BLESSED BE HOPE FOR THREE, INC.

Financial Statements

Year Ended December 31, 2018

BLESSED BE HOPE FOR THREE, INC.

FINANCIAL STATEMENTS

TABLE OF CONTENTS

KenWood & ASSOCIATES 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, 2018, 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the Organization adopted the amendment of one Accounting Standards Update as of and for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

KenWood & Associates, P.C.

Sugar Land, Texas
November 18, 2019

BLESSED BE HOPE FOR THREE, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS	
Cash	$ 295,241
Grants receivable	162,967
Reimbursable advances	15,000
Prepaid expenses and other assets	9,965
Property and equipment, net	9,316
Rent deposit	2,644
TOTAL ASSETS	$ 495,133
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	$ 11,597
Accrued expenses	10,171
Total liabilities	21,768
Net Assets	
Without donor restrictions	263,160
With donor restrictions	210,205
Total net assets	473,365
TOTAL LIABILITIES AND NET ASSETS	$ 495,133

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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Grants	$ -	$ 336,769	$ 336,769
Contributions	41,507	-	41,507
Program revenue	8,550	-	8,550
Fundraising events	156,330	15,000	171,330
Other income	12	-	12
TOTAL REVENUE AND OTHER SUPPORT	206,399	351,769	558,168
NET ASSETS RELEASED FROM RESTRICTIONS	299,689	(299,689)	-
TOTAL REVENUES AND OTHER SUPPORT	506,088	52,080	558,168
EXPENSES			
Program services	406,115	-	406,115
Supporting services			
Management and general	54,286	-	54,286
Fundraising	93,694	-	93,694
TOTAL EXPENSES	554,095	-	554,095
CHANGE IN NET ASSETS	(48,007)	52,080	4,073
NET ASSETS AT BEGINNING OF YEAR	311,167	158,125	469,292
NET ASSETS AT END OF YEAR	$ 263,160	$ 210,205	$ 473,365

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, 2018

		Supporting Services			
	Program	Management & General	Fundraising	Total supporting services	Total
Salaries	$ 134,200	$ 35,543	$ 36,815	$ 72,358	$ 206,558
Payroll taxes	11,743	2,623	3,257	5,880	17,623
Employee benefits	8,618	2,260	2,340	4,600	13,218
Conferences	397	-	131	131	528
Depreciation expense	2,262	594	614	1,208	3,470
Amortization expense	1,134	298	308	606	1,740
Dues	100	1,225	-	1,225	1,325
Education	8,498	-	-	-	8,498
Family assistance	189,736	-	-	-	189,736
Fees	1,452	1,311	2,647	3,958	5,410
Fundraising event	-	-	37,753	37,753	37,753
Insurance	5,779	251	260	511	6,290
Meals & entertainment	410	462	425	887	1,297
Miscellaneous	390	-	-	-	390
Office expenses	5,749	1,717	-	1,717	7,466
Postage	-	-	327	327	327
Print	1,982	520	538	1,058	3,040
Rent & utilities	23,363	6,128	6,342	12,470	35,833
Repairs & maintenance	485	127	132	259	744
Program events	5,818	-	-	-	5,818
Supplies	2,103	551	571	1,122	3,225
Training & development	1,148	301	312	613	1,761
Travel	748	375	922	1,297	2,045
Total	$ 406,115	$ 54,286	$ 93,694	$ 147,980	$ 554,095

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

BLESSED BE HOPE FOR THREE, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 4,073
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	3,470
Amortization	1,740
Changes in operating assets and liabilities:	
Grants receivable	(4,842)
Reimbursable advances	(15,000)
Prepaid expenses and other assets	(6,070)
Accounts payable	8,220
Accrued expenses	7,443
NET CASH USED BY OPERATING ACTIVITIES	(966)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(1,999)
Rent deposit	(2,644)
NET CASH USED BY INVESTING ACTIVITIES	(4,643)
NET DECREASE IN CASH	(5,609)
CASH, BEGINNING OF YEAR	300,850
CASH, END OF YEAR	$ 295,241
SUPPLEMENTAL DISCLOSURES	
Noncash contributions	$ 66,153

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

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

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.

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, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205-45, the Organization is required to report information regarding its financial position and activities according to two classes of net assets.

Net assets without donor restrictions: are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.

Net assets with donor restrictions: are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service unless the donor also has placed a time restriction on the use of the long-lived asset, in which case the release occurs over the term of the time restriction.

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

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 without donor restrictions or with donor restrictions revenue 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 without donor restrictions, or with donor restrictions 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 net assets with donor restrictions if the restrictions are not met in the fiscal year in which the contributions were recognized. 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.

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.

Contributed Services - 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 958-605-25-16. Contributed professional services amounted to $1,500 for the year ended December 31, 2018.

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.

Reclassifications - Certain accounts in the prior year financial statements have been reclassified to conform to the current year financial statement presentation. These reclassifications have no impact on previously reported beginning net assets or change in net assets.

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.

Donated Goods – Donated goods are recorded as contributions at fair value at the date of donation. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated assets to a specific purpose. The Organization reports expirations of donor restrictions when the related expense is recognized as the item is used.

Functional Allocation of Expenses - Expenses are categorized in the Statement of Activities as program services, fundraising, and management and general based on FASB Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization's expenses are allocated on a functional basis among these benefited categories. Salaries, depreciation, and related costs are allocated on the basis of estimated time and effort expended.

Program service expenses include direct and indirect (allocated) expenses for the various programs offered by the Organization. Expenses that can be identified with specific program services are allocated directly according to their natural expenditure classification.

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.

Management believes that functional expenses have been appropriately allocated for the year ended December 31, 2018.

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*, 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. Management 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.

Fair Value Measurement - In accordance with accounting principles generally accepted in the United States of America, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measure date (exit price). Accounting principles generally accepted in the United States of America characterize inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The three levels of the fair value hierarchy are as follows:

- Level 1 – Inputs represent quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that observable for the asset or liability, either directly or indirectly.
- Level 3 – Inputs that are not observable from objective sources.

All cash and cash equivalents held by the organization as of December 31, 2018 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.

Recent financial accounting pronouncements – The Organization adopted the amendments of Financial Accounting Standards Board ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. Under this ASU, net assets are presented in two classes: net assets with donor restrictions and net assets without donor restrictions and underwater endowments are grouped with net assets with donor restrictions. New or enhanced disclosures are required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses are required to be presented by both nature and function and investment return is presented net of external and direct internal investment expenses. Absent explicit donor stipulations, restrictions on long-lived assets expire when assets are placed into service. Hope for Three was required to adopt this ASU for fiscal year 2018. Adoption of this ASU resulted in reclassification of previously reported net assets to conform to the 2018 presentation but had no impact on total beginning net assets

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which replaces most existing revenue recognition guidance for exchange transactions not specifically covered by other guidance. This ASU does not apply to non-exchange transactions such as contributions. The core principle of the new guidance is that an entity should recognize revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for transferred goods or services and establishes a 5-step process to determine when performance obligations are satisfied and revenue is recognized. Hope for Three is required to, and plans to, adopt this ASU effective fiscal year 2019 using an appropriate prospective method. Management has not yet determined the impact adoption of this ASU will have on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provide additional guidance on determining whether a contribution is conditional or unconditional. This ASU could impact the timing of revenue recognition and the financial statement disclosures related to such transactions. Hope for Three is required to apply the amendments in its December 31, 2019 financial statements. The amendments should be applied on a modified prospective basis, but retrospective application also is permitted. Management has not determined the eventual method of adoption of the ASU or the impact on the financial statements.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in one financial institution. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. As of December 31, 2018, the Organization had $45,559 in excess of the insured limits. The Organization has not experienced any losses in these bank accounts and management believes the risk of future loss is mitigated by monitoring the balances and the financial institution where the cash is deposited.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018 comprise the following:

Financial assets at December 31, 2018	
Cash	$ 295,241
Grants receivable	162,967
Reimbursable advances	15,000
Total financial assets	473,208
Less financial assets available for general expenditure:	
Other donor-restricted assets subject to satisfaction of restriction and the passage of time	210,205
Total financial assets available for general expenditure	$ 263,003

NOTE 4 – GRANTS RECEIVABLE

Grants receivable consist of the following as of December 31, 2018:

The George Foundation	$ 126,900
Fred & Mabel Parks Foundation	20,000
Fort Bend County CDBG	10,805
Individual donors	5,262
	$ 162,967

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

NOTE 5 – PROPERTY AND EQUIPMENT

At December 31, 2018, property and equipment consisted of the following:

Furniture and equipment	$ 20,421
Accumulated depreciation	(11,105)
Property and equipment, net	$ 9,316

For the year ended December 31, 2018, depreciation expense was $3,470.

NOTE 6 – NET ASSETS WITHOUT DONOR RESTRICTIONS

As of December 31, 2018, the Organization had unrestricted net assets of $263,160 available to support programs and activities.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets are available for the following purposes as of December 31, 2018:

Operations	$ 149,400
Programs	30,000
Family assistance	30,805
Total temporarily restricted net assets	$ 210,205

Net assets released from donor restrictions by incurring expenses satisfying the purpose or time restrictions as of December 31, 2018 were as follows:

Operations	$ 156,125
Salaries and benefits	112,564
Programs	15,000
Family assistance	16,000
Total	$ 299,689

NOTE 8 – LEASE OBLIGATIONS

The Organization leases office space and equipment with various terms. Office rent expense was $23,322 for the year ended December 31, 2018. Equipment rental expense was $2,160 for the year ended December 31, 2018.

Future minimum payments over the remainder of the agreements as of December 31, 2018 are as follows:

2019	$	30,386
2020		34,174
2021		33,228
2022		8,361
Total	$	106,149

NOTE 9 – CONCENTRATIONS

The Organization is dependent on several sources of support and revenue. Grant funds from foundations provide approximately 63% of the Organization's support for the year ended December 31, 2018. Three foundations made up 97% of the Organization's grants receivable for the years ended December 31, 2018.

NOTE 10 – RELATED PARTY TRANSACTIONS

In 2018, the Organization purchased promotional wristbands from a company owned by the Organization's Executive Director totaling $739. At December 31, 2018, there were no amounts payable to this vendor.

NOTE 11 – SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 18, 2019, the date the financial statements were available to be issued.