



Hope Cottage, Inc.

Financial Statements
December 31, 2020 and 2019

Hope Cottage, Inc.

Contents

Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9



Independent Auditors' Report

To the Board of Directors of
Hope Cottage, Inc.

We have audited the accompanying financial statements of Hope Cottage, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, 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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. 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 includes performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements 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 Hope Cottage, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

A handwritten signature in cursive script that reads "Sutton Frost Cary".

A Limited Liability Partnership

Arlington, Texas
May 25, 2021

Hope Cottage, Inc.
Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ 580,524	\$ 439,796
Investments	4,120,087	3,825,094
Pledges receivable	11,536	3,548
Accounts receivable, net	98,020	80,367
Prepaid expenses	32,952	31,087
Total current assets	4,843,119	4,379,892
Noncurrent assets:		
Beneficial interest in charitable trust	1,290,445	1,178,081
Property and equipment, net	3,493,713	3,577,342
Deposits	850	1,250
Total noncurrent assets	4,785,008	4,756,673
Total assets	\$ 9,628,127	\$ 9,136,565
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 31,467	\$ 60,542
Accrued expenses	46,387	42,364
Deferred revenue	90,000	110,000
Paycheck Protection Program loan	212,300	-
Total current liabilities	380,154	212,906
Net assets:		
Without donor restrictions	7,783,444	7,606,228
With donor restrictions	1,464,529	1,317,431
Total net assets	9,247,973	8,923,659
Total liabilities and net assets	\$ 9,628,127	\$ 9,136,565

See notes to financial statements.

Hope Cottage, Inc.
Statement of Activities
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions and grants	\$ 398,347	\$ 150,000	\$ 548,347
Adoption and counseling fees	1,143,642	-	1,143,642
In-kind	10,285	-	10,285
Net assets released from restrictions	165,266	(165,266)	-
Total support and revenue	1,717,540	(15,266)	1,702,274
Operating expenses:			
Program services:			
Adoption and counseling	1,487,776	-	1,487,776
Supporting services:			
Management and general	309,157	-	309,157
Fundraising	200,882	-	200,882
Total operating expenses	1,997,815	-	1,997,815
Change in net assets from operating activities	(280,275)	(15,266)	(295,541)
Other income:			
Investment income, net	457,491	162,364	619,855
Change in net assets	177,216	147,098	324,314
Net assets at beginning of year	7,606,228	1,317,431	8,923,659
Net assets at end of year	\$ 7,783,444	\$ 1,464,529	\$ 9,247,973

See notes to financial statements.

Hope Cottage, Inc.
Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions and grants	\$ 356,154	\$ 140,000	\$ 496,154
Adoption and counseling fees	959,458	-	959,458
Special events, net of direct expenses of \$486	7,804	-	7,804
Net assets released from restrictions	165,777	(165,777)	-
Total support and revenue	1,489,193	(25,777)	1,463,416
Operating expenses:			
Program services:			
Adoption and counseling	1,545,166	-	1,545,166
Supporting services:			
Management and general	284,323	-	284,323
Fundraising	155,332	-	155,332
Total operating expenses	1,984,821	-	1,984,821
Change in net assets from operating activities	(495,628)	(25,777)	(521,405)
Other income:			
Investment income, net	819,097	240,051	1,059,148
Change in net assets	323,469	214,274	537,743
Net assets at beginning of year	7,282,759	1,103,157	8,385,916
Net assets at end of year	\$ 7,606,228	\$ 1,317,431	\$ 8,923,659

See notes to financial statements.

Hope Cottage, Inc.
Statement of Functional Expenses
Year Ended December 31, 2020

	Adoption and Counseling	Management and General	Fundraising	Total
Salaries	\$ 806,297	\$ 133,063	\$ 116,694	\$ 1,056,054
Payroll taxes	61,577	19,229	7,917	88,723
Employee benefits	63,601	11,391	7,162	82,154
Contract services	41,410	42,327	36,104	119,841
Advertising	721	-	53	774
Bank charges	-	1,153	-	1,153
Communications	19,701	1,697	1,602	23,000
Conferences and training	6,573	7,497	2,042	16,112
Depreciation	70,312	12,709	10,176	93,197
Direct client assistance	40,398	-	-	40,398
Dues and subscriptions	7,111	15,804	319	23,234
Foster care	225,453	-	-	225,453
General and office supplies	11,974	4,788	550	17,312
Insurance	17,186	11,527	2,325	31,038
Legal and professional	28,981	15,100	-	44,081
Miscellaneous	1,122	22,368	349	23,839
Occupancy	32,582	5,768	4,671	43,021
Printing and postage	6,745	2,499	10,873	20,117
Rent	16,966	1,893	34	18,893
Travel and transportation	29,066	344	11	29,421
Total expenses included in the expense section on the statement of activities	<u>\$ 1,487,776</u>	<u>\$ 309,157</u>	<u>\$ 200,882</u>	<u>\$ 1,997,815</u>

See notes to financial statements.

Hope Cottage, Inc.
Statement of Functional Expenses
Year Ended December 31, 2019

	Adoption and Counseling	Management and General	Fundraising	Total
Salaries	\$ 825,483	\$ 145,860	\$ 85,613	\$ 1,056,956
Payroll taxes	60,232	19,450	6,503	86,185
Employee benefits	72,497	15,965	9,757	98,219
Contract services	24,906	29,970	14,759	69,635
Advertising	4,826	295	679	5,800
Bank charges	-	1,448	-	1,448
Communications	18,671	2,012	1,142	21,825
Conferences and training	13,474	6,068	2,572	22,114
Depreciation	73,954	13,068	7,670	94,692
Direct client assistance	34,859	-	-	34,859
Dues and subscriptions	8,540	4,467	1,254	14,261
Foster care	228,988	-	-	228,988
General and office supplies	15,387	7,385	2,256	25,028
Insurance	18,130	10,224	2,654	31,008
Legal and professional	22,784	14,600	-	37,384
Miscellaneous	-	46	-	46
Occupancy	46,966	7,299	4,610	58,875
Printing and postage	7,720	2,827	15,521	26,068
Property taxes	540	1,479	-	2,019
Rent	22,178	649	-	22,827
Travel and transportation	45,031	1,211	342	46,584
Special event	-	-	486	486
Total expenses	1,545,166	284,323	155,818	1,985,307
Less expenses included with revenues on the statement of activities				
Direct costs of special event	-	-	(486)	(486)
Total expenses included in the expense section on the statement of activities	<u>\$ 1,545,166</u>	<u>\$ 284,323</u>	<u>\$ 155,332</u>	<u>\$ 1,984,821</u>

See notes to financial statements.

Hope Cottage, Inc.
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 324,314	\$ 537,743
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	93,197	94,692
Allowance for doubtful accounts	2,103	-
Net realized and unrealized gains on investments	(403,385)	(741,893)
Change in value of beneficial interest in charitable trust	(162,364)	(240,051)
Changes in assets and liabilities:		
Pledges receivable	(7,988)	13,470
Accounts receivable	(19,756)	43,958
Prepaid expenses	(1,865)	(1,172)
Deposits	400	680
Accounts payable	(29,075)	(3,801)
Accrued expenses	4,023	3,540
Deferred revenue	(20,000)	20,000
Net cash used by operating activities	(220,396)	(272,834)
Cash flows from investing activities:		
Purchases of property and equipment	(9,568)	-
Distributions from beneficial interest in charitable trust	50,000	50,000
Purchases of investments	(2,319,642)	(601,547)
Proceeds from sales of investments	2,428,034	764,094
Proceeds from Paycheck Protection Program loan	212,300	-
Net cash provided by investing activities	361,124	212,547
Increase (decrease) in cash	140,728	(60,287)
Cash at beginning of year	439,796	500,083
Cash at end of year	\$ 580,524	\$ 439,796

See notes to financial statements.

Hope Cottage, Inc.

Notes to Financial Statements

1. Organization

Hope Cottage, Inc. (Organization) is the oldest nonprofit, non-faith based adoption agency in Dallas and has been serving North Texas since 1918. The Organization nurtures and builds families through education, counseling and adoption services. The Organization is supported primarily through contributions, grants, fees and fundraising activities. During the year ended December 31, 2019, the Organization absorbed the activities of Alley's House, an unrelated nonprofit organization with a similar mission.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

Financial Statement Presentation

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

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.

Net assets with donor restrictions - Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a board of directors approved spending policy. As of December 31, 2020 and 2019, no such net asset restrictions existed.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Contributions whose restrictions are met in the same year the contributions are received are reported as net assets without donor restrictions. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Hope Cottage, Inc.

Notes to Financial Statements

Financial Instruments and Credit and Market Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit and market risk consist principally of cash, pledges receivable, accounts receivable and investments in marketable securities. The Organization maintains cash balances at several financial institutions located in Texas. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2020, balances at financial institutions exceeded federally insured amounts by \$149,589. The Organization has not experienced losses on such assets.

Accounts receivable are unsecured and are due from government agencies, other organizations and clients of the Organization. Pledges receivable are unsecured and are due from various donors. The Organization continually evaluates the collectability of accounts and pledges receivable and maintains allowances for potential losses, if considered necessary. The allowance for doubtful accounts was \$3,545 and \$1,442 at December 31, 2020 and 2019, respectively.

At December 31, 2020 and 2019, 100% of pledges receivable are due from three and two donors, respectively. At December 31, 2020 and 2019, 100% of accounts receivable are due from two agencies.

The Organization's investments are subject to various risks, such as interest rate, credit and overall market volatility risks. Further, because of the significance of the investments to the Organization's financial position and the level or risk inherent in most investments, it is reasonably possible that changes in the values of the investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements.

Investments

The investments of the Organization consist of money market funds, corporate bonds, common stock, a real estate investment trust, a beneficial interest in charitable trust and mineral interests and are stated at fair value in the statements of financial position. The Organization classifies money market accounts held by external investment managers as investments as these funds are not readily available for operations.

Property and Equipment

Property and equipment purchased by the Organization are recorded at cost or if acquired by gift, at the fair value at the date of the gift. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$2,500; the fair value of donated property and equipment is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of 25 to 40 years for buildings and improvements and 2 to 10 years for furniture and equipment, computer hardware and software and website.

Hope Cottage, Inc.

Notes to Financial Statements

Impairment of Long-Lived Assets

Management of the Organization periodically reviews the carrying value of its long-lived assets, including property and equipment, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized to the extent fair value of a long-lived asset is less than the carrying amount. Fair value is determined based on the estimated future cash inflows attributable to the asset less estimated future cash outflows. No such losses were recognized during the years ended December 31, 2020 and 2019.

Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets or an unconditional promise to give is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Counseling fees are recognized as revenues when the service is performed. Adoption fees are recognized as revenue when the child is placed with a family. Deposits received for adoption services are deferred, and 50% of all adoption fee deposits are nonrefundable.

Donated materials and services are reflected as contributions at their estimated fair values at date of receipt. The Organization recognizes contribution revenue for certain services received at the fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Federal Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and has not been classified as a private foundation as defined in the IRC. Income generated from activities unrelated to the Organization's exempt purposes is subject to tax under IRC Section 511. The Organization had no unrelated business income for the years ended December 31, 2020 and 2019. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax return and recognition of a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2020 and 2019, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Hope Cottage, Inc.

Notes to Financial Statements

Allocation of Functional Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the various functions benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, communications, advertising, dues and subscriptions and general and office supplies, which are allocated on a square footage basis, as well as salaries, payroll taxes, employee benefits, insurance and certain contract services which are allocated on the basis of estimates of time and effort. All other expenses have been directly allocated.

Estimates and Assumptions

The preparation of financial statements in conformity with GAAP 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 estimated.

New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB's Accounting Standards Codification.

The Organization considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Organization's financial position and changes in net assets.

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. For not-for-profit organizations, the standard takes effect for fiscal years beginning after December 15, 2021.

The Organization is currently assessing the impact that adopting this new guidance will have on the financial statements.

3. Fair Value Measurements

The Organization records financial instruments at estimated fair value. Fair value accounting defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly

Hope Cottage, Inc.

Notes to Financial Statements

transaction between market participants at the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical assets or liabilities as of the reporting date;
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices in active markets for similar assets or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets;
- Level 3: Unobservable inputs that are supported by little or no market activity and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Money market funds:	Valued using \$1 for the net asset value (NAV).
Common stock:	Valued at closing prices reported in active markets in which the individual securities are traded.
Real estate investment trust:	Valued at the closing price reported in an active market in which the security is traded.
Corporate bonds:	Valued based on market price quotes corroborated by recently executed transactions observable in the market.
Mineral interests:	Valued based on industry standards of 48 months of undiscounted income based on the most recent 12 month income history.
Beneficial interest in charitable trust:	Valued based on the fair values of the underlying investments in the trust, which are quoted prices in an active market.

Hope Cottage, Inc.
Notes to Financial Statements

The methods described above may produce fair value estimates that may not be indicative of net realized value or reflective of future values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following schedule sets forth by level, within the fair value hierarchy, the Organization's financial instruments at estimated fair value as of December 31:

Financial instruments	Level within the fair value hierarchy	2020	2019
Money market funds	Level 1	\$ 40,330	\$ 55,650
Common stock	Level 1	2,448,816	2,796,764
Real estate investment trust	Level 1	39,281	57,455
Corporate bonds	Level 2	1,452,608	729,804
Mineral interests	Level 3	139,052	185,421
Total investments		4,120,087	3,825,094
Beneficial interest in charitable trust	Level 3	1,290,445	1,178,081
Total		<u>\$ 5,410,532</u>	<u>\$ 5,003,175</u>

The following schedule summarizes investment income for the years ended December 31:

	2020	2019
Interest and dividends	\$ 63,339	\$ 58,482
Net realized and unrealized gains	403,385	741,893
Mineral interest income	12,458	39,729
Change in value of beneficial interest in charitable trust	162,364	240,051
Investment fees	(21,691)	(21,007)
	<u>\$ 619,855</u>	<u>\$ 1,059,148</u>

Hope Cottage, Inc.
Notes to Financial Statements

The following is a reconciliation of the beginning and ending balances of mineral interests and the interest in the charitable trust measured at fair value using significant unobservable inputs (Level 3).

	Beneficial Interest in Charitable Trust	Mineral Interest	Total
Balance at December 31, 2018	\$ 988,030	\$ 148,975	\$1,137,005
Distributions	(50,000)	-	(50,000)
Change in value	240,051	36,446	276,497
Balance at December 31, 2019	1,178,081	185,421	1,363,502
Distributions	(50,000)	-	(50,000)
Change in value	162,364	(46,369)	115,995
Balance at December 31, 2020	<u>\$1,290,445</u>	<u>\$ 139,052</u>	<u>\$1,429,497</u>

The amount of total gains (losses) for the year included in change in net assets attributable to the change in unrealized gains (losses) relating to Level 3 financial instruments still held at the reporting date

2020	2019
<u>\$ 115,995</u>	<u>\$ 276,497</u>

4. Interest in Charitable Trust

The Organization is the sole beneficiary of the L. Storey Stemmons and Grace Stemmons Kepler Charitable Trust (Charitable Trust). The Charitable Trust agreement provides that the trust property shall be held, administered and distributed exclusively for the benefit of the Organization. The purpose of the Charitable Trust is to provide funding for tuition, tutoring and other educational needs for persons receiving benefits from the Organization. Funds expended for persons receiving benefits from Our Friends Place (a nonprofit organization) are considered to be used for the benefit of the Organization. Both income and principal may be distributed in such amounts as necessary to carry out the exclusively charitable purposes of the Charitable Trust.

Under the Charitable Trust arrangement, the Organization has recorded the asset at the fair value of its beneficial interests in the trust's assets. Charitable Trust income is recognized as income with donor restrictions in the statements of activities. Subsequent changes in fair value of beneficial interests in trust assets are recorded as changes in value of beneficial interests in charitable trust in the net asset without donor restrictions class.

Hope Cottage, Inc.
Notes to Financial Statements

The Charitable Trust settlement document requires a minimum annual distribution to Our Friends Place of 1% of the fair value of the Charitable Trust as of the beginning of the year. Distributions totaling \$12,952 and \$11,750 were made to Our Friends Place during the years ended December 31, 2020 and 2019, respectively.

5. Property and Equipment

Property and equipment at December 31, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 812,244	\$ 812,244
Building and improvements	2,984,637	2,977,599
Furniture and equipment	121,154	118,624
Computer hardware and software	43,250	43,250
Website	<u>34,823</u>	<u>34,823</u>
	3,996,108	3,986,540
Accumulated depreciation	<u>(502,395)</u>	<u>(409,198)</u>
Total	<u><u>\$ 3,493,713</u></u>	<u><u>\$ 3,577,342</u></u>

Depreciation expense totaled \$93,197 and \$94,692 for the years ended December 31, 2020 and 2019, respectively.

6. Adoption Fee Revenue

The following table provides information about significant changes in adoption fees paid in advance as of December 31:

	<u>2020</u>	<u>2019</u>
Adoption fees paid in advance, beginning of year	\$ 110,000	\$ 90,000
Revenue recognized that was included in adoption fees at the beginning of the year	(85,000)	(70,000)
Increase in adoption fees due to cash received during the period	<u>65,000</u>	<u>90,000</u>
Adoption fees paid in advance, end of year	<u><u>\$ 90,000</u></u>	<u><u>\$ 110,000</u></u>

Hope Cottage, Inc.
Notes to Financial Statements

7. Retirement Plan

The Organization established a SIMPLE IRA plan for its employees. Substantially all employees with two years of service are covered by the plan. The Organization (at its discretion) makes a dollar-for-dollar matching contribution up to 3% of an eligible employee's compensation or \$12,000, whichever is less. The Organization's matching contributions for the years ended December 31, 2020 and 2019 totaled \$12,668 and \$16,849, respectively.

8. Net Assets

Net assets with donor restrictions are available for the following programs or periods as of December 31:

	<u>2020</u>	<u>2019</u>
Education and time	\$ 150,000	\$ 140,000
Tuition, tutoring and other education needs	<u>1,314,529</u>	<u>1,177,431</u>
	<u>\$ 1,464,529</u>	<u>\$ 1,317,431</u>

Net assets with donor restrictions at December 31, 2020 and 2019 include the Organization's beneficial interest in the charitable trust (see Note 4). Net assets released from donor restrictions by satisfying the restricted purposes or by occurrence of other events specified by the donors during the years ended December 31, 2020 and 2019 totaled \$165,266 and \$165,777, respectively.

Hope Cottage, Inc.
Notes to Financial Statements

9. Liquidity and Availability of Resources

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows as of December 31:

	2020	2019
Cash	\$ 580,524	\$ 439,796
Accounts receivable, net	98,020	80,367
Pledges receivable	11,536	3,548
Investments	4,120,087	3,825,094
Beneficial interest in charitable trust	1,290,445	1,178,081
Total financial assets	6,100,612	5,526,886
Less amounts not available to management:		
Beneficial interest in		
Stemmons Kepler Charitable Trust	(1,290,445)	(1,178,081)
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,810,167</u>	<u>\$ 4,348,805</u>

Pledges and accounts receivable are expected to be collected within one year or less. The Organization has a goal to maintain financial assets on hand to meet 90 days of normal operating expenses, which for the years ending December 31, 2020 and 2019, average \$158,000 per month. The Organization manages its financial assets to meet its operating expenditures, liabilities and other obligations as they come due.

10. Related Party Transactions

Contributions from board members of the Organization totaled \$13,094 and \$9,350 during the years ended December 31, 2020 and 2019, respectively.

Hope Cottage, Inc.
Notes to Financial Statements

11. Coronavirus Aid, Relief and Economic Security Act and Other Coronavirus Events

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic and recommended containment and mitigation measures. The coronavirus outbreak has severely restricted the level of economic activity around the world. The Organization has adjusted operational plans to protect the employees and individuals served while still meeting client needs for essential services. The Organization continues to closely monitor the impact of COVID-19 on all aspects of our business. Given the uncertainty of the spread and the duration of the coronavirus, the related financial impact to the Organization, if any, cannot be determined at this time.

In May 2020, the Organization received loan proceeds in the amount of \$212,300 from a financial institution under the Paycheck Protection Program (PPP), established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The CARES Act loan includes a feature that allows for forgiveness of the loan if the funds are used for eligible purposes, including payroll and benefits, and if the Organization maintains its payroll levels. Subsequent to year end, the Organization applied for and received forgiveness of the entire amount of the PPP loan.

12. Subsequent Events

On February 10, 2021, the Organization received notification that the PPP loan was forgiven in full by the Small Business Administration.

Management has evaluated subsequent events through the date the financial statements were available to be issued and concluded that no additional disclosures are required.