

HOPE *worldwide, ltd.* **and affiliate**

Consolidated Financial Statements
Years Ended December 31, 2019 and 2018



1835 Market Street, 3rd Floor
Philadelphia, PA 19103

215/567-7770 | bbdcpa.com

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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 (the "**Agency**"), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, 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 audit opinion.

Opinion

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, 2019 and 2018, 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 6, 2020

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

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 3,871,589	\$ 4,420,869
Accounts receivable, net	596,331	82,264
Inventory	202,292	165,041
Advances	17,801	19,152
Prepaid expenses and other current assets	<u>267,697</u>	<u>166,932</u>
Total current assets	<u>4,955,710</u>	<u>4,854,258</u>
NONCURRENT ASSETS		
Investments	<u>1,228,621</u>	<u>1,032,648</u>
PROPERTY AND EQUIPMENT		
Equipment	1,431,973	1,089,751
Leasehold improvements	<u>266,569</u>	<u>250,003</u>
	1,698,542	1,339,754
Less accumulated depreciation and amortization	<u>1,265,412</u>	<u>1,157,636</u>
Net property and equipment	<u>433,130</u>	<u>182,118</u>
	<u>\$ 6,617,461</u>	<u>\$ 6,069,024</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 785,760	\$ 900,995
Line-of-credit	-	350,000
Accrued expenses and other current liabilities	183,666	170,991
Refundable advances	<u>57,491</u>	<u>95,815</u>
Total current liabilities	<u>1,026,917</u>	<u>1,517,801</u>
OTHER LIABILITIES		
Security deposits held	16,962	16,962
Deferred rent	<u>11,114</u>	<u>29,490</u>
Total liabilities	<u>1,054,993</u>	<u>1,564,253</u>
NET ASSETS		
Without donor restrictions	1,588,151	1,219,063
With donor restrictions	<u>3,974,317</u>	<u>3,285,708</u>
Total net assets	<u>5,562,468</u>	<u>4,504,771</u>
	<u>\$ 6,617,461</u>	<u>\$ 6,069,024</u>

See accompanying notes

HOPE worldwide, Ltd. and affiliate

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues						
Contributions	\$ 2,692,752	\$ 2,561,816	\$ 5,254,568	\$ 2,681,189	\$ 2,508,193	\$ 5,189,382
In-kind contributions	53,648	4,424,139	4,477,787	-	10,007,922	10,007,922
Grants and other	199,045	1,699,952	1,898,997	59,989	990,798	1,050,787
Medical services	6,584,498	-	6,584,498	5,838,564	-	5,838,564
Other revenue	359,224	3,100	362,324	560,816	24,232	585,048
Investment income (loss), net	33,816	171,556	205,372	1,613	(18,501)	(16,888)
Unrealized gain on exchange rate	20,764	-	20,764	23,710	-	23,710
Total support and revenue	9,943,747	8,860,563	18,804,310	9,165,881	13,512,644	22,678,525
Net assets released from restrictions	8,072,367	(8,072,367)	-	14,027,538	(14,027,538)	-
	<u>18,016,114</u>	<u>788,196</u>	<u>18,804,310</u>	<u>23,193,419</u>	<u>(514,894)</u>	<u>22,678,525</u>
Expenses						
U.S. programs	2,030,459	-	2,030,459	1,583,846	-	1,583,846
Non-U.S. programs	11,770,954	-	11,770,954	18,556,093	-	18,556,093
Management and general	3,192,182	-	3,192,182	2,617,066	-	2,617,066
Fundraising	753,018	-	753,018	861,456	-	861,456
Total expenses	17,746,613	-	17,746,613	23,618,461	-	23,618,461
CHANGE IN NET ASSETS	269,501	788,196	1,057,697	(425,042)	(514,894)	(939,936)
TRANSFERS	99,587	(99,587)	-	-	-	-
NET ASSETS						
Beginning of year	1,219,063	3,285,708	4,504,771	1,644,105	3,800,602	5,444,707
End of year	\$ 1,588,151	\$ 3,974,317	\$ 5,562,468	\$ 1,219,063	\$ 3,285,708	\$ 4,504,771

See accompanying notes

HOPE worldwide, ltd. and affiliate

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2019

	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 STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2018

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

HOPE worldwide, Ltd. and affiliate**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 1,057,697	\$ (939,936)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Bad debt expense	7,452	927
Depreciation	107,776	111,930
Realized and unrealized (gain) loss on investments	(189,672)	40,184
Contributions and investment income received for long-term purposes	(24,322)	(18,422)
(Increase) decrease in		
Accounts receivable	(521,519)	300,507
Inventory	(37,251)	28,018
Advances	1,351	9,618
Prepaid expenses and other current assets	(100,766)	194
Increase (decrease) in		
Accounts payable	(115,235)	197,792
Accrued expenses and other current liabilities	12,675	(33,535)
Refundable advances	(38,324)	45,057
Deferred rent	(18,376)	(13,694)
Net cash provided by (used for) operating activities	<u>141,486</u>	<u>(271,360)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(358,787)	(12,032)
Purchases of investments	(6,301)	(19,090)
Net cash provided by (used for) investing activities	<u>(365,088)</u>	<u>(31,122)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions and investment income received for long-term purposes	24,322	18,422
Proceeds (repayments) on line-of-credit, net	(350,000)	350,000
Net cash provided by (used for) financing activities	<u>(325,678)</u>	<u>368,422</u>
Net change in cash	(549,280)	65,940
CASH		
Beginning of year	<u>4,420,869</u>	<u>4,354,929</u>
End of year	<u>\$ 3,871,589</u>	<u>\$ 4,420,869</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 5,781</u>	<u>\$ 6,565</u>
Noncash items for years ended 2019 and 2018 include approximately \$4.5 million and \$10 million of donated medical supplies.		

See accompanying notes

HOPE worldwide, Ltd. and affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

(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. The governing board has designated, from net assets without restrictions, net assets to support overall development and fundraising. The amount designated was \$0 and \$82,643 as of December 31, 2019 and 2018, 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.

HOPE worldwide, Ltd. and affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

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.

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. 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.

HOPE worldwide, Ltd. and affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

Depreciation for the years ended December 31, 2019 and 2018 was \$107,776 and \$111,930, respectively.

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.

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 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 statement of financial position. The Agency received advance payments of \$57,491 and \$95,815 that have not been recognized at December 31, 2019 and 2018 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 \$8,982 and \$2,103 as of December 31, 2019 and 2018, respectively.

HOPE worldwide, Ltd. and affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

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 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 17,500 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 as of December 31, 2019 and 2018 were distributed as follows:

	<u>2019</u>	<u>2018</u>
Cambodia	\$ 4,118,681	\$ 9,941,220
Cote d'Ivoire	24,058	63,650
United States	335,048	3,052
	<u>\$ 4,477,787</u>	<u>\$ 10,007,922</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.

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.

HOPE worldwide, Ltd. and affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

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 2020. One organization accounted for approximately 81% of accounts receivable as of December 31, 2019. Another organization accounted for approximately 21% of accounts receivable as of December 31, 2018.

Reclassifications

Certain amounts have been reclassified in the 2018 financial statements to conform with the 2019 presentation.

Accounting Pronouncements Adopted

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The Agency adopted ASU 2014-09 on January 1, 2019 using the modified retrospective method approach.

The Agency performed an analysis of revenue streams and transactions under ASU 2014-09, including applying the portfolio approach as a practical expedient to group contracts with similar characteristics. Such that revenue for a given portfolio would not be materially different than if it were evaluated on a contract-by-contract basis. The impact of adopting ASU 2014-09 was not material to total revenues without donor restrictions, excess of revenues and gains over expenses and losses, or total net assets. The Agency's revenue recognition policies are detailed within Note 1.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This ASU clarifies and improves the scope and accounting guidance for contributions received and made and assists entities in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, Not-for-Profit Entities, or as exchange transactions subject to other guidance, and in determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal year 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.

HOPE worldwide, Ltd. and affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

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, 2019 and 2018 consisted of:

	<u>2019</u>	<u>2018</u>
In-kind donations	\$ 3,967,391	\$ 6,496,673
Grants	-	5,000
Program revenue	-	3,000
Cash contributions	<u>261,472</u>	<u>267,483</u>
	<u>\$ 4,228,863</u>	<u>\$ 6,772,156</u>

The Agency has also contributed \$493,324 and \$408,167 to the Sihanouk Hospital Corporation during the years ended December 31, 2019 and 2018, respectively.

Sihanouk Hospital Corporation paid management fees to the Agency in the amount of \$33,750 and \$172,616 for the years ended December 31, 2019 and 2018, respectively, and are included in other revenue on the statements of activities.

(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>2019</u>	<u>2018</u>
Cash	\$ 3,871,589	\$ 4,420,869
Accounts receivable, net	596,331	82,264
Advances	17,801	19,152
Endowment spending-rate distribution and appropriation	<u>24,322</u>	<u>18,423</u>
Total financial assets available for general expenditure	<u>\$ 4,510,043</u>	<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.

HOPE worldwide, Ltd. and affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

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>2019</u>	<u>2018</u>
Medical supplies	\$ 33,445	\$ 32,856
Medicines/vaccinations	168,847	132,185
	<u>\$ 202,292</u>	<u>\$ 165,041</u>

(6) INVESTMENTS

Investments consisted of the following as of December 31,:

	<u>2019</u>	<u>2018</u>
Invested cash	\$ 444,087	\$ 435,917
Mutual funds - Equities	784,534	596,731
	<u>\$ 1,228,621</u>	<u>\$ 1,032,648</u>

Investment income (loss) was comprised of the following:

	<u>2019</u>	<u>2018</u>
Realized and unrealized gain (loss)	\$ 189,672	\$ (40,184)
Interest and dividends	15,700	23,296
	<u>\$ 205,372</u>	<u>\$ (16,888)</u>

All investments held as of December 31, 2019 and 2018 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, 2019). Borrowings under this line-of-credit as of December 31, 2019 and 2018 were \$-0- and \$350,000, respectively. The line-of-credit matures on November 30, 2021.

HOPE worldwide, Ltd. and affiliate**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****December 31, 2019 and 2018****(8) NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>December 31, 2018</u>	<u>Additions</u>	<u>Releases</u>	<u>Transfer to HWW Mass</u>	<u>December 31, 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>
	78,288	147,234	-	-	225,522
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	<u>327,845</u>	<u>9,172</u>	<u>-</u>	<u>-</u>	<u>337,017</u>
	<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>

HOPE worldwide, Ltd. and affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

	December 31, 2017	Additions	Releases	December 31, 2018
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	10,751,011	(11,059,094)	219,592
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	2,868,713	13,531,145	(14,027,538)	2,372,320
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. International programs	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
	115,212	(36,924)	-	78,288
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. International programs	32,380	716	-	33,096
Global Health Fund				
Endowment fund	431,792	10,083	-	441,875
Venture fund	320,927	6,918	-	327,845
	816,677	18,423	-	835,100
Total endowments	931,889	(18,501)	-	913,388
Total assets with donor restrictions	\$ 3,800,602	\$ 13,512,644	\$ (14,027,538)	\$ 3,285,708

HOPE worldwide, Ltd. and affiliate**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****December 31, 2019 and 2018****(9) ENDOWMENT**

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

	<u>2019</u>	<u>2018</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	\$ 41,227	\$ 34,596
International medical programs with a preference for Sihanouk Hospital and the benefit of HOPE worldwide, Ltd. international programs	41,961	35,162
Global Health Fund		
Endowment fund	587,715	496,930
Venture fund	414,041	346,700
	<u>\$ 1,084,944</u>	<u>\$ 913,388</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, 2019 and 2018, the Agency's endowment and Board designated net assets had the following activity:

	<u>Year ended December 31, 2019</u>		
	<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	<u>\$ -</u>	<u>\$ 1,084,944</u>	<u>\$ 1,084,944</u>

	<u>Year ended December 31, 2018</u>		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</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>\$ 82,643</u>	<u>\$ 913,388</u>	<u>\$ 996,031</u>

HOPE worldwide, Ltd. and affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

(10) 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 \$148,255 and \$ 126,937 of expense related to the defined-contribution plan for the years ended December 31, 2019 and 2018, respectively.

(11) 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,

2020	267,410
2021	257,048
2022	<u>5,686</u>
	<u>\$ 530,144</u> (a)

- (a) Minimum payments have not been reduced by minimum sublease rentals of \$9,252 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 expired 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 \$475,731 and \$457,721 for the years ended December 31, 2019 and 2018, respectively.

(12) SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 6, 2020, the date on which the financial statements were available to be issued. The extent of the 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. No other material subsequent events have occurred since December 31, 2019 that would require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

HOPE worldwide, Ltd. and affiliate
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2019

	HOPE worldwide, Ltd		HWW -		
	Administration	HMC	Massachusetts	Eliminations	Total
ASSETS					
CURRENT ASSETS					
Cash	\$ 2,797,708	\$ 961,497	\$ 112,384	\$ -	\$ 3,871,589
Accounts receivable, net	502,352	86,343	7,636	-	596,331
Due from HMC	17,046	-	-	(17,046)	-
Inventory	-	202,292	-	-	202,292
Advances	17,801	-	-	-	17,801
Prepaid expenses and other current assets	98,267	169,290	140	-	267,697
Total current assets	3,433,174	1,419,422	120,160	(17,046)	4,955,710
NONCURRENT ASSETS					
Investments	1,228,621	-	-	-	1,228,621
PROPERTY AND EQUIPMENT					
Equipment	31,644	1,383,737	16,592	-	1,431,973
Leasehold improvements	19,979	246,590	-	-	266,569
	51,623	1,630,327	16,592	-	1,698,542
Less accumulated depreciation and amortization	51,623	1,204,907	8,882	-	1,265,412
Net property and equipment	-	425,420	7,710	-	433,130
	\$ 4,661,795	\$ 1,844,842	\$ 127,870	\$ (17,046)	\$ 6,617,461
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 176,527	\$ 600,932	\$ 8,301	\$ -	\$ 785,760
Accrued expenses and other current liabilities	107,949	75,717	-	-	183,666
Due to Administration	-	17,046	-	(17,046)	-
Refundable advances	31,350	26,141	-	-	57,491
Total current liabilities	315,826	719,836	8,301	(17,046)	1,026,917
OTHER LIABILITIES					
Security deposits held	16,962	-	-	-	16,962
Deferred rent	11,114	-	-	-	11,114
Total liabilities	343,902	719,836	8,301	(17,046)	1,054,993
NET ASSETS					
Without donor restrictions	388,479	1,125,006	74,666	-	1,588,151
With donor restrictions	3,929,414	-	44,903	-	3,974,317
Total net assets	4,317,893	1,125,006	119,569	-	5,562,468
	\$ 4,661,795	\$ 1,844,842	\$ 127,870	\$ (17,046)	\$ 6,617,461

HOPE worldwide, Ltd. and affiliate

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended December 31, 2019

	Administration			HOPE Massachusetts			
	Without Donor Restrictions	With Donor Restrictions	HMC	Without Donor Restrictions	With Donor Restrictions	Eliminations	Total
Support and revenues							
Contributions	\$ 2,566,601	\$ 2,430,456	\$ -	\$ 126,151	\$ 131,360	\$ -	\$ 5,254,568
In-kind contributions	-	4,424,139	24,000	29,648	-	-	4,477,787
Grants and other	201,321	1,699,952	36,888	60,836	-	(100,000)	1,898,997
Medical services	-	-	6,584,498	-	-	-	6,584,498
Other revenue	358,926	3,100	-	298	-	-	362,324
Investment income, net	33,816	171,556	-	-	-	-	205,372
Unrealized gain on exchange rate	(62)	-	20,826	-	-	-	20,764
Total support and revenue	3,160,602	8,729,203	6,666,212	216,933	131,360	(100,000)	18,804,310
Net assets released from restrictions	7,957,631	(7,957,631)	-	114,736	(114,736)	-	-
	<u>11,118,233</u>	<u>771,572</u>	<u>6,666,212</u>	<u>331,669</u>	<u>16,624</u>	<u>(100,000)</u>	<u>18,804,310</u>
Expenses							
U.S. programs	1,899,460	-	-	130,999	-	-	2,030,459
Non-U.S. programs	6,374,625	-	5,396,329	-	-	-	11,770,954
Management and general	2,858,760	-	385,148	48,274	-	(100,000)	3,192,182
Fundraising	706,797	-	-	46,221	-	-	753,018
Total expenses	11,839,642	-	5,781,477	225,494	-	(100,000)	17,746,613
Change in net assets before other changes	(721,409)	771,572	884,735	106,175	16,624	-	1,057,697
OTHER CHANGES							
Contribution of assets and liabilities from HOPE worldwide, Ltd.	-	(127,866)	-	99,587	28,279	-	-
Transfers	131,096	-	-	(131,096)	-	-	-
CHANGE IN NET ASSETS	(590,313)	643,706	884,735	74,666	44,903	-	1,057,697
NET ASSETS							
Beginning of year	978,792	3,285,708	240,271	-	-	-	4,504,771
End of year	\$ 388,479	\$ 3,929,414	\$ 1,125,006	\$ 74,666	\$ 44,903	\$ -	\$ 5,562,468