

HOPEKIDS, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019



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**HOPEKIDS, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
HopeKids, Inc.
Scottsdale, Arizona

We have audited the accompanying financial statements of HopeKids, Inc. (the Organization), 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 audits. We conducted our audits 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 auditors' 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 Organization'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 Organization'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.

Board of Directors
HopeKids, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2020 and 2019, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
May 6, 2021

HOPEKIDS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,275,757	\$ 2,008,904
Investments	780,581	863,379
Contributions Receivable	39,789	24,895
Prepaid Expenses and Other Assets	18,647	49,682
Total Current Assets	3,114,774	2,946,860
PROPERTY AND EQUIPMENT, Net	15,096	24,075
Total Assets	\$ 3,129,870	\$ 2,970,935
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued Expenses and Credit Card Payable	\$ 24,259	\$ 46,623
Deferred License Fee	-	2,329
License Fee Incentive Liability	-	3,333
Total Liabilities	24,259	52,285
NET ASSETS		
Without Donor Restrictions	2,746,540	2,355,647
With Donor Restrictions	359,071	563,003
Total Net Assets	3,105,611	2,918,650
Total Liabilities and Net Assets	\$ 3,129,870	\$ 2,970,935

See accompanying Notes to Financial Statements.

HOPEKIDS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES						
Contributions	\$ 1,960,532	\$ 46,084	\$ 2,006,616	\$ 1,803,854	\$ 560,611	\$ 2,364,465
Special Event Income, Less Direct Donor Benefit of \$163,388 and \$199,259, Respectively	369,515	-	369,515	435,393	-	435,393
Contributed Goods and Services	1,384,473	-	1,384,473	2,684,686	-	2,684,686
Investment Income, Net	31,545	-	31,545	73,932	-	73,932
Other	19,184	-	19,184	453	-	453
Net Assets Released from Restrictions	250,016	(250,016)	-	244,531	(244,531)	-
Total Support and Revenues	<u>4,015,265</u>	<u>(203,932)</u>	<u>3,811,333</u>	<u>5,242,849</u>	<u>316,080</u>	<u>5,558,929</u>
EXPENSES						
Program Services	2,989,003	-	2,989,003	4,369,791	-	4,369,791
Management and General	304,083	-	304,083	280,157	-	280,157
Fundraising	331,286	-	331,286	460,378	-	460,378
Total Expenses	<u>3,624,372</u>	<u>-</u>	<u>3,624,372</u>	<u>5,110,326</u>	<u>-</u>	<u>5,110,326</u>
CHANGE IN NET ASSETS	390,893	(203,932)	186,961	132,523	316,080	448,603
Net Assets - Beginning of Year	<u>2,355,647</u>	<u>563,003</u>	<u>2,918,650</u>	<u>2,223,124</u>	<u>246,923</u>	<u>2,470,047</u>
NET ASSETS - END OF YEAR	<u>\$ 2,746,540</u>	<u>\$ 359,071</u>	<u>\$ 3,105,611</u>	<u>\$ 2,355,647</u>	<u>\$ 563,003</u>	<u>\$ 2,918,650</u>

See accompanying Notes to Financial Statements.

HOPEKIDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Supporting Services			Total Supporting Services	Direct Donor Benefit	Total Functional Expenses
	Program Services	Management and General	Fundraising			
EXPENSES						
Salaries	\$ 880,290	\$ 116,188	\$ 214,091	\$ 330,279	\$ -	\$ 1,210,569
Payroll Taxes and Fringe Benefits	222,455	29,362	54,102	83,464	-	305,919
HopeDay and HopeCommunity Program	1,768,347	-	-	-	-	1,768,347
Office	36,921	13,255	8,628	21,883	-	58,804
Outside Services	34,734	83,038	2,649	85,687	-	120,421
Occupancy	9,227	1,140	2,156	3,296	-	12,523
Insurance	17,414	2,231	4,159	6,390	-	23,804
Travel	1,588	196	8,729	8,925	-	10,513
Depreciation and Amortization	7,516	928	1,756	2,684	-	10,200
Marketing	-	1,072	-	1,072	-	1,072
Donated Marketing	-	25,475	-	25,475	-	25,475
Miscellaneous	10,511	31,198	35,016	66,214	-	76,725
Special Event - Direct Donor Benefit	-	-	-	-	163,388	163,388
	2,989,003	304,083	331,286	635,369	163,388	3,787,760
Less Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	-	-	-	-	(163,388)	(163,388)
Total Expenses Included in the Expense Section of the Statement of Activities	\$ 2,989,003	\$ 304,083	\$ 331,286	\$ 635,369	\$ -	\$ 3,624,372

See accompanying Notes to Financial Statements.

HOPEKIDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Supporting Services			Total Supporting Services	Direct Donor Benefit	Total Functional Expenses
	Program Services	Management and General	Fundraising			
EXPENSES						
Salaries	\$ 779,323	\$ 65,850	\$ 311,226	\$ 377,076	\$ -	\$ 1,156,399
Payroll Taxes and Fringe Benefits	195,504	16,519	78,075	94,594	-	290,098
HopeDay and HopeCommunity Program	3,233,270	-	-	-	-	3,233,270
Office	44,142	10,801	13,717	24,518	-	68,660
Outside Services	40,850	83,228	2,129	85,357	-	126,207
Occupancy	8,263	680	2,568	3,248	-	11,511
Insurance	16,434	1,372	5,927	7,299	-	23,733
Travel	15,856	1,304	17,946	19,250	-	35,106
Depreciation and Amortization	9,090	748	2,825	3,573	-	12,663
Donated Marketing	-	66,596	-	66,596	-	66,596
Miscellaneous	27,059	33,059	25,965	59,024	-	86,083
Special Event - Direct Donor Benefit	-	-	-	-	199,259	199,259
	4,369,791	280,157	460,378	740,535	199,259	5,309,585
Less Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	-	-	-	-	(199,259)	(199,259)
	-	-	-	-	(199,259)	(199,259)
Total Expenses Included in the Expense Section of the Statement of Activities	\$ 4,369,791	\$ 280,157	\$ 460,378	\$ 740,535	\$ -	\$ 5,110,326

See accompanying Notes to Financial Statements.

HOPEKIDS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 186,961	\$ 448,603
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	10,200	12,663
Net Realized and Unrealized Gains on Investments	(12,277)	(49,537)
(Increase) Decrease in Assets:		
Contributions Receivable	(14,894)	4,584
Prepaid Expenses and Other Assets	31,035	(7,710)
Increase (Decrease) in Liabilities:		
Accrued Expenses and Other Liabilities	(22,364)	16,533
Deferred License Fee	(2,329)	(2,307)
License Fee Incentive Liability	(3,333)	(6,667)
Net Cash Provided by Operating Activities	172,999	416,162
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(1,221)	(15,841)
Purchase of Investments	(104,925)	(204,879)
Proceeds from Sales of Investments	200,000	228,989
Net Cash Provided by Investing Activities	93,854	8,269
NET CHANGE IN CASH AND CASH EQUIVALENTS	266,853	424,431
Cash and Cash Equivalents - Beginning of Year	2,008,904	1,584,473
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,275,757	\$ 2,008,904

See accompanying Notes to Financial Statements.

HOPEKIDS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

HopeKids, Inc. (the Organization) is an Arizona nonprofit corporation. The Organization was established in 2001 to restore hope and transform lives of children with life-threatening medical conditions, their families, and the communities in which they serve. The Organization provides ongoing events, activities, and a powerful, unique support community for families who have a child with cancer or some other life-threatening medical condition. They surround these remarkable children and their families with the message that hope is a powerful medicine. The Organization has chapters in Arizona, Minnesota, Colorado, Texas, Tennessee, and the Kansas City area.

Basis of Presentation

The accompanying financial statements are presented in accordance with American Institute of Certified Public Accountants (AICPA) *Not-for-Profit Industry Guidance within the Financial Accounting Standards Board (FASB) Codification (Guidance)*. Net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for board-designated reserve funds.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restriction when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. 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.

HOPEKIDS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Investments

Investments consist of fixed income corporate bonds that are recorded at fair value as determined by quoted prices for similar assets and liabilities in active markets. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the change of net assets in the accompanying statements of activities.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. The contributions receivable at December 31, 2020 and 2019 are considered to be fully collectible by management and, accordingly, an allowance for doubtful accounts is not deemed necessary.

Property and Equipment

Property and equipment with a cost greater than \$1,000 are capitalized at historical cost or estimated historical cost if actual historical cost is not available. Donated property and equipment are recorded at the fair value at the date of gift to the Organization. Depreciation and amortization of property and equipment is computed on a straight-line basis over their estimated useful lives, which range from three to five years. Maintenance and repairs are charged to operations when incurred. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

HOPEKIDS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. Management does not believe impairment indicators were present at December 31, 2020 and 2019.

Contributions

All contributions are considered to be available for general operations unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a donor-imposed restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions.

Contributed Goods and Services

Noncash contributions are recorded at their fair values. The Organization receives gifts such as events, tickets, and the like in order to give to families who have a child with a life-threatening illness. These noncash items are recorded as noncash revenue at time of receipt and recorded to program expenses when given to families. The noncash contributions are almost immediately given to families so at any time during the year the Organization has no material inventory on hand.

Donated services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations.

HOPEKIDS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Goods and Services (Continued)

A summary of contributed goods and services is as follow for the years ended December 31:

	2020			
	Program	Management and General	Fundraising	Total
Program Events	\$ 1,340,366	\$ -	\$ -	\$ 1,340,366
Marketing	-	25,475	-	25,475
Professional IT Services	4,626	-	-	4,626
Other	2,784	344	650	3,778
Internet Services	7,536	931	1,761	10,228
Total	\$ 1,355,312	\$ 26,750	\$ 2,411	\$ 1,384,473
	2019			
	Program	Management and General	Fundraising	Total
Program Events	\$ 2,593,964	\$ -	\$ -	\$ 2,593,964
Marketing	-	64,250	-	64,250
Professional IT Services	11,500	-	-	11,500
Other	1,963	161	2,638	4,762
Internet Services	7,330	602	2,278	10,210
Total	\$ 2,614,757	\$ 65,013	\$ 4,916	\$ 2,684,686

The Organization also received donated services from unpaid volunteers at HopeDay and HopeCommunity Program events throughout the years ended December 31, 2020 and 2019. No amounts have been recognized in the statements of activities because the criteria for recognition have not been satisfied.

HOPEKIDS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy at the measurement date. This fair value hierarchy maximizes the use of observable inputs by requiring that the observable inputs be used when available. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and, therefore, there is no provision for federal or state corporate income taxes. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the IRC.

Management believes that no uncertain tax positions exist for the Organization at December 31, 2020 and 2019.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in these financial statements through May 6, 2021, the date the financial statements were available to be issued.

HOPEKIDS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 2,275,757	\$ 2,008,904
Investments	780,581	863,379
Contributions Receivable	<u>39,789</u>	<u>24,895</u>
Total	3,096,127	2,897,178
Donor-Imposed Restrictions:		
Restricted Funds	<u>(359,071)</u>	<u>(563,003)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,737,056</u>	<u>\$ 2,334,175</u>

The Organization receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization forecasts its future cash flows and monitors its liquidity reserves monthly.

NOTE 3 FAIR VALUE

The overall investment objective of the Organization is to invest its assets with a conservative investment strategy to manage risks using the conservation of principal to enable easy access to funds.

Investments at December 31, 2020 and 2019 consist of corporate bonds that are considered Level 2 investments.

HOPEKIDS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2020	2019
Software	\$ 89,880	\$ 89,880
Leasehold Improvements	20,000	20,000
Office Equipment	45,898	44,677
Total Property and Equipment	155,778	154,557
Less: Accumulated Depreciation and Amortization	(140,682)	(130,482)
Property and Equipment, Net	\$ 15,096	\$ 24,075

Depreciation and amortization expense was \$10,200 and \$12,663 for the years ended December 31, 2020 and 2019, respectively.

NOTE 5 NET ASSETS

Net Assets Without Donor Restrictions

Board-designated net assets consist of the following:

	2020	2019
Board-Designated Operating Reserves	\$ 1,256,615	\$ 1,149,731
Board-Designated Opportunity Reserves	394,376	113,369
Board-Designated Emergency Reserves	500,000	500,000
Board-Designated Program Reserves	550,907	550,907
Total Board-Designated Net Assets	\$ 2,701,898	\$ 2,314,007

Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods:

	2020	2019
Subject to Expenditure for Specified Purpose:		
HopeSuite Minnesota	\$ 323,498	\$ 420,820
HopeDay Events	15,000	-
Special Events	7,000	21,104
Total	345,498	441,924
Subject to Passage of Time:		
Contributions that are Restricted by Donors for use in		
Future Periods	13,573	121,079
Total	13,573	121,079
Total Contributions with Donor Restrictions	\$ 359,071	\$ 563,003

HOPEKIDS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 6 FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated are as follows:

- Salaries, payroll and fringe benefits and insurance – based on the result of all employee’s time study multiplied by each employee’s salary and resulting in a bottom line percentage.
- Office – based on the result of all employee’s time study added and resulting in a bottom line percentage. Postage, grouped with this category, is charged 100% to management and general.
- Occupancy, insurance, travel, depreciation and amortization – based on the result of all employee’s time study added and resulting in a bottom line percentage.
- Outside services – only cost for donor software is allocated based on estimated time of use of the software and the rest of the costs grouped with this category are allocated to management and general.
- Miscellaneous – based on the result of all employee’s time study added and resulting in a bottom line percentage. Bank fees and dues and fees, grouped with this category, are charged 100% to management and general.

NOTE 7 RELATED PARTY TRANSACTIONS

The Organization does not have office space and the employees work from their homes at no cost to the Organization.

NOTE 8 CONCENTRATION OF CREDIT RISK

The Organization maintains all of its cash with high-credit quality financial institutions. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Balances in excess of FDIC limits are uninsured. As of December 31, 2020 and 2019, a significant portion of the cash balance was in excess of the FDIC insurance coverage limit.

One donor accounted for approximately 14% and 14% of total contributions for the years ended December 31, 2020 and 2019, respectively.

HOPEKIDS, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 RETIREMENT PLANS

The Organization has outsourced its payroll and benefits function to Insperity, a Professional Organization (PEO). Under the Organization's co-employment agreement, Insperity established a 401(k) retirement savings plan for the employees. The Organization makes the employees aware of the plan, withholds voluntary contributions from paychecks, and remits the contributions to an independent trustee. Each participant may contribute their eligible compensation on a pretax basis to the plan up to a maximum allowed by the IRC. Total employer contributions to the plan were \$43,227 and \$42,039 for fiscal years 2020 and 2019, respectively.

NOTE 10 COMMITMENTS

The Organization has a contract to pay a license fee for a suite for professional sports played at the Xcel Energy Center in Minnesota. The term of the contract ends on August 31, 2021. Due to the Coronavirus Disease (COVID-19) pandemic, many professional sports were played with limited to no fan attendance. As a result, the Organization was unable to use the suite during large portions of fiscal years 2020 and 2021. The Organization was not required to make their second payment in fiscal year 2020 of \$113,224, and was informed they would not be required to make the final payment of \$113,224.

The Organization has the option to renew their contract on September 1, 2021, at which time they will receive a credit for games missed during fiscal year 2020 of approximately \$20,000.

NOTE 11 PAYCHECK PROTECTION PROGRAM

In April 2020, the Organization obtained a loan through the U.S. Small Business Administration Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The loan was \$276,875 and in accordance with the CARES Act, the loan was fully forgiven in November 2020 upon demonstrating that the proceeds were used in the 24-week period subsequent to the funding of the loan for payroll. Therefore, the Organization was legally released from the debt and the loan forgiveness has been recorded as a gain on extinguishment of debt, which is included in Contributions during the year ended December 31, 2020.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

HOPEKIDS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 12 RISKS AND UNCERTAINTIES

The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. As a result of COVID-19, the Organization had to cease all regular in-person programming. In response, the Organization immediately created a new virtual program that proved highly successful and impactful to the families that they serve, so much so, that parts of the virtual programming will remain once regular programming returns. With the cessation of regular in-person programming the Organization lost in excess of \$1,300,000 of contributed program goods and services from their event partners.

COVID-19 may impact part of the Organization's fiscal year 2021 operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated.

