

HOPE OF LIFE INTERNATIONAL

Financial Statements

Year Ended December 31, 2020

(With Independent Auditors' Report Thereon)

HOPE OF LIFE INTERNATIONAL
FINANCIAL STATEMENTS
Year Ended December 31, 2020

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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, 2020, and the related statements of activities, functional expenses, 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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited Hope of Life International's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 7, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kahn, Litwin, Renya & Co., Ltd.

November 12, 2021

HOPE OF LIFE INTERNATIONAL
STATEMENT OF FINANCIAL POSITION
December 31, 2020
(With Comparative Totals at December 31, 2019)

	2020	2019
Assets		
Current Assets:		
Cash and cash equivalents	\$ 2,114,111	\$ 126,163
Accounts receivable	111,194	73,292
Prepaid expenses	15,596	15,780
Total current assets	2,240,901	215,235
Property and Equipment, net	358,882	409,275
Total Assets	\$ 2,599,783	\$ 624,510
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 122,893	\$ 209,647
Accrued expenses	18,293	31,540
Capital lease obligations, current portion	14,839	12,712
Long-term debt, current portion	88,679	128,203
Deferred revenue	-	89,968
Total current liabilities	244,704	472,070
Capital Lease Obligations, less current portion	17,323	32,162
Long-term debt, less current portion	152,922	11,147
Total liabilities	414,949	515,379
Net Assets:		
Without donor restrictions	185,467	69,518
With donor restrictions	1,999,367	39,613
Total net assets	2,184,834	109,131
Total Liabilities and Net Assets	\$ 2,599,783	\$ 624,510

HOPE OF LIFE INTERNATIONAL
STATEMENT OF ACTIVITIES
Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenue:				
Contributions	\$ 4,299,643	\$ 1,984,219	\$ 6,283,862	\$ 4,274,151
In-kind contributions	6,064,772	-	6,064,772	9,751,368
PPP loan forgiveness	181,755	-	181,755	-
Net assets released from restrictions	24,465	(24,465)	-	-
Total support and revenue	10,570,635	1,959,754	12,530,389	14,025,519
Expenses:				
Program services	10,146,438	-	10,146,438	13,609,588
Management and general	259,787	-	259,787	322,276
Fundraising	48,461	-	48,461	57,990
Total expenses	10,454,686	-	10,454,686	13,989,854
Change in Net Assets	115,949	1,959,754	2,075,703	35,665
Net Assets, beginning of year	69,518	39,613	109,131	73,466
Net Assets, end of year	\$ 185,467	\$ 1,999,367	\$ 2,184,834	\$ 109,131

HOPE OF LIFE INTERNATIONAL
SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020



(With Comparative Totals for the Year Ended December 31, 2019)

	2020				2019
	Program Services	Management and General	Fundraising	Total	Total
Grants and other assistance	\$ 8,685,623	\$ -	\$ -	\$ 8,685,623	\$ 10,423,475
Personnel and related:					
Salaries	421,355	79,004	26,335	526,694	724,511
Payroll taxes	40,562	7,605	2,535	50,702	68,576
Employee benefits	41,385	7,760	2,586	51,731	50,150
Total personnel and related	503,302	94,369	31,456	629,127	843,237
Other expenses:					
Advertising	14,749	2,765	922	18,436	17,074
Conferences and meetings	1,813	453	-	2,266	9,311
Construction and building costs	84,638	-	-	84,638	292,369
Container shipment expenses	64,943	-	-	64,943	353,817
Depreciation	55,945	13,986	-	69,931	72,114
Information technology	2,042	18,376	-	20,418	23,611
Insurance	1,823	16,402	-	18,225	19,379
Interest	10,780	-	-	10,780	11,801
Miscellaneous	188	1,693	-	1,881	24,596
Mission trips and travel	435,054	-	-	435,054	1,487,767
Occupancy expenses	94,686	17,754	5,917	118,357	115,942
Office expenses	162,647	30,496	10,166	203,309	183,564
Professional fees	6,451	58,055	-	64,506	69,759
Travel and auto expenses	21,754	5,438	-	27,192	42,038
Total other expenses	957,513	165,418	17,005	1,139,936	2,723,142
Total expenses	\$ 10,146,438	\$ 259,787	\$ 48,461	\$ 10,454,686	\$ 13,989,854

HOPE OF LIFE INTERNATIONAL
STATEMENT OF CASH FLOWS
Year Ended December 31, 2020



(With Comparative Totals for the Year Ended December 31, 2019)

	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	\$ 2,075,703	\$ 35,665
Adjustments to reconcile total change in net assets to net cash provided by operating activities:		
Depreciation	69,931	72,114
Changes in operating assets and liabilities:		
Accounts receivable	(37,902)	(29,594)
Prepaid expenses	184	(4,226)
Accounts payable	(86,754)	(75,607)
Accrued expenses	(13,247)	5,346
Deferred revenue	(89,968)	62,750
Net cash provided by operating activities	1,917,947	66,448
Cash Flows from Investing Activities:		
Purchase of property and equipment	(19,538)	(13,074)
Net cash used by investing activities	(19,538)	(13,074)
Cash Flows from Financing Activities:		
Proceeds on long-term debt	149,900	16,275
Principal payments on long-term debt	(47,649)	(75,256)
Payments on capital lease obligations	(12,712)	(14,480)
Net cash provided (used) by financing activities	89,539	(73,461)
Net Increase (Decrease) in Cash and Cash Equivalents	1,987,948	(20,087)
Cash and Cash Equivalents, beginning of year	126,163	146,250
Cash and Cash Equivalents, end of year	\$ 2,114,111	\$ 126,163
Supplementary Information:		
Cash paid for interest	\$ 11,259	\$ 16,077
Property and equipment included in accounts payable	\$ -	\$ 2,500

HOPE OF LIFE INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

1. Nature of Operations

Hope of Life International (the Organization) is a not-for-profit organization located in Cranston, 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.

Comparative Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total, without accompanying note disclosures and certain functional expense information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements and related notes to the financial statements for the year ended December 31, 2019, from which the summarized information was derived.

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 two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes.

HOPE OF LIFE INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is satisfied, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

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.

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, 2020, 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 as with or without restrictions depending on the existence and/or nature of any donor-imposed restrictions. However, it is the policy of the Organization to recognize contributions with donor restrictions that are both received and expended during the current fiscal year as contributions without 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.

HOPE OF LIFE INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

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.

PPP Loan Forgiveness

The Organization received a Paycheck Protection Program loan (PPP Loan). Loan forgiveness was recognized when the Organization satisfied the conditions for loan forgiveness and the forgiveness amount was formally approved by the United States Small Business Administration (SBA) (Note 8).

Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation, benefits and related expenses, which are allocated on the basis of time and effort. Depreciation, amortization and occupancy are allocated on a square footage basis.

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.

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.

Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 financial statement presentation.

HOPE OF LIFE INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

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, 2021. 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, 2022, with early adoption permitted.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which provides new presentation and disclosure requirements for contributed nonfinancial assets other than contributed services. The standard will be effective for the Organization's year ending December 31, 2022, with early adoption permitted.

Subsequent Events

Management of the Organization has evaluated subsequent events through November 12, 2021, which is the date these financial statements were available to be issued.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets:	
Cash and cash equivalents	\$ 2,114,111
Accounts receivable	111,194
Financial assets at December 31, 2020	<hr/> 2,225,305
Less financial assets unavailable for general expenditure:	
Specified purpose	<hr/> 1,999,367
Financial assets available to meet general expenditure needs within one year	<hr/> <hr/> \$ 225,938

HOPE OF LIFE INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

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’s objective is to maintain liquid financial assets without donor restrictions sufficient to cover 60 days of program expenditures. In the event of an unanticipated liquidity need, the Organization’s Founders have the ability to finance overhead expenses so that all donations go to the Organization’s mission.

4. Property and Equipment

Property and equipment consisted of the following:

Land and improvements	\$	23,334
Building and improvements		200,346
Leasehold improvements		33,792
Furniture and equipment		368,423
Vehicles		53,953
		679,848
Less accumulated depreciation		320,966
Property and equipment, net	\$	358,882

5. Debt

Loans 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%, set to mature in December 2019. As of December 31, 2020, the loan had not been fully repaid and the Organization is working with the donor for an agreed upon repayment schedule. The loan called for interest only payments of \$1,625 through December 2016. There is no collateral for this loan. At year end, the remaining balance of the loan in the amount of \$80,554 is currently due.

During November 2019, the Organization entered into a loan agreement with a working capital group, for equipment contributed to a related party, requiring monthly payments of \$569, including an interest rate of 16.6% maturing in November 2022. This loan is collateralized by the equipment purchased.

Subsequent to year end, the Organization paid the remaining balance of the loan including related interest.

HOPE OF LIFE INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

Economic Injury Disaster Loan

On May 14, 2020, the Organization received an Economic Injury Disaster Loan (EIDL) in the amount of \$149,900. The loan is secured by tangible and intangible personal property and calls for monthly payments of principal and interest of \$641. Interest is calculated at a fixed rate of 2.75% per annum. Monthly payments are deferred for 12 months from date of the note and matures 30 years from the date of the note. The EIDL may be prepaid by the Organization at any time prior to the maturity with no prepayment penalties.

Schedule maturities of loans are as follows:

<u>Year Ending</u>		
December 31, 2021	\$	88,679
December 31, 2022		9,462
December 31, 2023		3,794
December 31, 2024		3,900
December 31, 2025		4,009
Thereafter		<u>131,757</u>
Total	\$	<u><u>241,601</u></u>

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 were as follows:

Cost	\$	65,093
Less accumulated depreciation		<u>44,807</u>
Leased equipment, net	\$	<u><u>20,286</u></u>

HOPE OF LIFE INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

Maturities of the capital lease obligations are as follows:

<u>Year Ending</u>		
December 31, 2021	\$	18,817
December 31, 2022		18,817
Total future minimum lease payments		37,634
Less amounts representing interest		5,472
Total capital lease obligations		32,162
Less current portion of capital lease obligations		14,839
Capital lease obligations, less current portion	\$	17,323

6. Net Assets with Donor Restrictions

Net assets with donor restrictions for a specific purpose consist of the following:

Disaster relief	\$	1,617,768
Youth camp		306,868
Inclusive classroom		30,204
Housing and other assistance		23,377
Elderly quarantine center		15,000
Other programs		6,150
Total net assets with donor restrictions	\$	1,999,367

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 and medications; 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, 2020, the Organization received donated supplies worth \$6,064,772, which is included in the accompanying statement of activities at their estimated fair value.

HOPE OF LIFE INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

8. Paycheck Protection Program Loan

On May 4, 2020, the Organization received loan proceeds of \$181,755 under the PPP, which was established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) in response to the COVID-19 outbreak. Proceeds from this loan (PPP Loan) may only be used for payroll costs, costs used to continue group health care benefits, mortgage interest payments, rent, utilities, and interest on other debt obligations, provided the related agreements were effective prior to February 15, 2020. The PPP Loan was set to mature on May 4, 2022 and bore interest at a rate of 1% per annum, payable monthly. Under the terms of the PPP, certain amounts of the PPP Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Organization believes it used the proceeds in accordance with the loan terms and has obtained approval from the U.S. Small Business Administration.

On February 18, 2021, the Organization received additional loan proceeds of \$143,085 under the PPP, which was established as part of the CARES Act in response to the COVID-19 outbreak. Proceeds from this second-draw PPP Loan (PPP2 Loan) may only be used for payroll costs, mortgage interest, rent, utilities, worker protection costs related to COVID-19, uninsured property damage costs caused by looting or vandalism during 2020, and certain supplier costs and expenses for operations. The PPP2 Loan is set to mature on February 18, 2026 and bears interest at a rate of 1% per annum, payable monthly. The loan may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Under the terms of the PPP, certain amounts of the PPP2 Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The commencement date for the PPP Loan payments and a potential revised maturity date will be determined upon the ultimate notification of loan forgiveness from the SBA. The Organization intends to use the entire PPP2 Loan proceeds in accordance with the loan terms and to apply for forgiveness. On August 25, 2021, the Organization received notification of SBA approval for forgiveness of the entire PPP Loan proceeds

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, 2020, discretionary contributions made by the Organization totaled approximately \$3,700.

HOPE OF LIFE INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

10. Commitments and Contingencies

Operating Lease Agreement

In January 2018, the Organization entered into an operating lease agreement which had an expiration date of December 2019, with one option to renew for an additional four years. The Organization has utilized this option to renew. Monthly rent payments are approximately \$6,400. During the year ended December 31, 2020, rent expense under the operating lease agreement was approximately \$76,300.

In December 2019, the Organization entered into a software lease agreement which has an expiration date of February 2023. Monthly payments are approximately \$5,400. During the year ended December 31, 2020, expense under the software lease agreement was approximately \$64,500.

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

<u>Year Ending</u>	
December 31, 2021	\$ 124,400
December 31, 2022	115,300
December 31, 2023	<u>115,300</u>
Total	<u>\$ 355,000</u>

11. Concentrations of Credit Risk

The Organization maintains its cash balances in three financial institutions. The balance at each institution is insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time, the Organization's cash balances may exceed this limit. Cash balances in excess of \$250,000 are generally uninsured.

Approximately \$91,700, or 82%, of the Organization's outstanding accounts receivables were due from two donors. Management does not believe significant risks exist at year end.

HOPE OF LIFE INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

12. Related Party Transactions

The Organization had the following related party transactions for the year ended December 31, 2020.

The Organization contributed approximately \$6,065,400 to Esperanza da Vida, which was founded by the Organization's chief executive officer (CEO)/president's family member. The Organization has a payable, included in accounts payable, to the CEO/president's family member for approximately \$8,700 for improvement costs to their new facility. The Organization has receivables, included in accounts receivable, due from the CEO/president and the CEO/president's family member for approximately \$5,160 and \$3,350, respectively.