

THE FOUNDATION OF HOPE
FOR RESEARCH AND TREATMENT
OF MENTAL ILLNESS

Financial Statements – Modified Cash Basis

December 31, 2020 and 2019

(With Independent Auditors' Report Thereon)

BACHELOR, TILLERY & ROBERTS, LLP

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Independent Auditors' Report

The Board of Trustees
The Foundation of Hope for Research
and Treatment of Mental Illness:

We have audited the accompanying financial statements of The Foundation of Hope for Research and Treatment of Mental Illness (the "Foundation"), which comprise the statements of assets, liabilities, and net assets – modified cash basis as of December 31, 2020 and 2019, and the related statements of revenues, expenses, and changes in net assets – modified cash basis, functional expenses – modified cash basis, and cash flows – modified cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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 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 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Foundation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with the modified cash basis of accounting as described in note 1.

Change in Accounting Principle

As discussed in note 3 to the financial statements, the Foundation changed its method of accounting for marketable securities from the cost basis to fair value. Our opinion is not modified with respect to this matter.

Basis of Accounting

We draw attention to note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Batchelor, Tillery & Roberts, LLP

May 20, 2021

THE FOUNDATION OF HOPE
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Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Current assets:		
Cash and investments:		
Cash and interest-bearing deposits	\$ 1,058,622	901,071
Marketable securities, at fair value (aggregate cost of \$4,721,375 in 2020 and \$4,748,886 in 2019)	<u>5,517,992</u>	<u>4,949,371</u>
Total cash and investments	6,576,614	5,850,442
Accounts receivable	<u>14,551</u>	<u>12,362</u>
Total current assets	<u>6,591,165</u>	<u>5,862,804</u>
 Furniture and equipment:		
Office equipment	35,465	35,465
Less accumulated depreciation	<u>(35,465)</u>	<u>(35,465)</u>
Furniture and equipment, net	<u>-</u>	<u>-</u>
	\$ <u>6,591,165</u>	<u>5,862,804</u>
 <u>Liabilities and Net Assets</u>		
Liabilities - payroll taxes and related	85	7
 Net assets:		
Without donor restrictions	1,073,088	912,426
Without donor restrictions - Board-designated reserves	<u>5,517,992</u>	<u>4,949,371</u>
Total without donor restrictions	6,591,080	5,861,797
With donor restrictions	<u>-</u>	<u>1,000</u>
Total net assets	<u>6,591,080</u>	<u>5,862,797</u>
	\$ <u>6,591,165</u>	<u>5,862,804</u>

See accompanying notes to financial statements.

THE FOUNDATION OF HOPE
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Statements of Revenues, Expenses, and Changes in Net Assets - Modified Cash Basis

Year ended December 31, 2020, with comparative totals for 2019

	2020			<u>2019</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
Revenues:				
Thad and Alice Eure Walk for Hope - walker contributions	\$ 315,218	-	315,218	392,701
Thad and Alice Eure Walk for Hope - underwriting	166,320	-	166,320	189,770
Evening of Hope	-	-	-	641,248
Other contributions	523,359	35,000	558,359	303,216
Investment return	581,337	-	581,337	715,216
Grants refunded	40,521	-	40,521	24,270
Forgiveness of Paycheck Protection Program loan	40,200	-	40,200	-
	1,666,955	35,000	1,701,955	2,266,421
Release of net assets with donor restrictions	36,000	(36,000)	-	-
Total revenues	1,702,955	(1,000)	1,701,955	2,266,421
Expenses:				
Program services	702,050	-	702,050	1,004,835
Supporting services:				
Management and general	118,573	-	118,573	153,924
Fundraising	153,049	-	153,049	233,247
Total supporting services	271,622	-	271,622	387,171
Total expenses	973,672	-	973,672	1,392,006
Increase (decrease) in net assets	729,283	(1,000)	728,283	874,415
Net assets, beginning of year	5,861,797	1,000	5,862,797	4,988,382
Net assets, end of year	\$ 6,591,080	-	6,591,080	5,862,797

(Continued)

THE FOUNDATION OF HOPE
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Statements of Revenues, Expenses, and Changes in Net Assets - Modified Cash Basis, Continued

Year ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Thad and Alice Eure Walk for Hope - walker contributions	\$ 392,701	-	392,701
Thad and Alice Eure Walk for Hope - underwriting	189,770	-	189,770
Evening of Hope	641,248	-	641,248
Other contributions	287,216	16,000	303,216
Investment return	715,216	-	715,216
Grants refunded	<u>24,270</u>	<u>-</u>	<u>24,270</u>
	2,250,421	16,000	2,266,421
Release of net assets with donor restrictions	<u>15,000</u>	<u>(15,000)</u>	<u>-</u>
Total revenues	<u>2,265,421</u>	<u>1,000</u>	<u>2,266,421</u>
Expenses:			
Program services	<u>1,004,835</u>	<u>-</u>	<u>1,004,835</u>
Supporting services:			
Management and general	153,924	-	153,924
Fundraising	<u>233,247</u>	<u>-</u>	<u>233,247</u>
Total supporting services	<u>387,171</u>	<u>-</u>	<u>387,171</u>
Total expenses	<u>1,392,006</u>	<u>-</u>	<u>1,392,006</u>
Increase in net assets	873,415	1,000	874,415
Net assets, beginning of year	<u>4,988,382</u>	<u>-</u>	<u>4,988,382</u>
Net assets, end of year	<u>\$ 5,861,797</u>	<u>1,000</u>	<u>5,862,797</u>

See accompanying notes to financial statements.

THE FOUNDATION OF HOPE
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Statements of Functional Expenses - Modified Cash Basis

Year ended December 31, 2020, with comparative totals for 2019

	2020				<u>2019</u>
	<u>Program services</u>	Supporting services		<u>Total</u>	
		<u>Management and general</u>	<u>Fundraising</u>		
Salaries and related expenses:					
Salaries	\$ 131,715	61,736	70,827	264,278	226,249
Payroll taxes	<u>8,977</u>	<u>4,745</u>	<u>5,030</u>	<u>18,752</u>	<u>18,472</u>
Total salaries and related expenses	140,692	66,481	75,857	283,030	244,721
Grants and awards	447,902	-	-	447,902	677,225
Office expense	23,249	43,269	23,174	89,692	141,369
Walk for Hope	48,543	1,660	21,420	71,623	127,354
Evening of Hope	17,411	-	17,411	34,822	172,600
Office rental	3,600	3,600	3,600	10,800	10,800
Other	<u>20,653</u>	<u>3,563</u>	<u>11,587</u>	<u>35,803</u>	<u>17,937</u>
 Total expenses	 \$ <u>702,050</u>	 <u>118,573</u>	 <u>153,049</u>	 <u>973,672</u>	 <u>1,392,006</u>

(Continued)

THE FOUNDATION OF HOPE
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Statements of Functional Expenses - Modified Cash Basis, Continued

Year ended December 31, 2019

		<u>Supporting services</u>		<u>Total</u>	
		<u>Program services</u>	<u>Management and general</u>		<u>Fundraising</u>
Salaries and related expenses:					
Salaries	\$	87,956	76,034	62,259	226,249
Payroll taxes		<u>7,269</u>	<u>6,116</u>	<u>5,087</u>	<u>18,472</u>
Total salaries and related expenses		95,225	82,150	67,346	244,721
Grants and awards		677,225	-	-	677,225
Evening of Hope		86,300	-	86,300	172,600
Office expense		42,362	66,403	32,604	141,369
Walk for Hope		90,176	-	37,178	127,354
Office rental		3,600	3,600	3,600	10,800
Other		<u>9,947</u>	<u>1,771</u>	<u>6,219</u>	<u>17,937</u>
Total expenses	\$	<u>1,004,835</u>	<u>153,924</u>	<u>233,247</u>	<u>1,392,006</u>

See accompanying notes to financial statements.

THE FOUNDATION OF HOPE
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Statements of Cash Flows - Modified Cash Basis

Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 728,283	874,415
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Securities donated	(65,385)	(16,415)
Realized and unrealized gains on marketable securities	(485,951)	(603,677)
Forgiveness of Paycheck Protection Program loan principal	(40,200)	-
Changes in operating assets and liabilities:		
Accounts receivable	(2,189)	(7,852)
Payroll taxes and related	<u>78</u>	<u>(2,367)</u>
Net cash provided by operating activities	<u>134,636</u>	<u>244,104</u>
Cash flows from investing activities:		
Purchases of marketable securities	(1,442,533)	(867,997)
Proceeds from sales and maturities of marketable securities	<u>1,425,248</u>	<u>715,589</u>
Net cash used in investing activities	<u>(17,285)</u>	<u>(152,408)</u>
Cash flows from financing activities –		
proceeds from Paycheck Protection Program loan	<u>40,200</u>	<u>-</u>
Net increase in cash and cash equivalents	157,551	91,696
Cash and cash equivalents, beginning of year	<u>901,071</u>	<u>809,375</u>
Cash and cash equivalents, end of year	\$ <u><u>1,058,622</u></u>	<u><u>901,071</u></u>

See accompanying notes to financial statements.

THE FOUNDATION OF HOPE
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Notes to Financial Statements

December 31, 2020 and 2019

(1) Organization and Summary of Significant Accounting Policies

(a) Organization and Income Taxes

The Foundation of Hope for Research and Treatment of Mental Illness (the "Foundation") is a not-for-profit organization whose mission is to conquer mental illness by investing in groundbreaking scientific research and mental health initiatives. By investing in early-stage scientific research, we are funding innovative research projects that support our overall vision of striving to eliminate suffering from mental illness. The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") and applicable state statutes. It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Code.

The Foundation's primary sources of revenue and support are private and corporate contributions, investment income and revenue raised from the Thad and Alice Eure Walk for Hope, the Evening of Hope, and other Foundation events.

(b) Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting. This basis differs from accounting principles generally accepted in the United States of America ("GAAP") primarily because the Foundation has not recognized pledges receivable, accrued interest and dividends, accounts payable to vendors, and their related effects on the changes in net assets.

(c) Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include demand deposits and interest-bearing accounts.

(d) Marketable Securities

Marketable securities consist of debt and equity securities and are carried at their fair values. Donated investments are reflected as contributions at their market values at date of receipt. Dividend and interest income are recognized when received. Realized and unrealized gains and losses are included in revenue. Market values for marketable securities are based on quoted prices in active markets.

Securities donated totaled \$65,385 and \$16,415 during 2020 and 2019, respectively.

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Notes to Financial Statements, Continued

December 31, 2020 and 2019

(1) Organization and Summary of Significant Accounting Policies, Continued

(e) Fair Value Measurements

For determining fair value measurements, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Management follows an established framework for measuring fair value. That framework provides a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are described below:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: one or more significant inputs or significant value drivers are unobservable or based on market assumptions

(f) Furniture and Equipment

Furniture and equipment are stated at cost. Depreciation is provided over the estimated useful lives (ranging from three to five years) using straight-line and accelerated depreciation methods.

(g) Contributions

Contributions received are recorded as revenues with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. When the restriction has been met, net assets with donor restrictions are released.

(h) Contributed Services

A significant portion of the Foundation's activities are conducted by unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements.

The Foundation receives certain in-kind contributions, such as advertising, promotions and other donated goods and services to support events, that generally have no clearly measurable and objective basis for determining their value. Thus, these contributions are not reflected in the accompanying financial statements. The value of these contributions, as determined by the donors, totaled \$143,880 and \$382,857 for 2020 and 2019, respectively.

(i) Advertising

Advertising is expensed as paid. In 2020 and 2019, these costs totaled \$17,363 and \$11,957, respectively.

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Notes to Financial Statements, Continued

December 31, 2020 and 2019

(2) Information Regarding Liquidity and Availability of Resources

The Foundation regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The Foundation's financial assets consist of cash, investments, and accounts receivable, reduced by board-designated reserves and donor-restricted amounts, resulting in net financial assets available to meet general expenditures within one year of the financial statement date.

	<u>2020</u>	<u>2019</u>
Financial assets, at year end:		
Cash and interest-bearing deposits	\$ 1,058,622	901,071
Marketable securities	5,517,992	4,949,371
Accounts receivable	<u>14,551</u>	<u>12,362</u>
Total financial assets	6,591,165	5,862,804
Less:		
Board-designated reserves	(5,517,992)	(4,949,371)
Donor-restricted amounts	<u>-</u>	<u>(1,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>1,073,173</u></u>	<u><u>912,433</u></u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. See further discussion of board-designated reserves at note 6.

(3) Change in Accounting Principle

During 2020, the Foundation changed its method of accounting for marketable securities from the cost basis to fair value. The financial statements for 2019 were revised to reflect the effect of this accounting change. The Foundation believes that the new method of presentation more accurately reflects the financial position of the Foundation and the resources available to be used for operations.

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Notes to Financial Statements, Continued

December 31, 2020 and 2019

(3) Change in Accounting Principle, Continued

The revisions to prior financial statements are summarized below:

	As of December 31, 2019		
	As Previously Reported	Adjustments	Revised
Assets:			
Marketable securities	\$ 4,748,886	\$ 200,485	\$ 4,949,371
Net assets:			
Without donor restrictions - Board-designated reserves	\$ 4,748,886	\$ 200,485	\$ 4,949,371

	Year ended December 31, 2019		
	As Previously Reported	Adjustments	Revised
Investment return:			
Loss on sales of marketable securities, net of fees	\$ (34,006)	\$ -	\$ (34,006)
Interest and dividends	134,339	-	134,339
Net unrealized gains on investments	-	614,883	614,883
Investment return	\$ <u>100,333</u>	\$ <u>614,883</u>	\$ <u>715,216</u>
Increase in net assets	\$ <u>259,532</u>	\$ <u>614,883</u>	\$ <u>874,415</u>

	As of January 1, 2019		
	As Previously Reported	Adjustments	Revised
Net assets:			
Without donor restrictions	\$ 5,402,780	\$ (414,398)	\$ 4,988,382

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Notes to Financial Statements, Continued

December 31, 2020 and 2019

(4) Marketable Securities

The following table summarizes the Foundation's investments measured at fair value on a recurring basis:

	2020	
	Fair Value	Fair Value Measurements Using: (Level 1)
Investments:		
Mutual funds -various	\$ 2,900,876	2,900,876
Fidelity 500 Index Fund	1,837,171	1,837,171
Fidelity International Index Fund	692,255	692,255
Exchange-traded products	87,690	87,690
Total investments	\$ 5,517,992	5,517,992
	2019	
	Fair Value	Fair Value Measurements Using: (Level 1)
Investments:		
Mutual funds -various	\$ 2,562,227	2,562,227
Fidelity 500 Index Fund	1,273,071	1,273,071
Fidelity International Index Fund	627,476	627,476
Exchange-traded products	486,560	486,560
Fixed income	37	37
Total investments	\$ 4,949,371	4,949,371

The components of investment return are as follows:

	2020	2019
Interest and dividend income	\$ 119,142	134,339
Net realized losses on sales of investments	(110,181)	(11,206)
Net unrealized gains on investments	596,132	614,883
Management fees	(23,756)	(22,800)
	\$ 581,337	715,216

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Notes to Financial Statements, Continued

December 31, 2020 and 2019

(5) Paycheck Protection Program Loan

In April 2020, the Foundation received approval for a loan from the Small Business Administration under the Paycheck Protection Program (“PPP”), which authorizes forgivable loans to small businesses to pay their employees during the COVID-19 crisis (see note 12). This loan, in the amount of \$40,200, was forgiven by the lender in October 2020 since the loan proceeds were used for payroll and certain other allowed costs over a 24-week period after the loan was made and certain other conditions were met. The principal amount forgiven was recognized in revenue.

(6) Net Assets

Board-Designated

Board-designated reserves are summarized and invested as follows:

	2020		2019	
	<u>Cost</u>	<u>Quoted market value</u>	<u>Cost</u>	<u>Quoted market value</u>
Marketable securities	\$ 4,721,375	5,517,992	4,748,886	4,949,371

Board-designated reserves may be used at the Board’s discretion to meet the needs of the Foundation. As approved by the Board of Trustees, these assets are invested in a manner that is intended to produce results that exceed the price and yield results of a benchmark portfolio and its respective market index, while assuming a moderate level of investment risk. Actual returns in any given year may vary from the expected amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation for its entire investment portfolio that places an emphasis on equity-based and fixed income investments and cash equivalents to achieve its long-term return objectives within prudent risk constraints.

The Board of Trustees has elected to allow the capital growth and investment income of the Board-designated reserves to continue to accumulate within these reserves.

THE FOUNDATION OF HOPE
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Notes to Financial Statements, Continued

December 31, 2020 and 2019

(6) Net Assets, Continued

With Donor Restrictions

During 2020, there were four restricted gifts totaling \$35,000. All of the restricted gifts in 2020 and the remaining \$1,000 from restricted gifts in 2019 were used for their restricted purpose in 2020, thus releasing them from restriction.

During 2019, a donor gifted the Foundation \$15,000 of cash to be used for the second year of research by Dr. Elizabeth Anderson and another donor gifted \$1,000 of cash to be used for autism research. During 2018, the Foundation granted Dr. Anderson \$38,711 for a three-year research project, thus releasing the donor restriction in 2019.

The Foundation had \$0 and \$1,000 of net assets with donor restrictions as of December 31, 2020 and 2019, respectively.

(7) Office Rent

During 2020 and 2019, the Foundation paid \$10,800 to The Angus Barn LTD., LLC for rental of office facilities. There is a lease arrangement, but no formal written lease agreement.

(8) Credit and Market Risks

In the normal course of business, the Foundation may maintain cash held at financial institutions in excess of the insured limit of \$250,000. The Foundation also maintains cash balances in money market funds held by a brokerage firm, which are not insured.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the market values of marketable securities will occur in the near-term and that such changes could materially affect the amounts ultimately realized from such investments.

(9) Grants

Since its inception and through 2020, the Foundation has awarded and disbursed research and community grants totaling approximately \$6,995,000. Funds awarded but not yet disbursed as of December 31, 2020 totaled approximately \$194,000.

(10) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of revenues, expenses and changes in net assets - modified cash basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates, including criteria such as hours worked or relative benefit.

THE FOUNDATION OF HOPE
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Notes to Financial Statements, Continued

December 31, 2020 and 2019

(11) Medical Reimbursement Plan

The Foundation established a Qualified Small Employer Health Reimbursement Arrangement (the “Plan”) under the Internal Revenue Code whereby all regular employees of the Foundation, except part-time and seasonal employees, shall be eligible to participate upon the completion of 90 days of employment. The Foundation will pay each participant certain amounts that they have expended for medical care for themselves, their spouse and dependents, if applicable. No participant shall be entitled to receive more than \$5,150 for an individual and \$10,450 for a family for any calendar year. The Foundation paid \$26,627 and \$7,729 to participants under the Plan during 2020 and 2019, respectively.

(12) Impact of COVID-19

In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 (COVID-19) outbreak a pandemic. The extent of COVID-19’s effect on the Foundation’s operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Foundation’s operations, financial condition and cash flows.

(13) Subsequent Events

On January 25, 2021, the Foundation received approval and funding for a second PPP loan in the amount of \$49,510.

The date to which events occurring after December 31, 2020, the date of the most recent statement of assets, liabilities, and net assets – modified cash basis, have been evaluated for possible adjustment to the financial statements or disclosure is May 20, 2021, the date the financial statements were available to be issued.