

# **HOPE *worldwide*, Ltd. and affiliate**

Consolidated Financial Statements  
Years Ended December 31, 2022 and 2021



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## INDEPENDENT AUDITOR'S REPORT

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

### ***Opinion***

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, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HOPE *worldwide*, Ltd. and affiliate as of December 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### ***Change in Accounting Principle***

As discussed in Note 2 of the financial statements on January 1, 2022, HOPE *worldwide*, Ltd. and affiliate, adopted ASU 2016-02, Leases (Topic 842). Our opinion is not modified in respect to that matter.

### ***Basis for Opinion***

We conducted our audits in accordance with U.S. generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of HOPE *worldwide*, Ltd. and affiliate and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HOPE *worldwide*, Ltd. and affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 HOPE *worldwide*, Ltd. and affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HOPE *worldwide*, Ltd. and affiliate's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities are presented for the purposes of additional analysis and are 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 consolidating 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  
November 14, 2023

**HOPE worldwide, Ltd. and affiliate****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 3,962,418	\$ 4,054,982
Accounts receivable, net	1,058,870	72,143
Advances	7,161	6,447
Prepaid expenses	<u>266,674</u>	<u>232,337</u>
<b>Total current assets</b>	<u>5,295,123</u>	<u>4,365,909</u>
<b>NONCURRENT ASSETS</b>		
Right to use asset	1,186,478	-
Investments	<u>982,612</u>	<u>1,640,669</u>
<b>Total noncurrent assets</b>	<u>2,169,090</u>	<u>1,640,669</u>
<b>PROPERTY AND EQUIPMENT</b>		
Equipment	139,447	126,061
Leasehold improvements	<u>183,645</u>	<u>176,201</u>
	323,092	302,262
Less accumulated depreciation and amortization	<u>59,629</u>	<u>17,095</u>
<b>Net property and equipment</b>	<u>263,463</u>	<u>285,167</u>
	<u>\$ 7,727,676</u>	<u>\$ 6,291,745</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 144,643	\$ 153,415
Accrued expenses and other current liabilities	83,013	81,694
Current portion of lease liability	162,260	-
Refundable advances	<u>58,697</u>	<u>43,200</u>
<b>Total current liabilities</b>	<u>448,613</u>	<u>278,309</u>
<b>OTHER LIABILITIES</b>		
Lease liability, net of current portion	1,053,116	-
Deferred rent	<u>-</u>	<u>6,741</u>
<b>Total liabilities</b>	<u>1,501,729</u>	<u>285,050</u>
<b>NET ASSETS</b>		
Without donor restrictions	1,755,845	1,450,456
With donor restrictions	<u>4,470,102</u>	<u>4,556,239</u>
<b>Total net assets</b>	<u>6,225,947</u>	<u>6,006,695</u>
	<u>\$ 7,727,676</u>	<u>\$ 6,291,745</u>

See accompanying notes

**HOPE worldwide, Ltd. and affiliate**

**CONSOLIDATED STATEMENTS OF ACTIVITIES**

**Years ended December 31, 2022 and 2021**

	<b>2022</b>			<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Support and revenues						
Contributions	\$ 2,811,342	\$ 5,131,627	\$ 7,942,969	\$ 2,677,111	\$ 4,443,785	\$ 7,120,896
In-kind contributions	85,227	30,256,587	30,341,814	96,397	6,391,428	6,487,825
Grants and other	1,137,227	581,983	1,719,210	470,064	227,596	697,660
Medical services	-	-	-	617,813	-	617,813
Other revenue	79,866	-	79,866	185,730	-	185,730
Investment income (loss), net	18,651	(231,066)	(212,415)	31,514	235,364	266,878
Unrealized gain on exchange rate	-	-	-	1,650	-	1,650
<b>Total support and revenue</b>	<b>4,132,313</b>	<b>35,739,131</b>	<b>39,871,444</b>	<b>4,080,279</b>	<b>11,298,173</b>	<b>15,378,452</b>
Net assets released from restrictions	35,825,268	(35,825,268)	-	10,956,839	(10,956,839)	-
	<u>39,957,581</u>	<u>(86,137)</u>	<u>39,871,444</u>	<u>15,037,118</u>	<u>341,334</u>	<u>15,378,452</u>
Expenses						
U.S. programs	3,453,160	-	3,453,160	1,478,895	-	1,478,895
Non-U.S. programs	32,400,836	-	32,400,836	10,897,054	-	10,897,054
Management and general	2,865,921	-	2,865,921	2,842,079	-	2,842,079
Fundraising	932,275	-	932,275	848,356	-	848,356
<b>Total expenses</b>	<b>39,652,192</b>	<b>-</b>	<b>39,652,192</b>	<b>16,066,384</b>	<b>-</b>	<b>16,066,384</b>
<b>Change in net assets before other changes</b>	<b>305,389</b>	<b>(86,137)</b>	<b>219,252</b>	<b>(1,029,266)</b>	<b>341,334</b>	<b>(687,932)</b>
<b>OTHER CHANGES</b>						
Discontinued operations contribution	-	-	-	(1,279,880)	-	(1,279,880)
<b>CHANGE IN NET ASSETS</b>	<b>305,389</b>	<b>(86,137)</b>	<b>219,252</b>	<b>(2,309,146)</b>	<b>341,334</b>	<b>(1,967,812)</b>
<b>NET ASSETS</b>						
Beginning of year	1,450,456	4,556,239	6,006,695	3,759,602	4,214,905	7,974,507
<b>End of year</b>	<b>\$ 1,755,845</b>	<b>\$ 4,470,102</b>	<b>\$ 6,225,947</b>	<b>\$ 1,450,456</b>	<b>\$ 4,556,239</b>	<b>\$ 6,006,695</b>

**See accompanying notes**

# HOPE worldwide, Ltd. and affiliate

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2022

	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	\$ 422,572	\$ 368,618	\$ 160,349	\$ 280,158	\$ 310,914	\$ 1,644,965	\$ 585,850	\$ 3,773,426
Advertising and promotion	29,178	2,880	1,563	9,794	-	67,054	59,078	169,547
Conferences/seminars	324	-	-	450	-	22,129	275	23,178
Credit card processing and other service charges	6,788	13,862	10,837	50,351	4,940	33,371	5,579	125,728
Depreciation	2,640	-	-	-	-	39,894	-	42,534
Dues and subscriptions	399	-	-	8,799	190	17,085	3,213	29,686
Meetings and facilities	13,815	5,496	76	3,255	-	87,409	1,220	111,271
Insurance	854	14,205	-	-	-	107,506	-	122,565
Office equipment	36,536	10,203	3,761	8,605	650	119,944	25,698	205,397
Office supplies	1,012	271	18	855	-	25,579	1,163	28,898
Professional/legal fees	40,836	510,720	750	154,719	19,622	206,334	79,064	1,012,045
Donated services	-	-	-	-	-	35,700	-	35,700
Charitable support and grants	528,906	50,388	245,861	30,638,988	1,465,761	18,142	-	32,948,046
Rent	19,953	-	-	-	-	188,386	-	208,339
Special events	8,320	-	-	-	-	-	121,781	130,101
Shipping/postage	939	244	13	34,556	-	3,620	2,883	42,255
Telephone and internet	8,713	7,697	1,800	11,274	3,600	40,813	9,705	83,602
Travel	56,745	109,356	7,857	104,564	36,471	159,471	36,766	511,230
Utilities	125	-	-	-	-	48,519	-	48,644
	<u>\$ 1,178,655</u>	<u>\$ 1,093,940</u>	<u>\$ 432,885</u>	<u>\$ 31,306,368</u>	<u>\$ 1,842,148</u>	<u>\$ 2,865,921</u>	<u>\$ 932,275</u>	<u>\$ 39,652,192</u>

See accompanying notes

# HOPE worldwide, Ltd. and affiliate

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2021

	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	\$ 340,121	\$ 271,821	\$ 202,485	\$ 232,737	\$ 375,109	\$ 1,933,008	\$ 509,490	\$ 3,864,771
Advertising and promotion	14,870	485	474	779	-	39,435	46,516	102,559
Conferences/seminars	453	-	-	-	-	13,718	3,411	17,582
Credit card processing and other service charges	8,503	10,044	10,635	19,913	2,640	34,627	6,014	92,376
Depreciation	2,619	-	-	-	8,597	3,223	-	14,439
Dues and subscriptions	85	-	-	7,915	945	15,653	3,389	27,987
Meetings and facilities	9,787	175	39	56	610	27,950	2,303	40,920
Insurance	854	7,665	-	-	607	139,228	859	149,213
Office equipment	22,578	11,781	1,462	6,692	5,817	144,656	17,465	210,451
Office supplies	1,410	-	-	600	3,328	22,349	1,081	28,768
Professional/legal fees	52,398	340,196	3,014	59,328	616,408	223,620	85,343	1,380,307
Charitable support and grants	557,395	53,355	353,787	1,668,689	6,873,424	5,593	19,672	9,531,915
Rent	21,785	-	-	-	18,440	89,304	-	129,529
Special events	-	-	-	-	-	-	126,115	126,115
Shipping/postage	6,015	200	138	5,555	2,668	8,933	2,657	26,166
Telephone and internet	9,300	5,300	3,092	3,963	2,888	37,527	9,016	71,086
Travel	69,815	30,252	5,079	9,721	11,980	98,991	15,025	240,863
Utilities	125	-	-	-	6,948	4,264	-	11,337
	<u>\$ 1,118,113</u>	<u>\$ 731,274</u>	<u>\$ 580,205</u>	<u>\$ 2,015,948</u>	<u>\$ 7,930,409</u>	<u>\$ 2,842,079</u>	<u>\$ 848,356</u>	<u>\$ 16,066,384</u>

See accompanying notes



# HOPE worldwide, Ltd. and affiliate

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Change in net assets</i>	\$ 219,252	\$ (1,967,812)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	42,534	14,439
Realized and unrealized (gain) loss on investments	232,620	(266,495)
Contributions and investment income received for long-term purposes	(60,486)	(61,606)
Reorganization contribution	-	1,279,880
(Increase) decrease in		
Accounts receivable	(986,727)	(15,101)
Inventory	-	22,982
Advances	(714)	185,334
Right to use asset	(1,186,478)	-
Prepaid expenses	(34,337)	(132,251)
Increase (decrease) in		
Accounts payable	(8,772)	310,591
Accrued expenses and other current liabilities	1,319	(145)
Refundable advances	15,497	(258,726)
Lease liability	1,215,376	-
Deferred rent	(6,741)	-
<b>Net cash provided by (used for) operating activities before reorganization items</b>	(557,657)	(888,910)
<b>Cash effect of discontinued operations contribution</b>	-	(816,494)
<b>Net cash provided by (used for) operating activities</b>	<u>(557,657)</u>	<u>(1,705,404)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(20,830)	(324,153)
Proceeds from sales of investments	443,561	240,706
Purchases of investments	(18,124)	(240,366)
<b>Net cash provided by (used for) investing activities</b>	<u>404,607</u>	<u>(323,813)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions and investment income received for long-term purposes	<u>60,486</u>	<u>61,606</u>
<b>Net change in cash</b>	(92,564)	(1,967,611)
<b>CASH</b>		
Beginning of year	<u>4,054,982</u>	<u>6,022,593</u>
<b>End of year</b>	<u>\$ 3,962,418</u>	<u>\$ 4,054,982</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 29</u>	<u>\$ 1,525</u>
Noncash items for years ended 2022 and 2021 include approximately \$30.3 million and \$6.5 million of donated relief supplies.		

See accompanying notes

## HOPE worldwide, Ltd. and affiliate

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

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#### (1) DESCRIPTION OF ORGANIZATION

HOPE worldwide, Ltd. (the "**Organization**") 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 Organization'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 Organization serves more than two million needy people annually. The Organization 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 the consolidation. The entities are referred to collectively as the Agency.

##### Basis of Accounting

The consolidated 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 consolidated 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 consolidated 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, 2022 and 2021

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#### Estimates

The presentation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Investments

Investments are recorded in the consolidated 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 4**). 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 consolidated 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.

#### 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, 2022 and 2021 was \$42,534 and \$14,439, respectively.

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## **HOPE worldwide, Ltd. and affiliate**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2022 and 2021**

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#### **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 when the event takes place.

The Agency recognized revenue from medical services when the services were provided to the patients. Generally, patients were billed at the time that the service took place and the majority of payments were received in the form of cash. Performance obligations were determined based on the nature of the services provided. The Agency recognized revenue for performance obligations satisfied over time based on actual charges incurred in relation to total expected charges. Generally, performance obligations satisfied over time related to patients receiving inpatient care. The Agency measured 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 recognized revenues for performance obligations satisfied at a point in time, which generally relate to patients receiving outpatient services when: (1) the services were provided; and (2) when it was 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 consolidated statements of financial position. The Agency received advance payments of \$58,697 and \$43,200 that have not been recognized at December 31, 2022 and 2021 because qualifying expenditures have not yet been incurred and are included in the consolidated statements of financial position as refundable advances.

#### **Accounts Receivable**

Accounts receivables 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. Management believes all accounts receivable are collectible as of December 31, 2022 and 2021.

#### **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, 2022 and 2021.

#### **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 and disaster relief. 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 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.

## HOPE worldwide, Ltd. and affiliate

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

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 consolidated financial statements. However, more than 20,500 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 consolidated 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>2022</u>	<u>2021</u>
Cambodia	\$ -	\$ 4,819,423
Cote d'Ivoire	1,408,657	1,169,634
Lebanon	-	62,393
Ukraine	26,107,432	-
Papua New Guinea	-	8,280
United States	85,227	-
Sri Lanka	2,740,498	-
St. Vincent	-	128,698
United States	-	299,397
	<u>\$ 30,341,814</u>	<u>\$ 6,487,825</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 consolidated statements 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 consolidated 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 presented on a functional basis in the consolidated statements of activities and functional expenses. The consolidated statements 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 consolidated 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.

#### **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 consolidated financial statements.

## HOPE worldwide, Ltd. and affiliate

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

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 consolidated 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 receivables are expected to be collected in 2023. Two organizations accounted for approximately 93% of accounts receivable as of December 31, 2022 and a different organization accounted for approximately 65% of accounts receivable as of December 31, 2021.

#### **Recent Accounting Pronouncements**

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, Leases (Topic 842) and subsequent amendments to the initial guidance (collectively, "**Topic 842**"). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. This guidance was effective for the Organization in 2022, with early application permitted. The Organization adopted this standard using the modified retrospective approach. The results for reporting periods after January 1, 2022 are presented under Topic 842, while prior periods have not been adjusted.

The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Organization to carry forward the historical lease classification. The Organization has also elected the practical expedient to not separate lease components from non-lease components. As a result of the adoption of Topic 842, the Organization recognized \$1,297,296 in lease liabilities and right-to-use asset in the consolidated statement of financial position as of January 1, 2022. There was no impact on net assets.

#### **Reclassification**

Certain amounts have been reclassified in the 2021 consolidated financial statements to conform with the 2022 presentation.

### (3) 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 consolidated statement of financial position dates, comprise the following:

	<b><u>2022</u></b>	<b><u>2021</u></b>
Cash	\$ 3,962,418	\$ 4,054,982
Accounts receivable, net	1,058,870	72,143
Advances	7,161	6,447
Investments	<u>982,612</u>	<u>1,640,669</u>
Total financial assets	6,011,061	5,774,241
Less: Donor restricted endowments	<u>(1,161,907)</u>	<u>(1,392,973)</u>
Total financial assets available for general expenditures	<b><u>\$ 4,849,154</u></b>	<b><u>\$ 4,381,268</u></b>

## HOPE worldwide, Ltd. and affiliate

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

#### 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 5 for information about the Agency's line of credit.

The endowment fund consists of donor-restricted 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.

#### (4) INVESTMENTS

Investments consisted of the following as of December 31,:

	<u>2022</u>	<u>2021</u>
Money market funds	\$ 3,938	\$ 445,324
Mutual funds - Equities	<u>978,674</u>	<u>1,195,345</u>
	<u>\$ 982,612</u>	<u>\$ 1,640,669</u>

Investment income (loss) was comprised of the following:

	<u>2022</u>	<u>2021</u>
Realized and unrealized gain (loss)	\$ (232,620)	\$ 266,495
Interest and dividends	<u>20,205</u>	<u>383</u>
	<u>\$ (212,415)</u>	<u>\$ 266,878</u>

All investments held as of December 31, 2022 and 2021 were measured at fair value on a recurring basis using Level 1 inputs.

#### (5) 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 7.5% as of December 31, 2022). There were no advances outstanding under this line-of-credit as of December 31, 2022 and 2021. The line-of-credit matures on November 30, 2023.

# HOPE worldwide, Ltd. and affiliate

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

### (6) NET ASSETS WITH DONOR RESTRICTIONS

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

	December 31, 2021	Additions	Releases	December 31, 2022
Subject to expenditure for specified purposes				
Community services	\$ 1,045,961	\$ 1,053,890	\$ (855,642)	\$ 1,244,209
Disaster response for areas including but not limited to the United States, Philippines, Indonesia and Haiti	495,491	31,603,142	(31,556,912)	541,721
Health and social services	198,144	398,429	(396,752)	199,821
International services	307,416	799,416	(1,056,313)	50,519
Education and development	<u>1,116,254</u>	<u>2,115,320</u>	<u>(1,959,649)</u>	<u>1,271,925</u>
Total subject to expenditure for specified purposes	<u>3,163,266</u>	<u>35,970,197</u>	<u>(35,825,268)</u>	<u>3,308,195</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	18,941	(11,834)	-	7,107
International medical programs	16,931	(12,046)	-	4,885
Global Health Fund				
Endowment fund	255,971	(160,929)	-	95,042
Venture fund	<u>163,989</u>	<u>(106,743)</u>	<u>-</u>	<u>57,246</u>
	455,832	(291,552)	-	164,280
Subject to Agency endowment spending policy and appropriation:				
Programs benefitting orphans and the needs of disadvantaged in Eastern Europe and the Balkan States	36,215	2,337	-	38,552
International medical programs	37,109	2,395	-	39,504
Global Health Fund				
Endowment fund	496,577	32,051	-	528,628
Venture fund	<u>367,240</u>	<u>23,703</u>	<u>-</u>	<u>390,943</u>
	<u>937,141</u>	<u>60,486</u>	<u>-</u>	<u>997,627</u>
Total endowments	<u>1,392,973</u>	<u>(231,066)</u>	<u>-</u>	<u>1,161,907</u>
Total assets with donor restrictions	<u>\$ 4,556,239</u>	<u>\$ 35,739,131</u>	<u>\$ (35,825,268)</u>	<u>\$ 4,470,102</u>

  

	December 31, 2020	Additions	Releases	December 31, 2021
Subject to expenditure for specified purposes				
Community services	\$ 985,297	\$ 860,497	\$ (799,833)	\$ 1,045,961
Disaster response for areas including but not limited to the United States, Philippines, Indonesia and Haiti	690,715	1,494,427	(1,689,651)	495,491
Health and social services	434,006	5,388,309	(5,624,171)	198,144
International services	151,009	835,905	(679,498)	307,416
Education and development	<u>741,269</u>	<u>2,483,671</u>	<u>(2,108,686)</u>	<u>1,116,254</u>
Total subject to expenditure for specified purposes	<u>3,002,296</u>	<u>11,062,809</u>	<u>(10,901,839)</u>	<u>3,163,266</u>



# HOPE worldwide, Ltd. and affiliate

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

### 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

12,297 6,644 - 18,941

International medical programs

12,283 6,728 (2,080) 16,931

Global Health Fund

Endowment fund

192,943 95,702 (32,674) 255,971

Venture fund

119,551 64,684 (20,246) 163,989

337,074 173,758 (55,000) 455,832

Subject to Agency endowment spending  
policy and appropriation:

Programs benefitting orphans and the  
States

33,834 2,381 - 36,215

International medical programs

34,670 2,439 - 37,109

Global Health Fund

Endowment fund

463,933 32,644 - 496,577

Venture fund

343,098 24,142 - 367,240

875,535 61,606 - 937,141

Total endowments

1,212,609 235,364 (55,000) 1,392,973

Total assets with donor restrictions

\$ 4,214,905 \$ 11,298,173 \$ (10,956,839) \$ 4,556,239

## (7) ENDOWMENT

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

	<u>2022</u>	<u>2021</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	\$ 45,659	\$ 55,156
International medical programs	44,389	54,040
Global Health Fund		
Endowment fund	623,670	752,548
Venture fund	448,189	531,229
	<u>\$ 1,161,907</u>	<u>\$ 1,392,973</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.

**HOPE worldwide, Ltd. and affiliate****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****December 31, 2022 and 2021**

For the years ended December 31, 2022 and 2021, the Agency's endowment had the following activity:

	<b>Year ended December 31, 2022</b>		
	<b><u>Without Donor Restriction</u></b>	<b><u>With Donor Restriction</u></b>	<b><u>Total</u></b>
Endowment net assets at beginning of year	\$ -	\$ 1,392,973	\$ 1,392,973
Interest and dividends	-	2,291	2,291
Net appreciation (depreciation)	-	(233,357)	(233,357)
Release of restriction	-	-	-
Change in endowment net assets	-	(231,066)	(231,066)
Endowment net assets end of year	<u>\$ -</u>	<u>\$ 1,161,907</u>	<u>\$ 1,161,907</u>

  

	<b>Year ended December 31, 2021</b>		
	<b><u>Without Donor Restriction</u></b>	<b><u>With Donor Restriction</u></b>	<b><u>Total</u></b>
Endowment net assets at beginning of year	\$ -	\$ 1,212,609	\$ 1,212,609
Interest and dividends	-	39	39
Net appreciation (depreciation)	-	235,325	235,325
Release of restriction	-	(55,000)	(55,000)
Change in endowment net assets	-	180,364	180,364
Endowment net assets end of year	<u>\$ -</u>	<u>\$ 1,392,973</u>	<u>\$ 1,392,973</u>

**(8) IN-KIND CONTRIBUTIONS**

The following is a summary of the in-kind contributions included as revenue on the consolidated statements of activities during the years ended December 31, 2022 and 2021.

	<b><u>2022</u></b>	<b><u>2021</u></b>
Supplies and gifts	\$ 30,285,991	\$ 6,407,125
Special event supplies	20,123	49,696
Donated administrative and fiscal services	35,700	31,004
	<u>\$ 30,341,814</u>	<u>\$ 6,487,825</u>

A portion of in-kind contributions not used by the Agency as of December 31, 2022 and 2021 have been included in prepaid expenses on the statements of financial position.

The following is a summary of the in-kind contributions included as expenses on the consolidated statements of activities and functional expenses during the years ended December 31, 2022 and 2021.

	<b><u>2022</u></b>	<b><u>2021</u></b>
Program expenses	\$ 30,285,991	\$ 6,407,125
Management and general expenses	35,700	31,004
Fundraising expenses	20,123	49,696
	<u>\$ 30,341,814</u>	<u>\$ 6,487,825</u>

## HOPE worldwide, Ltd. and affiliate

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

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#### (9) 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 \$150,504 and \$137,298 of expense related to the defined-contribution plan for the years ended December 31, 2022 and 2021, respectively.

#### (10) COMMITMENTS

The Agency leases facilities and equipment for operations.

The Organization has entered into various noncancelable operating leases for occupancy and equipment. For the year ended December 31, 2022 and 2021, lease costs for space totaled \$208,339 and \$129,529, respectively.

As of December 31, 2022, the maturities of the Organization's lease liabilities are as follows:

**Year ending December 31,**

2023	\$ 162,260
2024	167,142
2025	172,176
2026	177,331
2027	182,668
Thereafter	717,329
Less: imputed interest	<u>(363,530)</u>
	<u>\$ 1,215,376</u>

The weighted average remaining lease term and weighted average discount rate were as follows as of December 31, 2022:

Weighted Average remaining lease term (in years)	8.67
Weighted Average discount rate	6%

#### (11) DISCONTINUED OPERATIONS

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 maintained 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 expired August 8, 2021. At that time, ESH received its license from the Cambodian Ministry of Health to operate medical clinics and the donation was closed/completed and the Agency finalized its exit from the HOPEww Medical Centers.

**HOPE worldwide, Ltd. and affiliate****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****December 31, 2022 and 2021**

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	<u><b>2021</b></u>
Carrying amounts of major classes of assets and liabilities as part of discontinued operations	
Cash	\$ 816,494
Accounts receivable	79,063
Inventory	323,169
Prepaid and other assets	153,255
Property and equipment, net	<u>499,588</u>
Total assets donated in disposal group	<u><u>\$ 1,871,569</u></u>
 Accounts payable	 \$ 547,683
Refundable advances	<u>44,006</u>
Total liabilities included in disposal group	<u>591,689</u>
Net assets of disposal group	<u><u>\$ 1,279,880</u></u>

**(12) SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 14, 2023, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2022 that would require recognition or disclosure in the financial statements.

## **SUPPLEMENTARY INFORMATION**

**HOPE worldwide, Ltd. and affiliate**
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**
**December 31, 2022**

	<b>HOPE worldwide, Ltd Administration</b>	<b>HWW - HOPEMA</b>	<b>Eliminations</b>	<b>Total</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 3,603,902	\$ 358,516	\$ -	\$ 3,962,418
Accounts receivable, net	1,058,025	845	-	1,058,870
Due from Administration	-	-	-	-
Advances	7,161	-	-	7,161
Prepaid expenses	266,674	-	-	266,674
<b>Total current assets</b>	<b>4,935,762</b>	<b>359,361</b>	<b>-</b>	<b>5,295,123</b>
<b>NONCURRENT ASSETS</b>				
Right to use asset	1,186,478	-	-	1,186,478
Investments	982,612	-	-	982,612
<b>Total noncurrent assets</b>	<b>2,169,090</b>	<b>-</b>	<b>-</b>	<b>2,169,090</b>
<b>PROPERTY AND EQUIPMENT</b>				
Equipment	118,675	20,772	-	139,447
Leasehold improvements	183,645	-	-	183,645
	302,320	20,772	-	323,092
Less accumulated depreciation and amortization	43,117	16,512	-	59,629
<b>Net property and equipment</b>	<b>259,203</b>	<b>4,260</b>	<b>-</b>	<b>263,463</b>
	<b>\$ 7,364,055</b>	<b>\$ 363,621</b>	<b>\$ -</b>	<b>\$ 7,727,676</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 130,029	\$ 14,614	\$ -	\$ 144,643
Accrued expenses and other current liabilities	83,013	-	-	83,013
Current portion of lease liability	162,260	-	-	162,260
Refundable advances	58,697	-	-	58,697
<b>Total current liabilities</b>	<b>433,999</b>	<b>14,614</b>	<b>-</b>	<b>448,613</b>
<b>OTHER LIABILITIES</b>				
Lease liability, net of current portion	1,053,116	-	-	1,053,116
<b>Total liabilities</b>	<b>1,487,115</b>	<b>14,614</b>	<b>-</b>	<b>1,501,729</b>
<b>NET ASSETS</b>				
Without donor restrictions	1,515,989	239,856	-	1,755,845
With donor restrictions	4,360,951	109,151	-	4,470,102
<b>Total net assets</b>	<b>5,876,940</b>	<b>349,007</b>	<b>-</b>	<b>6,225,947</b>
	<b>\$ 7,364,055</b>	<b>\$ 363,621</b>	<b>\$ -</b>	<b>\$ 7,727,676</b>

**HOPE worldwide, Ltd. and affiliate**

**CONSOLIDATING STATEMENT OF ACTIVITIES**

**Year ended December 31, 2022**

	<b>HWW</b>		<b>HOPEMA</b>			
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Eliminations</b>	<b>Total</b>
<b>SUPPORT AND REVENUES</b>						
Contributions	\$ 2,570,143	\$ 5,044,357	\$ 392,061	\$ 87,270	\$ (150,862)	\$ 7,942,969
In-kind contributions	-	30,256,587	85,227	-	-	30,341,814
Grants and other	1,124,227	509,100	13,000	72,883	-	1,719,210
Other revenue	74,023	-	5,843	-	-	79,866
Investment income, net	18,651	(231,066)	-	-	-	(212,415)
<b>Total support and revenue</b>	<b>3,787,044</b>	<b>35,578,978</b>	<b>496,131</b>	<b>160,153</b>	<b>(150,862)</b>	<b>39,871,444</b>
Net assets released from restrictions	35,703,149	(35,703,149)	122,119	(122,119)	-	-
	<u>39,490,193</u>	<u>(124,171)</u>	<u>618,250</u>	<u>38,034</u>	<u>(150,862)</u>	<u>39,871,444</u>
<b>EXPENSES</b>						
U.S. programs	3,259,895	-	344,127	-	(150,862)	3,453,160
Non-U.S. programs	32,400,836	-	-	-	-	32,400,836
Management and general	2,812,335	-	53,586	-	-	2,865,921
Fundraising	818,025	-	114,250	-	-	932,275
<b>Total expenses</b>	<b>39,291,091</b>	<b>-</b>	<b>511,963</b>	<b>-</b>	<b>(150,862)</b>	<b>39,652,192</b>
<b>CHANGE IN NET ASSETS</b>	<b>199,102</b>	<b>(124,171)</b>	<b>106,287</b>	<b>38,034</b>	<b>-</b>	<b>219,252</b>
<b>NET ASSETS</b>						
Beginning of year	1,316,887	4,485,122	133,569	71,117	-	6,006,695
<b>End of year</b>	<b>\$ 1,515,989</b>	<b>\$ 4,360,951</b>	<b>\$ 239,856</b>	<b>\$ 109,151</b>	<b>\$ -</b>	<b>\$ 6,225,947</b>