

HopeKids, Inc.

FINANCIAL STATEMENTS

Year Ended December 31, 2008



CARLSON, RICHTER & COMPANY, LTD.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
HopeKids, Inc.
Phoenix, Arizona

We have audited the accompanying statement of financial position of HopeKids, Inc. (a non-profit organization), as of December 31, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HopeKids, Inc. as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Carlson, Richter & Company, Ltd.

Carlson, Richter & Company, Ltd.
Burnsville, Minnesota
January 13, 2010

HopeKids, Inc.
Statement of Financial Position

December 31, 2008

Assets

Current Assets	
Cash	\$ 390,944
Accounts receivable	<u>35,428</u>
Total Current Assets	<u>426,372</u>
Property and Equipment	
Equipment	<u>3,853</u>
	3,853
Accumulated depreciation	<u>703</u>
Total Property and Equipment	<u>3,150</u>
Total Assets	<u>\$ 429,522</u>

Liabilities and Net Assets

Current Liabilities	
Accrued payroll	\$ <u>4,276</u>
Total Current Liabilities	<u>4,276</u>
Net Assets	
Unrestricted	<u>425,246</u>
Total Net Assets	<u>425,246</u>
Total Liabilities and Net Assets	<u>\$ 429,522</u>

The accompanying notes are an integral part of these statements.

HopeKids, Inc.
Statement of Activities

For the Year Ended December 31, 2008

Unrestricted Net Assets

Revenue and Support	
Gifts and contributions	\$ 908,374
Noncash contributions	895,582
Miscellaneous income	<u>148</u>

Total Revenue and Support 1,804,104

Expenses

Program Services	1,461,388
Supporting Services	
Management and general	135,104
Fundraising	<u>15,366</u>

Total Expenses 1,611,858

Increase In Unrestricted Net Assets 192,246

Net Assets, Beginning of Year 233,000

Net Assets, End of Year \$ 425,246

The accompanying notes are an integral part of these statements.

HopeKids, Inc.
Statement of Cash Flows

For The Year Ended December 31, 2008

Operating Activities	
Change in net assets	\$ 192,246
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	703
(Increase) decrease in:	
Contributions receivable	(21,826)
Increase (decrease) in:	
Accrued payroll	<u>4,276</u>
Net Cash Provided By Operating Activities	<u>175,399</u>
Investing Activities	
Purchases of equipment	<u>(3,853)</u>
Net Cash Used By Investing Activities	<u>(3,853)</u>
Net Increase In Cash	171,546
Cash, Beginning	<u>219,398</u>
Cash, Ending	<u>\$ 390,944</u>

The accompanying notes are an integral part of these statements.

HopeKids, Inc.
Statement of Functional Expenses

For the Year Ended December 31, 2008

	Program Services	Supporting Services		Total
		Management and General	Fund- Raising	
Compensation	\$ 349,160	\$ 74,940	\$	\$ 424,100
Employee benefits and taxes	8,048	15,342		23,390
	<u>357,208</u>	<u>90,282</u>		<u>447,490</u>
Contributions to others	6,872			6,872
Depreciation		703		703
Dues, licenses and fees		7,183		7,183
Hope events & activities	1,096,492			1,096,492
Miscellaneous	816	2,823	530	4,169
Outside services		1,892		1,892
Postage and delivery		8,404		8,404
Supplies		10,801		10,801
Telephone		13,016		13,016
Travel, meals and entertainment			14,836	14,836
Total Functional Expenses	<u>\$ 1,461,388</u>	<u>\$ 135,104</u>	<u>\$ 15,366</u>	<u>\$ 1,611,858</u>

The accompanying notes are an integral part of these statements.

HopeKids, Inc.
December 31, 2008

Notes to the Financial Statements

Note 1. SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of HopeKids, Inc. (the Organization), is presented to assist in understanding the Organization's financial statements. The accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the statements.

Nature of Activities

The Organization was established in 2001 to restore hope and transform lives of children who are fighting serious illnesses. The Organization believes that by bringing joy to these remarkable children via an ongoing schedule of special events and activities, they can help cultivate hope, acceptance, and most importantly, the will to live.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Basis of Accounting

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

Cash and Cash Equivalents

The Organization classifies amounts on deposit in banks and cash invested in instruments with maturities of three months or less as cash and cash equivalents.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using a straight-line method over the estimated useful lives. Depreciation expense for the year ended December 31, 2008 was \$703.

Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized.

Concentration of Credit Risk

The cash balances maintained by the Organization at financial institutions may at times exceed the FDIC insured limits. Concentrations of credit risk due to contributions receivable are limited due to the financial strength of its donors.

(continued)

HopeKids, Inc.
December 31, 2008

Notes to the Financial Statements

Note 1. continued

Use of Estimates

The preparation of financial statements in conformity 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.

Income Taxes

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and support services benefited.

Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

As of December 31, 2008, there were no temporarily restricted or permanently restricted net assets.

Noncash Contributions

Noncash contributions are recorded at their fair values. The Organization receives gifts of items, including event tickets, games, computers, video games, and the like in order to give to children who have serious illnesses. These noncash items are recorded as noncash revenue at time of receipt and recorded to program expenses when given to the children. The noncash contributions are almost immediately given to the children so at any time during the year the Organization has no material inventory on hand.

HopeKids, Inc.
December 31, 2008

Notes to the Financial Statements

Note 2. OFFICE LEASES

The Organization is provided office space in the personal residences of its president and executive director. Management has not calculated the fair rent value of these premises and no rent is reflected in the statement of activities.

Note 3. DONATED SERVICES

The Organization received donated services from unpaid volunteers at events throughout the year ended December 31, 2008. No amounts have been recognized in the statement of activities because the criteria for recognition in generally accepted accounting principles have not been satisfied.

Note 4. CONTINGENCIES

The Organization is currently under audit by the Internal Revenue Service (IRS). The IRS has not completed their audit of tax year 2007 as of the date of this report. Management was uncertain and not able to reasonably estimate an ultimate liability, if any, to the IRS, therefore, no contingent liability was recorded to the financial statements at December 31, 2008.