

# **HOPE *worldwide, ltd.***

Financial Statements  
Years Ended December 31, 2018 and 2017



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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of HOPE worldwide, Ltd. (the "**Agency**"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the statement of functional expenses for the year ended December 31, 2018 (with comparative totals for 2017), and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HOPE worldwide, Ltd., as of December 31, 2018 and 2017, 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.

A handwritten signature in black ink, appearing to read 'BBD' followed by a stylized flourish.

Philadelphia, Pennsylvania  
May 6, 2019

**HOPE worldwide, Ltd.****STATEMENTS OF FINANCIAL POSITION****December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 4,420,869	\$ 4,354,929
Accounts receivable, net	82,264	383,698
Inventory	165,041	193,059
Advances	19,152	28,770
Prepaid expenses and other current assets	<u>166,932</u>	<u>167,126</u>
<b>Total current assets</b>	<u>4,854,258</u>	<u>5,127,582</u>
<b>NONCURRENT ASSETS</b>		
Investments	<u>1,032,648</u>	<u>1,053,742</u>
<b>PROPERTY AND EQUIPMENT</b>		
Equipment	1,089,751	1,077,719
Leasehold improvements	<u>250,003</u>	<u>250,003</u>
	1,339,754	1,327,722
Less accumulated depreciation and amortization	<u>1,157,636</u>	<u>1,045,706</u>
<b>Net property and equipment</b>	<u>182,118</u>	<u>282,016</u>
	<u>\$ 6,069,024</u>	<u>\$ 6,463,340</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 900,995	\$ 703,203
Line-of-credit	350,000	-
Accrued expenses and other current liabilities	170,991	204,526
Refundable advances	<u>95,815</u>	<u>50,758</u>
<b>Total current liabilities</b>	<u>1,517,801</u>	<u>958,487</u>
<b>OTHER LIABILITIES</b>		
Security deposits held	16,962	16,962
Deferred rent	<u>29,490</u>	<u>43,184</u>
<b>Total liabilities</b>	<u>1,564,253</u>	<u>1,018,633</u>
<b>NET ASSETS</b>		
Without donor restrictions	1,219,063	1,644,105
With donor restrictions	<u>3,285,708</u>	<u>3,800,602</u>
<b>Total net assets</b>	<u>4,504,771</u>	<u>5,444,707</u>
	<u>\$ 6,069,024</u>	<u>\$ 6,463,340</u>

**See accompanying notes**

**HOPE worldwide, Ltd.**

**STATEMENTS OF ACTIVITIES**

**Years ended December 31, 2018 and 2017**

	<b>2018</b>			<b>2017</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	\$ 2,681,189	\$ 12,516,115	\$ 15,197,304	\$ 2,966,417	\$ 13,989,317	\$ 16,955,734
Grants and other	59,989	990,798	1,050,787	51,035	839,300	890,335
Medical services	5,838,564	-	5,838,564	5,985,070	-	5,985,070
Other revenue	560,816	24,232	585,048	394,784	162,949	557,733
Investment income (loss), net	1,613	(18,501)	(16,888)	50,044	68,259	118,303
Unrealized gain on exchange rate	23,710	-	23,710	16,002	3,121	19,123
<b>Total support and revenue</b>	<b>9,165,881</b>	<b>13,512,644</b>	<b>22,678,525</b>	<b>9,463,352</b>	<b>15,062,946</b>	<b>24,526,298</b>
Net assets released from restrictions	14,027,538	(14,027,538)	-	14,889,121	(14,889,121)	-
	<u>23,193,419</u>	<u>(514,894)</u>	<u>22,678,525</u>	<u>24,352,473</u>	<u>173,825</u>	<u>24,526,298</u>
Expenses						
U.S. programs	1,583,846	-	1,583,846	1,190,638	-	1,190,638
Non-U.S. programs	18,556,093	-	18,556,093	19,690,776	-	19,690,776
Management and general	2,617,066	-	2,617,066	2,009,333	-	2,009,333
Fundraising	861,456	-	861,456	1,146,433	-	1,146,433
<b>Total expenses</b>	<b>23,618,461</b>	<b>-</b>	<b>23,618,461</b>	<b>24,037,180</b>	<b>-</b>	<b>24,037,180</b>
<b>CHANGE IN NET ASSETS</b>	<b>(425,042)</b>	<b>(514,894)</b>	<b>(939,936)</b>	<b>315,293</b>	<b>173,825</b>	<b>489,118</b>
<b>NET ASSETS</b>						
Beginning of year	1,644,105	3,800,602	5,444,707	1,328,812	3,626,777	4,955,589
<b>End of year</b>	<b>\$ 1,219,063</b>	<b>\$ 3,285,708</b>	<b>\$ 4,504,771</b>	<b>\$ 1,644,105</b>	<b>\$ 3,800,602</b>	<b>\$ 5,444,707</b>

**See accompanying notes**

**HOPE worldwide, Ltd.****STATEMENTS OF CASH FLOWS**

Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Change in net assets</i>	\$ (939,936)	\$ 489,118
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Bad debt expense	927	1,344
Depreciation	111,930	152,224
Loss on disposal of property and equipment	-	12,228
Realized and unrealized (gain) loss on investments	40,184	(102,123)
Contributions and investment income received for long-term purposes	(18,422)	(19,199)
(Increase) decrease in		
Accounts receivable	300,507	(185,193)
Inventory	28,018	(7,898)
Advances	9,618	64,654
Prepaid expenses and other current assets	194	17,046
Increase (decrease) in		
Accounts payable	197,792	109,273
Accrued expenses and other current liabilities	(33,535)	(45,123)
Refundable advances	45,057	(57,780)
Deferred rent	(13,694)	(9,451)
<b>Net cash provided by (used for) operating activities</b>	<u>(271,360)</u>	<u>419,120</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(12,032)	(76,526)
Proceeds from sales of investments	-	1,012,970
Purchases of investments	(19,090)	(175,953)
<b>Net cash provided by (used for) investing activities</b>	<u>(31,122)</u>	<u>760,491</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions and investment income received for long-term purposes	18,422	19,199
Proceeds (repayments) on line-of-credit, net	350,000	(845,000)
<b>Net cash provided by (used for) financing activities</b>	<u>368,422</u>	<u>(825,801)</u>
<b>Net change in cash</b>	65,940	353,810
<b>CASH</b>		
Beginning of year	<u>4,354,929</u>	<u>4,001,119</u>
<b>End of year</b>	<u>\$ 4,420,869</u>	<u>\$ 4,354,929</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 6,565</u>	<u>\$ 6,864</u>
Noncash items for years ended 2018 and 2017 include approximately \$10 million and \$11.3 million of donated medical supplies.		

See accompanying notes

**HOPE worldwide, Ltd.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year ended December 31, 2018 with comparative totals for 2017**

	Program (U.S. and Non - U.S.)						Management and General	Fundraising	Totals	
	Community Services	International Services	Education & Development	Disaster Response	Health	2018			2017	
Salaries, benefits and payroll taxes	\$ 345,501	\$ 300,101	\$ 171,563	\$ 89,267	\$ 2,270,709	\$ 1,525,491	\$ 657,323	\$ 5,359,955	4,837,638	
Advertising and promotion	42,060	7,678	6,906	6,418	1,861	91,626	10,244	166,793	154,625	
Bad debt	-	-	-	-	925	2	-	927	1,344	
Conferences/seminars	254	286	-	-	2,352	11,850	265	15,007	21,533	
Credit card processing and other service charges	6,496	24,484	4,199	2,174	4,437	31,350	5,103	78,243	81,736	
Depreciation	3,319	-	164	-	101,191	7,008	248	111,930	154,261	
Dues and subscriptions	190	-	-	397	3,257	15,371	4,760	23,975	23,648	
Foreign taxes	-	-	-	-	239,458	-	-	239,458	96,198	
Meetings and facilities	23,977	4,224	3,703	3,704	19,360	33,456	4,594	93,018	90,720	
Insurance	-	10,253	-	575	3,869	100,916	-	115,613	195,060	
Office equipment	11,594	8,336	4,812	7,749	60,298	82,743	16,218	191,750	83,729	
Office supplies	1,987	241	610	498	39,279	22,077	4,584	69,276	54,387	
Professional/legal fees	34,425	625,678	4,125	180,810	998,845	254,942	5,066	2,103,891	2,079,847	
Program expenses	234,465	43,422	369,684	325,932	12,750,524	340	21,500	13,745,867	14,729,952	
Rent	27,985	-	311	2,489	227,193	199,743	-	457,721	378,999	
Special events	5,466	-	-	-	-	345	74,954	80,765	133,126	
Shipping/postage	3,338	490	911	634	1,088	18,775	1,930	27,166	24,474	
Telephone and internet	6,751	5,169	(89)	1,069	11,860	25,783	5,343	55,886	142,459	
Travel	90,650	92,540	7,704	61,582	75,243	189,001	49,266	565,986	639,987	
Utilities	300	-	-	-	108,629	6,247	58	115,234	113,457	
	\$ 838,758	\$ 1,122,902	\$ 574,603	\$ 683,298	\$ 16,920,378	\$ 2,617,066	\$ 861,456	\$ 23,618,461	\$ 24,037,180	

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## HOPE worldwide, Ltd.

### NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

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#### (1) DESCRIPTION OF ORGANIZATION

HOPE worldwide, Ltd. (the "**Agency**") 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**").

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, 2018 and 2017 consisted of:

	<u>2018</u>	<u>2017</u>
In-kind donations	\$6,496,673	\$9,320,789
Grants	5,000	30,000
Program revenue	3,000	2,102
Cash contributions	267,483	508,548
	<u>\$6,772,156</u>	<u>\$9,861,439</u>

The Agency has also contributed \$408,167 and \$409,800 to the Sihanouk Hospital Corporation during the years ended December 31, 2018 and 2017, respectively.

Sihanouk Hospital Corporation paid management fees to the Agency in the amount of \$172,616 and \$241,460 for the years ended December 31, 2018 and 2017, respectively, and are included in other revenue on the statements of activities.

#### (2) SIGNIFICANT ACCOUNTING POLICIES

##### 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.

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**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

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**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. The governing board has designated, from net assets without restrictions, net assets to support overall development and fundraising. The amount designated was \$82,643 and \$228,155 as of December 31, 2018 and 2017, respectively.

***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 statement 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 expense the income generated in accordance with the provisions of the contributions.

**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 acquisition.

**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 5**). 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.

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

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**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 and are depreciated over their estimated useful lives, generally 3 to 10 years, using the straight-line method. 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, 2018 and 2017 was \$111,930 and \$154,261, respectively.

**Refundable Advances**

Refundable advances represent grant funding received for which the services have not yet been provided. Refundable advances will be recorded as revenue as the services are provided.

**Deferred Rent**

The Agency recognizes rent expense on a straight-line basis over the life of the leases. The difference between rent expense recognized and rental payments, as stipulated in the leases, is reflected as deferred rent in the statements of financial position.

**Contributions**

Contributions 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. Unconditional contributions are recognized when the related promise to give is received. Conditional contributions are recognized when the conditions are satisfied.

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

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**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 \$2,103 and \$2,852 as of December 31, 2018 and 2017, respectively.

**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 1**). 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 medical medicines and 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 20,000 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 as of December 31, 2018 and 2017 were distributed as follows:

	<b><u>2018</u></b>	<b><u>2017</u></b>
Cambodia	\$ 9,941,220	\$ 10,631,890
Cote d'Ivoire	63,650	349,220
Mexico	-	329,235
Honduras	-	682
United States	3,052	1,000
	<u>\$ 10,007,922</u>	<u>\$ 11,312,027</u>

**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 expenses, which are allocated on the basis of estimates of time and effort.

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

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**Income Tax Status**

The Agency is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. 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 2019. One organization accounted for approximately 21% of accounts receivable as of December 31, 2018. Three organizations accounted for approximately 82% of accounts receivable as of December 31, 2017.

**Reclassifications**

Certain amounts have been reclassified in the 2017 financial statements to conform with the 2018 presentation.

**Accounting Pronouncements Adopted**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these consolidated financial statements accordingly.

**(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 balance sheet date, comprise the following:

Cash	\$ 4,420,869
Accounts receivable, net	82,264
Advances	19,152
Endowment spending-rate distribution and appropriation	18,423
Total financial assets available for general expenditure	<u>\$ 4,540,708</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 organization 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.

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

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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 6 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.

**(4) INVENTORY**

Inventory consisted of the following as of December 31,:

	<b><u>2018</u></b>	<b><u>2017</u></b>
Medical supplies	\$ 32,856	\$ 31,692
Medicines/vaccinations	132,185	161,367
	<b><u>\$ 165,041</u></b>	<b><u>\$ 193,059</u></b>

**(5) INVESTMENTS**

Investments consisted of the following as of December 31,:

	<b><u>2018</u></b>	<b><u>2017</u></b>
Invested cash	\$ 435,917	\$ 429,462
Mutual funds - Equities	596,731	624,280
	<b><u>\$ 1,032,648</u></b>	<b><u>\$ 1,053,742</u></b>

Investment income (loss) was comprised of the following:

	<b><u>2018</u></b>	<b><u>2017</u></b>
Realized and unrealized gain (loss)	\$ (40,184)	\$ 102,123
Interest and dividends	23,296	16,180
	<b><u>\$ (16,888)</u></b>	<b><u>\$ 118,303</u></b>

All investments held as of December 31, 2018 and 2017 were measured at fair value on a recurring basis using Level 1 inputs.

**(6) LINE-OF-CREDIT**

The Agency has an unsecured line-of-credit, up to \$900,000, with a financial institution which matures on November 9, 2019. The interest rate is at the prime rate plus .50%, but the effective interest rate shall never be below 4.25%. Borrowings under this line-of-credit as of December 31, 2018 and 2017 were \$350,000 and \$-0-, respectively.

**HOPE worldwide, Ltd.****NOTES TO FINANCIAL STATEMENTS****December 31, 2018 and 2017****(7) NET ASSETS WITH DONOR RESTRICTIONS**

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

	<b>December 31, 2017</b>	<b>Additions</b>	<b>Releases</b>	<b>December 31, 2018</b>
Subject to expenditure for specified purposes				
Community services	\$ 872,698	\$ 813,141	\$ (461,555)	\$1,224,284
Disaster response for areas including but not limited to the United States, Philippines, Indonesia and Haiti	756,465	296,607	(668,606)	384,466
Health and social services	527,675	743,089	(1,051,172)	219,592
Procurement (medicines & equipment)	-	10,007,922	(10,007,922)	-
International services	171,884	1,043,470	(1,114,967)	100,387
Education and development	539,991	626,916	(723,316)	443,591
Total subject to expenditure for specified purposes	<u>2,868,713</u>	<u>13,531,145</u>	<u>(14,027,538)</u>	<u>2,372,320</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	3,718	(1,406)	-	2,312
International medical programs with a preference for Sihanouk Hospital and the benefit of HOPE worldwide, Ltd.	3,503	(1,437)	-	2,066
Global Health Fund				
Endowment fund	74,785	(19,730)	-	55,055
Venture fund	33,206	(14,351)	-	18,855
	<u>115,212</u>	<u>(36,924)</u>	<u>-</u>	<u>78,288</u>
Subject to Agency endowment spending policy and appropriation:				
Programs benefitting orphans and the needs of disadvantaged in Eastern Europe and the Balkan States	31,578	706	-	32,284
International medical programs with a preference for Sihanouk Hospital and the benefit of HOPE worldwide, Ltd.	32,380	716	-	33,096
Global Health Fund				
Endowment fund	431,792	10,083	-	441,875
Venture fund	320,927	6,918	-	327,845
	<u>816,677</u>	<u>18,423</u>	<u>-</u>	<u>835,100</u>
Total endowments	<u>931,889</u>	<u>(18,501)</u>	<u>-</u>	<u>913,388</u>
Total assets with donor restrictions	<u>\$3,800,602</u>	<u>\$13,512,644</u>	<u>\$(14,027,538)</u>	<u>\$3,285,708</u>

**HOPE worldwide, Ltd.****NOTES TO FINANCIAL STATEMENTS****December 31, 2018 and 2017**

	<b>December 31, 2016</b>	<b>Additions</b>	<b>Releases</b>	<b>December 31, 2017</b>
Subject to expenditure for specified purposes				
Community services	\$ 868,665	\$ 620,601	\$ (616,568)	\$ 872,698
Disaster response for areas including but not limited to the United States, Philippines, Indonesia and Haiti	371,259	792,463	(407,257)	756,465
Health and social services	894,190	507,863	(874,378)	527,675
Procurement (medicines & equipment)	-	10,695,040	(10,695,040)	-
International services	123,921	1,385,124	(1,337,161)	171,884
Education and development	503,784	979,028	(942,821)	539,991
Total subject to expenditure for specified purposes	<u>2,761,819</u>	<u>14,980,119</u>	<u>(14,873,225)</u>	<u>2,868,713</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	1,640	2,464	(386)	3,718
International medical programs with a preference for Sihanouk Hospital and the benefit of HOPE worldwide, Ltd.	1,266	2,535	(298)	3,503
Global Health Fund	54,449	33,162	(12,826)	74,785
Endowment fund	10,125	25,467	(2,386)	33,206
Venture fund	67,480	63,628	(15,896)	115,212
Subject to Agency endowment spending policy and appropriation:				
Programs benefitting orphans and the needs of disadvantaged in Eastern Europe and the Balkan States	30,843	735	-	31,578
International medical programs with a preference for Sihanouk Hospital and the benefit of HOPE worldwide, Ltd.	31,635	745	-	32,380
Global Health Fund	421,272	10,520	-	431,792
Endowment fund	313,728	7,199	-	320,927
Venture fund	797,478	19,199	-	816,677
Total endowments	<u>864,958</u>	<u>82,827</u>	<u>(15,896)</u>	<u>931,889</u>
Total assets with donor restrictions	<u>\$3,626,777</u>	<u>\$15,062,946</u>	<u>\$(14,889,121)</u>	<u>\$3,800,602</u>

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**(8) ENDOWMENT**

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

	<u><b>2018</b></u>	<u><b>2017</b></u>
Donor-restricted endowment funds		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor		
Programs benefitting orphans and the needs of disadvantaged children in Eastern Europe and the Balkan States	\$ 34,596	\$ 35,296
International medical programs with a preference for Sihanouk Hospital and the benefit of HOPE worldwide, Ltd.		
international programs	35,162	35,883
Global Health Fund		
Endowment fund	496,930	506,577
Venture fund	346,700	354,133
	<u><u>\$ 913,388</u></u>	<u><u>\$ 931,889</u></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, 2018 and 2017, the Agency's endowment and Board designated net assets had the following activity:

	<u><b>Year ended December 31, 2018</b></u>		
	<u><b>Without Donor Restriction</b></u>	<u><b>With Donor Restriction</b></u>	<u><b>Total</b></u>
Endowment net assets at beginning of year	\$ 228,155	\$931,889	\$ 1,160,044
Interest and dividends	-	19,486	19,486
Net appreciation (depreciation)	-	(37,987)	(37,987)
Release of restriction	(145,512)	-	(145,512)
Change in endowment net assets	(145,512)	(18,501)	(164,013)
Endowment net assets end of year	<u><u>\$ 82,643</u></u>	<u><u>\$913,388</u></u>	<u><u>\$ 996,031</u></u>

  

	<u><b>Year ended December 31, 2017</b></u>		
	<u><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Total</b></u>
Endowment net assets at beginning of year	\$ 359,734	\$864,958	\$ 1,224,692
Interest and dividends	-	10,750	10,750
Net appreciation (depreciation)	-	72,077	72,077
Release of restriction	(131,579)	(15,896)	(147,475)
Change in endowment net assets	(131,579)	66,931	(64,648)
Endowment net assets end of year	<u><u>\$ 228,155</u></u>	<u><u>\$931,889</u></u>	<u><u>\$ 1,160,044</u></u>



**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

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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 \$126,937 and \$82,426 of expense related to the defined-contribution plan for the years ended December 31, 2018 and 2017, respectively.

**(10) 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,**

2019	419,124
2020	263,210
2021	157,048
2022	<u>5,332</u>
	<u>\$ 844,714</u> (a)

- (a) Minimum payments have not been reduced by minimum sublease rentals of approximately \$119,505 due in the future under noncancelable subleases. The Agency entered into a sublease agreement in March 2016 to sublease office space located in Wayne, Pennsylvania. This sublease will expire January 31, 2020. Minimum monthly sublease payments the Agency will receive range between approximately \$8,500 to \$9,252 over the course of the sublease.

Rent expense was \$457,721 and \$478,452 for the years ended December 31, 2018 and 2017, respectively.

**(11) SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 6, 2019, the date on which the financial statements were available to be issued. No other material subsequent events have occurred since December 31, 2018 that would require recognition or disclosure in the financial statements.