



**Hope Cottage, Inc.**

**Financial Statements  
December 31, 2021 and 2020**

# Hope Cottage, Inc.

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## **Independent Auditors' Report**

To the Board of Directors of  
Hope Cottage, Inc.

### **Opinion**

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, 2021 and 2020, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance to accounting principles generally accepted in the United States of America (GAAP).

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hope Cottage, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with GAAP; 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hope Cottage, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Hope Cottage Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hope Cottage Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



A Limited Liability Partnership

Arlington, Texas  
May 4, 2022

**Hope Cottage, Inc.**  
**Statements of Financial Position**  
**December 31, 2021 and 2020**

	2021	2020
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 444,508	\$ 580,524
Investments	4,326,230	4,120,087
Pledges receivable	32,769	11,536
Accounts receivable, net	72,610	98,020
Prepaid expenses	30,973	32,952
<b>Total current assets</b>	4,907,090	4,843,119
<b>Noncurrent assets:</b>		
Beneficial interest in charitable trust	1,452,359	1,290,445
Property and equipment, net	3,408,565	3,493,713
Deposits	-	850
<b>Total noncurrent assets</b>	4,860,924	4,785,008
<b>Total assets</b>	\$ 9,768,014	\$ 9,628,127
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 48,405	\$ 31,467
Accrued expenses	58,177	46,387
Deferred revenue	120,000	90,000
Paycheck Protection Program loan	-	212,300
<b>Total current liabilities</b>	226,582	380,154
<b>Net assets:</b>		
Without donor restrictions	7,877,546	7,783,444
With donor restrictions	1,663,886	1,464,529
<b>Total net assets</b>	9,541,432	9,247,973
<b>Total liabilities and net assets</b>	\$ 9,768,014	\$ 9,628,127

See notes to financial statements.

**Hope Cottage, Inc.**  
**Statement of Activities**  
**Year Ended December 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue:</b>			
Contributions and grants	\$ 519,259	\$ 205,000	\$ 724,259
Adoption and counseling fees	757,608	-	757,608
In-kind donations	5,760	-	5,760
Net assets released from restrictions	167,557	(167,557)	-
<b>Total support and revenue</b>	<b>1,450,184</b>	<b>37,443</b>	<b>1,487,627</b>
<b>Operating expenses:</b>			
Program services:			
Adoption and counseling	1,573,016	-	1,573,016
Supporting services:			
Management and general	274,229	-	274,229
Fundraising	178,231	-	178,231
<b>Total operating expenses</b>	<b>2,025,476</b>	<b>-</b>	<b>2,025,476</b>
<b>Change in net assets from operating activities</b>	<b>(575,292)</b>	<b>37,443</b>	<b>(537,849)</b>
<b>Other income:</b>			
Gain on forgiveness of Paycheck Protection			
Program loan	213,945	-	213,945
Investment income, net	455,449	161,914	617,363
<b>Total other income</b>	<b>669,394</b>	<b>161,914</b>	<b>831,308</b>
<b>Change in net assets</b>	<b>94,102</b>	<b>199,357</b>	<b>293,459</b>
<b>Net assets at beginning of year</b>	<b>7,783,444</b>	<b>1,464,529</b>	<b>9,247,973</b>
<b>Net assets at end of year</b>	<b>\$ 7,877,546</b>	<b>\$ 1,663,886</b>	<b>\$ 9,541,432</b>

See notes to financial statements.

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

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue:</b>			
Contributions and grants	\$ 398,347	\$ 150,000	\$ 548,347
Adoption and counseling fees	1,143,642	-	1,143,642
Special events, net of direct expenses of \$486	10,285	-	10,285
Net assets released from restrictions	165,266	(165,266)	-
<b>Total support and revenue</b>	<b>1,717,540</b>	<b>(15,266)</b>	<b>1,702,274</b>
<b>Operating expenses:</b>			
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
<b>Total operating expenses</b>	<b>1,997,815</b>	<b>-</b>	<b>1,997,815</b>
<b>Change in net assets from operating activities</b>	<b>(280,275)</b>	<b>(15,266)</b>	<b>(295,541)</b>
<b>Other income:</b>			
Investment income, net	457,491	162,364	619,855
<b>Change in net assets</b>	<b>177,216</b>	<b>147,098</b>	<b>324,314</b>
<b>Net assets at beginning of year</b>	<b>7,606,228</b>	<b>1,317,431</b>	<b>8,923,659</b>
<b>Net assets at end of year</b>	<b>\$ 7,783,444</b>	<b>\$ 1,464,529</b>	<b>\$ 9,247,973</b>

See notes to financial statements.

**Hope Cottage, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2021**

	Adoption and Counseling	Management and General	Fundraising	Total
Salaries	\$ 873,461	\$ 131,842	\$ 107,923	\$ 1,113,226
Payroll taxes	66,507	16,345	8,233	91,085
Employee benefits	86,695	14,502	9,343	110,540
Contract services	46,430	29,203	21,222	96,855
Advertising	3,717	-	536	4,253
Bank charges	-	2,817	-	2,817
Communications	18,653	1,274	1,650	21,577
Conferences and training	12,199	4,165	774	17,138
Depreciation	71,130	10,950	8,789	90,869
Direct client assistance	29,056	-	-	29,056
Dues and subscriptions	7,673	9,690	485	17,848
Foster care	202,117	-	-	202,117
General and office supplies	49,920	6,398	1,732	58,050
Insurance	24,861	5,090	3,072	33,023
Legal and professional	10,661	15,350	-	26,011
Miscellaneous	822	20,663	511	21,996
Occupancy	35,410	5,014	4,058	44,482
Printing and postage	6,349	926	9,903	17,178
Rent	4,061	-	-	4,061
Travel and transportation	23,294	-	-	23,294
<b>Total expenses</b>	<b><u>\$ 1,573,016</u></b>	<b><u>\$ 274,229</u></b>	<b><u>\$ 178,231</u></b>	<b><u>\$ 2,025,476</u></b>

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
<b>Total expenses</b>	<b><u>\$ 1,487,776</u></b>	<b><u>\$ 309,157</u></b>	<b><u>\$ 200,882</u></b>	<b><u>\$ 1,997,815</u></b>

See notes to financial statements.

**Hope Cottage, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

	2021	2020
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 293,459	\$ 324,314
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Gain on forgiveness of Paycheck Protection Program Loan	(212,300)	-
Depreciation	90,869	93,197
Allowance for doubtful accounts	-	2,103
Net realized and unrealized gains on investments	(403,363)	(403,385)
Change in value of beneficial interest in charitable trust	(161,914)	(162,364)
Changes in assets and liabilities:		
Pledges receivable	(21,233)	(7,988)
Accounts receivable	25,410	(19,756)
Prepaid expenses	1,979	(1,865)
Deposits	850	400
Accounts payable	16,938	(29,075)
Accrued expenses	11,790	4,023
Deferred revenue	30,000	(20,000)
<b>Net cash used by operating activities</b>	<b>(327,515)</b>	<b>(220,396)</b>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(10,619)	(9,568)
Loss on disposal of assets	4,898	-
Distributions from beneficial interest in charitable trust	-	50,000
Purchases of investments	(503,131)	(2,319,642)
Proceeds from sales of investments	700,351	2,428,034
Proceeds from Paycheck Protection Program loan	-	212,300
<b>Net cash provided by investing activities</b>	<b>191,499</b>	<b>361,124</b>
<b>Net change in cash</b>	<b>(136,016)</b>	<b>140,728</b>
<b>Cash at beginning of year</b>	<b>580,524</b>	<b>439,796</b>
<b>Cash at end of year</b>	<b>\$ 444,508</b>	<b>\$ 580,524</b>

See notes to financial statements.

# Hope Cottage, Inc.

## Notes to Financial Statements

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### 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.

### 2. Summary of Significant Accounting Policies

#### *Basis of Accounting*

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (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, 2021 and 2020, 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**

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#### ***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, 2021, balances at financial institutions exceeded federally insured amounts by \$152,351. 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 at December 31, 2021 and 2020.

At December 31, 2021 and 2020, 92% and 100% of pledges receivable are due from two and three donors, respectively. At December 31, 2021 and 2020, 100% of accounts receivable are due from three and two agencies, respectively.

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 \$5,000; 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

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### ***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, 2021 and 2020.

### ***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, 2021 and 2020. 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, 2021 and 2020, 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

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#### ***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.

In 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Organization will be required to present contributed nonfinancial assets as separate line items in the statement of activities, apart from contributions of cash or other financial assets, and additional quantitative and qualitative disclosures will be required. The standard takes effect for annual reporting periods beginning after June 15, 2021.

# Hope Cottage, Inc.

## Notes to Financial Statements

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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 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.

**Hope Cottage, Inc.**  
**Notes to Financial Statements**

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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.

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:

<u>Financial instruments</u>	Level within the fair value hierarchy	<u>2021</u>	<u>2020</u>
Money market funds	Level 1	\$ 95,186	\$ 40,330
Common stock	Level 1	2,577,419	2,448,816
Real estate investment trust	Level 1	43,875	39,281
Corporate bonds	Level 2	1,531,654	1,452,608
Mineral interests	Level 3	<u>78,096</u>	<u>139,052</u>
Total investments		4,326,230	4,120,087
Beneficial interest in charitable trust	Level 3	<u>1,452,359</u>	<u>1,290,445</u>
Total		<u>\$ 5,778,589</u>	<u>\$ 5,410,532</u>

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

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 67,031	\$ 63,339
Net realized and unrealized gains	403,363	403,385
Mineral interest income	9,165	12,458
Change in value of beneficial interest in charitable trust	161,914	162,364
Investment fees	<u>(24,110)</u>	<u>(21,691)</u>
	<u>\$ 617,363</u>	<u>\$ 619,855</u>



**Hope Cottage, Inc.**  
**Notes to Financial Statements**

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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, 2019	\$1,178,081	\$ 185,421	\$1,363,502
Distributions	(50,000)	-	(50,000)
Change in value	<u>162,364</u>	<u>(46,369)</u>	<u>115,995</u>
Balance at December 31, 2020	1,290,445	139,052	1,429,497
Change in value	<u>161,914</u>	<u>(60,956)</u>	<u>100,958</u>
Balance at December 31, 2021	<u>\$1,452,359</u>	<u>\$ 78,096</u>	<u>\$1,530,455</u>

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

2021	2020
<u>\$ 100,958</u>	<u>\$ 115,995</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.

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.

**Hope Cottage, Inc.**  
**Notes to Financial Statements**

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Distributions totaling \$14,524 and \$12,952 were made to Our Friends Place during the years ended December 31, 2021 and 2020, respectively.

**5. Property and Equipment**

Property and equipment at December 31, 2021 and 2020 consists of the following:

	2021	2020
Land	\$ 812,244	\$ 812,244
Building and improvements	2,984,637	2,984,637
Furniture and equipment	101,528	121,154
Computer hardware and software	18,095	43,250
Website	34,823	34,823
	3,951,327	3,996,108
Accumulated depreciation	(542,762)	(502,395)
Total	\$ 3,408,565	\$ 3,493,713

Depreciation expense totaled \$90,869 and \$93,197 for the years ended December 31, 2021 and 2020, respectively.

**6. Adoption Fee Revenue**

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

	2021	2020
Adoption fees paid in advance, beginning of year	\$ 90,000	\$ 110,000
Revenue recognized that was included in adoption fees at the beginning of the year	(45,000)	(85,000)
Increase in adoption fees due to cash received during the period	75,000	65,000
Adoption fees paid in advance, end of year	\$ 120,000	\$ 90,000

**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, 2021 and 2020 totaled \$13,819 and \$12,668, respectively.

**Hope Cottage, Inc.**  
**Notes to Financial Statements**

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**8. Net Assets**

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

	<u>2021</u>	<u>2020</u>
Education and time	\$ 175,000	\$ 150,000
Tuition, tutoring and other education needs	1,458,886	1,314,529
Alley's House and time	20,000	-
Time restricted	<u>10,000</u>	<u>-</u>
	<u>\$ 1,663,886</u>	<u>\$ 1,464,529</u>

Net assets with donor restrictions at December 31, 2021 and 2020 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, 2021 and 2020 totaled \$167,557 and \$165,266, respectively.

**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:

	<u>2021</u>	<u>2020</u>
Cash	\$ 444,508	\$ 580,524
Accounts receivable, net	72,610	98,020
Pledges receivable	32,769	11,536
Investments	4,326,230	4,120,087
Beneficial interest in charitable trust	<u>1,452,359</u>	<u>1,290,445</u>
Total financial assets	6,328,476	6,100,612
Less amounts not available to management:		
Beneficial interest in		
Stemmons Kepler Charitable Trust	<u>(1,452,359)</u>	<u>(1,290,445)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,876,117</u>	<u>\$ 4,810,167</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, 2021 and 2020, average \$161,000 and \$158,000 per month, respectively. The Organization manages its financial assets to meet its operating expenditures, liabilities and other obligations as they come due.

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**Notes to Financial Statements**

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**10. Related Party Transactions**

Contributions from board members of the Organization totaled \$10,875 and \$13,094 during the years ended December 31, 2021 and 2020, respectively.

**11. Paycheck Protection Program Loans**

On May 5, 2020 the Organization received loan proceeds (PPP Loan) in the amount of \$212,300 from a financial institution under the Paycheck Protection Program, established as part of the Coronavirus Aid, Relief and Economic Security Act. The PPP 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. On January 10, 2021, the Organization received forgiveness of the entire amount of the PPP Loan and accrued interest totaling \$213,945. The forgiveness of the PPP Loan is included in other income in the accompanying statements of activities.

**12. Subsequent Events**

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