



HOPE WALKS

FREEDOM FROM CLUBFOOT

HOPE WALKS, INC.

Financial Statements
With Independent Auditors' Report

June 30, 2022 and 2021

HOPE WALKS, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Hope Walks, Inc.
Mechanicsburg, PA

Opinion

We have audited the accompanying financial statements of Hope Walks, Inc., which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope Walks, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Hope Walks, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 these 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 Hope Walks, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
Hope Walks, Inc.
Mechanicsburg, PA

Auditors' 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Hope Walks, Inc.'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 Hope Walks, Inc.'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.

Capin Crouse LLP

Colorado Springs, CO
November 11, 2022

HOPE WALKS, INC.

Statements of Financial Position

| | June 30, | |
|------------------------------------|---------------------|---------------------|
| | <u>2022</u> | <u>2021</u> |
| ASSETS: | | |
| Cash and cash equivalents | \$ 1,744,257 | \$ 2,282,734 |
| Grants receivable | 324,176 | 348,595 |
| Board pledges receivable | - | 2,050 |
| Prepaid expenses and other assets | 78,811 | 7,234 |
| Furniture and equipment-net | <u>222,551</u> | <u>181,406</u> |
| Total Assets | <u>\$ 2,369,795</u> | <u>\$ 2,822,019</u> |
| LIABILITIES AND NET ASSETS: | | |
| Liabilities: | | |
| Accounts payable | \$ 38,024 | \$ 72,970 |
| Accrued expenses | <u>31,710</u> | <u>47,663</u> |
| Total Liabilities | <u>69,734</u> | <u>120,633</u> |
| Net Assets: | | |
| Without donor restrictions | 1,560,222 | 1,576,996 |
| With donor restrictions | <u>739,839</u> | <u>1,124,390</u> |
| Total Net Assets | <u>2,300,061</u> | <u>2,701,386</u> |
| Total Liabilities and Net Assets | <u>\$ 2,369,795</u> | <u>\$ 2,822,019</u> |

See notes to financial statements

HOPE WALKS, INC.

Statements of Activities

| | Year Ended June 30, | | | | | |
|----------------------------------|-------------------------------|----------------------------|------------------|-------------------------------|----------------------------|------------------|
| | 2022 | | | 2021 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| SUPPORT AND REVENUE: | | | | | | |
| Contributions | \$ 1,214,245 | \$ 1,907,791 | \$ 3,122,036 | \$ 744,632 | \$ 1,825,152 | \$ 2,569,784 |
| Gain on extinguishment of debt | - | - | - | 127,440 | - | 127,440 |
| Other gains (losses) | (17,910) | - | (17,910) | 1,002 | - | 1,002 |
| Total Support and Revenue | 1,196,335 | 1,907,791 | 3,104,126 | 873,074 | 1,825,152 | 2,698,226 |
| NET ASSETS RELEASED: | | | | | | |
| Purpose and time restrictions | 2,292,342 | (2,292,342) | - | 2,079,255 | (2,079,255) | - |
| EXPENSES: | | | | | | |
| Program activities | 2,771,569 | - | 2,771,569 | 1,987,386 | - | 1,987,386 |
| Supporting activities: | | | | | | |
| Fund-raising | 564,170 | - | 564,170 | 502,568 | - | 502,568 |
| General and administrative | 169,712 | - | 169,712 | 138,555 | - | 138,555 |
| | 733,882 | - | 733,882 | 641,123 | - | 641,123 |
| Total Expenses | 3,505,451 | - | 3,505,451 | 2,628,509 | - | 2,628,509 |
| Change in Net Assets | (16,774) | (384,551) | (401,325) | 323,820 | (254,103) | 69,717 |
| Net Assets, Beginning of Year | 1,576,996 | 1,124,390 | 2,701,386 | 1,253,176 | 1,378,493 | 2,631,669 |
| Net Assets, End of Year | \$ 1,560,222 | \$ 739,839 | \$ 2,300,061 | \$ 1,576,996 | \$ 1,124,390 | \$ 2,701,386 |

See notes to financial statements

HOPE WALKS, INC.

Statement of Functional Expenses

Year ended June 30, 2022

| | <u>Program Activities</u> | <u>Supporting Activities:</u> | | <u>Total</u> |
|--------------------------------|---------------------------|-------------------------------|-----------------------------------|---------------------|
| | | <u>Fund-raising</u> | <u>General and Administrative</u> | |
| Personnel and labor | \$ 916,790 | \$ 273,217 | \$ 34,820 | \$ 1,224,827 |
| Medical partner grants | 950,865 | - | - | 950,865 |
| Staff development and travel | 420,916 | 19,527 | 8,471 | 448,914 |
| Marketing and advancement | 9,701 | 236,442 | - | 246,143 |
| Activities and materials | 154,318 | - | - | 154,318 |
| Occupancy and depreciation | 139,307 | - | - | 139,307 |
| Professional services | 14,400 | 4,825 | 94,966 | 114,191 |
| Financing, fees, and insurance | 56,040 | 16,551 | 22,545 | 95,136 |
| Information technology | 55,224 | 8,125 | 3,304 | 66,653 |
| Office expense | 54,008 | 5,483 | 5,606 | 65,097 |
| Total expenses | <u>\$ 2,771,569</u> | <u>\$ 564,170</u> | <u>\$ 169,712</u> | <u>\$ 3,505,451</u> |

See notes to financial statements

HOPE WALKS, INC.

Statement of Functional Expenses

Year ended June 30, 2021

| | <u>Program Activities</u> | <u>Supporting Activities:</u> | | <u>Total</u> |
|--------------------------------|---------------------------|-------------------------------|---------------------------------------|---------------------|
| | | <u>Fund-raising</u> | <u>General and Administrative</u> | |
| Personnel and labor | \$ 680,184 | \$ 257,918 | \$ 41,788 | \$ 979,890 |
| Medical partner grants | 757,132 | - | - | 757,132 |
| Staff development and travel | 237,248 | 5,780 | 5,030 | 248,058 |
| Marketing and advancement | 4,564 | 213,586 | - | 218,150 |
| Activities and materials | 128,653 | - | - | 128,653 |
| Occupancy and depreciation | 52,824 | - | - | 52,824 |
| Professional services | 17,503 | 1,290 | 74,582 | 93,375 |
| Financing, fees, and insurance | 62,995 | 8,415 | 11,787 | 83,197 |
| Information technology | 23,730 | 12,765 | 1,089 | 37,584 |
| Office expense | 22,553 | 2,814 | 4,279 | 29,646 |
| | <u>\$ 1,987,386</u> | <u>\$ 502,568</u> | <u>\$ 138,555</u> | <u>\$ 2,628,509</u> |

See notes to financial statements

HOPE WALKS, INC.

Statements of Cash Flows

| | Year Ended June 30, | |
|--|---------------------|---------------------|
| | 2022 | 2021 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ (401,325) | \$ 69,717 |
| Adjustments to reconcile change in net assets to net cash provided by (used) operating activities: | | |
| Depreciation | 70,845 | 903 |
| Gain on extinguishment of Paycheck Protection Program loan | - | (127,440) |
| Change in operating assets and liabilities: | | |
| Grants receivable | 26,469 | 569,984 |
| Prepaid expenses and other assets | (71,577) | 403,563 |
| Accounts payable | (34,947) | 38,527 |
| Accrued expenses | (15,953) | 42,188 |
| Net Cash Provided by (Used in) Operating Activities | <u>(426,488)</u> | <u>997,442</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Purchase of furniture and equipment | <u>(111,989)</u> | <u>(181,228)</u> |
| Net Cash Used in Investing Activities | <u>(111,989)</u> | <u>(181,228)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from Paycheck Protection Program loan | <u>-</u> | <u>74,440</u> |
| Net Cash Provided by Financing Activities | <u>-</u> | <u>74,440</u> |
| Change in Cash and Cash Equivalents | (538,477) | 890,654 |
| Cash and Cash Equivalents, Beginning of Year | <u>2,282,734</u> | <u>1,392,080</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 1,744,257</u> | <u>\$ 2,282,734</u> |
| SUPPLEMENTAL DISCLOSURE: | | |
| Non-cash transaction to recognize loan forgiveness | <u>\$ -</u> | <u>\$ 127,440</u> |

See notes to financial statements

HOPE WALKS, INC.

Notes to Financial Statements

June 30, 2022 and 2021

1. NATURE OF ORGANIZATION:

Hope Walks, Inc. (HWI) started operations in May 2019 and is a nonprofit corporation that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law(s). Hope Walks, Inc. is not a private foundation under Section 509(a) of the Internal Revenue Code.

Clubfoot needlessly cripples thousands of children every year even though there is a cost-effective and relatively simple treatment available. HWI frees children and families from the physical, emotional and economic burden of clubfoot. Our vision is hope for every child and family to walk free from clubfoot and encounter the love of Christ as we believe that God loves and values all His children, and that through this ministry God will be glorified.

HWI builds clubfoot treatment programs within the national healthcare systems by forming a network of partnerships to train and equip local healthcare providers and provide dedicated parent support and education. Building capacity for excellent clubfoot care within national healthcare systems requires a multi-faceted strategy to overcome the many barriers to effective implementation in developing countries. HWI's strategy includes education and mentoring in the best practice Ponseti method, equipping facilities with resources, raising awareness, providing dedicated parent support and community outreach. In this context, partnerships and local leadership are foundational for success. It is HWI's desire to welcome families and patients regardless of gender, race, religion, tribe, and economic status and provide compassionate excellent clubfoot treatment. These actions build trust and develop relationships. Through quality treatment and compassionate care, we make freedom from clubfoot a reality.

HWI currently supports clubfoot treatment programs in over 130 partner clubfoot clinics across Burkina Faso, Burundi, Democratic Republic of the Congo, Dominican Republic, Ethiopia, Ghana, Haiti, Honduras, Kenya, Malawi, Mozambique, Niger, Rwanda, Sudan, and Zambia. All of these partners, except for those in Ethiopia and Rwanda, do not meet the consolidation requirements within accounting principles generally accepted in the United States of America; therefore, the balances and activities of these partner ministries are not included within the financial statements. The activities in Ethiopia and Rwanda are conducted as field offices of HWI and are reflected in these financial statements.

HWI maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. 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 and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

HOPE WALKS, INC.

Notes to Financial Statements

June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES:

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash held in checking and savings accounts, cash on hand, and money market funds. As of June 30, 2022 and 2021, cash on deposit with financial institutions exceeded federally insured limits by approximately \$1,445,000 and \$1,903,000 respectively. HWI has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

GRANTS RECEIVABLE

Grants receivable represents amounts due to HWI that have not been received from granting organizations as of year end. Management expects to receive the full amount of the receivables; therefore, no allowance for uncollectible amounts has been recorded. All grants receivable are expected to be collected within one year.

BOARD PLEDGES RECEIVABLE

Board pledges receivable represents unconditional commitments by board members of HWI that had not yet been received as of June 30, 2021. Management received the full amount of the receivables during the fiscal year ended June 30, 2022. No allowance for uncollectible amounts was recorded for the year ended June 30, 2021.

CONDITIONAL GRANT EXPENSES

During the year ended June 30, 2022, HWI entered into conditional grant expense agreements in the amounts of approximately \$61,707. These agreements were signed and funded as of June 30, 2022, and are included in prepaid expenses and other assets on the statement of financial position as of June 30, 2022.

FURNITURE AND EQUIPMENT

Equipment is recorded at cost if purchased and includes improvements that significantly add to utility or extend useful lives. Costs of maintenance and repairs are charged to expense as incurred. Depreciation is recorded using the straight-line method over the estimated useful lives, which range from three to five years. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in support and revenue for the period. Purchases in excess of \$1,000 are capitalized, with lesser amounts expensed when incurred.

NET ASSETS

The financial statements report amounts separately by class of net assets as follows:

Net assets without donor restrictions are those resources currently available for use at the discretion of the board of directors in HWI's operations.

Net assets with donor restrictions are those contributions restricted by donors for various ministry projects and programs.

HOPE WALKS, INC.

Notes to Financial Statements

June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when made, which may be when cash and other assets are received or unconditionally promised. Gifts of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, 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. All contributions are considered available for use without donor restrictions unless specifically restricted by the donor.

HWI has met the requirements for eligibility for the 2021 Employee Retention Credit (ERC). HWI calculated total credits of \$91,514 based on qualified wages and has filed the Form 941-X to claim the credits. Laws and regulations concerning government programs, including the ERC, established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge HWI's claims to the ERC, and it is not possible to determine the impact (if any) this would have upon HWI. The revenue is included within contributions income on the statements of activities.

The gain on extinguishment of debt as of June 30, 2021 was related to the forgiveness of the Paycheck Protection Program loans (PPP) draw 1 for \$53,000 and draw 2 for \$74,440. These loans were eligible for forgiveness based on incurring various qualifying expenses such as normal payroll costs, mortgage interest, and utilities. HWI received official forgiveness on both loans during the year ended June 30, 2021, and as a result a gain on extinguishment of debt totaling \$127,440 was recorded in the statement of activities.

FUNCTIONAL ALLOCATION OF EXPENSES

The consolidated statements of functional expenses and statement of activities presents expenses by functional classification that are attributable to one or more program or supporting functions. Accordingly, certain costs, such as personnel and development have been allocated among the program services and supporting activities benefited based on time and effort.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

During the year ended June 30, 2022, HWI adopted Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (topic 958 of the FASB Accounting Standards Codification). ASU 2020-07 increases transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. This ASU had no impact on revenue or net assets for HWI.

HOPE WALKS, INC.

Notes to Financial Statements

June 30, 2022 and 2021

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects HWI's financial assets, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. All of HWI's financial assets as of June 30, 2022 and 2021, are considered available for general expenditure within one year.

| | June 30, | |
|---------------------------|---------------------|---------------------|
| | 2022 | 2021 |
| Cash and cash equivalents | \$ 1,744,257 | \$ 2,282,734 |
| Grants receivable | 324,176 | 348,595 |
| Board pledges receivable | - | 2,050 |
| | <u>\$ 2,068,433</u> | <u>\$ 2,633,379</u> |

HWI has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

4. FURNITURE AND EQUIPMENT—NET:

Furniture and equipment—net consists of:

| | June 30, | |
|--|-------------------|-------------------|
| | 2022 | 2021 |
| Furniture and equipment | \$ 55,755 | \$ 6,416 |
| Vehicles and machinery | 86,344 | 92,252 |
| Program IT | 152,199 | - |
| | <u>294,298</u> | <u>98,668</u> |
| Less accumulated depreciation and amortization | <u>(71,747)</u> | <u>(902)</u> |
| | <u>222,551</u> | <u>97,766</u> |
| Construction in Progress | - | 83,640 |
| | <u>\$ 222,551</u> | <u>\$ 181,406</u> |

Depreciation expense of \$70,844 and \$902, has been recorded for the years ended June 30, 2022 and 2021, respectively.

HOPE WALKS, INC.

Notes to Financial Statements

June 30, 2022 and 2021

5. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consists of:

| | June 30, | |
|----------------------------------|-------------------|---------------------|
| | 2022 | 2021 |
| Time restricted | \$ 316,474 | \$ 350,570 |
| Ethiopia | 185,445 | 292,202 |
| North Sudan | 139,836 | 62,071 |
| Burkina Faso | 23,512 | 7,070 |
| Kenya | 13,776 | - |
| Zambia | 10,880 | - |
| Democratic Republic of the Congo | 9,511 | - |
| Burundi | 8,848 | - |
| Niger | 8,170 | - |
| Ghana | 7,179 | - |
| Dominican Republic | 7,109 | - |
| Honduras | 3,749 | - |
| Haiti | 1,615 | 43,940 |
| Rwanda | 1,449 | - |
| Malawi | 1,387 | - |
| Benin | 553 | - |
| Mozambique | 346 | - |
| Global program | - | 360,632 |
| Hope Walks USA | - | 5,305 |
| Togo | - | 2,600 |
| | <u>\$ 739,839</u> | <u>\$ 1,124,390</u> |

In connection with its foreign projects, HWI maintains programs and supporting facilities and services in various countries outside the United States. For the years ended June 30, 2022 and 2021, assets in other countries totaled approximately \$223,000 and \$181,000, respectively. The account balances relating to foreign operations are reflected in the financial statements in U.S. Dollars.

HOPE WALKS, INC.

Notes to Financial Statements

June 30, 2022 and 2021

6. RELATED PARTY TRANSACTIONS:

Contributions received from board members totaled \$36,545 and \$20,873, during the years ended June 30, 2022 and 2021, respectively. Outstanding board pledges receivable were \$0 and \$2,050, as of June 30, 2022 and 2021, respectively.

7. CONCENTRATIONS:

During the years ended June 30, 2022 and 2021, the top five donors gave \$1,854,147 and \$852,654, respectively, to HWI. This represents approximately 59% and 33% of HWI's contributions during the years ended June 30, 2022 and 2021, respectively.

8. RISKS AND UNCERTANTIES:

In March 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of HWI for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

9. SUBSEQUENT EVENTS:

Subsequent events were evaluated through November 11, 2022, which is the date the financial statements were available to be issued.