

HOPE *worldwide, Ltd.*

Financial Statements
Years Ended December 31, 2017 and 2016



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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, 2017 and 2016, and the related statements of activities 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 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, 2017 and 2016, 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 Matter – Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 15 and 16 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BB D 2LS

Philadelphia, Pennsylvania
October 18, 2018

HOPE worldwide, Ltd.**STATEMENTS OF FINANCIAL POSITION****December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 4,354,929	\$ 4,001,119
Accounts receivable, net of allowance for doubtful accounts of \$2,852 in 2017 and \$3,372 in 2016)	383,698	199,849
Inventory	193,059	185,161
Advances	28,770	93,424
Prepaid expenses and other current assets	<u>167,126</u>	<u>184,172</u>
Total current assets	<u>5,127,582</u>	<u>4,663,725</u>
NONCURRENT ASSETS		
Investments	<u>1,053,742</u>	<u>1,788,636</u>
PROPERTY AND EQUIPMENT		
Equipment	1,077,719	1,151,800
Leasehold improvements	<u>250,003</u>	<u>257,970</u>
	1,327,722	1,409,770
Less accumulated depreciation and amortization	<u>1,045,706</u>	<u>1,039,828</u>
Net property and equipment	<u>282,016</u>	<u>369,942</u>
	<u>\$ 6,463,340</u>	<u>\$ 6,822,303</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 703,203	\$ 593,930
Line-of-credit	-	845,000
Accrued expenses and other current liabilities	204,526	249,649
Refundable advances	<u>50,758</u>	<u>108,538</u>
Total current liabilities	<u>958,487</u>	<u>1,797,117</u>
OTHER LIABILITIES		
Security deposits held	16,962	16,962
Deferred rent	<u>43,184</u>	<u>52,635</u>
Total liabilities	<u>1,018,633</u>	<u>1,866,714</u>
NET ASSETS		
Unrestricted	1,415,950	969,078
Unrestricted - board designated	<u>228,155</u>	<u>359,734</u>
Total unrestricted net assets	1,644,105	1,328,812
Temporarily restricted	2,983,925	2,829,299
Permanently restricted	<u>816,677</u>	<u>797,478</u>
Total net assets	<u>5,444,707</u>	<u>4,955,589</u>
	<u>\$ 6,463,340</u>	<u>\$ 6,822,303</u>

See accompanying notes

HOPE worldwide, Ltd.

STATEMENTS OF ACTIVITIES

Years ended December 31, 2017 and 2016

	2017				2016			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenues								
Contributions	\$ 2,934,156	\$ 13,989,317	\$ -	\$ 16,923,473	\$ 2,490,209	\$ 7,937,152	\$ -	\$ 10,427,361
Grants and other	478,080	1,002,249	-	1,480,329	199,693	1,123,827	4,152	1,327,672
Medical services	5,985,070	-	-	5,985,070	5,933,659	-	-	5,933,659
Investment income, net	50,044	49,060	19,199	118,303	56,888	(7,143)	11,450	61,195
Unrealized gain (loss) on exchange rate	16,002	3,121	-	19,123	19,938	(8,000)	-	11,938
	9,463,352	15,043,747	19,199	24,526,298	8,700,387	9,045,836	15,602	17,761,825
Net assets released from restrictions	14,889,121	(14,889,121)	-	-	9,227,649	(9,227,649)	-	-
	24,352,473	154,626	19,199	24,526,298	17,928,036	(181,813)	15,602	17,761,825
Expenses								
U.S. programs	1,190,638	-	-	1,190,638	1,021,421	-	-	1,021,421
Non-U.S. programs	19,690,776	-	-	19,690,776	13,974,026	-	-	13,974,026
Management and general	2,009,333	-	-	2,009,333	1,860,602	-	-	1,860,602
Fundraising	1,146,433	-	-	1,146,433	1,020,230	-	-	1,020,230
	24,037,180	-	-	24,037,180	17,876,279	-	-	17,876,279
CHANGE IN NET ASSETS	315,293	154,626	19,199	489,118	51,757	(181,813)	15,602	(114,454)
NET ASSETS								
Beginning of year	1,328,812	2,829,299	797,478	4,955,589	1,277,055	3,011,112	781,876	5,070,043
End of year	<u>\$ 1,644,105</u>	<u>\$ 2,983,925</u>	<u>\$ 816,677</u>	<u>\$ 5,444,707</u>	<u>\$ 1,328,812</u>	<u>\$ 2,829,299</u>	<u>\$ 797,478</u>	<u>\$ 4,955,589</u>

See accompanying notes

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

Years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 489,118	\$ (114,454)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Bad debt expense	1,344	9,894
Depreciation	152,224	185,555
Loss on disposal of property and equipment	12,228	-
Realized and unrealized gain	(102,123)	(44,303)
Contributions and investment income received for long-term purposes	(19,199)	(15,602)
(Increase) decrease in		
Accounts receivable	(185,193)	40,562
Inventory	(7,898)	834
Advances	64,654	332,062
Prepaid expenses and other current assets	17,046	(19,537)
Increase (decrease) in		
Accounts payable	109,273	12,375
Accrued expenses and other current liabilities	(45,123)	(31,512)
Refundable advances	(57,780)	(309,339)
Security deposits held	-	16,962
Deferred rent	(9,451)	(11,375)
Net cash provided by operating activities	<u>419,120</u>	<u>52,122</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(76,526)	(28,049)
Proceeds from sales of investments	1,012,970	-
Purchases of investments	(175,953)	(118,319)
Net cash provided by (used for) investing activities	<u>760,491</u>	<u>(146,368)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions and investment income received for long-term purposes	19,199	15,602
Repayments on line-of-credit, net	(845,000)	(30,000)
Net cash used for financing activities	<u>(825,801)</u>	<u>(14,398)</u>
Net change in cash	353,810	(108,644)
CASH		
Beginning of year	<u>4,001,119</u>	<u>4,109,763</u>
End of year	<u>\$ 4,354,929</u>	<u>\$ 4,001,119</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 6,864</u>	<u>\$ 24,346</u>

Noncash items for years ended 2017 and 2016 include approximately \$11.3 million and \$5.4 million of donated medical supplies.

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

(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 three organizations (Japan Relief for Cambodia, American Assistance for Cambodia, and World Mate) 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.

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, 2017 and 2016 consisted of:

	2017	2016
In-kind donations	\$9,320,789	\$4,816,190
Grants	30,000	-
Program revenue	2,102	8,412
Cash contributions	508,548	651,537
	<u>\$9,861,439</u>	<u>\$5,476,139</u>

The Agency has also contributed \$409,800 to the Sihanouk Hospital Corporation in each of the years ended December 31, 2017 and 2016, respectively.

Sihanouk Hospital Corporation paid management fees to the Agency in the amount of \$241,460 and \$196,460 for the years ended December 31, 2017 and 2016, respectively, and are included in grants and other on the statements of activities.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

(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.

Basis of Presentation

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

Unrestricted net assets

Net assets that are not subject to donor-imposed restrictions. Board designated unrestricted net assets have been restricted by the Board of Directors to support overall development and fundraising.

Temporarily restricted net assets

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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as **"net assets released from restrictions."**

Permanently restricted net assets

Net assets that are subject to donor-imposed restrictions that neither expire by the passage of time nor can be satisfied by the actions of the Agency.

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.

Advances

Advances represent Agency funds sent to grant subrecipients prior to the intended services being provided by the subrecipients.

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 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 financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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 unrestricted net assets. The Agency's policy is to report gifts of buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Depreciation for the years ended December 31, 2017 and 2016 was \$152,224 and \$185,555, 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 unrestricted, temporarily restricted or permanently restricted net assets 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.

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.

NOTES TO FINANCIAL STATEMENTS**December 31, 2017 and 2016**

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 temporarily restricted support. 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, 2017 and 2016 were distributed as follows:

	<u>2017</u>	<u>2016</u>
Cambodia	\$ 10,631,890	\$ 4,896,393
Cote d'Ivoire	349,220	570,542
Mexico	329,235	-
Honduras	682	6,324
United States	1,000	-
	<u>\$ 11,312,027</u>	<u>\$ 5,473,259</u>

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 2018. Three organizations accounted for approximately 82% and 69% of accounts receivable as of December 31, 2017 and 2016.

Reclassifications

Certain amounts have been reclassified in the 2016 financial statements to conform with the 2017 presentation.

NOTES TO FINANCIAL STATEMENTS**December 31, 2017 and 2016**

(3) INVENTORY

Inventory consisted of the following as of December 31,:

	2017	2016
Medical supplies	\$ 31,692	\$ 24,718
Medicines/vaccinations	161,367	160,443
	<u>\$ 193,059</u>	<u>\$ 185,161</u>

(4) INVESTMENTS

Investments consisted of the following as of December 31,:

	2017	2016
Invested cash	\$ 429,462	\$ 1,024,572
Mutual funds - Equities	624,280	764,064
	<u>\$ 1,053,742</u>	<u>\$ 1,788,636</u>

Investment income was comprised of the following:

	2017	2016
Realized and unrealized gain	\$ 102,123	\$ 44,303
Interest and dividends	16,180	16,892
	<u>\$ 118,303</u>	<u>\$ 61,195</u>

All investments held as of December 31, 2017 and 2016 were measured at fair value on a recurring basis using Level 1 inputs.

(5) LINE-OF-CREDIT

The Agency has an unsecured line-of-credit, up to \$900,000, with a financial institution which matures on November 9, 2018. 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, 2017 and 2016 were \$-0- and \$845,000, respectively.

(6) 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 \$82,426 and \$42,109 of expense related to the defined-contribution plan for the years ended December 31, 2017 and 2016, respectively.

(7) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available and were released from restrictions for the following purposes as of and for the year ended December 31, 2017:

HOPE worldwide, Ltd.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

	December 31, 2016	Additions	Releases	December 31, 2017
Community Services				
United States - General	\$ 621,894	\$ 436,390	\$ (400,158)	\$ 658,126
United States - Adoption Assistance	7,900	-	-	7,900
United States - Child Mentoring/Education	45,380	47,362	(34,804)	57,938
United States - Food Pantry	421	51,200	(36,718)	14,903
United States - Volunteerism	16,111	52,483	(53,607)	14,987
Disaster Response for areas including but not limited to the United States, Philippines, Indonesia and Haiti	371,259	792,463	(407,182)	756,540
Health & Social Services				
General Health & Social Services	109,586	23,620	(100,000)	33,206
Cambodia - Sihanouk Hospital Corporation	95,897	179,327	(92,638)	182,586
Cambodia - Sonja Kill Memorial Hospital	10,589	89,314	(69,195)	30,708
Cambodia - HOPE Medical Centers	339,478	-	(338,118)	1,360
Cambodia - General Health	201,015	93,236	-	294,251
Bolivia - General Health	205,105	185,994	(290,323)	100,776
Africa - Aids and Community Development	246,645	296,982	(361,926)	181,701
International Services				
Procurement (medicines & equipment)	-	10,695,040	(10,695,040)	-
Volunteer medical brigades	-	513,348	(513,348)	-
English/2nd Language - C & S America	34,689	54,073	(88,450)	312
International Volunteer Programs	89,232	817,703	(735,363)	171,572
International Volunteer Programs	-	20,464	-	20,464
Other Restricted Assets by Region				
Central America & Caribbean				
Guatemala	10,108	1,063	(6,300)	4,871
Honduras	30,426	15,886	(7,454)	38,858
Central America & Caribbean - Other	6,904	7,956	(12,881)	1,979
East Asia & Pacific				
Philippines	24,021	52,039	(61,289)	14,771
Papua New Guinea	2,250	4,532	-	6,782
Cambodia - School	23,325	82,819	(20,353)	85,791
Hong Kong	85,839	-	(42,500)	43,339
East Asia & Pacific - Other	95,303	79,998	(87,212)	88,089
Europe	15,693	51	(9,075)	6,669
Middle East & North Africa	308	-	(308)	-
North America	46,320	29,251	(21,576)	53,995
Russia & Neighboring States				
Moscow	(745)	745	-	-
Ukraine	2,315	2,077	(13)	4,379
South America				
Brazil	582	642	(16)	1,208
Columbus	1,700	698	(15)	2,383
South America - Other	1,555	-	-	1,555
South Asia				
Afghanistan	6,770	9,330	(4,332)	11,768
India	33,778	22,893	(32,443)	24,228
South Asia - Other	19,435	2,056	(11,600)	9,891
Sub-Saharan Africa				
Kenya	7,186	25,327	1,384	33,897
Sub-Saharan Africa - Other	21,025	357,385	(356,268)	22,142
	<u>\$2,829,299</u>	<u>\$15,043,747</u>	<u>\$(14,889,121)</u>	<u>\$2,983,925</u>

HOPE worldwide, Ltd.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

Temporarily restricted net assets are available and were released from restrictions for the following purposes as of and for the year ended December 31, 2016:

	December 31, 2015	Additions	Releases	December 31, 2016
Community Services				
United States - General	\$ 586,528	\$ 489,275	\$ (453,909)	\$ 621,894
United States - Adoption Assistance	6,382	10,000	(8,482)	7,900
United States - Child Mentoring/Education	28,704	35,211	(18,535)	45,380
United States - Food Pantry	421	31,154	(31,154)	421
United States - Volunteerism	8,851	57,392	(50,132)	16,111
Disaster Response for areas including but not limited to the United States, Philippines, Indonesia and Haiti	347,701	319,853	(296,295)	371,259
Health & Social Services				
General Health & Social Services	159,846	434,991	(485,251)	109,586
Cambodia - Sihanouk Hospital Corporation	114,287	189,892	(208,282)	95,897
Cambodia - Sonja Kill Memorial Hospital	41,100	28,336	(58,847)	10,589
Cambodia - HOPE Medical Centers	380,303	-	(40,825)	339,478
Cambodia - General Health	153,286	17,729	30,000	201,015
Bolivia - General Health	280,065	280,453	(355,413)	205,105
Africa - Aids and Community Development	326,418	284,456	(364,229)	246,645
International Services				
Procurement (medicines & equipment)	5,275	4,958,407	(4,963,682)	-
Volunteer medical brigades	5,000	137,917	(142,917)	-
English/2nd Language - C & S America	41,070	68,150	(74,531)	34,689
International Volunteer Programs	52,395	622,682	(585,845)	89,232
Other Restricted Assets by Region				
Central America & Caribbean				
Guatemala	15,051	9,890	(14,833)	10,108
Honduras	22,802	12,793	(5,169)	30,426
Central America & Caribbean - Other	6,003	901	-	6,904
East Asia & Pacific				
Philippines	33,012	51,709	(60,700)	24,021
Papua New Guinea	10,125	13,620	(21,495)	2,250
Cambodia - School	25,469	39,695	(41,839)	23,325
Hong Kong	127,869	150,470	(192,500)	85,839
East Asia & Pacific - Other	80,635	24,668	(10,000)	95,303
Europe	15,693	-	-	15,693
Middle East & North Africa	308	-	-	308
North America	44,095	2,230	(5)	46,320
Russia & Neighboring States				
Moscow	(745)	-	-	(745)
Ukraine	4,224	12,091	(14,000)	2,315
South America				
Brazil	2,210	72	(1,700)	582
Columbus	-	1,700	-	1,700
South America - Other	1,555	-	-	1,555
South Asia				
Afghanistan	3,020	8,950	(5,200)	6,770
India	39,543	86,310	(92,075)	33,778
South Asia - Other	16,376	11,568	(8,509)	19,435
Sub-Saharan Africa				
Kenya	23,747	18,639	(35,200)	7,186
Sub-Saharan Africa - Other	56,876	580,244	(616,095)	21,025
	<u>\$3,065,500</u>	<u>\$8,991,448</u>	<u>\$(9,227,649)</u>	<u>\$2,829,299</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

(8) PERMANENTLY RESTRICTED NET ASSETS

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

	2017	2016
Programs benefitting orphans and the needs of disadvantaged children in Eastern Europe and the Balkan States	\$ 31,578	\$ 30,843
International medical programs with a preference for Sihanouk Hospital and the benefit of HOPE worldwide, Ltd.		
international programs	32,380	31,635
Global Health Fund		
Endowment fund	431,792	421,272
Venture fund	320,927	313,728
	<u>\$ 816,677</u>	<u>\$ 797,478</u>

The Board of Directors has interpreted state law as requiring the preservation of the purchasing power (real value) of the permanent endowment funds 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 permanently 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 permanent funds, any remainder is available for appropriation.

During the year ended December 31, 2016, the Agency's management was notified by a donor of an endowment fund that the restriction on the endowment funds has been removed. Therefore, the principal and accumulated investment income attributable to this fund has been reclassified to unrestricted net assets in the amount of \$1,005,364.

For the years ended December 31, 2017 and 2016, the Agency's endowment and Board designated net assets had the following activity:

	Year ended December 31, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	\$ 359,734	\$ 67,480	\$ 797,478	\$ 1,224,692
Interest and dividends	-	10,750	-	10,750
Net appreciation (depreciation)	-	52,878	19,199	72,077
Release of restriction	(131,579)	(15,896)	-	(147,475)
Change in endowment net assets	(131,579)	47,732	19,199	(64,648)
Endowment net assets end of year	<u>\$ 228,155</u>	<u>\$ 115,212</u>	<u>\$ 816,677</u>	<u>\$ 1,160,044</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

	Year ended December 31, 2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets at beginning of year	\$ 422,236	\$ 74,614	\$ 1,732,852	\$ 2,229,702
Interest and dividends	-	14,969	-	14,969
Interest on Venture fund loan	-	-	4,152	4,152
Release of restriction	(322,789)	-	-	(322,789)
Net appreciation (depreciation)	-	32,285	11,450	43,735
Repayment of loans	226,750	-	-	226,750
Underwater endowment	33,537	-	-	33,537
Reclassification	-	(54,388)	(950,976)	(1,005,364)
Change in endowment net assets	(62,502)	(7,134)	(935,374)	(1,005,010)
Endowment net assets end of year	\$ 359,734	\$ 67,480	\$ 797,478	\$ 1,224,692

(9) 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,

2018	\$ 428,641
2019	419,124
2020	263,210
2021	257,048
2022	5,332
	<u>\$ 1,373,355 (a)</u>

- (a) Minimum payments have not been reduced by minimum sublease rentals of approximately \$349,263 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 \$478,452 and \$412,247 for the years ended December 31, 2017 and 2016, respectively.

(10) SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 18, 2018, the date on which the financial statements were available to be issued. No other material subsequent events have occurred since December 31, 2017 that would require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

HOPE worldwide, ltd.

SCHEDULE OF FUNCTIONAL EXPENSES

Year ended December 31, 2017

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	Program (U.S. and Non - U.S.)							
	Health	Education and Development	Children/ Adoption Care	Disaster Relief	Community Services	Management and General	Fundraising	Total
Salaries	\$ 2,330,831	\$ 24,719	\$ -	\$ -	\$ 554,016	\$ 529,399	\$ 533,478	\$ 3,972,443
Employee benefits	76,034	4,225	-	-	95,033	293,418	117,192	585,902
Payroll expenses	156,678	1,737	-	-	31,760	43,031	34,317	267,523
Out-of-town expenses	141,126	19,001	-	31,301	140,917	167,261	72,384	571,990
Bad debt	1,344	-	-	-	-	-	-	1,344
Bank charges	6,072	788	354	2,938	18,911	36,907	2,364	68,334
Conference/seminar	24,232	-	-	300	2,326	1,621	1,469	29,948
Depreciation	138,239	248	-	-	3,350	9,253	1,134	152,224
Gifts	1,988	-	-	-	1,185	4,729	16,949	24,851
Insurance	6,347	82	-	-	11,441	86,055	4,044	107,969
Interest	-	-	-	-	-	6,864	-	6,864
License/fees/taxes	7,988	-	-	-	425	13,702	9,121	31,236
Maintenance and repairs, buildings and grounds	32,338	-	-	-	2,180	9,174	-	43,692
Meals/entertainment	22,072	3,033	-	2,242	15,020	59,667	10,039	112,073
Miscellaneous office expense	28,156	-	-	-	-	-	-	28,156
Office equipment rental/ maintenance	16,503	776	-	3,361	15,515	92,287	19,506	147,948
Printing	12,846	1,010	-	60	2,913	1,809	39,383	58,021
Professional/legal fees	965,132	10,369	-	74,450	589,012	389,469	51,415	2,079,847
Program expenses	13,727,636	114,964	125,980	359,380	260,062	1,002	690	14,589,714
Promotional expenses	3,558	1,080	-	8,660	31,331	6,265	46,165	97,059
Rent	248,687	12,032	-	-	23,610	194,123	-	478,452
Shipping/postage	1,309	64	-	71	1,778	3,379	17,873	24,474
Special events	-	-	-	-	-	-	142,459	142,459
Supplies	166,400	117	-	389	8,497	33,961	15,598	224,962
Telephone	15,389	504	-	89	9,261	20,725	8,420	54,388
Travel	14,815	114	-	131	2,963	2,012	2,103	22,138
Utilities	109,619	-	-	-	-	3,220	330	113,169
	<u>\$ 18,255,339</u>	<u>\$ 194,863</u>	<u>\$ 126,334</u>	<u>\$ 483,372</u>	<u>\$ 1,821,506</u>	<u>\$ 2,009,333</u>	<u>\$ 1,146,433</u>	<u>\$ 24,037,180</u>

HOPE worldwide, Ltd.

SCHEDULE OF FUNCTIONAL EXPENSES

Year ended December 31, 2016

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	Program (U.S. and Non - U.S.)					Management	Fundraising	Total
	Health	Education and	Children/	Disaster	Community	and General		
		Development	Adoption Care	Relief	Services			
Salaries	\$ 1,887,385	\$ 1,040	\$ -	\$ -	\$ 650,276	\$ 606,294	\$ 545,396	\$ 3,690,391
Employee benefits	100,705	-	-	-	60,415	131,628	100,489	393,237
Payroll expenses	145,142	80	-	-	22,318	52,276	37,194	257,010
Out-of-town expenses	63,527	8,493	-	10,477	147,335	93,578	73,861	397,271
Bad debt	(4,395)	-	-	-	(940)	-	-	(5,335)
Bank charges	3,685	485	-	89	17,066	23,212	6,863	51,400
Conference/seminar	-	-	-	860	25,542	12,145	5,645	44,192
Depreciation	156,311	1,489	579	1,211	4,102	20,321	1,542	185,555
Gifts	267	-	-	284	7,212	6,107	4,923	18,793
Insurance	3,633	113	-	-	2,763	92,832	5,510	104,851
Interest	-	-	-	-	-	24,346	-	24,346
License/fees/taxes	10,093	-	-	-	747	22,709	1,165	34,714
Maintenance and repairs, buildings and grounds	15,479	-	-	-	300	37,356	-	53,135
Meals/entertainment	28,366	1,679	-	1,313	18,214	44,334	16,963	110,869
Miscellaneous office expense	2	-	-	-	7	69	-	78
Office equipment rental/ maintenance	41,327	-	-	134	8,971	43,085	18,749	112,266
Printing	20,270	1,246	-	197	3,840	5,902	40,338	71,793
Professional/legal fees	298,725	5,872	14,550	-	608,640	324,739	6,947	1,259,473
Program expenses	9,166,714	319,249	86,540	279,614	344,808	-	-	10,196,925
Promotional expenses	2,692	3,026	425	3,818	46,691	18,081	28,046	102,779
Rent	234,902	5,730	-	-	26,852	144,050	713	412,247
Shipping/postage	645	236	-	127	1,527	5,116	20,079	27,730
Special events	-	-	-	-	499	-	91,419	91,918
Supplies	35,150	2,153	-	1,232	7,013	11,482	3,204	60,234
Telephone	13,863	173	-	-	8,136	25,573	8,925	56,670
Travel	3,925	18	-	-	2,168	2,302	2,259	10,672
Utilities	-	-	-	-	-	113,065	-	113,065
	<u>\$ 12,228,413</u>	<u>\$ 351,082</u>	<u>\$ 102,094</u>	<u>\$ 299,356</u>	<u>\$ 2,014,502</u>	<u>\$ 1,860,602</u>	<u>\$ 1,020,230</u>	<u>\$ 17,876,279</u>