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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, 2020 and 2019, 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, 2020 and 2019, 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 21, 2021

Hope and Comfort Inc.
Statements of Financial Position
December 31, 2020 and 2019

	<u>Assets</u>	
	2020	2019
<u>Current Assets</u>		
Cash	1,669,488	1,007,737
Inventory	174,732	182,704
Prepaid expenses	72,500	-
Total current assets	<u>1,916,720</u>	<u>1,190,441</u>
<u>Investments with Donor Restrictions</u>	<u>163,272</u>	<u>117,040</u>
<u>Property and Equipment</u>		
Office furniture	25,789	25,789
Accumulated depreciation	(17,670)	(12,913)
Total property and equipment	<u>8,119</u>	<u>12,876</u>
<u>Other Assets</u>		
Security Deposit	12,555	12,555
Total other assets	<u>12,555</u>	<u>12,555</u>
<u>Total Assets</u>	<u>2,100,666</u>	<u>1,332,912</u>
	<u>Liabilities and Net Assets</u>	
<u>Current Liabilities</u>		
Accounts payable	20,412	-
Credit card payable	794	671
Accrued payroll	718	-
Total current liabilities	<u>21,924</u>	<u>671</u>
<u>Net Assets</u>		
Net assets without donor restrictions	1,857,472	1,165,613
Net assets with donor restrictions	221,270	166,628
Total net assets	<u>2,078,742</u>	<u>1,332,241</u>
<u>Total Liabilities and Net Assets</u>	<u>2,100,666</u>	<u>1,332,912</u>

See independent auditors' report and accompanying notes.

Hope and Comfort Inc.
Statements of Activities
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>Changes in Net Assets Without Donor Restrictions</u>		
Revenues and Transfers:		
Contributions	1,558,358	800,308
In-kind contributions	1,267,753	665,138
Released from restrictions	14,089	9,183
PPP loan forgiveness	36,093	-
Miscellaneous	6,046	2
Interest	4,789	9,618
Total Revenues and Transfers	<u>2,887,128</u>	<u>1,484,249</u>
Functional Expenses:		
Products to charity	1,554,691	741,197
Salaries and wages	234,917	170,275
Consultant fees	160,273	23,319
Rent	120,223	113,596
Payroll taxes	18,997	14,457
Retirement plan contributions	15,557	13,289
Marketing/advertising	14,639	4,329
Shipping	12,895	2,817
Health insurance	12,235	7,731
Professional fees	11,245	10,106
Inventory adjustment	9,815	2,450
Miscellaneous expenses	5,398	10,058
Dues and subscriptions	5,296	3,412
Depreciation	4,757	5,175
Insurance	2,822	3,408
Utilities	2,444	2,015
Information technology	1,040	6,178
Repairs and maintenance	-	9,000
Good360 administration fees	8,025	-
Total Functional Expenses	<u>2,195,269</u>	<u>1,142,812</u>
Change in Net Assets Without Donor Restrictions	<u>691,859</u>	<u>341,437</u>
<u>Changes in Net Assets With Donor Restrictions</u>		
Revenues and Transfers:		
Contributions	42,796	62,500
Transfer to net assets without donor restrictions	(14,089)	(9,183)
Investment income	25,935	20,276
Total Revenues and Transfers	<u>54,642</u>	<u>73,593</u>
<u>Change in Net Assets</u>	<u>746,501</u>	<u>415,030</u>
<u>Net Assets, Beginning</u>	<u>1,332,241</u>	<u>917,211</u>
<u>Net Assets, Ending</u>	<u>2,078,742</u>	<u>1,332,241</u>

See independent auditors' report and accompanying notes.

Hope and Comfort Inc.
Statements of Functional Expenses
For the Year Ended December 31, 2020 with
Comparative Information for the Year Ended December 31, 2019

	Program Service	Management and General	Fundraising and Development	2020	2019
<u>Functional Expenses</u>					
Products to charity	1,554,691	-	-	1,554,691	741,197
Salaries and wages	199,679	17,619	17,619	234,917	170,275
Rent	120,223	-	-	120,223	113,596
Consultant fees	96,163	32,055	32,055	160,273	23,319
Payroll taxes	16,147	1,425	1,425	18,997	14,457
Retirement plan contributions	13,223	1,167	1,167	15,557	13,289
Professional fees	7,872	3,373	-	11,245	10,106
Miscellaneous expenses	5,398	-	-	5,398	10,058
Repairs and maintenance	-	-	-	-	9,000
Health insurance	10,399	918	918	12,235	7,731
Information technology	936	-	104	1,040	6,178
Depreciation	4,757	-	-	4,757	5,175
Marketing/advertising	7,320	-	7,319	14,639	4,329
Dues and subscriptions	5,296	-	-	5,296	3,412
Insurance	2,822	-	-	2,822	3,408
Shipping	12,895	-	-	12,895	2,817
Inventory adjustment	9,815	-	-	9,815	2,450
Utilities	2,444	-	-	2,444	2,015
Good360 Admin fees	8,025	-	-	8,025	-
Total Functional Expenses	<u>2,078,105</u>	<u>56,557</u>	<u>60,607</u>	<u>2,195,269</u>	<u>1,142,812</u>

See independent auditors' report and accompanying notes.

Hope and Comfort Inc.
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>Cash Provided by/(Applied to) Operating Activities</u>		
Change in Net Assets	746,501	415,030
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	<u>4,757</u>	<u>5,175</u>
Adjusted income to net cash	751,258	420,205
Changes in Operating Assets and Liabilities:		
Inventory	7,972	34,671
Prepaid expenses	(72,500)	-
Pledges receivable	-	10,000
Security deposit	-	-
Accounts payable	20,412	-
Credit card payable	123	478
Accrued expenses and taxes	<u>718</u>	<u>-</u>
Net cash provided by operating activities	<u>707,983</u>	<u>465,354</u>
<u>Cash (Applied to) Investing Activities</u>		
Investments - Endowment	(46,232)	(45,276)
Office furniture (In-kind contribution)	<u>-</u>	<u>(8,861)</u>
Net cash (applied to) investing activities	<u>(46,232)</u>	<u>(54,137)</u>
<u>Increase in Cash</u>	661,751	411,217
<u>Cash at Beginning of Year</u>	<u>1,007,737</u>	<u>596,520</u>
<u>Cash at End of Year</u>	<u><u>1,669,488</u></u>	<u><u>1,007,737</u></u>

See independent auditors' report and accompanying notes.

Hope and Comfort Inc.
Notes to Financial Statements
December 31, 2020 and 2019

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 \$101,400 is included in In-kind contributions and operating expenses for 2020.

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. There are no outstanding pledges as of December 31, 2020.

Hope and Comfort Inc.
Notes to Financial Statements
December 31, 2020 and 2019

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
2021	73,744
2022	76,258
2023	51,956 (eight months)

The organization also pays common area charges and real estate taxes under the lease agreement.

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, 2020 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, 2020 and 2019 investment income/(loss) consists of the following:

	<u>2020</u>	<u>2019</u>
Dividends (net of foreign taxes)	\$ 1,969	\$ 1,993
Realized (loss)	-	(850)
Unrealized gain	23,966	19,133
Total	<u>\$ 25,935</u>	<u>\$ 20,276</u>

Note 8 - Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following:

	<u>2020</u>	<u>2019</u>
Endowment Fund	\$ 163,270	\$ 117,040
Innovation Fund	58,000	45,000
Other Restricted	-	4,588
Total	<u>\$ 221,270</u>	<u>\$ 166,628</u>

Hope and Comfort Inc.
Notes to Financial Statements
December 31, 2020 and 2019

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, 2020, the amount in excess of federally insured limits was \$1,165,389. 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 21, 2021, the date that the financial statements were available to be issued.