

HOPE *worldwide*, Ltd. and affiliate

Consolidated Financial Statements
Years Ended December 31, 2020 and 2019



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CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
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FINANCIAL STATEMENTS

<i>Consolidated Statements of Financial Position</i>	3
<i>Consolidated Statements of Activities</i>	4
<i>Consolidated Statements of Functional Expenses</i>	5
<i>Consolidated Statements of Cash Flows</i>	7
<i>Notes to Consolidated Financial Statements</i>	8

SUPPLEMENTARY INFORMATION

<i>Consolidating Statement of Financial Position</i>	19
<i>Consolidating Statement of Activities</i>	20



INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of
HOPE worldwide, Ltd.**

We have audited the accompanying consolidated financial statements of HOPE *worldwide, Ltd.* and affiliate (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Basis for Qualified Opinion

We did not observe the taking of the physical inventories at December 31, 2020, stated at \$346,151 for 2021 due to travel restrictions related to the worldwide COVID pandemic. We were unable to obtain sufficient appropriate audit evidence about inventory quantities by other auditing procedures.

Qualified Opinion

In our opinion, except for the possible effects on the 2020 consolidated financial statements of the matter discussed in the Basis for Qualified Opinion paragraph, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of HOPE *worldwide, Ltd.* and affiliate, as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating supplementary information shown on pages 19 and 20 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Philadelphia, Pennsylvania
August 10, 2021

HOPE worldwide, Ltd. and affiliate**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 6,022,593	\$ 3,871,589
Accounts receivable, net	136,105	596,331
Inventory	346,151	202,292
Advances	193,053	17,801
Prepaid expenses and other current assets	<u>252,069</u>	<u>267,697</u>
Total current assets	<u>6,949,971</u>	<u>4,955,710</u>
NONCURRENT ASSETS		
Investments	<u>1,374,131</u>	<u>1,228,621</u>
PROPERTY AND EQUIPMENT		
Equipment	1,322,993	1,431,973
Leasehold improvements	<u>312,935</u>	<u>266,569</u>
	1,635,928	1,698,542
Less accumulated depreciation and amortization	<u>1,160,887</u>	<u>1,265,412</u>
Net property and equipment	<u>475,041</u>	<u>433,130</u>
	<u>\$ 8,799,143</u>	<u>\$ 6,617,461</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 368,344	\$ 785,760
Accrued expenses and other current liabilities	111,896	183,666
Refundable advances	<u>337,655</u>	<u>57,491</u>
Total current liabilities	<u>817,895</u>	<u>1,026,917</u>
OTHER LIABILITIES		
Security deposits held	-	16,962
Deferred rent	<u>6,741</u>	<u>11,114</u>
Total liabilities	<u>824,636</u>	<u>1,054,993</u>
NET ASSETS		
Without donor restrictions	4,087,866	1,588,151
With donor restrictions	<u>3,886,641</u>	<u>3,974,317</u>
Total net assets	<u>7,974,507</u>	<u>5,562,468</u>
	<u>\$ 8,799,143</u>	<u>\$ 6,617,461</u>

See accompanying notes

HOPE worldwide, Ltd. and affiliate

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues						
Contributions	\$ 2,592,161	\$ 4,998,750	\$ 7,590,911	\$ 2,692,752	\$ 2,561,816	\$ 5,254,568
In-kind contributions	99,750	5,108,716	5,208,466	53,648	4,424,139	4,477,787
Grants and other	107,273	650,897	758,170	199,045	1,699,952	1,898,997
Medical services	6,980,189	-	6,980,189	6,584,498	-	6,584,498
Other revenue	262,372	1,081	263,453	359,224	3,100	362,324
Investment income, net	20,031	127,665	147,696	33,816	171,556	205,372
Unrealized gain on exchange rate	1,964	-	1,964	20,764	-	20,764
Total support and revenue	10,063,740	10,887,109	20,950,849	9,943,747	8,860,563	18,804,310
Net assets released from restrictions	10,974,785	(10,974,785)	-	8,072,367	(8,072,367)	-
	<u>21,038,525</u>	<u>(87,676)</u>	<u>20,950,849</u>	<u>18,016,114</u>	<u>788,196</u>	<u>18,804,310</u>
Expenses						
U.S. programs	1,934,621	-	1,934,621	2,030,459	-	2,030,459
Non-U.S. programs	14,279,772	-	14,279,772	11,770,954	-	11,770,954
Management and general	2,374,713	-	2,374,713	3,192,182	-	3,192,182
Fundraising	672,141	-	672,141	753,018	-	753,018
Total expenses	19,261,247	-	19,261,247	17,746,613	-	17,746,613
Change in net assets before other changes	1,777,278	(87,676)	1,689,602	269,501	788,196	1,057,697
OTHER CHANGES						
Loan forgiveness	722,437	-	722,437	-	-	-
Transfers	-	-	-	99,587	(99,587)	-
CHANGE IN NET ASSETS	2,499,715	(87,676)	2,412,039	369,088	688,609	1,057,697
NET ASSETS						
Beginning of year	1,588,151	3,974,317	5,562,468	1,219,063	3,285,708	4,504,771
End of year	\$ 4,087,866	\$ 3,886,641	\$ 7,974,507	\$ 1,588,151	\$ 3,974,317	\$ 5,562,468

See accompanying notes

HOPE worldwide, Ltd. and affiliate

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2020

	Program (U.S. and Non - U.S.)					Management and General	Fundraising	Total
	Community Services	International Services	Education & Development	Disaster Response	Health			
Salaries, benefits and payroll taxes	\$ 335,615	\$ 309,532	\$ 191,824	\$ 570,907	\$ 1,992,734	\$ 1,525,393	\$ 455,681	\$ 5,381,686
Advertising and promotion	17,202	250	1,072	3,524	977	47,966	30,946	101,937
Bad debt	-	-	-	-	-	2,694	-	2,694
Conferences/seminars	611	425	7,479	277	296	8,475	708	18,271
Credit card processing and other service charges	5,374	4,746	-	36,811	14,244	27,885	5,464	94,524
Depreciation	2,371	-	-	-	135,057	-	-	137,428
Dues and subscriptions	-	85	-	7,865	5,369	16,538	2,732	32,589
Foreign taxes	-	-	-	-	1,189	-	-	1,189
Meetings and facilities	6,486	420	-	2,799	20,469	14,420	-	44,594
Insurance	-	17,612	-	-	5,715	100,829	859	125,015
Office equipment	16,255	10,556	1,679	9,968	57,423	105,231	21,854	222,966
Office supplies	875	305	-	391	68,137	16,450	133	86,291
Professional/legal fees	43,739	159,333	4,836	158,791	807,528	247,480	59,798	1,481,505
Donated services	-	-	-	-	-	31,538	-	31,538
Program expenses	256,364	31,967	175,839	2,165,425	8,066,835	11,950	6,750	10,715,130
Rent	25,061	-	-	-	213,567	115,420	-	354,048
Special events	8,749	-	-	-	-	-	70,495	79,244
Shipping/postage	401	-	27	2,911	2,179	4,195	2,594	12,307
Telephone and internet	7,849	5,024	1,899	10,348	17,005	28,415	5,979	76,519
Travel	13,640	17,168	934	30,809	14,376	44,867	8,148	129,942
Utilities	299	-	-	-	106,564	24,967	-	131,830
	<u>\$ 740,891</u>	<u>\$ 557,423</u>	<u>\$ 385,589</u>	<u>\$ 3,000,826</u>	<u>\$ 11,529,664</u>	<u>\$ 2,374,713</u>	<u>\$ 672,141</u>	<u>\$ 19,261,247</u>

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HOPE worldwide, Ltd. and affiliate

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2019

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	Program (U.S. and Non - U.S.)					Management and General	Fundraising	Total
	Community Services	International Services	Education & Development	Disaster Response	Health			
Salaries, benefits and payroll taxes	\$ 398,665	\$ 342,044	\$ 189,123	\$ 412,693	\$ 2,020,149	\$ 1,936,063	\$ 540,290	\$ 5,839,027
Advertising and promotion	25,412	8,614	4,555	16,566	2,466	103,064	37,849	198,526
Bad debt	-	-	-	-	-	7,452	-	7,452
Conferences/seminars	1,698	-	1,628	1,536	-	23,475	5,645	33,982
Credit card processing and other service charges	4,923	25,487	6,951	7,314	7,481	36,591	3,575	92,322
Depreciation	1,422	-	-	-	104,216	2,138	-	107,776
Dues and subscriptions	40	82	-	4,484	5,553	13,890	3,207	27,256
Foreign taxes	-	-	-	-	(12,561)	-	-	(12,561)
Meetings and facilities	19,163	4,612	304	14,436	22,927	64,287	1,433	127,162
Insurance	-	19,224	-	-	3,503	96,420	-	119,147
Office equipment	15,245	14,527	1,126	26,317	46,123	154,431	8,658	266,427
Office supplies	3,612	603	-	1,610	53,506	30,851	1,120	91,302
Professional/legal fees	39,614	675,205	3,666	201,934	201,201	168,186	6,457	1,296,263
Donated services	-	-	-	-	-	29,648	-	29,648
Program expenses	330,531	57,550	177,939	444,563	7,028,671	594	16,387	8,056,235
Rent	41,615	-	-	-	190,084	244,032	-	475,731
Special events	3,270	-	-	-	-	6,696	70,890	80,856
Shipping/postage	281	524	1,323	3,153	3,483	7,644	2,449	18,857
Telephone and internet	6,931	7,813	414	6,544	9,169	29,860	5,605	66,336
Travel	137,512	130,720	15,193	103,589	42,713	217,838	49,513	697,078
Utilities	300	-	-	-	108,529	19,022	(60)	127,791
	<u>\$ 1,030,234</u>	<u>\$ 1,287,005</u>	<u>\$ 402,222</u>	<u>\$ 1,244,739</u>	<u>\$ 9,837,213</u>	<u>\$ 3,192,182</u>	<u>\$ 753,018</u>	<u>\$ 17,746,613</u>

HOPE worldwide, Ltd. and affiliate

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 2,412,039	\$ 1,057,697
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Bad debt expense	2,694	7,452
Depreciation	137,428	107,776
Realized and unrealized gain on investments	(144,317)	(189,672)
Contributions and investment income received for long-term purposes	(16,113)	(24,322)
(Increase) decrease in		
Accounts receivable	457,532	(521,519)
Inventory	(143,859)	(37,251)
Advances	(175,252)	1,351
Prepaid expenses and other current assets	15,628	(100,766)
Increase (decrease) in		
Accounts payable	(417,416)	(115,235)
Accrued expenses and other current liabilities	(71,770)	12,675
Refundable advances	280,164	(38,324)
Security deposits held	(16,962)	-
Deferred rent	(4,373)	(18,376)
Net cash provided by (used for) operating activities	<u>2,315,423</u>	<u>141,486</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(179,339)	(358,787)
Proceeds from sales of investments	189,785	-
Purchases of investments	(190,978)	(6,301)
Net cash provided by (used for) investing activities	<u>(180,532)</u>	<u>(365,088)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions and investment income received for long-term purposes	16,113	24,322
Proceeds (repayments) on line-of-credit, net	-	(350,000)
Net cash provided by (used for) financing activities	<u>16,113</u>	<u>(325,678)</u>
Net change in cash	2,151,004	(549,280)
CASH		
Beginning of year	<u>3,871,589</u>	<u>4,420,869</u>
End of year	<u>\$ 6,022,593</u>	<u>\$ 3,871,589</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 61</u>	<u>\$ 5,781</u>
Noncash items for years ended 2020 and 2019 include approximately \$5.2 million and \$4.5 million of donated medical supplies.		

See accompanying notes

HOPE worldwide, Ltd. and affiliate

NOTES TO CONSOLIDATED FINANCIAL

STATEMENTS December 31, 2020 and 2019

(1) DESCRIPTION OF ORGANIZATION

HOPE worldwide, Ltd. is a not-for-profit, faith-based charity founded in 1991 by the International Churches of Christ dedicated to developing, managing, and funding programs domestically and internationally to help the poor and needy. Funding is provided by corporate grants, federal, state and local government grants, contributions from churches, individuals, volunteer fundraisers and from medical service fees. The Agency's mission is to change lives by empowering the compassion and commitment of dedicated staff and volunteers to deliver sustainable, high-impact, community-based services to the poor and needy. Through its employees and global pool of volunteers on six inhabited continents, the Agency serves more than two million needy people annually. The Agency is a recognized nongovernmental organization in special consultative status with the Economic and Social Council of the United Nations and is a registered private voluntary organization with the United States Agency for International Development ("**USAID**").

HOPE worldwide, Massachusetts, Inc. (the "**HOPEMA**") is a not-for-profit, faith-based charity founded by members of the International Churches of Christ in Boston, Massachusetts dedicated to changing lives through compassion and commitment of dedicated volunteers to serve local communities and abroad. Funding is provided by corporate grants, contributions from individuals, and fundraisers.

(2) SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

U.S. generally accepted accounting principles ("**GAAP**") require a nonprofit organization to consolidate the financial statements of affiliated nonprofit organizations when it has (a) certain kinds of control and (b) other kinds of control coupled with an economic interest.

The accompanying consolidated financial statements include the accounts of HOPE worldwide, Ltd. and HOPE worldwide, Massachusetts, Inc. HOPE worldwide, Massachusetts, Inc. is an affiliate of HOPE worldwide, Ltd. which approves or disapproves of all Directors appointed to HOPE worldwide, Massachusetts, Inc.'s Board of Directors. Intercompany transactions have been eliminated in consolidation. The entities are referred to collectively as the Agency.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The Agency reports information regarding its financial position and activities according to the following classes of net assets:

Without donor restrictions

Net assets that are not subject to donor-imposed restrictions.

With donor restrictions

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Agency and/or the passage of time. When a restriction is satisfied, 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.**"

Also included in this category are net assets that are subject to donor-imposed restrictions that require the net assets be maintained indefinitely while permitting the Agency to spend the income generated in accordance with the provisions of the contributions.

HOPE worldwide, Ltd. and affiliate

NOTES TO CONSOLIDATED FINANCIAL

STATEMENTS December 31, 2020 and 2019

Estimates

The presentation of financial statements in conformity with U.S. generally accepted accounting principles ("**GAAP**") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Inventory

Purchased inventory is stated at the lower of cost or market, using the first-in, first-out (FIFO) method for determining cost. Donated inventory is valued at wholesale acquisition cost, which approximates fair-value, as determined on the date of donation.

Investments

Investments are recorded in the statements of financial position at fair value, as determined based on quoted market prices. Cash equivalents classified as investments are short-term, highly liquid investments with original maturities of three months or more. Realized and unrealized gains and losses are included in the statements of activities.

The Agency invests in a professionally-managed portfolio that contains various types of securities (**See Note 6**). Such investments are exposed to market and credit risks. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term would materially affect the investment balances and the amounts reported in the financial statements.

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Agency. Unobservable inputs reflect the Agency's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Agency has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the Agency's own assumptions.

HOPE worldwide, Ltd. and affiliate

NOTES TO CONSOLIDATED FINANCIAL

STATEMENTS December 31, 2020 and 2019

Property and Equipment and Depreciation

Property and equipment are stated at cost, if purchased, and are depreciated over their estimated useful lives, generally 3 to 10 years, using the straight-line method. Donated property and equipment are recorded at estimated fair value when received. Expenditures in excess of \$5,000 are capitalized, and repairs and maintenance are expensed as incurred. When assets are disposed of, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss from such disposition is included in the change in net assets without donor restriction. The Agency's policy is to report gifts of buildings and equipment as support without donor restriction unless explicit donor stipulations specify how the donated assets must be used.

Depreciation for the years ended December 31, 2020 and 2019 was \$124,713 and \$107,776, respectively.

Revenue Recognition

Contributions and grants received are recorded as net assets without donor restrictions or with donor restrictions depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions and grants whose restrictions are satisfied in the same period are reported as net assets without donor restrictions.

Unconditional contributions and grants are recognized as revenue when the related promise to give is received. Conditional contributions and grants – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

The Agency holds special fundraising events throughout the year. The Agency records special events revenue equal to the fair value of direct benefits to donors and contribution income for the excess received when the event takes place.

The Agency recognizes revenue from medical services when the services are provided to the patients. Generally, patients are billed at the time that the service takes place and the majority of payments are received in the form of cash. Performance obligations are determined based on the nature of the services provided. The Agency recognizes revenue for performance obligations satisfied over time based on actual charges incurred in relation to total expected charges. Generally, performance obligations satisfied over time relate to patients receiving inpatient care. The Agency measures performance obligations from admission to the point when there are no further services required for the patient, which is generally the time of discharge. The Agency recognizes revenues for performance obligations satisfied at a point in time, which generally relate to patients receiving outpatient services when: (1) the services are provided; and (2) when it is believed the patient does not require additional services.

A portion of the Agency's revenue is derived from cost-reimbursement grants which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Agency has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. The Agency received advance payments of \$337,655 and \$57,491 that have not been recognized at December 31, 2020 and 2019 because qualifying expenditures have not yet been incurred and are included in the statements of financial position as a refundable advance.

Accounts Receivable

Accounts receivable are periodically reviewed by management for collectability. Bad debts are provided for on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable. Accounts are written off when they are deemed uncollectible. Allowances for doubtful accounts were \$11,462 and \$8,982 as of December 31, 2020 and 2019, respectively.

HOPE worldwide, Ltd. and affiliate

NOTES TO CONSOLIDATED FINANCIAL

STATEMENTS December 31, 2020 and 2019

Advances

Advances represent Agency funds sent to grant subrecipients where the measurable performances and barriers of those grants have not been fulfilled by the subrecipients as of December 31, 2020 and 2019.

In-Kind Gifts and Contributed Services

The Agency receives in-kind gifts primarily consisting of medical supplies and equipment for use in the Agency's medical programs. Gifts of donated supplies with explicit restrictions that specify how or where the assets are to be used are reported as contributions with donor restrictions. The Sihanouk Hospital Corporation is the largest individual recipient of in-kind gifts (**See Note 3**). The value of in-kind contributions is recorded at the wholesale acquisition cost ("**WAC**"), which approximates the exit price. The Agency has determined the WAC is the most appropriate estimate of fair value for its donated medicines and medical supplies. The WAC is estimated by using the wholesale value provided by the donor, published industry information such as Thompson Reuter's "RedBook", or other publicly available pricing sources.

If the Agency receives contributed services that require specialized skills, are provided by individuals possessing those skills, and would typically be purchased by the Agency if they had not been provided by donation, the value of these services is included in the financial statements. However, more than 8,500 volunteers, including the members of the Board of Directors, have made significant contributions of time to the Agency's policy-making, program and support functions. These contributed services do not meet the above criteria for recognition of contributed services and, accordingly, are not included in the accompanying financial statements. Key executives of the Agency periodically provide business advisory services to member organizations, the value of which is de minimus and has not been reflected in these financial statements.

In-kind contributions were distributed as follows as of December 31,:

	<u>2020</u>	<u>2019</u>
Cambodia	\$ 1,971,061	\$ 4,118,681
Cote d'Ivoire	2,985,836	24,058
Mexico	29,815	-
United States	<u>221,754</u>	<u>335,048</u>
	<u>\$ 5,208,466</u>	<u>\$ 4,477,787</u>

The Agency records contributed services that create or enhance nonfinancial assets and that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services are included as support in the accompanying statement of activities at their estimated values at the time received.

The Agency also receives significant amounts of time from individuals who perform various functions for the Agency without compensation. The financial statements do not reflect the value of these contributed services since the services do not meet the criteria for recognition.

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

The financial statements have certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include administrative and executive salaries and wages (and related benefits and payroll taxes), insurance, professional fees, and office supplies, which are allocated on the basis of estimates of time and effort.

HOPE worldwide, Ltd. and affiliate

NOTES TO CONSOLIDATED FINANCIAL

STATEMENTS December 31, 2020 and 2019

Income Tax Status

The Agency is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. HOPEMA is included under a group exemption. Accordingly, no provision for income taxes is made in the accompanying financial statements.

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain tax positions. GAAP prescribes a minimum recognition threshold that a tax position is required to meet in order to be recognized in the financial statements. The Agency believes that it had no uncertain tax positions as defined in the standard.

Concentration of Credit Risk

Financial instruments which subject The Agency to concentrations of credit risk are cash and accounts receivable. The Agency maintains its cash at high quality financial institutions. At times, such deposits may exceed federally-insured limits. Accounts receivable are expected to be collected in 2021. One organization accounted for approximately 26% of accounts receivable as of December 31, 2020 and 81% of accounts receivable as of December 31, 2019.

(3) MEMBERSHIP AGREEMENTS

The Agency has entered into membership agreements with organizations around the world that have a similar mission and purpose as the Agency. These members use the HOPE worldwide brand name, however, they are not related to the Agency and the Agency does not have any legal control over these members or their operations.

Effective December 10, 1996, the Agency entered into a joint sponsorship agreement with two other organizations: World Mate Foundation and World Assistance for Cambodia/Japan Relief for Cambodia (formerly known as American Relief for Cambodia and Japan Relief for Cambodia) to sponsor the Sihanouk Hospital Center of HOPE, in Phnom Penh, Cambodia. A nonprofit 501(c)(3) Delaware corporation was set up for the purpose of owning and operating the Sihanouk Hospital (the "**Sihanouk Hospital Corporation**"). The Board of Directors of the Sihanouk Hospital Corporation oversees the development and operation of the Sihanouk Hospital. The Agency has one-third representation on the Board of Directors of the Sihanouk Hospital Corporation, and provides certain management services to the hospital. Accordingly, the Sihanouk Hospital Corporation is not consolidated in the financial statements of the Agency nor is it accounted for on the equity method.

Contributions and revenues recognized by the Agency for the Sihanouk Hospital Corporation during the years ended December 31, 2020 and 2019 consisted of:

	<u>2020</u>	<u>2019</u>
In-kind donations	\$ 691,846	\$ 3,967,391
Cash contributions	<u>176,172</u>	<u>261,472</u>
	<u>\$ 868,018</u>	<u>\$ 4,228,863</u>

The Agency has also contributed \$408,000 and \$493,324 to the Sihanouk Hospital Corporation during the years ended December 31, 2020 and 2019, respectively.

Sihanouk Hospital Corporation paid management fees to the Agency in the amount of \$57,000 and \$33,750 for the years ended December 31, 2020 and 2019, respectively, and are included in other revenue on the statements of activities.

HOPE worldwide, Ltd. and affiliate

NOTES TO CONSOLIDATED FINANCIAL

STATEMENTS December 31, 2020 and 2019

(4) LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions that allow their use during the 12 months after the statement of financial position date, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash	\$ 6,022,593	\$ 3,871,589
Accounts receivable, net	136,105	596,331
Advances	193,053	17,801
Endowment spending-rate distribution and appropriation	<u>16,113</u>	<u>24,322</u>
Total financial assets available for general expenditure	<u>\$ 6,367,864</u>	<u>\$ 4,510,043</u>

Liquidity Management

The Agency receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. None of the financial assets are subject to donor restrictions that make them unavailable for general expenditures. The Agency manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The Agency regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Agency has various sources of liquidity at its disposal, including cash, equity securities, and a line of credit. See Note 7 for information about the Agency's line of credit.

The endowment fund consists of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of amounts available for general use. Donor-restricted endowment funds are not available for general use.

(5) INVENTORY

Inventory consisted of the following as of December 31,:

	<u>2020</u>	<u>2019</u>
Medical supplies	\$ 165,544	\$ 33,445
Medicines/vaccinations	<u>180,607</u>	<u>168,847</u>
	<u>\$ 346,151</u>	<u>\$ 202,292</u>

(6) INVESTMENTS

Investments consisted of the following as of December 31,:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 445,281	\$ 444,087
Mutual funds - Equities	<u>928,850</u>	<u>784,534</u>
	<u>\$ 1,374,131</u>	<u>\$ 1,228,621</u>

HOPE worldwide, Ltd. and affiliate**NOTES TO CONSOLIDATED FINANCIAL****STATEMENTS December 31, 2020 and 2019**

Investment income was comprised of the following:

	<u>2020</u>	<u>2019</u>
Realized and unrealized gain	\$ 144,317	\$ 189,672
Interest and dividends	<u>3,379</u>	<u>15,700</u>
	<u>\$ 147,696</u>	<u>\$ 205,372</u>

All investments held as of December 31, 2020 and 2019 were measured at fair value on a recurring basis using Level 1 inputs.

(7) LINE-OF-CREDIT

The Agency has a line-of-credit, up to \$900,000 which is collateralized by a UCC lien on all tangible property. The line-of-credit bears interest at the prime rate plus .50%, but the effective interest rate shall never be below 4.25% (prime rate was 4.75% as of December 31, 2020). Borrowings under this line-of-credit as of December 31, 2020 and 2019 were \$-0-, respectively. The line-of-credit matures on November 30, 2021.

(8) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes and periods:

	<u>December 31, 2019</u>	<u>Additions</u>	<u>Releases</u>	<u>December 31, 2020</u>
Subject to expenditure for specified purposes				
Community services	\$ 933,072	\$ 798,729	\$ (746,504)	\$ 985,297
Disaster response for areas including but not limited to the United States, Philippines, Indonesia and Haiti	1,084,719	3,214,917	(3,608,921)	690,715
Health and social services	322,622	2,832,447	(3,037,359)	117,710
International services	228,718	155,633	(245,310)	139,041
Education and development	<u>320,242</u>	<u>3,757,718</u>	<u>(3,336,691)</u>	<u>741,269</u>
Total subject to expenditure for specified purposes	<u>2,889,373</u>	<u>10,759,444</u>	<u>(10,974,785)</u>	<u>2,674,032</u>
Endowments:				
Subject to appropriation and expenditure when a specified event occurs:				
Restricted by donors for				
Programs benefitting orphans and the needs of disadvantaged in Eastern Europe and the Balkan States	8,011	4,286	-	12,297
International medical programs with a preference for Sihanouk Hospital and the benefit of HOPE worldwide, Ltd. International Global Health Fund	7,918	4,365	-	12,283
Endowment fund	132,569	60,374	-	192,943
Venture fund	<u>77,024</u>	<u>42,527</u>	<u>-</u>	<u>119,551</u>
	225,522	111,552	-	337,074

HOPE worldwide, Ltd. and affiliate

NOTES TO CONSOLIDATED FINANCIAL

STATEMENTS December 31, 2020 and 2019

Subject to Agency endowment spending policy and appropriation:

Programs benefitting orphans and the needs of disadvantaged in Eastern Europe and the Balkan States	33,216	618	-	33,834
International medical programs with a preference for Sihanouk Hospital and the benefit of HOPE worldwide, Ltd. International Global Health Fund	34,043	627	-	34,670
Endowment fund	455,146	8,787	-	463,933
Venture fund	337,017	6,081	-	343,098
	<u>859,422</u>	<u>16,113</u>	<u>-</u>	<u>875,535</u>
Total endowments	<u>1,084,944</u>	<u>127,665</u>	<u>-</u>	<u>1,212,609</u>
Total assets with donor restrictions	<u>\$3,974,317</u>	<u>\$ 10,887,109</u>	<u>\$ (10,974,785)</u>	<u>\$ 3,886,641</u>

	<u>December 31,</u> <u>2018</u>	<u>Additions</u>	<u>Releases</u>	<u>Transfer to</u> <u>HWW Mass</u>	<u>December 31,</u> <u>2019</u>
Subject to expenditure for specified purposes					
Community services	\$1,224,284	\$ 705,803	\$ (897,428)	\$ (99,587)	\$ 933,072
Disaster response for areas including but not limited to the United States, Philippines, Indonesia and Haiti	384,466	1,929,771	(1,229,518)	-	1,084,719
Health and social services	219,592	4,539,280	(4,436,250)	-	322,622
International services	100,387	1,025,973	(897,642)	-	228,718
Education and development	<u>443,591</u>	<u>488,180</u>	<u>(611,529)</u>	<u>-</u>	<u>320,242</u>
Total subject to expenditure for specified purposes	<u>2,372,320</u>	<u>8,689,007</u>	<u>(8,072,367)</u>	<u>(99,587)</u>	<u>2,889,373</u>
Endowments:					
Subject to appropriation and expenditure when a specified event occurs:					
Restricted by donors for					
Programs benefitting orphans and the needs of disadvantaged in Eastern Europe and the Balkan States	2,312	5,699	-	-	8,011
International medical programs with a preference for Sihanouk Hospital and the benefit of HOPE worldwide, Ltd. International programs	2,066	5,852	-	-	7,918
Global Health Fund					
Endowment fund	55,055	77,514	-	-	132,569
Venture fund	<u>18,855</u>	<u>58,169</u>	<u>-</u>	<u>-</u>	<u>77,024</u>
	<u>78,288</u>	<u>147,234</u>	<u>-</u>	<u>-</u>	<u>225,522</u>

HOPE worldwide, Ltd. and affiliate

NOTES TO CONSOLIDATED FINANCIAL

STATEMENTS December 31, 2020 and 2019

Subject to Agency endowment spending policy and appropriation:					
Programs benefitting orphans and the needs of disadvantaged in Eastern Europe and the Balkan States	32,284	932	-	-	33,216
International medical programs with a preference for Sihanouk Hospital and the benefit of HOPE worldwide, Ltd.					
International programs	33,096	947	-	-	34,043
Global Health Fund					
Endowment fund	441,875	13,271	-	-	455,146
Venture fund	327,845	9,172	-	-	337,017
	<u>835,100</u>	<u>24,322</u>	<u>-</u>	<u>-</u>	<u>859,422</u>
Total endowments	<u>913,388</u>	<u>171,556</u>	<u>-</u>	<u>-</u>	<u>1,084,944</u>
Total assets with donor restrictions	<u>\$3,285,708</u>	<u>\$8,860,563</u>	<u>\$(8,072,367)</u>	<u>\$(99,587)</u>	<u>\$3,974,317</u>

(9) ENDOWMENT

Endowment net assets are available to support the following purposes as of December 31,:

	<u>2020</u>	<u>2019</u>
Donor-restricted endowment funds		
Original donor-restricted gift amount and amounts required to be		
Programs benefitting orphans and the needs of disadvantaged children in Eastern Europe and the Balkan States	\$ 46,131	\$ 41,227
International medical programs with a preference for Sihanouk Hospital and the benefit of HOPE worldwide, Ltd.		
international programs	46,953	41,961
Global Health Fund		
Endowment fund	656,876	587,715
Venture fund	462,649	414,041
	<u>\$1,212,609</u>	<u>\$1,084,944</u>

The Board of Directors has interpreted state law as requiring the preservation of the purchasing power (real value) of the endowment funds with donor restriction unless explicit donor stipulation specifies how net appreciation must be used. To meet that objective, the Agency endowment management policies require that net appreciation be maintained in perpetuity in an amount necessary to adjust the historic dollar value of original endowment gifts by the change in the Consumer Price Index. After maintaining the real value of the endowment funds, any remainder is available for appropriation.

For the years ended December 31, 2020 and 2019, the Agency's endowment and Board designated net assets had the following activity:

	<u>Year ended December 31, 2020</u>		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets at beginning of year	\$ -	\$1,084,944	\$1,084,944
Interest and dividends	-	1,053	1,053
Net appreciation (depreciation)	-	126,612	126,612
Change in endowment net assets	-	127,665	127,665
Endowment net assets end of year	<u>\$ -</u>	<u>\$1,212,609</u>	<u>\$1,212,609</u>

HOPE worldwide, Ltd. and affiliate**NOTES TO CONSOLIDATED FINANCIAL****STATEMENTS December 31, 2020 and 2019**

	Year ended December 31, 2019		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets at beginning of year	\$ 82,643	\$ 913,388	\$ 996,031
Interest and dividends	-	7,151	7,151
Net appreciation (depreciation)	-	164,405	164,405
Release of restriction	(82,643)	-	(82,643)
Change in endowment net assets	(82,643)	171,556	88,913
Endowment net assets end of year	\$ -	\$1,084,944	\$ 1,084,944

(10) IN-KIND CONTRIBUTIONS

The following is a summary of the in-kind contributions included as revenue on the statements of activities during the years ended December 31, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Supplies and gifts	\$5,135,738	\$4,448,139
Special event supplies	41,190	-
Donated administrative and fiscal services	31,538	29,648
	<u>\$5,208,466</u>	<u>\$4,477,787</u>

A portion of in-kind contributions not used by the Agency as of December 31, 2020 and 2019 have been included in prepaid expenses and other assets on the statements of financial position.

The following is a summary of the in-kind contributions included as expenses on the statements of activities and functional expense during the years ended December 31, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Program expenses	\$5,145,738	\$4,397,889
Management and general expenses	32,705	-
Fundraising expenses	31,538	29,648
	<u>\$5,209,981</u>	<u>\$4,427,537</u>

(11) LOAN FORGIVENESS

In April 2020, the Agency borrowed \$722,437 under the Paycheck Protection Program funded by the Coronavirus Aid, Relief and Economic Security (CARES) Act. This loan is underwritten by WSFS Bank and bears interest at 1% maturing May 1, 2022. This loan was eligible to be forgiven if the proceeds were used in accordance with the terms of the program. The Agency has complied with the terms of the program and received payment relief in November 2020. Therefore, this amount has been recorded as an increase in net assets on the statements of activities.

HOPE worldwide, Ltd. and affiliate

NOTES TO CONSOLIDATED FINANCIAL

STATEMENTS December 31, 2020 and 2019

(12) RETIREMENT PROGRAM

The Agency participates in a 403(b) multiemployer defined-contribution pension plan, which covers all employees who have met certain service requirements. The Agency recorded \$125,089 and \$ 148,255 of expense related to the defined-contribution plan for the years ended December 31, 2020 and 2019, respectively.

(13) COMMITMENTS

The Agency leases facilities and equipment for operations throughout the United States and Cambodia. Future minimum lease obligations under noncancelable operating leases are as follows:

Year ending December 31,

2021	\$ 275,048
2022	23,686
2023	<u>3,000</u>
	<u>\$ 301,734</u>

Rent expense was \$354,048 and \$475,731 for the years ended December 31, 2020 and 2019, respectively.

(14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 10, 2021, the date on which the financial statements were available to be issued. The extent of the continued impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Agency's clients and employees and impact on our donors and their level of contributions, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

On January 29, 2021, the Agency executed various agreements with Endeavor for SEA Health ("**ESH**") to accomplish a donation of the Agency's assets related to the HOPEww Medical Centers in Cambodia to ESH, a Delaware 501(c)(3) corporation with a similar mission, namely to provide high quality healthcare to the people of Cambodia. Besides some listed excluded assets such as intellectual property, the Agency donated all assets related to the HOPEww Medical Centers in Cambodia plus an agreed-upon amount of working capital to ESH. In addition, on January 29, 2021, the Agency delegated operational authority of HOPEww Medical Centers to ESH but the Agency will maintain the ultimate legal authority to run the former HOPE worldwide Medical Centers (now called the Center of Hope Friendship Clinics) until its Memorandum of Understanding with the Cambodian Ministry of Health expires August 8, 2021. At that time, it is expected that ESH will have received its license from the Cambodian Ministry of Health to operate medical clinics and the donation will be closed/completed and the Agency will finalize its exit from the HOPEww Medical Centers.

No other material subsequent events have occurred since December 31, 2020 that would require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

HOPE worldwide, Ltd. and affiliate
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2020

	HOPE worldwide, Ltd		HWW -		
	Administration	HMC	Massachusetts	Eliminations	Total
ASSETS					
CURRENT ASSETS					
Cash	\$ 4,269,815	\$ 1,608,569	\$ 144,209	\$ -	\$ 6,022,593
Accounts receivable, net	67,791	67,163	1,151	-	136,105
Due from Administration	-	423	-	(423)	-
Inventory	-	346,151	-	-	346,151
Advances	193,053	-	-	-	193,053
Prepaid expenses and other current assets	93,112	150,472	8,485	-	252,069
Total current assets	4,623,771	2,172,778	153,845	(423)	6,949,971
NONCURRENT ASSETS					
Investments	1,374,131	-	-	-	1,374,131
PROPERTY AND EQUIPMENT					
Equipment	31,644	1,274,757	16,592	-	1,322,993
Leasehold improvements	19,979	292,956	-	-	312,935
	51,623	1,567,713	16,592	-	1,635,928
Less accumulated depreciation and amortization	51,623	1,098,011	11,253	-	1,160,887
Net property and equipment	-	469,702	5,339	-	475,041
	\$ 5,997,902	\$ 2,642,480	\$ 159,184	\$ (423)	\$ 8,799,143
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 78,660	\$ 281,024	\$ 8,660	\$ -	\$ 368,344
Accrued expenses and other current liabilities	43,691	68,628	-	(423)	111,896
Refundable advances	291,598	46,057	-	-	337,655
Total current liabilities	413,949	395,709	8,660	(423)	817,895
OTHER LIABILITIES					
Security deposits held	-	-	-	-	-
Deferred rent	6,741	-	-	-	6,741
Total liabilities	420,690	395,709	8,660	(423)	824,636
NET ASSETS					
Without donor restrictions	1,736,762	2,246,771	104,333	-	4,087,866
With donor restrictions	3,840,450	-	46,191	-	3,886,641
Total net assets	5,577,212	2,246,771	150,524	-	7,974,507
	\$ 5,997,902	\$ 2,642,480	\$ 159,184	\$ (423)	\$ 8,799,143

HOPE worldwide, Ltd. and affiliate

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended December 31, 2020

	Administration			HOPE Massachusetts			
	Without Donor Restrictions	With Donor Restrictions	HMC	Without Donor Restrictions	With Donor Restrictions	Eliminations	Total
Support and revenues							
Contributions	\$ 2,463,232	\$ 4,921,727	\$ -	\$ 128,929	\$ 77,023	\$ -	\$ 7,590,911
In-kind contributions	-	5,108,716	24,022	75,728	-	-	5,208,466
Grants and other	54,143	650,897	73,630	79,500	-	(100,000)	758,170
Medical services	-	-	6,980,189	-	-	-	6,980,189
Other revenue	262,237	1,081	-	135	-	-	263,453
Investment income, net	20,031	127,665	-	-	-	-	147,696
Unrealized gain on exchange rate	4	-	1,960	-	-	-	1,964
Total support and revenue	2,799,647	10,810,086	7,079,801	284,292	77,023	(100,000)	20,950,849
Net assets released from restrictions	10,899,050	(10,899,050)	-	75,735	(75,735)	-	-
	<u>13,698,697</u>	<u>(88,964)</u>	<u>7,079,801</u>	<u>360,027</u>	<u>1,288</u>	<u>(100,000)</u>	<u>20,950,849</u>
Expenses							
U.S. programs	1,821,813	-	-	112,808	-	-	1,934,621
Non-U.S. programs	8,755,633	-	5,524,139	-	-	-	14,279,772
Management and general	1,981,198	-	433,897	59,618	-	(100,000)	2,374,713
Fundraising	606,633	-	-	65,508	-	-	672,141
Total expenses	13,165,277	-	5,958,036	237,934	-	(100,000)	19,261,247
Change in net assets before other changes	533,420	(88,964)	1,121,765	122,093	1,288	-	1,689,602
OTHER CHANGES							
Loan forgiveness	722,437	-	-	-	-	-	722,437
Transfers	92,426	-	-	(92,426)	-	-	-
CHANGE IN NET ASSETS	1,348,283	(88,964)	1,121,765	29,667	1,288	-	2,412,039
NET ASSETS							
Beginning of year	388,479	3,929,414	1,125,006	74,666	44,903	-	5,562,468
End of year	\$ 1,736,762	\$ 3,840,450	\$ 2,246,771	\$ 104,333	\$ 46,191	\$ -	\$ 7,974,507