

HP Alliance, Inc.
d/b/a The Harry Potter Alliance

Financial Statements

Year Ended June 30, 2018

HP Alliance, Inc.
d/b/a The Harry Potter Alliance

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Year Ended June 30, 2018

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Independent Accountant's Review Report

Board of Directors
HP Alliance, Inc.
Cranston, RI

We have reviewed the accompanying statement of financial position of HP Alliance, Inc. d/b/a Harry Potter Alliance, (a nonprofit corporation) as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting generally accepted in the United States of America, this includes the design, implementation, and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatements whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis of reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Mocera Hamlin Associates CPAs LLP

Mocera Hamlin Associates CPAs LLP
January 7, 2019

HP Alliance, Inc.
d/b/a The Harry Potter Alliance

Statement of Financial Position

June 30, 2018

Assets

Current assets:

Cash	\$	59,699
Accounts receivable		29,393
Inventory		26,353
Prepaid expenses		14,186
Total current assets		<u>129,631</u>

Total assets \$ 129,631

Liabilities and net assets

Current liabilities

Accounts payable	\$	551
Total current liabilities		<u>551</u>

Total liabilities 551

Net assets, unrestricted 129,080

Total liabilities and net assets \$ 129,631

See Independent Accountant's Review Report and Notes to Financial Statements.

HP Alliance, Inc.
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Statement of Activities

Year Ended June 30, 2018

Revenue and Support	
Donations	\$ 307,429
Program service fees	87,175
Net profit on sales of merchandise	29,963
Interest income	4
Total revenue and support	<u>424,571</u>
Functional Expenses	
Program services	230,028
General and administrative	97,589
Fundraising	59,745
Total functional expenses	<u>387,362</u>
Change in net assets	<u>37,209</u>
Net assets, beginning of year	<u>91,871</u>
Net assets, end of year	<u>\$ 129,080</u>

See Independent Accountant's Review Report and Notes to Financial Statements.

HP Alliance, Inc.
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Statement of Functional Expenses

Year Ended June 30, 2018

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Functional expenses				
Personnel costs				
Salaries	\$ 123,453	\$ 56,445	\$ 34,568	\$ 214,466
Employee benefits	13,155	5,375	3,139	21,669
Payroll taxes	11,236	5,138	3,146	19,520
Total personnel costs	<u>147,844</u>	<u>66,958</u>	<u>40,853</u>	<u>255,655</u>
Event expenses	41,350	-	-	41,350
Service fees	5,332	5,409	6,936	17,677
Contributions	14,583	-	-	14,583
Postage and shipping	4,821	4,778	4,788	14,387
Internet services	12,040	-	1,770	13,810
Insurance expense	-	12,174	-	12,174
Professional fees	-	6,000	100	6,100
Payroll processing	2,583	1,181	723	4,487
Printing and publications	286	-	2,776	3,062
Dues and subscriptions	487	600	1,221	2,308
Workers' compensation insurance	508	232	142	882
Travel and transportation	157	-	139	296
Taxes and licenses	-	223	-	223
Office supplies and expenses	37	34	150	221
Meals	-	-	84	84
Miscellaneous	-	-	63	63
Total functional expenses	<u>\$ 230,028</u>	<u>\$ 97,589</u>	<u>\$ 59,745</u>	<u>\$ 387,362</u>

See Independent Accountant's Review Report and Notes to Financial Statements.

HP Alliance, Inc.
d/b/a The Harry Potter Alliance

Statement of Cash Flows

Year Ended June 30, 2018

Operating		
Change in net assets	\$	37,209
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Accounts receivable	(28,305)
Inventory	(7,398)
Prepaid expenses		5,813
Accounts payable	(686)
Accrued expenses	(11,200)
Deferred revenue	(23,673)
Net cash used by operating activities	(28,240)
Net decrease in cash	(28,240)
Cash, beginning of period		87,939
Cash, end of period	\$	<u>59,699</u>

See Independent Accountant's Review Report and Notes to Financial Statements.

HP Alliance, Inc.
d/b/a The Harry Potter Alliance

Notes to Financial Statements

Year Ended June 30, 2018

Note 1 – Organization

HP Alliance, Inc. d/b/a The Harry Potter Alliance, (“the Organization”) is organized for the purpose of enacting social change in the United States and throughout the world by using parallels from the Harry Potter book series.

The Organization was formed in 2008 and is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code of 1986. Section 501(c)(3) of the code provides for the exemption of entities that were organized and operated exclusively for religious, charitable, scientific, literary or educational purposes and whose net earnings do not inure to the benefit of any private shareholders or individuals.

Note 2 – Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

The financial statements of the Organization are prepared in accordance with accounting standards generally accepted in the United States (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). Reference to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

The Organization has adopted Accounting Standards Codification Topic 958-205 “Not-for-Profit Entities Presentation of Financial Statements,” (ASC 958-205), issued by the Financial Accounting Standards Board (“FASB”). Under ASC 958-205, the Organization is required to present a statement of cash flows. Net assets and revenues, expenses, and 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 and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

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

Permanently Restricted Net Assets - Net assets which have permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently but permit the Organization to expend part or all of the income derived from the donated assets.

As of June 30, 2018 there were no temporarily or permanently restricted net assets.

HP Alliance, Inc.
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Notes to Financial Statements

Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting periods. Accordingly, actual results could differ from those estimates.

Support / Revenue Recognition

The Organization complies with ASC Topic 958-605, “Not-for-Profit Entities Revenue Recognition” (ASC 958-605), issued by FASB. Under these standards, contributions are recognized as revenues when they are received or unconditionally committed.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions are released from temporarily restricted revenue and/or net assets upon the satisfaction of donor imposed restrictions or passage of time over the grant period where applicable.

The Organization performs certain consulting services consisting primarily of speaking engagements. Revenue is recognized when the service is performed.

In addition, the Organization has certain fundraising events that require registration. Revenue from registrations is recognized when the respective events occur.

HP Alliance, Inc.
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Notes to Financial Statements

Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Recent Authoritative Guidance

FASB recently issued Accounting Standards Update 2016-14, “Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities” (ASU 2016-14). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosure intended to increase the usefulness of nonprofit financial statements.

Implementation is required for years beginning after December 15, 2017, however early adoption is permitted. The Organization has not elected early adoption.

Cash

Cash consists of cash held in checking and savings accounts. The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Conditional promises to give are not included as revenue until such time as the conditions are substantially met.

Management has reviewed pledges receivable as of June 30, 2018 and considers all pledges receivable to be fully collectible and, accordingly, no allowance for doubtful accounts is required.

Inventory

Inventories are stated at the lower of cost or market. Cost is determined by first-in, first-out (FIFO). Market is generally based on net realizable value. Inventory consists of finished goods available for sale.

HP Alliance, Inc.
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Notes to Financial Statements

Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and pledges receivable. The Organization places its cash primarily with a high credit financial institution. However, portions of cash balances may exceed FDIC insured limits (\$250,000) from time to time during the year. The Organization has not experienced any losses in its cash accounts and believes it is not exposed to any significant credit risk on any of its cash balances. Management evaluates the need to maintain allowances for potential credit losses and such losses, in the aggregate, have not exceeded management's expectations.

Cost of Goods Sold

The Organization will purchase items for resale during the course of its activities. These items are recorded as inventory and expensed when sold.

Shipping and Handling Costs

The Organization includes the cost of freight to ship goods to customers in cost of goods sold (See Note 5), or in the case of promotional materials, included in postage and shipping on the statement of functional expenses.

Contributed Services

A number of unpaid volunteers, including members of the Board of Directors, have made significant contributions of their time to develop and promote the Organization. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement of valuation. Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by the individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Functional Allocation of Expenses

Expenses are allocated among programs and supporting services directly, on the basis of time records or utilization estimates made by the Organization's management. General and administrative expenses include those that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

HP Alliance, Inc.
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Notes to Financial Statements

Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code (the “Code”) and is not a private foundation. The Organization is required to file an annual information return with the Internal Revenue Service and the Commonwealth of Massachusetts. The Organization has either filed or extended the time to file the annual information returns and has not been notified by any federal or state taxing authorities of any matters that would jeopardize the Organization’s tax-exempt status. Accordingly, no income tax expense has been recorded in the financial statements.

FASB issued ASC Topic 740, “Income Taxes,” (ASC 740). ASC 740 clarifies the accounting for income taxes by prescribing a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined in ASC 740 as a tax position that is more likely than not to be sustained upon examination by the applicable tax authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The uncertain tax position standard must be applied to all existing tax positions upon initial adoption.

As of June 30, 2018, the Organization had no material unrecognized tax benefits and no adjustments to liabilities or operations were required under ASC 740. The Organization’s practice was and continues to be to recognize interest and penalty expenses related to uncertain tax positions in income tax expense, which was zero for the year ended June 30, 2018. Generally, the Organization’s three preceding tax years are subject to examination by federal and state tax authorities. There are no income tax examinations currently in process.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued. There were no material subsequent events noted during the evaluation.

Note 3 – Cash

Cash as of June 30, 2018 consisted of the following:

Checking accounts with bank	\$	46,196
Savings accounts with bank		13,503
	\$	<u>59,699</u>

HP Alliance, Inc.
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Notes to Financial Statements

Year Ended June 30, 2018

Note 4 – Retirement Plan

The Organization maintains a 401(k) Profit Sharing Plan that covers all eligible employees. The Organization matches the first 50% of an eligible participant's elective deferral, not to exceed 4% of the participant's compensation. Employees may contribute up to the maximum allowed by the Internal Revenue Code. The Organization's contribution to the plan for the year ended June 30, 2018, amounted to \$3,997 and is included in employee benefits on the statement of functional expenses.

Note 5 – Sales of Merchandise

The Organization had the following sales and cost of goods sold for the year ended June 30, 2018:

Sales of merchandise	\$	96,432
Cost of goods sold		66,469
Net profit on sales of merchandise	\$	<u>29,963</u>