

Help Hope Live, Inc.

Financial Statements
Year Ended September 30, 2016



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Help Hope Live, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Help Hope Live, Inc.

We have audited the accompanying financial statements of Help Hope Live, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities, 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 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.

Basis for Qualified Opinion

We were unable to obtain written representations from management of Help Hope Live, Inc. concerning transactions prior to October 1, 2016, which took place under substantially different management.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Help Hope Live, Inc., as of September 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

BBD 2/17

Philadelphia, Pennsylvania
April 10, 2017

Help Hope Live, Inc.

STATEMENT OF FINANCIAL POSITION

September 30, 2016

ASSETS

Cash	\$ 1,486,822
Contributions receivable	7,610
Prepaid expenses and other assets	15,422
Investments	19,957,940
Equipment and improvements, net	<u>213,559</u>
Total assets	<u>\$21,681,353</u>

LIABILITIES

Accounts payable and accrued expenses	<u>\$ 127,170</u>
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NET ASSETS

Unrestricted	535,340
Temporarily restricted	<u>21,018,843</u>
Total net assets	<u>21,554,183</u>
Total liabilities and net assets	<u>\$21,681,353</u>

Help Hope Live, Inc.

STATEMENT OF ACTIVITIES

Year ended September 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions			
General contributions	\$ 241,004	\$ 11,199,526	\$ 11,440,530
United Way	1,094	54,965	56,059
Project/operating grants	10,000	135,000	145,000
Matching gifts and memorial contributions	21,251	294,902	316,153
Donated services	34,000	-	34,000
Special events (net of expenses of \$143,082)	(7,612)	-	(7,612)
Net assets released from restrictions	<u>10,059,859</u>	<u>(10,059,859)</u>	<u>-</u>
Total support and revenue	<u>10,359,596</u>	<u>1,624,534</u>	<u>11,984,130</u>
EXPENSES			
Program services			
Patient services	989,200	-	989,200
Public education	338,213	-	338,213
Medical and medically-related assistance	<u>9,349,987</u>	<u>-</u>	<u>9,349,987</u>
Total program services	<u>10,677,400</u>	<u>-</u>	<u>10,677,400</u>
Supporting services			
Administrative	612,228	-	612,228
Fundraising	<u>617,649</u>	<u>-</u>	<u>617,649</u>
Total supporting services	<u>1,229,877</u>	<u>-</u>	<u>1,229,877</u>
Total expenses	<u>11,907,277</u>	<u>-</u>	<u>11,907,277</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES			
	<u>(1,547,681)</u>	<u>1,624,534</u>	<u>76,853</u>
OTHER CHANGES			
Interest and dividend income, net of investment fees	330,388	-	330,388
Net realized and unrealized gain on investments	<u>1,265,790</u>	<u>-</u>	<u>1,265,790</u>
	<u>1,596,178</u>	<u>-</u>	<u>1,596,178</u>
CHANGE IN NET ASSETS			
	<u>48,497</u>	<u>1,624,534</u>	<u>1,673,031</u>
NET ASSETS			
Beginning of year, as previously reported	2,088,700	17,792,452	19,881,152
Prior period adjustments	<u>(1,601,857)</u>	<u>1,601,857</u>	<u>-</u>
Beginning of the year, as restated	<u>486,843</u>	<u>19,394,309</u>	<u>19,881,152</u>
End of year	<u>\$ 535,340</u>	<u>\$ 21,018,843</u>	<u>\$ 21,554,183</u>

See accompanying notes

Help Hope Live, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2016

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Total</u>
	<u>Patient Services</u>	<u>Public Education</u>	<u>Medical and Medically-Related Assistance</u>	<u>Administrative</u>	<u>Fund Raising</u>	
Payroll	\$533,723	\$266,862	\$ -	\$333,577	\$200,146	\$ 1,334,308
Payroll taxes and benefits	65,473	32,737	-	40,921	24,552	163,683
Registrations	-	-	-	-	7,399	7,399
Equipment lease	5,048	1,262	-	3,787	2,524	12,621
Office supplies	12,160	4,053	-	1,014	3,040	20,267
Printing and postage	9,335	6,261	-	4,668	3,073	23,337
Consulting and professional fees	15,250	-	-	84,680	8,039	107,969
Occupancy	-	-	-	68,991	-	68,991
Patient and emergency grants	-	-	9,349,987	-	-	9,349,987
Patient campaign expenses	-	-	-	-	281,093	281,093
Telephone	13,648	2,481	-	3,722	4,963	24,814
Technology services	43,463	-	-	36,825	42,964	123,252
Travel and meetings	26,076	8,954	-	1,048	9,347	45,425
Insurance	-	-	-	6,903	-	6,903
Depreciation	134,548	-	-	17,940	26,910	179,398
Public relations/marketing	4,325	3,244	-	-	3,243	10,812
Credit card processing	121,359	-	-	-	-	121,359
Donor awareness materials	-	12,122	-	-	-	12,122
Miscellaneous	4,792	237	-	8,152	356	13,537
	<u>\$989,200</u>	<u>\$338,213</u>	<u>\$9,349,987</u>	<u>\$612,228</u>	<u>\$617,649</u>	<u>\$11,907,277</u>

See accompanying notes

Help Hope Live, Inc.

STATEMENT OF CASH FLOWS

Year ended September 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,673,031
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities	
Depreciation	179,398
Net realized and unrealized gain on investments	(1,265,790)
(Increase) decrease in	
Contributions receivable	21,098
Prepaid expenses and other assets	(8,223)
Increase (decrease) in	
Accounts payable and accrued expenses	<u>(4,023)</u>
Net cash provided by operating activities	595,491

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(26,985,303)
Proceeds from the sale of investments	27,176,556
Acquisition of equipment and improvements	<u>(38,749)</u>
Net cash provided by investing activities	<u>152,504</u>

Net increase in cash 747,995

CASH

Beginning of year	<u>738,827</u>
End of year	<u>\$ 1,486,822</u>

See accompanying notes

Help Hope Live, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

(1) NATURE OF ORGANIZATION

Help Hope Live, Inc. (the "**Organization**") was incorporated in 1983 and engages communities to organize, launch and sustain grassroots fundraising campaigns for uninsured medical expenses related to transplant and catastrophic injury and illness. Help Hope Live, Inc. helps families in financial crisis related to medical bills through a proven structure that both raises funds and pays uninsured medical expenses. Help Hope Live, Inc. also provides educational and emotional support.

(2) SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to the following classes of net assets:

Unrestricted net assets

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

Temporarily restricted net assets

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Organization and/or the passage of time. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "**net assets released from restrictions.**"

Permanently restricted net assets

Net assets that are subject to donor-imposed restrictions that such assets be maintained indefinitely. There were no permanently restricted net assets as of September 30, 2016.

Estimates

The presentation of financial statements in conformity with U.S. generally accepted accounting principles ("**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 estimates.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. Conditional promises to give are not included as revenue until such time as the conditions are substantially met.

Unrestricted donations received from the public are classified as "unrestricted funds" and are used for the Organization's general activities and for assistance grants to patients who have met the requirements listed in the Organization's patient application. Donations, which are designated for a specified geographic region, are classified as "temporarily restricted funds." These donations are used exclusively for patient assistance grants for uninsured transplant and catastrophic injury related expenses.

Help Hope Live, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Donated services

The Organization recognizes revenue for donated services received when they require specialized skills which would need to be purchased if they were not donated. Donated services are recorded as both revenue and expenses in the accompanying statements of activities at their estimated value at the date of receipt. The fair value of contributed services was \$34,000 for the year ended September 30, 2016 and is included as an administrative expense.

The Organization also received volunteer labor during the year. In addition, numerous volunteers have donated their time and services to establish patient campaigns in regions throughout the United States. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition in accordance with accounting standards for such donated services.

Investments

Investments are recorded in the statement of financial position at fair value, as determined based on quoted market prices. Cash equivalents classified as investments are short-term, highly liquid investments with original maturities of three months or more. Realized and unrealized gains and losses are included in the statement of activities.

The Organization invests in a professionally-managed portfolio that contains various types of securities (**See Note 4**). Such investments are exposed to market and credit risks. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term would materially affect the investment balances and the amounts reported in the financial statements.

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Agency has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the Organization's own assumptions.

Help Hope Live, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Equipment and Improvements

Equipment and improvements are stated at cost. Contributed equipment and improvements are recorded at fair value at the date of donation. The Organization capitalizes all expenditures for equipment in excess of \$500. Expenditures for major renewals and betterments that extend the useful lives of the equipment are capitalized. Expenditures for maintenance and repairs are charged to expenses as incurred. Depreciation is computed based on the straight line method over the estimated useful lives of the equipment and improvements ranging from 3 to 7 years.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain income tax positions taken on their tax returns. GAAP prescribes a minimum threshold that a tax position is required to meet in order to be recognized in the financial statements. The Organization believes that it had no uncertain tax positions as defined by GAAP.

Concentration of Credit Risk

The Organization maintains its cash balances in financial institutions with insurance provided by the Federal Deposit Insurance Corporation. At times, these accounts may exceed the federally insured limit. Management does not believe there is a significant credit risk with these institutions.

Functional Expenses

The cost of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Expenses are charged to the program based on direct expenditures incurred. Certain expenses that are not directly chargeable have been allocated among program and supporting services classifications based on estimates made by the Organization's management.

(3) PRIOR PERIOD ADJUSTMENTS

During 2016, the Organization has restated its net assets which subsequently required the following prior period adjustments:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net assets			
Beginning of year, as previously reported	\$ 2,088,700	\$ 17,792,452	\$ 19,881,152
To restate temporarily restricted net assets for misclassified contributions for medical assistance	<u>(1,601,857)</u>	<u>1,601,857</u>	<u>-</u>
Beginning of year, as restated	<u>\$ 486,843</u>	<u>\$ 19,394,309</u>	<u>\$ 19,881,152</u>

Help Hope Live, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

(4) INVESTMENTS

Investments are stated at fair value and are summarized as follows as of September 30, 2016:

Money market fund	\$ 663,963
Fixed income securities	
Corporate bonds	2,168,824
Foreign bonds	927,745
Equities	
Mutual funds	11,864,303
Real Estate funds	961,082
Absolute return funds	2,774,072
Commodities	597,951
Total investments	<u>\$ 19,957,940</u>
Unrealized appreciation	\$ 118,081
Realized net gain	<u>1,147,709</u>
Net gain on investments	1,265,790
Interest and dividends	397,922
Investment management and advisory fees	<u>(67,534)</u>
Total (loss) return	<u>\$ 1,596,178</u>

All investments held as of September 30, 2016 were measured at fair value on a recurring basis using Level 1 inputs except fixed income securities which were valued using Level 2 inputs.

(5) EQUIPMENT AND IMPROVEMENTS

Equipment and improvements consist of the following:

Computer equipment	\$ 40,004
Computer software and website development	678,350
Office equipment	11,651
Office furniture	16,962
Improvements	<u>16,344</u>
	763,311
Less accumulated depreciation	<u>549,752</u>
	<u>\$213,559</u>

Depreciation expense for the year ended September 30, 2016 was \$179,398.

Help Hope Live, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

(6) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are predominantly available to pay uninsured medically related expenses for patients accepted into the program. Expenses may include items such as: hospital and doctor bills, deductibles and co-pays, medical insurance premiums, medications, home medical supplies/equipment, home healthcare, patient lodging related to treatment, home accessibility, accessible transportation, and continued uninsured therapy and treatment. Investment income earned from temporarily restricted assets and administrative fees are used to defray the administrative costs of patient services. Investment income including gains and losses earned on investments are recorded as unrestricted activity. Administrative fees are deducted from donations designated for patient grants based on the fee percentage applicable to the type of donation received and are included in unrestricted general contributions on the statement of activities.

Temporarily restricted net assets are available and were released from restrictions for the following purposes as of and for the year ended September 30, 2016:

	<u>September 30,</u> <u>2015</u>	<u>Additions</u>	<u>Releases</u>	<u>September 30,</u> <u>2016</u>
Emergency assistance grants	\$ 35,282	\$ 125,035	\$ (56,237)	\$ 104,080
Medical and medically-related assistance	19,358,365	11,558,709	(10,003,622)	20,913,452
Memorial and other funds	<u>662</u>	<u>649</u>	<u>-</u>	<u>1,311</u>
	<u>\$ 19,394,309</u>	<u>\$ 11,684,393</u>	<u>\$ (10,059,859)</u>	<u>\$ 21,018,843</u>

(7) PENSION PLAN

The Organization sponsors a pension plan under Internal Revenue Code 403(b) covering substantially all of its employees. The Organization made contributions to the plan in 2016 on behalf of the employees in the amount of \$35,230.

(8) COMMITMENTS

The Organization has an operating lease agreement for its office facilities which includes the payment of a monthly minimum rental payment and operating expenses. This lease expires in March 2020.

The future minimum lease payments under the operating leases are as follows:

<u>Years ending September 30,</u>	
2017	\$ 62,315
2018	64,003
2019	65,691
2020	<u>33,619</u>
	<u>\$ 225,628</u>

Total rent expense for the year ended September 30, 2016 was \$63,589.

Help Hope Live, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

(9) PATIENT CHALLENGE, EMERGENCY AND ALTRUISTIC GRANTS

The Organization provided 236 challenge grants totaling \$233,000 to eligible candidates during the year ended September 30, 2016. These challenge grants are funded from unrestricted sources. In addition, the Organization provided approximately \$68,270 and \$20,459 of emergency and altruistic grants during the year ended September 30, 2016, respectively.

(10) RELATED PARTY TRANSACTIONS

The Organization provided patient assistance grants for uninsured medically related and fundraising expenses to the children of a former Board Member, a Finance Committee Member and the former Executive Director. The requests for these grants are reviewed and approved by the Chief Financial Officer and other financial staff as well as approved by a sub-committee of non-interested Board Members. In 2016, medical assistance grants were provided to the former Executive Director's step-daughter in the amount of approximately \$50,000. In 2016, a Finance Committee Member's son received grants for medical assistance and fundraising efforts of approximately \$33,000. In 2016, a former Board Member's son received grants for medical assistance of approximately \$28,000.

(11) SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 10, 2017, the date on which the financial statements were available to be issued. No material subsequent events have occurred since September 30, 2016 that would require recognition or disclosure in the financial statements.