

Hope International Ministries, Inc.

Financial Statements

June 30, 2021 and 2020



**HOPE INTERNATIONAL MINISTRES, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hope International Ministries, Inc.
Tampa, Florida.

We have audited the accompanying financial statements of Hope International Ministries, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 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.

CONTINUED

INDEPENDENT AUDITOR'S REPORT - CONTINUED

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, 2021, 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.

Prior Period Financial Statements

The financial statements of the Organization as of June 30, 2020, were audited by other auditors, whose report dated October 27, 2021, expressed an unmodified opinion on those statements.

Report on Summarized Comparative Information

In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

PDR CPAs + Advisors

Oldsmar, Florida
May 10, 2022

HOPE INTERNATIONAL MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 2,734,676	\$ 1,899,897
Investments	1,187,574	1,053,168
Accounts receivable	-	1,433
Current portion of note receivable	2,549	2,100
Other current assets	5,089	88
Total current assets	3,929,888	2,956,686
Property and equipment, net	8,672,025	8,547,913
Other Assets		
Investments - beneficial interest	128,612	105,398
Note receivable, net of current maturities	-	1,374
Total Assets	\$12,730,525	\$ 11,611,371
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 83,831	\$ -
Accrued expenses	5,335	61,233
Current maturities of long-term debt	38,700	37,371
Total current liabilities	127,866	98,604
Long-Term Liabilities		
Long-term debt, net	424,397	660,762
Total liabilities	552,263	759,366
Net Assets		
Without donor restrictions	11,373,693	10,063,989
With donor restrictions	804,569	788,016
Total net assets	12,178,262	10,852,005
Total Liabilities and Net Assets	\$12,730,525	\$ 11,611,371

See accompanying notes to financial statements

HOPE INTERNATIONAL MINISTRIES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
			<u>2021</u>	<u>2020</u>
Support and revenue:				
Contributions	\$ 3,134,821	\$ 690,574	\$ 3,825,395	\$ 3,120,954
In-kind contributions	1,189,876	-	1,189,876	1,501,974
Grant income	-	-	-	163,370
Donations - related party	200,000	-	200,000	-
Interest and dividends, net of fees	34,939	1,777	36,716	9,371
Realized and unrealized gain on investments	191,289	26,124	217,413	7,652
Other	39,002	-	39,002	15,723
Net assets released from restrictions	701,922	(701,922)	-	-
Total operating support and revenue	5,491,849	16,553	5,508,402	4,819,044
Operating expenses:				
Program services	3,574,384	-	3,574,384	3,780,601
Supporting services:				
Management and general	291,118	-	291,118	258,704
Fundraising	316,643	-	316,643	198,927
Total supporting services	607,761	-	607,761	457,631
Total operating expenses	4,182,145	-	4,182,145	4,238,232
Change in Net Assets	1,309,704	16,553	1,326,257	580,812
Net Assets at Beginning of Year	10,063,989	788,016	10,852,005	10,271,193
Net Assets at End of Year	\$ 11,373,693	\$ 804,569	\$ 12,178,262	\$ 10,852,005

See accompanying notes to financial statements

HOPE INTERNATIONAL MINISTRIES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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 restrictions	<u>1,877,762</u>	<u>(1,877,762)</u>	<u>-</u>
Total operating support and revenue	6,153,324	(1,334,280)	4,819,044
Operating Expenses			
Program services	3,780,601	-	3,780,601
Supporting services:			
Management and general	258,704	-	258,704
Fundraising	<u>198,927</u>	<u>-</u>	<u>198,927</u>
Total supporting services	<u>457,631</u>	<u>-</u>	<u>457,631</u>
Total operating expenses	<u>4,238,232</u>	<u>-</u>	<u>4,238,232</u>
Change in Net Assets	1,915,092	(1,334,280)	580,812
Net Assets at Beginning of Year	<u>8,148,897</u>	<u>2,122,296</u>	<u>10,271,193</u>
Net Assets at End of Year	<u>\$ 10,063,989</u>	<u>\$ 788,016</u>	<u>\$ 10,852,005</u>

See accompanying notes to financial statements

**HOPE INTERNATIONAL MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020)**

	Program Services	Supporting Services		Total Supporting Services	Total Expenses	
		Management and General	Fundraising		2021	2020
Salaries	\$ 748,123	\$ 98,100	\$ 36,080	\$ 134,180	\$ 882,303	\$ 774,319
Employee benefits	239,278	21,669	11,126	32,795	272,073	240,482
Payroll taxes	64,204	5,033	2,952	7,985	72,189	72,427
Total personnel cost	1,051,605	124,802	50,158	174,960	1,226,565	1,087,228
Children's programs	89,324	-	-	-	89,324	129,849
School	89,898	-	-	-	89,898	83,414
Occupancy	177,298	7,424	-	7,424	184,722	181,458
Repairs and maintenance	133,595	-	-	-	133,595	137,913
Travel	204,047	-	-	-	204,047	79,409
Professional fees	-	77,700	-	77,700	77,700	80,915
Insurance	126,538	-	-	-	126,538	136,725
Information technology	20,111	-	-	-	20,111	30,954
Office expenses	108,053	23,853	3,603	27,456	135,509	141,009
Fees and dues	13,294	-	18,414	18,414	31,708	30,375
In-kind expenses	1,209,701	-	-	-	1,209,701	1,501,974
Advertising	-	-	244,468	244,468	244,468	126,242
Other	3,515	1,433	-	1,433	4,948	37,115
	<u>2,175,374</u>	<u>110,410</u>	<u>266,485</u>	<u>376,895</u>	<u>2,552,269</u>	<u>2,697,352</u>
Total operating expenses	3,226,979	235,212	316,643	551,855	3,778,834	3,784,580
Depreciation and amortization	321,433	55,906	-	55,906	377,339	427,345
Interest	25,972	-	-	-	25,972	26,307
Total	\$ 3,574,384	\$ 291,118	\$ 316,643	\$ 607,761	\$ 4,182,145	\$ 4,238,232

See accompanying notes to financial statements

HOPE INTERNATIONAL MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
FOR YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,326,257	\$ 580,812
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	376,111	427,345
Bad debt expense	1,433	-
Amortization of debt issuance costs	1,228	1,228
Realized and unrealized gain on investments	(217,413)	(7,652)
(Increase) decrease in:		
Other current assets	(5,001)	189
Increase (decrease) in:		
Accounts payable	83,831	(36,323)
Accrued expenses	(55,898)	(45,371)
	1,510,548	920,228
Net cash provided by operating activities		
Cash Flows from Investing Activities:		
Purchases of investments	(45,692)	-
Proceeds from sale of investments	105,485	34,568
Purchase of property and equipment	(500,220)	(1,951,793)
Proceeds from note receivable	925	975
	(439,502)	(1,916,250)
Net cash used in investing activities		
Cash Flows from Financing Activities:		
Principal payments on long-term debt	(236,267)	(35,936)
	(236,267)	(35,936)
Net cash used in investing activities		
Net Increase (Decrease) in Cash and Cash Equivalents	834,779	(1,031,958)
Cash and Cash Equivalents at Beginning of Year	1,899,897	2,931,855
Cash and Cash Equivalents at End of Year	\$ 2,734,676	\$ 1,899,897
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 25,972	\$ 26,307

See accompanying notes to financial statements

HOPE INTERNATIONAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE A - NATURE OF ORGANIZATION

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 includes six cottages that can house a total of 80 children. These cottages are 4,000 square feet and are designed to care for children of all ages and specifically to keep sibling groups together. The children live in a family atmosphere with house parents who give guidance and encouragement. A 2nd campus in Clovis, New Mexico follows this model as well.

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 B -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions 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 the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenue of the net assets without donor restrictions class. Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional.

HOPE INTERNATIONAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing services. Nonoperating activities, if any, are limited to other activities considered to be of a more unusual or nonrecurring nature.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities, as well as pro rata allocations in the recording of expenditures, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates included in the financial statements include allocation of expenses by function and useful lives of depreciable assets.

Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on a measurement date. The standard also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

Cash and Cash Equivalents

Cash and cash equivalents consists of cash on deposit with financial institutions. The Organization considers all highly liquid assets with an initial maturity of three months or less as cash and cash equivalents.

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash held in financial institutions in excess of federally-insured limits. From time to time throughout the years ended June 30, 2021 and 2020, the Organization's cash balance may have exceeded the federally insured limit. However, the Organization has not experienced and does not expect to incur any losses in such accounts.

HOPE INTERNATIONAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments

Investments in equity securities are stated at fair market value in the statements of financial position. Investment income or losses (including realized and unrealized gains and losses on investments, and interest and dividends) are included as a component of net investment income (loss) in the statements of activities. Cash and money market accounts designated for long-term purposes are classified as investments.

Accounts Receivable

The Organization records a receivable and income at the time revenue is earned. Management estimates the allowance for uncollectible receivables based on a review of the individual receivables outstanding as of the end of the year. Management writes off receivables as identified as uncollectible against the allowance amount. As of June 30, 2021 and 2020, the Organization considered all receivables to be fully collectible and no allowance was necessary.

Note Receivable

The note receivable is 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 the note receivable as of June 30, 2021 and 2020, respectively.

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.

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.

Beneficial Interest

The Organization has a beneficial interest in assets held by a foundation which is recorded at fair value in the accompanying statements of financial position. Earnings on these funds (including realized and unrealized gains and losses) are included in the accompanying statements of activities.

HOPE INTERNATIONAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE B -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give are reported at present value at the date the promise is received to the extent estimated to be collected by the Organization. Other conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire during the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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, etc.) are recorded in the statements of activities as unrestricted support at their estimated fair value.

The Organization received \$1,099,828 of donated materials (books, clothing & household items and food) and \$90,048 in donated services, with an estimated fair market value on the dates of donation for year ending June 30, 2021. The Organization received \$1,775,729 in donated materials (books, clothing & household items and food) and \$-0- in donated services, with an estimated fair market value on the dates of donation for year ending June 30, 2020. 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, 2021 and 2020, associated with these contributions.

HOPE INTERNATIONAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Allocation of 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.

Impairment of Long-Lived Assets

Management reviews all long-lived assets, which consist primarily of land and buildings, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to a real property appraisal. If the carrying amount of an asset exceeds its appraisal value, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Advertising

The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$244,468 and \$126,242 for the years ended June 30, 2021 and 2020, respectively.

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.

The Organization accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. The Organization has identified its tax status as a tax-exempt entity as its only significant tax position; however, the Organization has determined that such tax position does not result in an uncertainty requiring recognition. The Organization is not currently under examination by any taxing jurisdiction. The Organization's federal returns are generally open for examination for three years following the date filed.

HOPE INTERNATIONAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Summarized Comparative Information

The accompanying financial statements include certain prior year summarized comparative total amounts. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2020 from which the summarized information was derived.

Reclassifications

Certain amounts in the 2020 financial statements have been reclassified for presentation purposes. These reclassifications had no impact on the ending net assets at June 30, 2020.

NOTE C - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at June 30:

	<u>2021</u>	<u>2020</u>
Financial Assets:		
Cash	\$ 2,734,676	\$ 1,899,897
Investments	1,187,574	1,053,168
Accounts receivable	-	1,433
Current maturities of note receivable	<u>2,549</u>	<u>2,100</u>
Total financial assets	3,924,799	2,956,598
Less Amounts Not Available to be Used Within One Year:		
Net assets with donor restrictions	<u>804,569</u>	<u>788,016</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,120,230</u>	<u>\$ 2,168,582</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.

HOPE INTERNATIONAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE D - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization's investments and beneficial interest are reported at fair value in the accompanying statements of financial position. Following is a description of valuation methodologies used for investments measured at fair value.

Mutual Funds - Valued at the net assets value (NAV) of shares held by the Organization at year-end based on quoted prices of the various funds in active markets.

Beneficial interest in a perpetual trust - the investments are managed by a third party who is unrelated to this Organization. The trust assets are valued based upon the third party information without adjustment.

The following tables summarize the fair value measurements by level measured on a recurring basis as of June 30, 2021 and 2020:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Assets Measured at Fair Value at June 30, 2021</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash and cash equivalents	\$ 134,277	\$ 134,277	\$ -	\$ -
Mutual funds	1,053,297	1,053,297	-	-
Beneficial interest	128,612	-	-	128,612
	<u>\$ 1,316,186</u>	<u>\$ 1,187,574</u>	<u>\$ -</u>	<u>\$ 128,612</u>

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Assets Measured at Fair Value at June 30, 2020</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash and cash equivalents	\$ 7,518	\$ 7,518	\$ -	\$ -
Mutual funds	1,045,650	1,045,650	-	-
Beneficial interest	105,398	-	-	105,398
	<u>\$ 1,158,566</u>	<u>\$ 1,053,168</u>	<u>\$ -</u>	<u>\$ 105,398</u>

HOPE INTERNATIONAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE D - INVESTMENTS AND FAIR VALUE MEASUREMENTS- CONTINUED

The following tables summarize the changes in the fair value of the Organization's Level 3 assets for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	\$ 105,398	\$ 107,668
Change in fair value	<u>23,214</u>	<u>(2,270)</u>
	<u>\$ 128,612</u>	<u>\$ 105,398</u>

NOTE E - NOTE RECEIVABLE

Note receivable consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Note receivable from former employee; \$175 monthly payments including interest at 6% per annum; due April 2022; unsecured.	\$ 2,549	\$ 3,474
Less current portion	<u>(2,549)</u>	<u>(2,100)</u>
	<u>\$ -</u>	<u>\$ 1,374</u>

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30,:

	<u>2021</u>	<u>2020</u>
Land	\$ 2,538,674	\$ 2,538,674
Building and improvements	8,046,189	7,850,900
Property improvements	1,037,654	877,779
Vehicles	415,114	415,114
Equipment	325,341	273,911
Furniture and fixtures	207,128	131,793
Software	<u>111,840</u>	<u>93,547</u>
Total property and equipment	12,681,940	12,181,718
Less accumulated depreciation	<u>(4,009,915)</u>	<u>(3,633,805)</u>
Net property and equipment	<u>\$ 8,672,025</u>	<u>\$ 8,547,913</u>

Depreciation expense was approximately \$377,000 and \$427,000 for the years ended June 30, 2021 and 2020, respectively.

HOPE INTERNATIONAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE G - 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 Inc., a related party as described in **NOTE K**, and consists of the following at June 30, 2021 and 2020:

	2021	2020
Mortgage payable to financial institution; monthly payments of \$5,162, including interest at 3.5%; collateralized by underlying real estate; maturing April 2025.	\$ 467,801	\$ 704,065
Less unamortized debt issuance costs	(4,704)	(5,932)
Long-term debt, less unamortized debt issuance costs	463,097	698,133
Less current maturities	(38,700)	(37,371)
Long-term debt, net	\$ 424,397	\$ 660,762

Maturities of the mortgage are as follows:

Year Ending June 30,	Principal Payment Due
2022	\$ 38,700
2023	40,077
2024	41,503
2025	347,521
	\$ 467,801

The campus mortgage was paid off subsequent to year end on January 19, 2022.

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NOTE G - LONG-TERM DEBT - CONTINUED

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, 2021 and 2020:

	2021	2020
Debt issuance costs	\$ 12,284	\$ 12,284
Less accumulated amortization	(7,580)	(6,352)
Total debt issuance costs, net	\$ 4,704	\$ 5,932

Interest expense related to amortization of debt issuance costs was \$1,228 for each of the years ended June 30, 2021 and 2020.

NOTE H - NET ASSETS

Net assets with donor restrictions were as follows as of June 30:

	2021	2020
Subject to expenditure for specific purpose:		
Capital needs	\$ 430,932	\$ 445,358
Enrichment activities	245,025	237,260
Educational activities	128,612	105,398
	\$ 804,569	\$ 788,016

Net assets in the amounts of \$701,922 and \$1,877,762 were released from net assets with donor restrictions for the years ended June 30, 2021 and 2020, respectively, due to the satisfaction of purpose restrictions.

NOTE I - GRANT INCOME

In response to the Coronavirus (COVID-19) outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief and Economic Security Act that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans. In April 2020, the Organization received a PPP loan for \$163,370. The Organization used all of the proceeds from the loan for qualifying expenses and received full forgiveness in February 2021. Grant income from the PPP loan in the amount of \$163,370 is included in the accompanying statements of activities for the year ended June 30, 2020.

HOPE INTERNATIONAL MINISTRIES, INC.
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NOTE J - LEASES

The Organization leases two copiers through February 2025 and May 2026 . Rental expense for the years ended June 30, 2021 and 2020, was approximately \$10,000 and \$9,000, respectively. Future minimum lease payments are summarized as follows:

Years ending		
June 30,	Amount	
2022	\$	9,511
2023		9,511
2024		9,511
2025		6,852
2026		1,408
	<u>\$</u>	<u>36,793</u>

NOTE K - RELATED PARTIES

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

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 of directors.

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 two mortgages related to the GoodKids thrift stores. The combined mortgages have a balance of \$1,662,590 as of June 30, 2021, with combined monthly payments of \$12,733 and are current as of June 30, 2021. Additionally, GoodKids guarantees the mortgage of the Organization (**NOTE G**).

The Organization’s board chairman, board treasurer, and board secretary are members of GoodKids’ board of directors. During the years ended June 30, 2021 and 2020, GoodKids donated to the Organization \$200,000 and \$93,900, respectively, for operating expenses and approximately \$69,380 and \$94,530, respectively for the Organization’s profit sharing (**NOTE L**). These amounts are reflected in contributions in the accompanying statements of activities. At June 30, 2021 and 2020, the Organization had no amounts due to these related parties.

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

HOPE INTERNATIONAL MINISTRIES, INC.
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NOTE L - 401K PLAN

The Organization maintains a defined contribution 401(k) plan (the Plan) that covers substantially all employees. The Plan is designed in accordance with the applicable sections of the IRC and is subject to minimum funding requirements. The Organization is required to contribute a safe harbor match of 4% of the employee's compensation for the Plan year. For the years ended June 30, 2021 and 2020, the Organization contributed approximately \$45,634 and \$29,959, respectively. Additionally, the Organization contributed a discretionary profit sharing contribution based upon criteria set by the Organization's Board Retirement Committee.

NOTE M - CONTINGENCY

The Organization is a defendant in a lawsuit brought by a former resident of the Organization, filed on March 11, 2021. It is the opinion of management that the resolution of this matter will not have a material adverse effect on the financial position or results of operations of the Organization.

NOTE N - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 10, 2022, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events, except as disclosed in **NOTE G**, which would require recognition or disclosures in the financial statements.