

BLESSED BE HOPE FOR THREE, INC.

Financial Statements

Years Ended December 31, 2017 and 2016

BLESSED BE HOPE FOR THREE, INC.

FINANCIAL STATEMENTS

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Blessed Be Hope for Three, Inc.
Stafford, 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, 2017, 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.

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, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

KenWood & Associates, P.C.
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Report on Summarized Comparative Information

The 2016 financial statements were reviewed by us, and our report thereon, dated January 16, 2019, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements. The summarized comparative information presented herein for the year ended December 31, 2016, is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

Kennwood & Associates, P.C.

Sugar Land, Texas
January 16, 2019

BLESSED BE HOPE FOR THREE, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

	Audited 2017	Reviewed 2016
	<u> </u>	<u> </u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 300,850	\$ 180,419
Grants receivable	<u>158,125</u>	<u>236,250</u>
TOTAL CURRENT ASSETS	458,975	416,669
PROPERTY AND EQUIPMENT, NET	10,787	10,630
OTHER ASSETS	<u>5,635</u>	<u>6,235</u>
TOTAL ASSETS	<u>\$ 475,397</u>	<u>\$ 433,534</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 3,377	\$ -
Accrued expenses	<u>2,728</u>	<u>2,683</u>
TOTAL CURRENT LIABILITIES	6,105	2,683
NET ASSETS		
Unrestricted	311,167	194,601
Temporarily restricted	<u>158,125</u>	<u>236,250</u>
TOTAL NET ASSETS	<u>469,292</u>	<u>430,851</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 475,397</u>	<u>\$ 433,534</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, 2017 (with comparative totals for 2016)

	2017 Audited			Reviewed 2016 Total
	Unrestricted	Temporarily Restricted	Total	
REVENUE AND OTHER SUPPORT				
Grants	\$ -	\$ 247,804	\$ 247,804	\$ 264,416
Contributions	44,503		44,503	68,469
Program revenue	18,361		18,361	15,162
Fundraising events	92,201		92,201	55,784
Other income	226		226	-
TOTAL REVENUE AND OTHER SUPPORT	<u>155,291</u>	<u>247,804</u>	<u>403,095</u>	<u>403,831</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>325,929</u>	<u>(325,929)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES AND OTHER SUPPORT	481,220	(78,125)	403,095	403,831
EXPENSES				
Program services	220,925	-	220,925	248,720
Supporting services				
Management and general	103,918	-	103,918	89,120
Fundraising	39,811	-	39,811	14,338
TOTAL EXPENSES	<u>364,654</u>	<u>-</u>	<u>364,654</u>	<u>352,178</u>
CHANGE IN NET ASSETS	116,566	(78,125)	38,441	51,653
NET ASSETS AT BEGINNING OF YEAR	<u>194,601</u>	<u>236,250</u>	<u>430,851</u>	<u>379,198</u>
NET ASSETS AT END OF YEAR	<u>\$ 311,167</u>	<u>\$ 158,125</u>	<u>\$ 469,292</u>	<u>\$ 430,851</u>

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, 2017 (with comparative totals for 2016)

	Supporting Services			Total supporting services	Audited 2017 Total	Reviewed 2016 Total
	Program	Management & General	Fundraising			
Salaries	\$ 128,354	\$ 27,682	\$ -	\$ 27,682	\$ 156,036	\$ 174,343
Payroll taxes	8,831	3,321	-	3,321	12,152	25,263
Employee benefits	-	8,200	-	8,200	8,200	-
Advertising	-	-	-	-	-	3,941
Conferences	-	448	-	448	448	278
Depreciation expense	-	2,591	-	2,591	2,591	2,522
Amortization expense	-	580	-	580	580	-
Dues	-	1,450	-	1,450	1,450	1,025
Education	4,721	-	-	-	4,721	713
Equipment	-	2,180	-	2,180	2,180	1,744
Family assistance	72,773	-	-	-	72,773	55,292
Fees	-	3,224	-	3,224	3,224	9,830
Fundraising event	-	-	39,811	39,811	39,811	14,338
Insurance	-	4,653	-	4,653	4,653	1,484
Meals & entertainment	-	2,101	-	2,101	2,101	1,106
Miscellaneous	-	951	-	951	951	1,964
Newsletter & calendar	825	-	-	-	825	628
Office expenses	-	5,942	-	5,942	5,942	2,802
Postage	-	271	-	271	271	855
Print	3,638	1,965	-	1,965	5,603	2,576
Rent & utilities	-	30,128	-	30,128	30,128	28,445
Program events	295	-	-	-	295	20,907
Subscriptions	-	208	-	208	208	-
Supplies	1,488	1,228	-	1,228	2,716	1,678
Training & development	-	983	-	983	983	358
Travel	-	5,812	-	5,812	5,812	86
Total	<u>\$ 220,925</u>	<u>\$ 103,918</u>	<u>\$ 39,811</u>	<u>\$ 143,729</u>	<u>\$ 364,654</u>	<u>\$ 352,178</u>

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

BLESSED BE HOPE FOR THREE, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

	<u>Audited</u> 2017	<u>Reviewed</u> 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 38,441	\$ 51,653
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,591	2,522
Amortization	580	-
Changes in operating assets and liabilities:		
Grants receivable	78,125	(67,250)
Other assets	20	2,142
Accounts payable	3,377	-
Accrued expenses	45	(2,365)
	<u>123,179</u>	<u>(13,298)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(2,748)</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	120,431	(13,298)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>180,419</u>	<u>193,717</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 300,850</u>	<u>\$ 180,419</u>
SUPPLEMENTAL DISCLOSURES		
Noncash contributions	<u>\$ 26,556</u>	<u>\$ 4,693</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, 2017 (Audited) and 2016 (Reviewed)

NOTE 1 – NATURE OF ACTIVITIES

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.

NOTE 2 – SUMMARY OF 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) 958-205-45-4, Financial Statements of Not-for-Profit Organizations. Under FASB ASC 958-205-45-4, the Organization is required to report information regarding its financial position and activities according to three classes of net assets.

Unrestricted net assets consist of net assets that are not subject to donor imposed restrictions.

Temporarily restricted net assets consist of net assets that are subject to donor imposed stipulations that require the passage of time or the occurrence of a specific event. When the purpose of the restriction is accomplished or the time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Permanently restricted net assets are subject to donor imposed stipulations that are maintained permanently.

In addition, the Organization is required by FASB ASC 958-205-45-4 to present a statement of cash flows.

BLESSED BE HOPE FOR THREE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 (Audited) and 2016 (Reviewed)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 unrestricted or temporarily restricted revenues 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 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 unrestricted, temporarily restricted, or permanently restricted support 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 unrestricted net assets if the restrictions are met in the fiscal year in which the contributions were recognized. All other donor-restricted contributions would be reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets 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. If amounts become uncollectible, they will be charged to operations when that determination is made.

Contributed Services and Facilities

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 958-605-25-26. Contributed professional services amounted to \$1,500 for each of the years ended December 31, 2017 and 2016.

BLESSED BE HOPE FOR THREE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 (Audited) and 2016 (Reviewed)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donations

Donations are recorded as contributions at fair value at the date of donation. Such donations are reported as unrestricted net assets unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service.

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. 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.

Functional Allocation of Expenses

Expenses are categorized in the Statement of Activities as program services, fundraising and management and general. The Organization's expenses are allocated on a functional basis among these benefited categories.

Program service expenses include direct and indirect (allocated) expenses for the various programs offered by the Organization. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Other expenses, that are common to several functions, are allocated to program services by various reasonable bases.

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.

BLESSED BE HOPE FOR THREE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 (Audited) and 2016 (Reviewed)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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*, (formerly FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109*), 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. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures and transition.

The Organization 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.

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 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. The significant estimates included in the financial statements are the estimates of useful lives used for depreciating property and equipment items.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the current year financial statement presentation. These reclassifications have no effect on previously reported change in net assets.

Fair Value of Financial Instruments

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market, establishes a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

BLESSED BE HOPE FOR THREE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 (Audited) and 2016 (Reviewed)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The valuation techniques required by ASC 820 are based upon observable and unobservable inputs, and ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 - Inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Significant unobservable inputs that are supported by little or no market activity.

All cash and cash equivalents held by the organization as of December 31, 2017 and 2016 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.

Management's Review

The Organization's management has evaluated subsequent events through January 16, 2019, which is the date the financial statements were available to be issued.

NOTE 3 – GRANTS RECEIVABLE

Grants receivable consist of the following as of December 31, 2017 and 2016:

	2017	2016
The George Foundation	\$ 126,125	\$ 125,000
Fred & Mabel Parks Foundation	20,000	20,000
Henderson Wessendorff Foundation	-	50,000
The Children's Fund	-	40,000
Youth in Philanthropy - George Foundation	-	1,250
Gulf Coast Medical Foundation	12,000	-
	\$ 158,125	\$ 236,250

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

BLESSED BE HOPE FOR THREE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 (Audited) and 2016 (Reviewed)

NOTE 4 – LEASE OBLIGATIONS

The Organization leases office space and equipment with various terms. Office rent expense was \$22,416 and \$20,512 for the years ended December 31, 2017 and 2016, respectively. Equipment rental expense was \$2,180 and \$1,744 for the years ended December 31, 2017 and 2016, respectively.

Future minimum payments over the remainder of the agreements as of December 31, 2017 are as follows:

2018	\$ 23,626
2019	2,313
Total	<u>\$ 25,939</u>

NOTE 5 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Expenses are categorized in the statement of activities as either (1) program services, (2) general and administrative, or (3) fundraising expenses. Expenses that are specifically identifiable to a function are allocated entirely to that function. Expenses that are not specifically identifiable to a function are allocated based upon management's estimate of time and resources devoted to each function.

NOTE 6 – CONCENTRATIONS OF CREDIT RISK

All of a depositor's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, are insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard maximum deposit insurance amount (\$250,000), for each deposit insurance ownership category.

The Organization maintains its cash balances in two financial institutions. These balances are insured by the FDIC up to \$250,000. As of December 31, 2017 and 2016, the Organization had \$45,547 and \$0, respectively, that was not covered by FDIC insurance. The Organization has not experienced any losses in such accounts and believes the risk of future loss is mitigated by monitoring the balances and the financial institutions where the cash is deposited.

BLESSED BE HOPE FOR THREE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 (Audited) and 2016 (Reviewed)

NOTE 7 – PROPERTY AND EQUIPMENT

At December 31, 2017, property and equipment consisted of the following:

	2017	2016
Furniture and equipment	\$ 18,422	\$ 15,674
Accumulated depreciation	(7,635)	(5,044)
Property and equipment, net	\$ 10,787	\$ 10,630

For the years ended December 31, 2017 and December 31, 2016, depreciation expense was \$2,591 and \$2,522, respectively.

NOTE 8 – CONCENTRATIONS

The Organization is dependent on several sources of support and revenue. Grant funds from foundations provide approximately 61% and 65% of the Organization's support for the years ended December 31, 2017 and 2016. Three foundations made up 78% and 91% of the Organization's grants receivable for the years ended December 31, 2017 and 2016.

NOTE 9 – UNRESTRICTED NET ASSETS

As of December 31, 2017 and 2016, the Organization had unrestricted net assets of \$311,167 and \$194,601, respectively, available to support programs and activities.

NOTE 10 – RELATED PARTY TRANSACTIONS

In 2017, the Organization purchased promotional wristbands from a company owned by the Organization's Executive Director totaling \$2,150. There were no related party transactions for the year ended December 31, 2016. At December 31, 2017 and 2016, there were no amounts payable to this vendor.

BLESSED BE HOPE FOR THREE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 (Audited) and 2016 (Reviewed)

NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS

Temporary restricted net assets are available for the following purposes as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Operations	\$ 143,125	\$ 140,000
Salaries and benefits	-	90,000
Family assistance	<u>15,000</u>	<u>6,250</u>
Total temporarily restricted net assets	<u>\$ 158,125</u>	<u>\$ 236,250</u>

Net assets released from donor restrictions by incurring expenses satisfying the purpose or time restrictions as of December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Operations	\$ 150,220	\$ 125,000
Salaries and benefits	130,000	40,000
Programs	14,500	21,300
Family assistance	<u>31,209</u>	<u>10,866</u>
Total	<u>\$ 325,929</u>	<u>\$ 197,166</u>