

Hope Force International

Financial Statements
For the Year Ended December 31, 2023

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Independent Auditor's Report

Board of Directors
Hope Force International

Opinion

We have audited the financial statements of Hope Force International (the Organization), which comprise the statement of financial position as of December 31, 2023, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
September 19, 2024

Hope Force International
Statement of Financial Position
December 31, 2023

Assets

Current assets	
Cash	\$ 700,591
Contributions receivable	2,600
Investments at fair value	<u>318,362</u>
Total current assets	1,021,553
Other assets	
Deposit	2,150
Property and equipment, net	<u>84,730</u>
Total other assets	<u>86,880</u>
Total assets	\$ 1,108,433

Liabilities and Net Assets

Current liabilities	
Accounts payable	\$ 32,779
Net assets without donor restrictions	
Board designated	17,926
Undesignated	<u>1,057,728</u>
Total net assets without donor restrictions	<u>1,075,654</u>
Total liabilities and net assets	\$ 1,108,433

Hope Force International
Statement of Activities
For the Year Ended December 31, 2023

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions of cash and other financial assets	\$ 269,011	\$ 1,341,111	\$ 1,610,122
Contributions of nonfinancial assets	376,788	-	376,788
Auxiliary income	11,964	-	11,964
Net assets released from restrictions	<u>1,341,111</u>	<u>(1,341,111)</u>	<u>-</u>
Total support and revenues	1,998,874	-	1,998,874
Expenses			
Program services			
Training	25,734	-	25,734
Disaster relief programs	<u>1,774,608</u>	<u>-</u>	<u>1,774,608</u>
Total program services	1,800,342	-	1,800,342
Supporting services			
Management and general	122,532	-	122,532
Fundraising	<u>14,796</u>	<u>-</u>	<u>14,796</u>
Total supporting services	137,328	-	137,328
Total expenses	1,937,670	-	1,937,670
Operating income	61,204	-	61,204
Nonoperating revenues (expenses)			
Investment income	13,807	-	13,807
Advisory fees	<u>(2,344)</u>	<u>-</u>	<u>(2,344)</u>
Total nonoperating revenues (expenses)	11,463	-	11,463
Change in net assets	72,667	-	72,667
Net assets, beginning of year	<u>1,002,987</u>	<u>-</u>	<u>1,002,987</u>
Net assets, end of year	\$ 1,075,654	\$ -	\$ 1,075,654

Hope Force International
Statement of Functional Expenses
For the Year Ended December 31, 2023

	Program services		Supporting services		Total
	Training	Disaster relief programs	Management and general	Fundraising	
Salaries and benefits	\$ -	\$ 322,773	\$ 56,121	\$ -	\$ 378,894
Accounting	-	12,950	-	-	12,950
Automotive expenses	6,370	54,145	3,185	-	63,700
Bank fees	-	495	87	-	582
Business expenses	-	655	116	-	771
Communications	-	19,330	3,409	-	22,739
Contract labor	-	52,022	1,156	-	53,178
Depreciation	-	24,011	4,237	-	28,248
Donated professional services	-	337,388	38,089	-	375,477
Dues and subscriptions	-	12,519	2,208	-	14,727
Filing fees	-	6,811	1,202	-	8,013
Fundraising fees	-	-	-	7,729	7,729
Hospitality and gifts	-	2,493	440	-	2,933
Insurance	-	3,372	595	-	3,967
Legal fees	-	1,603	283	-	1,886
Meals and entertainment	2,576	30,518	2,652	-	35,746
Postage, shipping, and delivery	-	542	-	5,778	6,320
Printing and copying	25	-	145	1,289	1,459
Rent	-	15,515	3,085	-	18,600
Supplies	7,833	686,625	3,870	-	698,328
Taxes, personal property	-	2,907	-	-	2,907
Telephone	-	9,506	598	-	10,104
Travel	8,930	141,882	-	-	150,812
Utilities	-	1,250	221	-	1,471
Miscellaneous expense	-	35,296	833	-	36,129
	\$ 25,734	\$ 1,774,608	\$ 122,532	\$ 14,796	\$ 1,937,670

Hope Force International
Statement of Cash Flows
For the Year Ended December 31, 2023

Cash, beginning of year	\$ 617,622
Cash flows from operating activities	
Change in net assets	72,667
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	28,248
Reinvested earnings on investments, net of advisory fees	(11,382)
Change in:	
Contributions receivable	29,185
Accounts payable	16,188
Net cash provided (used) by operating activities	134,906
Cash flows from investing activities	
Payments for property and equipment	(51,937)
Net change in cash	82,969
Cash, end of year	\$ 700,591

Hope Force International
Notes to Financial Statements
For the Year Ended December 31, 2023

Note 1. Organization and Nature of Activities

Hope Force International (the Organization) is a Christian not-for-profit organization incorporated in the state of Tennessee. The Organization is comprised of individuals dedicated to utilizing their expertise to inspire, equip, and mobilize thousands of volunteers into areas of crisis around the world.

The Organization provides disaster response training for individuals and sponsors various international relief and development projects for areas in need. The Organization partners with other not-for-profit organizations whose function is to extend the ministerial outreach of the Organization. The activity of these groups is combined with the Organization's main activity in the accompanying statements.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP), which requires 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.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Income Taxes

The Organization is a not-for-profit organization exempt from income taxes under Internal Revenue Code Section 501(c)(3). The Organization is subject to routine audits by taxing jurisdictions for the periods prior to 2020 to the present; however, there are currently no audits for any tax periods in progress.

Board Designation

The Organization has designated \$17,926 of net assets for use in its Haiti operations.

Cash

Cash consists of cash on deposit at financial institutions.

Contributions Receivable

Management has determined that the contributions receivable are fully collectible and, accordingly, no allowance for bad debts is deemed necessary.

Hope Force International
Notes to Financial Statements
For the Year Ended December 31, 2023

Note 2. Summary of Significant Accounting Policies

Allowance for Credit Losses

The Organization adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) 326, *Financial Instruments – Credit Losses*, as of January 1, 2023, with the cumulative-effect transition method with the required prospective approach. The measurement of expected credit losses under the current expected credit loss (CECL) methodology is applicable to financial assets measured at amortized cost, which include trade receivables, contract assets, and non-current receivables. An allowance for credit losses under the CECL methodology is determined using the loss-rate approach and measured on a collective (pool) basis when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. The allowance for credit losses as of year end, and change in the allowance for credit losses during the year, was not material to the financial statements. Prior to adoption of ASC 326, the Organization maintained an allowance for doubtful accounts to reserve for potentially uncollectible receivables.

Property and Equipment

The Organization's policy is to capitalize all property and equipment over \$1,000. Property and equipment acquisitions are recorded at cost. Donations of property and equipment are recorded as revenues at their estimated fair value. Such donations are reported as unrestricted revenues unless the donor has restricted the donated asset to a specific purpose.

When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except on trade-in) or loss is included in the statement of activities for the period. A gain on trade-in is applied to reduce the cost of the new acquisition. Depreciation is provided over the estimated useful lives of the assets ranging from 5 to 27.5 years and is computed on the straight-line and accelerated methods. Maintenance, repairs, and renewals, which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred.

Contributions of Cash and Other Financial Assets

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions of Nonfinancial Assets

Various volunteers donate many hours to the Organization's program services. Those contributed services are reflected in the financial statements at the estimated fair value of the services received only when those services either (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Equipment and supplies received as donations are recorded and reflected in the accompanying financial statements at their estimated fair values at the date of contribution based upon information provided by third-party providers.

Additionally, a number of unpaid volunteers contributed 76 hours of their time to assist in disaster recovery work that do not meet the requirements above and have not been recorded.

Hope Force International
Notes to Financial Statements
For the Year Ended December 31, 2023

Note 2. Summary of Significant Accounting Policies

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Training and Disaster Relief

Training and disaster relief expenditures include costs related to the training, equipping, and managing of volunteers for sponsored disaster relief programs. The costs are incurred by the Organization in the logistical effort of providing teams of staff workers, volunteers, supplies, and technical know-how for its international disaster relief programs.

General and Administrative

General and administrative service costs provide for the implementation of administrative policies and procedures both internal and external to the ongoing operations of the Organization. Under the direction of the board of directors and management, these costs are incurred in relation to acquiring and maintaining professional legal counsel, employment and human resource issues, and also to manage the financial, budgetary, and compliance reporting responsibilities of the Organization.

Fundraising

Fundraising expenditures consist of the direct costs incurred for soliciting contributions with and without donor restrictions and professional services for the charitable services of the Organization.

Functional Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on a direct allocation basis.

Leases

Organization made an accounting policy election available under Topic 842 not to recognize right of use (ROU) assets and lease liabilities for leases with a term of 12 months or less.

Note 3. Liquidity and Availability

The following represents the Organization's financial assets:

Financial assets	
Cash	\$ 700,591
Contributions receivable	2,600
Investments at fair value	<u>318,362</u>
Total financial assets at year end	1,021,553
Less amounts not available to be used within one year	
Board designated restrictions	
Reserves for Haiti base of operations	<u>17,926</u>
	\$ 1,003,627

Hope Force International
Notes to Financial Statements
For the Year Ended December 31, 2023

Note 3. Liquidity and Availability

As part of its liquidity plan, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization receives year-round donations from supporters and makes specific appeals at strategic times of the year for specific projects. Cash flow is tracked and monitored by management and the board of directors.

Note 4. Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and that the Plan has the ability to access.

Level 2 inputs are based on observable inputs corroborated by market data but not quoted on active markets.

Level 3 inputs are based on unobservable inputs and include situations where there is little, if any, market activity for the assets or liabilities and have the lowest priority.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods 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 fair value measurement at the reporting date.

The following table sets forth, within the fair value hierarchy, the Organization's investments at fair value.

	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 318,362	\$ -	\$ -	\$ 318,362

Note 5. Property and Equipment

Property and equipment consist of the following:

Land		\$	12,000
Buildings			14,591
Furniture and equipment			114,080
Vehicles			<u>150,433</u>
			291,104
Less: accumulated depreciation			<u>(206,374)</u>
Property and equipment, net		\$	84,730

Hope Force International
Notes to Financial Statements
For the Year Ended December 31, 2023

Note 6. Leases

The Organization leases office facilities under an informal agreement that provides for monthly payments of \$1,550 on a month-to-month basis. Expenditures related to the office facilities for the year ended were \$18,600. The Organization sub-leases a portion of its facilities to a for-profit business under an informal agreement on a month-to-month basis for \$470 per month. The sub-lease rental income received is included in auxiliary income in the statement of activities.

Note 7. Contributions of Nonfinancial Assets

The Organization received donated supplies and services of \$1,311 and \$375,477, respectively. The donated supplies and services represented 19% of total support and revenues for the year. The donated supplies and services are reported in the statement of functional expenses in the following program activities:

Professional Services

Disaster relief programs	\$ 337,388
Management and general	<u>38,089</u>
	\$ 375,477

Supplies

Disaster relief programs	\$ 1,311
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Unless otherwise noted, the Organization did not recognize any contributions of nonfinancial assets with donor-imposed restrictions.

Contributed professional services recognized are comprised of construction and extraction, clergy, office and administration, technology support, and education services donated to the Organization. The contributed services are valued and are reported at their estimated fair value in the financial statements based on current rates for these services.

Contributed supplies represent goods that were provided to the Organization to use during disaster relief work. The Organization estimated the fair value of the goods by estimating what it would cost to buy similar items through retailers.

Note 8. Concentrations

Financial instruments that potentially subject the Organization to concentrations of credit consist principally of cash on deposit with financial institutions and accounts receivable. At times, the Organization may maintain cash balances in banks in excess of the Federal Deposit Insurance Corporation insured limit of \$250,000. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related to cash. At year-end, the Organization had approximately \$365,000 of deposits in excess of the limit.

Note 9. Subsequent Events

The Organization has evaluated subsequent events through September 19, 2024, the date on which the financial statements were available to be issued.