

GIVING HOPE, INC.

FINANCIAL STATEMENTS

AS OF

DECEMBER 31, 2017 and 2016

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
GIVING HOPE, INC.
New Orleans, Louisiana

We have audited the accompanying financial statements of **GIVING HOPE, INC.** (a Louisiana not-for-profit corporation), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities 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 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 **GIVING HOPE, INC.**, as of 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.


Irving, Texas
August 10, 2018

GIVING HOPE, INC.

Statements of Financial Position December 31, 2017 and 2016

Assets:	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents.....	\$ 550,103	\$ 663,304
Accounts receivable.....	2,686	3,772
Donated inventory.....	10,789	9,500
Prepaid expenses.....	<u>13,408</u>	<u>16,980</u>
Total current assets.....	<u>576,986</u>	<u>693,556</u>
Property, buildings, and equipment, at cost:		
Furniture, fixtures, and equipment.....	65,702	62,262
Vehicles.....	19,398	19,398
Leasehold improvements.....	<u>16,412</u>	<u>16,412</u>
	101,512	98,072
Less allowance for accumulated depreciation.....	<u>(48,300)</u>	<u>(31,639)</u>
Net property, buildings, and equipment.....	<u>53,212</u>	<u>66,433</u>
Total assets.....	<u>\$ 630,198</u>	<u>\$ 759,989</u>
Liabilities and net assets:		
Current liabilities:		
Accounts payable.....	\$ 19,164	\$ 8,435
Accrued liabilities.....	9,976	13,910
Deferred revenue.....	<u>37,550</u>	<u>-</u>
Total liabilities.....	<u>66,690</u>	<u>22,345</u>
Net assets:		
Unrestricted net assets.....	183,868	243,595
Temporarily restricted net assets.....	<u>379,640</u>	<u>494,049</u>
Total net assets.....	<u>563,508</u>	<u>737,644</u>
Total liabilities and net assets.....	<u>\$ 630,198</u>	<u>\$ 759,989</u>

The accompanying notes are an integral part of these financial statements.

GIVING HOPE, INC.

Statement of Activities For the Year Ended December 31, 2017

Changes in net assets:	Unrestricted	Temporarily Restricted	Total
Revenue:			
Donations of food, grocery, and other products.....	\$ 2,962,763	\$ -	\$ 2,962,763
Corporate contributions.....	102,493	368,229	470,722
Profit for a Purpose donations.....	-	187,078	187,078
Event revenue.....	287,785	25,125	312,910
Individual donations.....	43,219	88,463	131,682
Contributed goods and services.....	135,468	-	135,468
Grants.....	-	5,000	5,000
Contributions released from restrictions.....	<u>788,304</u>	<u>(788,304)</u>	<u>-</u>
Total revenue.....	<u>4,320,032</u>	<u>(114,409)</u>	<u>4,205,623</u>
Operating expenses:			
Program services:			
Food Pantry.....	3,514,666	-	3,514,666
Missions and outreach.....	571,862	-	571,862
Supporting activities:			
Fundraising.....	228,539	-	228,539
General and administrative.....	<u>64,692</u>	<u>-</u>	<u>64,692</u>
Total operating expenses.....	<u>4,379,759</u>	<u>-</u>	<u>4,379,759</u>
Deficiency of revenue over operating expenses.....	<u>(59,727)</u>	<u>(114,409)</u>	<u>(174,136)</u>
Changes in net assets.....	(59,727)	(114,409)	(174,136)
Net assets, beginning of year.....	<u>243,595</u>	<u>494,049</u>	<u>737,644</u>
Net assets, end of year.....	<u>\$ 183,868</u>	<u>\$ 379,640</u>	<u>\$ 563,508</u>

The accompanying notes are an integral part of these financial statements.

GIVING HOPE, INC.

Statement of Activities For the Year Ended December 31, 2016

Changes in net assets:	Unrestricted	Temporarily Restricted	Total
Revenue:			
Donations of food, grocery, and other products.....	\$ 2,593,796	\$ -	\$ 2,593,796
Corporate contributions.....	160,243	427,803	588,046
Profit for a Purpose donations.....	-	432,799	432,799
Event revenue.....	297,360	36,335	333,695
Individual donations.....	21,464	54,370	75,834
Contributed goods and services.....	67,304	-	67,304
Contributions released from restrictions.....	<u>698,170</u>	<u>(698,170)</u>	<u>-</u>
Total revenue.....	<u>3,838,337</u>	<u>253,137</u>	<u>4,091,474</u>
Operating expenses:			
Program services:			
Food Pantry.....	2,864,657	-	2,864,657
Missions and outreach.....	482,877	-	482,877
Supporting activities:			
Fundraising.....	291,295	-	291,295
General and administrative.....	<u>98,721</u>	<u>-</u>	<u>98,721</u>
Total expenses.....	<u>3,737,550</u>	<u>-</u>	<u>3,737,550</u>
Excess of operating revenue over expenses.....	<u>100,787</u>	<u>253,137</u>	<u>353,924</u>
Gain on disposition of assets.....	<u>42,696</u>	<u>-</u>	<u>42,696</u>
Changes in net assets.....	143,483	253,137	396,620
Net assets, beginning of year.....	<u>100,112</u>	<u>240,912</u>	<u>341,024</u>
Net assets, end of year.....	<u>\$ 243,595</u>	<u>\$ 494,049</u>	<u>\$ 737,644</u>

The accompanying notes are an integral part of these financial statements.

GIVING HOPE, INC.

Statements of Cash Flows For the Years Ended December 31, 2017 and 2016

Change in cash and cash equivalents:	2017	2016
Cash flows from operating activities:		
Cash received from donors.....	\$ 1,144,643	\$ 1,427,919
Cash paid for operating expenses.....	<u>(1,254,405)</u>	<u>(1,066,539)</u>
Net cash (used in) provided by operating activities.....	<u>(109,762)</u>	<u>361,380</u>
Cash flows from investing activities:		
Capital expenditures.....	(3,439)	(76,398)
Proceeds from sale of property and equipment.....	<u>-</u>	<u>89,242</u>
Net cash (used in) provided by investing activities.....	<u>(3,439)</u>	<u>12,844</u>
Net (decrease) increase in cash and cash equivalents.....	(113,201)	374,224
Cash and cash equivalents, beginning of year.....	<u>663,304</u>	<u>289,080</u>
Cash and cash equivalents, end of year.....	<u>\$ 550,103</u>	<u>\$ 663,304</u>
 Reconciliation of changes in net assets to net cash (used in) provided by operating activities:		
Changes in net assets.....	\$ <u>(174,136)</u>	\$ <u>396,620</u>
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation.....	16,660	13,883
Noncash revenue.....	(3,098,230)	(2,661,099)
Noncash expenses.....	3,095,941	2,651,598
Bad debt expense.....	1,386	-
Gain on disposal of assets.....	-	(42,696)
Change in operating assets and liabilities:		
Accounts receivable.....	(300)	7,544
Inventory.....	1,001	-
Prepaid expenses.....	3,572	(8,713)
Accounts payable.....	10,730	(4,166)
Accrued expenses.....	(3,936)	8,409
Deferred revenue.....	<u>37,550</u>	<u>-</u>
Total adjustments.....	<u>64,374</u>	<u>(35,240)</u>
Net cash (used in) provided by operating activities.....	<u>\$ (109,762)</u>	<u>\$ 361,380</u>

The accompanying notes are an integral part of these financial statements.

GIVING HOPE, INC.

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

GIVING HOPE, INC. (the Organization) is incorporated under the laws of the State of Louisiana as a not-for-profit religious corporation. The primary activities of the Organization are providing a local food pantry, building orphanages in foreign countries, and supporting missions and outreach programs in and around New Orleans. The Organization's primary sources of revenue and other support are derived from free-will and in-kind contributions.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and are presented in conformity with accounting principles generally accepted in the United States of America. The Organization is required to report information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted Net Assets -- Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets -- Net assets whose use by the Organization is subject to donor-imposed restrictions that either expire by passage of time or can be fulfilled and removed by actions of the Organization.

Permanently Restricted Net Assets -- Net assets whose use by the Organization is subject to donor-imposed restrictions that cannot be removed by the passage of time or actions of the Organization.

Income Taxes

The Organization, a local not-for-profit in New Orleans, Louisiana, is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) as well as state income taxes. There is therefore, no provision for income taxes in these financial statements. Annually, the Organization is required to file Form 990, Return of Organization Exempt From Income Tax with the Internal Revenue Service (IRS). Based on its review, the Organization believes that it has appropriate support for all tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements, including any position that would jeopardize the Organization's tax exempt status. Tax returns remain open for examination by the IRS for three years after filing. Tax returns for 2017 and the previous three years remain open for examination by taxing authorities.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consists of cash and checks on hand, and deposits in banks.

Inventory Pricing

Inventory consists of donated and purchased products for distribution. Donated products are valued per pound at an average of the national wholesale prices as determined by Feeding America. Purchased products are valued at the purchase cost of those products as determined by the first-in, first-out method.

Property and Depreciation

Property and equipment is generally stated at cost, if purchased, or fair value if donated. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets: furniture, fixtures, and equipment (5-20 years), and leasehold improvements (10 years). Asset additions are capitalized, as are betterments and renewals. Maintenance and repairs are charged to operations as incurred.

GIVING HOPE, INC.

Notes to Financial Statements

Contributions and Deferred Revenue

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations limiting the use of the donated assets. A donor restriction expires when a stipulated time restriction ends or a purpose restriction is accomplished. At that time, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Income is recorded as deferred revenue when received in advance and recognized when earned.

In-Kind Contributions

In-kind contributions are reflected as contributions at fair value on the date of donation and are reported as unrestricted support unless specific donor stipulations specify how donated assets must be used. The Organization receives in-kind contributions of food and other products from various donors. In-kind donation of products, the related inventory, and the cost of donated food distributed are valued at an average of the national wholesale prices as determined by Feeding America. The Organization received 1,712,580 and 1,553,171 pounds, in 2017 and 2016, valued at \$2,962,763 and \$2,593,796 during the years ended December 31, 2017 and 2016. The average price per pound used was \$1.73 and \$1.67 at December 31, 2017 and 2016, respectively.

All donated services recognized created a non-financial asset or required specialized skills that would have been purchased if not donated. The Organization received in-kind donation for accounting services; the value of donated services totaled \$8,600 and \$25,943 for the years ended December 31, 2017 and 2016. The fair market value of contributed professional services is reported as support and expense in the period in which the services are performed. There are numerous other individuals who volunteer their time and perform a variety of tasks to assist the Organization with the food donation program, fundraising, and administrative support. No amounts have been reflected in the financial statements for these donated services as they do not meet the criteria for recognition as contributions.

Classification of Revenue and Expenses

Operating activities include items which are directly related to the Organization's program activities or are essential support elements of those programs. Depreciation has been allocated to related operating activities. Gains or losses on disposals of assets or liabilities do not meet the Organization's criteria for operating activities and are included with other revenue and expenses.

Estimates

Management utilizes estimates in order to record certain transactions in accordance with generally accepted accounting principles. Actual results may differ from those estimates.

Advertising Costs

The Organization charges advertising costs to operations in the year the expense is incurred. During the years ended December 31, 2017 and 2016, advertising expenses incurred were \$4,370 and \$5,029, respectively.

2. CONCENTRATION OF CREDIT RISK

At December 31, 2017, the Organization maintained balances at a bank in excess of the \$250,000 insured by the Federal Deposit Insurance Corporation. The amount at risk was approximately \$313,700.

GIVING HOPE, INC.

Notes to Financial Statements

3. NET ASSETS

The Organization's net assets are divided into temporarily restricted and unrestricted net assets. The unrestricted net assets consist of all free-will donations with no donor restrictions, restricted net assets released from restrictions, and the accumulated operational income and expense. Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Profit for a Purpose.....	\$ 377,753	\$ 450,176
Hope Against Trafficking.....	-	39,278
Hope for a Home.....	<u>1,887</u>	<u>4,595</u>
Total temporarily restricted net assets.....	<u>\$ 379,640</u>	<u>\$ 494,049</u>

Net assets released from restrictions:

Hope the Food Pantry.....	\$ 384,588	\$ 411,212
Profit for a Purpose.....	182,563	186,516
Hope Against Trafficking.....	131,941	15,126
Hope House.....	66,638	50,380
People 2 Pray.....	15,135	-
Hope for a Home.....	<u>7,439</u>	<u>34,936</u>
Total net assets released from restrictions.....	<u>\$ 788,304</u>	<u>\$ 698,170</u>

4. RELATED PARTY

During the years ended December 31, 2017, and 2016, the Organization received \$445,175 and \$718,820 respectively, in donations from multiple entities that are owned by a board member. In 2017, the Organization also received \$37,000 in contributions from a board member.

Donated accounting services totaling \$8,600 and \$25,943 in 2017 and 2016 respectively, were provided by an employee of a company owned by a board member. The board member's company also provided the Organization with rental space. This donated rental space was valued at approximately \$124,000 and \$38,000 for 2017 and 2016, respectively. In 2017 and 2016, the Organization purchased an insurance policy for, \$17,000 and \$14,445, respectively, through an insurance company managed by a board member.

5. SUBSEQUENT EVENTS

In March 2018, the Organization opened and began operating a food pantry in Kansas City, Kansas.

In April 2018, the Organization agreed to acquire a community center, from a local not-for-profit, and invest \$300,000 annually into the center's operations for five years. The community center consists of land and buildings in New Orleans, Louisiana. The transfer of assets will take place once Federal Emergency Management Agency releases control of the community center. The Organization began investing in the community center operations in April 2018.

Management has evaluated subsequent events through August 10, 2018, the date the financial statements were available to be issued.