

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

HIGH RISK HOPE, INC.

December 31, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
High Risk Hope, Inc.

We have audited the accompanying financial statements of High Risk Hope, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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.

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 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 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 High Risk Hope, Inc. at December 31, 2017 and 2016, and the changes 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.

Bucio, Gordinier & Company, P.A.

Tampa, Florida
February 14, 2018

High Risk Hope, Inc.
STATEMENTS OF FINANCIAL POSITION
December 31,

	2017	2016
ASSETS		
ASSETS		
Cash	\$ 322,743	\$ 263,819
Equipment, net of accumulated depreciation (notes A3 and B)	9,330	10,233
TOTAL ASSETS	\$ 332,073	\$ 274,052
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 13,076	\$ 6,330
Total liabilities	13,076	6,330
NET ASSETS (note A2)		
Unrestricted	301,885	226,008
Temporarily restricted (note B)	17,112	41,714
	318,997	267,722
TOTAL LIABILITIES AND NET ASSETS	\$ 332,073	\$ 274,052

The accompanying notes are an integral part of these statements.

High Risk Hope, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenue			
Contributions	\$ 338,054	\$ 5,000	\$ 343,054
Special events (note D)	55,307	-	55,307
Online store sales - net	<u>2,203</u>	<u>-</u>	<u>2,203</u>
Total public support and revenue	395,564	5,000	400,564
Other Revenue			
Interest	<u>508</u>	<u>-</u>	<u>508</u>
Net assets released from restrictions	<u>29,602</u>	<u>(29,602)</u>	<u>-</u>
Total public support, revenue and net assets released from restrictions	<u>425,674</u>	<u>(24,602)</u>	<u>401,072</u>
EXPENSES			
Program expenses	<u>272,558</u>	<u>-</u>	<u>272,558</u>
Supporting services			
Management and general	22,149	-	22,149
Fundraising and development	<u>55,090</u>	<u>-</u>	<u>55,090</u>
Total supporting services	<u>77,239</u>	<u>-</u>	<u>77,239</u>
Total expenses	<u>349,797</u>	<u>-</u>	<u>349,797</u>
CHANGE IN NET ASSETS	75,877	(24,602)	51,275
Net assets at beginning of year	<u>226,008</u>	<u>41,714</u>	<u>267,722</u>
Net assets at end of year	<u>\$ 301,885</u>	<u>\$ 17,112</u>	<u>\$ 318,997</u>

The accompanying notes are an integral part of this statement.

High Risk Hope, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenue			
Contributions	\$ 159,032	\$ 53,750	\$ 212,782
Special events (note D)	53,129	-	53,129
Online store sales - net	2,144	-	2,144
Total public support and revenue	<u>214,305</u>	<u>53,750</u>	<u>268,055</u>
Net assets released from restrictions	<u>12,036</u>	<u>(12,036)</u>	<u>-</u>
Total public support, revenue and net assets released from restrictions	<u>226,341</u>	<u>41,714</u>	<u>268,055</u>
EXPENSES			
Program expenses	<u>165,739</u>	<u>-</u>	<u>165,739</u>
Supporting services			
Management and general	17,689	-	17,689
Fundraising and development	32,966	-	32,966
Total supporting services	<u>50,655</u>	<u>-</u>	<u>50,655</u>
Total expenses	<u>216,394</u>	<u>-</u>	<u>216,394</u>
CHANGE IN NET ASSETS	9,947	41,714	51,661
Net assets at beginning of year	<u>216,061</u>	<u>-</u>	<u>216,061</u>
Net assets at end of year	<u><u>\$ 226,008</u></u>	<u><u>\$ 41,714</u></u>	<u><u>\$ 267,722</u></u>

The accompanying notes are an integral part of this statement.

High Risk Hope, Inc.

STATEMENTS OF CASH FLOWS

For the year ended December 31,

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	<u>\$ 51,275</u>	<u>\$ 51,661</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	3,397	1,524
Increase in accounts payable and accrued expenses	<u>6,745</u>	<u>384</u>
Total adjustments	<u>10,142</u>	<u>1,908</u>
Net cash provided by operating activities	<u>61,417</u>	<u>53,569</u>
Cash flows from investing activities		
Purchase of fixed assets	<u>(2,493)</u>	<u>(7,722)</u>
Net cash used by investing activities	<u>(2,493)</u>	<u>(7,722)</u>
Net increase in cash	58,924	45,847
Cash at beginning of year	<u>263,819</u>	<u>217,972</u>
Cash at end of year	<u>\$ 322,743</u>	<u>\$ 263,819</u>

The accompanying notes are an integral part of these statements.

High Risk Hope, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2017

	Program Expenses	Management and General	Fundraising and Development	Total
Community projects	\$ 82,845	\$ -	\$ -	\$ 82,845
Community awareness	299	86	-	385
Contract services	3,589	4,096	2,664	10,349
Depreciation	180	2,877	340	3,397
Hosted events	-	-	8,030	8,030
Insurance	4,456	848	1,782	7,086
Miscellaneous	990	134	245	1,369
Organizational fees	35	335	601	971
PayPal fees	-	493	2,505	2,998
Rent	57,105	2,004	-	59,109
Salaries and related expenses	94,692	5,888	32,263	132,843
Software	565	-	2,262	2,827
Supplies and postage	9,976	3,504	3,862	17,342
Travel and meetings expense	1,503	-	-	1,503
Volunteer expenses	258	404	-	662
Website hosting and technology	16,065	1,480	536	18,081
	<u>\$ 272,558</u>	<u>\$ 22,149</u>	<u>\$ 55,090</u>	<u>\$ 349,797</u>

The accompanying notes are an integral part of this statement.

High Risk Hope, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2016

	Program Expenses	Management and General	Fundraising and Development	Total
Community projects	\$ 92,666	\$ -	\$ -	\$ 92,666
Community awareness	1,351	611	670	2,632
Contract services	2,673	4,269	2,685	9,627
Depreciation	1,168	256	75	1,499
Insurance	474	1,823	-	2,297
Miscellaneous	46	12	66	124
Organizational fees	-	361	-	361
PayPal fees	-	-	1,860	1,860
Rent	22,991	954	-	23,945
Salaries and related expenses	34,990	4,833	19,509	59,332
Software	565	-	2,262	2,827
Supplies and postage	6,388	3,566	3,724	13,678
Travel and meetings expense	189	-	-	189
Volunteer expenses	143	-	-	143
Website hosting and technology	2,095	1,004	2,115	5,214
	<u>\$ 165,739</u>	<u>\$ 17,689</u>	<u>\$ 32,966</u>	<u>\$ 216,394</u>

The accompanying notes are an integral part of this statement.

High Risk Hope, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the organization's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Description of the Organization

High Risk Hope, Inc. (the "Organization") is a not-profit organization formed on February 16, 2011 to provide support, encouragement, information and resources to women and families who are experiencing a high risk pregnancy resulting in hospital bed rest, potential premature birth and neonatal intensive care after delivery.

The Organization prolongs high risk pregnancies and improves outcomes for premature infants by supporting patients admitted to the high risk obstetric and neonatal intensive care unit in the hospital, and is the only local or national non-profit organization providing these services. The Organization reaches over 2,500 patients annually at regional hospitals, where babies are born healthier and their families' hospital stays are more manageable because of the Organization's services.

Pursuant to a determination letter from the Internal Revenue Service, the Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

2. Basis of Accounting

The Organization follows the provisions of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") and the standards of financial reporting for not-for-profit organizations as described in the American Institute of Certified Public Accountants' *Audit and Accounting Guide, Not-for-Profit Entities*. Accordingly, the financial statements are prepared on an accrual basis of accounting. The financial statements of the Organization are the representation of management and include estimates of amounts and judgments it believes are reasonable under the circumstances.

FASB ASC 958-205 establishes standards for general purpose external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities and changes in net assets, and a statement of cash flows.

FASB ASC 958-605 requires the Organization to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. It also requires recognition of contributed services meeting certain criteria at fair value. These financial statements have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

High Risk Hope, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- Unrestricted net assets - not subject to donor-imposed restrictions or the donor-imposed restrictions have expired.
- Temporarily restricted net assets - subject to donor-imposed stipulations that may or will be fulfilled by actions of the Organization to meet the stipulations or become unrestricted by the passage of time.
- Permanently restricted net assets - subject to donor-imposed stipulations that they be retained and invested permanently by the Organization. Currently the Organization has no permanently restricted net assets.

3. Equipment

Equipment is stated at cost or fair value at the date of donation. Depreciation is calculated using the straight-line method over an estimated useful life of five years. The Organization capitalizes asset acquisitions exceeding \$400.

4. Donated Goods and Services

Donations of in-kind items used by the Organization are recorded as contributions and as assets or expenses to the extent that an objective basis is available to measure the value of such items.

Contributed facilities are recorded as contributions and as assets or expenses at their fair value, to the extent they create or enhance nonfinancial assets or require specialized skills, are provided by individuals or organizations possessing these skills, and would typically need to be purchased if not provided by donations. The Organization had approximately \$47,800 and \$20,350 of contributed facilities for the years ended December 31, 2017 and 2016, related to the donated use of office space.

Approximately \$33,100 and \$21,700 of contributed goods for the years ended December 31, 2017 and 2016, respectively, relate to donated products included in Bed Rest Baskets and NICU Napsacks. Organization volunteers assemble and deliver Bed Rest Baskets to newly admitted long term high risk obstetric patients and NICU Napsacks to families of premature infants admitted to the neonatal intensive care unit. Both Bed Rest Baskets and NICU Napsacks provide personal items that are crucial to surviving a long term hospital stay, and are not supplied by hospitals or any other organizations.

A substantial number of volunteers have contributed a significant amount of time and services to the Organization's program, management and general and fundraising activities. However, these services have not been recognized in the financial statements since they do not meet the requirements of Financial Accounting Standards Board *Accounting Standards Codification* (FASB ASC) 958-605.

High Risk Hope, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Functional Expenses

The Organization allocates its expenses on a functional basis among its various programs and services. Expenses that can be identified with a specific revenue and support service are allocated directly according to their natural expenditure classification.

NOTE B - EQUIPMENT

Equipment consisted of the following at December 31,:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 7,226	\$ 7,575
Computer equipment	8,353	5,511
	<u>15,579</u>	<u>13,086</u>
Less accumulated depreciation	<u>(6,249)</u>	<u>(2,853)</u>
	<u>\$ 9,330</u>	<u>\$ 10,233</u>

NOTE C - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets contain donor-imposed restrictions that expire upon the passage of time or once specific actions are undertaken by the Organization. The net assets are then released and reclassified to unrestricted support when they are expended. Temporarily restricted net assets consisted of the following as of December 31,:

	<u>2017</u>	<u>2016</u>
Johns Hopkins All Children's Hospital NICU Napsack Program	\$ -	\$ 15,084
Hoag Hospital Newport Beach Bed Rest Basket and NICU Napsack Programs	<u>17,112</u>	<u>26,630</u>
	<u>\$ 17,112</u>	<u>\$ 41,714</u>

High Risk Hope, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

NOTE D - SPECIAL EVENTS

The Organization conducted special events, during the years ended December 31, 2017 and 2016 to benefit the Organization. Net special event revenue consisted of the following at December 31,:

	<u>2017</u>	<u>2016</u>
Event revenue	\$ 78,206	\$ 77,394
Direct expense	<u>22,899</u>	<u>24,265</u>
Net proceeds from special event's	<u>\$ 55,307</u>	<u>\$ 53,129</u>

NOTE E - INCOME TAX STATUS

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no income tax liability has been recorded in the financial statements. Management is not aware of any activities that would jeopardize the Organization's tax exempt status. The Organization is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty. Tax years after 2014 remain subject to examination by federal and state authorities.

NOTE F - SUBSEQUENT EVENTS

The Organization has evaluated events and transactions occurring subsequent to December 31, 2017 as of February 14, 2018 which is the date the financial statements were available to be issued.