

World Hope International, Inc. and Affiliates

Consolidated Financial Report
December 31, 2020

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RSM US LLP

Independent Auditor's Report

Board of Directors
World Hope International, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of World Hope International, Inc. and Affiliates (WHI), which comprise the consolidated balance sheet as of December 31, 2020, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of World Hope International, Inc. and Affiliates as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of WHI, as of and for the year ended December 31, 2019, were audited by other auditors whose report dated June 29, 2020, expressed an unmodified opinion on those financial statements.

RSM US LLP

McLean, Virginia
November 15, 2021

World Hope International Inc. and Affiliates

**Consolidated Balance Sheets
December 31, 2020 and 2019**

	2020	2019
Assets		
Cash and cash equivalents – headquarters:		
Headquarters	\$ 992,240	\$ 1,246,563
Field offices	442,030	440,830
Restricted	-	46,890
Grants and accounts receivable, net	397,405	141,600
Contributions receivable, net	-	192,508
Prepaid expenses	107,028	79,344
Inventory	195,429	154,925
Beneficial interest in assets held in trust by others	518,165	516,000
Investment in TapEffect	300,000	-
Property and equipment, net	158,540	180,296
Deposits and other assets	51,357	71,799
	<u>3,162,194</u>	<u>3,070,755</u>
Total assets	\$ 3,162,194	\$ 3,070,755
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 524,185	\$ 476,200
Refundable advances	306,611	81,176
Deferred rent	92,631	126,709
Charitable gift annuities	7,511	21,521
Total liabilities	<u>930,938</u>	<u>705,606</u>
Net assets:		
Without donor restrictions:	643,575	427,938
With donor restrictions	1,587,681	1,937,211
Total net assets	<u>2,231,256</u>	<u>2,365,149</u>
	<u>\$ 3,162,194</u>	<u>\$ 3,070,755</u>
Total liabilities and net assets	\$ 3,162,194	\$ 3,070,755

See notes to consolidated financial statements.

World Hope International Inc. and Affiliates

Consolidated Statements of Activities Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	2020 Total	Without Donor Restrictions	With Donor Restrictions	2019 Total
Support and revenue:						
In-kind contributions	\$ 7,404,616	\$ -	\$ 7,404,616	\$ 12,654,836	\$ -	\$ 12,654,836
Contributions	3,894,072	2,258,593	6,152,665	5,703,383	1,313,211	7,016,594
International grants	1,375,488	-	1,375,488	1,530,132	-	1,530,132
Federal grants	331,878	-	331,878	150,010	-	150,010
Program income	382,669	-	382,669	350,332	-	350,332
Other income	343,138	-	343,138	932	-	932
Investment income	14,833	2,165	16,998	9,839	2,063	11,902
Net assets released from restrictions	2,610,288	(2,610,288)	-	245,752	(245,752)	-
Total support and revenue	16,356,982	(349,530)	16,007,452	20,645,216	1,069,522	21,714,738
Expenses:						
Program services:						
Global health	9,066,650	-	9,066,650	13,929,402	-	13,929,402
Protection and anti-trafficking	2,002,508	-	2,002,508	1,545,345	-	1,545,345
Water, sanitation and energy	1,473,122	-	1,473,122	1,646,891	-	1,646,891
Social ventures	1,000,111	-	1,000,111	1,029,507	-	1,029,507
Public awareness	280,940	-	280,940	277,243	-	277,243
	13,823,331	-	13,823,331	18,428,388	-	18,428,388
Supporting services:						
General and administrative	1,536,217	-	1,536,217	1,119,851	-	1,119,851
Fundraising	781,797	-	781,797	825,273	-	825,273
	2,318,014	-	2,318,014	1,945,124	-	1,945,124
Total expenses	16,141,345	-	16,141,345	20,373,512	-	20,373,512
Change in net assets from operations	215,637	(349,530)	(133,893)	271,704	1,069,522	1,341,226
Gain on acquisition of non-controlling interest	-	-	-	74,888	-	74,888
Change in net assets before non-controlling interest	215,637	(349,530)	(133,893)	346,592	1,069,522	1,416,114
Net gain attributable to non-controlling interest	-	-	-	36,580	-	36,580
Change in net assets attributable to WHI, Inc.	215,637	(349,530)	(133,893)	383,172	1,069,522	1,452,694
Loss related to noncontrolling interest	-	-	-	(111,468)	-	(111,468)
Change in net assets	215,637	(349,530)	(133,893)	271,704	1,069,522	1,341,226
Net assets:						
Beginning	427,938	1,937,211	2,365,149	156,234	867,689	1,023,923
Ending	\$ 643,575	\$ 1,587,681	\$ 2,231,256	\$ 427,938	\$ 1,937,211	\$ 2,365,149

See notes to consolidated financial statements.

World Hope International Inc. and Affiliates

Consolidated Statement of Functional Expenses Year Ended December 31, 2020

	Program Services					Supporting Services					Total
	Global Health	Protection and Anti-trafficking	Water, Sanitation and Energy	Social Ventures	Public Awareness	Total Program Services	General and Administrative	Fundraising	Total Supporting Services		
Grants and assistance	\$ 8,178,155	\$ 953,713	\$ 1,021,477	\$ 764,561	\$ 368	\$ 10,918,274	\$ 1,170	\$ 8,491	\$ 9,661	\$ 10,927,935	
Salaries, taxes and benefits – field offices	458,064	494,317	217,233	137,527	-	1,307,141	3,240	1,080	4,320	1,311,461	
Salaries, taxes and benefits – headquarters	56,473	383,073	176,040	13,960	94,152	723,698	1,044,731	635,884	1,680,615	2,404,313	
Professional fees	168,188	28,556	11,250	2,830	7,448	218,272	120,012	44,308	164,320	382,592	
Occupancy	50,739	7,369	3,421	12,466	7,311	81,306	40,821	20,609	61,430	142,736	
Office expenses	80,876	52,680	19,010	11,832	2,162	166,560	66,319	12,692	79,011	245,571	
Travel	15,974	13,317	10,151	2,742	106	42,290	15,955	16,452	32,407	74,697	
Depreciation and amortization	1,563	2,191	1,024	3,800	2,172	10,750	24,126	6,121	30,247	40,997	
Information technology	28,684	24,833	9,792	9,692	1,577	74,578	157,819	7,063	164,882	239,460	
Advertising and promotion	16,007	4,367	1,449	2,729	161,042	185,594	183	5,899	6,082	191,676	
Other expenses	11,537	32,544	1,111	37,924	2,578	85,694	46,787	8,112	54,899	140,593	
Interest	-	-	-	-	-	-	1,000	-	1,000	1,000	
Conferences, conventions and meetings	213	3,009	-	48	25	3,295	3,065	6,714	9,779	13,074	
Insurance	177	2,539	1,164	-	1,999	5,879	10,989	8,372	19,361	25,240	
Total expenses	\$ 9,066,650	\$ 2,002,508	\$ 1,473,122	\$ 1,000,111	\$ 280,940	\$ 13,823,331	\$ 1,536,217	\$ 781,797	\$ 2,318,014	\$ 16,141,345	

See notes to consolidated financial statements.

World Hope International Inc. and Affiliates

Consolidated Statement of Functional Expenses Year Ended December 31, 2019

	Program Services					Supporting Services					Total
	Global Health	Protection and Anti-trafficking	Water, Sanitation and Energy	Social Ventures	Public Awareness	Total Program Services	General and Administrative	Fundraising	Total Supporting Services		
Grants and assistance	\$ 12,992,094	\$ 710,053	\$ 1,047,457	\$ 656,822	\$ -	\$ 15,406,426	\$ -	\$ -	\$ -	\$ 15,406,426	
Salaries, taxes and benefits – headquarters	495,189	313,265	213,217	160,682	-	1,182,353	50	6,329	6,379	1,188,732	
Salaries, taxes and benefits – field offices	153,501	234,658	114,990	54,752	83,707	641,608	570,746	452,144	1,022,890	1,664,498	
Professional fees	27,683	81,398	40,915	8,542	2,930	161,468	102,685	134,975	237,660	399,128	
Occupancy	93,171	87,048	39,096	52,802	9,078	281,195	26,386	27,937	54,323	335,518	
Office expenses	73,765	52,469	36,747	21,370	7,243	191,594	81,296	15,642	96,938	288,532	
Travel	1,980	17,208	36,038	12	10,470	65,708	25,658	142,837	168,495	234,203	
Depreciation and amortization	32,292	8,484	97,485	41,053	1,962	181,276	22,284	5,802	28,086	209,362	
Information technology	50,821	18,149	6,534	16,000	1,066	92,570	82,688	9,345	92,033	184,603	
Advertising and promotion	6,761	9,902	7,241	1,372	158,305	183,581	519	763	1,282	184,863	
Loss on de-consolidation	-	-	-	-	-	-	134,900	-	134,900	134,900	
Other expenses	1,474	5,755	2,741	14,514	1,065	25,549	18,441	25,472	43,913	69,462	
Interest	-	-	-	-	-	-	27,261	-	27,261	27,261	
Conferences, conventions and meetings	609	6,952	4,425	1,583	1,417	14,986	4,878	4,027	8,905	23,891	
Insurance	62	4	5	3	-	74	22,059	-	22,059	22,133	
Total expenses	\$ 13,929,402	\$ 1,545,345	\$ 1,646,891	\$ 1,029,507	\$ 277,243	\$ 18,428,388	\$ 1,119,851	\$ 825,273	\$ 1,945,124	\$ 20,373,512	

See notes to consolidated financial statements.

World Hope International Inc. and Affiliates

**Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019**

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (133,893)	\$ 1,341,226
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	40,997	209,362
Deferred rent	(34,078)	(30,724)
Change in beneficial interest	(2,165)	(2,063)
Bad debt expense	48,084	-
Loss on de-consolidation	-	134,900
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants and accounts receivable	(303,889)	180,756
Contributions receivable	192,508	(80,008)
Prepaid expenses	(27,684)	(16,488)
Inventory	(40,504)	33,967
Deposits and other assets	20,442	(8,639)
Increase (decrease) in:		
Accounts payable and accrued expenses	47,985	(52,176)
Refundable advances	225,435	(83,479)
Charitable gift annuities	(14,010)	(14,010)
Net cash provided by operating activities	19,228	1,612,624
Cash flows from investing activities:		
Purchase of property and equipment	(19,241)	(16,405)
Purchases of investment in TapEffect	(300,000)	-
Net cash used in investing activities	(319,241)	(16,405)
Cash flows from financing activities:		
Payments of notes payable	-	(251,371)
Proceeds from line of credit payments of line of credit	-	(250,000)
Net cash provided by (used in) financing activities	-	(501,371)
Net (decrease) increase in cash and cash equivalents	(300,013)	1,094,848
Cash and cash equivalents, beginning of year	1,734,283	639,435
Cash and cash equivalents, end of year	<u>\$ 1,434,270</u>	<u>\$ 1,734,283</u>
Reconciliation of cash and cash equivalents:		
Headquarters	\$ 992,240	\$ 1,246,563
Field offices	442,030	440,830
Restricted	-	46,890
Total cash and cash equivalents	<u>\$ 1,434,270</u>	<u>\$ 1,734,283</u>
Supplemental cash flow information:		
Interest paid	<u>\$ 1,000</u>	<u>\$ 27,261</u>

See notes to consolidated financial statements.

World Hope International, Inc. And Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: World Hope International, Inc. (World Hope) is a nonprofit organization incorporated under the Indiana Non-Profit Corporation Act. World Hope's mission is to alleviate poverty, suffering, and injustice. World Hope pursues this mission by delivering: 1) global health, 2) water, sanitation and energy, 3) protection and anti-trafficking, 4) social venture, and 5) public awareness programs through A) market-based, B) community-based or C) disaster response mechanisms. The consolidated financial statements include the accounts of World Hope, but do not include the various foreign locations where World Hope may provide some support but over which it has no legal or direct control.

First Step Economic Opportunity Zone, Inc. (First Step) was incorporated in the state of Delaware in June 2009. First Step was established to help bring ethical foreign direct investment to Sierra Leone. FirstStep is leveraging the substantial presence and experience of World Hope in Sierra Leone to reduce the risks and costs for international businesses to establish export processing activity in Sierra Leone. World Hope initially had a 65.42% ownership in First Step, while the remaining 34.58% was owned by related parties. In December 2019, World Hope purchased the remaining 34.58% from the related parties.

World Hope Social Ventures LLC (WHSV) was incorporated in the state of Delaware in August 2018 as a for-profit social venture entity owned 100% by World Hope. In January 2019, WHSV signed a shareholder agreement for 35% share in TapEffect, a private limited company in Cambodia, which was established to enable access to clean piped water for semi-urban, semi-rural and rural households and small and medium enterprises. WHSV provided capital to TapEffect of \$300,000, which WHSV paid to TapEffect from January to April 2020.

La Gonave Wesleyan Hospital provides hospital-based care to the 120,000 people living on the island of La Gonâve, Haiti. WHSV entered a grant agreement with La Gonave Wesleyan Hospital in June 2020. Pursuant to the grant agreement, WHSV supports the hospital with capital projects, administrative and financial expertise, and board governance. The June 2020 grant agreement gives World Hope International board control during the term of the agreement.

Principle of consolidation: The accompanying consolidated financial statements reflect the activities of World Hope, First Step and WHSV (collectively known as WHI). The financial statements of the organizations have been consolidated because they are under common control and there is an economic interest. All material intercompany balances and transactions have been eliminated during consolidation.

A summary of the WHI's significant accounting policies follows:

Basis of presentation: The consolidated financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC). As required by the Non-Profit Entities topic of the Codification, Financial Statements of Not-for-Profit Organizations, WHI is required to report information regarding its consolidated financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

WHI generally considers all revenues, expenses and other changes, except realized and unrealized gains and losses on investments, unusual gains (losses) on the disposal of land, buildings and equipment and pension changes, other than net periodic pension costs, to be part of changes in net assets from operations. Realized and unrealized gains and losses on investments include any gain or loss on foreign currency translation.

World Hope International, Inc. And Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Net assets without donor restrictions: Represents resources whose use is not restricted by donor stipulations and are available for the support of general operating activities.

Net assets with donor restrictions: Represents resources unavailable for use in the current period because of the existence of time and/or donor imposed restrictions that remain unsatisfied at year-end or resources whose use is limited by donor imposed restrictions that neither expire by the passage of time, nor can be fulfilled or otherwise removed by actions of WHI. Income earned from contributions is classified as either net assets with donor restrictions or net assets without donor restrictions in accordance with donor stipulations.

Adopted accounting pronouncements: WHI adopted the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, using the modified prospective method. This did not have a significant effect on the total grant expenses recognized for the year ended December 31, 2020.

Cash and cash equivalents: For purposes of the consolidated statements of cash flows, cash and cash equivalents include highly liquid investments with an original maturity of three months or less when purchased that are used to fund current obligations. Cash and certificates of deposit held for investment are recorded and classified as investments.

Investments: Investments with readily determinable fair values are reflected at fair value. To adjust the carrying value of these investments, the change in fair value is charged or credited to current operations.

Purchased investments are initially recorded at cost and contributed investments are initially recorded at fair value on the date received, and any net appreciation or loss arising thereafter is reported annually in the consolidated statement of activities. Gains and losses on investments, including changes in market value, are reported in the consolidated statements of activities as increases or decreases in net assets without donor restrictions or net assets with donor restrictions.

WHSV has an investment in a limited liability company, TapEffect Inc., in which they have 35% interest and World Hope has one out of the three board members. The investment is accounted using the equity method of accounting.

Financial risk: WHI maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. WHI has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk on cash.

WHI invests in a professionally managed portfolio that contains various securities during the year ended December 31, 2020, which are exposed to various risks, such as interest rate, market and credit risk. 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 risks in the near-term could materially affect investment balances and the amounts reported in the consolidated financial statements.

World Hope International, Inc. And Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Fair value measurements: Financial Accounting Standards Board (FASB) guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions that market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The types of investments included in Level 1 include listed equities and holdings in certain corporate bond funds.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly. Fair value is determined through the use of models or other valuation methodologies. Investments, which are generally included in this category, include less liquid restricted equity securities, certain corporate bonds and over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. WHI's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The following section describes the valuation techniques used by WHI:

Level 1: Investments in securities traded on a national securities exchange are stated at the last reported sales price on the day of valuation. Fair value of exchange-traded contracts is based upon exchange settlement prices. These financial instruments are classified as Level 1 in the fair value hierarchy.

Level 3: World Hope's beneficial interest in assets held in trust by others is considered Level 3 items. World Hope values its asset held for investment at fair value at the date of the consolidated balance sheets.

Beneficial interest in assets held in trust by others: World Hope has been named as a beneficiary in a charitable remainder trust and a perpetual trust in which World Hope is not the trustee. When World Hope is notified of the existence of a trust, an asset and contribution revenue are recorded at the fair value of the beneficial interest. It is World Hope's policy not to record contributions receivable from trusts if the trust is revocable or if the donor retains the unilateral right to change beneficiaries. The perpetual trust and charitable remainder trust are recorded within beneficial interest in assets held in trust by others and unconditional promises to give on the consolidated balance sheets, respectively.

World Hope International, Inc. And Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Receivables: Receivables are carried at original invoice amounts, less an estimate made for doubtful receivables based on a review of all outstanding amounts on an annual basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Management has determined that all receivables are collectible; thus, there was no provision for doubtful accounts at December 31, 2020 and 2019.

Contributions receivable are recognized as revenue when the donor has made an unconditional promise to contribute funds to WHI in future periods. Contributions receivable are recorded at their net realizable value if expected to be collected in one year or at their present value if expected to be collected in more than one year. Conditional contribution receivables are recognized when the conditions on which they depend are substantially met. WHI provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an 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. As of December 31, 2020, there were no contributions receivable due and as of December 31, 2019, the amount was \$192,508.

Inventory: Inventory is valued at the lower of cost or net realizable value. As of December 31, 2020 and 2019, inventory comprised mostly supplies and small equipment used mainly for the clean water wells and sanitation program.

Property, equipment and leasehold improvements: Office and other equipment, vehicles and software are stated at cost and are depreciated or amortized on a straight-line basis over the estimated useful lives of the assets, ranging from three to five years. Leasehold improvements are stated at cost and are amortized using the straight-line method over the shorter of the lease term or the estimated useful lives of the assets. Buildings and improvements are recorded at cost and depreciated over 27.5 years. World Hope capitalizes all property and equipment purchased with a cost of \$5,000 or more with a useful life of more than one year.

Valuation of long-lived assets: Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Split-interest agreements: WHI's split-interest agreements with donors consist of a charitable gift annuity. WHI initially records revenue from charitable gift annuity contributions in the year in which the agreement is executed. The amount of the revenue recognized in the first year is the difference between the amount of the assets received and the fair value of the future cash flows expected to be paid to the designated beneficiaries. In succeeding years, revenue is recorded for the reduction in the present value of future cash payments to the beneficiaries. The charitable gift annuity assets are included in restricted cash and cash equivalents and the liabilities are included in charitable gift annuities in the accompanying consolidated balance sheets.

Contributions: Unconditional contributions are recognized as revenue upon receipt or when unconditional promises to give are received. Contribution revenue is recorded as increases in net assets without donor restrictions, unless their use is limited by time or donor-imposed restrictions.

World Hope International, Inc. And Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Government grants and contracts: WHI receives grants and enters into contracts with the U.S. government, foreign governments and multi-lateral organizations, which support various WHI programs on a cost reimbursement basis. Support and revenue related to government and other grants is recognized when donor-imposed conditions are met. These revenues are subject to right of return if funds are not spent and also have other performance and/or control barriers that must be met to be entitled to the funds. For this reason, WHI's grant revenues are considered to be conditional and revenue is recognized as funds are utilized for programmatic activities specified in the grant agreement. Accordingly, amounts received, but not recognized as revenue, are classified in the consolidated balance sheets as deferred revenues.

Donated materials: In-kind contributions received by WHI consist of clothing, hygiene products, equipment, and drugs and medicines and are recorded as in-kind contributions in the accompanying consolidated statements of activities and changes in net assets at the estimated fair value at the time of receipt.

Gifts-in-kind revenue is recognized in circumstances in which WHI has sufficient discretion over the use and disposition of the items to recognize a contribution in conformity with the Codification. Accordingly, the recognition of gifts-in-kind revenue is limited to circumstances in which WHI takes constructive possession of the gifts-in-kind and WHI is the recipient of the gift, rather than an agent or intermediary (as defined by the ASC).

Donated materials have explicit or implied donor restrictions that such items be used exclusively for WHI's humanitarian assistance program and are, therefore, recorded as net assets with donor restrictions. In the period consumed by WHI programs, the value of materials is released from net assets with donor restrictions to net assets without donor restrictions and inventory is relieved as a program expense.

Management has concluded that the geographical areas do not represent its principal market and therefore, considers the United States region as its principal market for determining the fair value of these donated products. Upon donation, the materials are expensed at the estimated time of donation to World Hope and are included in the grants and assistance in the accompanying consolidated statement of functional expenses.

World Hope's programs are also furthered by a substantial number of nonprofessional volunteers who have donated their services to World Hope. The value of these services is not reflected in the accompanying consolidated financial statements as they do not meet the requirement for recognition under generally accepted accounting principles.

Donated property: WHI reports gifts of land, buildings and equipment without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, WHI reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

World Hope International, Inc. And Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Expense allocation: The consolidated financial statements report certain categories of expenses that are attributable to more than one program or function. As a result, these expenses require allocation on a reasonable basis that is consistently applied within the organization. Salaries and benefits are allocated to programs on a basis of time and effort. The categories of occupancy and insurance, information services and telephone and internet are allocated to programs based on the percentage of time and effort identified to each program.

Income taxes: World Hope International is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on activities unrelated to its exempt purpose. In addition, World Hope International qualifies for the charitable contribution deduction and has been classified as an organization that is not a private foundation.

World Hope follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, World Hope may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses derecognition, classification, interest and penalties on income taxes and accounting in interim periods.

Management evaluated World Hope tax positions and concluded that World Hope had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance. Generally, World Hope is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2017.

First Step Economic Opportunity Zone, Inc. (First Step) was incorporated as corporation in the state of Delaware and is owned by World Hope International. There was no tax liability at December 31, 2020 and 2019.

World Hope Social Ventures LLC (WHSV) was incorporated in the state of Delaware in August 2018 as a for-profit social venture entity owned 100% by World Hope International and is considered a disregarded entity for tax purposes.

Foreign currency translation: The functional currency of WHI is the U.S. dollar. The consolidated financial statements and transactions of WHI's foreign operations are generally maintained in the relevant local currency. Where local currencies are used, assets and liabilities are remeasured at the consolidated balance sheets date at the exchange rate in effect at year-end. Gains and losses from foreign currency translation are included in change in the net assets. Monthly expenses that are incurred by project field office operations in foreign countries are translated using the adjusted monthly average exchange rate in effect at the end of each month.

World Hope International, Inc. And Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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

Recent accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of activities. The new standard is effective for WHI for the calendar year beginning on January 1, 2022. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. WHI is currently evaluating the pending adoption of the new standard on the consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the consolidated statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This guidance will be effective for WHI's calendar year beginning on January 1, 2022. WHI is in the process of evaluating the impact of this new guidance on the consolidated financial statements.

In January 2020, the FASB issued ASU 2020-01, *Investments – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) – Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the Emerging Issues Task Force)*. This ASU clarifies that the observable price changes in orderly transactions that should be considered when applying the measurement alternative in accordance with ASC 321 include transactions that require it to either apply or discontinue the equity method of accounting under ASC 323. For example, as it relates to investments for which the measurement alternative is elected, if an observable price change in an orderly transaction for the identical investment or similar security of the same issuer results in a change in ownership that causes the investor to either newly apply or discontinue the equity method, the carrying amount of the security accounted for under the measurement alternative should be adjusted to its fair value immediately before applying or upon discontinuing the equity method. WHI is in the process of evaluating the impact of this new guidance on the consolidated financial statements.

Reclassification: Certain amounts in the 2019 consolidated financial statements have been reclassified to conform to the presentation of the 2020 consolidated financial statements. These reclassifications had no effect on the previously reported net assets or changes therein.

Subsequent events: WHI evaluated subsequent events through November 15, 2021, which is the date the consolidated financial statements were available to be issued.

World Hope International, Inc. And Affiliates

Notes to Consolidated Financial Statements

Note 2. Paycheck Protection Program Promissory Note

In May 2020, WHI applied for and received \$290,903 from the Paycheck Protection Program (PPP) as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act. Funds from the note may only be used for payroll costs, interest on other debt obligations, leases and utilities. WHI used the entire loan amount for qualifying expenses. During the year ended December 31, 2020, WHI recognized the amount as unrestricted revenue in the consolidated statement of activities, as the conditions were met. WHI applied for loan forgiveness, and subsequently received loan forgiveness in February 2021.

In February 2021, WHI applied and received an additional \$376,172 from the Paycheck Protection Program.

Note 3. Beneficial Interest in Assets Held in Trust by others

World Hope has been named as a beneficiary in a charitable remainder trust and a perpetual trust in which World Hope is not the trustee. For the fair value measurement, the investment held in the trust are investments with significant unobservable inputs and thus are Level 3. The balance as of December 31, 2020 and 2019 was \$518,165 and \$516,000, respectively.

Note 4. Investment in TapEffect

The investment in TapEffect (the Company) of \$300,000 was made during the year ended December 31, 2020, by WHSV that has 35% interest.

TapEffect offers a market-based solution for households in rural Cambodia to have access to clean, piped water. As a result, women—upon whom the majority of the clean water burden falls—can have clean water piped into their homes for drinking, washing, gardening and more.

The investment is accounted using the equity method of accounting as WHI has no control of the Company but has significant influence. WHI's share of net income was distributed within the same year.

The following is a summary of the consolidated balance sheet and results of operations of TapEffect, as of and for the year ended December 31, 2020:

	<u>2020</u>
Total assets	<u>\$ 594,243</u>
Total liabilities	\$ 225,143
Total members' equity	<u>369,100</u>
	<u>\$ 594,243</u>
Total revenue	\$ 177,578
Total expenses	<u>93,873</u>
Net income	<u>\$ 83,705</u>
WHSV share of income	<u>\$ 29,297</u>

World Hope International, Inc. And Affiliates

Notes to Consolidated Financial Statements

Note 5. Inventory

During the year ended December 31, 2020, WHI received donated inventory of health related items and pharmaceuticals, medical equipment and supplies with an estimated fair value of \$7,404,616. During the same year, donated supplies, publications, pharmaceuticals and equipment totaling \$7,003,109, were used in WHI's operations and recorded as program expenses and revenues.

Approximately 96% of the WHI's gifts-in-kind revenues were provided by five companies during the year ended December 31, 2020, and one company for the year ended December 31, 2019.

Note 6. Property and Equipment

WHI held the following property and equipment as of December 31, 2020 and 2019:

	2020	2019
WHI:		
Land	\$ 9,400	\$ 9,400
Leasehold improvements	219,580	219,580
Vehicles	976,337	976,337
Office and other equipment	515,460	522,416
Software	364,528	374,257
WHI Social Ventures (Hopital Wesleyen De La Gonave):		
Land	20,964	-
Office and other equipment	12,064	-
Total property and equipment	<u>2,118,333</u>	<u>2,101,990</u>
Less accumulated depreciation and amortization	<u>(1,959,793)</u>	<u>(1,921,694)</u>
Property and equipment, net	<u>\$ 158,540</u>	<u>\$ 180,296</u>

Depreciation and amortization expense amounted to \$40,997 and \$209,362 for the years ended December 31, 2020 and 2019, respectively. In 2019, an impairment loss of \$134,900 was recorded by First Step to reduce the recorded amount of its property and equipment to its estimated recoverable value.

Note 7. Line of Credit

WHI has a secured line of credit with its financial institution that has a \$250,000 credit limit. This line of credit was renewed annually and the new maturity date is April 30, 2022. The line of credit has an interest rate equal to the bank's prime rate plus 0.05%. The line of credit is secured by WHI's personal property, including its receivables, inventory and equipment. There was no outstanding balance on this line of credit as of December 31, 2020 and 2019. Interest expense was \$1,000 and \$12,700, respectively, for the years ended December 31, 2019 and 2020.

Note 8. Commitments and Contingencies

Federal awards: WHI receives reimbursements for expenditures under federal grants that are subject to annual audits and periodic reviews by grantor agencies. The ultimate determination of amounts reimbursed under these programs is based upon allowable costs reported to and audited by the grantor agencies or their designees. Amounts due to grantor agencies from such compliance audits cannot be determined at this time and are not expected to have a material effect on the consolidated balance sheet of the WHI.

World Hope International, Inc. And Affiliates

Notes to Consolidated Financial Statements

Note 8. Commitments and Contingencies (Continued)

Foreign operations: WHI had field offices in Cambodia, Sierra Leone, Haiti, Azerbaijan, Liberia, the Philippines and Bosnia during the year ended December 31, 2020. WHI maintained cash, accounts receivable, fixed assets and other assets in each of these countries. The future of these programs can be adversely affected by a number of potential factors, such as currency devaluations or changes in the political climate. As of December 31, 2020 and 2019, WHI had assets in these countries totaling approximately \$1,150,000 and \$838,000, respectively, representing approximately 36% and 27% of WHI's total consolidated assets.

Leases: In January 2013, World Hope entered into a noncancelable 10-year lease agreement for its headquarters office space, commencing on May 1, 2013, and expiring on July 31, 2031. Under the terms of the lease, WHI is committed to annual rentals, adjusted for defined escalations of 2.5% annually, and its share of the building's operating expenses. As an inducement to this lease, the landlord provided WHI with a leasehold construction allowance of \$186,730.

Under U.S. GAAP, lease incentives and all rental payments, including fixed rent increases, are amortized over the life of the lease on a straight-line basis as a reduction to rent expense. The difference between the U.S. GAAP rent expense and the required lease payment is reflected as deferred rent liability in the accompanying consolidated balance sheets.

Office rent expense for World Hope's headquarters, including its share of the building's operating expenses, amounted to \$142,735 for the year ended December 31, 2020, and \$100,953 for the year ended December 31, 2019, and is included in occupancy expense in the accompanying consolidated statement of functional expenses.

WHI also leases office space in various countries under short-term lease agreements that allow for cancellation with minimal cost and at WHI's discretion. The leases in Sierra Leone, Liberia and Haiti are over a year old with no escalations in rent amount.

Total future minimum lease payments at December 31, 2020 under the lease above and the leases in Sierra Leone, Liberia and Haiti are as follows:

Years ending December 31:	
2021	\$ 151,459
2022	179,032
2023	179,204
2024	182,977
2025	176,354
2026-2031	885,532
	<u>\$ 1,754,558</u>

World Hope International, Inc. And Affiliates

Notes to Consolidated Financial Statements

Note 9. Net Assets With Donor Restrictions

As of December 31, 2020 and 2019, net assets with donor restrictions were available as follows:

	2020	2019
Subject to expenditure for specific purposes:		
Global health	\$ 524,032	\$ 716,726
Protection and anti-trafficking	242,050	151,094
Water, sanitation and energy	144,406	-
Social ventures	159,028	553,391
	<u>1,069,516</u>	<u>1,421,211</u>
Beneficial interest in assets held in trust by others	518,165	516,000
Total net asset with donor restrictions	<u>\$ 1,587,681</u>	<u>\$ 1,937,211</u>

Note 10. Availability of Resources and Liquidity

WHI regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. WHI's financial assets available within one year of the consolidated balance sheets date for general expenditures at December 31, 2020 and 2019, were as follows:

	2020	2019
Cash and cash equivalents	\$ 1,434,270	\$ 1,734,283
Grants and accounts receivable, net	397,405	141,600
Contributions receivable, net	-	192,508
Beneficial interest in assets held in trust by others	518,165	516,000
Total financial assets available within one year	<u>2,349,840</u>	<u>2,584,391</u>
Less refundable advances	<u>(306,611)</u>	<u>(81,176)</u>
Financial asset available to meet general expenditures within one year	<u>\$ 2,043,229</u>	<u>\$ 2,503,215</u>

WHI has various sources of liquidity at its disposal, including cash and cash equivalents and receivables, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of WHI throughout the year. This is done through monitoring and reviewing WHI's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of WHI's cash flow related to WHI's various funding sources and is, therefore, able to ensure that there is cash available to meet current liquidity needs.

Note 11. Pension Plan

WHI sponsors a defined contribution annuity retirement plan for all employees. If an employee is eligible to participate in the plan and elects to participate, WHI contributes 4% of the participating employee's annual compensation to the plan. Pension expense totaled \$54,150 and \$38,007 for the years ended December 31, 2020 and 2019, respectively, and is included as part of salaries, taxes and benefits in the accompanying consolidated statement of functional expenses.

World Hope International, Inc. And Affiliates

Notes to Consolidated Financial Statements

Note 12. Related Party Transactions

Two of World Hope's board members owned shares of First Step and controlled a combined 34.58% of First Step's shares. On December 20, 2019, World Hope purchased the shares held by the two board members at a price of \$0.01 per share and as a result, World Hope now owns 100% of First Step. World Hope recognized a gain of \$74,888 from this transaction as World Hope purchased the First Step shares for less than the carrying value of the non-controlled interest at the transaction date.



RSM US LLP

Independent Auditor's Report on the Supplementary Information

Board of Directors
World Hope International, Inc.

We have audited the consolidated financial statements of World Hope International, Inc. and Affiliates as of and for the year ended December 31, 2020, and have issued our report thereon, dated November 15, 2021, which contains an unmodified opinion on those consolidated financial statements. See pages 1-2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the consolidated balance sheet, changes in net assets and cash flows of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

RSM US LLP

Washington, D.C.
November 15, 2021

World Hope International Inc. and Affiliates

Consolidating Balance Sheet December 31, 2020

	World Hope International, Inc.	First Step Economic Opportunity Zone, Inc.	World Hope Social Ventures	Eliminations	Total
Assets					
Cash and cash equivalents – headquarters:					
Headquarters	\$ 962,187	\$ 2,035	\$ 28,018	\$ -	\$ 992,240
Field offices	441,475	-	555	-	442,030
Grants and accounts receivable, net	691,369	-	27,000	(320,964)	397,405
Prepaid expenses	107,028	-	-	-	107,028
Inventory	140,391	-	55,038	-	195,429
Beneficial interest in assets held in trust by others	518,165	-	-	-	518,165
Investment in TapEffect	-	-	300,000	-	300,000
Property and equipment, net	131,750	-	26,790	-	158,540
Deposits and other assets	51,357	-	-	-	51,357
	<u>\$ 3,043,722</u>	<u>\$ 2,035</u>	<u>\$ 437,401</u>	<u>\$ (320,964)</u>	<u>\$ 3,162,194</u>
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expenses	\$ 463,651	\$ -	\$ 375,815	\$ (315,281)	\$ 524,185
Refundable advances	221,182	-	85,429	-	306,611
Deferred rent	92,631	-	-	-	92,631
Charitable gift annuities	7,511	-	-	-	7,511
Total liabilities	<u>784,975</u>	<u>-</u>	<u>461,244</u>	<u>(315,281)</u>	<u>930,938</u>
Net assets:					
Without donor restrictions	671,066	-	(23,843)	(3,648)	643,575
With donor restrictions	1,587,681	-	-	-	1,587,681
Common stock	-	1	-	(1)	-
Additional paid-in capital	-	3,763,283	-	(3,763,283)	-
Accumulated deficit	-	(3,761,249)	-	3,761,249	-
	<u>2,258,747</u>	<u>2,035</u>	<u>(23,843)</u>	<u>(5,683)</u>	<u>2,231,256</u>
	<u>\$ 3,043,722</u>	<u>\$ 2,035</u>	<u>\$ 437,401</u>	<u>\$ (320,964)</u>	<u>\$ 3,162,194</u>

World Hope International Inc. and Affiliates

Consolidating Statement of Activities Year Ended December 31, 2020

	World Hope International, Inc.	First Step Economic Opportunity Zone, Inc.	World Hope Social Ventures	Eliminations	Total
Support and revenue:					
In-kind contributions	\$ 7,404,616	\$ -	\$ 102,860	\$ (102,860)	\$ 7,404,616
Contributions	6,098,736	-	93,429	(39,500)	6,152,665
International grants	1,375,488	-	-	-	1,375,488
Federal grants	331,878	-	-	-	331,878
Program income	195,400	9,361	177,908	-	382,669
Other income	241,025	-	102,113	-	343,138
Investment income	15,950	-	1,048	-	16,998
Total support and revenue	15,663,093	9,361	477,358	(142,360)	16,007,452
Expenses:					
Program services:					
Global health	8,713,648	-	495,362	(142,360)	9,066,650
Protection and anti-trafficking	2,002,508	-	-	-	2,002,508
Water, sanitation and energy	1,473,122	-	-	-	1,473,122
Social ventures	981,263	13,009	5,839	-	1,000,111
Public awareness	280,940	-	-	-	280,940
Total program services	13,451,481	13,009	501,201	(142,360)	13,823,331
Supporting services:					
General and administrative	1,536,217	-	-	-	1,536,217
Fundraising	781,797	-	-	-	781,797
Total supporting services	2,318,014	-	-	-	2,318,014
Total expenses	15,769,495	13,009	501,201	(142,360)	16,141,345
Change in net assets	(106,402)	(3,648)	(23,843)	-	(133,893)
Net assets					
Beginning	2,365,149	5,683	-	(5,683)	2,365,149
Ending	\$ 2,258,747	\$ 2,035	\$ (23,843)	\$ (5,683)	\$ 2,231,256