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Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of **Hope and Comfort Inc.**, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Hope and Comfort Inc.** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Hope and Comfort Inc.**'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditors' Report (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **Hope and Comfort Inc.**'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Hope and Comfort Inc.**'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

BacalMcConniff Inc.

June 27, 2023

Hope and Comfort Inc.
Statements of Financial Position
December 31, 2022 and 2021

	<u>Assets</u>	
	2022	2021
<u>Current Assets</u>		
Cash	514,738	1,725,905
Inventory	1,395,211	1,086,275
Prepaid expenses	99,064	208,125
Total current assets	<u>2,009,013</u>	<u>3,020,305</u>
<u>Investments</u>	<u>1,911,613</u>	<u>234,249</u>
<u>Property and Equipment</u>		
Office furniture	25,789	25,789
Accumulated depreciation	(23,139)	(20,490)
Total property and equipment	<u>2,650</u>	<u>5,299</u>
<u>Other Assets</u>		
Security Deposit	12,555	12,555
Right-of-use asset (See Note 6)	51,956	128,214
Total other assets	<u>64,511</u>	<u>140,769</u>
<u>Total Assets</u>	<u>3,987,787</u>	<u>3,400,622</u>
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Accounts payable	21,189	-
Credit card payable	(142)	594
Accrued payroll	239	869
Total current liabilities	<u>21,286</u>	<u>1,463</u>
<u>Long-term Liabilities</u>		
Lease liability	51,956	128,214
Total liabilities	<u>73,242</u>	<u>129,677</u>
<u>Net Assets</u>		
Net assets without donor restrictions	3,438,923	2,998,999
Net assets with donor restrictions	475,622	271,946
Total net assets	<u>3,914,545</u>	<u>3,270,945</u>
<u>Total Liabilities and Net Assets</u>	<u>3,987,787</u>	<u>3,400,622</u>

See independent auditors' report and accompanying notes.

Hope and Comfort Inc.
Statements of Activities
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>Changes in Net Assets Without Donor Restrictions</u>		
Revenues and Transfers:		
Contributions	1,331,503	1,407,143
In-kind contributions	1,943,536	2,023,612
Released from restrictions	2,500	15,000
PPP loan forgiveness	-	37,877
Miscellaneous	803	325
Interest	11,831	4,474
Total Revenues and Transfers	<u>3,290,173</u>	<u>3,488,431</u>
Functional Expenses:		
Products to charity	2,155,420	1,837,268
Salaries and wages	215,591	185,297
Consultant fees	196,882	80,844
Rent	130,827	123,765
Marketing/advertising	38,795	26,684
Logistics	23,744	2,516
Payroll taxes	18,524	17,600
Professional fees	14,416	9,485
Shipping	11,319	8,102
Dues and subscriptions	7,931	5,687
Information technology	7,638	3,360
Retirement plan contributions	7,204	12,130
Office supplies and expense	6,044	-
Health insurance	5,964	9,575
Insurance	2,739	2,683
Depreciation	2,649	2,820
Utilities	2,516	1,707
Miscellaneous expenses	1,061	6,778
Good360 administration fees	985	10,606
Total Functional Expenses	<u>2,850,249</u>	<u>2,346,907</u>
Change in Net Assets Without Donor Restrictions	<u>439,924</u>	<u>1,141,524</u>
<u>Changes in Net Assets With Donor Restrictions</u>		
Revenues and Transfers:		
Contributions	250,000	25,110
Transfer to net assets without donor restrictions	(2,500)	(15,000)
Investment income	(43,824)	40,567
Total Revenues and Transfers	<u>203,676</u>	<u>50,677</u>
<u>Change in Net Assets</u>	<u>643,600</u>	<u>1,192,201</u>
<u>Net Assets, Beginning</u>	<u>3,270,945</u>	<u>2,078,744</u>
<u>Net Assets, Ending</u>	<u>3,914,545</u>	<u>3,270,945</u>

See independent auditors' report and accompanying notes.

Hope and Comfort Inc.
Statements of Functional Expenses
For the Year Ended December 31, 2022 with
Comparative Information for the Year Ended December 31, 2021

	<u>Program Service</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>2022</u>	<u>2021</u>
<u>Functional Expenses</u>					
Products to charity	2,155,420	-	-	2,155,420	1,837,268
Salaries and wages	183,252	10,780	21,559	215,591	185,297
Rent	130,827	-	-	130,827	123,765
Consultant fees	147,662	-	49,220	196,882	80,844
Payroll taxes	15,746	926	1,852	18,524	17,600
Retirement plan contributions	6,124	360	720	7,204	12,130
Professional fees	10,812	3,604	-	14,416	9,485
Office supplies and expense	6,044	-	-	6,044	-
Miscellaneous expenses	1,061	-	-	1,061	6,778
Health insurance	5,070	298	596	5,964	9,575
Information technology	6,874	382	382	7,638	3,360
Depreciation	2,649	-	-	2,649	2,820
Marketing/advertising	19,397	-	19,398	38,795	26,684
Dues and subscriptions	7,931	-	-	7,931	5,687
Insurance	2,739	-	-	2,739	2,683
Shipping	11,319	-	-	11,319	8,102
Logistics	23,744	-	-	23,744	2,516
Utilities	2,516	-	-	2,516	1,707
Good360 Admin fees	985	-	-	985	10,606
Total Functional Expenses	<u>2,740,172</u>	<u>16,350</u>	<u>93,727</u>	<u>2,850,249</u>	<u>2,346,907</u>

See independent auditors' report and accompanying notes.

Hope and Comfort Inc.
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>Cash Provided by/(Applied to) Operating Activities</u>		
Change in Net Assets	643,600	1,192,201
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,649	2,820
Adjusted income to net cash	646,249	1,195,021
Changes in Operating Assets and Liabilities:		
Inventory	(308,936)	(911,543)
Prepaid expenses	109,062	(135,625)
Security deposit	-	-
Accounts payable	21,188	(20,413)
Credit card payable	(736)	(200)
Accrued expenses and taxes	(630)	151
Net cash provided by operating activities	<u>466,197</u>	<u>127,391</u>
<u>Cash (Applied to) Investing Activities</u>		
Investments - Endowment	<u>(1,677,364)</u>	<u>(70,977)</u>
Net cash (applied to) investing activities	<u>(1,677,364)</u>	<u>(70,977)</u>
<u>Increase in Cash</u>	(1,211,167)	56,414
<u>Cash at Beginning of Year</u>	<u>1,725,905</u>	<u>1,669,491</u>
<u>Cash at End of Year</u>	<u><u>514,738</u></u>	<u><u>1,725,905</u></u>

See independent auditors' report and accompanying notes.

Hope and Comfort Inc.
Notes to Financial Statements
December 31, 2022 and 2021

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. In-kind services included in In-kind contributions and operating expenses for 2022 were \$56,550. 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.

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, 2022.

Hope and Comfort Inc.
Notes to Financial Statements
December 31, 2022 and 2021

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
2023	<u>51,956</u> (eight months)

In accordance with FASB ASC 842, Leases, these future payment obligations are reflected on the Statements of Financial Position as a Right-of-use asset in Other Assets and Lease liability under Long-Term Liabilities.

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, 2022 consist of securities 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, 2022 and 2021 investments were composed of the following:

	<u>2022</u>	<u>2021</u>
Money market	\$1,619,912	\$ 7,999
Exchange traded products	261,471	191,283
Common stocks	<u>30,230</u>	<u>34,967</u>
Total	<u>\$1,911,613</u>	<u>\$ 234,249</u>

At December 31, 2022 and 2021 investment income/(loss) consists of the following:

	<u>2022</u>	<u>2021</u>
Dividends (net of foreign taxes)	\$ 6,008	\$ 2,472
Unrealized gain/(loss)	<u>(49,832)</u>	<u>38,095</u>
Total	<u>\$ (43,824)</u>	<u>\$ 40,567</u>

Hope and Comfort Inc.
Notes to Financial Statements
December 31, 2022 and 2021

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

Net assets with donor restrictions consist of the following:

	<u>2022</u>	<u>2021</u>
Endowment Fund	\$ 190,425	\$ 234,249
Saul and Gitta Kurlat Fund	250,000	-
Innovation Fund	35,197	37,697
Total	<u>\$ 475,622</u>	<u>\$ 271,946</u>

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, 2022, the amount in excess of federally insured limits was \$172,103. 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 6, 2023, the date that the financial statements were available to be issued.