

**Consolidated Financial Statements and
Independent Auditor's Report**

**THE HOPE CHEST FOR BREAST
CANCER FOUNDATION AND
SUBSIDIARY**

December 31, 2019 and 2018

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Independent Auditor's Report

To the Board of Directors

The Hope Chest for Breast Cancer Foundation and Subsidiary

Orono, Minnesota

We have audited the accompanying consolidated financial statements of The Hope Chest for Breast Cancer Foundation and Subsidiary, which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Hope Chest for Breast Cancer Foundation and Subsidiary as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Hope Chest for Breast Cancer Foundation and Subsidiary's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated August 29, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Copeland Buhl & Company PLLP

COPELAND BUHL & COMPANY PLLP

July 6, 2020

THE HOPE CHEST FOR BREAST CANCER
FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(With Comparative Totals for 2018)

<u>ASSETS</u>	2019					2018
	Without Donor Restrictions			With Donor Restrictions	Total	Total
	Operating	Board Designated	Total			
Current Assets:						
Cash	\$ 303,522	\$ -	\$ 303,522	\$ 50,252	\$ 353,774	\$ 228,109
Accounts receivable	6,411	-	6,411	-	6,411	2,824
Investments	-	307,221	307,221	-	307,221	261,582
Prepaid expenses	6,033	-	6,033	-	6,033	4,741
Due from related party	6,942	-	6,942	-	6,942	7,487
Total Current Assets	322,908	307,221	630,129	50,252	680,381	504,743
Equipment and Improvements, Net	12,468	-	12,468	-	12,468	119,767
Other Assets	966	-	966	-	966	1,789
TOTAL ASSETS	\$ 336,342	\$ 307,221	\$ 643,563	\$ 50,252	\$ 693,815	\$ 626,299
 <u>LIABILITIES AND NET ASSETS</u>						
Current Liabilities:						
Accounts payable	\$ 8,100	\$ -	\$ 8,100	\$ -	\$ 8,100	\$ 1,969
Accrued expenses	10,146	-	10,146	-	10,146	12,512
Total Current Liabilities	18,246	-	18,246	-	18,246	14,481
Net Assets	318,096	307,221	625,317	50,252	675,569	611,818
TOTAL LIABILITIES AND NET ASSETS	\$ 336,342	\$ 307,221	\$ 643,563	\$ 50,252	\$ 693,815	\$ 626,299

See notes to consolidated financial statements.

THE HOPE CHEST FOR BREAST CANCER
FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019
(With Comparative Totals for 2018)

	2019					2018
	Without Donor Restrictions			With Donor Restrictions		Total
	Operating	Board Designated	Total	Restrictions	Total	
Revenues and Support:						
Revenue from sales of donated items	\$ 647,253	\$ -	\$ 647,253	\$ -	\$ 647,253	\$ 856,856
Special events, net of expenses	165,482	-	165,482	-	165,482	125,117
Other donations	146,131	-	146,131	32,500	178,631	178,031
Net assets released from restrictions	55,539	(26,946)	28,593	(28,593)	-	-
Total Revenues and Support	1,014,405	(26,946)	987,459	3,907	991,366	1,160,004
Expenses:						
Costs of selling donated items	550,165	-	550,165	-	550,165	917,082
Program services	238,821	-	238,821	-	238,821	332,729
Management and general	59,725	-	59,725	-	59,725	55,930
Fundraising	53,653	-	53,653	-	53,653	98,737
Total Expenses	902,364	-	902,364	-	902,364	1,404,478
Other Income (Expense):						
Loss from equipment disposition	(98,440)	-	(98,440)	-	(98,440)	-
Investment income (loss)	-	72,585	72,585	-	72,585	(13,459)
Miscellaneous income	604	-	604	-	604	2,485
Total Other Income (Expense)	(97,836)	72,585	(25,251)	-	(25,251)	(10,974)
Change in Net Assets	14,205	45,639	59,844	3,907	63,751	(255,448)
Net Assets - Beginning of Year	303,891	261,582	565,473	46,345	611,818	867,266
Net Assets - End of Year	\$ 318,096	\$ 307,221	\$ 625,317	\$ 50,252	\$ 675,569	\$ 611,818

See notes to consolidated financial statements.

THE HOPE CHEST FOR BREAST CANCER
FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Wages and related expenses	\$ 51,333	\$ 20,482	\$ 15,085	\$ 86,900
Grant program expense	115,846	-	-	115,846
Outside labor	25,973	7,792	14,794	48,559
Fundraising	961	18,260	8,271	27,492
Professional fees	8,856	7,208	5,894	21,958
Depreciation	18,736	287	206	19,229
Office expense	9,770	3,644	2,614	16,028
Advertising	1,772	-	5,317	7,089
Office sharing expense	3,272	1,205	864	5,341
Insurance	2,073	763	547	3,383
Telephone	229	84	61	374
	<u>238,821</u>	<u>59,725</u>	<u>53,653</u>	<u>352,199</u>
Total	<u>\$ 238,821</u>	<u>\$ 59,725</u>	<u>\$ 53,653</u>	<u>\$ 352,199</u>

See notes to consolidated financial statements.

THE HOPE CHEST FOR BREAST CANCER
FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Wages and related expenses	\$ 101,087	\$ 30,679	\$ 45,524	\$ 177,290
Grant program expense	140,719	-	-	140,719
Depreciation	36,817	1,147	1,492	39,456
Professional fees	11,619	10,623	5,503	27,745
Fundraising	-	-	27,629	27,629
Outside labor	14,803	6,168	3,700	24,671
Office expense	9,814	3,156	4,105	17,075
Office sharing expense	8,914	2,867	3,729	15,510
Advertising	5,685	-	5,685	11,370
Insurance	1,989	640	832	3,461
Telephone	1,218	392	510	2,120
Miscellaneous	64	258	28	350
	<u>64</u>	<u>258</u>	<u>28</u>	<u>350</u>
Total	<u>\$ 332,729</u>	<u>\$ 55,930</u>	<u>\$ 98,737</u>	<u>\$ 487,396</u>

See notes to consolidated financial statements.

THE HOPE CHEST FOR BREAST CANCER
FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash Flows from Operating Activities:		
Change in net assets	\$ 63,751	\$ (255,448)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Interest and dividend income reinvested	(12,022)	(20,186)
Realized and unrealized losses (gains) on investments	(60,563)	33,645
Loss on disposal of equipment	98,440	62,209
Gain on sale of other assets	-	(300)
Depreciation	19,558	52,270
Changes in assets and liabilities:		
Accounts receivable	(3,587)	(2,824)
Inventory	-	20,928
Prepaid expenses	(1,292)	4,790
Due from related party	545	1,149
Other assets	823	(1,789)
Accounts payable	6,131	(24,652)
Accrued expenses	(2,366)	(21,426)
	109,418	(151,634)
Net Cash Provided by (Used in) Operating Activities	109,418	(151,634)
Cash Flows from Investing Activities:		
Purchases of investments	(19,408)	(33,142)
Proceeds from sale of investments	46,354	82,667
Proceeds from sale of equipment	-	2,192
Proceeds from sale of other assets	-	300
Purchases of equipment	(10,699)	(54,651)
	16,247	(2,634)
Net Cash Provided by (Used in) Investing Activities	16,247	(2,634)
Net Increase (Decrease) in Cash	125,665	(154,268)
Cash - Beginning of Year	228,109	382,377
Cash - End of Year	\$ 353,774	\$ 228,109

See notes to consolidated financial statements.

THE HOPE CHEST FOR BREAST CANCER
FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 1: Nature of Operations

The Hope Chest for Breast Cancer Foundation (Foundation) is a non-profit organization located in Orono, Minnesota. The Foundation's wholly-owned subsidiary is The Hope Chest for Breast Cancer of Bloomington, LLC (Bloomington). Its mission is to raise funds to provide the quickest access to help with the most urgent needs of financially distressed breast cancer patients and their families in Minnesota. Funds are raised through the sale of upscale women's clothing, and high-end furniture and decorative accessories donated by the general public, manufacturers and retail businesses. The donated items are sold in resale stores. Additional support is raised through fundraising events and solicitation of financial contributions from individuals, corporations, and foundations. Support is received in the form of cash and noncash donations.

Contributions of tangible items to the Foundation are sold through a retail store located in Orono, Minnesota which is operated by a corporation controlled by a board member on the Foundation's Board of Directors (Note 11).

In 2018, the store locations in Bloomington and Eden Prairie were closed. In 2019, Bloomington officially ceased operations.

Note 2: Summary of Significant Accounting Policies

Statement Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions represent funds available to support the operations of the Foundation. The Board of Directors may designate the use of certain net assets without donor restrictions.

Net assets with donor restrictions have donor-imposed purpose or time restrictions or are donor restricted in perpetuity as endowment funds.

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. 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 Foundation's consolidated financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Basis of Consolidation

The consolidated financial statements include The Hope Chest for Breast Cancer Foundation and its wholly-owned subsidiary, The Hope Chest for Breast Cancer Foundation of Bloomington, LLC. All significant intercompany transactions and balances have been eliminated.

THE HOPE CHEST FOR BREAST CANCER
FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 2: Summary of Significant Accounting Policies (Continued)

Use of Estimates

When preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances, net of any allowance for doubtful accounts. There was no allowance for uncollectible accounts as of December 31, 2019 and 2018. Management provides for probable uncollectible amounts through a charge to operations and a credit to an allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable.

Investments

Investments consist of mutual funds and unit investment trusts and are stated at quoted market value.

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of the securities may occur in the near term and that such changes could materially affect the amount reported.

Equipment and Improvements

Equipment is carried at cost if purchased, or fair market value at the date of the gift if received as contributions. Depreciation is computed by the straight-line method using estimated useful lives of 3 to 5 years. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the asset.

Expenditures for maintenance and repairs are charged to operations when the expense is incurred. Expenditures determined to represent additions and betterments are capitalized.

Contributed Services

Contributed professional services are recognized if the services received create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Management and general expenses include \$19,222 and \$2,914 for 2019 and 2018, respectively, for contributed professional services. The Foundation also received \$2,727 of contributed services in 2018 for the development of a website, which was included in the software category of equipment and improvements.

In addition, a substantial number of unpaid volunteers made significant contributions of their time that do not meet the recognition criteria described above. Accordingly, the value of the donated time is not reflected in the consolidated financial statements.

THE HOPE CHEST FOR BREAST CANCER
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 2: Summary of Significant Accounting Policies (Continued)

Donated Material and Facilities

Donated materials are recorded at the estimated fair value when received and when such value can be objectively and accurately determined. The Foundation received donated materials for program purposes, management and general, and fundraising purposes totaling \$59,439 and \$29,703 for 2019 and 2018, respectively, which is recorded in both revenues and expenses.

Income Taxes

The Hope Chest for Breast Cancer Foundation and subsidiary is exempt from federal and state income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The Foundation's federal information returns are subject to possible examination by the Internal Revenue Service until the expiration of the related statute of limitations which generally is three years.

In 2016, the Bloomington store received notice from the Internal Revenue Service (IRS) that its tax exemption was revoked. The store has provided the IRS with information necessary to rectify the matter.

Functional Allocation of Expenses

The cost of providing various activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among program services, management and general, and fundraising expenses.

Note 3: Promises to Give

The Foundation had a conditional promise to give of \$25,000 at December 31, 2018, from an organization representing an intent to match support raised in 2019. There were no conditional promises to give as of December 31, 2019.

Note 4: Fair Value Measurements

The Fair Value Measurement and Disclosures Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority.

The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs would only be used for investments for which Level 1 inputs were not available. Level 3 inputs would only be used when Level 1 or Level 2 inputs were not available. There are no investments requiring the use of Level 2 or 3 inputs at December 31, 2019 and 2018.

The fair value of investments consists of a unit investments trust and is based on quoted net asset values of the shares as reported by the trust. The trust is registered with the U.S. Securities and Exchange Commission, must publish its daily net asset value and transact at that price and is considered to be actively traded.

THE HOPE CHEST FOR BREAST CANCER
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 4: Fair Value Measurements (Continued)

The following tables set forth, by level within the fair value hierarchy, the Foundation's investments at fair value as of December 31, 2019 and 2018:

	<u>Fair Value</u>	<u>Using Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
<u>December 31, 2019</u>		
Mutual funds	\$ 281,701	\$ 281,701
Stocks	2,269	2,269
Total Investments in the Fair Value Hierarchy	283,970	283,970
Investments Measured at Net Asset Value	23,251	-
Total Investments at Fair Value	\$ 307,221	\$ 283,970
	<u>Fair Value</u>	<u>Using Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
<u>December 31, 2018</u>		
Mutual funds	\$ 221,059	\$ 221,059
Stocks	1,819	1,819
Total Investments in the Fair Value Hierarchy	222,878	222,878
Investments Measured at Net Asset Value	38,704	-
Total Investments at Fair Value	\$ 261,582	\$ 222,878

GAAP guidance indicates that investments measured at net asset value as a practical expedient, such as the investment in the unit investment trust, are excluded from the fair value hierarchy (i.e., Level 1, 2, and 3). However, they are presented above to enable reconciliation with amounts presented on the statement of financial position.

The following table summarizes investments for when fair value is measured using the net asset value per share practical expedient as of December 31, 2019 and 2018, respectively.

		<u>Fair Market Value:</u>		<u>Unfunded</u>	<u>Redemption</u>	<u>Redemption</u>	<u>Other</u>
	\$	<u>2019</u>	\$	<u>Commitments</u>	<u>Frequency</u>	<u>Notice Period</u>	<u>Redemption</u>
							<u>Restrictions</u>
Unit Investment Trust	\$	23,251	\$	-	Daily	Daily	-

THE HOPE CHEST FOR BREAST CANCER
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 5: Equipment and Improvements

Equipment and improvements consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Software and website in progress	\$ 18,796	\$ 167,654
Leasehold improvements	10,763	10,763
Computers	10,225	6,650
	<u>39,784</u>	<u>185,067</u>
Accumulated depreciation	<u>(27,316)</u>	<u>(65,300)</u>
Equipment and Improvements, net	<u>\$ 12,468</u>	<u>\$ 119,767</u>

Note 6: Net Assets

Board Designated

The Foundation has designated \$100,000 of net assets without donor restrictions as an operating reserve.

With Donor Restrictions

Details of the net assets with donor restrictions are as follows:

	Grant Writer	Merchandise Director	Patient Grants	Communications/ Branding	Total
December 31, 2017	\$ 23,971	\$ 813	\$ 3,255	\$ 25,000	\$ 53,039
Contributions	-	-	15,000	25,000	40,000
Utilization	<u>(7,469)</u>	<u>(813)</u>	<u>(13,412)</u>	<u>(25,000)</u>	<u>(46,694)</u>
December 31, 2018	16,502	-	4,843	25,000	46,345
Contributions	-	-	7,500	25,000	32,500
Utilization	<u>(2,524)</u>	<u>-</u>	<u>(12,343)</u>	<u>(13,726)</u>	<u>(28,593)</u>
December 31, 2019	<u>\$ 13,978</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,274</u>	<u>\$ 50,252</u>

Note 7: Revenue Recognition in Accordance with FASB ASC 606

The Foundation has analyzed the provisions of the FASB's ASC Topic 606, *Revenue from Contracts with Customers*, and has concluded that no changes are necessary to conform with the new standard. The Foundation's revenues consist of special and fundraising event performance obligations throughout the year and revenue is recognized at a single point in time when the service is performed. Typical payment terms vary and are due at the time of the event.

Disaggregation of Revenue

The Foundation's operations consist of raising funds to provide support to breast cancer patients and their families. Cash or services contributions may be given to the Foundation with no performance obligation in return. Event transactions are considered one distinct performance obligation at the time the event occurs. Various economic factors affect revenues and cash flows. The Foundation's contributions and event revenues are spread over numerous donors and attendees which reduces the risk of loss.

THE HOPE CHEST FOR BREAST CANCER
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Note 7: Revenue Recognition in Accordance with FASB ASC 606 (Continued)

Disaggregation of Revenue (Continued)

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. If the donor restriction expires within the same year the donation is received it is considered an unrestricted net asset. There were \$50,252 and \$46,345 in net assets with donor restrictions at December 31, 2019 and 2018, respectively.

Contract Balances

The timing of revenue recognition, billings, and cash collection results in receivables on the statement of financial position.

The ending receivable balances were as follows at December 31:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Accounts Receivable	\$ 6,411	\$ 2,824	\$ -
Due from Related Party	\$ 6,942	\$ 7,487	\$ 8,636

Note 8: Grants Payable to Other Nonprofit Organizations

The Foundation contributed \$63,000 in 2018 to hospital and clinic programs providing assistance to breast cancer patients and their families. There were no contributions to hospital or clinic programs in 2019.

Note 9: Liquidity and Availability of Resources

The Foundation regularly monitors liquidity required to meet its operating needs and program disbursements, with the intent to operate a balanced budget throughout the year and modify expenditures as needed. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

The following table reflects the Foundation's financial assets as of December 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures due to donor restrictions. In the event the need arises to utilize the board-designated operating reserve referred to in Note 6, the reserve could be drawn upon through board resolution.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 9: Liquidity and Availability of Resources (Continued)

Details of the assets available for the Foundation's use are as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Cash	\$ 353,774	\$ 228,109
Investments	307,221	261,582
Accounts receivable	<u>6,411</u>	<u>2,824</u>
	667,406	492,515
Funds with donor restrictions	<u>(50,252)</u>	<u>(46,345)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 617,154</u>	<u>\$ 446,170</u>

Note 10: Special Events

The Foundation conducts special events throughout the year. Details of the special events are as follows for years ended December 31:

	<u>2019</u>	<u>2018</u>
Revenues	\$ 277,300	\$ 211,349
Expenses	<u>111,818</u>	<u>86,232</u>
	<u>\$ 165,482</u>	<u>\$ 125,117</u>

Note 11: Related Party Transactions and Balances

The Foundation has a management agreement with a corporation controlled by the Foundation's founder and member of the board of directors. The management agreement requires the corporation to purchase such items of clothing, furniture, household furnishings and accessories that are donated to the Foundation which meet specified standards. The corporation operates the retail store where the donated property is sold. The management agreement requires the management company to pay the Foundation an amount equal to the sales less reasonable compensation for services provided by the management company. The amount earned by the Foundation may not be less than 15% of all gross sales from the retail store. The amount earned by the Foundation was \$97,088 and \$82,286 in 2019 and 2018, respectively.

The due from related party balance represents amounts owed to the Foundation by the corporation. The balance at December 31, 2019 and 2018 was noninterest bearing and due on demand.

The Foundation has an agreement with a corporation controlled by a member of the board of directors to provide computer services and equipment to the Foundation. The amount paid to the corporation was \$18,362 and \$22,545 for 2019 and 2018, respectively.

The Foundation has an agreement with a corporation controlled by a member of the board of directors to provide marketing services to the Foundation. The amount paid to the corporation was \$46,840 for 2018. There was no amount paid for 2019.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 12: Subsequent Events

Management has evaluated subsequent events through July 6, 2020, the date on which the consolidated financial statements were available to be issued.

Subsequent to year end, the Foundation has been negatively impacted by the effects of the world-wide COVID-19 pandemic. The Foundation is closely monitoring its operations, liquidity, and capital reserves and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of the issuance of these consolidated financial statements, the full impact to the Foundation's financial position is not known.

The Foundation applied for and was granted a loan of \$20,128 under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner and bears interest at 1%. The loan is uncollateralized and is fully guaranteed by the Federal government. The loan accrues interest, but payments are not required to begin for six months after the funding of the loan. The Foundation is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Foundation intends to take measures to maximize the loan forgiveness but cannot reasonably determine the portion of the loan that will ultimately be forgiven.