

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

HIGH RISK HOPE, INC.

December 31, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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.

Buccio, Gordinier & Company, P.A.

Tampa, Florida
February 19, 2019

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

	<u>2018</u>	<u>2017</u>
ASSETS		
ASSETS		
Cash	\$ 329,083	\$ 322,743
Equipment, net of accumulated depreciation (notes A5 and B)	<u>6,357</u>	<u>9,330</u>
TOTAL ASSETS	<u><u>\$ 335,440</u></u>	<u><u>\$ 332,073</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 717</u>	<u>\$ 13,076</u>
Total liabilities	<u>717</u>	<u>13,076</u>
NET ASSETS (note A3 and C)		
Without donor restrictions	314,962	301,885
With donor restrictions	<u>19,761</u>	<u>17,112</u>
	<u>334,723</u>	<u>318,997</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 335,440</u></u>	<u><u>\$ 332,073</u></u>

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, 2018

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Public support and revenue			
Contributions	\$ 375,550	\$ -	\$ 375,550
Special events (note E)	64,667	-	64,667
Online store sales - net	2,669	-	2,669
Total public support and revenue	<u>442,886</u>	<u>-</u>	<u>442,886</u>
Other Revenue			
Other income	1,022	-	1,022
Interest	171	-	171
Total other revenue	<u>1,193</u>	<u>-</u>	<u>1,193</u>
Net assets reclassified from restrictions - net	<u>(2,649)</u>	<u>2,649</u>	<u>-</u>
Total public support, revenue and net assets released from restrictions	<u>441,430</u>	<u>2,649</u>	<u>444,079</u>
EXPENSES			
Program expenses	<u>348,558</u>	<u>-</u>	<u>348,558</u>
Supporting services			
Management and general	25,756	-	25,756
Fundraising and development	54,039	-	54,039
Total supporting services	<u>79,795</u>	<u>-</u>	<u>79,795</u>
Total expenses	<u>428,353</u>	<u>-</u>	<u>428,353</u>
CHANGE IN NET ASSETS	13,077	2,649	15,726
Net assets at beginning of year	<u>301,885</u>	<u>17,112</u>	<u>318,997</u>
Net assets at end of year	<u>\$ 314,962</u>	<u>\$ 19,761</u>	<u>\$ 334,723</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, 2017

	<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions</u>	<u>Total</u>
Public support and revenue			
Contributions	\$ 338,054	\$ 5,000	\$ 343,054
Special events (note E)	55,307	-	55,307
Online store sales - net	2,203	-	2,203
Total public support and revenue	<u>395,564</u>	<u>5,000</u>	<u>400,564</u>
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	55,090	-	55,090
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.

STATEMENTS OF CASH FLOWS

For the year ended December 31,

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	<u>\$ 15,726</u>	<u>\$ 51,275</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	2,972	3,397
(Decrease) increase in accounts payable and accrued expenses	<u>(12,358)</u>	<u>6,746</u>
Total adjustments	<u>(9,386)</u>	<u>10,143</u>
Net cash provided by operating activities	<u>6,340</u>	<u>61,418</u>
Cash flows from investing activities		
Purchase of fixed assets	<u>-</u>	<u>(2,493)</u>
Net cash used by investing activities	<u>-</u>	<u>(2,493)</u>
Net increase in cash	6,340	58,925
Cash at beginning of year	<u>322,743</u>	<u>263,819</u>
Cash at end of year	<u><u>\$ 329,083</u></u>	<u><u>\$ 322,744</u></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, 2018

	Program Expenses	Management and General	Fundraising and Development	Total
Community projects	\$ 103,064	\$ -	\$ -	\$ 103,064
Community awareness	481	267	-	748
Contract services	1,564	5,761	3,430	10,755
Depreciation	158	2,517	297	2,972
Hosted events	-	28	8,269	8,297
Insurance	5,076	898	721	6,695
Miscellaneous	458	474	263	1,195
Organizational fees	70	407	1,138	1,615
PayPal fees	-	-	401	401
Rent	51,644	2,004	-	53,648
Salaries and related expenses	168,711	8,935	32,285	209,931
Software	565	-	2,262	2,827
Supplies and postage	8,644	3,053	3,853	15,550
Travel and meetings expense	2,585	34	200	2,819
Volunteer expenses	1,095	221	63	1,379
Website hosting and technology	4,443	1,157	857	6,457
	<u>\$ 348,558</u>	<u>\$ 25,756</u>	<u>\$ 54,039</u>	<u>\$ 428,353</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, 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

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.

3. Change in Accounting Principle

During 2018 the Organization adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include:

- Requiring the presentation of only two classes of net assets now titled "net assets without donor restrictions" and "net assets with donor restrictions"
- Modifying the presentation of underwater endowment funds and related disclosures

High Risk Hope, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2018 and 2017

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

- Requiring the use of the placed in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise
- Requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate functional expense statement, or in the notes and disclose a summary of the allocation methods used to allocate costs
- Requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources
- Presenting investment return net of external and direct internal investment expenses, and
- Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements

In addition, ASU 2016-14 removes the requirement that not-for-profit entities that chose to prepare the statement of cash flows using the direct method must also present a reconciliation (the indirect method).

4. Liquidity

Assets and liabilities are presented in the accompanying statement of financial position according to their nearness of conversion to cash and, their maturity and resulting use of cash, respectively. See Note D for more information on liquidity and availability of assets.

5. 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.

6. 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 \$45,700 and \$47,800 of contributed facilities for the years ended December 31, 2018 and 2017, related to the donated use of office space.

High Risk Hope, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2018 and 2017

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

Approximately \$53,000 and \$33,100 of contributed goods for the years ended December 31, 2018 and 2017, 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.

7. 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. Expenses that benefit multiple functional areas have been allocated across programs, general and administrative, and fundraising expenses based on the proportion of employee time involved.

NOTE B - EQUIPMENT

Equipment consisted of the following at December 31,:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 7,226	\$ 7,226
Computer equipment	8,353	8,353
	<u>15,579</u>	<u>15,579</u>
Less accumulated depreciation	<u>(9,222)</u>	<u>(6,249)</u>
	<u>\$ 6,357</u>	<u>\$ 9,330</u>

High Risk Hope, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2018 and 2017

NOTE C - NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction 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. Net assets with donor restriction consisted of the following as of December 31,:

	<u>2018</u>	<u>2017</u>
Hoag Hospital Newport Beach Bed Rest Basket and NICU Napsack Programs	<u>19,761</u>	<u>17,112</u>
	<u>\$ 19,761</u>	<u>\$ 17,112</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors. The net assets released from restrictions are as follows for the years ended December 31,:

	<u>2018</u>	<u>2017</u>
Net assets released due to purpose or period restriction accomplished	\$ 792	\$ 29,602
Net assets reclassified from restriction	<u>(3,441)</u>	<u>-</u>
	<u>\$ (2,649)</u>	<u>\$ 29,602</u>

NOTE D - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization has \$309,322 of financial assets available within one year of the balance sheet date consisting of cash of \$329,083 less financial assets that are subject to donor or other contractual restrictions of \$19,761 that make them unavailable for general expenditure within one year of the balance sheet date. The Organization has a goal to maintain financial assets, which consist of cash and cash equivalents, on hand to meet 60 days of normal operating expenses, which are on average, approximately \$54,000.

High Risk Hope, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2018 and 2017

NOTE E - SPECIAL EVENTS

The Organization conducted special events, during the years ended December 31, 2018 and 2017 to benefit the Organization. Net special event revenue consisted of the following at December 31,:

	<u>2018</u>	<u>2017</u>
Event revenue	\$ 89,647	\$ 78,206
Direct expense	<u>24,980</u>	<u>22,899</u>
Net proceeds from special events	<u>\$ 64,667</u>	<u>\$ 55,307</u>

NOTE F - 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 2015 remain subject to examination by federal and state authorities.

NOTE G - SUBSEQUENT EVENTS

The Organization has evaluated events and transactions occurring subsequent to December 31, 2018 as of February 19, 2019 which is the date the financial statements were available to be issued.