

HOPE OF LIFE INTERNATIONAL

**Financial Statements
and Supplementary Information**

Year Ended December 31, 2016

(With Independent Auditors' Report Thereon)

HOPE OF LIFE INTERNATIONAL
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Year Ended December 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Hope of Life International:

We have audited the accompanying financial statements of Hope of Life International (the Organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope of Life International as of December 31, 2016, 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 Hope of Life International as of December 31, 2015, were audited by other auditors whose report dated May 31, 2016, expressed an unmodified opinion on those statements.

Emphasis-of-Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 3 to the financial statements, the Organization has suffered recurring significant reductions in grant revenues and has a cumulative deficit in net assets that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the 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.

Kahn, Litwin, Renga & Co., Ltd.

November 2, 2017

HOPE OF LIFE INTERNATIONAL
STATEMENT OF FINANCIAL POSITION
December 31, 2016
(With Comparative Totals at December 31, 2015)



	<u>2016</u>	<u>2015</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 218,492	\$ 475,731
Accounts receivable	8,024	36,051
Total current assets	<u>226,516</u>	<u>511,782</u>
Property and Equipment, net	<u>239,226</u>	<u>242,864</u>
Total Assets	<u>\$ 465,742</u>	<u>\$ 754,646</u>
Liabilities and Net Assets (Cumulative Deficit)		
Current Liabilities:		
Accounts payable	\$ 130,709	\$ 75,475
Accrued expenses	13,567	8,897
Capital lease obligations, current portion	9,506	5,686
Loan payable, current portion	93,592	4,071
Total current liabilities	<u>247,374</u>	<u>94,129</u>
Capital Lease Obligations, less current portion	14,681	15,033
Loan Payable, less current portion	<u>206,408</u>	<u>300,000</u>
Total liabilities	<u>468,463</u>	<u>409,162</u>
Net Assets (cumulative deficit):		
Unrestricted (cumulative deficit)	(197,967)	97,605
Temporarily restricted	195,246	247,879
Total net assets (cumulative deficit)	<u>(2,721)</u>	<u>345,484</u>
Total Liabilities and Net Assets (Cumulative Deficit)	<u>\$ 465,742</u>	<u>\$ 754,646</u>

See accompanying notes to the financial statements and independent auditors' report.

HOPE OF LIFE INTERNATIONAL
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)



	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
Support and Revenue:				
Contributions	\$ 1,978,870	\$ 2,332,216	\$ 4,311,086	\$ 3,407,819
In-kind contributions	11,903,352	-	11,903,352	12,281,357
Other income	5,942	-	5,942	2,214
Net assets released from restrictions	2,384,849	(2,384,849)	-	-
Total support and revenue	16,273,013	(52,633)	16,220,380	15,691,390
Expenses:				
Program services	15,341,742	-	15,341,742	15,000,216
Management and general	976,326	-	976,326	533,517
Fundraising	250,517	-	250,517	81,520
Total expenses	16,568,585	-	16,568,585	15,615,253
Total Change in Net Assets	(295,572)	(52,633)	(348,205)	76,137
Net Assets, beginning of year	97,605	247,879	345,484	269,347
Net Assets (cumulative deficit), end of year	\$ (197,967)	\$ 195,246	\$ (2,721)	\$ 345,484

HOPE OF LIFE INTERNATIONAL
STATEMENT OF CASH FLOWS
Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)



	2016	2015
Cash Flows from Operating Activities:		
Total change in net assets (cumulative deficit)	\$ (348,205)	\$ 76,137
Adjustments to reconcile total change in net assets (cumulative deficit) to net cash provided (used) by operating activities:		
Depreciation	22,544	14,618
Changes in operating assets and liabilities:		
Accounts receivable	28,027	(16,473)
Accounts payable	55,234	(21,268)
Accrued expenses	4,670	107
Net cash provided (used) by operating activities	(237,730)	53,121
Cash Flows from Investing Activities:		
Purchase of property and equipment	(9,516)	-
Net cash used by investing activities	(9,516)	-
Cash Flows from Financing Activities:		
Advances on loan payable	-	300,000
Principal payments on loan payable	(4,071)	-
Payments on capital lease obligations	(5,922)	(91,623)
Net cash provided (used) by financing activities	(9,993)	208,377
Net Increase (Decrease) in Cash and Cash Equivalents	(257,239)	261,498
Cash and Cash Equivalents, beginning of year	475,731	214,233
Cash and Cash Equivalents, end of year	\$ 218,492	\$ 475,731
Supplementary Information:		
Cash paid for interest	\$ 21,908	\$ 5,955

HOPE OF LIFE INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2016



1. Nature of Operations

Hope of Life International (the Organization) is a not-for-profit organization located in Providence, Rhode Island, dedicated to the purpose of saving the lives of people internationally, whatever their circumstances. Through sharing God's love and the message of the gospel, the Organization is bringing hope to people in both practical and spiritual ways.

The Organization provides clothing, supplies and food to those in crisis, donations to those providing such help, and conducting short term missionary trips. The Organization is providing assistance through providing supplies and construction to both hospitals and clinics, as well as orphanages and foster care programs.

2. Summary of Significant Accounting Policies

This summary of significant accounting policies of the Organization is presented to assist the reader in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Financial Statement Presentation

The Organization prepares its financial statements on the accrual basis of accounting and, in accordance with authoritative guidance, reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

The Organization had no permanently restricted net assets as of and for the year ended December 31, 2016.

Cash and Cash Equivalents

The Organization considers all cash balances and highly liquid investments with maturities of three months or less to be cash and cash equivalents.

Accounts Receivable

The Organization carries its accounts receivable at net realizable value. On a periodic basis, the Organization evaluates its receivables and establishes an allowance for doubtful accounts based on a history of past bad debt expense and collections and current credit conditions.

HOPE OF LIFE INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2016



The Organization does not accrue interest on its receivables. A receivable is considered past due if payment has not been received within stated terms. The Organization will then exhaust all methods in-house to collect the receivable. Once all practical resources to collect the receivable have been utilized without success, the receivable is deemed uncollectable and charged against the allowance for doubtful accounts. At December 31, 2016, management has determined that no allowance for doubtful accounts is deemed necessary.

Property and Equipment

All expenditures for property and equipment in excess of \$1,000 are capitalized at cost; the fair market value of donated assets is similarly recorded. Depreciation is calculated on a straight-line basis over the estimated useful lives of the related assets ranging from 3 to 50 years.

Support and Revenue Recognition

Contributions - The Organization recognizes contributions in the fiscal year in which the contribution is made. Contributions are recorded either as, unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor/grantor imposed restrictions.

In-kind Contributions - Contributions of donated non-cash assets are recorded at their fair market values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing those skills, and that would typically need to be purchased if not provided by donation are recorded at their fair market values in the period received.

Accounting principles generally accepted in the United States of America state that certain in-kind contributions are not eligible for recording in the financial statements. Accordingly, the value of these services have not been recognized in the accompanying financial statements.

Allocation of Expenses

Certain costs of the Organization benefit more than one program and/or support service. Accordingly, these costs are allocated in a systematic and rational manner among the programs benefited.

Income Taxes

The Organization is exempt from income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Organization operates in a manner consistent with their tax-exempt status at both the state and federal levels.

HOPE OF LIFE INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2016

The Organization annually files IRS Form 990 - *Return of Organization Exempt From Income Tax*, reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These tax returns are subject to review by the taxing authorities, generally for a period of three years after they were filed. The Organization currently has no tax examinations in progress.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Recent Accounting Pronouncements

The following is a summary of recent authoritative pronouncements that could impact the accounting, reporting, and/or disclosure of financial information by the Organization.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases*, which is effective for annual periods beginning after December 15, 2019. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Organization's year ending December 31, 2020, with early adoption permitted. The Organization is currently in the process of evaluating the impact of adoption on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The standard is intended to simplify and improve how a not-for-profit organization classifies its net assets, as well as the information it presents in the financial statements and notes about its liquidity, financial performance, and cash flows. Upon adoption, net assets will be reduced to two classes (with and without donor restriction). The standard is effective for annual periods beginning after December 15, 2017, with early adoption permitted and will be applied retrospectively to all periods presented upon adoption. This standard will be effective for the Organization's year ending December 31, 2018, with early adoption permitted. The Organization is currently in the process of evaluating the impact of adoption on the financial statements.

HOPE OF LIFE INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2016



Reclassification

Certain 2015 balances were reclassified to conform to the 2016 financial statement presentation.

Subsequent Events

Management of the Organization has evaluated subsequent events through November 2, 2017, which is the date these financial statements were available to be issued.

3. Other Matters

In accordance with the Board of Directors (the Board) and management planning, the Organization is planning on reducing operating expenses for 2017. These reductions will be achieved through implementing effective cost control measures.

The Organization continues to provide important services to those in crisis and conducting missionary trips as it has for over 30 years. As the Organization works to address the financial and economic challenges, the Board, management and operating staff are unwavering in their commitment to providing critical services to the thousands of individuals in need throughout Guatemala and internationally.

The Organization's ability to continue as a going concern depends on its ability to attract substantial contributions and obtain support from new sources. The financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern.

4. Property and Equipment

Property and equipment at December 31, 2016 consisted of the following:

Land and improvements	\$ 23,334
Building and improvements	203,862
Furniture and equipment	50,636
Vehicles	23,903
	<hr/> 301,735
Less accumulated depreciation	62,509
	<hr/>
Property and equipment, net	<u>\$ 239,226</u>

HOPE OF LIFE INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2016



5. Capital Lease Obligations

The Organization acquired certain equipment under capital lease agreements, which expire at various dates through May 2019.

The related cost and accumulated depreciation was as follows:

Cost	\$ 31,847
Less accumulated depreciation	<u>14,558</u>
Leased equipment, net	<u><u>\$ 17,289</u></u>

Maturities of the capital lease obligations are as follows:

<u>Year Ending</u>	
December 31, 2017	\$ 13,874
December 31, 2018	11,471
December 31, 2019	<u>2,625</u>
Total future minimum lease payments	27,970
Less amounts representing interest	<u>3,783</u>
Total capital lease obligations	24,187
Less current portion of capital lease obligations	<u>9,506</u>
Capital lease obligations, less current portion	<u><u>\$ 14,681</u></u>

6. Loan Payable

During December 2015, the Organization obtained a loan payable from a donor, requiring monthly payments of \$9,195, including interest at a rate of 6.5%, maturing December 2019. The loan called for interest only payments of \$1,625 through December 2016. There is no collateral for this loan.

At year-end, loan payable consisted of the following:

Loan payable	\$ 300,000
Less loan payable, current portion	<u>93,592</u>
Loan payable, less current portion	<u><u>\$ 206,408</u></u>

HOPE OF LIFE INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2016



Maturities of the loan payable are as follows:

<u>Year Ending</u>	
December 31, 2017	\$ 93,592
December 31, 2018	99,860
December 31, 2019	<u>106,548</u>
 Total	 <u><u>\$ 300,000</u></u>

7. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2016 consist of the following:

Agricultural	\$ 8,139
Children's surgery	8,863
Missions	63,503
Sustainability projects	37,535
Education and training	17,932
Water projects	<u>59,274</u>
 Total temporarily restricted net assets	 <u><u>\$ 195,246</u></u>

8. In-kind Contributions

In addition to direct financial support, the Organization is supported by the community in many ways. The Organization receives donated supplies which include: antibiotics to stop infection, medicines to eliminate life-threatening parasites; surgical tools enabling doctors to save lives; crutches, wheelchairs, and prosthetics to give people back their mobility; blankets and hospital linens and equipment; and supplies and medicines to relieve pain and save lives. During the year ended December 31, 2016, the Organization received donated supplies of \$11,903,352, which is included in in-kind contributions in the accompanying statement of activities at their estimated fair value.

HOPE OF LIFE INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2016



9. Retirement Plan

The Organization offers a profit sharing plan and trust that qualifies as a 401k plan. Employees who have completed three months of service and have reached the age of 21 may contribute up to 90% of their compensation subject to funding limits. The Organization contributes a discretionary contribution to the plan determined annually by the Board. For the year ended December 31, 2016, there were no discretionary contributions made by the Organization.

10. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization maintains its operating accounts in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to specific limits. From time to time, the Organization had bank balances in excess of federally insured limits. Management does not believe that there is a significant credit risk at year-end.

11. Supplemental Cash Flow Information

The statement of cash flows for the year ended December 31, 2016 excluded the effect of non-cash investing and financing activities related to the purchase of equipment financed with a capital lease agreement in the amount of \$9,390.

**HOPE OF LIFE INTERNATIONAL
SCHEDULE OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)



	2016				2015
	Program Services	Management and General	Fundraising	Total	Total
Salaries	\$ 66,921	\$ 562,866	\$ -	\$ 629,787	\$ 459,899
Employee benefits	6,158	38,440	-	44,598	37,521
Payroll taxes	7,651	61,904	-	69,555	45,274
Advertising	-	-	47,525	47,525	3,332
Bank fees	38,840	11,733	-	50,573	44,509
Conferences and meetings	-	29,170	727	29,897	15,010
Construction and building costs	651,911	-	-	651,911	646,937
Container shipment expenses	163,177	-	-	163,177	114,355
Depreciation	22,544	-	-	22,544	14,618
Donated materials	11,903,352	-	-	11,903,352	12,281,357
Dues and subscriptions	-	2,238	-	2,238	2,801
Insurance	22,767	20,023	-	42,790	28,569
Interest expense	-	21,908	-	21,908	5,955
Meals and entertainment	1,076	20,646	-	21,722	15,975
Miscellaneous	-	1,566	-	1,566	41,136
Mission grants and events	571,764	-	182,132	753,896	226,158
Mission trips	1,293,552	-	-	1,293,552	799,422
Occupancy	93,191	10,354	-	103,545	104,797
Postage	18,132	-	-	18,132	18,665
Printing and publications	20,827	-	-	20,827	19,085
Professional fees	5,622	76,270	-	81,892	89,353
Repairs and maintenance	-	17,704	-	17,704	24,386
Supplies	20,318	62,725	-	83,043	47,089
Telephone and communication	24,857	8,116	-	32,973	21,273
Travel	393,955	1,268	14,134	409,357	469,712
Utilities	6,627	12,839	-	19,466	19,579
Vehicle expenses	8,500	16,556	5,999	31,055	18,486
Total expenses	\$ 15,341,742	\$ 976,326	\$ 250,517	\$ 16,568,585	\$ 15,615,253