

BLESSED BE HOPE FOR THREE, INC.

Financial Statements

Year Ended December 31, 2019

BLESSED BE HOPE FOR THREE, INC.

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Blessed Be Hope for Three, Inc.
Sugar Land, Texas

We have audited the accompanying financial statements of Blessed Be Hope for Three, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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.

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Opinion

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

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the Organization adopted the amendment of one Accounting Standards Update as of and for the year ended December 31, 2019. Our opinion is not modified with respect to this matter.

KenWood & Associates, P.C.

Sugar Land, Texas
October 16, 2020

BLESSED BE HOPE FOR THREE, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2019

ASSETS

Cash	\$ 261,446
Grants receivable	180,534
Prepaid expenses and other assets	4,925
Property and equipment, net	15,400
Rent deposit	<u>2,644</u>
 TOTAL ASSETS	 <u>\$ 464,949</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 36,927
Accrued expenses	<u>18,242</u>
 Total liabilities	 55,169
 Net Assets	
Without donor restrictions	144,280
With donor restrictions	<u>265,500</u>
 Total net assets	 409,780
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 464,949</u>

See accompanying notes to the financial statements and independent auditor's report.

BLESSED BE HOPE FOR THREE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Grants	\$ -	\$ 317,608	\$ 317,608
Contributions	53,781	-	53,781
Program revenue	12,979	-	12,979
Fundraising events	160,920	52,500	213,420
Other income	12	-	12
TOTAL REVENUE AND OTHER SUPPORT	227,692	370,108	597,800
NET ASSETS RELEASED FROM RESTRICTIONS	314,813	(314,813)	-
TOTAL REVENUES AND OTHER SUPPORT	542,505	55,295	597,800
EXPENSES			
Program services	445,890	-	445,890
Supporting services			
Management and general	63,658	-	63,658
Fundraising	151,837	-	151,837
TOTAL EXPENSES	661,385	-	661,385
CHANGE IN NET ASSETS	(118,880)	55,295	(63,585)
NET ASSETS AT BEGINNING OF YEAR	263,160	210,205	473,365
NET ASSETS AT END OF YEAR	\$ 144,280	\$ 265,500	\$ 409,780

See accompanying notes to the financial statements and independent auditor's report.

BLESSED BE HOPE FOR THREE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Supporting Services				Total supporting services	Total
	Program	Management & General		Fundraising		
Salaries	\$ 162,645	\$ 36,143	\$ 59,378	\$ 95,521	\$ 258,166	
Payroll taxes	13,388	2,979	4,888	7,867	21,255	
Employee benefits	9,224	2,050	3,368	5,418	14,642	
Conferences	676	150	247	397	1,073	
Contract labor	19,348	3,830	11,264	15,094	34,442	
Depreciation expense	3,103	690	1,133	1,823	4,926	
Amortization expense	1,096	244	400	644	1,740	
Dues	1,622	360	592	952	2,574	
Education	11,029	-	-	-	11,029	
Family assistance	148,405	-	-	-	148,405	
Fees	2,214	1,430	808	2,238	4,452	
Fundraising event	-	-	46,668	46,668	46,668	
Insurance	970	215	354	569	1,539	
Meals & entertainment	768	1,692	280	1,972	2,740	
Miscellaneous	1,580	527	527	1,054	2,634	
Office expenses	7,651	1,700	2,793	4,493	12,144	
Postage	270	60	99	159	429	
Print	560	124	204	328	888	
Professional fees	22,995	5,110	8,395	13,505	36,500	
Rent & utilities	22,514	5,003	8,220	13,223	35,737	
Program events	9,756	-	-	-	9,756	
Supplies	2,369	527	865	1,392	3,761	
Training & development	1,305	290	477	767	2,072	
Travel	2,402	534	877	1,411	3,813	
Total	<u>\$ 445,890</u>	<u>\$ 63,658</u>	<u>\$ 151,837</u>	<u>\$ 215,495</u>	<u>\$ 661,385</u>	

See accompanying notes to the financial statements and independent auditor's report.

BLESSED BE HOPE FOR THREE, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (63,585)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation and amortization	6,666
Changes in operating assets and liabilities:	
Grants receivable	(17,567)
Reimbursable advances	15,000
Prepaid expenses and other assets	2,140
Accounts payable	25,330
Accrued expenses	<u>8,071</u>
NET CASH USED BY OPERATING ACTIVITIES	(23,945)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	<u>(9,850)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(9,850)</u>
NET DECREASE IN CASH	(33,795)
CASH, BEGINNING OF YEAR	<u>295,241</u>
CASH, END OF YEAR	<u>\$ 261,446</u>
SUPPLEMENTAL DISCLOSURES	
Noncash contributions	<u>\$ 70,285</u>

See accompanying notes to the financial statements and independent auditor's report.

BLESSED BE HOPE FOR THREE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Blessed Be Hope for Three, Inc. (the “Organization”), a Texas nonprofit organization, was founded on December 6, 2010, and was approved as a 501(c)(3) entity on April 29, 2011. The purpose of the Organization is to bring awareness to the community on behalf of families with multiple children affected by autism and provide assistance with care costs to those families. Assistance may include, but is not limited to, education costs, medication costs, hospital fees, in-home care expenses, and special equipment.

The Organization is supported through contributions received from individuals, corporations and foundations, as well as fundraisers.

Significant Accounting Policies

Basis of Accounting - The Organization’s financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation - The Organization's financial statements are presented in accordance with Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 958-205-45, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205-45, the Organization is required to report information regarding its financial position and activities according to two classes of net assets.

Net assets without donor restrictions: are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.

Net assets with donor restrictions: are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service unless the donor also has placed a time restriction on the use of the long-lived asset, in which case the release occurs over the term of the time restriction.

In addition, the Organization is required by FASB ASC 958-205-45 to present a statement of cash flows.

Revenue Recognition - Generally, grants are recognized as revenues when earned. Grants that operate on a reimbursement basis are recognized on the accrual basis as revenues only to the extent of disbursements and commitments that are allowable for reimbursement. Revenues from contributions, donations and other sources are recognized as without donor restrictions or with donor restrictions revenue when received or unconditionally promised by a third party. Revenues from special events are recognized when the events are held. Interest income is recognized when

BLESSED BE HOPE FOR THREE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

earned based on passage of time. Program income and other income are recognized when received.

Contributions and Promises to Give - In accordance with FASB ASC 958-605-45-3, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as without donor restrictions, or with donor restrictions depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give cash or other assets are not recognized as revenues until received. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions if the restrictions are not met in the fiscal year in which the contributions were recognized. 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.

The Organization uses the allowance method to determine uncollectible grant and promise to give receivables. The allowance is based on management's analysis of specific promises made. The Organization considers all grants and promises to give receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Contributed Services - The Organization recognizes contributed services at their fair value if the services provide value to the Organization and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors, as established by FASB ASC 958-605-25-16. Contributed professional services amounted to \$1,500 for the year ended December 31, 2019.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Reclassifications - Certain accounts in the prior year financial statements have been reclassified to conform to the current year financial statement presentation. These reclassifications have no impact on previously reported beginning net assets or change in net assets.

Cash and Cash Equivalents - The Organization considers all monies in banks and highly liquid investments with maturities of three months or less from the date of purchase to be cash and cash equivalents. The carrying values of any cash and cash equivalents are deemed to approximate their fair values because of the short maturities of those financial instruments.

Property and Equipment - The Organization capitalizes all expenditures for property and equipment in excess of \$500. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the estimated fair market value on the date of receipt.

BLESSED BE HOPE FOR THREE, INC.
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December 31, 2019

Depreciation of property and equipment is recorded on the straight-line method based on the estimated useful lives ranging from 5 to 7 years. Maintenance and repairs are charged to operations when incurred. Major improvements and renewals that extend the life of the asset are capitalized.

Donated Goods – Donated goods are recorded as contributions at fair value at the date of donation. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated assets to a specific purpose. The Organization reports expirations of donor restrictions when the related expense is recognized as the item is used.

Functional Allocation of Expenses - Expenses are categorized in the Statement of Activities as program services, fundraising, and management and general based on FASB Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization's expenses are allocated on a functional basis among these benefited categories. Salaries, depreciation, and related costs are allocated on the basis of estimated time and effort expended.

Program service expenses include direct and indirect (allocated) expenses for the various programs offered by the Organization. Expenses that can be identified with specific program services are allocated directly according to their natural expenditure classification.

Fundraising expenses represent costs incurred in connection with fundraising efforts. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Management believes that functional expenses have been appropriately allocated for the year ended December 31, 2019.

Income Taxes - The Organization is a nonprofit corporation that is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (“Code”) and comparable State law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization did not conduct any unrelated business activities in the current fiscal year. Therefore, the Organization has made no provision for federal income taxes in the accompanying financial statements.

The Organization applies the provisions of FASB ASC Topic 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Management believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Fair Value Measurement - In accordance with accounting principles generally accepted in the United States of America, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measure date (exit price). Accounting principles generally accepted in the United States of America characterize inputs used in determining fair value using a hierarchy that prioritizes inputs

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depending on the degree to which they are observable. The three levels of the fair value hierarchy are as follows:

- Level 1 – Inputs represent quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Inputs that are not observable from objective sources.

All cash and cash equivalents held by the organization as of December 31, 2019 were Level I. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used are to maximize the use of observable inputs and minimize the use of unobservable inputs.

Recently Issued Accounting Pronouncements

The Organization adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provide additional guidance on determining whether a contribution is conditional or unconditional. The Organization adopted the new standard effective January 1, 2019, using the modified prospective method. Adoption of this standard had no impact on total beginning net assets.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which replaces most existing revenue recognition guidance for exchange transactions not specifically covered by other guidance. This ASU does not apply to non-exchange transactions such as contributions. The core principle of the new guidance is that an entity should recognize revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for transferred goods or services and establishes a 5-step process to determine when performance obligations are satisfied and revenue is recognized. ASU 2014-09 was modified by ASU 2015-14, which was effective for annual reporting periods beginning after December 15, 2018.

In February 2016, the FASB issued ASU No. 2016-02 *Leases (Topic 842)* that amended the guidance on leases. The amendment improves transparency and comparability among entities by recognizing lease assets and lease liabilities on the statement of financial position and by disclosing key information about leasing arrangements. The guidance is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Reporting entities could elect to adjust comparative periods and record the cumulative effect adjustment at the beginning of the earliest comparative period, or to not adjust comparative periods and record the cumulative effect adjustment at the effective date.

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In response to the impact of the COVID-19 pandemic, the FASB issued ASU 2020-05 in June 2020 that permits not-for-profit entities that have not yet applied its new revenue recognition standard to implement the new rules for annual reporting periods beginning after December 15, 2019, and interim reporting periods within annual reporting periods beginning after December 15, 2020. ASU 2020-05 also permits not-for-profit entities that have not yet applied the new lease standard to implement the new rules for fiscal years beginning after December 15, 2021, and to interim periods within fiscal years beginning after December 15, 2022.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in one financial institution. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2019, the Organization had \$1,168 in excess of the insured limits. The Organization has not experienced any losses in these bank accounts and management believes the risk of future loss is mitigated by monitoring the balances and the financial institution where the cash is deposited.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019 comprise the following:

Financial assets at December 31, 2019

Cash	\$ 261,446
Grants receivable	<u>180,534</u>
Total financial assets	441,980
Less financial assets available for general expenditure:	
Other donor-restricted assets subject to satisfaction of restriction and the passage of time	<u>265,500</u>
Total financial assets available for general expenditure	<u>\$ 176,480</u>

NOTE 4 – GRANTS RECEIVABLE

Grants receivable consist of the following as of December 31, 2019:

The George Foundation	\$ 160,000
Kerr Foundation	5,000
Individual donors	<u>15,534</u>
	<u>\$ 180,534</u>

All grants receivables are considered collectible within the next fiscal year.

BLESSED BE HOPE FOR THREE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 5 – PROPERTY AND EQUIPMENT

At December 31, 2019, property and equipment consisted of the following:

Furniture and equipment	\$ 30,271
Accumulated depreciation	(16,031)
Website	5,220
Accumulated amortization	<u>(4,060)</u>
Property and equipment, net	<u>\$ 15,400</u>

For the year ended December 31, 2019, depreciation expense was \$4,926 and amortization expense was \$1,740.

NOTE 6 – NET ASSETS WITHOUT DONOR RESTRICTIONS

As of December 31, 2019, the Organization had unrestricted net assets of \$144,280 available to support programs and activities.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets were available for the following purposes as of December 31, 2019:

Operations	\$ 28,025
Programs	178,500
Family assistance	40,083
Salaries and benefits	66,000
Fundraising event	<u>52,500</u>
Total temporarily restricted net assets	<u>\$ 370,108</u>

Net assets released from donor restrictions by incurring expenses satisfying the purpose or time restrictions as of December 31, 2019 were as follows:

Operations	\$ 171,425
Salaries and benefits	66,000
Programs	26,000
Family assistance	48,888
Fundraising event	<u>2,500</u>
Total	<u>\$ 314,813</u>

NOTE 8 – LEASE OBLIGATIONS

The Organization leases office space and equipment with various terms. Office rent expense was \$20,630 for the year ended December 31, 2019. Equipment rental expense was \$4,784 for the year ended December 31, 2019.

BLESSED BE HOPE FOR THREE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Future minimum payments over the remainder of the agreements as of December 31, 2019 are as follows:

2020	\$ 36,233
2021	37,090
2022	12,223
2023	3,862
2024	1,610
Total	<u><u>\$ 91,018</u></u>

NOTE 9 – CONCENTRATIONS

The Organization is dependent on several sources of support and revenue. Grant funds from foundations provide approximately 53% of the Organization's support for the year ended December 31, 2019. Two foundations made up 91% of the Organization's grants receivable for the year ended December 31, 2019. The Organization is supported through contributions from other non-profit organizations and the general public in the Greater Houston area.

NOTE 10 – RELATED PARTY TRANSACTIONS

In 2019, the Organization contracted with an advertising company for social media needs that is owned by a board member. Expenses totaled \$3,000. During the year ended December 31, 2019 an employee's child was awarded Family Assistance in the amount of \$8,000. Additionally, during the year ended December 31, 2019, a contract employee's children were awarded Family Assistance in the amount of \$9,000. Related party relationships are disclosed properly in the 2019 Form 990 tax return.

NOTE 11 – SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 16, 2020, the date the financial statements were available to be issued.

NOTE 12 – OTHER ITEMS

During March 2020, the World Health Organization declared a pandemic related to the COVID-19, the coronavirus outbreak, followed by the United States declaring a national emergency. As a result of the spread of COVID19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Organization. During May 2020, the Organization received \$61,380 from the PPP loan program, which management believes will be forgiven. Additionally, the Organization applied for the Emergency Injury Disaster Loan (EIDL) offered by the Small Business Administration and received \$149,900. However, the extent of the impact of COVID-19 on the Organization will depend on the impact it has on our donors, grantors, and employees, which are not predictable.