



BASKET OF HOPE

Financial Statements and
Independent Auditors' Report

YEARS ENDED DECEMBER 31, 2018 AND 2017

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Independent Auditors' Report

Board of Directors
Basket of Hope
St. Louis, Missouri

We have audited the accompanying financial statements of Basket of Hope (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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 audits 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Basket of Hope as of 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.

A handwritten signature in blue ink that reads "Anders Minkler Huber & Helms LLP". The signature is fluid and cursive, with "Anders" and "Huber" being more distinct and "Minkler" and "Helms" being more stylized. The "LLP" is written in a smaller, more formal font at the end.

August 8, 2019

Basket of Hope
Statements of Financial Position
December 31, 2018 and 2017

	Assets	
	<u>2018</u>	<u>2017</u>
Current Assets		
Cash	\$ 146,021	\$ 129,634
Unconditional promises to give	-	119,980
Other receivables	3,432	2,500
Inventory	1,295,863	1,475,838
Prepaid expenses	-	3,000
Total Current Assets	<u>1,445,316</u>	<u>1,730,952</u>
Equipment, net	<u>22,896</u>	<u>32,188</u>
Total Assets	<u><u>\$ 1,468,212</u></u>	<u><u>\$ 1,763,140</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 5,034	\$ -
Net Assets		
Without donor restrictions		
Available for general activities	<u>1,463,178</u>	<u>1,763,140</u>
Total Liabilities and Net Assets	<u><u>\$ 1,468,212</u></u>	<u><u>\$ 1,763,140</u></u>

Basket of Hope
Statement of Activities
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	<u>Total</u>
Revenues, Gains and Other Support			
Contributions	\$ 156,717	\$ -	\$ 156,717
In-kind contributions	275,807	-	275,807
Investment income	1	-	1
	<u>432,525</u>	<u>-</u>	<u>432,525</u>
 Gross special events revenue	175,519	-	175,519
Less cost of direct benefits to donors	<u>(61,067)</u>	<u>-</u>	<u>(61,067)</u>
Net special events revenue	114,452	-	114,452
 Total Revenues, Gains and Other Support	<u>546,977</u>	<u>-</u>	<u>546,977</u>
 Expenses			
Program Services			
Program	837,121	-	837,121
Total Program Services	<u>837,121</u>	<u>-</u>	<u>837,121</u>
 Supporting Activities			
Management and general	7,405	-	7,405
Fundraising	<u>2,413</u>	<u>-</u>	<u>2,413</u>
Total Supporting Activities	<u>9,818</u>	<u>-</u>	<u>9,818</u>
Total Expenses	<u>846,939</u>	<u>-</u>	<u>846,939</u>
 Change in Net Assets	(299,962)	-	(299,962)
 Net Assets, Beginning of Year	<u>1,763,140</u>	<u>-</u>	<u>1,763,140</u>
 Net Assets, End of Year	<u>\$ 1,463,178</u>	<u>\$ -</u>	<u>\$ 1,463,178</u>

Basket of Hope
Statement of Activities
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	\$ 149,626	\$ -	\$ 149,626
In-kind contributions	325,645	-	325,645
Investment income	1	-	1
Loss on disposal of equipment	(92)	-	(92)
	<u>475,180</u>	<u>-</u>	<u>475,180</u>
Gross special events revenue	186,510	-	186,510
Less cost of direct benefits to donors	(75,916)	-	(75,916)
Net special events revenue	<u>110,594</u>	<u>-</u>	<u>110,594</u>
Total Revenues, Gains and Other Support	<u>585,774</u>	<u>-</u>	<u>585,774</u>
Expenses			
Program Services			
Program Services	1,302,982	-	1,302,982
Total Program Services	<u>1,302,982</u>	<u>-</u>	<u>1,302,982</u>
Supporting Activities			
Management and general	6,823	-	6,823
Fundraising	2,349	-	2,349
Total Supporting Activities	<u>9,172</u>	<u>-</u>	<u>9,172</u>
Total Expenses	<u>1,312,154</u>	<u>-</u>	<u>1,312,154</u>
Change in Net Assets	(726,380)	-	(726,380)
Net Assets, Beginning of Year	<u>2,489,520</u>	<u>-</u>	<u>2,489,520</u>
Net Assets, End of Year	<u>\$ 1,763,140</u>	<u>\$ -</u>	<u>\$ 1,763,140</u>

Basket of Hope
Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services	Supporting Activities			Total Expenses
		Management and General	Fundraising	Total	
Advertising and promotion	\$ 9,949	\$ 524	\$ -	\$ 524	\$ 10,473
Automobile expense	4,562	240	-	240	4,802
Bank charges	2,112	111	-	111	2,223
Contributions/gifts	4,284	-	-	-	4,284
Dining and entertainment	224	12	-	12	236
Dues	2,489	131	-	131	2,620
Internet expense	168	9	-	9	177
Office expense	2,895	152	-	152	3,047
Payroll tax expense	6,091	169	169	338	6,429
Personalized baskets	647,985	-	-	-	647,985
Postage	1,486	31	31	62	1,548
Professional fees	26,659	1,403	-	1,403	28,062
Registration and licenses	11,507	606	-	606	12,113
Rent	7,807	411	-	411	8,218
Repairs and maintenance	1,025	54	-	54	1,079
Salaries	80,238	2,213	2,213	4,426	84,664
Supplies	1,949	-	-	-	1,949
Telephone	5,458	288	-	288	5,746
Training expense	250	-	-	-	250
Travel expense	11,155	587	-	587	11,742
Total Expense Before Depreciation and Amortization	828,293	6,941	2,413	9,354	837,647
Depreciation and amortization	8,828	464	-	464	9,292
Total Expenses	\$ 837,121	\$ 7,405	\$ 2,413	\$ 9,818	\$ 846,939
Percent of Total	<u>98.84 %</u>	<u>0.87 %</u>	<u>0.29 %</u>	<u>1.16 %</u>	<u>100.00 %</u>

Basket of Hope
Statement of Functional Expenses
Year Ended December 31, 2017

	Program Services	Supporting Activities			Total Expenses
		Management and General	Fundraising	Total	
Advertising and promotion	\$ 6,992	\$ 368	\$ -	\$ 368	\$ 7,360
Automobile expense	3,135	165	-	165	3,300
Bank charges	1,566	82	-	82	1,648
Contributions/gifts	8,289	-	-	-	8,289
Dining and entertainment	327	17	-	17	344
Dues	2,121	112	-	112	2,233
Internet expense	558	29	-	29	587
Office expense	897	47	-	47	944
Payroll tax expense	5,682	165	165	330	6,012
Personalized baskets	1,127,875	-	-	-	1,127,875
Postage	1,007	21	21	42	1,049
Professional fees	30,604	1,611	-	1,611	32,215
Registration and licenses	908	48	-	48	956
Rent	8,598	453	-	453	9,051
Salaries	74,938	2,163	2,163	4,326	79,264
Supplies	174	-	-	-	174
Taxes	5	-	-	-	5
Telephone	4,508	237	-	237	4,745
Travel expense	14,363	756	-	756	15,119
Total Expense Before Depreciation and Amortization	1,292,547	6,274	2,349	8,623	1,301,170
Depreciation and amortization	10,435	549	-	549	10,984
Total Expenses	\$ 1,302,982	\$ 6,823	\$ 2,349	\$ 9,172	\$ 1,312,154
Percent of Total	99.30 %	0.52 %	0.18 %	0.70 %	100.00 %

Basket of Hope
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (299,962)	\$ (726,380)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	9,292	10,984
In-kind contributions of inventory items	(275,807)	(325,645)
Loss on disposal of equipment	-	92
(AIncrease) decrease in assets:		
Unconditional promises to give	119,980	(119,980)
Other receivables	(932)	(2,500)
Inventory	455,782	1,165,752
Prepaid expenses	3,000	5
Increase (decrease) in liabilities:		
Accounts payable	5,034	(1,680)
Net Cash Provided by Operating Activities	<u>16,387</u>	<u>648</u>
Cash Flows From Investing Activities		
Purchases of equipment	-	(3,448)
Net Cash Used in Investing Activities	<u>-</u>	<u>(3,448)</u>
Net Increase (Decrease) in Cash	16,387	(2,800)
Cash, Beginning of Year	<u>129,634</u>	<u>132,434</u>
Cash, End of Year	<u>\$ 146,021</u>	<u>\$ 129,634</u>

Basket of Hope
Notes to Financial Statements
December 31, 2018 and 2017

1. Nature of Operations and Basis of Presentation

Organization

Basket of Hope (the "Organization"), a not-for-profit organization, exists to give the hope that comes from Jesus to newly diagnosed children and their families affected by cancer or other serious illnesses, primarily by the delivery of a Basket of Hope filled with inspirational materials to nourish them mentally, emotionally and spiritually. The children and their families are also held up in prayer and are provided with a telephone contact when they feel the need to talk to someone. The Organization has ten active branches operating in ten states.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with the provisions of the Financial Accounting Standards Board ("FASB"), Accounting Standards Codification (the "FASB ASC"), which is the source of authoritative, non-governmental accounting principles generally accepted in the United States of America ("GAAP"). All references to authoritative accounting guidance contained in our disclosures are based on the general accounting topics within the FASB ASC.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified into two categories of net assets, as applicable, and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may be satisfied by specific activities or the passage of time, or are required to be maintained in perpetuity by the Organization. As of December 31, 2018 and 2017, there were no net assets with donor restrictions.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basket of Hope
Notes to Financial Statements
December 31, 2018 and 2017

Fair Value Measurements

The Organization follows guidance issued by the FASB on fair value measurements, which establishes a framework for measuring fair value, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. This guidance applies whenever fair value is the applicable measurement. The three general valuation techniques used to measure fair value are the market approach, cost approach, and income approach.

Carrying amounts of certain financial instruments such as cash, receivables, and accounts payable approximate fair value due to their short maturities or because the terms are similar to market terms. There have been no changes in the methodologies used at December 31, 2018 and 2017.

Unconditional Promises to Give

Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value using risk-free interest rates applicable to the years in which the contributions are to be received.

The Organization provides an allowance for doubtful promises to give equal to the estimated losses that will be incurred in the collection of unconditional promises to give. This estimate is based on historical experience coupled with a review of the current status of existing promises. The allowance and associated promises are reduced when the promises are determined to be uncollectible.

Inventory

Inventory is stated at the lower of cost or net realizable value. Inventory consists of items used to fill the baskets and is recorded at cost, if purchased, or management's estimate of fair value, if received as in-kind contributions. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

Equipment

Purchased equipment is stated at cost, and donated assets are recorded at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose or period of time. Major additions and improvements are capitalized, while maintenance and repairs are expensed as incurred. When assets are sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts. Any gain or loss arising from such disposition is included as income or expense in the year of disposition.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Basket of Hope
Notes to Financial Statements
December 31, 2018 and 2017

The estimated lives for computing depreciation on equipment are 3-10 years.

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2018 and 2017.

Support and Revenue

Contributions are recorded as received, and unconditional promises to give are recorded when the promise is made. All contributions are available for general activities unless specifically restricted by the donor. 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. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions with donor restrictions in which the restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying financial statements.

Donated Materials and Services (In-Kind)

Donated noncash assets are recorded as contributions at their fair values at the date of donation. The estimated fair value of donated inventory was \$275,807 and \$325,645 for the years ended December 31, 2018 and 2017, respectively.

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. There were no donated services for the years ended December 31, 2018 and 2017. Volunteers provided various services throughout the years that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Functional Expense Allocation

The costs of program services and supporting activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Basket of Hope
Notes to Financial Statements
December 31, 2018 and 2017

Advertising

The Organization expenses advertising costs as they are incurred. Advertising costs totaled \$10,473 and \$7,360 for the years ended December 31, 2018 and 2017, respectively.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), except on net income derived from unrelated business activities as defined in the Code. Accordingly, the Organization files as a tax exempt organization.

The Organization follows guidance issued by the FASB on accounting for income taxes and has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings, and believes that no provision for income taxes is necessary to cover any uncertain tax positions. The Organization's returns for tax years 2015 and later remain subject to examination by taxing authorities.

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the current year presentation.

Subsequent Events

The Organization has evaluated subsequent events through August 8, 2019, the date the financial statements were available to be issued.

Basket of Hope
Notes to Financial Statements
December 31, 2018 and 2017

Recent Accounting Pronouncements

Leases

The FASB has issued new guidance on the recognition of lease assets and lease liabilities by lessees for those leases previously classified as operating leases. The guidance requires a lessee to recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. When measuring assets and liabilities arising from a lease, a lessee (and a lessor) should include payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. Similarly, optional payments to purchase the underlying asset should be included in the measurement of lease assets and lease liabilities only if the lessee is reasonably certain to exercise that purchase option. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous GAAP. There continues to be a differentiation between finance leases and operating leases. However, the principal difference from previous guidance is that the lease assets and lease liabilities arising from operating leases should be recognized in the statement of financial position. The guidance will be required for the first fiscal year beginning after December 15, 2019. Based on a preliminary analysis, the Organization does not expect the new guidance to have a significant impact on its financial statements.

3. Change in Accounting Principle

On August 18, 2016 the FASB issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of financial assets, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented, except for disclosures related to liquidity and availability of funds.

4. Unconditional Promises to Give

Unconditional promises to give at December 31, are as follows:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ -	\$ 119,980
Net unconditional promises to give	<u>\$ -</u>	<u>\$ 119,980</u>

Basket of Hope
Notes to Financial Statements
December 31, 2018 and 2017

5. Equipment

Equipment at December 31, is as follows:

	<u>2018</u>	<u>2017</u>
Office equipment	\$ 69,120	\$ 69,120
Less accumulated depreciation and amortization	46,224	36,932
	<u>\$ 22,896</u>	<u>\$ 32,188</u>

Depreciation expense for the years ended December 31, 2018 and 2017 totaled \$9,292 and \$10,984, respectively.

6. Liquidity and Availability of Financial Assets

The Organization's financial assets available within one year for general expenditures as of December 31, are as follows:

	<u>2018</u>
Cash	\$ 146,021
Accounts receivable	<u>3,432</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u>\$ 149,453</u>

The Organization is substantially supported by contributions without donor restrictions. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures and liabilities come due. To help manage unanticipated liquidity needs, the Organization uses credit extended to it on a credit card.

7. Risks and Uncertainties

Concentrations

Contributions from two donors were approximately 23 percent of the Organization's contributions during the year ended December 31, 2018. In-kind contributions from four and three donors were approximately 84 and 69 percent of the Organization's in-kind contributions during the years ended December 31, 2018 and 2017, respectively.

Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash. The Organization maintains its cash with multiple major financial institutions. Deposits at these institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000.

**Basket of Hope
Notes to Financial Statements
December 31, 2018 and 2017**

8. Commitments and Contingencies

Leases

The Organization leases office space under noncancelable operating leases. Future minimum lease payments at December 31, 2018 are as follows:

Year Ending December 31,

2019	\$ <u>5,446</u>
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Rent expense related to operating leases for the years ended December 31, 2018 and 2017 totaled approximately \$8,218 and \$9,051, respectively.