Confidential

Hello Baby, NFP

Annual Financial Statements

Year Ending December 31, 2018

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Independent Auditor's Report

The Board of Directors
Hello Baby, NFP

Report on the Financial Statements– We have audited the accompanying statements of financial position of Hello Baby, NFP as of December 31, 2018 and the related statements of activities 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.

Auditor's Responsibility – Our responsibility is to express an opinion on these financial statements based on our audit. 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 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.

As explained in Note 2(n), management has implemented FASB ASU No. 2016-14 in the current year of 2018, applying the changes retrospectively.

Opinion – In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hello Baby, NFP as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Supplementary information -- Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The Statement of Functional Expenses for the Annual Fund is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Ryan W. Schroederus, CPA
Certified Public Accountants
August 14, 2019

Hello Baby, NFP
Statement of Financial Position
at December 31, 2018

	Without Donor Restrictions		With Donor Restrictions	
	Annual Fund	Capital Fund		Total
Assets				
Cash	51,806			51,806
Contributions receivable	12,000			12,000
Prepaid expenses	785			785
Property, Plant & Equipment —				
Equipment - office and program	5,424			5,424
Leasehold Improvements - the Play Center		253,639		253,639
Total Cost	5,424	253,639		259,063
Less - Accumulated depreciation	(2,712)			(2,712)
Less - Accumulated amortization		(60,874)		(60,874)
Net Property, Plant & Equipment	2,712	192,765		195,477
Security Deposit	1,100			1,100
Organization costs, net of accumulated amortization of $1,423	950			950
Total Assets	69,353	192,765	0	262,118
Liabilities and Net Assets				
Current Liabilities —				
Payroll taxes	649			649
Accrued expenses	8,425			8,425
Total Current Liabilities	9,074			9,074
Net Assets —				
Without donor restrictions	60,279	192,765		253,044
With donor restrictions				
Total Net Assets	60,279	192,765		253,044
Total Liabilities and Net Assets	69,353	192,765	0	262,118

See accompanying notes to the financial statements.

Hello Baby, NFP
Statement of Activities
Year Ending December 31, 2018

	Without Donor Restrictions		With Donor Restrictions	
	Annual Fund	Capital Fund		Total
Contributed Support and Revenue -				
Contributed Support, net	127,660			127,660
Stripe fees deducted from contributions	4,900			4,900
Total Contributed Support and Revenue	132,560			132,560
Expenses				
Annual Fund -				
Program services	110,143			110,143
General and administrative	4,007			4,007
Fundraising	9,373			9,373
Total Expenses - Annual Fund	123,523			123,523
Capital Fund				
Non-Cash Amortization of Leasehold Improvements		30,437		30,437
Total Expenses	123,523	30,437		153,960
Increase (Decrease) in Net Assets	9,037	(30,437)		(21,400)
Net Assets at Beginning of Year (1/1/18)	51,242	223,202		274,444
Net Assets at End of Year (12/31/18)	60,279	192,765	0	253,044

See accompanying notes to the financial statements.

Hello Baby, NFP
Statement of Cash Flows
Year Ending December 31, 2018

Operating Activities	
Cash inflows for operations:	
Contributed support, net	127,660
Less - contributions receivable at 12/31/18	(12,000)
Cash inflows for operations	115,660
Cash outflows for operations:	
Payments for salaries and payroll taxes	69,912
Payments to landlord for rent	14,096
Payments to vendors	32,333
Changes in prepaids and liabilities	(3,976)
Cash outflows for operations	112,365
Net cash provided by operating activities	3,295
Investing Activities	
Net cash used by investing activities	0
Financing Activities	
Net cash used in financing activities	0
Increase (Decrease) in Cash Balances for the Year	3,295
Cash Balances, at the Beginning of the Year (1/1/18)	48,511
Cash Balances, at the End of the Year (12/31/18)	51,806

See accompanying notes to the financial statements.

Hello Baby, NFP

Notes to Annual Financial Statements
December 31, 2018

1. Nature of Organization and Activities

Hello Baby, NFP ("Hello Baby") is a 501(c)(3) not-for-profit corporation that was organized and founded in Chicago, Illinois in 2016. It began operation in July 2017. It is operated exclusively for educational and charitable purposes in accordance with section 501(c)(3) of the Internal Revenue Code. It is a public charity, governed by an elected seven-member Board of Directors.

Hello Baby files Form 990 (or 990-EZ) annually. It maintains transparency by making its annual financial information available to the public. It will post its 2018 Form 990 on its website (www.hellobabychgo.org).

Mission Statement -- The mission of Hello Baby is to provide charitable educational services and resources to parents or caregivers and their infants and toddlers in a safe and nurturing environment - one that is often absent in many of Chicago's most under-resourced communities.

Program and Activities -- Hello Baby operates a free Play Center located in the Woodlawn community on the South Side of Chicago, to help meet the needs of underserved families. The Center is where parents or caregivers can bring their infants and toddlers, without any charge or fee, for the children to play, socialize, and learn skills.

From the time of being founded in 2016, it took time to find leased space in the Woodlawn community, to design and build the Play Center, to equip the Center, and to communicate with the community.

Hello Baby began operations at the Play Center in July 2017. In just the six months during the remainder of 2017, Hello Baby had approximately 626 first time visits and 774 repeat visits, serving a variety of children and their parents or caregivers, from various neighborhoods on the South Side of Chicago.

During the year ended December 31, 2018, Hello Baby had approximately 1,118 first time visits, and 3,692 repeat visits. Hello Baby serves a variety of children and their parents or caregivers, primarily from various neighborhoods on the South or West Side of Chicago.

2. Summary of Significant Accounting Policies --

a. Basis of Presentation -- The accompanying financial statements are prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP) for not-for-profit entities.

b. Net Assets -- The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

(1) Net Assets Without Donor Restrictions -- These are resources that are without any specific donor restrictions and are available to support the operations of the organization. The only limits on the use of these net assets are the broad limits resulting from the nature of the organization, the purposes specified in its corporate documents, and its tax-exempt status.

(2) Net Assets With Donor Restrictions -- These are resources that are restricted by a donor for use for a particular purpose or in a future period. Hello Baby has no net assets with donor restrictions at December 31, 2017 and 2018.

c. Captions - Annual Fund and Capital Fund -- In the Net Assets Without Donor Restrictions, the financial statements distinguish between the Annual Fund and the Capital Fund. The Capital Fund column is presented to include the unrestricted contributed support that was allocated for the renovation of the leased facility for the Hello Baby Play Center; and the amortization expense of the leasehold improvements to the Play Center. The Annual Fund column includes all other unrestricted contributed support and revenue, all programs and all operations of Hello Baby.

d. Cash -- At December 31, 2018, the cash balance is a bank checking account. Management believes that Hello Baby is not exposed to any significant credit risk in its cash balances.

e. Contribution Receivable -- The contribution receivable of $12,000 at December 31, 2018 was an irrevocable unrestricted contribution at December 31, 2018. The cash was received in early 2019.

f. Property & Equipment -- Items of property and equipment are capitalized and recorded at cost or donated value. They are depreciated or amortized over the estimated life of the asset. At December 31, 2018, property and equipment consisted of the following:

Leasehold Improvements - Hello Baby has entered a long-term lease (3 years, with two 3-year options) for space for the programs in its Play Center. Hello Baby has capitalized the cost of the renovation of the space in 2017, which totaled $253,639. Such costs are being amortized over the term of the lease, as extended by the two 3-year options.

Equipment - Hello Baby purchased various items of program or office equipment in 2017. Such cost is being depreciated over its estimated useful life of 3 to 5 years.

g. Organization costs in 2016 -- Organization costs of $2,372 which were incurred in 2016, are being amortized over five years, beginning in 2016.

h. Donated Services -- Hello Baby and its programs have received the significant benefit from personal services provided by a substantial number of volunteers and various professional and managerial services. The value of such donated services is not reflected in the accompanying financial statements, because they do not meet the criteria for recognition in the financial statements. Many of those services would not be purchased, if not otherwise provided by donation or on a pro-bono basis.

i. Donated Materials -- The accompanying financial statements do not include the value of various donated materials with an estimated value of less than $500 at the date of donation.

j. Revenue and Support -- Revenue and support are reported as increases in unrestricted net assets, unless their use is restricted by the donor. Expenses are reported as decreases in unrestricted net assets.

k. Expense Recognition and Allocation-- The cost of providing the organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses.

l. Income Taxes -- Hello Baby is exempt from federal income taxes on income related to its exempt purpose under Section 501(c)(3) of the Internal Revenue Code. There were no unrelated business income activities.

m. Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts. Management believes that its estimates are reasonable. However, actual results could differ from those estimates.

n. Change in Accounting Principles -- Hello Baby implemented FASB ASU No. 2016-14 in the current year of 2018 applying the changes retrospectively. The new standards change the following aspects of the financial statements:

(1) The unrestricted net asset class has been renamed "net assets without donor restrictions";

(2) The format of the statement of cash flows has changed to the direct method of reporting cash flows from operations, which we believe to be more understandable for the users of our financial statements.

(3) The financial statements include a disclosure about the liquidity and availability of resources (see Note 3).

The changes have the following effect, retrospectively, at December 31, 2017 as follows:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted Net Assets	$ 274,444	
Net Assets Without Donor Restrictions		$ 274,444

o. Fair Value Measurements - Management would report fair value measures of its assets and liabilities using a three-level hierarchy to measure values. There were no significant instances of fair value measures of its assets and liabilities at December 31, 2018 in the accompany financial statements.

3. Liquidity and Availability – Financial assets available for general expenditure without donor or other restrictions at December 31, 2018 are as follows:

Financial Assets –	
Cash	$ 51,806
Contributions receivable	12,000
Total Financial Assets	63,806
Less - financial assets held to meet donor imposed restrictions	0
Less - financial assets not available within one year	0
– Amount available for general expenditures within one year of December 31, 2018	$ 63,806

4. Hello Baby Play Center

Hello Baby operates a free Play Center located in the Woodlawn community on the South Side of Chicago, to help meet the needs of underserved families. The Center is where parents or caregivers can bring their infants and toddlers, without any charge or fee, for the children to play, socialize, and learn skills.

The Play Center is a state of the art, developmentally appropriate, environmentally responsible, safe, and clean facility. The space was designed by a world-renowned first-class professional architectural firm after many months of detailed planning. The value of this professional service was donated on a pro-bono basis.

The leased space was renovated by a professional construction contractor in 2017 prior to the opening of the Play Center in July 2017. During 2017, Hello Baby incurred and paid

the general contractor over $200,000 for the renovation of the leased space. Hello Baby also incurred and paid other leasehold improvements in 2017.

5. Contributed Support in 2017

The amount of total unrestricted contributed support in 2017 was $374,054.

$253,640 of the total unrestricted contributed support was allocated to the Capital Fund column for the payment of the leasehold improvements to the Play Center.
The remaining amount of $120,414 was allocated to the Annual Fund column.

6. In-Kind Donations and Volunteer Service

In its pre-opening period of time (prior to July 2017), Hello Baby received the benefit of various volunteers and professional or managerial services (such as space design, media and video development, managerial, fund-raising and legal). Such services were provided to Hello Baby on a pro-bono basis.

Following the opening in July 2017, Hello Baby has continued to received the benefit of various volunteers, managerial, and fund-raising services.

The value of such donated services is not reflected in the accompanying financial statements, primarily because many of these services may not have been purchased if not provided by donation. But, if they were recorded, they would have been recorded as an increase in revenue or an asset, with a corresponding amount as in increase in expenses.

7. Lease Commitments and Security Deposit

In May 2016, Hello Baby entered into a long-term lease for the space for its Play Center in the Woodlawn community on the South Side of Chicago. The lease was a three-year lease, with two additional three-year option periods, for the time of May 2016 through April 2025. The lease required a security deposit of $1,100.

The rent payments began in October 2016. The amount of the rent began at $1,100 per month and will be escalated by about 4 or 5% each year beginning in May 2017.

As an event subsequent to these financial statements, management did exercise the first of its three-year lease options in May 2019.

In addition to the rent, Hello Baby is responsible only for its share of utilities for its space, and for insurance for its own property and activities.

Rental commitments at December 31, 2018 are as follows:

2019	14,760
2020	15,504
2021	16,284
2022 -2025	(to be determined, based upon fair rental value in the Woodlawn neighborhood.)

In the accompanying financial statements, rental expense was $14,096 in 2018.

Supplementary Information

Hello Baby, NFP
Statement of Functional Expenses - for Annual Fund
Year Ending December 31, 2018

		Amount Allocated			
		Progam	Mgmt & Gen'l	Fund-raising	Total
Annual Fund -					
Salaries and wages	64,113	64,113			64,113
Payroll taxes	5,799	5,799			5,799
Rent	14,096	14,096			14,096
Utilities	4,394	4,394			4,394
Insurance	4,203	3,783	210	210	4,203
Legal and professional	400		400		400
All other –					
Bank charges	72		36	35	72
Stripe fees deducted on contributic	4,900			4,900	4,901
Payroll processing fees and other	2,171	1,955	108	108	2,170
Alarm detection system	1,845	1,845			1,845
Meetings	1,010		1,010		1,010
Office expenses	1,329	666	332	332	1,330
Promotional	6,198	3,719		2,479	6,198
Reimbursement	500	500			500
Repairs & Maintenance	4,847	4,847			4,847
Stationery & Printing	2,870	1,437	718	718	2,869
Supplies	2,366	1,182	592	592	2,366
Taxes and licenses	110		110		110
Travel	18		18		18
Sub-Total	121,241	108,335	3,533	9,373	121,241
Non-cash amortization	474		474		474
Non-cash depreciation expense	1,808	1,808			1,808
Total	123,523	110,143	4,007	9,373	123,523
		89.2%	3.2%	7.6%	100.0%