

# **HOPE OF LIFE INTERNATIONAL**

**Financial Statements  
and Supplementary Information**

**Year Ended December 31, 2017**

**(With Independent Auditors' Report Thereon)**

**HOPE OF LIFE INTERNATIONAL**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**Year Ended December 31, 2017**

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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, 2017, 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, 2017, 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.

## 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 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 14 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 financial statements as a whole.

*Kahn, Litwin, Renya & Co., Ltd.*

August 7, 2018

**HOPE OF LIFE INTERNATIONAL**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2017**  
**(With Comparative Totals at December 31, 2016)**



	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 200,907	\$ 218,492
Accounts receivable	32,286	8,024
Prepaid expenses	3,105	-
<b>Total current assets</b>	<b><u>236,298</u></b>	<b><u>226,516</u></b>
Property and Equipment, net	<u>522,371</u>	<u>239,226</u>
<b>Total Assets</b>	<b><u>\$ 758,669</u></b>	<b><u>\$ 465,742</u></b>
<b>Liabilities and Net Assets (Cumulative Deficit)</b>		
Current Liabilities:		
Accounts payable	\$ 204,781	\$ 130,709
Accrued expenses	17,018	13,567
Capital lease obligations, current portion	22,690	9,506
Loan payable, current portion	115,884	93,592
<b>Total current liabilities</b>	<b><u>360,373</u></b>	<b><u>247,374</u></b>
Capital Lease Obligations, less current portion	59,354	14,681
Loan Payable, less current portion	<u>106,547</u>	<u>206,408</u>
<b>Total liabilities</b>	<b><u>526,274</u></b>	<b><u>468,463</u></b>
Net Assets (cumulative deficit):		
Unrestricted (cumulative deficit)	196,038	(197,967)
Temporarily restricted	36,357	195,246
<b>Total net assets (cumulative deficit)</b>	<b><u>232,395</u></b>	<b><u>(2,721)</u></b>
<b>Total Liabilities and Net Assets (Cumulative Deficit)</b>	<b><u>\$ 758,669</u></b>	<b><u>\$ 465,742</u></b>

**HOPE OF LIFE INTERNATIONAL**  
**STATEMENT OF ACTIVITIES**



Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	<b>2017</b>			<b>2016</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Total</b>
Support and Revenue:				
Contributions	\$ 4,246,255	\$ 171,027	\$ 4,417,282	\$ 4,311,086
In-kind contributions	8,052,207	-	8,052,207	11,903,352
Other income	17,392	-	17,392	5,942
Net assets released from restrictions	329,916	(329,916)	-	-
<b>Total support and revenue</b>	<b>12,645,770</b>	<b>(158,889)</b>	<b>12,486,881</b>	<b>16,220,380</b>
Expenses:				
Program services	11,873,448	-	11,873,448	16,180,373
Management and general	321,798	-	321,798	329,088
Fundraising	56,519	-	56,519	59,124
<b>Total expenses</b>	<b>12,251,765</b>	<b>-</b>	<b>12,251,765</b>	<b>16,568,585</b>
<b>Total Change in Net Assets (Cumulative Deficit)</b>	<b>394,005</b>	<b>(158,889)</b>	<b>235,116</b>	<b>(348,205)</b>
<b>Net Assets (Cumulative Deficit), beginning of year</b>	<b>(197,967)</b>	<b>195,246</b>	<b>(2,721)</b>	<b>345,484</b>
<b>Net Assets (Cumulative Deficit), end of year</b>	<b>\$ 196,038</b>	<b>\$ 36,357</b>	<b>\$ 232,395</b>	<b>\$ (2,721)</b>

**HOPE OF LIFE INTERNATIONAL**

**STATEMENT OF CASH FLOWS**

**Year Ended December 31, 2017**

**(With Comparative Totals for the Year Ended December 31, 2016)**



	<b>2017</b>	<b>2016</b>
Cash Flows from Operating Activities:		
Total change in net assets (cumulative deficit)	\$ 235,116	\$ (348,205)
Adjustments to reconcile total change in net assets (cumulative deficit) to net cash provided (used) by operating activities:		
Depreciation	41,134	22,544
Donated property and equipment	(211,356)	-
Changes in operating assets and liabilities:		
Accounts receivable	(24,262)	28,027
Prepaid expenses	(3,105)	-
Accounts payable	74,072	55,234
Accrued expenses	3,451	4,670
<b>Net cash provided (used) by operating activities</b>	<b>115,050</b>	<b>(237,730)</b>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(41,842)	(9,516)
<b>Net cash used by investing activities</b>	<b>(41,842)</b>	<b>(9,516)</b>
Cash Flows from Financing Activities:		
Principal payments on loan payable	(77,569)	(4,071)
Payments on capital lease obligations	(13,224)	(5,922)
<b>Net cash used by financing activities</b>	<b>(90,793)</b>	<b>(9,993)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(17,585)</b>	<b>(257,239)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>218,492</b>	<b>475,731</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 200,907</b>	<b>\$ 218,492</b>
<b>Supplementary Information:</b>		
Cash paid for interest	\$ 17,131	\$ 21,908

**HOPE OF LIFE INTERNATIONAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2017**



**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 December 31, 2017.

***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, 2017**



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, 2017, 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. However, it is the policy of the Organization to recognize temporarily restricted contributions that are both received and expended during the current fiscal year as unrestricted contributions.

***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, 2017**



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 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.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is effective for annual periods beginning after December 15, 2017. 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). This standard will be effective for the Organization's year ending December 31, 2018, with early adoption permitted, and will be applied retrospectively to all periods presented upon adoption.

**HOPE OF LIFE INTERNATIONAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2017**



***Reclassification***

Certain 2016 balances were reclassified to conform to the 2017 financial statement presentation.

***Subsequent Events***

Management of the Organization has evaluated subsequent events through August 7, 2018, 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 2018. 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, 2017 consisted of the following:

Land and improvements	\$ 23,334
Building and improvements	194,346
Leasehold improvements	30,453
Furniture and equipment	337,178
Vehicles	40,703
	<hr/> 626,014
Less accumulated depreciation	103,643
	<hr/>
Property and equipment, net	<u>\$ 522,371</u>

**HOPE OF LIFE INTERNATIONAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2017**



**5. 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	\$ 222,431
Less loan payable, current portion	115,884
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Loan payable, less current portion	<u>\$ 106,547</u>

Maturities of the loan payable are as follows:

<u>Year Ending</u>	
December 31, 2018	\$ 115,884
December 31, 2019	106,547
	<hr/>
Total	<u>\$ 222,431</u>

**6. Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following:

Feeding program	\$ 10,028
Missions	25,604
Other programs	725
	<hr/>
Total temporarily restricted net assets	<u>\$ 36,357</u>

**HOPE OF LIFE INTERNATIONAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2017**



**7. 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. The Organization will also receive donated property and equipment from time to time. During the year ended December 31, 2017, the Organization received donated supplies and property and equipment of \$7,840,851 and \$211,356, respectively, which is included in in-kind contributions in the accompanying statement of activities at their estimated fair value.

**8. 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, 2017, there were no discretionary contributions made by the Organization.

**9. Commitments and Contingencies**

***Capital Lease Obligations***

The Organization acquired certain equipment under capital lease agreements, which expire at various dates through December 2022.

The related cost and accumulated depreciation was as follows:

Cost	\$ 102,928
Less accumulated depreciation	<u>23,740</u>
Leased equipment, net	<u><u>\$ 79,188</u></u>

**HOPE OF LIFE INTERNATIONAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2017**



Maturities of the capital lease obligations are as follows:

<u>Year Ending</u>	
December 31, 2018	\$ 33,443
December 31, 2019	22,493
December 31, 2020	18,817
December 31, 2021	18,817
December 31, 2022	18,817
Total future minimum lease payments	112,387
Less amounts representing interest	30,343
Total capital lease obligations	82,044
Less current portion of capital lease obligations	22,690
	<u>\$ 59,354</u>

***Operating Lease Agreement***

In January 2018, the Organization entered into an operating lease agreement which has an expiration date of December 2019, with one option to renew for an additional four years. Monthly rent payments are approximately \$6,000. During the year ended December 31, 2017, rent expense under the operating lease agreement was \$114,826.

The following is a schedule of approximate future minimum lease payments:

<u>Year Ending</u>	
December 31, 2018	\$ 72,000
December 31, 2019	72,000
December 31, 2020	76,320
December 31, 2021	76,320
December 31, 2022	78,609
Thereafter	78,609
	<u>\$ 453,858</u>

**HOPE OF LIFE INTERNATIONAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2017**



**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 up to specific limits. From time to time, the Organization had bank balances in excess of federally insured limits. The Organization monitors its exposure with regard to cash and cash equivalents and had not experienced losses on such accounts. Management does not believe that there is a significant credit risk at year end.

**11. Related Party Transactions**

The Organization had the following related party transactions for the year ended December 31, 2017.

The Organization contributed approximately \$1,583,400 to Esperanza da Vida, which was founded by the Organization's chief executive officer (CEO)/president's family member. The Organization has a payable to the CEO/president's family member for approximately \$8,800 for improvement costs to their new facility.

The Organization received donated packaging services of approximately \$53,500 from the chief executive officer's family member, who is the owner of KC Contracting.

**12. Supplemental Cash Flow Information**

The statement of cash flows for the year ended December 31, 2017 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 \$71,081.

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



**Year Ended December 31, 2017**

**(With Comparative Totals for the Year Ended December 31, 2016)**

	<b>2017</b>				<b>2016</b>
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>	<b>Total</b>
Grants and other assistance	\$ 9,471,223	\$ -	\$ -	\$ 9,471,223	\$ 13,913,423
Salaries and payroll taxes	564,153	105,779	35,259	705,191	696,781
Employee benefits	67,166	12,594	4,198	83,958	94,414
Advertising	15,782	2,959	986	19,727	47,525
Conferences and meetings	3,312	828	-	4,140	782
Construction and building costs	288,251	-	-	288,251	188,865
Container shipment expenses	212,629	-	-	212,629	163,177
Depreciation	32,907	8,227	-	41,134	22,544
Information technology	1,536	13,828	-	15,364	22,479
Insurance	3,921	35,288	-	39,209	42,790
Miscellaneous	363	3,270	-	3,633	5,662
Mission events	277,797	-	-	277,797	322,217
Mission trips and travel	637,348	-	-	637,348	574,722
Occupancy expenses	128,742	24,139	8,046	160,927	146,402
Office expenses	128,489	24,092	8,030	160,611	197,377
Professional fees	9,239	83,146	-	92,385	81,892
Travel and auto expenses	30,590	7,648	-	38,238	47,533
<b>Total expenses</b>	<b>\$ 11,873,448</b>	<b>\$ 321,798</b>	<b>\$ 56,519</b>	<b>\$ 12,251,765</b>	<b>\$ 16,568,585</b>