

GIVING HOPE, INC.

Financial Statements
With Independent Auditors' Report
Year Ended December 31, 2018

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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 statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, 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.

Auditors' 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 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but also 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 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, 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.

Dyess and Associates
Mandeville, LA

November 15, 2019

Giving Hope, Inc.
Statement of Financial Position
December 31, 2018

Assets:

Current assets:

Cash and cash equivalents	\$ 523,347
Accounts receivable	281
Donated inventory	7,522
Prepaid expenses	<u>33,185</u>
Total current assets	<u>564,335</u>
Property, buildings and equipment, net	<u>105,127</u>
Total assets	<u><u>\$ 669,462</u></u>

Liabilities and net assets:

Current liabilities:

Accounts payable	\$ 29,219
Accrued liabilities	6,102
Deferred revenue	<u>50,000</u>
Total liabilities	<u>85,321</u>
Net assets:	
Without donor restrictions	232,027
With donor restrictions	<u>352,114</u>
Total net assets	<u>584,141</u>
Total liabilities and net assets	<u><u>\$ 669,462</u></u>

The accompanying notes are an integral part of these financial statements

Giving Hope, Inc.
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2018

Changes in Net Assets Without Donor Restrictions:

Revenues and gains	
Contributions of food, grocery and other products	\$ 2,998,637
Corporate contributions	282,255
Event revenue	395,819
Individual donations	122,669
Contributed goods and services	512,115
Grants	20,000
Program revenue	<u>155,552</u>
Total Revenues and Gains Without Donor Restrictions	<u>4,487,047</u>

Net assets released from restrictions:

Expiration of time restrictions	<u>584,134</u>
Total Net Assets Released from Restrictions	<u>584,134</u>

Total Revenues, Gains, and Other Support without Donor Restrictions 5,071,181

Expenses and losses

Food pantry	3,637,703
Missions and outreach	688,483
Fundraising	369,284
General and administrative	<u>327,552</u>
Total expenses	<u>5,023,022</u>

Increase (Decrease) in Net Assets Without Donor Restrictions 48,159

Changes in Net Assets with Donor Restrictions

Corporate contributions	-
Profit for a purpose donations	490,983
Event revenue	-
Individual donations	-
Grants	65,625
Net assets released from restrictions	<u>(584,134)</u>
Net Increase (Decrease) in Net Assets with Donor Restrictions	<u>(27,526)</u>

Increase (Decrease) in Total Net Assets 20,633

Net Assets, Beginning of Year 563,508

Net Assets, End of Year \$ 584,141

The accompanying notes are an integral part of these financial statements

Giving Hope, Inc.
Statement of Functional Expenses
Year ended December 31, 2018

	Program Services		Supporting Services		Total
	Food Pantry	Other Outreach	Fundraising Expenses	General Expenses	
Advertising	\$ -	\$ -	\$ 58,959	\$ -	\$ 58,959
Bank charges	-	-	-	11,252	11,252
Banquet expenses	-	-	310,325	-	310,325
Cell phone	-	-	-	1,697	1,697
Charitable contribution pledged	87,500	-	-	-	87,500
Charitable contribution PFP Grants	269,142	-	-	-	269,142
Data processing	1,418	-	-	-	1,418
Depreciation	-	-	-	21,471	21,471
Dues and subscriptions	9,671	-	-	-	9,671
Freight and delivery	1,544	-	-	-	1,544
Gas	-	16,674	-	-	16,674
Hot meals	-	108,672	-	-	108,672
In-kind Food	2,996,703	-	-	-	2,996,703
In-kind volunteer labor	197,983	-	-	-	197,983
In-kind rental space	-	56,569	-	-	56,569
Insurance	-	-	-	58,098	58,098
Meals and entertainment	13,173	1,202	-	-	14,375
Miscellaneous	-	-	-	(13,463)	(13,463)
Office expense	8,532	-	-	12,934	21,466
Outside services/contract labor	-	-	-	17,871	17,871
Payroll expense: wages	-	365,733	-	8,060	373,793
Payroll expense: taxes	-	27,737	-	-	27,737
Payroll expense: other	9,756	15,992	-	-	25,748
Professional development	-	-	-	4,110	4,110
Professional fees	-	-	-	56,457	56,457
Program supplies	-	70,256	-	-	70,256
Rent	-	-	-	75,000	75,000
Repairs and maintenance	42,281	-	-	7,226	49,507
Taxes	-	-	-	3,475	3,475
Travel	-	25,648	-	27,786	53,434
Utilities	-	-	-	35,578	35,578
Total functional expenses	<u>\$ 3,637,703</u>	<u>\$ 688,483</u>	<u>\$ 369,284</u>	<u>\$ 327,552</u>	<u>\$ 5,023,022</u>

The accompanying notes are an integral part of these financial statements

Giving Hope, Inc.
Statement of Cash Flows
Year Ended December 31, 2018

Cash flows from operating activities:	
Changes in net assets	\$ 20,633
Adjustments to reconcile changes in net assets to net cash	
Depreciation	21,471
Restricted contributions and net assets released from restriction	27,526
(Increase) decrease in operating assets:	
Accounts receivable	2,405
Inventory	3,267
Prepaid expenses	(19,777)
Increase (decrease) in operating liabilities:	
Accounts payable	10,055
Accrued expenses	(3,874)
Contributions restricted for long term purposes:	
Grant revenue	<u>12,450</u>
Net cash (used in) provided by operating activities	<u>74,156</u>
Cash flows from investing activities:	
Purchases of property and equipment	<u>(73,386)</u>
Net cash (used in) provided by investing activities	<u>(73,386)</u>
Cash flows from financing activities:	
Restricted contributions and net assets released from restriction	<u>(27,526)</u>
Net cash (used in) provided by financing activities	<u>(27,526)</u>
Net (decrease) increase in cash and cash equivalents	(26,756)
Cash and cash equivalents, beginning of year	<u>550,103</u>
Cash and cash equivalents, end of year	<u><u>\$ 523,347</u></u>

The accompanying notes are an integral part of these financial statements

Giving Hope, Inc
Notes to Financial Statements
December 31, 2018
(See Independent Auditors' Report)

NOTE 1 - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

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 and Use of Estimates

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire in the fiscal year in which the contribution is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

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 estimated useful lives as follows:

Furniture, fixtures and equipment	5-20 years
Leasehold improvements	10 years

Asset additions are capitalized, as are betterments and renewals. Maintenance and repairs are charged to operations as incurred.

Major Suppliers and Contributors

The Organization purchases all of its non-donated food for distribution and a large portion of the food used in the hot meals from a local supplier at the same rate as Feeding America and Second Harvesters Food Bank. The Organization's daily operations of serving hot meals and providing food could be impacted by the supplier's inability or unwillingness to supply Giving Hope's orders at the same rate as Feeding America. The Organization is also a recipient of grants to help serve the hot meals to seniors. The loss of these grants could greatly impact the Organization's daily operations.

Giving Hope, Inc
Notes to Financial Statements
December 31, 2018
(See Independent Auditors' Report)

NOTE 1 - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization but these services do not meet the criteria for recognition as contributed services. The Organization receives more than 11,253 volunteer hours per year.

Contributions and Deferred Revenue

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations limiting the use of 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.

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. Therefore, no provision for income taxes is made. 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 2018 and the previous three years remain open for examination by taxing authorities.

Cost Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort, as well as depreciation and amortization which are allocated on asset use.

Inventory Pricing

Inventory consists of donated and purchased products for distribution. Donated products are valued per pound at an average of 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.

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 donations 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 1,784,903 pounds in 2018, valued at \$2,998,637 during the year ended December 31, 2018. The average price per pound used was \$1.68 at December 31, 2018.

All donated services recognized created a non-financial asset or required specialized skills that would have been purchased if not donated. The Organization received an in-kind donation for labor, accounting services, and other professional services; the value all of donated services totaled \$197,983 for the year ended December 31, 2018. 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.

Advertising Costs

The Organization charges advertising cost to operations in the year the expense is incurred. During the year ended December 31, 2018 advertising expenses incurred were \$58,959.

Giving Hope, Inc
Notes to Financial Statements
December 31, 2018
(See Independent Auditors' Report)

NOTE 1 - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

The employees of the Organization are entitled to paid vacation and sick dates, depending on job classification, length of service and other factors. No liability has been recorded in the accompanying financial statements due to immateriality. The Organization's policy is to recognize the costs of compensated absences when paid.

NOTE 2 - ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

Employee receivables	\$ 281
	<u>\$ 281</u>

NOTE 3 - INVENTORIES

Inventory consists of the following:

Food pantry	\$ 7,522
	<u>\$ 7,522</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment, stated at cost, consists of the following:

Machinery & shop equipment	\$ 79,088
Furniture & fixtures	29,758
Company vehicles	49,640
Leasehold improvements	<u>16,412</u>
	174,898
Less accumulated depreciation	<u>(69,771)</u>
	<u>\$ 105,127</u>

Depreciation and amortization expense on the above totaled \$21,471 for the year ended December 31, 2018.

NOTE 5 - OTHER PAYABLES AND ACCRUED LIABILITIES

Other payables and accrued liabilities consist of the following:

Taxes payable	\$ 5,726
Other payables	<u>376</u>
	<u>\$ 6,102</u>

NOTE 6 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. Periodically, cash may exceed the federally insured amount. The Organization has not experienced any losses on such accounts.

Giving Hope, Inc
Notes to Financial Statements
December 31, 2018
(See Independent Auditors' Report)

NOTE 7 - NET ASSETS

The Organization's net assets are divided into net assets without donor restrictions and net assets with donor restrictions. The net assets without donor restrictions consists of all free-will donations with no donor restrictions, net assets with donor restrictions 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

Net assets with donor restrictions are available for the following purposes:

Profit for a Purpose	\$ 352,114
Total net assets with donor restrictions	<u>\$ 352,114</u>

Net assets released from restrictions:

Hope the Food Pantry	\$ 348,670
Profit for a Purpose	220,810
Hope House	12,768
Hope for a Home	<u>1,886</u>
Total net assets released from restrictions	<u>\$ 584,134</u>

NOTE 8 - RELATED PARTIES

During the year ended December 31, 2018, the Organization received \$603,886 in donations from multiple entities owned by a board member.

A board member's company provided the Organization with accounting services and rental space. The approximate value of the accounting services and rental space was \$4,575 and \$37,776 for 2018, respectively. In 2018, the Organization purchased an insurance policy for \$58,098 through an insurance company managed by a board member.

NOTE 9 - OPERATING LEASES

The Organization has a lease with St. Martin's Manor, Inc. for non-exclusive use of a portion of the building known as St. Martin's Manor. The term of this lease is five years commencing April 1, 2018 ending March 31, 2023. The leased premises shall be used for the preparation of meals for the needy including, but not limited to, residents of St. Martin's Manor, Annunciation Manor and St. Teresa's Villa. As a primary element of the consideration of the lease, lessor expects that meals will be made available to residents of St. Martin's Manor on a regular and consistent basis. In addition, the Organization will pay a flat monthly fee of \$1,000 for its use of all available utilities on the leased premises.

The Organization has an agreement with Thrive New Orleans for operations of a Community Center. The Community Center is currently owned by Desire Street Ministries and is subject to a lease and future donation in favor of the Organization. The Organization agrees to invest \$300,000 annually (\$25,000/month) to the operations of the Community Center for five years. As part of the Organization's contribution, the Organization will cover the following expenses for the Community Center: insurances, utilities, lawn care and maintenance of the building. In addition the Organization will donate to Thrive New Orleans toward the salaries and program expenses needed to operate the Community Center's programs. The donation will be the balance of the \$25,000 monthly investment after building expenses. As long as Thrive New Orleans operates the Community Center, the total annual gift will be \$300,000 with the building caring cost and donations to Thrive for operation expenses.

Minimum future lease obligations are as follows:

2019	\$ 312,000
2020	312,000
2021	312,000
Thereafter	<u>540,000</u>
Total	<u>\$ 1,476,000</u>

Giving Hope, Inc
Notes to Financial Statements
December 31, 2018
(See Independent Auditors' Report)

NOTE 10 - CHANGE IN ACCOUNTING PRINCIPLE

In August 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for Profit Entities. ASU 2016-14 is effective for annual periods beginning after December 15, 2017. These financial statements are presented based on the adoption of ASU 2016-14

NOTE 11 - SUBSEQUENT EVENTS

Giving Hope has broken ground on an orphanage in Brazil in 2019. Giving Hope has also partnered with BCM and Methodist Health care, receiving grants from both in conjunction with serving the underserved in the New Orleans metro area in 2019.

Management has evaluated subsequent events through November 15, 2019, the date when the financial statements were available to be issued.