	3,982	11,155
Depreciation	155	2,461	290	2,906
Hosted events	-	-	7,048	7,048
Insurance	4,732	836	689	6,257
Miscellaneous	939	490	1,775	3,204
Organizational fees	74	295	-	369
PayPal fees	-	618	421	1,039
Rent	45,032	2,484	-	47,516
Salaries and related expenses	150,679	7,525	24,403	182,607
Software	254	2,641	-	2,895
Supplies and postage	5,541	1,914	4,422	11,877
Travel and meetings expense	2,020	31	184	2,235
Volunteer expenses	346	384	-	730
Website hosting and technology	5,936	1,111	631	7,678
	<u>\$ 305,593</u>	<u>\$ 26,730</u>	<u>\$ 43,845</u>	<u>\$ 376,168</u>

The accompanying notes are an integral part of this statement.

High Risk Hope, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2018

	Program Expenses	Management and General	Fundraising and Development	Total
Community projects	\$ 103,064	\$ -	\$ -	\$ 103,064
Community awareness	481	267	-	748
Contract services	1,564	5,761	3,430	10,755
Depreciation	158	2,517	297	2,972
Hosted events	-	28	8,269	8,297
Insurance	5,076	898	721	6,695
Miscellaneous	458	474	263	1,195
Organizational fees	70	407	1,138	1,615
PayPal fees	-	-	401	401
Rent	51,644	2,004	-	53,648
Salaries and related expenses	168,711	8,935	32,285	209,931
Software	565	-	2,262	2,827
Supplies and postage	8,644	3,053	3,853	15,550
Travel and meetings expense	2,585	34	200	2,819
Volunteer expenses	1,095	221	63	1,379
Website hosting and technology	4,443	1,157	857	6,457
	<u>\$ 348,558</u>	<u>\$ 25,756</u>	<u>\$ 54,039</u>	<u>\$ 428,353</u>

The accompanying notes are an integral part of this statement.

High Risk Hope, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the organization's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Description of the Organization

High Risk Hope, Inc. (the "Organization") is a not-profit organization formed on February 16, 2011 to provide support, encouragement, information and resources to women and families who are experiencing a high-risk pregnancy resulting in hospital bed rest, potential premature birth and neonatal intensive care after delivery.

The Organization prolongs high risk pregnancies and improves outcomes for premature infants by supporting patients admitted to the high risk obstetric and neonatal intensive care unit in the hospital and is the only local or national non-profit organization providing these services. The Organization reaches over 2,500 patients annually at regional hospitals, where babies are born healthier and their families' hospital stays are more manageable because of the Organization's services.

Pursuant to a determination letter from the Internal Revenue Service, the Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

2. Basis of Accounting

The accompanying financial statements, presented on the accrual basis of accounting, have been prepared to focus on the Company as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of assets, liabilities, and net assets into two self-balancing net asset groups as follows:

- Without Donor Restrictions – Net assets without donor restrictions are net assets not subject to donor-imposed restriction or the donor-imposed restrictions have expired. These net assets are available for the use at the discretion of the Board of Directors and/or management for general operating purposes.
- With Donor Restrictions – Net assets with donor restrictions are net assets subject to donor-imposed stipulations that may be fulfilled by actions of SEDCO to meet the stipulations, that may become undesignated by the passage of time, or that require net assets to be permanently maintained, thereby restricting the use of principal.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

High Risk Hope, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Not-for-Profit Entities (Topic 606): Revenue from Contracts with Customers. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. Amendments defer the effective date of ASU 2014-09, clarify the implementation guidance on principal versus agent considerations, and clarify the identification of performance obligations and the licensing implementation guidance.

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in ASU 2018-08 should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

These new standards are effective for the Organization's year ending December 31, 2019 and thereafter and will be applied on a retrospective basis. The Organization adopted both of the ASU's effective January 1, 2019. Adoption of the ASU's did not result in any reclassifications, restatements, or changes in net assets.

4. Liquidity

Assets and liabilities are presented in the accompanying statement of financial position according to their nearness of conversion to cash and, their maturity and resulting use of cash, respectively. See Note D for more information on liquidity and availability of assets.

5. Cash and cash equivalents

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

6. Equipment

Equipment is stated at cost or fair value at the date of donation. Depreciation is calculated using the straight-line method over an estimated useful life of five years. The Organization capitalizes asset acquisitions exceeding \$400.

High Risk Hope, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Donated Goods and Services

Donations of in-kind items used by the Organization are recorded as contributions and as assets or expenses to the extent that an objective basis is available to measure the value of such items.

Contributed facilities are recorded as contributions and as assets or expenses at their fair value, to the extent they create or enhance nonfinancial assets or require specialized skills, are provided by individuals or organizations possessing these skills, and would typically need to be purchased if not provided by donations. The Organization had approximately \$40,200 and \$45,700 of contributed facilities from a board member for the years ended December 31, 2019 and 2018, related to the donated use of office space.

Approximately \$24,300 and \$53,000 of contributed goods for the years ended December 31, 2019 and 2018, respectively, relate to donated products included in Bed Rest Baskets and NICU Napsacks. Organization volunteers assemble and deliver Bed Rest Baskets to newly admitted long term high risk obstetric patients and NICU Napsacks to families of premature infants admitted to the neonatal intensive care unit. Both Bed Rest Baskets and NICU Napsacks provide personal items that are crucial to surviving a long-term hospital stay and are not supplied by hospitals or any other organizations.

A substantial number of volunteers have contributed a significant amount of time and services to the Organization's program, management and general and fundraising activities. However, these services have not been recognized in the financial statements since they do not meet the requirements of Financial Accounting Standards Board *Accounting Standards Codification* (FASB ASC) 958-605.

8. Contributions

Contributions received are recorded as with or without donor restrictions, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. All other donor restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction.

9. Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and services. Expenses that can be identified with a specific revenue and support service are allocated directly according to their natural expenditure classification. Expenses that benefit multiple functional areas have been allocated across programs, general and administrative, and fundraising expenses based on the proportion of employee time involved.

High Risk Hope, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE B - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization has the following financial assets available within one year of the Statement of Financial Position for general expenditure at December 31,:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 343,983	\$ 329,083
Total financial assets available within one year	343,983	329,083
Less:		
Amounts unavailable for general expenditures within on year, due to:		
Restricted by donors with purpose restrictions	<u>18,300</u>	<u>\$ 19,761</u>
Total financial assets available to mangement for expenditure within on year	<u>\$ 325,683</u>	<u>\$ 309,322</u>

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE C - EQUIPMENT

Equipment consisted of the following at December 31,:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 7,226	\$ 7,226
Computer equipment	9,386	8,353
	<u>16,612</u>	<u>15,579</u>
Less accumulated depreciation	<u>(12,127)</u>	<u>(9,222)</u>
	<u>\$ 4,485</u>	<u>\$ 6,357</u>

Depreciation expense was \$2,906 and \$2,972 for the years ended December 31, 2019 and 2018, respectively.

High Risk Hope, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE D - NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction contain donor-imposed restrictions that expire upon the passage of time or once specific actions are undertaken by the Organization. The net assets are then released and reclassified to unrestricted support when they are expended. Net assets with donor restriction consisted of the following as of December 31,:

	<u>2019</u>	<u>2018</u>
Hoag Hospital Newport Beach Bed Rest Basket and NICU Napsack Programs	<u>18,300</u>	<u>19,761</u>
	<u>\$ 18,300</u>	<u>\$ 19,761</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors. The net assets released from restrictions are as follows for the years ended December 31,:

	<u>2019</u>	<u>2018</u>
Net assets released due to purpose restriction accomplished	\$ 1,461	\$ 792
Net assets reclassified from restriction	<u>-</u>	<u>(3,441)</u>
	<u>\$ 1,461</u>	<u>\$ (2,649)</u>

NOTE E - SPECIAL EVENTS

The Organization conducted special events, during the years ended December 31, 2019 and 2018 to benefit the Organization. Net special event revenue consisted of the following at December 31,:

	<u>2019</u>	<u>2018</u>
Event revenue	\$ 81,635	\$ 89,647
Direct expense	<u>20,368</u>	<u>24,980</u>
Net proceeds from special events	<u>\$ 61,267</u>	<u>\$ 64,667</u>

High Risk Hope, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE F - INCOME TAX STATUS

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no income tax liability has been recorded in the financial statements. Management is not aware of any activities that would jeopardize the Organization's tax exempt status. The Organization is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty. Tax years after 2016 remain subject to examination by federal and state authorities.

NOTE G - SUBSEQUENT EVENTS

The Organization has evaluated events and transactions occurring subsequent to December 31, 2019 as of February 28, 2020 which is the date the financial statements were available to be issued.