

**McKINNEY COMMUNITY DEVELOPMENT CORPORATION**  
**Project Grant Application**  
**Fiscal Year 2022**

***Applications must be completed in full, using this form, and received by MCDC, via email or on a thumb drive. Contact us to discuss your plans and schedule a meeting with the Projects Subcommittee prior to completing the application.***

Please submit application, including all supporting documentation, via email or on a thumb drive for consideration by the MCDC to:

McKinney Community Development Corporation  
5900 S. Lake Forest Blvd., Suite 110  
McKinney, TX 75070

Attn: Cindy Schneible ([cschneible@mckinneycdc.org](mailto:cschneible@mckinneycdc.org))

**2022 Project Grant Application Schedule**

<b>Application Deadline</b>	<b>Presentation to MCDC Board</b>	<b>Board Vote and Award Notification</b>
Cycle I: December 31, 2021	January 27, 2022	February 24, 2022
Cycle II: March 31, 2022	April 28, 2022	May 26, 2022
Cycle III: June 30, 2022	July 28, 2022	August 25, 2022

**APPLICATION**

**Project Grants** support for projects eligible for consideration under Sections 501 and 505 of the Texas Local Government Code. These include:

- Projects Related to the Creation or Retention of Primary Jobs
- Infrastructure Improvement Projects Necessary to Develop New or Expanded Business Enterprises
- Public Parks and Open Space Improvements
- Projects Related to Recreational or Community (city/public access) Facilities
- Professional and Amateur Sports and Athletic Facilities, including Children’s Sports
- Entertainment, Tourist and Convention Facilities
- Projects Related to Low Income Housing
- Mass Transit-Related Facilities (facilities and/or equipment)
- Airport Facilities

## McKinney Community Development Corporation – Overview

In 1996 McKinney voters approved the creation of a 4B (now Type B) sales tax corporation to support community and economic development projects and initiatives to enhance quality of life improvements and economic growth for McKinney residents. MCDC receives revenue from a half-cent sales tax and awards grant funds for projects, promotional activities and community events that showcase the City of McKinney and support business development and tourism.

Guided by a City Council-appointed board of seven McKinney residents, the impact of investments made by MCDC can be seen throughout the community.

Projects eligible for funding are authorized under The Development Corporation Act and Chapters 501 to 505 of the Texas Local Government Code.

## McKinney Community Development Corporation – Mission

To proactively work, in partnership with others, to promote and fund community, cultural and economic development projects that maintain and enhance the quality of life in McKinney and contribute to business development.

### Guiding Principles:

- Serve ethically and with integrity
- Provide responsible stewardship
- Embrace our role and responsibility
- Honor the past – provide innovative leadership for the future
- Make strategic and transparent decisions that best serve the community

## McKinney Community Development Corporation – Goals

- Ensure application/project eligibility for MCDC consideration under Sections 501 to 505 of the Texas Local Government Code (see information below)
- Meet citizen needs for quality of life improvements, business development and sustainable economic growth for residents in the City of McKinney
- Provide support for cultural, sports, fitness, entertainment, community projects and events that attract resident and visitor participation and contribute to quality of life, business development and increased McKinney sales tax revenue
- Highlight and promote McKinney as a unique destination for residents and visitors alike
- Demonstrate informed financial planning – addressing long-term costs, budget consequences and sustainability of projects for which funding is requested
- Educate the community about the impact that local dining and shopping has on investment in quality of life improvements in McKinney

### General Guidelines

- Applications must be completed in full, **and provide all information requested**, to be considered by the MCDC board.
- Applicant must have been in business (preferably within the City of McKinney) for a minimum of two (2) years. The MCDC board may waive this requirement for economic development projects.

## General Guidelines - continued

- The land, building or facility where the proposed project will be located should be owned by the Applicant. However, if the Applicant does not own the land, written acknowledgement/approval from the property owner must be included with the application. The letter must document the property owner is aware of the proposed use of the property or facility; and the property owner has reviewed the project plan and application, approves and supports the efforts of the Applicant.
- **Preference may be given** to Applicants who have **not** received funding from MCDC within the previous 12-month period.
- Performance agreements are required for all approved grants.
- Funded Projects must be completed within one year of the date the grant is approved by the MCDC board, unless an exception is granted.
- Completed Project must be inspected for Code compliance.
- A signed Contractor's Sworn Statement and Waiver of Lien to Date form must be completed, notarized and provided to MCDC prior to receiving grant funds.
- Property owner will be responsible for maintaining the infrastructure improvements made with funding for ten (10) years.
- Grant recipients must maintain financial books and records of the funded project and of their operations as a whole for at least two years, should MCDC or the City of McKinney require an audit. The books and records must be available upon request, and create a clear audit trail documenting revenues and expenses of the funded project.
- Within 30 days of completion of the funded project, the grant recipient is required to submit a final report that includes detailed information on the activity; visual documentation of pre and post-project completion; and any outstanding receipts for expenditures included under the scope of the grant.
- Grant recipient must recognize McKinney Community Development Corporation as a sponsor/funder of the project improvements. MCDC will provide a logo for grant recipient use.

## Process

The McKinney Community Development Corporation Board of Directors are responsible for reviewing and voting on applications for grant funding, in accordance with requirements of the Texas Local Government Code.

- A completed application form must be submitted to MCDC in accordance with the schedule outlined above.
- The application will be evaluated to determine eligibility for MCDC funding under State law.
- Once eligibility for consideration is confirmed, a public hearing will be conducted, during a regularly scheduled MCDC board meeting, on the grant application submitted.
- Prior to the public hearing, notice will be published and posted in accordance with the requirements of the Open Meetings Act and the Texas Local Government Code. **The application, along with all documents/attachments will become public information once submitted to MCDC.**
- Following the public hearing, grant requests will be referred to a subcommittee of the MCDC board for evaluation and recommendation of approval or denial to the full board.
- Board action on the grant application will be scheduled for the board meeting the month following the public hearing.

- If a grant is approved, a performance agreement will be drafted for execution between MCDC and applicant.
- Funds awarded for approved applications are provided on a reimbursement basis, following submission of receipts and documentation of payment for qualified expenditures.
- The final 20% of the award may be withheld until a final project report is submitted to MCDC and compliance with all requirements of the executed performance agreement are confirmed.

**APPLICANT INFORMATION**

Name: Lauren Smith

Company: Hugs Café Inc

Federal Tax I.D.: 46-2332714

Incorporation Date: July 13, 2014

Mailing Address: 224 E Virginia Street

City McKinney

ST: TX

Zip: 75069

Phone: 469-301-6900

Fax:

Email: lauren@hugscafe.org

Cell: 940-367-7016

Website: www.hugscafe.org

**Check One:**

Corporation

Partnership

Sole Proprietorship

Governmental entity

Nonprofit – 501(c) Attach a copy of IRS Determination Letter

Other

**PROJECT INFORMATION:**

Project/Business Name: Hugs Greenhouse Upgrades

Location of Project: Hugs Greenhouse

Physical Address: 1151 E Cottage Hill Parkway

City: McKinney

ST: TX

Zip: 75071

Property Size: 2.495 acres of the 27.97 acres

Collin CAD Property ID: 2121161



**Please provide the information requested below:**

- An expansion/improvement  Yes  No
- A replacement/repair  Yes  No
- A multi-phase project  Yes  No
- A new project  Yes  No

**PROPERTY OWNER INFORMATION** *(if different from Applicant info above):*

Name: David Shelton

Company:

Mailing Address: 1255 E Cottage Hill Parkway

City: McKinney

ST: TX

Zip: 75071

Phone: 214-725-0002

Fax:

Email:

Cell:

**DETAILED PROJECT INFORMATION:**

Project Details and Proposed Use: This proposal is for the investment of additional equipment upgrades to our second greenhouse structure. We have received an increase in wholesale purchase orders which has made it critical to further upgrade our current greenhouse infrastructure. The addition of benchtops and irrigation to our second greenhouse structure will allow us to fulfill these orders and further expand our propagation inventory. The propagation of plants allows us to begin growing stock plants from cuttings and expanding our inventory of perennial plants at cost.

In addition to the increased greenhouse equipment, we are seeking the funds necessary to improve our driveway and the grounds surrounding the greenhouse structures by adding gravel. This will ease access for customers and improve safety conditions for our employees. This will also improve the overall aesthetic appearance and reduce erosion from rain runoff.

Estimated Date of Project Completion: October 1, 2022

Days/Hours of Business Operation: Open seasonally, Tuesday-Saturday 9am to 2pm

Estimated Annual Taxable Sales: \$145,000

Current Appraised Value of Property: \$95,758

Estimated Appraised Value (*Post-Improvement*): \$95,758

Estimated Construction Cost for Total Project: \$0

Total Estimated Cost for Project Improvements included in grant request: \$14,158.93

Total Grant Amount Requested: \$14,158.93

Will funding be requested from any other City of McKinney entity (e.g. TIRZ Grant, City of McKinney 380, CDBG Grant)?

Yes

No

If yes, please provide details and funding requested:

**Has a request for grant funding been submitted to MCDC in the past?**

Yes  No

**Date(s): March 30<sup>th</sup>, 2020**

**Will the project be competitively bid?**

We were able to secure competitive bids for two of the quotes we received. Due to the specific nature of some of the materials, multiple vendors were not able to be bid on every item.

Yes  No

If yes, please attach bids for the project

**Has a feasibility study or market analysis been completed for this proposed project?** *If so, please attach a copy of the Executive Summary.*

**Additional Information – please attach the following**

- Business plan
- Current financial report
- Audited financials for previous two years (if not available, please indicate why)
- Plat/map of property extending 200' beyond property in all directions (if applicable to your project)
- Detailed budget for the project
- Describe planned support activities; use; admission fees if applicable
- Timeline and schedule – from design to completion
- Plans for future expansion/growth

**Acknowledgements**

***If funding is approved by the MCDC board of directors, Applicant acknowledges the following:***

- The Project for which financial assistance is sought will be administered by or under the supervision of the applying individual/company.
- All funds awarded will be used exclusively for the purpose described in this application.
- Applicant owns the land, building or facility where the proposed infrastructure improvements will be made. If the Applicant does not own the land, written acknowledgement/approval from the property owner must be included with the application. The letter must document the property owner is aware of the proposed improvements and use of the property or building; and the property owner has reviewed the project plan and application, approves and supports the efforts of the Applicant.
- MCDC will be recognized as a funder of the Project. Specifics to be agreed upon by applicant and MCDC and included in an executed performance agreement.

- Individual/company representative who has signed the application is authorized to submit the application.
- Applicant will comply with the Grant Guidelines in executing the Project for which funds were awarded.
- Funded Projects must be completed within one year of the date the grant is approved by the MCDC board, unless an exception is granted.
- Completed Project must be inspected for Code compliance.
- A signed Contractor's Sworn Statement and Waiver of Lien to Date form must be completed, notarized and provided to MCDC prior to receiving grant funds.
- Property owner will be responsible for maintaining the infrastructure improvements made with funding from Grant for ten (10) years.

## **Acknowledgements** - *continued*

- A final report detailing the successful completion of the Project will be provided to MCDC no later than 30 days following completion of the Project.
- Grant funding is provided on a reimbursement basis subsequent to submission of a reimbursement request, with copies of invoices and paid receipts for qualified expenses.
- Up to 20% of the grant funds awarded may be withheld until a final report on completion of the Project is provided to MCDC.
- A performance agreement will be required that may outline requirements for acknowledging MCDC funding support for the project. Additionally, it will contain a provision certifying that the applicant does not and will not knowingly employ an undocumented worker in accordance with Chapter 2264 of the Texas Government Code, as amended. Further, should the applicant be convicted of a violation under 8 U.S.C. § 1324a(f), the applicant will be required to repay the amount of the public subsidy provided under the agreement plus interest, at an agreed to interest rate, not later than the 120<sup>th</sup> day after the date the MCDC notifies the applicant of the violation.

**[The Remainder of this Page Intentionally Left Blank]**

**BY SIGNING THIS APPLICATION, I CERTIFY THAT I AM THE LEGAL OWNER OF THE ABOVE REFERENCED PROPERTY OR THAT I AM AUTHORIZED TO REPRESENT AND ACT ON THE BEHALF OF THE OWNER OF THE ABOVE REFERENCED PROPERTY. I ALSO CERTIFY THAT ALL OF THE INFORMATION PROVIDED HEREON IS ACCURATE AND TRUE SO FAR AS I AM AWARE AND UNDERSTAND THAT I AM LEGALLY RESPONSIBLE FOR THE ACCURACY OF THIS APPLICATION. I FURTHER UNDERSTAND THAT I AM NOT GUARANTEED A GRANT.**

**Applicant's Signature**



Signature

LAUREN SMITH

Printed Name

3/23/22

Date /

**Property Owner's Signature**



Signature

DAVID SHELTON

Printed Name

3/28/22

Date

***INCOMPLETE APPLICATIONS, OR THOSE RECEIVED AFTER THE DEADLINE, WILL NOT BE CONSIDERED.***

***A FINAL REPORT IS TO BE PROVIDED TO MCDC WITHIN 30 DAYS OF THE COMPLETION OF THE PROJECT. FINAL PAYMENT OF FUNDING AWARDED WILL BE MADE UPON RECEIPT OF FINAL REPORT.***



Hugs Cafe Inc. Grant Application Narrative  
Upgraded Infrastructure for Hugs Greenhouse Program

## I. Applying Organization

### **Mission**

The mission of Hugs Café Inc. is to enhance the lives of adults with special needs through training and employment. It is our passion to offer a place of hope, understanding, grace, and success to each individual so they may be recognized for their abilities and talents in the community.

### **Strategic Goals and Objectives**

Our goal is to provide a place of competitively paid training and employment for adults with special needs that teaches valuable skills and provides an ability-conscious career pathway. Additionally, we seek to provide this place of training and employment at no cost to the beneficiary. This is achieved by offering quality products to retail customers as a means to fundraise a large portion of our program expenses. We further aim to achieve independent skill mastery and vocational development with each of our mission-based employees, or teammates. We do this by carving out a job to meet a person's ability. If needed, we provide a job coach, or volunteer, to assist a teammate in their current position. These job coaches shadow our teammates, or special needs employees, to ensure the task is being performed correctly and that this employee is working towards skill mastery and personal advancement.

### **Scope of Services**

Hugs Café Inc. is composed of four programs. Three of these programs deal directly with staff training and development within the realm of foodservice and hospitality. Hugs Café, which is our flagship program, is where we directly employ 24 adults with special needs in a café setting. The next is Hugs Prep where we offer cooking classes to students as means of culinary exploration. Our newest culinary program is Hugs Training Academy which is a 12-week curriculum for adults with intellectual and developmental disabilities who seek to be employed in the foodservice and hospitality industries.

Our fourth program is Hugs Greenhouse, which is a program that recognizes food service may not be for every person or every ability. The location and setting of Hugs Greenhouse offers a tranquil environment for those looking for employment. This enterprise trains and educates adults with special needs on gardening, retail sales, and

socialization within the community. All of our programs offer training and educational employment to adults with special needs so they may gain respect and independence.

### **Day to day operations**

Hugs Greenhouse provides a tranquil environment for those who may prefer a less chaotic or crowded work environment. This offers a chance for each of our teammates to study horticulture, plant seedlings, maintain a watering schedule, and provide excellent customer service on-sale dates. This social enterprise has proven to be a new and exciting model that continues to provide new employment and revenue possibilities. Daily you will find the staff planting and watering the young seedlings, pruning plants to promote flowering and fruiting, organizing products for the next customer pick up, and enjoying the peace that comes with routine work.

### **Number of Paid Staff and Volunteers**

Hugs Cafe

Paid Staff: 3

Mission-based Staff: 25

Volunteers: 28

Hugs Training Academy

Paid Staff: 4

Students: 6

Volunteers: 3

Hugs Greenhouse

Paid Staff: 2

Mission-based Staff: 6

Volunteers: 16

Hugs Cafe Inc Administration

Paid Staff: 1

Mission-based Staff: 1

## **II. Project**

### **Scope**

This proposal is for the investment of additional equipment upgrades to our second greenhouse structure. We have received an increase in wholesale purchase orders which has made it critical to further upgrade our current greenhouse infrastructure. The addition of benchtops and irrigation to our second greenhouse structure will allow us to fulfill these orders and further expand our propagation inventory. The propagation of

plants allows us to begin growing stock plants from cuttings and expanding our inventory of perennial plants at cost.

In addition to the upgraded greenhouse structure, we are seeking the funds necessary to improve our driveway and the grounds surrounding the greenhouse structures by adding gravel. This will ease access for customers and improve safety conditions for our employees. This will also improve the overall aesthetic appearance and reduce erosion from rain runoff.

## **Goals**

Our goal is to use the secondary greenhouse to support the influx of new wholesale orders as well as expand inventory potential. This growth in wholesale customers was inherited by us from a local nursery that will be closing its doors. It is our belief that acquiring these new wholesale customers will result in consistent revenue as well as workload. This will in turn generate employment expansion opportunities which will allow us to continue creating jobs for those who seek employment. Outside of revenue goals, it is our mission to promote confidence, build skills and encourage employees to work independently.

## **Objective**

Our objective is to provide the most efficient and successful model to employ adults with special needs. All of our programs offer training and educational employment to adults with intellectual and developmental disabilities so they may gain respect and independence. Hugs Greenhouse accommodates those who require a tranquil work environment. Additional growing support will allow us to generate an increased consistency of sales year-round that will in turn allow for an expansion of employment. At Hugs Greenhouse, we believe in carving out a position to fit the ability of an individual. It is our hope that through this effort of social enterprise, we can provide meaningful employment to those who require a routine and peaceful work environment. The possession of a secondary fully equipped greenhouse will allow us to create more opportunities for those that seek employment.

## **Benefitting McKinney**

The goal for our organization is to utilize as much of our business model and profits to create employment for adults with special needs. This investment will contribute to the expansion of this enterprise and in turn provide a revenue stream that will allow us to continue developing our staff to better serve the community of McKinney. MCDC believes in supporting the development of purposeful enterprises that act as seeds of inspiration within the community. It is our belief that the mission of Hugs Greenhouse is inspiring passion and purpose by providing meaningful employment.



## **Project Location and Timeline**

The project will take place at Hugs Greenhouse in McKinney. We estimate that upon confirmation of funding, this project will take 3 months to complete. The irrigation and shade cover will be installed by our Hugs Greenhouse staff and volunteers. The benches will also be constructed by the Hugs Greenhouse team. We plan on beginning the necessary upgrades on July 1<sup>st</sup> and intend to be completed no later than October 1<sup>st</sup>.

## **Use of Investment**

The end user of this investment will be the Hugs Greenhouse employees and volunteers. The additional technology and improvements will be utilized continuously throughout growing seasons. Hugs Greenhouse currently operates a spring and fall growing season as well as holiday poinsettias, so we are on-site utilizing our equipment the entire year.

## **Will the project be competitively bid? Are there plans for growth/expansion in future years?**

Where possible, Hugs Greenhouse was able to acquire competitive bids. Due to the specific nature of certain products not all bids were possible to duplicate. It is our belief that with this upgrade we will be on the path for continued growth and expansion. Hugs Greenhouse has been uniquely positioned to acquire wholesale customers from a local nursery that will no longer be in operation. It is our plan to accommodate these wholesale customers and with expansion of inventory, attract more retail customers as well.

## **III. Financial**

### **Overview of revenue impact and project budget**

This financial request will aid in the completion of much needed upgrades that will allow Hugs Greenhouse to capture the customers being displaced by the local greenhouse being closed. The estimated increase of revenue generated by production of poinsettias during Fall/Winter is \$11,000 which can be achieved with the investment of these upgrades. We are proud to share that we will be providing McKinney North Soccer with poinsettias for their annual fundraiser and hope to continue to serve the community of McKinney in such ways. Our goal to have more of an impact in the community will also be achieved with additional employment opportunities that will be created by the increased demand of inventory.

It has become very evident that the cost of materials has been inflated from 2020-present. It is to be noted that the price of materials is greater due to the current economic climate.

<b>Materials</b>	<b>Vendor</b>	<b>Cost</b>				
Benchtop	Vitz Metals	\$2,457.50				
Lumber	Homedepot	\$1,882.68				
Irrigation	KBW Supply	\$5,818.75				
Gravel	Jackie Jordan	\$3,000				
Incidentals		\$1,000				
	<b>Total:</b>	<b>\$14,158.93</b>				

**Supporting documents provided include:**

- 2019 990
- 2020 990
- IRS Determination Letter
- Letter From Land Owner
- Quotes for materials
- Audit 2019
- Audit 2020
- Greenhouse Business Plan
- Current financial reports

**IV. Marketing and Outreach**

Hugs Greenhouse is uniquely positioned for marketing and community outreach. By leveraging the current consumer base of Hugs Cafe, Inc., we're able to secure our customers from those who already support our mission and frequent our restaurant.

Hugs Greenhouse has proven to be a valuable asset to the community of McKinney by providing the necessary supplies to beautify areas of outdoor recreation. With the ongoing support from our loyal customers, we have established an enterprise that has brought lasting change to the lives of our wonderful employees.

As mentioned, we have inherited a surplus of orders from a local greenhouse that will be closing. These inherited orders have come from the McKinney North soccer team, and we are delighted to be of service to this organization by providing beautifully robust poinsettias. We believe as we continue to establish our presence and cultivate community relations the demand for our services will increase simply for the fact that when the message of Hugs Greenhouse is heard, passion for purpose is ignited. The long-term growth opportunity for Hugs Greenhouse is significant, with a current need for an investment to bring the secondary greenhouse up to an elevated standard by being fully functional.

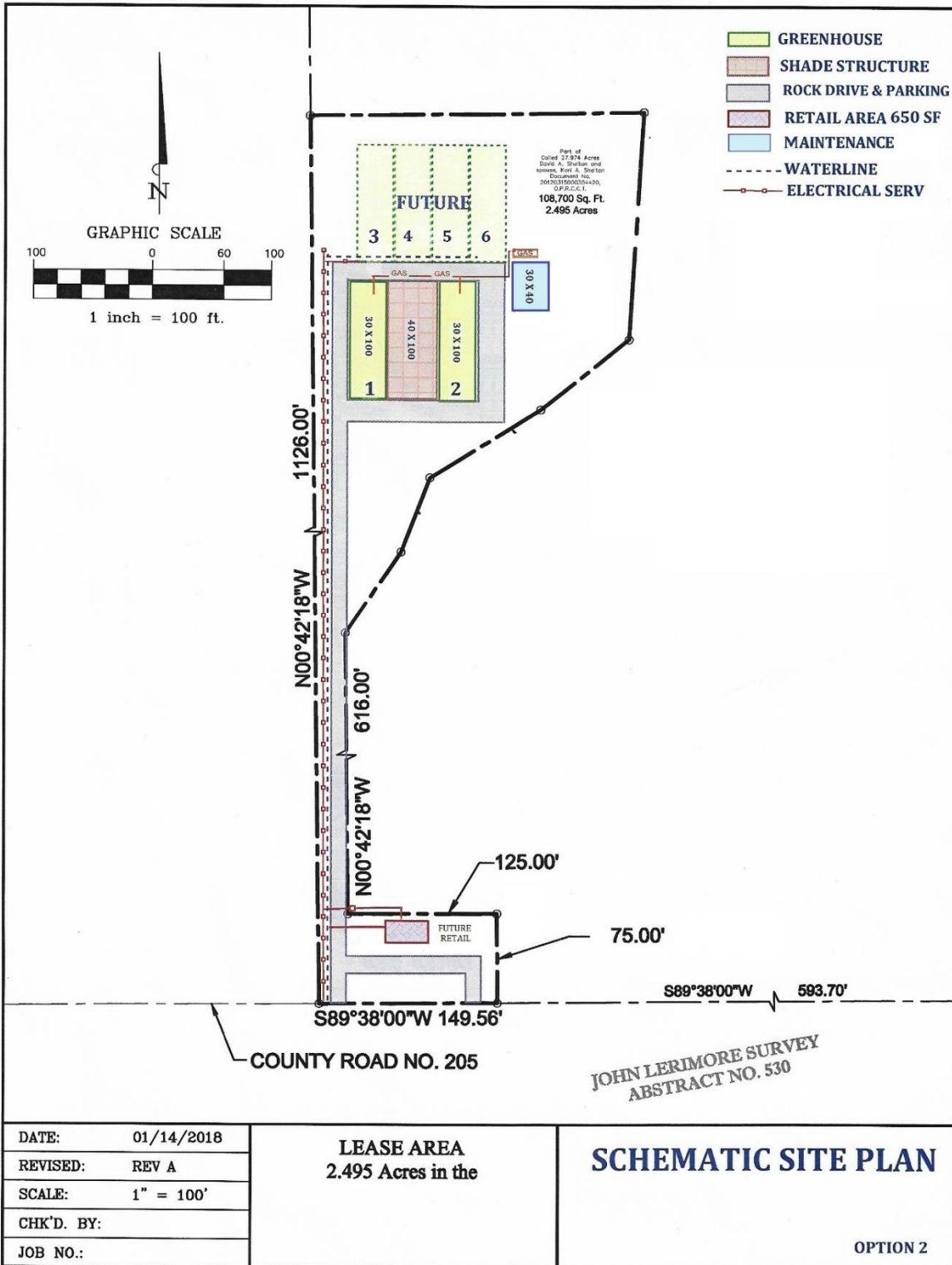
Hugs Greenhouse is located just north of Trinity Falls and is easily accessible from what will be the new Collin County Outer Loop. This proximity to McKinney and northern Collin County ensures a steady growth of customers.

Communication with our customers is multi-faceted. We currently leverage a following of over 22,000 social media followers. We also offer a newsletter that is broadcasted to over 2,500 recipients. We work directly with local media as well as other nonprofits. Hugs Café Inc has relationships with businesses such as Brandon Thomas Subaru and has even received exciting support from FC Dallas. Bill Crump, who is our greenhouse manager, has had lifelong experience working within the industry has numerous industry connections. We also regularly work with the Collin County Master Gardeners and the McKinney Garden Club. Ultimately our most valuable form of outreach comes from the word of mouth from our loyal customers and citizens of McKinney whom we love to serve.

#### **V. Metrics to Evaluate Success**

The success of this investment can be measured in multiply ways. After 6 months, we will be able to assess the financial success of profits earned with the increase in inventory of poinsettias for our fall growing season. We anticipate being able to sell an additional 1,400 poinsettias with the upgraded growing support, this generates an additional \$11,000 in revenue. The additional growing support can be used to generate extraneous products such as perennials and shade plants outside of the fall and winter seasons contributing to a further increase in revenue.

Our employee success is measured by feedback from the families of our special needs staff who monitor interpersonal skills and overall development when they are not at work. By receiving this direct feedback from our nucleus community, we can better understand how to empower our employees and lead them to success. By developing these relationships, we can further enhance the lives of our employees and encourage connection within the community.



**BUSINESS PLAN**

**Hugs Greenhouse**



**Ruth Thompson, Founder**

**December 31, 2017**

# 1. EXECUTIVE SUMMARY

## 1.1 Company Description

Hugs Greenhouse is an exciting new venture which will provide training and employment opportunities for adults with special needs in a year-round, self-sustaining greenhouse business. It will supply a range of annuals and perennials to the local community. Hugs Greenhouse will leverage the focused training, education, dedication, abilities and sense of purpose of our adults with special needs while providing high quality, hearty plants to our rapidly growing and largely philanthropic local community. The success of Hugs Greenhouse will be rooted in our primary advisor and operational manager, Bill Crump. Through the past 40 years, Bill has forged key relationships and established the technical know-how to manage the operations of the greenhouse business.

Our parent organization, Hugs Café, Inc., is a nonprofit, 501(c)(3) organization, providing jobs for adults with special needs. The success of Hugs Cafe, Inc. serves as the support structure for the Hugs Greenhouse, with the continued focus of providing jobs for adults with special needs.

## 1.2 Mission Statement

The mission of Hugs Café, Inc. (Hugs) is to create an inviting place of training and employment for adults with special needs, one which provides its employees with dignity, self-worth and respect in the community. Our founder, Ruth Thompson, is already recognized as one of the pioneering leaders in the adults with special needs community. Her passion, combined with the operational expertise of Bill Crump, and supported by hard-working teammates, will make Hugs Greenhouse a success.

Hugs Greenhouse is the next stage in the greater vision of providing long-term, sustainable employment for adults with special needs. Initially, Hugs Greenhouse will begin with two 3,000 square foot greenhouses and one 4,000 square foot outdoor shade structure, with the intention of adding additional greenhouses as quickly as the business allows. In addition to the growing space, there will be a maintenance shed that will also house a breakroom, staff restroom, and greenhouse administrative office.

## 1.3 Leadership

Since founding Hugs Cafe, Inc., Ruth Thompson has surrounded herself with individuals from a variety of backgrounds, all of whom share her passion for people and service. This group comes from all walks of life and has decades of professional experience in fields that will enable Hugs Greenhouse to blossom and grow. This existing, cohesive team will continue as the Board of Directors, overseeing all the Hugs enterprises, including Hugs Café, Inc., Hugs Prep and Hugs Greenhouse.

Our Board members are:

Ruth Thompson	Founder and President
Don Hodges	Vice-President
Georgiann Leonard	Treasurer
Wendi Osborn	Secretary
Alex Beard	Director
EJ Morrow	Director
Janice Morriss	Director
Chris Thompson	Director
Jared Thompson	Director

In addition to the above group of business professionals, Hugs Greenhouse has formed an Advisory Council comprised of:

Bill Crump	Advisor
Kim Sanchez	Advisor
David Shelton	Advisor
Kari Shelton	Advisor

## 1.4 Customers

Hugs Greenhouse will primarily serve the local community of McKinney, Texas and northern Collin County. Seasonal retail sales, combined with a concentrated effort to secure direct sales to local landscaping businesses as a supplier of high-quality durable plants, will provide the foundation of the customer base.

Our goal is to create customers for life through our superior plant quality. Additionally, this community is noted for its philanthropic giving. Obtaining a high-quality commodity, while at the same time supporting a non-profit organization, is extremely appealing to many consumers.

## 1.5 Our Request

Hugs Greenhouse is requesting funding for the following:

- Initial build of two 30x100 greenhouses and one 40x100 shade structure
- One-time initial infrastructure (water line, electric, road access, maintenance facility)
- Build of a destination road-side retail store and related parking
- First year operating expenses

Our financial ask is \$303,688 to fund the infrastructure, initial investment and Year 1 expenses. Please note, the land lease has already been secured with the opportunity to expand. This lease is a charitable donation with no expected lease expense.

Hugs Greenhouse offers a unique cash-flow proposition: for relatively low start-up costs, the first growing season will reap immediate cash flows. This will enable Hugs Greenhouse to engage in future expansion, thereby increasing our ability to employ more Teammates from the special needs community.

## 1.6 Financial Projections

	Initial Capital Expenditure	Year 1	Year 2
Infrastructure, greenhouses and related initial investment*	\$139,800		
Sales		\$222,600	\$222,600
Cost of Goods Sold		\$39,600	\$39,600
Operating Expenses		\$129,288	\$129,288
Net Income		\$53,712	\$53,712
Taxes		<exempt>	<exempt>
Total Income/Funds for reinvestment		\$53,712	\$53,712
Estimated Seasonal Teammates Employed		12	12
Estimated Mainstream FTEs		1.5	1.5

\*This includes: gravel road access, electric line, water line, propane line, fertilizer injector, tractor, trailer, as well as the actual greenhouses, maintenance shed and retail shop. The retail shop could be delayed, pending fund availability.



## 2. COMPANY DESCRIPTION

### 2.1 Mission Statement

The mission of Hugs Greenhouse mirrors that of our parent organization, Hugs Cafe, Inc. - to create an inviting place of training and employment for adults with special needs, one which provides its employees with dignity, self-worth and respect in the community. To the supporters of Hugs, this is more than just a statement, strikes at the very core of who we are. In everything we do, we strive to fulfill our mission and to complete our goal of transforming the lives of adults with special needs and their families.

### 2.2 Business Structure

Hugs Café, Inc. was established as a 501(c)(3) organization, commonly referred to as a charitable organization. Hugs Greenhouse will operate under the existing Hugs Café, Inc. structure.

### 2.3 Principal Members

Our Board members are:

Ruth Thompson	Founder and President
Don Hodges	Vice-President
Georgiann Leonard	Treasurer
Wendi Osborn	Secretary
Alex Beard	Director
EJ Morrow	Director
Janice Morriss	Director
Chris Thompson	Director
Jared Thompson	Director

In addition to Hugs Board of Directors, the following individuals are advisors to the Board of Directors for Hugs Greenhouse:

Bill Crump	Advisor
Kim Sanchez	Advisor
David Shelton	Advisor
Kari Shelton	Advisor

**Ruth Thompson: Founder & President of the Board of Directors**

As many of us do as we mature in adulthood, Ruth often pondered the question “Why am I here?”. Pursuing the answer, in 1998, she became the Executive Director of New Day In-Home Support and Respite Care in Parker, Colorado. One of the objectives of New Day was to provide support to families and individuals with special needs. While at New Day, Ruth helped start a day program for adults with special needs and fell in love with this population with whom she had little previous experience.

Fast forward to 2004. Upon moving to McKinney, Texas, and with a background in management and a love for cooking, Ruth applied for a manager’s position in the Cooking School at Market Street. Ruth was asked to translate her passion, and the life skills cooking classes at Market Street were born. The program grew to nine different class groups from various locations across North Texas, including transition programs from McKinney ISD, Wylie ISD and Plano ISD and as far away as Denton.

Ruth’s experience in the food service industry and with adults with special needs ultimately led her to create Hugs Café, Inc. Throughout the process of developing Hugs Café into a reality, Ruth has learned what it takes to make support the success of adults with special needs. Hugs Greenhouse is the next step in helping adults with special needs find meaningful employment opportunities.

Ruth is the visionary, the inspiration and the heart of the organization. She is supported by her husband, three children and three adorable grandchildren.

**Don Hodges: Board of Directors Vice-President**

**Georgiann Leonard: Board of Directors Treasurer**

**Wendi Osborn: Board of Directors Secretary**

Wendi Osborn is a dedicated and talented Special Education teacher. She graduated from the University of Wyoming with BA in Education and began teaching Special Education for McKinney ISD in August of 1999. Wendi currently serves as the Team Lead for the McKinney ISD transition program. This is a community-based program for adults 18-22 years of age with special needs. Wendi became a key asset for Ruth since they met in 2008 through a cooking class for students with special needs, located at Market Street.

Wendi brings her expertise to effectively train and communicate with adults with special needs. She plays an invaluable role in identifying the tasks Teammates can perform and developing their training to make them successful.

Wendi enjoys spending time with her husband, two sons, and stepdaughter.

**Alex Beard: Board of Directors**

Alex is Partner at Saunders, Walsh & Beard, a multi-practice law firm located in Craig Ranch. He attended Clemson University and graduated with a B.A. in Political Science, before moving on to Tulane University Law School. Alex Beard has over 28 years of experience representing individuals

and businesses, with a practice focusing on business litigation, liability insurance coverage, and civil appeals. He has extensive experience with liability insurance claims, and enjoys analyzing coverage issues under numerous types of insurance, including commercial general liability, business/personal auto and life. He has handled over 100 appeals and original proceedings throughout Texas' 14 intermediate appellate courts, the Texas Supreme Court, and U.S. Fifth Circuit Court of Appeals.

Alex enjoys playing competitive tennis and cooking Cajun food for his wife and two sons.

### **EJ Morrow: Board of Directors**

### **Janice Morriss: Board of Directors**

### **Chris Thompson: Board of Directors**

Chris Thompson is one of the founding members of the Hugs Café, Inc. Board of Directors. Chris brings 40 years of Risk Management/Insurance background to the table. While working as a Risk Management Consultant for a Fortune 500 Company, Chris was in the forefront of providing customer service and assisting customers in problem identification and problem solving. After recently retiring, Chris is becoming more involved in the Inc. portion of the Hugs Café organization.

Chris has worked with the special needs population for years, volunteering in events in Colorado and cooking school classes for students with special needs in Texas. Chris is a regular volunteer at Hugs Café, as he provides guidance and assistance to the teammates with their duties. Chris will be significantly involved in the upcoming Hugs Greenhouse operations.

Chris enjoys his time working side-by-side with Ruth as together they are making a difference in the McKinney community.

### **Jared Thompson: Board of Directors**

Jared brings nearly 10 years of marketing expertise to the team at Hugs Greenhouse and has been a member of the Board of Directors at Hugs Cafe, Inc. since its founding. His passion for service and helping adults with special needs is what initially attracted him to Hugs Cafe, Inc. and is what keeps him motivated to continually strive to grow Hugs and its new ventures. Jared has worked for several Fortune 100 brands and global marketing agencies and is now focused solely on the non-profit sector. His relationships and experience have proven invaluable to Hugs and will continue to do so as we grow Hugs Greenhouse for years to come.

In his free time, Jared enjoys woodworking and spending time with his wife and son.

### **Bill Crump: Advisor**

Crump's Garden Inc. began in McKinney five generations ago in 1939 on the Crump family farm north of U.S. 380. The business grew from the popularity of Bill Crump's great-grandmother Burtsy's socials in the family flower garden. When the women attendees asked to buy her plants, the business was born.

Bill Crump grew up in the family business and was ultimately appointed as President. His philosophy will translate to Hugs Greenhouses: to sell only fresh plants, and their plants are varieties that survive

and thrive in Texas. Bill is licensed as a private pesticide applicator and certified horticulturalist. He will provide the technical and managerial expertise to ensure Hugs Greenhouse is successful and sustainable. Bill will be the primary mainstream employee of Hugs Greenhouse and will be responsible for greenhouse operations.

Bill lives in McKinney with his wife, and can often be found helping his daughter with her floral business.

**Kim Sanchez: Advisor**

As Professional Engineer, Kim Sanchez has nearly 20 years of civil engineering experience and is registered in multiple states. She received her Bachelors in Civil Engineering from the University of Texas in 1998. Mrs. Sanchez owns her own engineering firm, Sanchez & Associates, and since 2005 has watched her company grow from small projects to multi-million dollar projects with both private individuals and government entities.

Her role with Sanchez & Associates is to insure all aspects of the engineering process go through a quality assurance review, including manpower estimates, workflow, budgets, technical review, construction methods and client communication. She has experience in residential projects including multifamily projects such as the Alexan by Trammel Crow and single-family projects such as Saddle Club, both in McKinney. She is also experienced in commercial projects including One and Two Lincoln Town Center in Legacy Town Center and Valliance Bank, a Class A office project, in McKinney.

On the weekends, you may find Kim, her husband and two daughters relaxing at their lake house.

**David Shelton: Advisor**

David is the on-call “jack of all trades” handyman for Hugs Café and will be instrumental in the initial building and ongoing operations of Hugs Greenhouse. David graduated from Texas A&M as an Electrical Engineer and had a very productive career as a cellular engineer for AT&T. Following his early retirement in 2015, David has focused on his family and giving back to the local community. He is a valuable resource, with the creativity and technical ability to build anything we need, and fix whatever he breaks. He designed and built his own residence, as well as various additional outdoor decks, patios and related items. The Hugs Greenhouse will be on the Shelton property, and David will be on-site and available to assist in any capacity needed. In addition, he will train as Bill’s understudy, to provide the needed support during any absence.

**Kari Shelton: Advisor**

Kari

## **2.4 Staffing**

Bill Crump will be the primary mainstream employee, with a secondary staff member to be identified. Due to the seasonality of the business, these positions will be paid hourly.

Hugs refers to our employees with special needs as Teammates. Due to social security and Medicaid requirements, many teammates have restrictions on their maximum hours available to work. Furthermore, the work at Hugs Greenhouse will be seasonal in nature. The seasonality provides greater employment opportunities, but does limit the goal of steady employment for our Teammates. As Hugs Greenhouse expands, it will provide more ongoing employment opportunities and minimize the seasonality.

Initially, we anticipate hiring 12 teammates to work 20 hours/week for two weeks during each planting season. We anticipate three of these teammates will average working six-eight hours/week for watering and other supporting activities throughout the year.

The Texas Master Gardeners are interested in volunteering to work with the teammates. Hugs will partner with them and other groups to provide the volunteer support structure our Teammates require.

## 3. MARKET OPPORTUNITY

### 3.1 Industry

The greenhouse industry is highly labor intensive, requiring dedicated and repetitive processes. The unique and focused skills of many adults with special needs make this an excellent industry for these workers.

Hugs Greenhouse will focus on bedding plants - annuals, perennials and specialty plants as requested by clientele.

As the north Texas landscaping market continues to grow, so does the demand for these products. The Collin County population has grown from approximately 782,000 to over 935,000, according to the latest U.S. Census data (period 4/1/2010-7/1/2016). This 20% growth is significant, but pales in comparison to McKinney's growth over the same period of 31.5%. Furthermore, the median income is almost 50% higher than the national average, while median owner housing costs is approximately 25% higher, resulting in a significant amount of disposable income in the targeted area.

Businesses classified under the North American Industry Classification System (NAICS) code 11 - agriculture, forestry, fishing and hunting - has declined from 15 establishments within the county to 10 establishments in the 10 years from 2005-2015. This decline of local businesses, combined with Hugs' unique ability to recruit and train the necessary labor, provides a competitive edge for this venture.

Please note, Hugs Greenhouse will not be a distributor of produce to individual consumers, as this requires significant regulatory oversight.

### 3.2 Customers

Hugs Greenhouse has two distinct customers:

#### **Bedding Plants:**

- Individual Consumers. This group of people buy bedding plants for the visual and aromatic enjoyment of bedding plants. Customers typically purchase in both the spring and the fall.
- Small Businesses. Small landscaping businesses are in constant need of locally available bedding plants. Their ability to purchase locally, while supporting a non-profit business, makes Hugs Greenhouse the business of choice.

### 3.3 Competitors

Hugs Greenhouse faces the following types of competitors:

- Home Improvement Stores. The local large retailers of Home Depot and Lowe's are prime competitors, with the advantage of a complete array of landscaping needs priced as a

large-scale retailer with extended hours. Their disadvantage is quality and the lack of personal customer service. Often their plants are not purchased locally and therefore the freshness and heartiness of the plants is compromised in transport, prior to being available at the stores.

- Similar local retailers. These are very similar operations to the home improvement stores and include local nurseries. There appears to be room in the market for multiple distribution channels, given the tremendous growth in the catchment area.

### **3.4 Competitive Advantage**

The key member of the Hugs Greenhouse Advisory Committee is Bill Crump, former co-owner of Crump's Gardens in Collin County. Crump's Gardens was originally founded by Bill's grandfather in 1939. Bill grew up in the greenhouse business within the local community. He provides the technical expertise for Hugs Greenhouse, as well as insight in consumer buying habits from years in the local business marketplace. Bill will ensure that the quality offered by Hugs will be second to none. The high quality will provide Hugs with a distinct advantage.

Buying patterns are based on the customer's desires. As customers are spending their disposable income, they desire not only personal satisfaction in the actual product they are purchasing, but also from the buying experience. That is where Hugs Greenhouse stands apart from its competition.

Hugs Greenhouse will produce high-quality bedding plants. In addition to the high-quality products, the buying experience at Hugs will be unmatched in the industry. Consumers, both individuals and small businesses, are humanitarian in nature and want to give back to society. Their ability to support a non-profit business during their normal course of buying is a prime advantage. These consumers appreciate the difference in quality and are willing to make the short trip to Hugs Greenhouse for their seasonal landscaping needs.

As a small, local business, Hugs will also be able to offer flexibility that our large competitors cannot match. For instance, if a local business is preparing for a large new subdivision with specialized landscaping needs, Hugs will be able to alter production to meet the needs of that customer. Hugs is less concerned about maximizing yield, and more concerned with ensuring we establish customers for life. We believe, rightly so, that taking care of the customer is the most important thing.

### **3.5 Regulation**

Based on our mission, Hugs is providing training and gainful employment to adults with special needs. Our focus includes those with physical limitations and therefore we anticipate making modifications to the workplace to accommodate mobility challenges. There will be a TAS-compliant restroom within the maintenance facility.

Hugs Greenhouse will be required to have a Nursery Floral License, which must be annually renewed.

The land secured for the Hugs Greenhouse lease is already considered agricultural-exempt. Furthermore, it is not included within any city limits or any extraterritorial jurisdiction (ETJ). The land

is intended to be within the city of Weston's ETJ, but due to an administrative error, that has not occurred.

There are no prohibiting deed restrictions on the property.



## **4. PRODUCT/SERVICE LINE**

### **4.1 Product or Service**

Hugs Greenhouse will grow a variety of annuals and perennials that have a proven endurance for the variability of north Texas weather.

### **4.2 Pricing Structure**

Hugs will focus on a value-based pricing structure. As evidenced in our mission statement, creating an inviting place of training and employment for adults with special needs is an incredibly noble and worthy cause. We therefore confidently stand by our value-based pricing, as the funds support the valuable work and mission of our organization. Even if our customers are sometimes requested to pay slightly higher prices than might be available for similar products or services elsewhere, they will see first-hand the impact they are having on the lives of our Teammates, thus adding value to their purchase. Such value-based pricing also provides us the flexibility to recognize that a varied consumer base (business versus personal) may experience a different level of value and therefore we can adjust our pricing accordingly.

### **4.3 Product/Service Life Cycle**

As known within the product life cycle, we are in the ‘Introduction Phase’. The high costs of the initial start-up will be minimized through charitable donations. Once production begins, we believe we will be in the ‘Growth Stage’ for the foreseeable future, and as we perfect our greenhouse production cycle with our teammates, our flexible lease options will facilitate future expansion. The maturity of our business will be closely aligned with future growth, as we will be able to anticipate the opportune time for expansion, which will keep us in the growth – maturity – growth phases for countless years ahead.

Logistically, we will experience three main growing seasons and will establish specialty lines to supplement these main seasons.

### **4.4 Intellectual Property Rights**

No intellectual property rights are applicable, but the extensive expertise that Bill Crump will provide during initial start-up, in conjunction with on-site management, will ensure the success of Hugs Greenhouse.

## 5. MARKETING & SALES

### 5.1 Growth Strategy

Hugs Greenhouse is uniquely positioned to begin marketing even during construction of the first greenhouses. By leveraging the current consumer base of Hugs Cafe, Inc., we'll be able to secure our initial customers when the first flat of annuals is ready to be sold.

For our start-up initiative, Hugs Greenhouse will have two greenhouses and an outdoor shade structure. As mentioned, the land lease provides for growth opportunity to increase the number of greenhouses and/or shade structures. Seasonal sales will be held in a roadside facility, the style of which will provide a destination experience for shoppers. Flyers and marketing materials will be distributed at Hugs Cafe, Inc. and other local merchants. Below is potential rendition of the planned retail market. The build of this structure will be the last of the initial investment requirements, and could be achieved through a more minimalistic structure.



Additionally, Chambersville Tree Farm is located approximately one mile away. Established in 2004, Chambersville Tree Farm has established itself as a premier grower. Our businesses are not in competition, but rather complement each other. Dean Oswald, owner, is aware of the vision of Hugs Greenhouse and supportive. Ultimately other nursery operations could provide employment opportunities for our well-trained adults with special needs after they have successfully completed their education in plant care and nursery functions.

The long-term growth opportunity for Hugs Greenhouse is significant, with a primary necessity being the space for additional greenhouses, which has already been considered in the land lease.

The land for Hugs Greenhouse is secured, and is located northwest of McKinney (and less than three miles from the rapidly growing Trinity Falls community) and will be easily accessible from the new Collin County Outer Loop. This proximity to McKinney and northern Collin County ensures a steady flow of customers.

## **5.2 Communication**

Communication to our customers will be multi-faceted:

- Hugs Cafe, Inc. - leveraging our ability to provide flyers of upcoming retail dates
- Social Media – creating leveraging the existing following of Hugs Cafe, Inc.
- Local Media - special interest newscasts
- Industry Connections – Bill Crump will be a tremendous asset, as he already has several potential buyers of our high-quality products.

During retail sales, we will capture customer's names and email addresses to be able to alert them as seasonal sales occur.

Additionally, we will be doing direct marketing to the local landscaping businesses to advise them of the next seasonal products available.

In preparation of the Hugs Greenhouse, the domains [hugsgreenhouse.org](http://hugsgreenhouse.org) and [hugsgreenhouse.com](http://hugsgreenhouse.com) have been secured, as well as the Hugs Greenhouse Facebook page.

## **5.3 Prospects**

Sales will be direct retail. Small business will be able to come directly to the greenhouses to select their merchandise, and individual consumer sales will be held at a roadside facility.

Currently there are over 14,000 people who follow Hugs, the significant majority of which are prospects for Hugs Greenhouse.



## 6. FINANCIAL PROJECTIONS

### 6.1 Initial Investment – Infrastructure & Capital Expenditure

<b>Infrastructure &amp; Capital Expenditure</b>	<b>Comments</b>	<b>Budgeted Costs</b>	<b>Actual Costs</b>
Land Survey	Donated by North Texas Surveying	\$500	\$50
Electric Line	Retail space and greenhouses	\$9,000	
Gravel Drive		\$11,000	
Water Line		\$10,000	
Propane Line		\$1,500	
Septic	Staff bathroom only; not at retail facility	\$10,000	
Maintenance Shed		\$22,000	
Greenhouses (2) & Shade Structure	Includes cooling, heating, paved interior walkways, plastic, plumbing and rock	\$40,000	
Fertilizer injector		\$800	
Tractor		\$15,000	
Trailer		\$2,000	
Retail Shop		\$18,000	
<b>Initial Investment</b>		<b>\$139,800</b>	

## 6.2 Revenue & Loss

	<b>Year 1</b>	<b>Year 2</b>
Sales	\$222,600	\$222,600
Costs/Goods Sold	\$39,600	\$39,600
<b>GROSS REVENUE</b>	<b>\$183,000</b>	<b>\$183,000</b>

### **OPERATING EXPENSES**

Salary	\$83,200	\$83,200
Teammate Wages	\$16,835	\$16,835
Payroll taxes	\$9,653	\$9,653
Repairs & Maintenance	\$5,000	\$5,000
Advertising	\$0	\$0
Accounting & Legal	\$6,300	\$6,300
Rent	\$0	\$0
Telephone	\$0	\$0
Utilities-Electric	\$3,000	\$3,000
Utilities-Water	\$1,800	\$1,800
Utilities-Propane	\$2,000	\$2,000
Insurance	\$1,500	\$1,500
Taxes (Real Estate, etc.)	<exempt>	<exempt>
<b>TOTAL EXPENSES</b>	<b>\$129,288</b>	<b>\$129,288</b>

### **RETAINED EARNINGS for REINVESTMENT**

**\$53,712                      \$53,712**

## 6.3 Financial Addendum

### Assumptions

Sales are based on \$18/flat and \$20/hanging basket. We can produce 1,200 flats/greenhouse plus 1,500 flats/shade area. 200 hanging baskets will be available. We will have 3 growing seasons.

Cost of Goods Sold is \$4/flat for the greenhouse flats; \$2/flat for the shade flats and \$3/hanging basket.

Salary includes Bill Crump and one other mainstream employee. Bill will be full-time at \$30/hour and the secondary employee will be part-time at 20 hours/week at \$20/hour.

Teammate Wages are paid at minimum wage of \$7.25/hour. This is seasonal with 12 teammates for 2 weeks during the three planting seasons, each working 20 hours/week. We will employ 3 of the 12 on an on-going basis, for 6-8 hours each week.

Payroll Taxes are calculated at 9.65%. (Social Security tax rate is 6.2%, Medicare tax rate is 1.45% and expected Texas unemployment tax rate is 2.0%).

Repairs and Maintenance for general upkeep is \$5,000/year. Every three years, the greenhouse polycarbonate roof will need to be replaced at a cost of \$1,000 per greenhouse.

Accounting and Legal fees are \$150/month.

Point of Sale (POS) System will be \$115/month.

Utilities, Water and Propane will be seasonal and weather-dependent. Electric is \$250/month; water at \$150/month and propane at 1000 gal/year @ \$2.00/gallon.

Insurance for Hugs Greenhouse includes general liability, workers compensation and equipment will be \$1,500/year.

Taxes are not foreseeable. Although a non-profit, Hugs will assume any increase in the property valuation of the property owner, unless an exemption from the taxing authority can be received.

# Hugs Cafe Inc

## Balance Sheet

As of March 30, 2022

	TOTAL
<b>ASSETS</b>	
Current Assets	
Bank Accounts	
Cafe Checking (2817)	9,874.78
Capital Campaign Checking (7590)	386,730.00
Donations Checking (0103)	513,371.98
Greenhouse Checking (0111)	12,605.20
Payroll Checking (0095)	480.38
Petty Cash	3,251.81
Training Academy Checking (9888)	49,484.97
<b>Total Bank Accounts</b>	<b>\$975,799.12</b>
Accounts Receivable	
Accounts Receivable (A/R)	-9,120.00
<b>Total Accounts Receivable</b>	<b>\$ -9,120.00</b>
Other Current Assets	
Deposits in Transit	1,236.39
Investments - LPL	253,362.90
Prepaid Expenses	0.00
Undeposited Funds	0.00
<b>Total Other Current Assets</b>	<b>\$254,599.29</b>
<b>Total Current Assets</b>	<b>\$1,221,278.41</b>
Fixed Assets	
Accumulated Depreciation - Equipment	-5,902.80
Accumulated Depreciation - Furn & Fixtures	-3,095.00
Accumulated Depreciation - Greenhouse Eq	-15,458.61
Accumulated Depreciation - Land Imp	-4,691.54
Accumulated Depreciation - LH Imp	-21,012.87
Donated Improvements	3,949.00
Furniture & Fixtures	7,200.00
Greenhouse Equipment	60,721.29
Land Improvements	28,393.45
Leasehold Improvements	41,140.61
Machinery & Equipment	26,263.06
<b>Total Fixed Assets</b>	<b>\$117,506.59</b>
Other Assets	
Accumulated Amortization- GH Startup	0.00
Greenhouse Start Up Cost	0.00
Security Deposits	3,500.00
<b>Total Other Assets</b>	<b>\$3,500.00</b>
<b>TOTAL ASSETS</b>	<b>\$1,342,285.00</b>



# Hugs Cafe Inc

## Balance Sheet

As of March 30, 2022

	TOTAL
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Current Liabilities	
Credit Cards	
Georgiann card (1408)	94.31
Lauren card (8289)	138.24
Maria card (9005)	1,119.37
Ruth card (1787)	1,749.75
<b>Total Credit Cards</b>	<b>\$3,101.67</b>
Other Current Liabilities	
Credit Card Payable Wells Fargo	1,116.07
Gift Certificates Outstanding	2,194.68
Hugs Training Academy Scholarships	5,950.00
Prepaid Gala Sales	0.00
Prepaid Greenhouse Sales	8,010.50
Sales Tax Payable	-415.08
<b>Total Other Current Liabilities</b>	<b>\$16,856.17</b>
<b>Total Current Liabilities</b>	<b>\$19,957.84</b>
<b>Total Liabilities</b>	<b>\$19,957.84</b>
Equity	
Opening Balance Equity	193,365.00
Owner's Pay & Personal Expenses	0.00
Retained Earnings	658,433.22
Unrestricted Net Assets	309,899.43
Net Income	160,629.51
<b>Total Equity</b>	<b>\$1,322,327.16</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$1,342,285.00</b>

# Hugs Cafe Inc

## Profit and Loss by Class

January 1 - March 30, 2022

	ADMINISTRATIVE	CAFE	CAPITAL CAMPAIGN	DONATIONS	GALA	GREENHOUSE	TRAINING	NOT SPECIFIED	TOTAL
Income	\$0.00	\$45,447.60	\$93,365.00	\$51,633.59	\$127,890.00	\$10,767.57	\$19,377.70	\$0.00	\$348,481.46
Cost of Goods Sold	\$0.00	\$23,900.39	\$0.00	\$0.00	\$0.00	\$9,475.26	\$0.00	\$0.00	\$33,375.65
GROSS PROFIT	\$0.00	\$21,547.21	\$93,365.00	\$51,633.59	\$127,890.00	\$1,292.31	\$19,377.70	\$0.00	\$315,105.81
Expenses									
Advertising & Marketing	171.92	874.13			825.00	17.28	24.00		\$1,912.33
Bank Charges & Fees	20.50	93.05					10.00		\$123.55
Car & Truck						389.80			\$389.80
Contractors					1,145.00				\$1,145.00
Credit Card Fees		1,137.31		4,160.29					\$5,297.60
Dues & subscriptions	515.00	192.68				32.46			\$740.14
Education - Training		15.99					135.00		\$150.99
Equipment		2,879.38							\$2,879.38
Fundraising Event	177.54				249.80				\$427.34
Entertainment					1,800.00				\$1,800.00
Promotional Meals					5,600.00				\$5,600.00
<b>Total Fundraising Event</b>	<b>177.54</b>				<b>7,649.80</b>				<b>\$7,827.34</b>
Insurance	8,271.00								\$8,271.00
Legal & Professional Services									\$0.00
Accounting	1,569.00								\$1,569.00
<b>Total Legal &amp; Professional Services</b>	<b>1,569.00</b>								<b>\$1,569.00</b>
Meals & Entertainment	404.96								\$404.96
Office Supplies & Software	306.28	200.52				112.90			\$619.70
Payroll Expenses									\$0.00
Payroll Fees		1,191.37							\$1,191.37
Payroll Taxes	1,057.97	8,611.00				1,416.76	1,355.56		\$12,441.29
Wages	12,163.27	32,711.99				16,132.96	15,176.25		\$76,184.47
<b>Total Payroll Expenses</b>	<b>13,221.24</b>	<b>42,514.36</b>				<b>17,549.72</b>	<b>16,531.81</b>		<b>\$89,817.13</b>
Postage	58.00	66.95							\$124.95
QuickBooks Payments Fees								4.46	\$4.46
Rent & Lease	2,000.00	9,000.00							\$11,000.00
Repairs & Maintenance		1,346.57				980.03			\$2,326.60
Shipping, Freight & Delivery	57.60	75.76							\$133.36
Square Fees		61.43							\$61.43
Storage		126.29							\$126.29
Supplies & Materials	381.38	2,695.10				3,979.17	1,412.38		\$8,468.03
Telephone - Internet	129.03	195.78				210.00			\$534.81
Uncategorized Expense							303.09		\$303.09
Utilities		2,857.01				4,857.41			\$7,714.42
Waste Removal		616.56				225.00			\$841.56
Website Fee	1,689.58								\$1,689.58
<b>Total Expenses</b>	<b>\$28,973.03</b>	<b>\$64,948.87</b>	<b>\$0.00</b>	<b>\$4,160.29</b>	<b>\$9,619.80</b>	<b>\$28,353.77</b>	<b>\$18,416.28</b>	<b>\$4.46</b>	<b>\$154,476.50</b>
NET OPERATING INCOME	\$ -28,973.03	\$ -43,401.66	\$93,365.00	\$47,473.30	\$118,270.20	\$ -27,061.46	\$961.42	\$ -4.46	\$160,629.31
Other Income									
Interest Earned		0.20							\$0.20
<b>Total Other Income</b>	<b>\$0.00</b>	<b>\$0.20</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.20</b>
NET OTHER INCOME	\$0.00	\$0.20	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.20
NET INCOME	\$ -28,973.03	\$ -43,401.46	\$93,365.00	\$47,473.30	\$118,270.20	\$ -27,061.46	\$961.42	\$ -4.46	\$160,629.51

**HUGS CAFE, INC.**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**  
**DECEMBER 31, 2020 AND 2019**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Hugs Cafe, Inc.

We have audited the accompanying financial statements of Hugs Cafe, Inc., which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risk 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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hugs Cafe, Inc. as of December 31, 2020, 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.

### Other Matter

The financial statements of Hugs Cafe, Inc. as of December 31, 2019, were audited by other auditors whose report dated August 19, 2020, expressed an unmodified opinion on those statements.

*Hodgson, Nash & Gwynn CPAs*

McKinney, Texas  
October 13, 2021

**HUGS CAFE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 516,770	\$ 180,556
Accounts receivable, net	1,738	562
Contributions receivable - current portion	22,884	23,250
Prepaid expenses	1,146	394
Total Current Assets	542,538	204,762
Property and Equipment, net	96,056	90,462
Other Assets		
Security deposits	3,500	3,000
Contributions receivable - long-term portion	5,631	28,515
Total Other Assets	9,131	31,515
Total Assets	\$ 647,725	\$ 326,739
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 3,048	\$ 2,829
Accrued expenses	26,541	9,428
Total Current Liabilities	29,589	12,257
Net Assets		
Net assets without donor restrictions	589,252	262,348
Net assets with donor restrictions	28,884	52,134
Total Net Assets	618,136	314,482
Total Liabilities and Net Assets	\$ 647,725	\$ 326,739

The notes to financial statements are an integral part of these statements.

**HUGS CAFE, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue, Support, and Gains</b>			
Contributions	\$ 587,427	\$ -	\$ 587,427
In-kind contributions	16,199	27,000	43,199
Sales	277,876	-	277,876
Other	846	-	846
Net assets released from restrictions			
Expiration of time restrictions	50,250	(50,250)	-
Total revenue, support, and gains	<u>932,598</u>	<u>(23,250)</u>	<u>909,348</u>
<b>Expenses</b>			
Program services expense			
Cafe	340,856	-	340,856
Greenhouse	160,501	-	160,501
Prep school	6,200	-	6,200
Total program services expenses	<u>507,557</u>	<u>-</u>	<u>507,557</u>
Supporting services expense			
Management and general	54,268	-	54,268
Fundraising	43,869	-	43,869
Total supporting services expenses	<u>98,137</u>	<u>-</u>	<u>98,137</u>
Total expenses	<u>605,694</u>	<u>-</u>	<u>605,694</u>
Change in Net Assets	326,904	(23,250)	303,654
Net Assets at Beginning of Year	<u>262,348</u>	<u>52,134</u>	<u>314,482</u>
Net Assets at End of Year	<u>\$ 589,252</u>	<u>\$ 28,884</u>	<u>\$ 618,136</u>

The notes to financial statements are an integral part of these statements.

**HUGS CAFE, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue, Support, and Gains</b>			
Contributions	\$ 352,730	\$ -	\$ 352,730
In-kind contributions	16,199	70,134	86,333
Sales	255,997	-	255,997
Other	952	-	952
Net assets released from restrictions			
Expiration of time restrictions	23,631	(23,631)	-
Total revenue, support, and gains	<u>649,509</u>	<u>46,503</u>	<u>696,012</u>
<b>Expenses</b>			
Program services expense			
Cafe	365,374	-	365,374
Greenhouse	151,449	-	151,449
Prep school	724	-	724
Total program services expenses	<u>517,547</u>	<u>-</u>	<u>517,547</u>
Supporting services expense			
Management and general	37,433	-	37,433
Fundraising	40,071	-	40,071
Total supporting services expenses	<u>77,504</u>	<u>-</u>	<u>77,504</u>
Total expenses	<u>595,051</u>	<u>-</u>	<u>595,051</u>
Change in Net Assets	54,458	46,503	100,961
Net Assets at Beginning of Year	<u>207,890</u>	<u>5,631</u>	<u>213,521</u>
Net Assets at End of Year	<u>\$ 262,348</u>	<u>\$ 52,134</u>	<u>\$ 314,482</u>

The notes to financial statements are an integral part of these statements.



**HUGS CAFE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Program Services			Supporting Services		Total
	Cafe	Greenhouse	Prep School	Management and General	Fundraising	
Salaries, payroll taxes, and benefits	\$ 151,115	\$ 63,486	\$ -	\$ 28,404	\$ 30,000	\$ 273,005
Food and drink	63,274	-	600	-	-	63,874
Tools and equipment	15,247	49,936	-	-	-	65,183
Communication, printing, and postage	6,407	-	-	1,222	1,369	8,998
Rent, repairs, and utilities	71,321	24,769	5,600	1,500	-	103,190
Promotion	1,233	297	-	5,111	9,284	15,925
Computer support	4,957	297	-	3,631	-	8,885
Professional fees	13,512	8,750	-	10,284	2,609	35,155
Depreciation and amortization	3,426	9,945	-	-	-	13,371
Office supplies and other	10,364	3,021	-	4,116	607	18,108
Total Functional Expenses	<u>\$ 340,856</u>	<u>\$ 160,501</u>	<u>\$ 6,200</u>	<u>\$ 54,268</u>	<u>\$ 43,869</u>	<u>\$ 605,694</u>

The notes to financial statements are an integral part of these statements.

**HUGS CAFE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Services			Supporting Services		Total
	Cafe	Greenhouse	Prep School	Management and General	Fundraising	
Salaries, payroll taxes, and benefits	\$ 175,455	\$ 58,062	\$ 386	\$ 32,250	\$ -	\$ 266,153
Food and drink	65,574	-	230	-	-	65,804
Tools and equipment	13,820	44,417	-	-	-	58,237
Communication, printing, and postage	3,017	-	-	-	2,629	5,646
Rent, repairs, and utilities	80,621	22,103	-	-	1,600	104,324
Promotion	1,803	2,715	66	-	29,781	34,365
Computer support	1,628	1,825	-	-	-	3,453
Professional fees	11,359	8,636	-	2,064	4,512	26,571
Depreciation and amortization	2,292	11,172	-	-	-	13,464
Office supplies and other	9,805	2,519	42	3,119	1,549	17,034
Total Functional Expenses	\$ 365,374	\$ 151,449	\$ 724	\$ 37,433	\$ 40,071	\$ 595,051

The notes to financial statements are an integral part of these statements.

**HUGS CAFE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 303,654	\$ 100,961
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	13,371	13,464
Donated rent	23,250	(46,134)
Change in operating assets and liabilities:		
Accounts receivable	(1,176)	(321)
Prepaid expenses	(752)	(394)
Security deposits	(500)	-
Accounts payable	219	179
Accrued expenses	17,113	340
	355,179	68,095
Net cash provided by operating activities		
Cash Flows from Investing Activities		
Purchase of property and equipment	(18,965)	(27,562)
Net Change in Cash and Cash Equivalents	336,214	40,533
Cash and Cash Equivalents, Beginning of Year	180,556	140,023
Cash and Cash Equivalents, End of Year	\$ 516,770	\$ 180,556

The notes to financial statements are an integral part of these statements.

**HUGS CAFE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

Hugs Cafe, Inc. (the “Organization”) is a Section 501(c)(3) nonprofit corporation founded in 2013. The mission of Hugs Cafe, Inc. is to enhance the lives of adults with special needs through training and employment.

The Organization operates a cafe, which is operated primarily by adults with special needs. The cafe is open for lunch 5 days each week. The Organization also operates a greenhouse, staffed primarily by adults with special needs. The greenhouse focuses on growing and selling fresh plant varieties such as perennials, annuals, and herbs. Hugs Prep is a culinary and hospitality class offered at Hugs Cafe to provide training and job placement assistance to adults with special needs.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting.

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 of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. The most significant estimates pertain to the valuation of donated rent, operating accruals, and estimated useful lives of long-lived assets.

Basis of Presentation

The Organization presents its financial statements in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958, “Not-for Profit Entities.” Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

*Net assets with donor restrictions* – Includes net assets subject to donor-imposed stipulations that expire with the passage of time.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. During 2020 and 2019, net assets released from restrictions by time were used primarily for the cafe.

**HUGS CAFE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers (Topic 606).” ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration an organization expects to receive in exchange for those goods or services. The new standard is effective for fiscal years beginning after December 31, 2019. The adoption of ASC 606 resulted in an immaterial impact to the individual financial statement line items of the Organization’s statement of activities during the year ended December 31, 2020.

In June 2018, the FASB issued ASU 2018-08, “Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,” to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The adoption of ASU 2018-08 resulted in an immaterial impact to the financial statements during the year ended December 31, 2020.

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842),” intended to improve financial reporting about leasing transactions. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of net assets for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements, if any.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with insignificant interest rate risk and original maturities of three months or less. At times, cash and cash equivalents held at a financial institution may be in excess of the Federal Deposit Insurance Corporation (“FDIC”) coverage limit. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

Accounts receivable are primarily comprised of credit card charges, which are generally converted to cash in two to five days after a purchase is made. The Organization does not anticipate any material collection loss on the balance in accounts receivable; accordingly, no allowance for doubtful accounts has been established.

**HUGS CAFE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Contributions Receivable

Contributions receivable expected to be collected within one year are recorded at estimated net realizable value. Contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Management determines the allowance for uncollectable contributions receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectable. No allowance for contributions receivable was recorded as of December 31, 2020 and 2019.

Revenue Recognition

*Contributions and pledges* - Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

*Sales* – Sales of food and beverage are recorded at the point-of-sale upon receipt of cash, check, or credit card charge, net of discounts and promotional allowances. Sales taxes collected from customers and remitted to governmental authorities are presented on a net basis in the accompanying statement of activities.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received.

Property and Equipment

Property and equipment are stated at their costs at the dates of acquisition or at their fair values at the dates of donation. Depreciation is provided using the straight-line method, applied over the assets' estimated useful lives, ranging from 2 to 10 years. Expenditures for leasehold improvements are capitalized and amortized using the straight-line method over the shorter of the estimated useful life of the specific asset or the term of the applicable lease.

**HUGS CAFE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Functional Allocation of Expenses

The cost of providing the Organization’s various programs and supporting services has been summarized on a functional basis in the accompanying statement of activities. The majority of expenses can be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses including depreciation and amortization, occupancy, information technology, and administration services have been allocated among program and supporting service classifications using headcount.

Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management.

Income Taxes

The Organization is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state level as a charitable organization, whereby only unrelated business income, as defined by Section 509(a)(1) of the code is subject to federal income tax.

The Organization has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. The Organization is required to file an annual return of Organization Exempt from Income Tax (Form 990) with the IRS.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties were incurred.

**NOTE 3 – AVAILABILITY AND LIQUIDITY**

The following represents the Organization’s financial assets as of December 31, 2020:

Financial assets at year end:	
Cash and cash equivalents	\$ 516,770
Accounts receivable	1,738
Contributions receivable	<u>28,515</u>
Total financial assets	547,023
Less amounts not available to be used within one year:	
Restricted by donor with time restrictions	<u>5,631</u>
Total financial assets available to management for general expenditures within one year	<u><u>\$ 541,392</u></u>

**HUGS CAFE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 3 – AVAILABILITY AND LIQUIDITY (CONTINUED)**

The Organization’s goal is generally to maintain financial assets to meet at least six to nine months of normal operating expenses. Management considers donor restricted contributions that will be used within one year as part of its ordinary operations, as being available for general expenditures.

**NOTE 4 – CONTRIBUTIONS RECEIVABLE**

Unconditional promises to give are estimated to be collected as follows as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Gross amounts due in:		
One year	\$ 24,000	\$ 24,000
One to five years	6,000	30,000
	<u>30,000</u>	<u>54,000</u>
Discount to present value (1.60%)	<u>(1,485)</u>	<u>(2,235)</u>
Total contributions receivable, net	<u>\$ 28,515</u>	<u>\$ 51,765</u>

Contributions receivable relate solely to the in-kind donations of rent provided over the total lease term. See Note 6.

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 109,573	\$ 95,606
Furniture and equipment	19,775	14,777
	<u>129,348</u>	<u>110,383</u>
Less accumulated depreciation and amortization	<u>(33,292)</u>	<u>(19,921)</u>
Total property and equipment, net	<u>\$ 96,056</u>	<u>\$ 90,462</u>

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 was \$13,371 and \$13,464, respectively.



**HUGS CAFE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 6 – COMMITMENTS**

In August 2015, the Organization entered into an agreement with a landlord to lease restaurant space commencing August 1, 2015, with an initial expiration date of March 31, 2016. The lease contained a renewal option for an additional three years, which the Organization renewed during 2016. The monthly rent for the lease term is \$3,000 payable in cash with a \$2,000 in-kind donation.

In March 2019, the Organization entered into an amendment to the lease for an additional 36-month extension for the use of the property and the same terms. Effective April 1, 2019, the lease was renewed for a three-year period ending March 31, 2022. Under the agreement, the Organization will pay \$3,000 in cash per month with a \$2,000 in-kind donation per month.

During 2017, the Organization entered into an agreement with a landlord to lease approximately five acres of land for the greenhouse program. The lease commenced on January 1, 2018 for one year and automatically renews annually on January 1 until either termination by the landlord or the Organization. Rent is payable \$1 in cash annually and the Organization determined the fair value of the rent to be \$16,200 per year. The value of the donated rent of \$16,199 was recorded as an in-kind donation on the accompanying statement of activities as of December 31, 2020 and 2019.

Future minimum lease payments are approximately as follows:

For the years ending December 31,

2021	\$ 36,000
2022	<u>9,000</u>
	<u><u>\$ 45,000</u></u>

**NOTE 7 – SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through October 13, 2021, the date the financial statements were available to be issued.

# Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

**2020**

Department of the Treasury  
Internal Revenue Service

▶ Do not enter social security numbers on this form as it may be made public.

▶ Go to [www.irs.gov/Form990](http://www.irs.gov/Form990) for instructions and the latest information.

**Open to Public Inspection**

<b>A</b> For the 2020 calendar year, or tax year beginning , 2020, and ending , 20	
<b>B</b> Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Final return/terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	<b>C</b> Name of organization <u>Hugs Cafe, Inc.</u>
	Doing business as
	Number and street (or P.O. box if mail is not delivered to street address) Room/suite <u>224 E. Virginia</u>
	City or town, state or province, country, and ZIP or foreign postal code <u>McKinney, TX 75069</u>
	<b>F</b> Name and address of principal officer: <u>Ruth Thompson, 12 Trailridge Rd, Melissa, TX 75454</u>
<b>D</b> Employer identification number <u>46-2332714</u>	
<b>E</b> Telephone number <u>(469) 301-6900</u>	
<b>G</b> Gross receipts \$ <u>909,348.</u>	
<b>H(a)</b> Is this a group return for subordinates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
<b>H(b)</b> Are all subordinates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list. See instructions	
<b>H(c)</b> Group exemption number ▶	
<b>I</b> Tax-exempt status: <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) ◀ (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527	
<b>J</b> Website: ▶ <u>www.hugscafe.org</u>	
<b>K</b> Form of organization: <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶	
<b>L</b> Year of formation: <u>2014</u>	
<b>M</b> State of legal domicile: <u>TX</u>	

**Part I Summary**

<b>Activities &amp; Governance</b>	<b>1</b> Briefly describe the organization's mission or most significant activities: <u>The mission of Hugs Cafe is to create an inviting place of training and employment for adults with special needs while providing dignity, self-worth, and developing respect</u>
	<b>2</b> Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets.
	<b>3</b> Number of voting members of the governing body (Part VI, line 1a) . . . . . <b>3</b> 10
	<b>4</b> Number of independent voting members of the governing body (Part VI, line 1b) . . . . . <b>4</b> 10
	<b>5</b> Total number of individuals employed in calendar year 2020 (Part V, line 2a) . . . . . <b>5</b> 43
	<b>6</b> Total number of volunteers (estimate if necessary) . . . . . <b>6</b> 11
	<b>7a</b> Total unrelated business revenue from Part VIII, column (C), line 12 . . . . . <b>7a</b> 0.
<b>b</b> Net unrelated business taxable income from Form 990-T, Part I, line 11 . . . . . <b>7b</b> 0.	
<b>Revenue</b>	<b>8</b> Contributions and grants (Part VIII, line 1h) . . . . . <b>8</b> 352,730. 630,626.
	<b>9</b> Program service revenue (Part VIII, line 2g) . . . . . <b>9</b> 256,920. 277,876.
	<b>10</b> Investment income (Part VIII, column (A), lines 3, 4, and 7d) . . . . . <b>10</b> 30. 96.
	<b>11</b> Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) . . . . . <b>11</b> 93. 750.
	<b>12</b> Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) . . . . . <b>12</b> 609,773. 909,348.
<b>Expenses</b>	<b>13</b> Grants and similar amounts paid (Part IX, column (A), lines 1–3) . . . . . <b>13</b>
	<b>14</b> Benefits paid to or for members (Part IX, column (A), line 4) . . . . . <b>14</b>
	<b>15</b> Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10) . . . . . <b>15</b> 261,043. 269,833.
	<b>16a</b> Professional fundraising fees (Part IX, column (A), line 11e) . . . . . <b>16a</b>
	<b>b</b> Total fundraising expenses (Part IX, column (D), line 25) ▶ <u>12,287.</u> <b>16b</b>
	<b>17</b> Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e) . . . . . <b>17</b> 316,379. 335,861.
<b>18</b> Total expenses. Add lines 13–17 (must equal Part IX, column (A), line 25) . . . . . <b>18</b> 577,422. 605,694.	
<b>19</b> Revenue less expenses. Subtract line 18 from line 12 . . . . . <b>19</b> 32,351. 303,654.	
<b>Net Assets or Fund Balances</b>	<b>20</b> Total assets (Part X, line 16) . . . . . <b>20</b> 284,270. 647,725.
	<b>21</b> Total liabilities (Part X, line 26) . . . . . <b>21</b> 4,711. 29,587.
	<b>22</b> Net assets or fund balances. Subtract line 21 from line 20 . . . . . <b>22</b> 279,559. 618,138.

**Part II Signature Block**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

<b>Sign Here</b>	Signature of officer	<u>10/09/2021</u>
	<u>Ruth Thompson, President</u> Type or print name and title	Date

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input checked="" type="checkbox"/> if self-employed	PTIN
	<u>Wendy Dugall, CPA</u>	<u>Wendy Dugall, CPA</u>	<u>10/13/2021</u>		<u>P00433510</u>
	Firm's name ▶ <u>Wendy Dugall, CPA - ProNet Services Inc.</u>	Firm's EIN ▶ <u>75-2638297</u>			
Firm's address ▶ <u>5010 Timber Circle Dr, McKinney, TX 75072</u>		Phone no. <u>(972) 762-5015</u>			

May the IRS discuss this return with the preparer shown above? See instructions . . . . .  Yes  No

**Part III Statement of Program Service Accomplishments**

Check if Schedule O contains a response or note to any line in this Part III

**1** Briefly describe the organization's mission:

The mission of Hugs Cafe is to create an inviting place of training and employment for adults with special needs while providing dignity, self-worth, and developing respect

**2** Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?  Yes  No  
If "Yes," describe these new services on Schedule O.

**3** Did the organization cease conducting, or make significant changes in how it conducts, any program services?  Yes  No  
If "Yes," describe these changes on Schedule O.

**4** Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

**4a** (Code: ) (Expenses \$ 358,583. including grants of \$ 0.) (Revenue \$ 0.)  
Hugs Cafe, Inc. is a non-profit organization dedicated to providing a sustainable source of training and employment for qualified special needs adults in the Cafe and the food service/restaurant industry.

**4b** (Code: ) (Expenses \$ 150,556. including grants of \$ 0.) (Revenue \$ 0.)  
Hugs Greenhouse is an initiative within Hugs Cafe's mission to employ and train dozens of special needs adults who have the skills to work, but may not be the fit to work in the Hugs Cafe restaurant.

**4c** (Code: ) (Expenses \$ including grants of \$ ) (Revenue \$ )

**4d** Other program services (Describe on Schedule O.)  
(Expenses \$ including grants of \$ ) (Revenue \$ )

**4e** Total program service expenses ▶ 509,139.

**Part IV Checklist of Required Schedules**

	Yes	No
<b>1</b> Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A . . . . .</i>	<b>1</b> X	
<b>2</b> Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> See instructions? . . . . .	<b>2</b> X	
<b>3</b> Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I . . . . .</i>	<b>3</b>	X
<b>4</b> <b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II . . . . .</i>	<b>4</b>	X
<b>5</b> Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III . . . . .</i>	<b>5</b>	X
<b>6</b> Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I . . . . .</i>	<b>6</b>	X
<b>7</b> Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? <i>If "Yes," complete Schedule D, Part II . . . . .</i>	<b>7</b>	X
<b>8</b> Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III . . . . .</i>	<b>8</b>	X
<b>9</b> Did the organization report an amount in Part X, line 21, for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV . . . . .</i>	<b>9</b>	X
<b>10</b> Did the organization, directly or through a related organization, hold assets in donor-restricted endowments or in quasi endowments? <i>If "Yes," complete Schedule D, Part V . . . . .</i>	<b>10</b>	X
<b>11</b> If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.		
<b>a</b> Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI . . . . .</i>	<b>11a</b> X	
<b>b</b> Did the organization report an amount for investments—other securities in Part X, line 12, that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII . . . . .</i>	<b>11b</b>	X
<b>c</b> Did the organization report an amount for investments—program related in Part X, line 13, that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII . . . . .</i>	<b>11c</b>	X
<b>d</b> Did the organization report an amount for other assets in Part X, line 15, that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX . . . . .</i>	<b>11d</b> X	
<b>e</b> Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X . . . . .</i>	<b>11e</b>	X
<b>f</b> Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X . . . . .</i>	<b>11f</b>	X
<b>12a</b> Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII . . . . .</i>	<b>12a</b> X	
<b>b</b> Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional . . . . .</i>	<b>12b</b>	X
<b>13</b> Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E . . . . .</i>	<b>13</b>	X
<b>14a</b> Did the organization maintain an office, employees, or agents outside of the United States? . . . . .	<b>14a</b>	X
<b>b</b> Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Parts I and IV . . . . .</i>	<b>14b</b>	X
<b>15</b> Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? <i>If "Yes," complete Schedule F, Parts II and IV . . . . .</i>	<b>15</b>	X
<b>16</b> Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? <i>If "Yes," complete Schedule F, Parts III and IV . . . . .</i>	<b>16</b>	X
<b>17</b> Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I See instructions . . . . .</i>	<b>17</b>	X
<b>18</b> Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II . . . . .</i>	<b>18</b>	X
<b>19</b> Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III . . . . .</i>	<b>19</b>	X
<b>20a</b> Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H . . . . .</i>	<b>20a</b>	X
<b>b</b> If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? . . . . .	<b>20b</b>	
<b>21</b> Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or domestic government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II . . . . .</i>	<b>21</b>	X

**Part IV Checklist of Required Schedules** *(continued)*

	Yes	No
<b>22</b> Did the organization report more than \$5,000 of grants or other assistance to or for domestic individuals on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>		X
<b>23</b> Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>		X
<b>24a</b> Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i>		X
<b>b</b> Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		
<b>c</b> Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?		
<b>d</b> Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		
<b>25a Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>		X
<b>b</b> Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>		X
<b>26</b> Did the organization report any amount on Part X, line 5 or 22, for receivables from or payables to any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part II</i>		X
<b>27</b> Did the organization provide a grant or other assistance to any current or former officer, director, trustee, key employee, creator or founder, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity (including an employee thereof) or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>		X
<b>28</b> Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions, for applicable filing thresholds, conditions, and exceptions):		
<b>a</b> A current or former officer, director, trustee, key employee, creator or founder, or substantial contributor? <i>If "Yes," complete Schedule L, Part IV</i>		X
<b>b</b> A family member of any individual described in line 28a? <i>If "Yes," complete Schedule L, Part IV</i>		X
<b>c</b> A 35% controlled entity of one or more individuals and/or organizations described in lines 28a or 28b? <i>If "Yes," complete Schedule L, Part IV</i>		X
<b>29</b> Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>		X
<b>30</b> Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>		X
<b>31</b> Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>		X
<b>32</b> Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>		X
<b>33</b> Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>		X
<b>34</b> Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>		X
<b>35a</b> Did the organization have a controlled entity within the meaning of section 512(b)(13)?		X
<b>b</b> If "Yes" to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>		
<b>36 Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>		X
<b>37</b> Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>		X
<b>38</b> Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? <b>Note:</b> All Form 990 filers are required to complete Schedule O.	X	

**Part V Statements Regarding Other IRS Filings and Tax Compliance**

Check if Schedule O contains a response or note to any line in this Part V

	Yes	No
<b>1a</b> Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable		
<b>b</b> Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable		
<b>c</b> Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	X	

Part V Statements Regarding Other IRS Filings and Tax Compliance (continued)

Table with columns for question number, question text, and Yes/No response boxes. Includes questions 2a through 16 regarding employee reporting, tax returns, business income, foreign accounts, prohibited transactions, and charitable contributions.

**Part VI Governance, Management, and Disclosure** For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes on Schedule O. See instructions. Check if Schedule O contains a response or note to any line in this Part VI

**Section A. Governing Body and Management**

		Yes	No
<b>1a</b> Enter the number of voting members of the governing body at the end of the tax year . . .	<b>1a</b> 10		
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain on Schedule O.			
<b>b</b> Enter the number of voting members included on line 1a, above, who are independent . . .	<b>1b</b> 10		
<b>2</b> Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? . . . . .	<b>2</b>		X
<b>3</b> Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, trustees, or key employees to a management company or other person? . . . . .	<b>3</b>		X
<b>4</b> Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . . . .	<b>4</b>		X
<b>5</b> Did the organization become aware during the year of a significant diversion of the organization's assets? . . . . .	<b>5</b>		X
<b>6</b> Did the organization have members or stockholders? . . . . .	<b>6</b>		X
<b>7a</b> Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? . . . . .	<b>7a</b>		X
<b>b</b> Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? . . . . .	<b>7b</b>		X
<b>8</b> Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:			
<b>a</b> The governing body? . . . . .	<b>8a</b>	X	
<b>b</b> Each committee with authority to act on behalf of the governing body? . . . . .	<b>8b</b>	X	
<b>9</b> Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses on Schedule O See Statement	<b>9</b>	X	

**Section B. Policies** (This Section B requests information about policies not required by the Internal Revenue Code.)

	Yes	No
<b>10a</b> Did the organization have local chapters, branches, or affiliates? . . . . .	<b>10a</b>	X
<b>b</b> If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes? . . . . .	<b>10b</b>	
<b>11a</b> Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? . . . . .	<b>11a</b>	X
<b>b</b> Describe in Schedule O the process, if any, used by the organization to review this Form 990. . . . .		
<b>12a</b> Did the organization have a written conflict of interest policy? If "No," go to line 13 . . . . .	<b>12a</b>	X
<b>b</b> Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? . . . . .	<b>12b</b>	X
<b>c</b> Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done . . . . .	<b>12c</b>	X
<b>13</b> Did the organization have a written whistleblower policy? . . . . .	<b>13</b>	X
<b>14</b> Did the organization have a written document retention and destruction policy? . . . . .	<b>14</b>	X
<b>15</b> Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
<b>a</b> The organization's CEO, Executive Director, or top management official . . . . .	<b>15a</b>	X
<b>b</b> Other officers or key employees of the organization . . . . .	<b>15b</b>	X
If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions).		
<b>16a</b> Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? . . . . .	<b>16a</b>	X
<b>b</b> If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements? . . . . .	<b>16b</b>	

**Section C. Disclosure**

- 17** List the states with which a copy of this Form 990 is required to be filed ►
- 18** Section 6104 requires an organization to make its Forms 1023 (1024 or 1024-A, if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.  
 Own website     Another's website     Upon request     Other (explain on Schedule O)
- 19** Describe on Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.
- 20** State the name, address, and telephone number of the person who possesses the organization's books and records ►  
 Georgiann Leonard, 224 E Virginia, McKinney, TX 75069 (469)301-6900

**Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors**

Check if Schedule O contains a response or note to any line in this Part VII

**Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees**

**1a** Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations. See instructions for the order in which to list the persons above.

Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee.

(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Ruth Thompson President	30.00			X			0.	0.	0.	
(2) Alex Beard Vice President	1.00			X			0.	0.	0.	
(3) Marc Robertson Treasurer	1.00			X			0.	0.	0.	
(4) Wendi Osborn Secretary	2.00			X			0.	0.	0.	
(5) Mark Potter Director	1.00	X					0.	0.	0.	
(6) Janice Morriss Director	0.00	X					0.	0.	0.	
(7) Shannon Patterson Director	0.00	X					0.	0.	0.	
(8) Chris Thompson Director	3.00	X					0.	0.	0.	
(9) Timmy Newsom Director	0.00	X					0.	0.	0.	
(10) Amy Lowe Director	0.00	X					0.	0.	0.	
(11)										
(12)										
(13)										
(14)										



**Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees** (continued)

(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(15)										
(16)										
(17)										
(18)										
(19)										
(20)										
(21)										
(22)										
(23)										
(24)										
(25)										
<b>1b Subtotal</b>							0.	0.	0.	
<b>c Total from continuation sheets to Part VII, Section A</b>										
<b>d Total (add lines 1b and 1c)</b>							0.	0.	0.	

**2** Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization

	Yes	No
<b>3</b> Did the organization list any <b>former</b> officer, director, trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>		X
<b>4</b> For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>		X
<b>5</b> Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>		X

**Section B. Independent Contractors**

**1** Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation

**2** Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization

**Part VIII Statement of Revenue**

Check if Schedule O contains a response or note to any line in this Part VIII

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514	
<b>Contributions, Gifts, Grants and Other Similar Amounts</b>	<b>1a</b>	Federated campaigns . . . . .	<b>1a</b>				
	<b>b</b>	Membership dues . . . . .	<b>1b</b>				
	<b>c</b>	Fundraising events . . . . .	<b>1c</b>				
	<b>d</b>	Related organizations . . . . .	<b>1d</b>				
	<b>e</b>	Government grants (contributions)	<b>1e</b>				
	<b>f</b>	All other contributions, gifts, grants, and similar amounts not included above	<b>1f</b>	630,626.			
	<b>g</b>	Noncash contributions included in lines 1a-1f . . . . .	<b>1g</b>	\$			
	<b>h</b>	<b>Total.</b> Add lines 1a-1f . . . . . ▶		630,626.			
<b>Program Service Revenue</b>			Business Code				
	<b>2a</b>	-----					
	<b>b</b>	-----					
	<b>c</b>	-----					
	<b>d</b>	-----					
	<b>e</b>	-----					
	<b>f</b>	All other program service revenue . . . . .		277,876.	277,876.	0.	0.
<b>g</b>	<b>Total.</b> Add lines 2a-2f . . . . . ▶		277,876.				
<b>Other Revenue</b>	<b>3</b>	Investment income (including dividends, interest, and other similar amounts) . . . . . ▶		96.	96.	0.	0.
	<b>4</b>	Income from investment of tax-exempt bond proceeds ▶					
	<b>5</b>	Royalties . . . . . ▶					
	<b>6a</b>	Gross rents . . . . .	(i) Real				
			(ii) Personal				
			<b>6a</b>				
	<b>b</b>	Less: rental expenses	<b>6b</b>				
	<b>c</b>	Rental income or (loss)	<b>6c</b>				
	<b>d</b>	Net rental income or (loss) . . . . . ▶					
	<b>7a</b>	Gross amount from sales of assets other than inventory	(i) Securities				
			(ii) Other				
			<b>7a</b>				
	<b>b</b>	Less: cost or other basis and sales expenses . . . . .	<b>7b</b>				
	<b>c</b>	Gain or (loss) . . . . .	<b>7c</b>				
	<b>d</b>	Net gain or (loss) . . . . . ▶					
	<b>8a</b>	Gross income from fundraising events (not including \$ of contributions reported on line 1c). See Part IV, line 18 . . . . .	<b>8a</b>				
	<b>b</b>	Less: direct expenses . . . . .	<b>8b</b>				
<b>c</b>	Net income or (loss) from fundraising events . . . ▶						
<b>9a</b>	Gross income from gaming activities. See Part IV, line 19 . . . . .	<b>9a</b>					
<b>b</b>	Less: direct expenses . . . . .	<b>9b</b>					
<b>c</b>	Net income or (loss) from gaming activities . . . ▶						
<b>10a</b>	Gross sales of inventory, less returns and allowances . . . . .						
		<b>10a</b>					
<b>b</b>	Less: cost of goods sold . . . . .	<b>10b</b>					
<b>c</b>	Net income or (loss) from sales of inventory . . . ▶						
<b>Miscellaneous Revenue</b>			Business Code				
	<b>11a</b>	-----					
	<b>b</b>	-----					
	<b>c</b>	-----					
	<b>d</b>	All other revenue . . . . .		750.	750.	0.	0.
<b>e</b>	<b>Total.</b> Add lines 11a-11d . . . . . ▶		750.				
<b>12</b>	<b>Total revenue.</b> See instructions . . . . . ▶		909,348.	278,722.	0.	0.	

**Part IX Statement of Functional Expenses**

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

Check if Schedule O contains a response or note to any line in this Part IX

**Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.**

	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
<b>1</b> Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21 . . . . .				
<b>2</b> Grants and other assistance to domestic individuals. See Part IV, line 22 . . . . .				
<b>3</b> Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16 . . . . .				
<b>4</b> Benefits paid to or for members . . . . .				
<b>5</b> Compensation of current officers, directors, trustees, and key employees . . . . .				
<b>6</b> Compensation not included above to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . . . . .				
<b>7</b> Other salaries and wages . . . . .	249,795.	195,913.	53,882.	0.
<b>8</b> Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions) . . . . .				
<b>9</b> Other employee benefits . . . . .				
<b>10</b> Payroll taxes . . . . .	20,038.	15,816.	4,222.	0.
<b>11</b> Fees for services (nonemployees):				
<b>a</b> Management . . . . .				
<b>b</b> Legal . . . . .				
<b>c</b> Accounting . . . . .	15,710.	7,150.	8,560.	0.
<b>d</b> Lobbying . . . . .				
<b>e</b> Professional fundraising services. See Part IV, line 17 . . . . .				
<b>f</b> Investment management fees . . . . .				
<b>g</b> Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O.) . . . . .				
<b>12</b> Advertising and promotion . . . . .	2,382.	1,530.	852.	0.
<b>13</b> Office expenses . . . . .	2,811.	1,411.	1,400.	0.
<b>14</b> Information technology . . . . .	8,885.	5,254.	3,631.	0.
<b>15</b> Royalties . . . . .				
<b>16</b> Occupancy . . . . .	94,123.	92,623.	1,500.	0.
<b>17</b> Travel . . . . .				
<b>18</b> Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .				
<b>19</b> Conferences, conventions, and meetings . . . . .				
<b>20</b> Interest . . . . .				
<b>21</b> Payments to affiliates . . . . .				
<b>22</b> Depreciation, depletion, and amortization . . . . .	13,371.	13,371.	0.	0.
<b>23</b> Insurance . . . . .	13,667.	12,506.	1,161.	0.
<b>24</b> Other expenses. Itemize expenses not covered above (List miscellaneous expenses on line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
<b>a</b> <u>Food, Beverages, Delivery Fee</u> . . . . .	81,975.	81,975.	0.	0.
<b>b</b> <u>Merchant and Bank fees</u> . . . . .	9,240.	6,461.	2,779.	0.
<b>c</b> <u>Supplies, Materials, Tools</u> . . . . .	53,286.	53,286.	0.	0.
<b>d</b> <u>Repairs &amp; Maintenance</u> . . . . .	6,136.	6,136.	0.	0.
<b>e</b> All other expenses . . . . .	34,275.	15,707.	6,281.	12,287.
<b>25</b> <b>Total functional expenses.</b> Add lines 1 through 24e . . . . .	605,694.	509,139.	84,268.	12,287.
<b>26</b> <b>Joint costs.</b> Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) . . . . .				

**Part X Balance Sheet**

Check if Schedule O contains a response or note to any line in this Part X

		(A) Beginning of year		(B) End of year
<b>Assets</b>	<b>1</b> Cash—non-interest-bearing . . . . .	181,119.	<b>1</b>	518,508.
	<b>2</b> Savings and temporary cash investments . . . . .		<b>2</b>	
	<b>3</b> Pledges and grants receivable, net . . . . .		<b>3</b>	
	<b>4</b> Accounts receivable, net . . . . .		<b>4</b>	22,884.
	<b>5</b> Loans and other receivables from any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons . . . . .		<b>5</b>	
	<b>6</b> Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), and persons described in section 4958(c)(3)(B) . . . . .		<b>6</b>	
	<b>7</b> Notes and loans receivable, net . . . . .		<b>7</b>	
	<b>8</b> Inventories for sale or use . . . . .		<b>8</b>	
	<b>9</b> Prepaid expenses and deferred charges . . . . .	3,000.	<b>9</b>	4,646.
	<b>10a</b> Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D . . . . .	<b>10a</b> 129,348.		
	<b>b</b> Less: accumulated depreciation . . . . .	<b>10b</b> 33,292.	77,600.	<b>10c</b> 96,056.
	<b>11</b> Investments—publicly traded securities . . . . .		<b>11</b>	
	<b>12</b> Investments—other securities. See Part IV, line 11 . . . . .		<b>12</b>	
	<b>13</b> Investments—program-related. See Part IV, line 11 . . . . .		<b>13</b>	
	<b>14</b> Intangible assets . . . . .		<b>14</b>	
	<b>15</b> Other assets. See Part IV, line 11 . . . . .	22,551.	<b>15</b>	5,631.
<b>16 Total assets.</b> Add lines 1 through 15 (must equal line 33) . . . . .	284,270.	<b>16</b>	647,725.	
<b>Liabilities</b>	<b>17</b> Accounts payable and accrued expenses . . . . .	4,711.	<b>17</b>	29,587.
	<b>18</b> Grants payable . . . . .		<b>18</b>	
	<b>19</b> Deferred revenue . . . . .		<b>19</b>	
	<b>20</b> Tax-exempt bond liabilities . . . . .		<b>20</b>	
	<b>21</b> Escrow or custodial account liability. Complete Part IV of Schedule D . . . . .		<b>21</b>	
	<b>22</b> Loans and other payables to any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons . . . . .		<b>22</b>	
	<b>23</b> Secured mortgages and notes payable to unrelated third parties . . . . .		<b>23</b>	
	<b>24</b> Unsecured notes and loans payable to unrelated third parties . . . . .		<b>24</b>	
	<b>25</b> Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17–24). Complete Part X of Schedule D . . . . .		<b>25</b>	
	<b>26 Total liabilities.</b> Add lines 17 through 25 . . . . .	4,711.	<b>26</b>	29,587.
<b>Net Assets or Fund Balances</b>	<b>Organizations that follow FASB ASC 958, check here <input checked="" type="checkbox"/> and complete lines 27, 28, 32, and 33.</b>			
	<b>27</b> Net assets without donor restrictions . . . . .	279,559.	<b>27</b>	618,138.
	<b>28</b> Net assets with donor restrictions . . . . .		<b>28</b>	
	<b>Organizations that do not follow FASB ASC 958, check here <input type="checkbox"/> and complete lines 29 through 33.</b>			
	<b>29</b> Capital stock or trust principal, or current funds . . . . .		<b>29</b>	
	<b>30</b> Paid-in or capital surplus, or land, building, or equipment fund . . . . .		<b>30</b>	
	<b>31</b> Retained earnings, endowment, accumulated income, or other funds . . . . .		<b>31</b>	
	<b>32</b> Total net assets or fund balances . . . . .	279,559.	<b>32</b>	618,138.
<b>33</b> Total liabilities and net assets/fund balances . . . . .	284,270.	<b>33</b>	647,725.	

**Part XI Reconciliation of Net Assets**

Check if Schedule O contains a response or note to any line in this Part XI

<b>1</b>	Total revenue (must equal Part VIII, column (A), line 12)	<b>1</b>	909,348.
<b>2</b>	Total expenses (must equal Part IX, column (A), line 25)	<b>2</b>	605,694.
<b>3</b>	Revenue less expenses. Subtract line 2 from line 1	<b>3</b>	303,654.
<b>4</b>	Net assets or fund balances at beginning of year (must equal Part X, line 32, column (A))	<b>4</b>	279,559.
<b>5</b>	Net unrealized gains (losses) on investments	<b>5</b>	
<b>6</b>	Donated services and use of facilities	<b>6</b>	
<b>7</b>	Investment expenses	<b>7</b>	
<b>8</b>	Prior period adjustments	<b>8</b>	34,925.
<b>9</b>	Other changes in net assets or fund balances (explain on Schedule O)	<b>9</b>	
<b>10</b>	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 32, column (B))	<b>10</b>	618,138.

**Part XII Financial Statements and Reporting**

Check if Schedule O contains a response or note to any line in this Part XII

	Yes	No
<b>1</b> Accounting method used to prepare the Form 990: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O.		
<b>2a</b> Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both: <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		X
<b>b</b> Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both: <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	X	
<b>c</b> If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain on Schedule O.	X	
<b>3a</b> As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		X
<b>b</b> If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why on Schedule O and describe any steps taken to undergo such audits.		

**Additional information from your Form 990: Return of Organization Exempt from Income Tax****Form 990: Return of Organization Exempt from Income Tax  
Part VI, Line 9 (continued)****Continuation Statement**

<b>Name</b>	<b>Address</b>	<b>City</b>	<b>St</b>	<b>ZIP</b>
Ruth Thompson	12 Trailridge	Melissa	TX	75454
Wendi Osborn	2320 Ithasca Drive	McKinney	TX	75070
Mark Potter	1404 Wade Haven Ct	McKinney	TX	75071
Chris Thompson	12 Trailridge	Melissa	TX	75454
Janice Morris	1205 N. Waddill	McKinney	TX	75069
Alex Beard	481 Oakview Circle	Fairview	TX	75069
Shannon Patterson	1370 Lakeside Dr.	Prosper	TX	75078
Marc Robertson	3791 Broadmoor Way	Frisco	TX	75033
Timmy Newsome	7005 Quartermile Lane	Dallas	TX	75248
Amy Lowe	2702 Penny Lane	McKinney	TX	75072

**SCHEDULE A**  
**(Form 990 or 990-EZ)**

**Public Charity Status and Public Support**

OMB No. 1545-0047

**2020**

**Open to Public Inspection**

Department of the Treasury  
Internal Revenue Service

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ Attach to Form 990 or Form 990-EZ.

▶ Go to [www.irs.gov/Form990](http://www.irs.gov/Form990) for instructions and the latest information.

Name of the organization Hugs Cafe, Inc.	Employer identification number 46-2332714
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**Part I Reason for Public Charity Status.** (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is: (For lines 1 through 12, check only one box.)

- 1  A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i)**.
- 2  A school described in **section 170(b)(1)(A)(ii)**. (Attach Schedule E (Form 990 or 990-EZ).)
- 3  A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii)**.
- 4  A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii)**. Enter the hospital's name, city, and state:
- 5  An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv)**. (Complete Part II.)
- 6  A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v)**.
- 7  An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)**. (Complete Part II.)
- 8  A community trust described in **section 170(b)(1)(A)(vii)**. (Complete Part II.)
- 9  An agricultural research organization described in **section 170(b)(1)(A)(ix)** operated in conjunction with a land-grant college or university or a non-land-grant college of agriculture (see instructions). Enter the name, city, and state of the college or university:
- 10  An organization that normally receives (1) more than 33<sup>1</sup>/<sub>3</sub>% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions, subject to certain exceptions; and (2) no more than 33<sup>1</sup>/<sub>3</sub>% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2)**. (Complete Part III.)
- 11  An organization organized and operated exclusively to test for public safety. See **section 509(a)(4)**.
- 12  An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in **section 509(a)(1)** or **section 509(a)(2)**. See **section 509(a)(3)**. Check the box in lines 12a through 12d that describes the type of supporting organization and complete lines 12e, 12f, and 12g.
  - a  **Type I.** A supporting organization operated, supervised, or controlled by its supported organization(s), typically by giving the supported organization(s) the power to regularly appoint or elect a majority of the directors or trustees of the supporting organization. **You must complete Part IV, Sections A and B.**
  - b  **Type II.** A supporting organization supervised or controlled in connection with its supported organization(s), by having control or management of the supporting organization vested in the same persons that control or manage the supported organization(s). **You must complete Part IV, Sections A and C.**
  - c  **Type III functionally integrated.** A supporting organization operated in connection with, and functionally integrated with, its supported organization(s) (see instructions). **You must complete Part IV, Sections A, D, and E.**
  - d  **Type III non-functionally integrated.** A supporting organization operated in connection with its supported organization(s) that is not functionally integrated. The organization generally must satisfy a distribution requirement and an attentiveness requirement (see instructions). **You must complete Part IV, Sections A and D, and Part V.**
  - e  Check this box if the organization received a written determination from the IRS that it is a Type I, Type II, Type III functionally integrated, or Type III non-functionally integrated supporting organization.
- f Enter the number of supported organizations
- g Provide the following information about the supported organization(s).

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1-10 above (see instructions))	(iv) Is the organization listed in your governing document?		(v) Amount of monetary support (see instructions)	(vi) Amount of other support (see instructions)
			Yes	No		
(A)						
(B)						
(C)						
(D)						
(E)						
<b>Total</b>						

**Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

**Section A. Public Support**

Calendar year (or fiscal year beginning in) ►	(a) 2016	(b) 2017	(c) 2018	(d) 2019	(e) 2020	(f) Total
<b>1</b> Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.") . . . . .						
<b>2</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf . . . . .						
<b>3</b> The value of services or facilities furnished by a governmental unit to the organization without charge . . . . .						
<b>4 Total.</b> Add lines 1 through 3 . . . . .						
<b>5</b> The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f) . . . . .						
<b>6 Public support.</b> Subtract line 5 from line 4						

**Section B. Total Support**

Calendar year (or fiscal year beginning in) ►	(a) 2016	(b) 2017	(c) 2018	(d) 2019	(e) 2020	(f) Total
<b>7</b> Amounts from line 4 . . . . .						
<b>8</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources . . . . .						
<b>9</b> Net income from unrelated business activities, whether or not the business is regularly carried on . . . . .						
<b>10</b> Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.) . . . . .						
<b>11 Total support.</b> Add lines 7 through 10						
<b>12</b> Gross receipts from related activities, etc. (see instructions) . . . . .					<b>12</b>	
<b>13 First 5 years.</b> If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and <b>stop here</b> . . . . .						<input type="checkbox"/>

**Section C. Computation of Public Support Percentage**

<b>14</b> Public support percentage for 2020 (line 6, column (f), divided by line 11, column (f)) . . . . .	<b>14</b>	%
<b>15</b> Public support percentage from 2019 Schedule A, Part II, line 14 . . . . .	<b>15</b>	%
<b>16a 33 1/3% support test—2020.</b> If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and <b>stop here.</b> The organization qualifies as a publicly supported organization . . . . .		<input type="checkbox"/>
<b>b 33 1/3% support test—2019.</b> If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and <b>stop here.</b> The organization qualifies as a publicly supported organization . . . . .		<input type="checkbox"/>
<b>17a 10%-facts-and-circumstances test—2020.</b> If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the facts-and-circumstances test, check this box and <b>stop here.</b> Explain in Part VI how the organization meets the facts-and-circumstances test. The organization qualifies as a publicly supported organization . . . . .		<input type="checkbox"/>
<b>b 10%-facts-and-circumstances test—2019.</b> If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the facts-and-circumstances test, check this box and <b>stop here.</b> Explain in Part VI how the organization meets the facts-and-circumstances test. The organization qualifies as a publicly supported organization . . . . .		<input type="checkbox"/>
<b>18 Private foundation.</b> If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions . . . . .		<input type="checkbox"/>



**Part III Support Schedule for Organizations Described in Section 509(a)(2)**

(Complete only if you checked the box on line 10 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

**Section A. Public Support**

Calendar year (or fiscal year beginning in) ►	(a) 2016	(b) 2017	(c) 2018	(d) 2019	(e) 2020	(f) Total
<b>1</b> Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")	159,118.	174,522.	275,606.	352,730.	630,626.	1,592,602.
<b>2</b> Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose . . . .	323,672.	244,375.	244,188.	256,920.	277,876.	1,347,031.
<b>3</b> Gross receipts from activities that are not an unrelated trade or business under section 513						
<b>4</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf . . . . .						
<b>5</b> The value of services or facilities furnished by a governmental unit to the organization without charge . . . . .						
<b>6 Total.</b> Add lines 1 through 5 . . . . .	482,790.	418,897.	519,794.	609,650.	908,502.	2,939,633.
<b>7a</b> Amounts included on lines 1, 2, and 3 received from disqualified persons . . . . .						
<b>b</b> Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year . . . . .						
<b>c</b> Add lines 7a and 7b . . . . .						
<b>8 Public support.</b> (Subtract line 7c from line 6.) . . . . .						2,939,633.

**Section B. Total Support**

Calendar year (or fiscal year beginning in) ►	(a) 2016	(b) 2017	(c) 2018	(d) 2019	(e) 2020	(f) Total
<b>9</b> Amounts from line 6 . . . . .	482,790.	418,897.	519,794.	609,650.	908,502.	2,939,633.
<b>10a</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources . . . . .	5.	4.	1.	30.	96.	136.
<b>b</b> Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975 . . . . .						
<b>c</b> Add lines 10a and 10b . . . . .	5.	4.	1.	30.	96.	136.
<b>11</b> Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on . . . . .						
<b>12</b> Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.) . . . . .	110.	93.		93.	750.	1,046.
<b>13 Total support.</b> (Add lines 9, 10c, 11, and 12.) . . . . .	482,905.	418,994.	519,795.	609,773.	909,348.	2,940,815.
<b>14 First 5 years.</b> If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and <b>stop here</b> . . . . . <input type="checkbox"/>						

**Section C. Computation of Public Support Percentage**

<b>15</b> Public support percentage for 2020 (line 8, column (f), divided by line 13, column (f)) . . . . .	<b>15</b>	99.96 %
<b>16</b> Public support percentage from 2019 Schedule A, Part III, line 15 . . . . .	<b>16</b>	99.99 %

**Section D. Computation of Investment Income Percentage**

<b>17</b> Investment income percentage for <b>2020</b> (line 10c, column (f), divided by line 13, column (f)) . . . . .	<b>17</b>	0 %
<b>18</b> Investment income percentage from <b>2019</b> Schedule A, Part III, line 17 . . . . .	<b>18</b>	0 %
<b>19a 33 1/3% support tests—2020.</b> If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and <b>stop here</b> . The organization qualifies as a publicly supported organization . . . . . <input checked="" type="checkbox"/>		
<b>b 33 1/3% support tests—2019.</b> If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3%, and line 18 is not more than 33 1/3%, check this box and <b>stop here</b> . The organization qualifies as a publicly supported organization . . . . . <input type="checkbox"/>		
<b>20 Private foundation.</b> If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions . . . . . <input type="checkbox"/>		

**Part IV Supporting Organizations**

(Complete only if you checked a box in line 12 on Part I. If you checked box 12a, Part I, complete Sections A and B. If you checked box 12b, Part I, complete Sections A and C. If you checked box 12c, Part I, complete Sections A, D, and E. If you checked box 12d, Part I, complete Sections A and D, and complete Part V.)

**Section A. All Supporting Organizations**

		Yes	No
1	Are all of the organization's supported organizations listed by name in the organization's governing documents? <i>If "No," describe in Part VI how the supported organizations are designated. If designated by class or purpose, describe the designation. If historic and continuing relationship, explain.</i>		
2	Did the organization have any supported organization that does not have an IRS determination of status under section 509(a)(1) or (2)? <i>If "Yes," explain in Part VI how the organization determined that the supported organization was described in section 509(a)(1) or (2).</i>		
3a	Did the organization have a supported organization described in section 501(c)(4), (5), or (6)? <i>If "Yes," answer lines 3b and 3c below.</i>		
3b	Did the organization confirm that each supported organization qualified under section 501(c)(4), (5), or (6) and satisfied the public support tests under section 509(a)(2)? <i>If "Yes," describe in Part VI when and how the organization made the determination.</i>		
3c	Did the organization ensure that all support to such organizations was used exclusively for section 170(c)(2)(B) purposes? <i>If "Yes," explain in Part VI what controls the organization put in place to ensure such use.</i>		
4a	Was any supported organization not organized in the United States ("foreign supported organization")? <i>If "Yes," and if you checked box 12a or 12b in Part I, answer lines 4b and 4c below.</i>		
4b	Did the organization have ultimate control and discretion in deciding whether to make grants to the foreign supported organization? <i>If "Yes," describe in Part VI how the organization had such control and discretion despite being controlled or supervised by or in connection with its supported organizations.</i>		
4c	Did the organization support any foreign supported organization that does not have an IRS determination under sections 501(c)(3) and 509(a)(1) or (2)? <i>If "Yes," explain in Part VI what controls the organization used to ensure that all support to the foreign supported organization was used exclusively for section 170(c)(2)(B) purposes.</i>		
5a	Did the organization add, substitute, or remove any supported organizations during the tax year? <i>If "Yes," answer lines 5b and 5c below (if applicable). Also, provide detail in Part VI, including (i) the names and EIN numbers of the supported organizations added, substituted, or removed; (ii) the reasons for each such action; (iii) the authority under the organization's organizing document authorizing such action; and (iv) how the action was accomplished (such as by amendment to the organizing document).</i>		
5b	<b>Type I or Type II only.</b> Was any added or substituted supported organization part of a class already designated in the organization's organizing document?		
5c	<b>Substitutions only.</b> Was the substitution the result of an event beyond the organization's control?		
6	Did the organization provide support (whether in the form of grants or the provision of services or facilities) to anyone other than (i) its supported organizations, (ii) individuals that are part of the charitable class benefited by one or more of its supported organizations, or (iii) other supporting organizations that also support or benefit one or more of the filing organization's supported organizations? <i>If "Yes," provide detail in Part VI.</i>		
7	Did the organization provide a grant, loan, compensation, or other similar payment to a substantial contributor (as defined in section 4958(c)(3)(C)), a family member of a substantial contributor, or a 35% controlled entity with regard to a substantial contributor? <i>If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).</i>		
8	Did the organization make a loan to a disqualified person (as defined in section 4958) not described in line 7? <i>If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).</i>		
9a	Was the organization controlled directly or indirectly at any time during the tax year by one or more disqualified persons, as defined in section 4946 (other than foundation managers and organizations described in section 509(a)(1) or (2))? <i>If "Yes," provide detail in Part VI.</i>		
9b	Did one or more disqualified persons (as defined in line 9a) hold a controlling interest in any entity in which the supporting organization had an interest? <i>If "Yes," provide detail in Part VI.</i>		
9c	Did a disqualified person (as defined in line 9a) have an ownership interest in, or derive any personal benefit from, assets in which the supporting organization also had an interest? <i>If "Yes," provide detail in Part VI.</i>		
10a	Was the organization subject to the excess business holdings rules of section 4943 because of section 4943(f) (regarding certain Type II supporting organizations, and all Type III non-functionally integrated supporting organizations)? <i>If "Yes," answer line 10b below.</i>		
10b	Did the organization have any excess business holdings in the tax year? <i>(Use Schedule C, Form 4720, to determine whether the organization had excess business holdings.)</i>		

**Part IV Supporting Organizations** (continued)

	Yes	No
<b>11</b> Has the organization accepted a gift or contribution from any of the following persons?		
<b>a</b> A person who directly or indirectly controls, either alone or together with persons described in lines 11b and 11c below, the governing body of a supported organization?		
<b>11a</b>		
<b>b</b> A family member of a person described in line 11a above?		
<b>11b</b>		
<b>c</b> A 35% controlled entity of a person described in line 11a or 11b above? <i>If "Yes" to line 11a, 11b, or 11c, provide detail in Part VI.</i>		
<b>11c</b>		

**Section B. Type I Supporting Organizations**

	Yes	No
<b>1</b> Did the governing body, members of the governing body, officers acting in their official capacity, or membership of one or more supported organizations have the power to regularly appoint or elect at least a majority of the organization's officers, directors, or trustees at all times during the tax year? <i>If "No," describe in Part VI how the supported organization(s) effectively operated, supervised, or controlled the organization's activities. If the organization had more than one supported organization, describe how the powers to appoint and/or remove officers, directors, or trustees were allocated among the supported organizations and what conditions or restrictions, if any, applied to such powers during the tax year.</i>		
<b>1</b>		
<b>2</b> Did the organization operate for the benefit of any supported organization other than the supported organization(s) that operated, supervised, or controlled the supporting organization? <i>If "Yes," explain in Part VI how providing such benefit carried out the purposes of the supported organization(s) that operated, supervised, or controlled the supporting organization.</i>		
<b>2</b>		

**Section C. Type II Supporting Organizations**

	Yes	No
<b>1</b> Were a majority of the organization's directors or trustees during the tax year also a majority of the directors or trustees of each of the organization's supported organization(s)? <i>If "No," describe in Part VI how control or management of the supporting organization was vested in the same persons that controlled or managed the supported organization(s).</i>		
<b>1</b>		

**Section D. All Type III Supporting Organizations**

	Yes	No
<b>1</b> Did the organization provide to each of its supported organizations, by the last day of the fifth month of the organization's tax year, (i) a written notice describing the type and amount of support provided during the prior tax year, (ii) a copy of the Form 990 that was most recently filed as of the date of notification, and (iii) copies of the organization's governing documents in effect on the date of notification, to the extent not previously provided?		
<b>1</b>		
<b>2</b> Were any of the organization's officers, directors, or trustees either (i) appointed or elected by the supported organization(s) or (ii) serving on the governing body of a supported organization? <i>If "No," explain in Part VI how the organization maintained a close and continuous working relationship with the supported organization(s).</i>		
<b>2</b>		
<b>3</b> By reason of the relationship described in line 2, above, did the organization's supported organizations have a significant voice in the organization's investment policies and in directing the use of the organization's income or assets at all times during the tax year? <i>If "Yes," describe in Part VI the role the organization's supported organizations played in this regard.</i>		
<b>3</b>		

**Section E. Type III Functionally Integrated Supporting Organizations**

<b>1</b> Check the box next to the method that the organization used to satisfy the Integral Part Test during the year (see instructions).		
<b>a</b> <input type="checkbox"/> The organization satisfied the Activities Test. Complete line 2 below.		
<b>b</b> <input type="checkbox"/> The organization is the parent of each of its supported organizations. Complete line 3 below.		
<b>c</b> <input type="checkbox"/> The organization supported a governmental entity. Describe in Part VI how you supported a governmental entity (see instructions).		
<b>2</b> Activities Test. Answer lines 2a and 2b below.		
<b>a</b> Did substantially all of the organization's activities during the tax year directly further the exempt purposes of the supported organization(s) to which the organization was responsive? <i>If "Yes," then in Part VI identify those supported organizations and explain how these activities directly furthered their exempt purposes, how the organization was responsive to those supported organizations, and how the organization determined that these activities constituted substantially all of its activities.</i>	Yes	No
<b>2a</b>		
<b>b</b> Did the activities described in line 2a, above, constitute activities that, but for the organization's involvement, one or more of the organization's supported organization(s) would have been engaged in? <i>If "Yes," explain in Part VI the reasons for the organization's position that its supported organization(s) would have engaged in these activities but for the organization's involvement.</i>		
<b>2b</b>		
<b>3</b> Parent of Supported Organizations. Answer lines 3a and 3b below.		
<b>a</b> Did the organization have the power to regularly appoint or elect a majority of the officers, directors, or trustees of each of the supported organizations? <i>If "Yes" or "No," provide details in Part VI.</i>		
<b>3a</b>		
<b>b</b> Did the organization exercise a substantial degree of direction over the policies, programs, and activities of each of its supported organizations? <i>If "Yes," describe in Part VI the role played by the organization in this regard.</i>		
<b>3b</b>		

**Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations**

- 1**  Check here if the organization satisfied the Integral Part Test as a qualifying trust on Nov. 20, 1970 (*explain in Part VI*). **See instructions.** All other Type III non-functionally integrated supporting organizations must complete Sections A through E.

<b>Section A—Adjusted Net Income</b>		(A) Prior Year	(B) Current Year (optional)
<b>1</b>	Net short-term capital gain	<b>1</b>	
<b>2</b>	Recoveries of prior-year distributions	<b>2</b>	
<b>3</b>	Other gross income (see instructions)	<b>3</b>	
<b>4</b>	Add lines 1 through 3.	<b>4</b>	
<b>5</b>	Depreciation and depletion	<b>5</b>	
<b>6</b>	Portion of operating expenses paid or incurred for production or collection of gross income or for management, conservation, or maintenance of property held for production of income (see instructions)	<b>6</b>	
<b>7</b>	Other expenses (see instructions)	<b>7</b>	
<b>8</b>	<b>Adjusted Net Income</b> (subtract lines 5, 6, and 7 from line 4)	<b>8</b>	
<b>Section B—Minimum Asset Amount</b>		(A) Prior Year	(B) Current Year (optional)
<b>1</b>	Aggregate fair market value of all non-exempt-use assets (see instructions for short tax year or assets held for part of year):		
<b>a</b>	Average monthly value of securities	<b>1a</b>	
<b>b</b>	Average monthly cash balances	<b>1b</b>	
<b>c</b>	Fair market value of other non-exempt-use assets	<b>1c</b>	
<b>d</b>	<b>Total</b> (add lines 1a, 1b, and 1c)	<b>1d</b>	
<b>e</b>	<b>Discount</b> claimed for blockage or other factors ( <i>explain in detail in Part VI</i> ):		
<b>2</b>	Acquisition indebtedness applicable to non-exempt-use assets	<b>2</b>	
<b>3</b>	Subtract line 2 from line 1d.	<b>3</b>	
<b>4</b>	Cash deemed held for exempt use. Enter 0.015 of line 3 (for greater amount, see instructions).	<b>4</b>	
<b>5</b>	Net value of non-exempt-use assets (subtract line 4 from line 3)	<b>5</b>	
<b>6</b>	Multiply line 5 by 0.035.	<b>6</b>	
<b>7</b>	Recoveries of prior-year distributions	<b>7</b>	
<b>8</b>	<b>Minimum Asset Amount</b> (add line 7 to line 6)	<b>8</b>	
<b>Section C—Distributable Amount</b>			Current Year
<b>1</b>	Adjusted net income for prior year (from Section A, line 8, column A)	<b>1</b>	
<b>2</b>	Enter 0.85 of line 1.	<b>2</b>	
<b>3</b>	Minimum asset amount for prior year (from Section B, line 8, column A)	<b>3</b>	
<b>4</b>	Enter greater of line 2 or line 3.	<b>4</b>	
<b>5</b>	Income tax imposed in prior year	<b>5</b>	
<b>6</b>	<b>Distributable Amount.</b> Subtract line 5 from line 4, unless subject to emergency temporary reduction (see instructions).	<b>6</b>	
<b>7</b>	<input type="checkbox"/> Check here if the current year is the organization's first as a non-functionally integrated Type III supporting organization (see instructions).		

**Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations** (continued)

<b>Section D—Distributions</b>		<b>Current Year</b>
<b>1</b>	Amounts paid to supported organizations to accomplish exempt purposes	<b>1</b>
<b>2</b>	Amounts paid to perform activity that directly furthers exempt purposes of supported organizations, in excess of income from activity	<b>2</b>
<b>3</b>	Administrative expenses paid to accomplish exempt purposes of supported organizations	<b>3</b>
<b>4</b>	Amounts paid to acquire exempt-use assets	<b>4</b>
<b>5</b>	Qualified set-aside amounts (prior IRS approval required—provide details in <b>Part VI</b> )	<b>5</b>
<b>6</b>	Other distributions (describe in <b>Part VI</b> ). See instructions.	<b>6</b>
<b>7</b>	<b>Total annual distributions.</b> Add lines 1 through 6.	<b>7</b>
<b>8</b>	Distributions to attentive supported organizations to which the organization is responsive (provide details in <b>Part VI</b> ). See instructions.	<b>8</b>
<b>9</b>	Distributable amount for 2020 from Section C, line 6	<b>9</b>
<b>10</b>	Line 8 amount divided by line 9 amount	<b>10</b>

<b>Section E—Distribution Allocations</b> (see instructions)	<b>(i) Excess Distributions</b>	<b>(ii) Underdistributions Pre-2020</b>	<b>(iii) Distributable Amount for 2020</b>
<b>1</b> Distributable amount for 2020 from Section C, line 6			
<b>2</b> Underdistributions, if any, for years prior to 2020 (reasonable cause required—explain in <b>Part VI</b> ). See instructions.			
<b>3</b> Excess distributions carryover, if any, to 2020			
<b>a</b> From 2015 . . . . .			
<b>b</b> From 2016 . . . . .			
<b>c</b> From 2017 . . . . .			
<b>d</b> From 2018 . . . . .			
<b>e</b> From 2019 . . . . .			
<b>f</b> <b>Total</b> of lines 3a through 3e			
<b>g</b> Applied to underdistributions of prior years			
<b>h</b> Applied to 2020 distributable amount			
<b>i</b> Carryover from 2015 not applied (see instructions)			
<b>j</b> Remainder. Subtract lines 3g, 3h, and 3i from line 3f.			
<b>4</b> Distributions for 2020 from Section D, line 7: \$			
<b>a</b> Applied to underdistributions of prior years			
<b>b</b> Applied to 2020 distributable amount			
<b>c</b> Remainder. Subtract lines 4a and 4b from line 4.			
<b>5</b> Remaining underdistributions for years prior to 2020, if any. Subtract lines 3g and 4a from line 2. For result greater than zero, explain in <b>Part VI</b> . See instructions.			
<b>6</b> Remaining underdistributions for 2020. Subtract lines 3h and 4b from line 1. For result greater than zero, explain in <b>Part VI</b> . See instructions.			
<b>7</b> <b>Excess distributions carryover to 2021.</b> Add lines 3j and 4c.			
<b>8</b> Breakdown of line 7:			
<b>a</b> Excess from 2016 . . . . .			
<b>b</b> Excess from 2017 . . . . .			
<b>c</b> Excess from 2018 . . . . .			
<b>d</b> Excess from 2019 . . . . .			
<b>e</b> Excess from 2020 . . . . .			

**Part VI** **Supplemental Information.** Provide the explanations required by Part II, line 10; Part II, line 17a or 17b; Part III, line 12; Part IV, Section A, lines 1, 2, 3b, 3c, 4b, 4c, 5a, 6, 9a, 9b, 9c, 11a, 11b, and 11c; Part IV, Section B, lines 1 and 2; Part IV, Section C, line 1; Part IV, Section D, lines 2 and 3; Part IV, Section E, lines 1c, 2a, 2b, 3a, and 3b; Part V, line 1; Part V, Section B, line 1e; Part V, Section D, lines 5, 6, and 8; and Part V, Section E, lines 2, 5, and 6. Also complete this part for any additional information. (See instructions.)

Pt III Ln 12: Other Income Part III, Line 12 Description: Timely filing discounts  
2016: 110. 2017: 93. 2019: 93. Description: Other Changes in Net Assets 2020:  
750.

Client Copy

**Schedule of Contributors**

**2020**

▶ **Attach to Form 990, Form 990-EZ, or Form 990-PF.**  
 ▶ **Go to [www.irs.gov/Form990](http://www.irs.gov/Form990) for the latest information.**

Name of the organization <u>Hugs Cafe, Inc.</u>	<b>Employer identification number</b> 46-2332714
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**Organization type** (check one):

- |                    |   |
|--------------------|---|
| <b>Filers of:</b>  | <b>Section:</b>   |
| Form 990 or 990-EZ | <input checked="" type="checkbox"/> 501(c)( 3 ) (enter number) organization                               |
|                    | <input type="checkbox"/> 4947(a)(1) nonexempt charitable trust <b>not</b> treated as a private foundation |
|                    | <input type="checkbox"/> 527 political organization   |
| Form 990-PF        | <input type="checkbox"/> 501(c)(3) exempt private foundation  |
|                    | <input type="checkbox"/> 4947(a)(1) nonexempt charitable trust treated as a private foundation            |
|                    | <input type="checkbox"/> 501(c)(3) taxable private foundation   |

Check if your organization is covered by the **General Rule** or a **Special Rule**.

**Note:** Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule. See instructions.

**General Rule**

- For an organization filing Form 990, 990-EZ, or 990-PF that received, during the year, contributions totaling \$5,000 or more (in money or property) from any one contributor. Complete Parts I and II. See instructions for determining a contributor's total contributions.

**Special Rules**

- For an organization described in section 501(c)(3) filing Form 990 or 990-EZ that met the 33<sup>1</sup>/<sub>3</sub>% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi), that checked Schedule A (Form 990 or 990-EZ), Part II, line 13, 16a, or 16b, and that received from any one contributor, during the year, total contributions of the greater of **(1)** \$5,000; or **(2)** 2% of the amount on (i) Form 990, Part VIII, line 1h; or (ii) Form 990-EZ, line 1. Complete Parts I and II.
- For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, total contributions of more than \$1,000 *exclusively* for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals. Complete Parts I (entering "N/A" in column (b) instead of the contributor name and address), II, and III.
- For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions *exclusively* for religious, charitable, etc., purposes, but no such contributions totaled more than \$1,000. If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc., purpose. Don't complete any of the parts unless the **General Rule** applies to this organization because it received *nonexclusively* religious, charitable, etc., contributions totaling \$5,000 or more during the year . . . . . ▶ \$ \_\_\_\_\_

**Caution:** An organization that isn't covered by the General Rule and/or the Special Rules doesn't file Schedule B (Form 990, 990-EZ, or 990-PF), but it **must** answer "No" on Part IV, line 2, of its Form 990; or check the box on line H of its Form 990-EZ or on its Form 990-PF, Part I, line 2, to certify that it doesn't meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

Name of organization

Hugs Cafe, Inc.

Employer identification number

46-2332714

**Part I** **Contributors** (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
1	Anonymous 224 E Virginia St McKinney TX 75069	\$ 93,460.	<b>Person</b> <input checked="" type="checkbox"/> <b>Payroll</b> <input type="checkbox"/> <b>Noncash</b> <input type="checkbox"/> (Complete Part II for noncash contributions.)
2	Anonymous 224 E Virginia St McKinney TX 75069	\$ 50,000.	<b>Person</b> <input checked="" type="checkbox"/> <b>Payroll</b> <input type="checkbox"/> <b>Noncash</b> <input type="checkbox"/> (Complete Part II for noncash contributions.)
3	Moody Foundation 2302 Post Office Street Galveston TX 77550	\$ 35,000.	<b>Person</b> <input checked="" type="checkbox"/> <b>Payroll</b> <input type="checkbox"/> <b>Noncash</b> <input type="checkbox"/> (Complete Part II for noncash contributions.)
4	Yardi Systems 8616 Freeport Pkwy Irving TX 75063	\$ 22,200.	<b>Person</b> <input checked="" type="checkbox"/> <b>Payroll</b> <input type="checkbox"/> <b>Noncash</b> <input type="checkbox"/> (Complete Part II for noncash contributions.)
5	Love Life Foundation 290 Adriatic Pkwy McKinney TX 75072	\$ 12,000.	<b>Person</b> <input checked="" type="checkbox"/> <b>Payroll</b> <input type="checkbox"/> <b>Noncash</b> <input type="checkbox"/> (Complete Part II for noncash contributions.)
6	Rick and Diane Dill 6013 Settlement Way McKinney TX 75070	\$ 10,000.	<b>Person</b> <input checked="" type="checkbox"/> <b>Payroll</b> <input type="checkbox"/> <b>Noncash</b> <input type="checkbox"/> (Complete Part II for noncash contributions.)



Name of organization

Hugs Cafe, Inc.

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46-2332714

**Part I** **Contributors** (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
7	Lynn Family Foundation 5337 El Campo Ave. Fort Worth TX 76107	\$ 7,500.	<b>Person</b> <input checked="" type="checkbox"/> <b>Payroll</b> <input type="checkbox"/> <b>Noncash</b> <input type="checkbox"/> (Complete Part II for noncash contributions.)
8	Lee Ann Parsons 2609 Fitzgerald Ave McKinney TX 75071	\$ 6,550.	<b>Person</b> <input checked="" type="checkbox"/> <b>Payroll</b> <input type="checkbox"/> <b>Noncash</b> <input type="checkbox"/> (Complete Part II for noncash contributions.)
9	Harvest Seed Project 670 Wendy Lane Lucas TX 75002	\$ 6,500.	<b>Person</b> <input checked="" type="checkbox"/> <b>Payroll</b> <input type="checkbox"/> <b>Noncash</b> <input type="checkbox"/> (Complete Part II for noncash contributions.)
10	Texas Methodist Foundation 11709 Boulder Lane Austin TX 78726	\$ 7,500.	<b>Person</b> <input checked="" type="checkbox"/> <b>Payroll</b> <input type="checkbox"/> <b>Noncash</b> <input type="checkbox"/> (Complete Part II for noncash contributions.)
11	Robert Hess 5253 Meadow Garden Lane Birmingham AL 35242	\$ 5,000.	<b>Person</b> <input checked="" type="checkbox"/> <b>Payroll</b> <input type="checkbox"/> <b>Noncash</b> <input type="checkbox"/> (Complete Part II for noncash contributions.)
12	Ingram Micro 1800 W. Frankford Rd. #100 Carrollton TX 75007	\$ 5,000.	<b>Person</b> <input checked="" type="checkbox"/> <b>Payroll</b> <input type="checkbox"/> <b>Noncash</b> <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization

Hugs Cafe, Inc.

Employer identification number

46-2332714

**Part I** **Contributors** (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
13	Chris and Ruth Thompson 12 Trailridge Road Melissa TX 75454	\$ 5,000.	<b>Person</b> <input checked="" type="checkbox"/> <b>Payroll</b> <input type="checkbox"/> <b>Noncash</b> <input type="checkbox"/> (Complete Part II for noncash contributions.)
14	Encore Wire 224 E Virginia St. McKinney TX 75070	\$ 5,000.	<b>Person</b> <input checked="" type="checkbox"/> <b>Payroll</b> <input type="checkbox"/> <b>Noncash</b> <input type="checkbox"/> (Complete Part II for noncash contributions.)
15	Anonymous 224 E Virginia St. McKinney TX 75069	\$ 5,000.	<b>Person</b> <input checked="" type="checkbox"/> <b>Payroll</b> <input type="checkbox"/> <b>Noncash</b> <input type="checkbox"/> (Complete Part II for noncash contributions.)
16	Anonymous 224 E Virginia St. McKinney TX 75069	\$ 5,000.	<b>Person</b> <input checked="" type="checkbox"/> <b>Payroll</b> <input type="checkbox"/> <b>Noncash</b> <input type="checkbox"/> (Complete Part II for noncash contributions.)
17	Anonymous 224 E Virginia St. McKinney TX 75069	\$ 5,000.	<b>Person</b> <input checked="" type="checkbox"/> <b>Payroll</b> <input type="checkbox"/> <b>Noncash</b> <input type="checkbox"/> (Complete Part II for noncash contributions.)
18	Mark and Sherry Smith 5516 Settlement Way McKinney TX 75070	\$ 28,000.	<b>Person</b> <input checked="" type="checkbox"/> <b>Payroll</b> <input type="checkbox"/> <b>Noncash</b> <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization <u>Hugs Cafe, Inc.</u>	Employer identification number <u>46-2332714</u>
--	---

**Part II** **Noncash Property** (see instructions). Use duplicate copies of Part II if additional space is needed.

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (See instructions.)	(d) Date received
-----	----- ----- -----	\$-----	-----
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (See instructions.)	(d) Date received
-----	----- ----- -----	\$-----	-----
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (See instructions.)	(d) Date received
-----	----- ----- -----	\$-----	-----
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (See instructions.)	(d) Date received
-----	----- ----- -----	\$-----	-----
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (See instructions.)	(d) Date received
-----	----- ----- -----	\$-----	-----
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (See instructions.)	(d) Date received
-----	----- ----- -----	\$-----	-----

Name of organization <b>Hugs Cafe, Inc.</b>	Employer identification number <b>46-2332714</b>
--	---

**Part III** **Exclusively religious, charitable, etc., contributions to organizations described in section 501(c)(7), (8), or (10) that total more than \$1,000 for the year from any one contributor.** Complete columns (a) through (e) and the following line entry. For organizations completing Part III, enter the total of *exclusively* religious, charitable, etc., contributions of **\$1,000 or less** for the year. (Enter this information once. See instructions.) ▶ \$ \_\_\_\_\_

Use duplicate copies of Part III if additional space is needed.

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
-----	----- ----- -----	----- ----- -----	----- ----- -----

(e) Transfer of gift	
Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee
----- ----- -----	----- ----- -----

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
-----	----- ----- -----	----- ----- -----	----- ----- -----

(e) Transfer of gift	
Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee
----- ----- -----	----- ----- -----

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
-----	----- ----- -----	----- ----- -----	----- ----- -----

(e) Transfer of gift	
Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee
----- ----- -----	----- ----- -----

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
-----	----- ----- -----	----- ----- -----	----- ----- -----

(e) Transfer of gift	
Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee
----- ----- -----	----- ----- -----

SCHEDULE D (Form 990)

Department of the Treasury Internal Revenue Service

Supplemental Financial Statements

Complete if the organization answered "Yes" on Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b. Attach to Form 990.

Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2020

Open to Public Inspection

Name of the organization: Hugs Cafe, Inc. Employer identification number: 46-2332714

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts.

Complete if the organization answered "Yes" on Form 990, Part IV, line 6.

Table with 2 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows include total number at end of year, aggregate value of contributions, grants, and end of year, and two Yes/No questions regarding donor advisement.

Part II Conservation Easements.

Complete if the organization answered "Yes" on Form 990, Part IV, line 7.

Form for Part II with multiple questions (1-9) regarding conservation easements, including checkboxes for various purposes and a table for 'Held at the End of the Tax Year'.

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.

Complete if the organization answered "Yes" on Form 990, Part IV, line 8.

Form for Part III with questions (1a, 1b, 2) regarding collections of art and historical treasures, including revenue and asset reporting.

**Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets** *(continued)*

**3** Using the organization's acquisition, accession, and other records, check any of the following that make significant use of its collection items (check all that apply):

- a**  Public exhibition
- b**  Scholarly research
- c**  Preservation for future generations
- d**  Loan or exchange program
- e**  Other .....

**4** Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII.

**5** During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?  Yes  No

**Part IV Escrow and Custodial Arrangements.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

**1a** Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?  Yes  No

**b** If "Yes," explain the arrangement in Part XIII and complete the following table:

	Amount
<b>1c</b> Beginning balance	
<b>1d</b> Additions during the year	
<b>1e</b> Distributions during the year	
<b>1f</b> Ending balance	

**2a** Did the organization include an amount on Form 990, Part X, line 21, for escrow or custodial account liability?  Yes  No

**b** If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided on Part XIII

**Part V Endowment Funds.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 10.

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
<b>1a</b> Beginning of year balance					
<b>b</b> Contributions					
<b>c</b> Net investment earnings, gains, and losses					
<b>d</b> Grants or scholarships					
<b>e</b> Other expenditures for facilities and programs					
<b>f</b> Administrative expenses					
<b>g</b> End of year balance					

**2** Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as:

- a** Board designated or quasi-endowment  %
- b** Permanent endowment  %
- c** Term endowment  %

The percentages on lines 2a, 2b, and 2c should equal 100%.

**3a** Are there endowment funds not in the possession of the organization that are held and administered for the organization by:

	Yes	No
<b>(i)</b> Unrelated organizations	<b>3a(i)</b>	
<b>(ii)</b> Related organizations	<b>3a(ii)</b>	
<b>b</b> If "Yes" on line 3a(ii), are the related organizations listed as required on Schedule R?	<b>3b</b>	

**4** Describe in Part XIII the intended uses of the organization's endowment funds.

**Part VI Land, Buildings, and Equipment.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
<b>1a</b> Land	0.			0.
<b>b</b> Buildings		99,624.	25,971.	73,653.
<b>c</b> Leasehold improvements		9,949.	1,293.	8,656.
<b>d</b> Equipment		13,775.	3,128.	10,647.
<b>e</b> Other		6,000.	2,900.	3,100.
<b>Total.</b> Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10c.)				96,056.

**Part VII Investments—Other Securities.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives . . . . .		
(2) Closely held equity interests . . . . .		
(3) Other _____		
(A) _____		
(B) _____		
(C) _____		
(D) _____		
(E) _____		
(F) _____		
(G) _____		
(H) _____		
<b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 12.) . . . . . ▶		

**Part VIII Investments—Program Related.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

(a) Description of investment	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
<b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 13.) . . . . . ▶		

**Part IX Other Assets.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 11d. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1) Greenhouse Start up costs	0.
(2) Long term promises to give	5,631.
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
<b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 15.) . . . . . ▶	5,631.

**Part X Other Liabilities.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
<b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 25.) . . . . . ▶	

2. Liability for uncertain tax positions. In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FASB ASC 740. Check here if the text of the footnote has been provided in Part XIII .





**Part XIII** Supplemental Information *(continued)*

Client Copy

**SCHEDULE O**  
**(Form 990 or 990-EZ)**

Department of the Treasury  
Internal Revenue Service

**Supplemental Information to Form 990 or 990-EZ**

Complete to provide information for responses to specific questions on  
Form 990 or 990-EZ or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

▶ Go to [www.irs.gov/Form990](http://www.irs.gov/Form990) for the latest information.

OMB No. 1545-0047

**2020**

**Open to Public  
Inspection**

Name of the organization

Hugs Cafe, Inc.

Employer identification number

46-2332714

Pt VI, Line 12c: Documented in meetings.

Pt VI, Line 11b: Reviewed in meetings.

Pt VI, Section A, Line 9:

Name: Ruth Thompson

Address: 12 Trailridge Melissa TX 75454

Name: Wendi Osborn

Address: 2320 Ithasca Drive McKinney TX 75070

Name: Mark Potter

Address: 1404 Wade Haven Ct McKinney TX 75071

Name: Chris Thompson

Address: 12 Trailridge Melissa TX 75454

Name: Janice Morris

Address: 1205 N. Waddill McKinney TX 75069

Name: Alex Beard

Address: 481 Oakview Circle Fairview TX 75069

Name: Shannon Patterson

Address: 1370 Lakeside Dr. Prosper TX 75078

Name: Marc Robertson

Address: 3791 Broadmoor Way Frisco TX 75033

Name: Timmy Newsome

Address: 7005 Quartermile Lane Dallas TX 75248

Name: Amy Lowe

Address: 2702 Penny Lane McKinney TX 75072

# IRS e-file Signature Authorization for an Exempt Organization

For calendar year 2020, or fiscal year beginning \_\_\_\_\_, 2020, and ending \_\_\_\_\_, 20\_\_\_\_\_

Department of the Treasury  
Internal Revenue Service

**▶ Do not send to the IRS. Keep for your records.**  
**▶ Go to [www.irs.gov/Form8879EO](http://www.irs.gov/Form8879EO) for the latest information.**

# 2020

Name of exempt organization or person subject to tax

Taxpayer identification number

Hugs Cafe, Inc.

46-2332714

Name and title of officer or person subject to tax

Ruth Thompson, President

### Part I Type of Return and Return Information (Whole Dollars Only)

Check the box for the return for which you are using this Form 8879-EO and enter the applicable amount, if any, from the return. If you check the box on line 1a, 2a, 3a, 4a, 5a, 6a, or 7a below, and the amount on that line for the return being filed with this form was blank, then leave line 1b, 2b, 3b, 4b, 5b, 6b, or 7b, whichever is applicable, blank (do not enter -0-). But, if you entered -0- on the return, then enter -0- on the applicable line below. **Do not** complete more than one line in Part I.

<b>1a</b> Form 990 check here <input checked="" type="checkbox"/>	<b>b</b> Total revenue, if any (Form 990, Part VIII, column (A), line 12)	<b>1b</b>	909,348.
<b>2a</b> Form 990-EZ check here <input type="checkbox"/>	<b>b</b> Total revenue, if any (Form 990-EZ, line 9)	<b>2b</b>	
<b>3a</b> Form 1120-POL check here <input type="checkbox"/>	<b>b</b> Total tax (Form 1120-POL, line 22)	<b>3b</b>	
<b>4a</b> Form 990-PF check here <input type="checkbox"/>	<b>b</b> Tax based on investment income (Form 990-PF, Part VI, line 5)	<b>4b</b>	
<b>5a</b> Form 8868 check here <input type="checkbox"/>	<b>b</b> Balance due (Form 8868, line 3c)	<b>5b</b>	
<b>6a</b> Form 990-T check here <input type="checkbox"/>	<b>b</b> Total tax (Form 990-T, Part III, line 4)	<b>6b</b>	
<b>7a</b> Form 4720 check here <input type="checkbox"/>	<b>b</b> Total tax (Form 4720, Part III, line 1)	<b>7b</b>	

### Part II Declaration and Signature Authorization of Officer or Person Subject to Tax

Under penalties of perjury, I declare that  I am an officer of the above organization or  I am a person subject to tax with respect to (name of organization) \_\_\_\_\_, (EIN) \_\_\_\_\_ and that I have examined a copy of the 2020 electronic return and accompanying schedules and statements, and, to the best of my knowledge and belief, they are true, correct, and complete. I further declare that the amount in Part I above is the amount shown on the copy of the electronic return. I consent to allow my intermediate service provider, transmitter, or electronic return originator (ERO) to send the return to the IRS and to receive from the IRS (a) an acknowledgement of receipt or reason for rejection of the transmission, (b) the reason for any delay in processing the return or refund, and (c) the date of any refund. If applicable, I authorize the U.S. Treasury and its designated Financial Agent to initiate an electronic funds withdrawal (direct debit) entry to the financial institution account indicated in the tax preparation software for payment of the federal taxes owed on this return, and the financial institution to debit the entry to this account. To revoke a payment, I must contact the U.S. Treasury Financial Agent at 1-888-353-4537 no later than 2 business days prior to the payment (settlement) date. I also authorize the financial institutions involved in the processing of the electronic payment of taxes to receive confidential information necessary to answer inquiries and resolve issues related to the payment. I have selected a personal identification number (PIN) as my signature for the electronic return and, if applicable, the consent to electronic funds withdrawal.

#### PIN: check one box only

I authorize Wendy Dugall, CPA - ProNet Services Inc. to enter my PIN 

3	2	7	1	4
---	---	---	---	---

 as my signature  
ERO firm name Enter five numbers, but do not enter all zeros

on the tax year 2020 electronically filed return. If I have indicated within this return that a copy of the return is being filed with a state agency(ies) regulating charities as part of the IRS Fed/State program, I also authorize the aforementioned ERO to enter my PIN on the return's disclosure consent screen.

As an officer or person subject to tax with respect to the organization, I will enter my PIN as my signature on the tax year 2020 electronically filed return. If I have indicated within this return that a copy of the return is being filed with a state agency(ies) regulating charities as part of the IRS Fed/State program, I will enter my PIN on the return's disclosure consent screen.

Signature of officer or person subject to tax ▶ \_\_\_\_\_

Date ▶ 10/09/2021

### Part III Certification and Authentication

**ERO's EFIN/PIN.** Enter your six-digit electronic filing identification number (EFIN) followed by your five-digit self-selected PIN.

7	5	8	6	7	4	5	0	1	7	9
---	---	---	---	---	---	---	---	---	---	---

Do not enter all zeros

I certify that the above numeric entry is my PIN, which is my signature on the 2020 electronically filed return indicated above. I confirm that I am submitting this return in accordance with the requirements of **Pub. 4163, Modernized e-File (MeF) Information for Authorized IRS e-file Providers for Business Returns.**

ERO's signature ▶ \_\_\_\_\_

Date ▶ 10/13/2021

**ERO Must Retain This Form — See Instructions**  
**Do Not Submit This Form to the IRS Unless Requested To Do So**

## Additional information from your 2020 Federal Exempt Tax Return

### Form 990: Return of Organization Exempt from Income Tax Other amt. not included

#### Itemization Statement

Description	Amount
Contributions	586,423.
Greenhouse contributions	17,203.
Restricted Contributions-Cafe rent	27,000.
<b>Total</b>	<b>630,626.</b>

### Form 990: Return of Organization Exempt from Income Tax Line 7 col (B)

#### Itemization Statement

Description	Amount
COGS Other Costs	132,244.
Greenhouse	58,228.
Fulfillment	5,441.
<b>Total</b>	<b>195,913.</b>

### Form 990: Return of Organization Exempt from Income Tax Line 10 col (B)

#### Itemization Statement

Description	Amount
COGS Other Costs	10,756.
Greenhouse	4,607.
Fulfillment	453.
<b>Total</b>	<b>15,816.</b>

### Form 990: Return of Organization Exempt from Income Tax Line 11c col (B)

#### Itemization Statement

Description	Amount
COGS Other Costs	3,575.
Greenhouse	3,575.
<b>Total</b>	<b>7,150.</b>

### Form 990: Return of Organization Exempt from Income Tax Line 12 col (B)

#### Itemization Statement

Description	Amount
COGS Other Costs	1,233.
Greenhouse	297.
<b>Total</b>	<b>1,530.</b>

**Form 990: Return of Organization Exempt from Income Tax**

**Line 13 col (B)**

**Itemization Statement**

Description	Amount
COGS Other costs	924.
Greenhouse	487.
<b>Total</b>	<b>1,411.</b>

**Form 990: Return of Organization Exempt from Income Tax**

**Line 14 col (B)**

**Itemization Statement**

Description	Amount
COGS Other Costs	3,926.
Greenhouse	297.
Fulfillment	1,031.
<b>Total</b>	<b>5,254.</b>

**Form 990: Return of Organization Exempt from Income Tax**

**Line 16 col (B)**

**Itemization Statement**

Description	Amount
Rent	59,250.
Utilities	12,266.
Property tax	847.
Greenhouse Rent	16,199.
Greenhouse property tax	1,926.
Greenhouse Utilities	2,135.
<b>Total</b>	<b>92,623.</b>

**Form 990: Return of Organization Exempt from Income Tax**

**Line 23 col (B)**

**Itemization Statement**

Description	Amount
COGS Other Costs	7,331.
Greenhouse	5,175.
<b>Total</b>	<b>12,506.</b>

**Form 990: Return of Organization Exempt from Income Tax**

**Part IX Line 24 (continued) (1)**

**Line 24 col (B)**

**Itemization Statement**

Description	Amount
Purchases	81,092.
Delivery fees	56.
Fulfillment	827.
<b>Total</b>	<b>81,975.</b>

**Form 990: Return of Organization Exempt from Income Tax**

**Part IX Line 24 (continued) (2)**

**Line 24 col (B)**

**Itemization Statement**

Description	Amount
Bank fees	36.
Credit card fees	4,756.
Greenhouse credit card fees	1,589.
Greenhouse bank fees	14.
Fulfillment credit card fees	21.
Fulfillment bank fees	45.
<b>Total</b>	<b>6,461.</b>

**Form 990: Return of Organization Exempt from Income Tax**

**Part IX Line 24 (continued) (3)**

**Line 24 col (B)**

**Itemization Statement**

Description	Amount
Greenhouse Supplies & Materials	49,328.
Greenhouse Small tools	608.
Fulfillment Supplies & Materials	3,350.
<b>Total</b>	<b>53,286.</b>

**Form 990: Return of Organization Exempt from Income Tax**

**Part IX Line 24 (continued) (4)**

**Line 24 col (B)**

**Itemization Statement**

Description	Amount
COGS Other Costs	1,627.
Greenhouse equipment repairs and maintenance	1,323.
Greenhouse repairs and maintenance	3,186.
<b>Total</b>	<b>6,136.</b>

**Form 990: Return of Organization Exempt from Income Tax**

**Part IX Line 24 (continued) (2)**

**Line 24 col (C)**

**Itemization Statement**

Description	Amount
bank fees	14.
Credit card fees	2,765.
<b>Total</b>	<b>2,779.</b>

**Form 990: Return of Organization Exempt from Income Tax**

**Line 1, column (A)**

**Itemization Statement**

Description	Amount
Checking and Savings	180,557.
Credit Card/Deposit Clearing	562.
<b>Total</b>	<b>181,119.</b>

**Form 990: Return of Organization Exempt from Income Tax****Line 1, column (B)****Itemization Statement**

Description	Amount
Cash	516,770.
Credit card deposit clearing	1,738.
<b>Total</b>	<b>518,508.</b>

**Form 990: Return of Organization Exempt from Income Tax****Line 9, column (B)****Itemization Statement**

Description	Amount
Security Deposit	3,500.
Prepaid expenses	1,146.
<b>Total</b>	<b>4,646.</b>

**Form 990: Return of Organization Exempt from Income Tax****Line 17, column (A)****Itemization Statement**

Description	Amount
Credit Card	2,115.
Gift Certificates O/S	650.
Sales Tax Payable	1,946.
<b>Total</b>	<b>4,711.</b>

**Form 990: Return of Organization Exempt from Income Tax****Line 17, column (B)****Itemization Statement**

Description	Amount
Accounts Payable	3,048.
Accrued Expenses	18,626.
Credit card payables	5,457.
Sales Tax Payable	2,456.
<b>Total</b>	<b>29,587.</b>

**Schedule D: Supplemental Financial Statements****Buildings col (c)****Itemization Statement**

Description	Amount
Greenhouse	15,140.
Land Improvements	10,831.
<b>Total</b>	<b>25,971.</b>

**HUGS CAFE, INC.**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**  
**DECEMBER 31, 2019**



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Hugs Cafe, Inc.

We have audited the accompanying financial statements of Hugs Cafe, Inc., which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risk 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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hugs Cafe, Inc. 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.

*Gwynn CPAs*

Dallas, Texas  
August 19, 2020

**HUGS CAFE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**

ASSETS

Current Assets	
Cash and cash equivalents	\$ 180,556
Accounts receivable, net	562
Contributions receivable - current portion	23,250
Prepaid expenses	<u>394</u>
Total Current Assets	204,762
Property and Equipment, net	90,462
Other Assets	
Security deposits	3,000
Contributions receivable - long-term portion	<u>28,515</u>
Total Other Assets	<u>31,515</u>
Total Assets	<u><u>\$ 326,739</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 2,829
Accrued expenses	<u>9,428</u>
Total Current Liabilities	12,257
Net Assets	
Net assets without donor restrictions	262,348
Net assets with donor restrictions	<u>52,134</u>
Total Net Assets	<u>314,482</u>
Total Liabilities and Net Assets	<u><u>\$ 326,739</u></u>

The notes to financial statements are an integral part of these statements.

**HUGS CAFE, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue, Support, and Gains</b>			
Contributions	\$ 352,730	\$ -	\$ 352,730
In-kind contributions	16,199	70,134	86,333
Sales	255,997	-	255,997
Other	952	-	952
Net assets released from restrictions			
Expiration of time restrictions	23,631	(23,631)	-
Total revenue, support, and gains	<u>649,509</u>	<u>46,503</u>	<u>696,012</u>
<b>Expenses</b>			
Program services expense			
Cafe	365,374	-	365,374
Greenhouse	151,449	-	151,449
Prep school	724	-	724
Total program services expenses	<u>517,547</u>	<u>-</u>	<u>517,547</u>
Supporting services expense			
Management and general	37,433	-	37,433
Fundraising	40,071	-	40,071
Total supporting services expenses	<u>77,504</u>	<u>-</u>	<u>77,504</u>
Total expenses	<u>595,051</u>	<u>-</u>	<u>595,051</u>
Change in Net Assets	54,458	46,503	100,961
Net Assets at Beginning of Year	<u>207,890</u>	<u>5,631</u>	<u>213,521</u>
Net Assets at End of Year	<u>\$ 262,348</u>	<u>\$ 52,134</u>	<u>\$ 314,482</u>

The notes to financial statements are an integral part of these statements.

**HUGS CAFE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Services			Supporting Services		Total
	Cafe	Greenhouse	Prep School	Management and General	Fundraising	
Salaries, payroll taxes, and benefits	\$ 175,455	\$ 58,062	\$ 386	\$ 32,250	\$ -	\$ 266,153
Food and drink	65,574	-	230	-	-	65,804
Tools and equipment	13,820	44,417	-	-	-	58,237
Communication, printing, and postage	3,017	-	-	-	2,629	5,646
Rent, repairs, and utilities	80,621	22,103	-	-	1,600	104,324
Promotion	1,803	2,715	66	-	29,781	34,365
Computer support	1,628	1,825	-	-	-	3,453
Professional fees	11,359	8,636	-	2,064	4,512	26,571
Depreciation and amortization	2,292	11,172	-	-	-	13,464
Office supplies and other	9,805	2,519	42	3,119	1,549	17,034
Total Functional Expenses	<u>\$ 365,374</u>	<u>\$ 151,449</u>	<u>\$ 724</u>	<u>\$ 37,433</u>	<u>\$ 40,071</u>	<u>\$ 595,051</u>

The notes to financial statements are an integral part of these statements.

**HUGS CAFE, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Cash Flows from Operating Activities	
Change in net assets	\$ 100,961
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation and amortization	13,464
Donated rent	(46,134)
Change in operating assets and liabilities:	
Accounts receivable	(321)
Prepaid expenses	(394)
Accounts payable	179
Accrued expenses	340
	<hr/>
Net cash provided by operating activities	68,095
 Cash Flows from Investing Activities	
Purchase of property and equipment	<hr/> (27,562)
 Net Change in Cash and Cash Equivalents	40,533
 Cash and Cash Equivalents, Beginning of Year	<hr/> 140,023
 Cash and Cash Equivalents, End of Year	<hr/> <u>\$ 180,556</u>

The notes to financial statements are an integral part of these statements.

**HUGS CAFE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

Hugs Cafe, Inc. (the “Organization”) is a Section 501(c)(3) nonprofit corporation founded in 2013. The mission of Hugs Cafe, Inc. is to enhance the lives of adults with special needs through training and employment.

The Organization operates a cafe, which is operated primarily by adults with special needs. The cafe is open for lunch 5 days each week. The Organization also operates a greenhouse, staffed primarily by adults with special needs. The greenhouse focuses on growing and selling fresh plant varieties such as perennials, annuals, and herbs. Hugs Prep is a culinary and hospitality class offered at Hugs Cafe to provide training and job placement assistance to adults with special needs.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting.

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 of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. The most significant estimates pertain to the valuation of donated rent, operating accruals, and estimated useful lives of long-lived assets.

Basis of Presentation

The Organization presents its financial statements in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958, “Not-for Profit Entities”. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

*Net assets with donor restrictions* – Includes net assets subject to donor-imposed stipulations that expire with the passage of time.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. During 2019, net assets released from restrictions by time were used primarily for the cafe.

**HUGS CAFE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with insignificant interest rate risk and original maturities of three months or less. At times, cash and cash equivalents held at a financial institution may be in excess of the Federal Deposit Insurance Corporation (“FDIC”) coverage limit. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

Accounts receivable are primarily comprised of credit card charges, which are generally converted to cash in two to five days after a purchase is made. The Organization does not anticipate any material collection loss on the balance in accounts receivable; accordingly, no allowance for doubtful accounts has been established.

Contributions Receivable

Contributions receivable expected to be collected within one year are recorded at estimated net realizable value. Contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Management determines the allowance for uncollectable contributions receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectable. No allowance for contributions receivable was recorded as of December 31, 2019.

Revenue Recognition

*Contributions and pledges* - Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

*Sales* – Sales of food and beverage are recorded at the point-of-sale upon receipt of cash, check, or credit card charge, net of discounts and promotional allowances. Sales taxes collected from customers and remitted to governmental authorities are presented on a net basis in the accompanying statement of activities.



**HUGS CAFE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received.

Property and Equipment

Property and equipment are stated at their costs at the dates of acquisition or at their fair values at the dates of donation. Depreciation is provided using the straight-line method, applied over the assets' estimated useful lives, ranging from 2 to 10 years. Expenditures for leasehold improvements are capitalized and amortized using the straight-line method over the shorter of the estimated useful life of the specific asset or the term of the applicable lease.

Functional Allocation of Expenses

The cost of providing the Organization's various programs and supporting services has been summarized on a functional basis in the accompanying statement of activities. The majority of expenses can be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses including depreciation and amortization, occupancy, information technology, and administration services have been allocated among program and supporting service classifications using headcount.

Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management.

Income Taxes

The Organization is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state level as a charitable organization, whereby only unrelated business income, as defined by Section 509(a)(1) of the code is subject to federal income tax.

The Organization has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. The Organization is required to file an annual return of Organization Exempt from Income Tax (Form 990) with the IRS.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties were incurred.

**HUGS CAFE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 3 – AVAILABILITY AND LIQUIDITY**

The following represents the Organization’s financial assets as of December 31, 2019:

Financial assets at year end:	
Cash and cash equivalents	\$ 180,556
Accounts receivable	562
Contributions receivable	<u>51,765</u>
Total financial assets	<u>232,883</u>
Less amounts not available to be used within one year:	
Restricted by donor with time restrictions	<u>28,515</u>
Total financial assets available to management for general expenditures within one year	<u><u>\$ 204,368</u></u>

The Organization’s goal is generally to maintain financial assets to meet at least six to nine months of normal operating expenses. Management considers donor restricted contributions that will be used within one year as part of its ordinary operations, as being available for general expenditures.

**NOTE 4 – CONTRIBUTIONS RECEIVABLE**

Unconditional promises to give are estimated to be collected as follows as of December 31, 2019:

Gross amounts due in:	
One year	\$ 24,000
One to five years	<u>30,000</u>
	54,000
Discount to present value (1.60%)	<u>(2,235)</u>
Total contributions receivable, net	<u><u>\$ 51,765</u></u>

Contributions receivable relate solely to the in-kind donations of rent provided over the total lease term. See Note 6.

**HUGS CAFE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of December 31, 2019:

Leasehold improvements	\$	95,606
Furniture and equipment		14,777
		110,383
Less accumulated depreciation and amortization		(19,921)
Total property and equipment, net	\$	90,462

Depreciation and amortization expense for the year ended December 31, 2019 was \$13,464.

**NOTE 6 – COMMITMENTS**

In August 2015, the Organization entered into an agreement with a landlord to lease restaurant space commencing August 1, 2015, with an initial expiration date of March 31, 2016. The lease contained a renewal option for an additional three years, which the Organization renewed during 2016. The monthly rent for the lease term is \$3,000 payable in cash with a \$2,000 in-kind donation.

In March 2019, the Organization entered into an amendment to the lease for an additional 36-month extension for the use of the property and the same terms. Effective April 1, 2019, the lease was renewed for a three-year period ending March 31, 2022. Under the agreement, the Organization will pay \$3,000 in cash per month with a \$2,000 in-kind donation per month.

During 2017, the Organization entered into an agreement with a landlord to lease approximately five acres of land for the greenhouse program. The lease commenced on January 1, 2018 for one year and automatically renews annually on January 1 until either termination by the landlord or the Organization. Rent is payable \$1 in cash annually and the Organization determined the fair value of the rent to be \$16,200 per year. The value of the donated rent of \$16,199 was recorded as an in-kind donation on the accompanying statement of activities as of December 31, 2019.

Future minimum lease payments are approximately as follows:

For the years ending December 31,

2020	\$	36,000
2021		36,000
2022		9,000
		\$ 81,000

**HUGS CAFE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 7 – SUBSEQUENT EVENTS**

Subsequent events were evaluated through August 19, 2020, which is the date the financial statements were available to be issued. No events have occurred subsequent to the year ended December 31, 2019 that would require adjustment to, or disclosure in, the financial statements.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter to negatively impact its operations. However, the related financial impact and duration cannot be reasonably estimated at this time.

# Return of Organization Exempt From Income Tax

OMB No. 1545-0047

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

**2019**

▶ Do not enter social security numbers on this form as it may be made public.

▶ Go to [www.irs.gov/Form990](http://www.irs.gov/Form990) for instructions and the latest information.

**Open to Public Inspection**

**A** For the 2019 calendar year, or tax year beginning **2019**, and ending **2020**

**B** Check if applicable:  
 Address change  
 Name change  
 Initial return  
 Final return/terminated  
 Amended return  
 Application pending

**C** Name of organization Hugs Cafe, Inc.  
 Doing business as \_\_\_\_\_  
 Number and street (or P.O. box if mail is not delivered to street address) Room/suite  
224 E. Virginia  
 City or town, state or province, country, and ZIP or foreign postal code  
McKinney, TX 75069

**D** Employer identification number  
46-2332714

**E** Telephone number  
(469) 301-6900

**F** Name and address of principal officer:  
Georgiann Leonard, 2637 Fairway Ridge Drive, McKinney, TX 75070

**G** Gross receipts \$ 609,773.

**H(a)** Is this a group return for subordinates?  Yes  No  
**H(b)** Are all subordinates included?  Yes  No  
 If "No," attach a list. (see instructions)

**I** Tax-exempt status:  501(c)(3)  501(c) ( ) ◀ (insert no.)  4947(a)(1) or  527

**J** Website: ▶ N/A

**K** Form of organization:  Corporation  Trust  Association  Other ▶

**L** Year of formation: 2014

**M** State of legal domicile: TX

**H(c)** Group exemption number ▶

**Part I Summary**

<b>Activities &amp; Governance</b>	<b>1</b>	Briefly describe the organization's mission or most significant activities: <u>The mission of Hugs Cafe is to create an inviting place of training and employment for adults with special needs while providing dignity, self-worth, and developing respect</u>		
	<b>2</b>	Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets.		
	<b>3</b>	Number of voting members of the governing body (Part VI, line 1a)	<b>3</b>	11
	<b>4</b>	Number of independent voting members of the governing body (Part VI, line 1b)	<b>4</b>	11
	<b>5</b>	Total number of individuals employed in calendar year 2019 (Part V, line 2a)	<b>5</b>	37
	<b>6</b>	Total number of volunteers (estimate if necessary)	<b>6</b>	12
	<b>7a</b>	Total unrelated business revenue from Part VIII, column (C), line 12	<b>7a</b>	0.
<b>7b</b>	Net unrelated business taxable income from Form 990-T, line 39	<b>7b</b>	0.	
<b>Revenue</b>	<b>8</b>	Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	<b>9</b>	Program service revenue (Part VIII, line 2g)	275,517.	352,730.
	<b>10</b>	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1.	30.
	<b>11</b>	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	89.	93.
	<b>12</b>	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	519,795.	609,773.
<b>Expenses</b>	<b>13</b>	Grants and similar amounts paid (Part IX, column (A), lines 1–3)		
	<b>14</b>	Benefits paid to or for members (Part IX, column (A), line 4)		
	<b>15</b>	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	210,568.	261,043.
	<b>16a</b>	Professional fundraising fees (Part IX, column (A), line 11e)		
	<b>b</b>	Total fundraising expenses (Part IX, column (D), line 25) ▶ <u>38,447.</u>		
	<b>17</b>	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	232,033.	316,379.
<b>18</b>	Total expenses. Add lines 13–17 (must equal Part IX, column (A), line 25)	442,601.	577,422.	
<b>19</b>	Revenue less expenses. Subtract line 18 from line 12	77,194.	32,351.	
<b>Net Assets or Fund Balances</b>	<b>20</b>	Total assets (Part X, line 16)	Beginning of Current Year	End of Year
	<b>21</b>	Total liabilities (Part X, line 26)	252,250.	284,270.
	<b>22</b>	Net assets or fund balances. Subtract line 21 from line 20	5,042.	4,711.
			247,208.	279,559.

**Part II Signature Block**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

**Sign Here**

Signature of officer: \_\_\_\_\_ Date: 04/20/2020  
Georgiann Leonard, Treasurer  
 Type or print name and title

**Paid Preparer Use Only**

Print/Type preparer's name: Wendy Dugall, CPA Preparer's signature: \_\_\_\_\_ Date: 04/22/2020 Check  if self-employed PTIN: P00433510  
 Firm's name ▶ Wendy Dugall, CPA - ProNet Services Inc. Firm's EIN ▶ 75-2638297  
 Firm's address ▶ 5010 Timber Circle Dr, McKinney, TX 75072 Phone no. (972) 762-5015

May the IRS discuss this return with the preparer shown above? (see instructions)  Yes  No

**Part III** Statement of Program Service Accomplishments

Check if Schedule O contains a response or note to any line in this Part III

**1** Briefly describe the organization's mission:

The mission of Hugs Cafe is to create an inviting place of training and employment for adults with special needs while providing dignity, self-worth, and developing respect

**2** Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?  Yes  No  
If "Yes," describe these new services on Schedule O.

**3** Did the organization cease conducting, or make significant changes in how it conducts, any program services?  Yes  No  
If "Yes," describe these changes on Schedule O.

**4** Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

**4a** (Code: ) (Expenses \$ 350,027. including grants of \$ 0.) (Revenue \$ 525,112.)  
Hugs Cafe, Inc. is a non-profit organization dedicated to providing a sustainable source of training and employment for qualified special needs adults in our Cafe and the food service/restaurant industry.

**4b** (Code: ) (Expenses \$ 145,493. including grants of \$ 0.) (Revenue \$ 83,644.)  
Hugs Greenhouse is an initiative within Hugs Cafe's mission to employ and train dozens of special needs adults who have the skills to work, but may not be the fit to work in the Hugs Cafe restaurant.

**4c** (Code: ) (Expenses \$ including grants of \$ ) (Revenue \$ )

**4d** Other program services (Describe on Schedule O.)  
(Expenses \$ including grants of \$ ) (Revenue \$ )

**4e** Total program service expenses ▶ 495,520.

**Part IV Checklist of Required Schedules**

	Yes	No
<b>1</b> Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A</i> . . . . .	<b>1</b> X	
<b>2</b> Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)? . . . . .	<b>2</b> X	
<b>3</b> Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I</i> . . . . .	<b>3</b>	X
<b>4</b> <b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II</i> . . . . .	<b>4</b>	X
<b>5</b> Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III</i> . . . . .	<b>5</b>	X
<b>6</b> Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I</i> . . . . .	<b>6</b>	X
<b>7</b> Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? <i>If "Yes," complete Schedule D, Part II</i> . . . . .	<b>7</b>	X
<b>8</b> Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i> . . . . .	<b>8</b>	X
<b>9</b> Did the organization report an amount in Part X, line 21, for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV</i> . . . . .	<b>9</b>	X
<b>10</b> Did the organization, directly or through a related organization, hold assets in donor-restricted endowments or in quasi endowments? <i>If "Yes," complete Schedule D, Part V</i> . . . . .	<b>10</b>	X
<b>11</b> If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.		
<b>a</b> Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI</i> . . . . .	<b>11a</b> X	
<b>b</b> Did the organization report an amount for investments—other securities in Part X, line 12, that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII</i> . . . . .	<b>11b</b>	X
<b>c</b> Did the organization report an amount for investments—program related in Part X, line 13, that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII</i> . . . . .	<b>11c</b>	X
<b>d</b> Did the organization report an amount for other assets in Part X, line 15, that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX</i> . . . . .	<b>11d</b> X	
<b>e</b> Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i> . . . . .	<b>11e</b>	X
<b>f</b> Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X</i> . . . . .	<b>11f</b>	X
<b>12a</b> Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i> . . . . .	<b>12a</b>	X
<b>b</b> Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional</i> . . . . .	<b>12b</b>	X
<b>13</b> Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i> . . . . .	<b>13</b>	X
<b>14a</b> Did the organization maintain an office, employees, or agents outside of the United States? . . . . .	<b>14a</b>	X
<b>b</b> Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Parts I and IV.</i> . . . . .	<b>14b</b>	X
<b>15</b> Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? <i>If "Yes," complete Schedule F, Parts II and IV</i> . . . . .	<b>15</b>	X
<b>16</b> Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? <i>If "Yes," complete Schedule F, Parts III and IV.</i> . . . . .	<b>16</b>	X
<b>17</b> Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I</i> (see instructions) . . . . .	<b>17</b>	X
<b>18</b> Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II</i> . . . . .	<b>18</b>	X
<b>19</b> Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III</i> . . . . .	<b>19</b>	X
<b>20a</b> Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i> . . . . .	<b>20a</b>	X
<b>b</b> If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? . . . . .	<b>20b</b>	
<b>21</b> Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or domestic government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i> . . . . .	<b>21</b>	X

**Part IV Checklist of Required Schedules** *(continued)*

	Yes	No
<b>22</b> Did the organization report more than \$5,000 of grants or other assistance to or for domestic individuals on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>		X
<b>23</b> Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>		X
<b>24a</b> Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i>		X
<b>b</b> Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		
<b>c</b> Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?		
<b>d</b> Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		
<b>25a</b> <b>Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>		X
<b>b</b> Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>		X
<b>26</b> Did the organization report any amount on Part X, line 5 or 22, for receivables from or payables to any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part II</i>		X
<b>27</b> Did the organization provide a grant or other assistance to any current or former officer, director, trustee, key employee, creator or founder, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity (including an employee thereof) or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>		X
<b>28</b> Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions, for applicable filing thresholds, conditions, and exceptions):		
<b>a</b> A current or former officer, director, trustee, key employee, creator or founder, or substantial contributor? <i>If "Yes," complete Schedule L, Part IV</i>		X
<b>b</b> A family member of any individual described in line 28a? <i>If "Yes," complete Schedule L, Part IV</i>		X
<b>c</b> A 35% controlled entity of one or more individuals and/or organizations described in lines 28a or 28b? <i>If "Yes," complete Schedule L, Part IV</i>		X
<b>29</b> Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>		X
<b>30</b> Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>		X
<b>31</b> Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>		X
<b>32</b> Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>		X
<b>33</b> Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>		X
<b>34</b> Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>		X
<b>35a</b> Did the organization have a controlled entity within the meaning of section 512(b)(13)?		X
<b>b</b> If "Yes" to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>		
<b>36</b> <b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>		X
<b>37</b> Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>		X
<b>38</b> Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? <b>Note:</b> All Form 990 filers are required to complete Schedule O.	X	

**Part V Statements Regarding Other IRS Filings and Tax Compliance**

Check if Schedule O contains a response or note to any line in this Part V

	Yes	No
<b>1a</b> Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable		
<b>b</b> Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable		
<b>c</b> Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	X	



**Part V** **Statements Regarding Other IRS Filings and Tax Compliance** (continued)

		Yes	No
<b>2a</b>	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return		
	<b>2a</b> 37		
<b>b</b>	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? <b>Note:</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	x	
<b>3a</b>	Did the organization have unrelated business gross income of \$1,000 or more during the year?		x
<b>b</b>	If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation on Schedule O		
<b>4a</b>	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		x
<b>b</b>	If "Yes," enter the name of the foreign country ▶ See instructions for filing requirements for FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR).		
<b>5a</b>	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		x
<b>b</b>	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		x
<b>c</b>	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?		
<b>6a</b>	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		x
<b>b</b>	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
<b>7</b>	<b>Organizations that may receive deductible contributions under section 170(c).</b>		
<b>a</b>	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		x
<b>b</b>	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
<b>c</b>	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		x
<b>d</b>	If "Yes," indicate the number of Forms 8282 filed during the year		
	<b>7d</b>		
<b>e</b>	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		x
<b>f</b>	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		x
<b>g</b>	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		x
<b>h</b>	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		x
<b>8</b>	<b>Sponsoring organizations maintaining donor advised funds.</b> Did a donor advised fund maintained by the sponsoring organization have excess business holdings at any time during the year?		x
<b>9</b>	<b>Sponsoring organizations maintaining donor advised funds.</b>		
<b>a</b>	Did the sponsoring organization make any taxable distributions under section 4966?		x
<b>b</b>	Did the sponsoring organization make a distribution to a donor, donor advisor, or related person?		x
<b>10</b>	<b>Section 501(c)(7) organizations.</b> Enter:		
<b>a</b>	Initiation fees and capital contributions included on Part VIII, line 12	<b>10a</b>	
<b>b</b>	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	<b>10b</b>	
<b>11</b>	<b>Section 501(c)(12) organizations.</b> Enter:		
<b>a</b>	Gross income from members or shareholders	<b>11a</b>	
<b>b</b>	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	<b>11b</b>	
<b>12a</b>	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?	<b>12a</b>	
<b>b</b>	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	<b>12b</b>	
<b>13</b>	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>		
<b>a</b>	Is the organization licensed to issue qualified health plans in more than one state? <b>Note:</b> See the instructions for additional information the organization must report on Schedule O.	<b>13a</b>	
<b>b</b>	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	<b>13b</b>	
<b>c</b>	Enter the amount of reserves on hand	<b>13c</b>	
<b>14a</b>	Did the organization receive any payments for indoor tanning services during the tax year?		x
<b>b</b>	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation on Schedule O	<b>14b</b>	
<b>15</b>	Is the organization subject to the section 4960 tax on payment(s) of more than \$1,000,000 in remuneration or excess parachute payment(s) during the year? If "Yes," see instructions and file Form 4720, Schedule N.	<b>15</b>	
<b>16</b>	Is the organization an educational institution subject to the section 4968 excise tax on net investment income? If "Yes," complete Form 4720, Schedule O.	<b>16</b>	

**Part VI Governance, Management, and Disclosure** For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes on Schedule O. See instructions. Check if Schedule O contains a response or note to any line in this Part VI

**Section A. Governing Body and Management**

		Yes	No
<b>1a</b>	Enter the number of voting members of the governing body at the end of the tax year . . . . .		
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain on Schedule O.		
<b>1b</b>	Enter the number of voting members included on line 1a, above, who are independent . . . . .		
<b>2</b>	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? . . . . .		X
<b>3</b>	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, trustees, or key employees to a management company or other person? . . . . .		X
<b>4</b>	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . . . .		X
<b>5</b>	Did the organization become aware during the year of a significant diversion of the organization's assets? . . . . .		X
<b>6</b>	Did the organization have members or stockholders? . . . . .		X
<b>7a</b>	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? . . . . .		X
<b>7b</b>	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? . . . . .		X
<b>8</b>	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
<b>8a</b>	The governing body? . . . . .	X	
<b>8b</b>	Each committee with authority to act on behalf of the governing body? . . . . .	X	
<b>9</b>	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses on Schedule O See Statement	X	

**Section B. Policies** (This Section B requests information about policies not required by the Internal Revenue Code.)

		Yes	No
<b>10a</b>	Did the organization have local chapters, branches, or affiliates? . . . . .		X
<b>10b</b>	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes? . . . . .		
<b>11a</b>	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? . . . . .	X	
<b>11b</b>	Describe in Schedule O the process, if any, used by the organization to review this Form 990. . . . .		
<b>12a</b>	Did the organization have a written conflict of interest policy? If "No," go to line 13 . . . . .	X	
<b>12b</b>	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? . . . . .	X	
<b>12c</b>	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done . . . . .	X	
<b>13</b>	Did the organization have a written whistleblower policy? . . . . .	X	
<b>14</b>	Did the organization have a written document retention and destruction policy? . . . . .	X	
<b>15</b>	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
<b>15a</b>	The organization's CEO, Executive Director, or top management official . . . . .		X
<b>15b</b>	Other officers or key employees of the organization . . . . .		X
	If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions).		
<b>16a</b>	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? . . . . .		X
<b>16b</b>	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements? . . . . .		

**Section C. Disclosure**

- 17** List the states with which a copy of this Form 990 is required to be filed ►
- 18** Section 6104 requires an organization to make its Forms 1023 (1024 or 1024-A, if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.
  - Own website  Another's website  Upon request  Other (explain on Schedule O)
- 19** Describe on Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.
- 20** State the name, address, and telephone number of the person who possesses the organization's books and records ►  
Georgiann Leonard, 2637 Fairway Ridge Dr, McKinney, TX 75070 (972)529-5817

**Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors**

Check if Schedule O contains a response or note to any line in this Part VII

**Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees**

**1a** Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
  - List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
  - List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
  - List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.
  - List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.
- See instructions for the order in which to list the persons above.

Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee.

(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Ruth Thompson President	30.00			X			0.	0.	0.	
(2) Alex Beard Vice President	1.00			X			0.	0.	0.	
(3) Georgiann Leonard Treasurer	20.00			X			0.	0.	0.	
(4) Wendi Osborn Secretary	2.00			X			0.	0.	0.	
(5) Jared Thompson Board Member	1.00	X					0.	0.	0.	
(6) Janice Morriss Board Member	1.00	X					0.	0.	0.	
(7) Kari Shelton Board Member	1.00	X					0.	0.	0.	
(8) Mark Potter Board Member	1.00	X					0.	0.	0.	
(9) Shannon Patterson Board Member	1.00	X					0.	0.	0.	
(10) Marc Robertson Board Member	1.00	X					0.	0.	0.	
(11) Rick Lewis Board Member	1.00	X					0.	0.	0.	
(12)										
(13)										
(14)										

**Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees** *(continued)*

(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(15)										
(16)										
(17)										
(18)										
(19)										
(20)										
(21)										
(22)										
(23)										
(24)										
(25)										
<b>1b Subtotal</b>							0.	0.	0.	
<b>c Total from continuation sheets to Part VII, Section A</b>										
<b>d Total (add lines 1b and 1c)</b>							0.	0.	0.	

**2** Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization

	Yes	No
<b>3</b> Did the organization list any <b>former</b> officer, director, trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>		X
<b>4</b> For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>		X
<b>5</b> Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>		X

**Section B. Independent Contractors**

**1** Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation

**2** Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization

**Part VIII Statement of Revenue**

Check if Schedule O contains a response or note to any line in this Part VIII

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514	
<b>Contributions, Gifts, Grants and Other Similar Amounts</b>	<b>1a</b>	Federated campaigns . . . . .					
	<b>b</b>	Membership dues . . . . .					
	<b>c</b>	Fundraising events . . . . .					
	<b>d</b>	Related organizations . . . . .					
	<b>e</b>	Government grants (contributions)					
	<b>f</b>	All other contributions, gifts, grants, and similar amounts not included above	352,730.				
	<b>g</b>	Noncash contributions included in lines 1a-1f . . . . .	\$				
	<b>h</b>	<b>Total.</b> Add lines 1a-1f . . . . . ▶	352,730.				
<b>Program Service Revenue</b>			Business Code				
	<b>2a</b>	-----					
	<b>b</b>	-----					
	<b>c</b>	-----					
	<b>d</b>	-----					
	<b>e</b>	-----					
	<b>f</b>	All other program service revenue . . . . .	256,920.	256,920.	0.	0.	
<b>g</b>	<b>Total.</b> Add lines 2a-2f . . . . . ▶	256,920.					
<b>Other Revenue</b>	<b>3</b>	Investment income (including dividends, interest, and other similar amounts) . . . . . ▶	30.	30.	0.	0.	
	<b>4</b>	Income from investment of tax-exempt bond proceeds ▶					
	<b>5</b>	Royalties . . . . . ▶					
	<b>6a</b>	Gross rents . . . . .	(i) Real				
			(ii) Personal				
	<b>b</b>	Less: rental expenses					
	<b>c</b>	Rental income or (loss)					
	<b>d</b>	Net rental income or (loss) . . . . . ▶					
	<b>7a</b>	Gross amount from sales of assets other than inventory	(i) Securities				
			(ii) Other				
	<b>b</b>	Less: cost or other basis and sales expenses . . . . .					
	<b>c</b>	Gain or (loss) . . . . .					
	<b>d</b>	Net gain or (loss) . . . . . ▶					
	<b>8a</b>	Gross income from fundraising events (not including \$ of contributions reported on line 1c). See Part IV, line 18 . . . . .					
<b>b</b>	Less: direct expenses . . . . .						
<b>c</b>	Net income or (loss) from fundraising events . . . ▶						
<b>9a</b>	Gross income from gaming activities. See Part IV, line 19 . . . . .						
<b>b</b>	Less: direct expenses . . . . .						
<b>c</b>	Net income or (loss) from gaming activities . . . ▶						
<b>10a</b>	Gross sales of inventory, less returns and allowances . . . . .						
<b>b</b>	Less: cost of goods sold . . . . .						
<b>c</b>	Net income or (loss) from sales of inventory . . . ▶						
<b>Miscellaneous Revenue</b>			Business Code				
	<b>11a</b>	-----					
	<b>b</b>	-----					
	<b>c</b>	-----					
	<b>d</b>	All other revenue . . . . .	93.	93.	0.	0.	
<b>e</b>	<b>Total.</b> Add lines 11a-11d . . . . . ▶	93.					
<b>12</b>	<b>Total revenue.</b> See instructions . . . . . ▶	609,773.	257,043.	0.	0.		

**Part IX Statement of Functional Expenses**

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

Check if Schedule O contains a response or note to any line in this Part IX

**Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.**

	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
<b>1</b> Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21 . . . . .				
<b>2</b> Grants and other assistance to domestic individuals. See Part IV, line 22 . . . . .				
<b>3</b> Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16 . . . . .				
<b>4</b> Benefits paid to or for members . . . . .				
<b>5</b> Compensation of current officers, directors, trustees, and key employees . . . . .				
<b>6</b> Compensation not included above to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . . . . .				
<b>7</b> Other salaries and wages . . . . .	241,355.	211,047.	30,308.	0.
<b>8</b> Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions) . . . . .				
<b>9</b> Other employee benefits . . . . .				
<b>10</b> Payroll taxes . . . . .	19,688.	17,988.	1,700.	0.
<b>11</b> Fees for services (nonemployees):				
<b>a</b> Management . . . . .				
<b>b</b> Legal . . . . .				
<b>c</b> Accounting . . . . .	8,215.	7,765.	450.	0.
<b>d</b> Lobbying . . . . .				
<b>e</b> Professional fundraising services. See Part IV, line 17 . . . . .				
<b>f</b> Investment management fees . . . . .				
<b>g</b> Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O.) . . . . .	21,564.	21,564.	0.	0.
<b>12</b> Advertising and promotion . . . . .	4,584.	4,584.	0.	0.
<b>13</b> Office expenses . . . . .	4,983.	4,864.	119.	0.
<b>14</b> Information technology . . . . .	3,847.	3,847.	0.	0.
<b>15</b> Royalties . . . . .				
<b>16</b> Occupancy . . . . .	52,559.	52,559.	0.	0.
<b>17</b> Travel . . . . .				
<b>18</b> Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .				
<b>19</b> Conferences, conventions, and meetings . . . . .				
<b>20</b> Interest . . . . .				
<b>21</b> Payments to affiliates . . . . .				
<b>22</b> Depreciation, depletion, and amortization . . . . .	14,834.	8,821.	6,013.	0.
<b>23</b> Insurance . . . . .	12,298.	11,194.	1,104.	0.
<b>24</b> Other expenses. Itemize expenses not covered above (List miscellaneous expenses on line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
<b>a</b> <u>Food, Beverages, Delivery Fee</u> . . . . .	67,333.	67,333.	0.	0.
<b>b</b> <u>Merchant and Bank fees</u> . . . . .	9,037.	6,311.	2,726.	0.
<b>c</b> <u>Greenhouse Supplies, Materials, Tools</u> . . . . .	44,417.	44,417.	0.	0.
<b>d</b> <u>Repairs &amp; Maintenance</u> . . . . .	8,134.	8,134.	0.	0.
<b>e</b> All other expenses . . . . .	64,574.	25,092.	1,035.	38,447.
<b>25</b> <b>Total functional expenses.</b> Add lines 1 through 24e . . . . .	577,422.	495,520.	43,455.	38,447.
<b>26</b> <b>Joint costs.</b> Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) . . . . .				

**Part X Balance Sheet**

Check if Schedule O contains a response or note to any line in this Part X

		(A) Beginning of year		(B) End of year
<b>Assets</b>	<b>1</b> Cash—non-interest-bearing . . . . .	140,265.	<b>1</b>	181,119.
	<b>2</b> Savings and temporary cash investments . . . . .		<b>2</b>	
	<b>3</b> Pledges and grants receivable, net . . . . .		<b>3</b>	
	<b>4</b> Accounts receivable, net . . . . .		<b>4</b>	
	<b>5</b> Loans and other receivables from any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons . . . . .		<b>5</b>	
	<b>6</b> Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), and persons described in section 4958(c)(3)(B) . . . . .		<b>6</b>	
	<b>7</b> Notes and loans receivable, net . . . . .		<b>7</b>	
	<b>8</b> Inventories for sale or use . . . . .		<b>8</b>	
	<b>9</b> Prepaid expenses and deferred charges . . . . .	3,000.	<b>9</b>	3,000.
	<b>10a</b> Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D . . . . .	<b>10a</b> 88,818.		
	<b>b</b> Less: accumulated depreciation . . . . .	<b>10b</b> 11,218.	80,421.	<b>10c</b> 77,600.
	<b>11</b> Investments—publicly traded securities . . . . .		<b>11</b>	
	<b>12</b> Investments—other securities. See Part IV, line 11 . . . . .		<b>12</b>	
	<b>13</b> Investments—program-related. See Part IV, line 11 . . . . .		<b>13</b>	
	<b>14</b> Intangible assets . . . . .		<b>14</b>	
	<b>15</b> Other assets. See Part IV, line 11 . . . . .	28,564.	<b>15</b>	22,551.
<b>16 Total assets.</b> Add lines 1 through 15 (must equal line 33) . . . . .	252,250.	<b>16</b>	284,270.	
<b>Liabilities</b>	<b>17</b> Accounts payable and accrued expenses . . . . .	5,042.	<b>17</b>	4,711.
	<b>18</b> Grants payable . . . . .		<b>18</b>	
	<b>19</b> Deferred revenue . . . . .		<b>19</b>	
	<b>20</b> Tax-exempt bond liabilities . . . . .		<b>20</b>	
	<b>21</b> Escrow or custodial account liability. Complete Part IV of Schedule D . . . . .		<b>21</b>	
	<b>22</b> Loans and other payables to any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons . . . . .		<b>22</b>	
	<b>23</b> Secured mortgages and notes payable to unrelated third parties . . . . .		<b>23</b>	
	<b>24</b> Unsecured notes and loans payable to unrelated third parties . . . . .		<b>24</b>	
	<b>25</b> Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17–24). Complete Part X of Schedule D . . . . .		<b>25</b>	
	<b>26 Total liabilities.</b> Add lines 17 through 25 . . . . .	5,042.	<b>26</b>	4,711.
<b>Net Assets or Fund Balances</b>	<b>Organizations that follow FASB ASC 958, check here <input checked="" type="checkbox"/> and complete lines 27, 28, 32, and 33.</b>			
	<b>27</b> Net assets without donor restrictions . . . . .	247,208.	<b>27</b>	279,559.
	<b>28</b> Net assets with donor restrictions . . . . .		<b>28</b>	
	<b>Organizations that do not follow FASB ASC 958, check here <input type="checkbox"/> and complete lines 29 through 33.</b>			
	<b>29</b> Capital stock or trust principal, or current funds . . . . .		<b>29</b>	
	<b>30</b> Paid-in or capital surplus, or land, building, or equipment fund . . . . .		<b>30</b>	
	<b>31</b> Retained earnings, endowment, accumulated income, or other funds . . . . .		<b>31</b>	
	<b>32</b> Total net assets or fund balances . . . . .	247,208.	<b>32</b>	279,559.
<b>33</b> Total liabilities and net assets/fund balances . . . . .	252,250.	<b>33</b>	284,270.	

**Part XI Reconciliation of Net Assets**

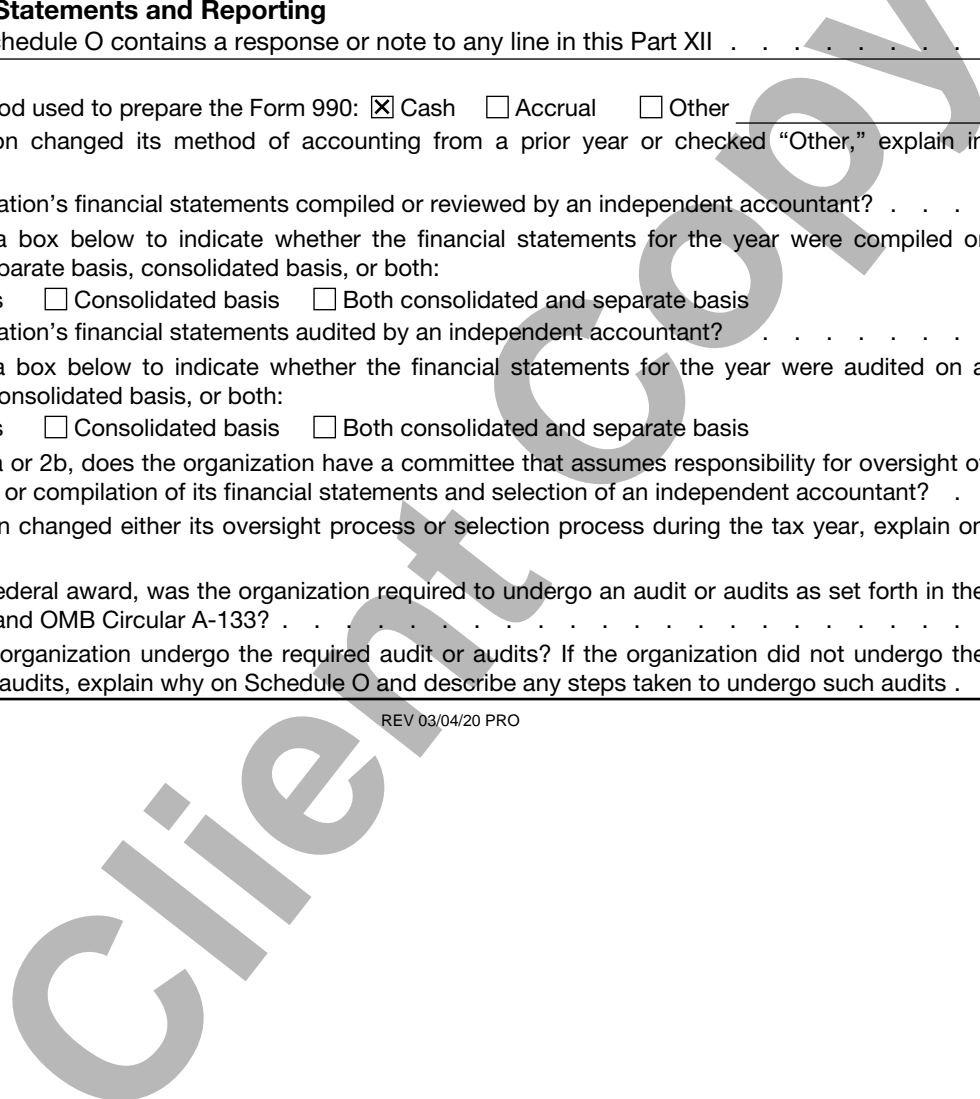
Check if Schedule O contains a response or note to any line in this Part XI

<b>1</b>	Total revenue (must equal Part VIII, column (A), line 12)	<b>1</b>	609,773.
<b>2</b>	Total expenses (must equal Part IX, column (A), line 25)	<b>2</b>	577,422.
<b>3</b>	Revenue less expenses. Subtract line 2 from line 1	<b>3</b>	32,351.
<b>4</b>	Net assets or fund balances at beginning of year (must equal Part X, line 32, column (A))	<b>4</b>	247,208.
<b>5</b>	Net unrealized gains (losses) on investments	<b>5</b>	
<b>6</b>	Donated services and use of facilities	<b>6</b>	
<b>7</b>	Investment expenses	<b>7</b>	
<b>8</b>	Prior period adjustments	<b>8</b>	
<b>9</b>	Other changes in net assets or fund balances (explain on Schedule O)	<b>9</b>	
<b>10</b>	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 32, column (B))	<b>10</b>	279,559.

**Part XII Financial Statements and Reporting**

Check if Schedule O contains a response or note to any line in this Part XII

	Yes	No
<b>1</b> Accounting method used to prepare the Form 990: <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Other If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O.		
<b>2a</b> Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both: <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		X
<b>b</b> Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both: <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		X
<b>c</b> If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain on Schedule O.	X	
<b>3a</b> As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		X
<b>b</b> If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why on Schedule O and describe any steps taken to undergo such audits.		





**Additional information from your Form 990: Return of Organization Exempt from Income Tax****Form 990: Return of Organization Exempt from Income Tax  
Part VI, Line 9 (continued)****Continuation Statement**

<b>Name</b>	<b>Address</b>	<b>City</b>	<b>St</b>	<b>ZIP</b>
Ruth Thompson	1706 Cross Point	McKinney	TX	75070
Wendi Osborn	2320 Ithasca Drive	McKinney	TX	75070
Georgiann Leonard	2637 Fairway Ridge	McKinney	TX	75070
Mark Potter	1404 Wade Haven Ct	McKinney	TX	75071
Jared Thompson	624 Thompson Drive	Coppell	TX	75019
Janice Morris	1205 N. Waddill	McKinney	TX	75069
Alex Beard	481 Oakview Circle	Fairview	TX	75069
Kari Shelton	3016 County Rd 205	McKinney	TX	75071
Shannon Patterson	1370 Lakeside Dr.	Prosper	TX	75078
Marc Robertson	3791 Broadmoor Way	Frisco	TX	75033
Rick Lewis	3212 Valley Forge	McKinney	TX	75070

**SCHEDULE A**  
**(Form 990 or 990-EZ)**

Department of the Treasury  
Internal Revenue Service

**Public Charity Status and Public Support**

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ Attach to Form 990 or Form 990-EZ.

▶ Go to [www.irs.gov/Form990](http://www.irs.gov/Form990) for instructions and the latest information.

OMB No. 1545-0047

**2019**

**Open to Public Inspection**

Name of the organization Hugs Cafe, Inc.	Employer identification number 46-2332714
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**Part I Reason for Public Charity Status** (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is: (For lines 1 through 12, check only one box.)

- 1  A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i)**.
- 2  A school described in **section 170(b)(1)(A)(ii)**. (Attach Schedule E (Form 990 or 990-EZ).)
- 3  A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii)**.
- 4  A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii)**. Enter the hospital's name, city, and state:
- 5  An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv)**. (Complete Part II.)
- 6  A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v)**.
- 7  An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)**. (Complete Part II.)
- 8  A community trust described in **section 170(b)(1)(A)(vii)**. (Complete Part II.)
- 9  An agricultural research organization described in **section 170(b)(1)(A)(ix)** operated in conjunction with a land-grant college or university or a non-land-grant college of agriculture (see instructions). Enter the name, city, and state of the college or university:
- 10  An organization that normally receives: (1) more than 33<sup>1</sup>/<sub>3</sub>% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33<sup>1</sup>/<sub>3</sub>% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2)**. (Complete Part III.)
- 11  An organization organized and operated exclusively to test for public safety. See **section 509(a)(4)**.
- 12  An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in **section 509(a)(1)** or **section 509(a)(2)**. See **section 509(a)(3)**. Check the box in lines 12a through 12d that describes the type of supporting organization and complete lines 12e, 12f, and 12g.
  - a  **Type I.** A supporting organization operated, supervised, or controlled by its supported organization(s), typically by giving the supported organization(s) the power to regularly appoint or elect a majority of the directors or trustees of the supporting organization. **You must complete Part IV, Sections A and B.**
  - b  **Type II.** A supporting organization supervised or controlled in connection with its supported organization(s), by having control or management of the supporting organization vested in the same persons that control or manage the supported organization(s). **You must complete Part IV, Sections A and C.**
  - c  **Type III functionally integrated.** A supporting organization operated in connection with, and functionally integrated with, its supported organization(s) (see instructions). **You must complete Part IV, Sections A, D, and E.**
  - d  **Type III non-functionally integrated.** A supporting organization operated in connection with its supported organization(s) that is not functionally integrated. The organization generally must satisfy a distribution requirement and an attentiveness requirement (see instructions). **You must complete Part IV, Sections A and D, and Part V.**
  - e  Check this box if the organization received a written determination from the IRS that it is a Type I, Type II, Type III functionally integrated, or Type III non-functionally integrated supporting organization.
- f Enter the number of supported organizations
- g Provide the following information about the supported organization(s).

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1–10 above (see instructions))	(iv) Is the organization listed in your governing document?		(v) Amount of monetary support (see instructions)	(vi) Amount of other support (see instructions)
			Yes	No		
(A)						
(B)						
(C)						
(D)						
(E)						
<b>Total</b>						

**Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

**Section A. Public Support**

Calendar year (or fiscal year beginning in) ►	(a) 2015	(b) 2016	(c) 2017	(d) 2018	(e) 2019	(f) Total
<b>1</b> Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.") . . . . .						
<b>2</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf . . . . .						
<b>3</b> The value of services or facilities furnished by a governmental unit to the organization without charge . . . . .						
<b>4 Total.</b> Add lines 1 through 3 . . . . .						
<b>5</b> The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f) . . . . .						
<b>6 Public support.</b> Subtract line 5 from line 4						

**Section B. Total Support**

Calendar year (or fiscal year beginning in) ►	(a) 2015	(b) 2016	(c) 2017	(d) 2018	(e) 2019	(f) Total
<b>7</b> Amounts from line 4 . . . . .						
<b>8</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources . . . . .						
<b>9</b> Net income from unrelated business activities, whether or not the business is regularly carried on . . . . .						
<b>10</b> Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.) . . . . .						
<b>11 Total support.</b> Add lines 7 through 10						
<b>12</b> Gross receipts from related activities, etc. (see instructions) . . . . .					<b>12</b>	
<b>13 First five years.</b> If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and <b>stop here</b> . . . . .						<input type="checkbox"/>

**Section C. Computation of Public Support Percentage**

<b>14</b> Public support percentage for 2019 (line 6, column (f) divided by line 11, column (f)) . . . . .	<b>14</b>	%
<b>15</b> Public support percentage from 2018 Schedule A, Part II, line 14 . . . . .	<b>15</b>	%
<b>16a 33 1/3% support test—2019.</b> If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and <b>stop here.</b> The organization qualifies as a publicly supported organization . . . . .		<input type="checkbox"/>
<b>b 33 1/3% support test—2018.</b> If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and <b>stop here.</b> The organization qualifies as a publicly supported organization . . . . .		<input type="checkbox"/>
<b>17a 10%-facts-and-circumstances test—2019.</b> If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and <b>stop here.</b> Explain in Part VI how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization . . . . .		<input type="checkbox"/>
<b>b 10%-facts-and-circumstances test—2018.</b> If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and <b>stop here.</b> Explain in Part VI how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization . . . . .		<input type="checkbox"/>
<b>18 Private foundation.</b> If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions . . . . .		<input type="checkbox"/>

**Part III Support Schedule for Organizations Described in Section 509(a)(2)**

(Complete only if you checked the box on line 10 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

**Section A. Public Support**

Calendar year (or fiscal year beginning in) ►	(a) 2015	(b) 2016	(c) 2017	(d) 2018	(e) 2019	(f) Total
<b>1</b> Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")	190,520.	159,118.	174,522.	275,606.	352,730.	1,152,496.
<b>2</b> Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose . . . .	65,966.	323,672.	244,375.	244,188.	256,920.	1,135,121.
<b>3</b> Gross receipts from activities that are not an unrelated trade or business under section 513						
<b>4</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf . . . . .						
<b>5</b> The value of services or facilities furnished by a governmental unit to the organization without charge . . . . .						
<b>6 Total.</b> Add lines 1 through 5 . . . . .	256,486.	482,790.	418,897.	519,794.	609,650.	2,287,617.
<b>7a</b> Amounts included on lines 1, 2, and 3 received from disqualified persons . . . . .						
<b>b</b> Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year . . . . .						
<b>c</b> Add lines 7a and 7b . . . . .						
<b>8 Public support.</b> (Subtract line 7c from line 6.) . . . . .						2,287,617.

**Section B. Total Support**

Calendar year (or fiscal year beginning in) ►	(a) 2015	(b) 2016	(c) 2017	(d) 2018	(e) 2019	(f) Total
<b>9</b> Amounts from line 6 . . . . .	256,486.	482,790.	418,897.	519,794.	609,650.	2,287,617.
<b>10a</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources . . . . .		5.	4.	1.	30.	40.
<b>b</b> Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975 . . . . .						
<b>c</b> Add lines 10a and 10b . . . . .		5.	4.	1.	30.	40.
<b>11</b> Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on . . . . .						
<b>12</b> Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.) . . . . .		110.	93.		93.	296.
<b>13 Total support.</b> (Add lines 9, 10c, 11, and 12.) . . . . .	256,486.	482,905.	418,994.	519,795.	609,773.	2,287,953.
<b>14 First five years.</b> If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and <b>stop here</b> . . . . . <input type="checkbox"/>						

**Section C. Computation of Public Support Percentage**

<b>15</b> Public support percentage for 2019 (line 8, column (f), divided by line 13, column (f)) . . . . .	<b>15</b>	99.99 %
<b>16</b> Public support percentage from 2018 Schedule A, Part III, line 15 . . . . .	<b>16</b>	%

**Section D. Computation of Investment Income Percentage**

<b>17</b> Investment income percentage for <b>2019</b> (line 10c, column (f), divided by line 13, column (f)) . . . . .	<b>17</b>	0 %
<b>18</b> Investment income percentage from <b>2018</b> Schedule A, Part III, line 17 . . . . .	<b>18</b>	%

**19a 33 1/3% support tests—2019.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization . . . . .

**b 33 1/3% support tests—2018.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3%, and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization . . . . .

**20 Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions . . . . .

**Part IV Supporting Organizations**

(Complete only if you checked a box in line 12 on Part I. If you checked 12a of Part I, complete Sections A and B. If you checked 12b of Part I, complete Sections A and C. If you checked 12c of Part I, complete Sections A, D, and E. If you checked 12d of Part I, complete Sections A and D, and complete Part V.)

**Section A. All Supporting Organizations**

		Yes	No
1	Are all of the organization's supported organizations listed by name in the organization's governing documents? <i>If "No," describe in Part VI how the supported organizations are designated. If designated by class or purpose, describe the designation. If historic and continuing relationship, explain.</i>		
2	Did the organization have any supported organization that does not have an IRS determination of status under section 509(a)(1) or (2)? <i>If "Yes," explain in Part VI how the organization determined that the supported organization was described in section 509(a)(1) or (2).</i>		
3a	Did the organization have a supported organization described in section 501(c)(4), (5), or (6)? <i>If "Yes," answer (b) and (c) below.</i>		
3b	Did the organization confirm that each supported organization qualified under section 501(c)(4), (5), or (6) and satisfied the public support tests under section 509(a)(2)? <i>If "Yes," describe in Part VI when and how the organization made the determination.</i>		
3c	Did the organization ensure that all support to such organizations was used exclusively for section 170(c)(2)(B) purposes? <i>If "Yes," explain in Part VI what controls the organization put in place to ensure such use.</i>		
4a	Was any supported organization not organized in the United States ("foreign supported organization")? <i>If "Yes," and if you checked 12a or 12b in Part I, answer (b) and (c) below.</i>		
4b	Did the organization have ultimate control and discretion in deciding whether to make grants to the foreign supported organization? <i>If "Yes," describe in Part VI how the organization had such control and discretion despite being controlled or supervised by or in connection with its supported organizations.</i>		
4c	Did the organization support any foreign supported organization that does not have an IRS determination under sections 501(c)(3) and 509(a)(1) or (2)? <i>If "Yes," explain in Part VI what controls the organization used to ensure that all support to the foreign supported organization was used exclusively for section 170(c)(2)(B) purposes.</i>		
5a	Did the organization add, substitute, or remove any supported organizations during the tax year? <i>If "Yes," answer (b) and (c) below (if applicable). Also, provide detail in Part VI, including (i) the names and EIN numbers of the supported organizations added, substituted, or removed; (ii) the reasons for each such action; (iii) the authority under the organization's organizing document authorizing such action; and (iv) how the action was accomplished (such as by amendment to the organizing document).</i>		
5b	<b>Type I or Type II only.</b> Was any added or substituted supported organization part of a class already designated in the organization's organizing document?		
5c	<b>Substitutions only.</b> Was the substitution the result of an event beyond the organization's control?		
6	Did the organization provide support (whether in the form of grants or the provision of services or facilities) to anyone other than (i) its supported organizations, (ii) individuals that are part of the charitable class benefited by one or more of its supported organizations, or (iii) other supporting organizations that also support or benefit one or more of the filing organization's supported organizations? <i>If "Yes," provide detail in Part VI.</i>		
7	Did the organization provide a grant, loan, compensation, or other similar payment to a substantial contributor (as defined in section 4958(c)(3)(C)), a family member of a substantial contributor, or a 35% controlled entity with regard to a substantial contributor? <i>If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).</i>		
8	Did the organization make a loan to a disqualified person (as defined in section 4958) not described in line 7? <i>If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).</i>		
9a	Was the organization controlled directly or indirectly at any time during the tax year by one or more disqualified persons as defined in section 4946 (other than foundation managers and organizations described in section 509(a)(1) or (2))? <i>If "Yes," provide detail in Part VI.</i>		
9b	Did one or more disqualified persons (as defined in line 9a) hold a controlling interest in any entity in which the supporting organization had an interest? <i>If "Yes," provide detail in Part VI.</i>		
9c	Did a disqualified person (as defined in line 9a) have an ownership interest in, or derive any personal benefit from, assets in which the supporting organization also had an interest? <i>If "Yes," provide detail in Part VI.</i>		
10a	Was the organization subject to the excess business holdings rules of section 4943 because of section 4943(f) (regarding certain Type II supporting organizations, and all Type III non-functionally integrated supporting organizations)? <i>If "Yes," answer 10b below.</i>		
10b	Did the organization have any excess business holdings in the tax year? <i>(Use Schedule C, Form 4720, to determine whether the organization had excess business holdings.)</i>		

**Part IV Supporting Organizations** *(continued)*

		Yes	No
<b>11</b>	Has the organization accepted a gift or contribution from any of the following persons?		
<b>a</b>	A person who directly or indirectly controls, either alone or together with persons described in (b) and (c) below, the governing body of a supported organization?		
<b>b</b>	A family member of a person described in (a) above?		
<b>c</b>	A 35% controlled entity of a person described in (a) or (b) above? <i>If "Yes" to a, b, or c, provide detail in Part VI.</i>		

**Section B. Type I Supporting Organizations**

		Yes	No
<b>1</b>	Did the directors, trustees, or membership of one or more supported organizations have the power to regularly appoint or elect at least a majority of the organization's directors or trustees at all times during the tax year? <i>If "No," describe in Part VI how the supported organization(s) effectively operated, supervised, or controlled the organization's activities. If the organization had more than one supported organization, describe how the powers to appoint and/or remove directors or trustees were allocated among the supported organizations and what conditions or restrictions, if any, applied to such powers during the tax year.</i>		
<b>2</b>	Did the organization operate for the benefit of any supported organization other than the supported organization(s) that operated, supervised, or controlled the supporting organization? <i>If "Yes," explain in Part VI how providing such benefit carried out the purposes of the supported organization(s) that operated, supervised, or controlled the supporting organization.</i>		

**Section C. Type II Supporting Organizations**

		Yes	No
<b>1</b>	Were a majority of the organization's directors or trustees during the tax year also a majority of the directors or trustees of each of the organization's supported organization(s)? <i>If "No," describe in Part VI how control or management of the supporting organization was vested in the same persons that controlled or managed the supported organization(s).</i>		

**Section D. All Type III Supporting Organizations**

		Yes	No
<b>1</b>	Did the organization provide to each of its supported organizations, by the last day of the fifth month of the organization's tax year, (i) a written notice describing the type and amount of support provided during the prior tax year, (ii) a copy of the Form 990 that was most recently filed as of the date of notification, and (iii) copies of the organization's governing documents in effect on the date of notification, to the extent not previously provided?		
<b>2</b>	Were any of the organization's officers, directors, or trustees either (i) appointed or elected by the supported organization(s) or (ii) serving on the governing body of a supported organization? <i>If "No," explain in Part VI how the organization maintained a close and continuous working relationship with the supported organization(s).</i>		
<b>3</b>	By reason of the relationship described in (2), did the organization's supported organizations have a significant voice in the organization's investment policies and in directing the use of the organization's income or assets at all times during the tax year? <i>If "Yes," describe in Part VI the role the organization's supported organizations played in this regard.</i>		

**Section E. Type III Functionally Integrated Supporting Organizations**

<b>1</b>	Check the box next to the method that the organization used to satisfy the Integral Part Test during the year (see instructions).		
<b>a</b>	<input type="checkbox"/> The organization satisfied the Activities Test. Complete <b>line 2</b> below.		
<b>b</b>	<input type="checkbox"/> The organization is the parent of each of its supported organizations. Complete <b>line 3</b> below.		
<b>c</b>	<input type="checkbox"/> The organization supported a governmental entity. Describe in <b>Part VI</b> how you supported a government entity (see instructions).		
<b>2</b>	Activities Test. <b>Answer (a) and (b) below.</b>	Yes	No
<b>a</b>	Did substantially all of the organization's activities during the tax year directly further the exempt purposes of the supported organization(s) to which the organization was responsive? <i>If "Yes," then in Part VI identify those supported organizations and explain how these activities directly furthered their exempt purposes, how the organization was responsive to those supported organizations, and how the organization determined that these activities constituted substantially all of its activities.</i>		
<b>b</b>	Did the activities described in (a) constitute activities that, but for the organization's involvement, one or more of the organization's supported organization(s) would have been engaged in? <i>If "Yes," explain in Part VI the reasons for the organization's position that its supported organization(s) would have engaged in these activities but for the organization's involvement.</i>		
<b>3</b>	Parent of Supported Organizations. <b>Answer (a) and (b) below.</b>		
<b>a</b>	Did the organization have the power to regularly appoint or elect a majority of the officers, directors, or trustees of each of the supported organizations? <i>Provide details in Part VI.</i>		
<b>b</b>	Did the organization exercise a substantial degree of direction over the policies, programs, and activities of each of its supported organizations? <i>If "Yes," describe in Part VI the role played by the organization in this regard.</i>		

**Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations**

- 1**  Check here if the organization satisfied the Integral Part Test as a qualifying trust on Nov. 20, 1970 (explain in Part VI). **See instructions.** All other Type III non-functionally integrated supporting organizations must complete Sections A through E.

<b>Section A—Adjusted Net Income</b>		(A) Prior Year	(B) Current Year (optional)
<b>1</b> Net short-term capital gain	<b>1</b>		
<b>2</b> Recoveries of prior-year distributions	<b>2</b>		
<b>3</b> Other gross income (see instructions)	<b>3</b>		
<b>4</b> Add lines 1 through 3.	<b>4</b>		
<b>5</b> Depreciation and depletion	<b>5</b>		
<b>6</b> Portion of operating expenses paid or incurred for production or collection of gross income or for management, conservation, or maintenance of property held for production of income (see instructions)	<b>6</b>		
<b>7</b> Other expenses (see instructions)	<b>7</b>		
<b>8 Adjusted Net Income</b> (subtract lines 5, 6, and 7 from line 4)	<b>8</b>		
<b>Section B—Minimum Asset Amount</b>		(A) Prior Year	(B) Current Year (optional)
<b>1</b> Aggregate fair market value of all non-exempt-use assets (see instructions for short tax year or assets held for part of year):			
<b>a</b> Average monthly value of securities	<b>1a</b>		
<b>b</b> Average monthly cash balances	<b>1b</b>		
<b>c</b> Fair market value of other non-exempt-use assets	<b>1c</b>		
<b>d Total</b> (add lines 1a, 1b, and 1c)	<b>1d</b>		
<b>e Discount</b> claimed for blockage or other factors (explain in detail in <b>Part VI</b> ):			
<b>2</b> Acquisition indebtedness applicable to non-exempt-use assets	<b>2</b>		
<b>3</b> Subtract line 2 from line 1d.	<b>3</b>		
<b>4</b> Cash deemed held for exempt use. Enter 1-1/2% of line 3 (for greater amount, see instructions).	<b>4</b>		
<b>5</b> Net value of non-exempt-use assets (subtract line 4 from line 3)	<b>5</b>		
<b>6</b> Multiply line 5 by .035.	<b>6</b>		
<b>7</b> Recoveries of prior-year distributions	<b>7</b>		
<b>8 Minimum Asset Amount</b> (add line 7 to line 6)	<b>8</b>		
<b>Section C—Distributable Amount</b>			Current Year
<b>1</b> Adjusted net income for prior year (from Section A, line 8, Column A)	<b>1</b>		
<b>2</b> Enter 85% of line 1.	<b>2</b>		
<b>3</b> Minimum asset amount for prior year (from Section B, line 8, Column A)	<b>3</b>		
<b>4</b> Enter greater of line 2 or line 3.	<b>4</b>		
<b>5</b> Income tax imposed in prior year	<b>5</b>		
<b>6 Distributable Amount.</b> Subtract line 5 from line 4, unless subject to emergency temporary reduction (see instructions).	<b>6</b>		
<b>7</b> <input type="checkbox"/> Check here if the current year is the organization's first as a non-functionally integrated Type III supporting organization (see instructions).			

**Part V** Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations (continued)

Section D—Distributions	Current Year
<b>1</b> Amounts paid to supported organizations to accomplish exempt purposes	
<b>2</b> Amounts paid to perform activity that directly furthers exempt purposes of supported organizations, in excess of income from activity	
<b>3</b> Administrative expenses paid to accomplish exempt purposes of supported organizations	
<b>4</b> Amounts paid to acquire exempt-use assets	
<b>5</b> Qualified set-aside amounts (prior IRS approval required)	
<b>6</b> Other distributions (describe in <b>Part VI</b> ). See instructions.	
<b>7 Total annual distributions.</b> Add lines 1 through 6.	
<b>8</b> Distributions to attentive supported organizations to which the organization is responsive (provide details in <b>Part VI</b> ). See instructions.	
<b>9</b> Distributable amount for 2019 from Section C, line 6	
<b>10</b> Line 8 amount divided by line 9 amount	

Section E—Distribution Allocations (see instructions)	(i) Excess Distributions	(ii) Underdistributions Pre-2019	(iii) Distributable Amount for 2019
<b>1</b> Distributable amount for 2019 from Section C, line 6			
<b>2</b> Underdistributions, if any, for years prior to 2019 (reasonable cause required—explain in <b>Part VI</b> ). See instructions.			
<b>3</b> Excess distributions carryover, if any, to 2019			
<b>a</b> From 2014 . . . . .			
<b>b</b> From 2015 . . . . .			
<b>c</b> From 2016 . . . . .			
<b>d</b> From 2017 . . . . .			
<b>e</b> From 2018 . . . . .			
<b>f Total</b> of lines 3a through e			
<b>g</b> Applied to underdistributions of prior years			
<b>h</b> Applied to 2019 distributable amount			
<b>i</b> Carryover from 2014 not applied (see instructions)			
<b>j</b> Remainder. Subtract lines 3g, 3h, and 3i from 3f.			
<b>4</b> Distributions for 2019 from Section D, line 7: \$			
<b>a</b> Applied to underdistributions of prior years			
<b>b</b> Applied to 2019 distributable amount			
<b>c</b> Remainder. Subtract lines 4a and 4b from 4.			
<b>5</b> Remaining underdistributions for years prior to 2019, if any. Subtract lines 3g and 4a from line 2. For result greater than zero, explain in <b>Part VI</b> . See instructions.			
<b>6</b> Remaining underdistributions for 2019. Subtract lines 3h and 4b from line 1. For result greater than zero, explain in <b>Part VI</b> . See instructions.			
<b>7 Excess distributions carryover to 2020.</b> Add lines 3j and 4c.			
<b>8</b> Breakdown of line 7:			
<b>a</b> Excess from 2015 . . . . .			
<b>b</b> Excess from 2016 . . . . .			
<b>c</b> Excess from 2017 . . . . .			
<b>d</b> Excess from 2018 . . . . .			
<b>e</b> Excess from 2019 . . . . .			



**Part VI** **Supplemental Information.** Provide the explanations required by Part II, line 10; Part II, line 17a or 17b; Part III, line 12; Part IV, Section A, lines 1, 2, 3b, 3c, 4b, 4c, 5a, 6, 9a, 9b, 9c, 11a, 11b, and 11c; Part IV, Section B, lines 1 and 2; Part IV, Section C, line 1; Part IV, Section D, lines 2 and 3; Part IV, Section E, lines 1c, 2a, 2b, 3a, and 3b; Part V, line 1; Part V, Section B, line 1e; Part V, Section D, lines 5, 6, and 8; and Part V, Section E, lines 2, 5, and 6. Also complete this part for any additional information. (See instructions.)

Pt III Ln 12: Other Income Part III, Line 12 Description: Timely filing discounts

2016: 110. 2017: 93. 2019: 93.

Client Copy

**Schedule B**  
**(Form 990, 990-EZ,**  
**or 990-PF)**

Department of the Treasury  
Internal Revenue Service

**Schedule of Contributors**

▶ **Attach to Form 990, Form 990-EZ, or Form 990-PF.**  
▶ **Go to [www.irs.gov/Form990](http://www.irs.gov/Form990) for the latest information.**

OMB No. 1545-0047

**2019**

Name of the organization

Hugs Cafe, Inc.

Employer identification number

46-2332714

**Organization type** (check one):

**Filers of:**

**Section:**

Form 990 or 990-EZ

501(c)( 3 ) (enter number) organization

4947(a)(1) nonexempt charitable trust **not** treated as a private foundation

527 political organization

Form 990-PF

501(c)(3) exempt private foundation

4947(a)(1) nonexempt charitable trust treated as a private foundation

501(c)(3) taxable private foundation

Check if your organization is covered by the **General Rule** or a **Special Rule**.

**Note:** Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule. See instructions.

**General Rule**

- For an organization filing Form 990, 990-EZ, or 990-PF that received, during the year, contributions totaling \$5,000 or more (in money or property) from any one contributor. Complete Parts I and II. See instructions for determining a contributor's total contributions.

**Special Rules**

- For an organization described in section 501(c)(3) filing Form 990 or 990-EZ that met the 33<sup>1</sup>/<sub>3</sub>% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi), that checked Schedule A (Form 990 or 990-EZ), Part II, line 13, 16a, or 16b, and that received from any one contributor, during the year, total contributions of the greater of **(1)** \$5,000; or **(2)** 2% of the amount on (i) Form 990, Part VIII, line 1h; or (ii) Form 990-EZ, line 1. Complete Parts I and II.
- For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, total contributions of more than \$1,000 *exclusively* for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals. Complete Parts I, II, and III.
- For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions *exclusively* for religious, charitable, etc., purposes, but no such contributions totaled more than \$1,000. If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc., purpose. Don't complete any of the parts unless the **General Rule** applies to this organization because it received *nonexclusively* religious, charitable, etc., contributions totaling \$5,000 or more during the year . . . . . ▶ \$ \_\_\_\_\_

**Caution:** An organization that isn't covered by the General Rule and/or the Special Rules doesn't file Schedule B (Form 990, 990-EZ, or 990-PF), but it **must** answer "No" on Part IV, line 2, of its Form 990; or check the box on line H of its Form 990-EZ or on its Form 990-PF, Part I, line 2, to certify that it doesn't meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

Name of organization Hugs Cafe, Inc.	Employer identification number 46-2332714
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**Part I** **Contributors** (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
1	Anthony and Stacy Lynn 1122 Kenilworth Drive Ste 50 Towson MD 21204	\$ 15,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
2	Lee Ann Parsons 3075 Willow Grove Blvd McKinney TX 75072	\$ 11,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
3	Community Foundation-N TX Giving Day 5500 Caruth Haven Lane Dallas TX 75251	\$ 18,298.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
4	Gary and Susan Reichling 2050 Travis Ranch Drive Lucas TX 75002	\$ 10,500.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
5	Yadri Systems 430 S. Fairview Avenue Santa Barbara CA 93117	\$ 10,200.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
6	Mark and Sherry Smith 5516 Settlement Way McKinney TX 75070	\$ 9,600.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization <b>Hugs Cafe, Inc.</b>	Employer identification number <b>46-2332714</b>
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**Part I** **Contributors** (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
7	Harvest Seed Project Foundation 670 Wendy Lane Lucas TX 75002	\$ 6,500.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
8	Ingram Micro Inc. 3351 Michelson Dr. Suite 100 Irvine CA 92612	\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
9	Seaside Wealth Mgt PO Box 2309 Ponte Vedra Beach FL 32082	\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
10	Anonymous 224 E Virginia St McKinney TX 75069	\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
11	Anonymous 224 E Virginia St McKinney TX 75069	\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
-----	----- ----- -----	\$ -----	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization <b>Hugs Cafe, Inc.</b>	Employer identification number <b>46-2332714</b>
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**Part II** **Noncash Property** (see instructions). Use duplicate copies of Part II if additional space is needed.

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (See instructions.)	(d) Date received
-----	----- ----- -----	\$-----	-----
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (See instructions.)	(d) Date received
-----	----- ----- -----	\$-----	-----
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (See instructions.)	(d) Date received
-----	----- ----- -----	\$-----	-----
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (See instructions.)	(d) Date received
-----	----- ----- -----	\$-----	-----
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (See instructions.)	(d) Date received
-----	----- ----- -----	\$-----	-----
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (See instructions.)	(d) Date received
-----	----- ----- -----	\$-----	-----

Name of organization <b>Hugs Cafe, Inc.</b>	Employer identification number <b>46-2332714</b>
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**Part III** **Exclusively religious, charitable, etc., contributions to organizations described in section 501(c)(7), (8), or (10) that total more than \$1,000 for the year from any one contributor.** Complete columns (a) through (e) and the following line entry. For organizations completing Part III, enter the total of *exclusively* religious, charitable, etc., contributions of **\$1,000 or less** for the year. (Enter this information once. See instructions.) ▶ \$ \_\_\_\_\_  
 Use duplicate copies of Part III if additional space is needed.

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
-----	----- ----- -----	----- ----- -----	----- ----- -----

(e) Transfer of gift	
Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee
----- ----- -----	----- ----- -----

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
-----	----- ----- -----	----- ----- -----	----- ----- -----

(e) Transfer of gift	
Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee
----- ----- -----	----- ----- -----

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
-----	----- ----- -----	----- ----- -----	----- ----- -----

(e) Transfer of gift	
Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee
----- ----- -----	----- ----- -----

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
-----	----- ----- -----	----- ----- -----	----- ----- -----

(e) Transfer of gift	
Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee
----- ----- -----	----- ----- -----

SCHEDULE D (Form 990)

Supplemental Financial Statements

OMB No. 1545-0047

Complete if the organization answered "Yes" on Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b. Attach to Form 990.

2019

Open to Public Inspection

Department of the Treasury Internal Revenue Service

Go to www.irs.gov/Form990 for instructions and the latest information.

Name of the organization: Hugs Cafe, Inc. Employer identification number: 46-2332714

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts.

Complete if the organization answered "Yes" on Form 990, Part IV, line 6.

Table with 3 columns: Question number, (a) Donor advised funds, (b) Funds and other accounts. Includes questions 1-6 regarding donor advised funds.

Part II Conservation Easements.

Complete if the organization answered "Yes" on Form 990, Part IV, line 7.

Form for Part II Conservation Easements, including questions 1-9 and a table for 'Held at the End of the Tax Year'.

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.

Complete if the organization answered "Yes" on Form 990, Part IV, line 8.

Form for Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets, including questions 1a-2.

**Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets** *(continued)*

- 3** Using the organization's acquisition, accession, and other records, check any of the following that make significant use of its collection items (check all that apply):
- a**  Public exhibition
  - b**  Scholarly research
  - c**  Preservation for future generations
  - d**  Loan or exchange program
  - e**  Other \_\_\_\_\_
- 4** Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII.
- 5** During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?  **Yes**  **No**

**Part IV Escrow and Custodial Arrangements.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

- 1a** Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?  **Yes**  **No**
- b** If "Yes," explain the arrangement in Part XIII and complete the following table:
- |   | Amount |
|---|--------|
| <b>1c</b> Beginning balance             |        |
| <b>1d</b> Additions during the year     |        |
| <b>1e</b> Distributions during the year |        |
| <b>1f</b> Ending balance                |        |
- 2a** Did the organization include an amount on Form 990, Part X, line 21, for escrow or custodial account liability?  **Yes**  **No**
- b** If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided on Part XIII

**Part V Endowment Funds.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 10.

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
<b>1a</b> Beginning of year balance					
<b>b</b> Contributions					
<b>c</b> Net investment earnings, gains, and losses					
<b>d</b> Grants or scholarships					
<b>e</b> Other expenditures for facilities and programs					
<b>f</b> Administrative expenses					
<b>g</b> End of year balance					

**2** Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as:

- a** Board designated or quasi-endowment  %
- b** Permanent endowment  %
- c** Term endowment  %

The percentages on lines 2a, 2b, and 2c should equal 100%.

**3a** Are there endowment funds not in the possession of the organization that are held and administered for the organization by:

- (i)** Unrelated organizations
- (ii)** Related organizations

	Yes	No
<b>3a(i)</b>		
<b>3a(ii)</b>		
<b>3b</b>		

**b** If "Yes" on line 3a(ii), are the related organizations listed as required on Schedule R?

**4** Describe in Part XIII the intended uses of the organization's endowment funds.

**Part VI Land, Buildings, and Equipment.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
<b>1a</b> Land	0.	0.		0.
<b>b</b> Buildings		68,042.	7,993.	60,049.
<b>c</b> Leasehold improvements		6,000.	67.	5,933.
<b>d</b> Equipment		8,776.	1,358.	7,418.
<b>e</b> Other		6,000.	1,800.	4,200.
<b>Total.</b> Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10c.)				77,600.



**Part VII Investments—Other Securities.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives . . . . .		
(2) Closely held equity interests . . . . .		
(3) Other _____		
(A) _____		
(B) _____		
(C) _____		
(D) _____		
(E) _____		
(F) _____		
(G) _____		
(H) _____		
<b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 12.) . . . . . ▶		

**Part VIII Investments—Program Related.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

(a) Description of investment	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) _____		
(2) _____		
(3) _____		
(4) _____		
(5) _____		
(6) _____		
(7) _____		
(8) _____		
(9) _____		
<b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 13.) . . . . . ▶		

**Part IX Other Assets.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 11d. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1) Greenhouse Start up costs	22,551.
(2) _____	
(3) _____	
(4) _____	
(5) _____	
(6) _____	
(7) _____	
(8) _____	
(9) _____	
<b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 15.) . . . . . ▶	22,551.

**Part X Other Liabilities.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2) _____	
(3) _____	
(4) _____	
(5) _____	
(6) _____	
(7) _____	
(8) _____	
(9) _____	
<b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 25.) . . . . . ▶	

2. Liability for uncertain tax positions. In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FASB ASC 740. Check here if the text of the footnote has been provided in Part XIII .

**Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 12a.

<b>1</b>	Total revenue, gains, and other support per audited financial statements		<b>1</b>	
<b>2</b>	Amounts included on line 1 but not on Form 990, Part VIII, line 12:			
<b>a</b>	Net unrealized gains (losses) on investments	<b>2a</b>		
<b>b</b>	Donated services and use of facilities	<b>2b</b>		
<b>c</b>	Recoveries of prior year grants	<b>2c</b>		
<b>d</b>	Other (Describe in Part XIII.)	<b>2d</b>		
<b>e</b>	Add lines <b>2a</b> through <b>2d</b>		<b>2e</b>	
<b>3</b>	Subtract line <b>2e</b> from line <b>1</b>		<b>3</b>	
<b>4</b>	Amounts included on Form 990, Part VIII, line 12, but not on line 1:			
<b>a</b>	Investment expenses not included on Form 990, Part VIII, line 7b	<b>4a</b>		
<b>b</b>	Other (Describe in Part XIII.)	<b>4b</b>		
<b>c</b>	Add lines <b>4a</b> and <b>4b</b>		<b>4c</b>	
<b>5</b>	Total revenue. Add lines <b>3</b> and <b>4c</b> . (This must equal Form 990, Part I, line 12.)		<b>5</b>	

**Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 12a.

<b>1</b>	Total expenses and losses per audited financial statements		<b>1</b>	
<b>2</b>	Amounts included on line 1 but not on Form 990, Part IX, line 25:			
<b>a</b>	Donated services and use of facilities	<b>2a</b>		
<b>b</b>	Prior year adjustments	<b>2b</b>		
<b>c</b>	Other losses	<b>2c</b>		
<b>d</b>	Other (Describe in Part XIII.)	<b>2d</b>		
<b>e</b>	Add lines <b>2a</b> through <b>2d</b>		<b>2e</b>	
<b>3</b>	Subtract line <b>2e</b> from line <b>1</b>		<b>3</b>	
<b>4</b>	Amounts included on Form 990, Part IX, line 25, but not on line 1:			
<b>a</b>	Investment expenses not included on Form 990, Part VIII, line 7b	<b>4a</b>		
<b>b</b>	Other (Describe in Part XIII.)	<b>4b</b>		
<b>c</b>	Add lines <b>4a</b> and <b>4b</b>		<b>4c</b>	
<b>5</b>	Total expenses. Add lines <b>3</b> and <b>4c</b> . (This must equal Form 990, Part I, line 18.)		<b>5</b>	

**Part XIII Supplemental Information.**

Provide the descriptions required for Part II, lines 3, 5, and 9; Part III, lines 1a and 4; Part IV, lines 1b and 2b; Part V, line 4; Part X, line 2; Part XI, lines 2d and 4b; and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

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**Part XIII** Supplemental Information *(continued)*

Client Copy

**SCHEDULE O  
(Form 990 or 990-EZ)**

Department of the Treasury  
Internal Revenue Service

**Supplemental Information to Form 990 or 990-EZ**

Complete to provide information for responses to specific questions on  
Form 990 or 990-EZ or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

▶ Go to [www.irs.gov/Form990](http://www.irs.gov/Form990) for the latest information.

OMB No. 1545-0047

**2019**

**Open to Public  
Inspection**

Name of the organization

Hugs Cafe, Inc.

Employer identification number

46-2332714

Pt VI, Line 12c: Documented in meetings.

Pt VI, Line 11b: Reviewed in meetings.

Pt VI, Section A, Line 9:

Name: Ruth Thompson

Address: 1706 Cross Point McKinney TX 75070

Name: Wendi Osborn

Address: 2320 Ithasca Drive McKinney TX 75070

Name: Georgiann Leonard

Address: 2637 Fairway Ridge McKinney TX 75070

Name: Mark Potter

Address: 1404 Wade Haven Ct McKinney TX 75071

Name: Jared Thompson

Address: 624 Thompson Drive Coppell TX 75019

Name: Janice Morris

Address: 1205 N. Waddill McKinney TX 75069

Name: Alex Beard

Address: 481 Oakview Circle Fairview TX 75069

Name: Kari Shelton

Address: 3016 County Rd 205 McKinney TX 75071

Name: Shannon Patterson

Address: 1370 Lakeside Dr. Prosper TX 75078

Name: Marc Robertson

Address: 3791 Broadmoor Way Frisco TX 75033

Name: Rick Lewis

Address: 3212 Valley Forge McKinney TX 75070

Name of the organization Hugs Cafe, Inc.	Employer identification number 46-2332714
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Pt IX, Line 24e:

Description: Permits &amp; Inspections

Total: \$1,940

Program services: \$1,940

Management and general: \$0

Fundraising: \$0

Description: Restuarant Supplies

Total: \$13,821

Program services: \$13,821

Management and general: \$0

Fundraising: \$0

Description: Dues and Subscriptions

Total: \$916

Program services: \$511

Management and general: \$405

Fundraising: \$0

Description: Donations and Contributions

Total: \$100

Program services: \$100

Management and general: \$0

Fundraising: \$0

Description: Fundraising Expenses

Total: \$38,447

Program services: \$0

Management and general: \$0

Fundraising: \$38,447

Description: Training

Name of the organization Hugs Cafe, Inc.	Employer identification number 46-2332714
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Total: \$399

Program services: \$294

Management and general: \$105

Fundraising: \$0

Description: POS Equipment Lease

Total: \$1,116

Program services: \$1,116

Management and general: \$0

Fundraising: \$0

Description: Payroll Processing

Total: \$4,440

Program services: \$4,282

Management and general: \$158

Fundraising: \$0

Description: Equipment Rental

Total: \$2,165

Program services: \$2,165

Management and general: \$0

Fundraising: \$0

Description: Meals & Entertainment

Total: \$676

Program services: \$309

Management and general: \$367

Fundraising: \$0

Description: Greenhouse Auto Related

Total: \$554

Program services: \$554

Name of the organization

Employer identification number

Hugs Cafe, Inc.

46-2332714

Management and general: \$0

Fundraising: \$0

Client Copy

# IRS e-file Signature Authorization for an Exempt Organization

Department of the Treasury  
Internal Revenue Service

For calendar year 2019, or fiscal year beginning \_\_\_\_\_, 2019, and ending \_\_\_\_\_, 20\_\_\_\_\_

**▶ Do not send to the IRS. Keep for your records.**  
**▶ Go to [www.irs.gov/Form8879EO](http://www.irs.gov/Form8879EO) for the latest information.**

# 2019

Name of exempt organization

Hugs Cafe, Inc.

Name and title of officer

Georgiann Leonard, Treasurer

Employer identification number

46-2332714

## Part I Type of Return and Return Information (Whole Dollars Only)

Check the box for the return for which you are using this Form 8879-EO and enter the applicable amount, if any, from the return. If you check the box on line **1a**, **2a**, **3a**, **4a**, or **5a**, below, and the amount on that line for the return being filed with this form was blank, then leave line **1b**, **2b**, **3b**, **4b**, or **5b**, whichever is applicable, blank (do not enter -0-). But, if you entered -0- on the return, then enter -0- on the applicable line below. **Do not** complete more than one line in Part I.

<b>1a</b> Form 990 check here ▶ <input checked="" type="checkbox"/>	<b>b Total revenue</b> , if any (Form 990, Part VIII, column (A), line 12)	<b>1b</b> 609,773.
<b>2a</b> Form 990-EZ check here ▶ <input type="checkbox"/>	<b>b Total revenue</b> , if any (Form 990-EZ, line 9)	<b>2b</b> _____
<b>3a</b> Form 1120-POL check here ▶ <input type="checkbox"/>	<b>b Total tax</b> (Form 1120-POL, line 22)	<b>3b</b> _____
<b>4a</b> Form 990-PF check here ▶ <input type="checkbox"/>	<b>b Tax based on investment income</b> (Form 990-PF, Part VI, line 5)	<b>4b</b> _____
<b>5a</b> Form 8868 check here ▶ <input type="checkbox"/>	<b>b Balance Due</b> (Form 8868, line 3c)	<b>5b</b> _____

## Part II Declaration and Signature Authorization of Officer

Under penalties of perjury, I declare that I am an officer of the above organization and that I have examined a copy of the organization's 2019 electronic return and accompanying schedules and statements and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that the amount in Part I above is the amount shown on the copy of the organization's electronic return. I consent to allow my intermediate service provider, transmitter, or electronic return originator (ERO) to send the organization's return to the IRS and to receive from the IRS (a) an acknowledgement of receipt or reason for rejection of the transmission, (b) the reason for any delay in processing the return or refund, and (c) the date of any refund. If applicable, I authorize the U.S. Treasury and its designated Financial Agent to initiate an electronic funds withdrawal (direct debit) entry to the financial institution account indicated in the tax preparation software for payment of the organization's federal taxes owed on this return, and the financial institution to debit the entry to this account. To revoke a payment, I must contact the U.S. Treasury Financial Agent at 1-888-353-4537 no later than 2 business days prior to the payment (settlement) date. I also authorize the financial institutions involved in the processing of the electronic payment of taxes to receive confidential information necessary to answer inquiries and resolve issues related to the payment. I have selected a personal identification number (PIN) as my signature for the organization's electronic return and, if applicable, the organization's consent to electronic funds withdrawal.

### Officer's PIN: check one box only

I authorize Wendy Dugall, CPA - ProNet Services Inc. to enter my PIN 

3	2	7	1	4
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 as my signature

ERO firm name

Enter five numbers, but do not enter all zeros

on the organization's tax year 2019 electronically filed return. If I have indicated within this return that a copy of the return is being filed with a state agency(ies) regulating charities as part of the IRS Fed/State program, I also authorize the aforementioned ERO to enter my PIN on the return's disclosure consent screen.

As an officer of the organization, I will enter my PIN as my signature on the organization's tax year 2019 electronically filed return. If I have indicated within this return that a copy of the return is being filed with a state agency(ies) regulating charities as part of the IRS Fed/State program, I will enter my PIN on the return's disclosure consent screen.

Officer's signature ▶ \_\_\_\_\_

Date ▶ 04/20/2020

## Part III Certification and Authentication

**ERO's EFIN/PIN.** Enter your six-digit electronic filing identification number (EFIN) followed by your five-digit self-selected PIN.

7	5	8	6	7	4	5	0	1	7	9
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Do not enter all zeros

I certify that the above numeric entry is my PIN, which is my signature on the 2019 electronically filed return for the organization indicated above. I confirm that I am submitting this return in accordance with the requirements of **Pub. 4163**, Modernized e-File (MeF) Information for Authorized IRS e-file Providers for Business Returns.

ERO's signature ▶ \_\_\_\_\_

Date ▶ 04/22/2020

**ERO Must Retain This Form — See Instructions**  
**Do Not Submit This Form to the IRS Unless Requested To Do So**





## Additional information from your 2019 Federal Exempt Tax Return

### Form 990: Return of Organization Exempt from Income Tax

#### Line 4a Expenses

#### Itemization Statement

Description	Amount
Total Expense	495,520.
Less: Greenhouse expense	-145,493.
<b>Total</b>	<b>350,027.</b>

### Form 990: Return of Organization Exempt from Income Tax

#### Line 4a Revenue

#### Itemization Statement

Description	Amount
Total Revenue	608,756.
Less: Greenhouse revenue	-83,644.
<b>Total</b>	<b>525,112.</b>

### Form 990: Return of Organization Exempt from Income Tax

#### Line 4b Revenue

#### Itemization Statement

Description	Amount
Greenhouse income	39,269.
Greenhouse donations	44,375.
<b>Total</b>	<b>83,644.</b>

### Form 990: Return of Organization Exempt from Income Tax

#### Line 16 col (B)

#### Itemization Statement

Description	Amount
Rent	36,050.
Telephone	807.
Utilities	15,005.
Property tax	697.
<b>Total</b>	<b>52,559.</b>

### Form 990: Return of Organization Exempt from Income Tax

#### Line 1, column (B)

#### Itemization Statement

Description	Amount
Checking and Savings	180,557.
Credit Card/Deposit Clearing	562.
<b>Total</b>	<b>181,119.</b>

### Form 990: Return of Organization Exempt from Income Tax

#### Line 17, column (A)

#### Itemization Statement

Description	Amount
Credit Cards	2,834.

**Form 990: Return of Organization Exempt from Income Tax****Line 17, column (A)****Itemization Statement**

Description	Amount
Gift Certificates O/S	650.
Sales Tax Payable	1,558.
<b>Total</b>	<b>5,042.</b>

**Form 990: Return of Organization Exempt from Income Tax****Line 17, column (B)****Itemization Statement**

Description	Amount
Credit Card	2,115.
Gift Certificates O/S	650.
Sales Tax Payable	1,946.
<b>Total</b>	<b>4,711.</b>

**Schedule D: Supplemental Financial Statements****Buildings col (b)****Itemization Statement**

Description	Amount
Greenhouse	35,700.
Donated Improvements-Greenhouse	3,949.
Land Improvements	28,393.
<b>Total</b>	<b>68,042.</b>

**Schedule D: Supplemental Financial Statements****Buildings col (c)****Itemization Statement**

Description	Amount
Greenhouse Depreciation	6,378.
Land Improvements	1,615.
<b>Total</b>	<b>7,993.</b>

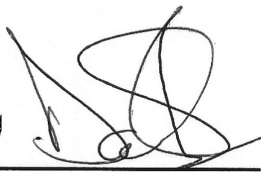
**Schedule D: Supplemental Financial Statements****Equipment col (b)****Itemization Statement**

Description	Amount
Equipment	8,776.
<b>Total</b>	<b>8,776.</b>

**Schedule D: Supplemental Financial Statements****Other col (b)****Itemization Statement**

Description	Amount
Furniture and Fixtures	6,000.
<b>Total</b>	<b>6,000.</b>

# Hugs Greenhouse Upgrade Project

I, DAVID SHELTON  are aware and approve the upgrades to greenhouse #2. I give Hugs permission to proceed with the project.



Property Owner

David Shelton

State of NY #

32049309449-

INTERNAL REVENUE SERVICE  
P. O. BOX 2508  
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date: JUL 13 2014

HUGS CAFE INC  
1706 CROSS POINT RD  
MCKINNEY, TX 75070

Employer Identification Number:  
46-2332714  
DLN:  
17053058340004  
Contact Person:  
CUSTOMER SERVICE ID# 31954  
Contact Telephone Number:  
(877) 829-5500  
Accounting Period Ending:  
December 31  
Public Charity Status:  
509(a)(2)  
Form 990 Required:  
Yes  
Effective Date of Exemption:  
October 22, 2012  
Contribution Deductibility:  
Yes  
Addendum Applies:  
No

Dear Applicant:

We are pleased to inform you that upon review of your application for tax exempt status we have determined that you are exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code. Contributions to you are deductible under section 170 of the Code. You are also qualified to receive tax deductible bequests, devises, transfers or gifts under section 2055, 2106 or 2522 of the Code. Because this letter could help resolve any questions regarding your exempt status, you should keep it in your permanent records.

Organizations exempt under section 501(c)(3) of the Code are further classified as either public charities or private foundations. We determined that you are a public charity under the Code section(s) listed in the heading of this letter.

Please see enclosed Publication 4221-PC, Compliance Guide for 501(c)(3) Public Charities, for some helpful information about your responsibilities as an exempt organization.

Sincerely,

*Tamara Rippanda*

Director, Exempt Organizations

Enclosure: Publication 4221-PC

Letter 947