

# **Hope International Ministries, Inc.**

Financial Report  
June 30, 2020

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RSM US LLP

## Independent Auditor's Report

Board of Directors  
Hope International Ministries, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Hope International Ministries, Inc., which comprise the statement of financial position as of June 30, 2020, the related statements of activities, functional expenses and cash flows for the year 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 accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the 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 the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 International Ministries, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

The financial statements of the Hope International Ministries, Inc., as of and for the year ended June 30, 2019, were audited by other auditors, whose report, dated July 28, 2020, expressed an unmodified opinion on those statements.

*RSM VS LLP*

St. Petersburg, Florida  
October 27, 2021

Hope International Ministries, Inc.

Statements of Financial Position  
June 30, 2020 and 2019

	2020	2019
<b>Assets</b>		
Current assets		
Cash	\$ 1,899,897	\$ 2,931,855
Investments	1,053,168	1,077,814
Current portion of note receivable	2,100	2,100
Other assets	1,521	1,710
<b>Total current assets</b>	<b>2,956,686</b>	4,013,479
Property and equipment, net	8,547,913	7,023,465
Investments	105,398	107,668
Notes receivable, net of current portion	1,374	2,349
<b>Total assets</b>	<b>\$ 11,611,371</b>	<b>\$ 11,146,961</b>
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable	\$ -	\$ 36,323
Accrued expenses	61,233	106,604
Current maturities of long-term debt	37,371	36,088
<b>Total current liabilities</b>	<b>98,604</b>	179,015
Long-term debt, net of current maturities and debt issuance costs	660,762	696,753
<b>Total liabilities</b>	<b>759,366</b>	875,768
Net assets		
Without donor restrictions	10,063,989	8,148,897
With donor restrictions	788,016	2,122,296
<b>Total net assets</b>	<b>10,852,005</b>	10,271,193
<b>Total liabilities and net assets</b>	<b>\$ 11,611,371</b>	<b>\$ 11,146,961</b>

See notes to financial statements.

Hope International Ministries, Inc.

Statement of Activities  
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 2,579,770	\$ 541,184	\$ 3,120,954
In-kind contributions	1,501,974	-	1,501,974
Grant income	163,370	-	163,370
Interest and dividends	7,073	2,298	9,371
Realized and unrealized gain on investments	7,652	-	7,652
Events, net	-	-	-
Other	15,723	-	15,723
Net assets released from restriction	1,877,762	(1,877,762)	-
<b>Total support and revenue</b>	<b>6,153,324</b>	<b>(1,334,280)</b>	<b>4,819,044</b>
Expenses:			
Program services	3,780,601	-	3,780,601
Support services:			
Administrative	258,704	-	258,704
Fundraising	198,927	-	198,927
<b>Total expenses</b>	<b>4,238,232</b>	<b>-</b>	<b>4,238,232</b>
<b>Change in net assets</b>	<b>1,915,092</b>	<b>(1,334,280)</b>	<b>580,812</b>
Net assets:			
Beginning	8,148,897	2,122,296	10,271,193
Ending	<b>\$ 10,063,989</b>	<b>\$ 788,016</b>	<b>\$ 10,852,005</b>

See notes to financial statements.

Hope International Ministries, Inc.

Statement of Activities  
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 2,881,688	\$ 1,510,744	\$ 4,392,432
In-kind contributions	1,775,729	-	1,775,729
Interest and dividends	12,010	-	12,010
Realized and unrealized gain on investments	69,249	5,604	74,853
Events, net	(45,272)	-	(45,272)
Other	52,578	-	52,578
Net assets released from restriction	1,307,931	(1,307,931)	-
<b>Total support and revenue</b>	<b>6,053,913</b>	<b>208,417</b>	<b>6,262,330</b>
Expenses:			
Program services	3,967,436	-	3,967,436
Support services:			
Administrative	281,664	-	281,664
Fundraising	92,787	-	92,787
<b>Total expenses</b>	<b>4,341,887</b>	<b>-</b>	<b>4,341,887</b>
<b>Change in net assets</b>	<b>1,712,026</b>	<b>208,417</b>	<b>1,920,443</b>
Net assets:			
Beginning	6,436,871	1,913,879	8,350,750
Ending	\$ 8,148,897	\$ 2,122,296	\$ 10,271,193

See notes to financial statements.

Hope International Ministries, Inc.

Statement of Functional Expenses  
Year Ended June 30, 2020

	Support Services				Total Expenses
	Program Services	Administrative	Fundraising	Total Support Services	
Salaries and wages	\$ 666,987	\$ 68,984	\$ 38,348	\$ 107,332	\$ 774,319
Employee benefits	206,922	21,650	11,910	33,560	240,482
Payroll taxes	61,681	7,159	3,587	10,746	72,427
<b>Total salaries and related expenses</b>	<b>935,590</b>	<b>97,793</b>	<b>53,845</b>	<b>151,638</b>	<b>1,087,228</b>
Children's programs	129,849	-	-	-	129,849
School	83,414	-	-	-	83,414
Occupancy	173,304	8,154	-	8,154	181,458
Repairs and maintenance	137,913	-	-	-	137,913
Travel	79,409	-	-	-	79,409
Professional fees	-	80,915	-	80,915	80,915
Insurance	136,725	-	-	-	136,725
Information technology	30,954	-	-	-	30,954
Office expenses	128,747	5,744	6,518	12,262	141,009
Fees and dues	18,053	-	12,322	12,322	30,375
In-kind expenses	1,501,974	-	-	-	1,501,974
Other	33,547	3,568	126,242	129,810	163,357
<b>Total expenses before depreciation and interest</b>	<b>3,389,479</b>	<b>196,174</b>	<b>198,927</b>	<b>395,101</b>	<b>3,784,580</b>
Depreciation	364,815	62,530	-	62,530	427,345
Interest	26,307	-	-	-	26,307
<b>Total expenses</b>	<b>\$ 3,780,601</b>	<b>\$ 258,704</b>	<b>\$ 198,927</b>	<b>\$ 457,631</b>	<b>\$ 4,238,232</b>

See notes to financial statements.



Hope International Ministries, Inc.

Statement of Functional Expenses  
Year Ended June 30, 2019

	Support Services			Total Support Services	Total Expenses
	Program Services	Administrative	Fundraising		
Salaries and wages	\$ 663,398	\$ 66,669	\$ 42,937	\$ 109,606	\$ 773,004
Employee benefits	236,082	26,326	15,028	41,354	277,436
Payroll taxes	61,698	6,865	3,220	10,085	71,783
<b>Total salaries and related expenses</b>	<b>961,178</b>	<b>99,860</b>	<b>61,185</b>	<b>161,045</b>	<b>1,122,223</b>
Children's programs	192,567	-	-	-	192,567
School	48,423	-	-	-	48,423
Occupancy	192,968	7,281	-	7,281	200,249
Repairs and maintenance	167,192	-	-	-	167,192
Travel	94,194	-	-	-	94,194
Professional fees	-	102,743	-	102,743	102,743
Insurance	105,452	-	-	-	105,452
Information technology	14,770	10,315	-	10,315	25,085
Office expenses	74,234	6,965	1,045	8,010	82,244
Fees and dues	18,301	-	8,940	8,940	27,241
In-kind expenses	1,775,729	-	-	-	1,775,729
Other	9,806	17,144	21,617	38,761	48,567
<b>Total expenses before depreciation and interest</b>	<b>3,654,814</b>	<b>244,308</b>	<b>92,787</b>	<b>337,095</b>	<b>3,991,909</b>
Depreciation	283,561	37,356	-	37,356	320,917
Interest	29,061	-	-	-	29,061
<b>Total expenses</b>	<b>\$ 3,967,436</b>	<b>\$ 281,664</b>	<b>\$ 92,787</b>	<b>\$ 374,451</b>	<b>\$ 4,341,887</b>

See notes to financial statements.

**Hope International Ministries, Inc.**

**Statements of Cash Flows**  
**Years Ended June 30, 2020 and 2019**

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 580,812	\$ 1,920,443
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	427,345	320,917
Amortization of debt issuance costs	1,228	1,670
Realized and unrealized gain on investments	(7,652)	(74,852)
Contribution of property and equipment	-	(544,577)
Changes in assets and liabilities:		
Decrease (increase) in:		
Other assets	189	(210)
Due to related parties	-	(16,795)
(Decrease) increase in:		
Accounts payable	(36,323)	25,494
Accrued expenses	(45,371)	(41,389)
<b>Net cash provided by operating activities</b>	<b>920,228</b>	<b>1,590,701</b>
Cash flows from investing activities		
Purchases of investments	-	(1,000,799)
Proceeds from sale of investments	34,568	1,072,615
Purchases of property and equipment	(1,951,793)	(1,214,856)
Proceeds from note receivable	975	875
<b>Net cash used by investing activities</b>	<b>(1,916,250)</b>	<b>(1,142,165)</b>
Cash flows from financing activities		
Principal payments on long-term debt	(35,936)	(34,848)
<b>Net cash used by financing activities</b>	<b>(35,936)</b>	<b>(34,848)</b>
<b>Net (decrease) increase in cash</b>	<b>(1,031,958)</b>	<b>413,688</b>
Cash:		
Beginning	2,931,855	2,518,167
Ending	<b>\$ 1,899,897</b>	<b>\$ 2,931,855</b>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<b>\$ 26,307</b>	<b>\$ 27,833</b>
Supplemental disclosure of non-cash investing activities:		
Contribution of property and equipment	<b>\$ -</b>	<b>\$ 544,577</b>

See notes to financial statements.

## Hope International Ministries, Inc.

### Notes to Financial Statements

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#### Note 1. Nature of Activities

Hope International Ministries, Inc. (the Organization) is a nonprofit corporation founded in 1968, to provide a Christian home and education for children who have come from broken homes and families. The Organization has cared for nearly 5,000 abandoned, abused, neglected and orphaned children from newborn through 18 years old. These children have come from the United States and around the world.

The Organization is located in Tampa, Florida, on 55 wooded acres of land. The campus consists of dormitories for the boys and girls that can house a total of 80 children, as well as several 4,000 square foot cottages that care for younger children and allow siblings to live together. The children live in a family atmosphere with house parents who give guidance and encouragement.

Hope Christian School is also located on the property and is accredited by the state of Florida, providing a private Christian education to children from nursery through 12th grade.

The Organization does not receive state or federal funding, but is supported entirely by churches, private individuals, businesses, clubs and other organizations.

#### Note 2. Summary of Significant Accounting Policies

**Basis of presentation:** A nonprofit organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

**Net assets without donor restrictions:** Contributions and other inflows of assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and/or board of directors.

**Net assets with donor restrictions:** Contributions and other inflows of assets subject to donor-imposed stipulations that may or will be fulfilled by actions of the Organization, the passage of time or permanently maintained by the Organization. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Cash:** Cash consists of cash on hand in checking and savings accounts.

**Concentration of risk:** The Organization maintains cash at financial institutions and, at times, balances may exceed federal insured limits. The Organization has not experienced any losses in such accounts, and management believes the Organization is not exposed to any significant risk of loss on cash.

**Investments:** Investments are recorded and carried at fair value. Donated investments are recorded at fair value at the time of receipt. Cash and money market accounts designated for long-term purposes are classified as investments.

## Hope International Ministries, Inc.

### Notes to Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

**Fair value:** The Organization defines fair value in accordance with U.S. GAAP, which specifies a hierarchy of valuation techniques. The disclosure of fair value estimates is based on whether the significant inputs into the valuation are observable. In determining the level of hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs. The Organization measures investments at fair value on a recurring basis.

The following is a brief description of the type of valuation information (inputs) that qualifies a financial asset for each level:

**Level 1:** Unadjusted quoted market prices for identical assets in active markets which are accessible by the Organization.

**Level 2:** Observable prices in active markets for similar assets. Prices for identical or similar assets in markets that are not active. Market inputs that are not directly observable but are derived from or corroborated by observable market data.

**Level 3:** Unobservable inputs based on the Organization's own judgment as to assumptions a market participant would use, including inputs derived from extrapolation and interpolation that are not corroborated by observable market data.

The Organization evaluates the various types of financial assets to determine the appropriate fair value hierarchy based upon trading activity and the observability of market inputs. The Organization employs control processes to validate the reasonableness of the fair value estimates of its assets, including those estimates based on prices and quotes obtained from independent third-party sources.

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the report date.

During the years ended June 2020 and 2019, there were no changes to the Organization's valuation techniques that had, or are expected to have, a material impact on its statements of financial position or activities.

**Notes receivable:** Notes receivable are stated at cost less an allowance for doubtful accounts. Management's determination of the allowance is based on an evaluation of past collection history. Management provides for probable uncollectable amounts through a charge to earnings and a credit to valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Management provided no allowance for notes receivable as of June 30, 2020 and 2019.

**Property and equipment:** Property and equipment are carried at cost if purchased or estimated fair market value at date of receipt if acquired by gift, less accumulated depreciation. The Organization's capitalization threshold is \$2,500. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from three to 30 years.

## Hope International Ministries, Inc.

### Notes to Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of property and equipment assets are capitalized. Expenditures for normal repairs and maintenance are expensed as incurred.

**Debt issuance costs:** Debt issuance costs are presented as a reduction of long-term debt on the accompanying statements of financial position. Debt issuance costs are amortized over the life of the related loan and recorded as interest expense in the accompanying statements of activities.

**Contributions:** Unconditional contributions, including unconditional promises to give, are recorded when received. Contributions are available for unrestricted use unless specifically restricted by the donor. Conditional contributions are recognized when the conditions on which they depend are substantially met.

**In-Kind contributions:** Tangible donations are recorded as support at their estimated fair value when received, except for contributions of merchandise available for sale at a related retail thrift store. Contributed services that require specialized skills (attorneys, computer consultants, etc.) are recorded in the statements of activities as unrestricted support at their estimated fair value. A number of unpaid volunteers, including board members, have made significant contributions of their time to develop the Organization's programs and special events. The value of this contributed time is not reflected in the statements of activities, since it is not susceptible to objective measurement or valuation.

The Organization receives contributions of goods and materials and provides these contributions as merchandise available for sale in a related retail thrift store. The Organization believes that the inventory of contributed goods and materials does not possess an attribute that is easily measurable or verifiable with sufficient reliability to determine inventory value at the time of donation. It is only through the value-added processes that prepare the donated inventory for sale that donated inventory has value. Accordingly, contributed goods and materials are not valued prior to being offered for sale, and no revenue is recognized until the date of sale. There is no contributions revenue recorded in the accompanying financial statements for the years ended June 30, 2020 and 2019, associated with these contributions.

**Functional expenses:** The cost of providing for the various programs and other activities have been detailed in the accompanying statements of functional expenses and summarized in the statements of activities. Expenses that can be identified with a specific program service are charged directly to the program, according to their natural expenditure and classification. Salaries and other expenses that are not directly allocable are allocated to the various programs based on their estimated usage in each program or supporting service, determined by management's estimate of time and effort.

**Income taxes:** The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Organization is treated as a publicly supported organization, and not as a private foundation. Management is not aware of any activities that would jeopardize the Organization's tax-exempt status.

**Newly adopted accounting pronouncement:** During the year ended June 30, 2020, the Organization adopted Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluation whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. As the Organization is the resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018. The adoption of this ASU, using the modified prospective method of transition, did not materially impact the financial statements.

**Notes to Financial Statements**

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**Note 2. Summary of Significant Accounting Policies (Continued)**

**Recent accounting pronouncements:** In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The update will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or modified retrospective transition method. In June 2020, the FASB issued ASU 2020-05, which further delayed the effective date for nonpublic companies to annual periods beginning after December 15, 2019. The Organization is currently evaluating the impact adopting this guidance will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Lessees will no longer be provided with a source of off balance sheet financing. Lessees must apply a modified retrospective transition approach for leases existing at or entered into after, the beginning of the earliest comparative period presented in the financial statements. In June 2020, the FASB issued ASU 2020-05, which delayed the effective date for nonpublic companies to fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact of this pronouncement on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for profit entities. The ASU will require a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. The ASU will also require enhanced disclosure, including disaggregation of nonfinancial assets recognized by category and qualitative information about each category. The amendments in this ASU will be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Early adoption is permitted. The Organization is currently evaluating the impact this ASU will have on its financial statements.

**Subsequent events:** Management has evaluated all events subsequent to the statement of financial position date of June 30, 2020 and through October 27, 2021, which is the date the financial statements were available to be issued (see Note 9).

## Hope International Ministries, Inc.

### Notes to Financial Statements

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#### Note 3. Availability and Liquidity

The following represents the Organization's financial assets at June 30, 2020 and 2019:

	2020	2019
Financial assets at year end:		
Cash	\$ 1,899,897	\$ 2,931,855
Investments	1,053,168	1,077,814
Current maturities of notes receivable	2,100	2,100
Total financial assets	2,955,165	4,011,769
Less amounts not available to be used within one year:		
Net assets with donor restrictions	788,016	2,122,296
Financial assets available to meet expenditures over the next 12 months	<u>\$ 2,167,149</u>	<u>\$ 1,889,473</u>

The Organization's cash position is monitored by executive management to ensure sufficient funds are available to meet daily requirements. Daily requirements are based on the budget, contracts, payroll and invoice schedules.

#### Note 4. Investments and Fair Value Measurements

The fair value of certain of the Organization's financial instruments, including cash, other assets, accounts payable and accrued expenses, approximates fair value because of their short-term nature. The fair value of the Organization's long-term debt is considered to be comparable to the loan value of the obligations.

The fair value of beneficial interest in assets of community foundation is based on the fair value of the fund investments as reported by the community foundation. These are considered to be Level 3 measurements. The Organization does not develop nor is it provided with the quantitative inputs used to develop the fair market values.

The following tables summarize the fair value measurements by level measured on a recurring basis as of June 30, 2020 and 2019:

	2020			
	Fair Value	Level 1	Level 2	Level 3
Cash equivalents	\$ 7,518	\$ 7,518	\$ -	\$ -
Mutual funds	1,045,650	1,045,650	-	-
Community foundation	105,398	-	-	105,398
	<u>\$ 1,158,566</u>	<u>\$ 1,053,168</u>	<u>\$ -</u>	<u>\$ 105,398</u>

  

	2019			
	Fair Value	Level 1	Level 2	Level 3
Cash equivalents	\$ 28,303	\$ 28,303	\$ -	\$ -
Mutual funds	1,049,511	1,049,511	-	-
Community foundation	107,668	-	-	107,668
	<u>\$ 1,185,482</u>	<u>\$ 1,077,814</u>	<u>\$ -</u>	<u>\$ 107,668</u>

## Hope International Ministries, Inc.

### Notes to Financial Statements

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#### Note 4. Investments and Fair Value Measurements (Continued)

The following summarizes the changes in the fair value of the Organizations Level 3 assets for the years ended June 30, 2020 and 2019:

	2020	2019
Beginning balance	\$ 107,668	\$ 105,654
Change in beneficial interest in assets held by community foundation, net	(2,270)	2,014
Ending balance	<u>\$ 105,398</u>	<u>\$ 107,668</u>

#### Note 5. Notes Receivable

Notes receivable consist of the following at June 30, 2020 and 2019:

	2020	2019
Note receivable from former employee; \$175 monthly payments including interest at 6% annum; due April 2022; unsecure	\$ 3,474	\$ 4,449
Less current portion	(2,100)	(2,100)
	<u>\$ 1,374</u>	<u>\$ 2,349</u>

#### Note 6. Property and Equipment

Property and equipment consists of the following at June 30, 2020 and 2019:

	2020	2019
Land	\$ 2,538,674	\$ 2,538,674
Buildings and improvements	7,850,900	6,170,941
Property improvements	877,779	731,341
Construction in progress	-	60,724
Vehicles	415,114	388,242
Equipment	273,911	218,521
Furniture and fixtures	131,794	45,062
Software	93,547	77,647
Total property and equipment	<u>12,181,719</u>	<u>10,231,152</u>
Less accumulated depreciation	(3,633,806)	(3,207,687)
Net property and equipment	<u>\$ 8,547,913</u>	<u>\$ 7,023,465</u>

Construction in progress is stated at cost, which includes the cost of construction and other direct costs attributable to the construction. No provision for depreciation is made on construction in progress, until such time as the relevant assets are completed and put into use. Construction in progress at June 30, 2020 and 2019, represents construction of a new residential cottage.

Depreciation expense was approximately \$427,000 and \$321,000 for the years ended June 30, 2020 and 2019, respectively.



## Hope International Ministries, Inc.

### Notes to Financial Statements

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#### Note 7. Long-Term Debt

**Mortgage payable:** The Organization maintains a mortgage obligation for the campus property. The campus mortgage is payable to a bank with monthly payments of \$5,162, including both principal and interest at 3.5% per annum. The original campus mortgage was \$890,000, and was financed over 10 years, with the remaining principal due at maturity in April 2025. The campus mortgage is collateralized by the underlying real estate.

The obligation for the campus mortgage is guaranteed by GoodKids Village Incorporated, a related party as described in Note 11, and consists of the following at June 30, 2020 and 2019:

	2020	2019
Campus mortgage	\$ 704,065	\$ 739,559
Less debt issuance costs	(5,932)	(6,718)
Less current maturities	(37,371)	(36,088)
Total long-term debt, net	<u>\$ 660,762</u>	<u>\$ 696,753</u>

Maturities of the campus mortgage are as follows:

Years ending June 30:	
2021	\$ 37,371
2022	38,701
2023	40,077
2024	41,503
2025	546,413
	<u>\$ 704,065</u>

**Debt issuance costs:** Debt issuance costs incurred in connection with the issuance of long-term debt are presented as a reduction of long-term debt to be amortized over the term of the loan and consist of the following at June 30, 2020 and 2019:

	2020	2019
Debt issuance costs	\$ 12,284	\$ 12,284
Less accumulated amortization	(6,352)	(5,566)
Total debt issuance costs, net	<u>\$ 5,932</u>	<u>\$ 6,718</u>

Interest expense related to amortization of debt issuance costs was \$1,228 and \$1,670 for the years ended June 30, 2020 and 2019, respectively.

## Hope International Ministries, Inc.

### Notes to Financial Statements

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#### Note 8. Net Assets

Net assets with donor restrictions were as follows as of June 30, 2020 and 2019:

	2020	2019
Subject to expenditure for specific purpose:		
Capital needs	\$ 445,358	\$ 1,943,064
Enrichment activities	237,260	71,564
Educational activities	105,398	107,668
	<u>\$ 788,016</u>	<u>\$ 2,122,296</u>

Net assets in the amounts of \$1,877,762 and \$1,307,931 were released from net assets with donor restrictions for the years ended June 30, 2020 and 2019, respectively, due to the satisfaction of purpose restrictions.

#### Note 9. Grant Income

In April 2020, the Organization received a Paycheck Protection Program (PPP) loan in the amount of \$163,370, which was guaranteed by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). The purpose of the loan was to retain workers and maintain payroll, along with other allowable costs. The loan bore interest at 1% annually. Under the CARES Act, up to the full principal amount of the loans and any accrued interest can be forgiven if the Organization utilizes all of the loan proceeds for forgivable purposes required under the CARES Act.

The Organization elected to account for the PPP loan as a conditional contribution under ASC Subtopic 958-605. Management believes the revenue recognition criteria under ASC Subtopic 958-605 have been met as of June 30, 2020. As such, this PPP loan has been recognized as grant income in the statements of activities and changes in net assets as of June 30, 2020.

In February 2021, the Organization received notification of loan forgiveness in full, from the SBA.

#### Note 10. Leases

During 2016, the Organization entered into two noncancelable operating leases for copiers expiring in April and December of 2020. Rental expense for the years ended June 30, 2020 and 2019, was approximately \$9,000.

Future minimum lease payments are summarized as follows:

Year ending June 30:		
2021		\$ 8,855
2022		7,975
2023		7,975
2024		7,975
2025		5,316
		<u>\$ 38,096</u>

#### Note 11. Related Parties

The Organization's employment policy requires all employees and their immediate families live on the Organization's property during their employment.

## Hope International Ministries, Inc.

### Notes to Financial Statements

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#### **Note 11. Related Parties (Continued)**

Hope of Honduras, Inc. operates a children's home in Honduras. The Organization provides accounting and management staff to Hope of Honduras, Inc. The Organization's executive director, board chairman, board treasurer and board secretary are members of Hope of Honduras, Inc.'s board.

GoodKids Village Incorporated (GoodKids) operates two thrift stores in the Tampa Bay area for the purpose of raising funds to support the programs of organizations that care for the wellbeing of children around the world. The Organization provides accounting and management staff to GoodKids. The Organization also guarantees the mortgages related to the GoodKids thrift stores and GoodKids guarantees the mortgage of the Organization (Note 7). The Organization's board chairman, board treasurer and board secretary are members of GoodKids' board. During the years ended June 30, 2020 and 2019, GoodKids donated to the Organization \$93,900 and \$54,881 for operating expenses, respectively. These amounts are reflected in contributions in the statements of activities.

At June 30, 2020 and 2019, the Organization had no amounts due to these related parties.

Although the Organization shares common board members with these organizations, it does not have control over them. Therefore, the operations of the organizations are not included in the financial statements of the Organization.

#### **Note 12. COVID-19**

On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a "Public Health Emergency of International Concern" and, on March 11, 2020, declared COVID-19 a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The extent to which COVID-19 impacts the operations of the Organization in the future will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of COVID-19, the actions taken to contain COVID-19 or treat its impact, and the impact of each of these items on the economies and financial markets in the United States. In particular, the continued spread of COVID-19 could adversely impact the Organization's operations and may have a material adverse effect on the financial condition, results of operations and cash flows of the Organization. Additionally, it is reasonably possible that estimates made in the accompanying financial statements may be adversely impacted in the near term as a result of these conditions.