

**BASKET OF HOPE**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**  
**YEAR ENDED DECEMBER 31, 2015**  
**(With comparative totals for 2014)**

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## Independent Auditors' Report

Board of Directors  
Basket of Hope  
St. Louis, Missouri

We have audited the accompanying financial statements of Basket of Hope (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2015, 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 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 of 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 organization'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 organization'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 Basket of Hope as of December 31, 2015, and the changes in its net assets, its functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited Basket of Hope's 2014 financial statements, and our report dated June 8, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Anders Minkler Huber & Helms LLP*

July 22, 2016

**Basket of Hope**  
**Statement of Financial Position**  
**December 31, 2015**  
**(With comparative totals for 2014)**

**Assets**

	<u>2015</u>	<u>2014</u>
Current Assets		
Cash	\$ 156,877	\$ 160,857
Due from employee	-	1,773
Contributions receivable	-	89,502
Other receivables	1,349	-
Inventory	1,941,201	1,608,986
Prepaid expenses	<u>3,556</u>	<u>3,000</u>
Total Current Assets	2,102,983	1,864,118
Equipment, net	<u>45,675</u>	<u>52,511</u>
Total Assets	<u>\$ 2,148,658</u>	<u>\$ 1,916,629</u>

**Liabilities and Net Assets**

Current Liabilities		
Accounts payable	\$ 3,521	\$ 5,809
Net Assets		
Unrestricted	<u>2,145,137</u>	<u>1,910,820</u>
Total Liabilities and Net Assets	<u>\$ 2,148,658</u>	<u>\$ 1,916,629</u>

**Basket of Hope  
Statement of Activities  
Year Ended December 31, 2015  
(With comparative totals for 2014)**

	<u>2015</u>	<u>2014</u>
Revenue and Other Support		
Contributions	\$ 181,118	\$ 162,304
Special events	140,678	153,816
In-kind contributions	673,848	768,600
Interest income	-	4
Loss on disposals of property and equipment	(435)	-
Other	<u>1,350</u>	<u>-</u>
Total Revenue and Other Support	996,559	1,084,724
Expenses		
Program Services	714,303	732,701
Supporting Services		
Management and general	6,776	6,861
Fundraising	<u>41,163</u>	<u>37,748</u>
Total Expenses	<u>762,242</u>	<u>777,310</u>
Change in Net Assets	234,317	307,414
Net Assets, Beginning of Year	<u>1,910,820</u>	<u>1,603,406</u>
Net Assets, End of Year	<u>\$ 2,145,137</u>	<u>\$ 1,910,820</u>

**Basket of Hope**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2015**  
**(With comparative totals for 2014)**

	Program Services	Supporting Services		Total	
		Management and General	Fundraising	2015	2014
Advertising and promotion	\$ 3,965	\$ 208	\$ -	\$ 4,173	\$ 5,297
Automobile expense	4,496	236	-	4,732	434
Bank charges	2,079	110	-	2,189	1,556
Contributions/gifts	4,892	-	-	4,892	220
Dining and entertainment	343	18	-	361	920
Dues	3,320	181	-	3,501	3,639
Internet expense	393	21	-	414	1,886
Office expense	2,600	137	-	2,737	4,871
Payroll tax expense	5,682	166	165	6,013	6,450
Personalized baskets	537,803	-	-	537,803	551,549
Postage	3,269	68	68	3,405	2,546
Professional fees	29,554	1,556	-	31,110	33,030
Registration and licenses	1,098	56	-	1,154	488
Rent	9,631	507	-	10,138	9,981
Salaries	74,938	2,163	2,163	79,264	85,214
Special events	-	-	38,767	38,767	35,369
Supplies	4,619	-	-	4,619	6,236
Telephone	4,586	241	-	4,827	6,093
Training expense	-	-	-	-	99
Travel expense	12,883	679	-	13,562	16,955
Total Expense Before Depreciation and Amortization	706,151	6,347	41,163	753,661	772,833
Depreciation and amortization	8,152	429	-	8,581	4,477
Total Expenses	<u>\$ 714,303</u>	<u>\$ 6,776</u>	<u>\$ 41,163</u>	<u>\$ 762,242</u>	<u>\$ 777,310</u>

**Basket of Hope**  
**Statement of Cash Flows**  
**Year Ended December 31, 2015**  
**(With comparative totals for 2014)**

	2015	2014
Cash Flows From Operating Activities		
Change in net assets	\$ 234,317	\$ 307,414
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,581	4,477
In-kind contributions of inventory items	(673,848)	(716,351)
Loss on disposal of equipment	435	-
(Increase) decrease in assets:		
Due from employee	1,773	(1,773)
Contributions receivable	89,502	(89,502)
Other receivables	(1,349)	-
Inventories	341,633	494,996
Prepaid expenses	(556)	4,500
Increase (decrease) in liabilities:		
Accounts payable	(2,288)	2,609
Net Cash Provided by (Used in) Operating Activities	(1,800)	6,370
Cash Flows From Investing Activities		
Purchases of equipment	(2,180)	(439)
Net Cash Used in Investing Activities	(2,180)	(439)
Net Increase (Decrease) in Cash	(3,980)	5,931
Cash, Beginning of Year	160,857	154,926
Cash, End of Year	\$ 156,877	\$ 160,857

**Noncash Investing Activities**

During 2014, the Organization received \$52,249 of donated equipment.



**Basket of Hope**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**1. Nature of Operations and Basis of Presentation**

**Organization**

Basket of Hope (the "Organization"), a not-for-profit organization, exists to give the hope that comes from Jesus to newly diagnosed children and their families affected by cancer or other serious illnesses, primarily by the delivery of a Basket of Hope filled with inspirational materials to nourish them mentally, emotionally and spiritually. The children and their families are also held up in prayer and are provided with a telephone contact when they feel the need to talk to someone. The Organization has thirteen branches operating in twelve states.

**Basis of Presentation**

The accompanying financial statements have been prepared in accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification (the "FASB ASC"), which is the source of authoritative, non-governmental accounting principles generally accepted in the United States of America ("GAAP"). All references to authoritative accounting guidance contained in our disclosures are based on the general accounting topics within the FASB ASC.

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

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Board designated funds are established by the Board of Directors and represent unrestricted net assets that have been set aside for a particular purpose.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. As of December 31, 2015 and 2014, there were no temporarily restricted net assets.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations required to be maintained permanently by the Organization. The income earned on any related investments may also be subject to donor-imposed stipulations. As of December 31, 2015 and 2014, there were no permanently restricted net assets.

The financial statements include certain prior-year summarized comparative information in total but not by class of net assets. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

**Basket of Hope**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**2. Summary of Significant Accounting Policies**

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Fair Value Measurements**

The Organization follows guidance issued by the FASB on fair value measurements, which establishes a framework for measuring fair value, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. This guidance applies whenever fair value is the applicable measurement. The three general valuation techniques used to measure fair value are the market approach, cost approach, and income approach.

Carrying amounts of certain financial instruments such as cash, accounts receivable, and accounts payable approximate fair value due to their short maturities or because the terms are similar to market terms. There have been no changes in the methodologies used at December 31, 2015 and 2014.

**Contributions Receivable**

Contributions receivable due in the next year are recorded at their net realizable value. Contributions receivable due in subsequent years are reported at the present value of their net realizable value using risk-free interest rates applicable to the years in which the contributions are to be received.

The Organization provides an allowance for doubtful accounts equal to the estimated losses that will be incurred in the collection of contributions receivable. This estimate is based on historical experience coupled with a review of the current status of existing receivables. The allowance and associated receivables are reduced when the receivables are determined to be uncollectible. The Organization considers contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts is deemed necessary.

**Inventory**

Inventory consists of items used to fill the baskets and are recorded at cost, if purchased, or management's estimate of fair value, if received as in-kind donations.

**Basket of Hope**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**Equipment**

Purchased equipment is stated at cost, and donated assets are recorded at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Major additions and improvements are capitalized, while maintenance and repairs are expensed as incurred. When assets are sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts. Any gain or loss arising from such disposition is included as income or expense in the year of disposition.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets.

The estimated lives for computing depreciation on equipment are 3-10 years.

**Long-Lived Asset Impairment**

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2015 and 2014.

**Support and Revenue**

Contributions, including unconditional promises to give, are recorded as received. All contributions are available for unrestricted use unless specifically restricted by the donor. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Donor restricted contributions in which the restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Donations of equipment are recorded as support at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. It is the Organization's policy to not imply a time restriction, based on the assets' estimated useful lives, on donations of property and equipment that are not restricted as their use by the donor. Accordingly, those donations are recorded as support increasing unrestricted net assets.

**Basket of Hope**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**Donated Materials and Services (In Kind)**

Donated noncash assets are recorded as contributions at their fair values at the date of donation. The estimated fair value of donated inventory was \$653,848 and \$768,600 for the years ended December 31, 2015 and 2014, respectively.

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The estimated fair value of donated services was \$20,000 for the year ended December 31, 2015. There were no donated services for the year ended December 31, 2014. Volunteers provided various services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

**Functional Expense Allocation**

The Organization allocates expenses on a functional basis among various programs and supporting services. Expenses that can be identified with a specific program and supporting service are allocated directly according to their natural expenditure classifications. Other expenses that are common to several functions are allocated by various statistical bases.

**Advertising**

The Organization expenses advertising costs as they are incurred. Advertising costs totaled \$4,173 and \$5,297 for the years ended December 31, 2015 and 2014, respectively.

**Income Taxes**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), except on net income derived from unrelated business activities as defined in the Code. Accordingly, the Organization files as a tax exempt organization.

The Organization follows guidance issued by the FASB on accounting for income taxes and has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings, and believes that no provision for income taxes is necessary to cover any uncertain tax positions. The Organization's returns for tax years 2012 and later remain subject to examination by taxing authorities.

**Subsequent Events**

The Organization has evaluated subsequent events through July 22, 2016, the date the financial statements were available to be issued.

**Basket of Hope**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**3. Contributions Receivable**

Contributions receivable at December 31, are as follows:

	2015	2014
Less than one year	\$ -	\$ 89,502
Net contributions receivable	\$ -	\$ 89,502

**4. Equipment**

Equipment at December 31, is as follows:

	2015	2014
Office equipment	\$ 64,930	\$ 67,033
Less accumulated depreciation and amortization	19,255	14,522
	\$ 45,675	\$ 52,511

Depreciation and amortization expense for the years ended 2015 and 2014 totaled \$8,581 and \$4,477, respectively.

**5. Risks and Uncertainties**

**Concentrations**

In-kind contributions from two and three donors were approximately 81 and 76 percent of the Organization's in-kind contributions during the years ended December 31, 2015 and December 31, 2014, respectively. There were no contributions receivable at December 31, 2015. Contributions receivable from two donors were approximately 98 percent of the Organization's contributions receivable balance at December 31, 2014.

**Concentration of Credit Risk**

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash and contributions receivable. The Organization maintains its cash with multiple major financial institutions. Deposits at these institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000.

**Basket of Hope**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**6. Commitments and Contingencies**

**Leases**

The Organization leases office space under noncancellable operating leases. Future minimum lease payments at December 31, 2015 are as follows:

<u>Years Ending December 31,</u>	
2016	\$ 7,870
2017	<u>3,000</u>
	<u>\$ 10,870</u>

Rent expense related to operating leases for the years ended December 31, 2015 and 2014 totaled approximately \$7,348 and \$9,981, respectively.