



HOPE WALKS

FREEDOM FROM CLUBFOOT

HOPE WALKS, INC.

Financial Statements
With Independent Auditors' Report

June 30, 2021 and 2020

HOPE WALKS, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Hope Walks, Inc.
Mechanicsburg, PA

We have audited the accompanying financial statements of Hope Walks, Inc., which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 auditor's 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 entity'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 entity'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.

Board of Directors
Hope Walks, Inc.
Mechanicsburg, PA

Opinion

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, 2021 and 2020, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Colorado Springs, Colorado
November 12, 2021

HOPE WALKS, INC.

Statements of Financial Position

	June 30,	
	<u>2021</u>	<u>2020</u>
ASSETS:		
Cash and cash equivalents	\$ 2,282,734	\$ 1,392,080
Grants receivable	348,595	912,629
Board pledges receivable	2,050	8,000
Prepaid expenses and other assets	7,234	410,797
Furniture and equipment-net	<u>181,406</u>	<u>1,080</u>
Total Assets	<u>\$ 2,822,019</u>	<u>\$ 2,724,586</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 72,970	\$ 34,442
Accrued expenses	47,663	5,475
Note payable	-	53,000
Total Liabilities	<u>120,633</u>	<u>92,917</u>
Net Assets:		
Without donor restrictions	1,576,996	1,253,176
With donor restrictions	<u>1,124,390</u>	<u>1,378,493</u>
Total Net Assets	<u>2,701,386</u>	<u>2,631,669</u>
Total Liabilities and Net Assets	<u>\$ 2,822,019</u>	<u>\$ 2,724,586</u>

See notes to financial statements

HOPE WALKS, INC.

Statements of Activities

Year Ended June 30,

	Year Ended June 30,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 872,072	\$ 1,825,152	\$ 2,697,224	\$ 702,828	\$ 1,332,550	\$ 2,035,378
Other income	1,002	-	1,002	1,569	-	1,569
Total Support and Revenue	<u>873,074</u>	<u>1,825,152</u>	<u>2,698,226</u>	<u>704,397</u>	<u>1,332,550</u>	<u>2,036,947</u>
NET ASSETS RELEASED:						
Purpose and time restrictions	<u>2,079,255</u>	<u>(2,079,255)</u>	<u>-</u>	<u>2,341,700</u>	<u>(2,341,700)</u>	<u>-</u>
EXPENSES:						
Program activities	<u>1,987,386</u>	<u>-</u>	<u>1,987,386</u>	<u>2,094,408</u>	<u>-</u>	<u>2,094,408</u>
Supporting activities:						
Fund-raising	502,568	-	502,568	247,962	-	247,962
General and administrative	138,555	-	138,555	151,532	-	151,532
	<u>641,123</u>	<u>-</u>	<u>641,123</u>	<u>399,494</u>	<u>-</u>	<u>399,494</u>
Total Expenses	<u>2,628,509</u>	<u>-</u>	<u>2,628,509</u>	<u>2,493,902</u>	<u>-</u>	<u>2,493,902</u>
Change in Net Assets	323,820	(254,103)	69,717	552,195	(1,009,150)	(456,955)
Net Assets, Beginning of Year	<u>1,253,176</u>	<u>1,378,493</u>	<u>2,631,669</u>	<u>700,981</u>	<u>2,387,643</u>	<u>3,088,624</u>
Net Assets, End of Year	<u>\$ 1,576,996</u>	<u>\$ 1,124,390</u>	<u>\$ 2,701,386</u>	<u>\$ 1,253,176</u>	<u>\$ 1,378,493</u>	<u>\$ 2,631,669</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
Grants to others	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
Professional services	17,503	1,290	74,582	93,375
Financing, fees, and insurance	62,995	8,415	11,787	83,197
Occupancy	52,824	-	-	52,824
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.

Statement of Functional Expenses

Year ended June 30, 2020

	<u>Program Activities</u>	<u>Supporting Activities:</u>		<u>Total</u>
		<u>Fund-raising</u>	<u>General and Administrative</u>	
Personnel and labor	\$ 510,863	\$ 100,453	\$ 52,334	\$ 663,650
Grants to others	1,200,957	-	-	1,200,957
Staff development and travel	110,823	8,716	8,863	128,402
Marketing and advancement	43,508	106,438	2,217	152,163
Activities and materials	95,940	-	-	95,940
Professional services	9,873	5,409	68,059	83,341
Financing, fees, and insurance	23,827	14,299	8,756	46,882
Occupancy	25,849	-	2,400	28,249
Information technology	26,270	6,027	6,782	39,079
Office expense	46,498	6,620	2,121	55,239
Total expenses	<u>\$ 2,094,408</u>	<u>\$ 247,962</u>	<u>\$ 151,532</u>	<u>\$ 2,493,902</u>

See notes to financial statements

HOPE WALKS, INC.

Statements of Cash Flows

	Year Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 69,717	\$ (456,955)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	903	-
Forgiveness of Paycheck Protection Program loan	(127,440)	-
Change in operating assets and liabilities:		
Grants receivable	569,984	1,415,336
Prepaid expenses and other assets	403,563	(409,181)
Accounts payable	80,715	21,771
Net Cash Provided by Operating Activities	<u>997,442</u>	<u>570,971</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Purchase of furniture and equipment	(181,228)	(1,080)
Net Cash Used in Investing Activities	<u>(181,228)</u>	<u>(1,080)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan	74,440	53,000
Net Cash Provided by Financing Activities	<u>74,440</u>	<u>53,000</u>
Change in Cash and Cash Equivalents	890,654	622,891
Cash and Cash Equivalents, Beginning of Year	<u>1,392,080</u>	<u>769,189</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,282,734</u>	<u>\$ 1,392,080</u>
SUPPLEMENTAL DISCLOSURE:		
Non-cash transaction to recognize loan forgiveness	<u>\$ 127,440</u>	<u>\$ -</u>

See notes to financial statements

HOPE WALKS, INC.

Notes to Financial Statements

June 30, 2021 and 2020

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. In 2006, CURE International launched CURE Clubfoot Worldwide (CCW) in Kenya and Malawi. CCW grew rapidly expanding to programs in 24 countries enrolling over 100,000 children in treatment by 2018. After consultation with the CURE Clubfoot leadership team, the Board of Directors of CURE International made the decision to transition its clubfoot program over to a new organization independent of CURE International. HWI was created and incorporated in July 2018 and an independent board selected. CURE International continued to operate and fund program activities from July 1, 2018 through June 1, 2019 as HWI developed the organization and foundation to assume CURE Clubfoot programs and activities in 130 clinics in 16 countries in Africa and Latin America. A formalized legal transition agreement was created and signed between CURE International and HWI on May 31, 2019.

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 Benin, Burkina Faso, Burundi, Democratic Republic of the Congo, Dominican Republic, Ethiopia, Ghana, Haiti, Honduras, Kenya, Malawi, Mozambique, Niger, Rwanda, Togo 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

HOPE WALKS, INC.

Notes to Financial Statements

June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES:

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.

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, 2021 and 2020, cash on deposit with financial institutions exceeded federally insured limits by approximately \$1,903,000 and \$1,140,000, 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, except for \$50,000 which is collectable during the year ended June 30, 2023.

BOARD PLEDGES RECEIVABLE

Pledges receivable represents unconditional commitments by board members of HWI that have not been received as of year end. Management expects to receive the full amount of the receivables; therefore, no allowance for uncollectible amounts has been recorded.

CONDITIONAL PLEDGE RECEIVABLES

Conditional pledge receivables consist of amount promised to HWI contingent upon HWI receiving equal matching funds. Conditional pledge receivables totaled \$0 and \$6,429, as of June 30, 2021 and 2020, respectively.

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.

HOPE WALKS, INC.

Notes to Financial Statements

June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

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.

Contributions as of June 30, 2021 included the Paycheck Protection Program (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 contribution totaling \$127,440 was recorded in the statements 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

In 2014, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. HWI adopted the provisions of this new standard during the year ended June 30, 2021. The new standard applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. There was no material impact to the financial statements as a result of adoption of ASU 2014-09. This ASU has been applied retrospectively, with no effect on net assets of previously issued financial statements.

HOPE WALKS, INC.

Notes to Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020, are considered available for general expenditure within one year.

	June 30,	
	2021	2020
Cash and cash equivalents	\$ 2,282,734	\$ 1,392,080
Grants receivable	348,595	912,629
Board pledges receivable	2,050	8,000
	<u>\$ 2,633,379</u>	<u>\$ 2,312,709</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,	
	2021	2020
Furniture and equipment	\$ 6,416	\$ 1,080
Vehicles and machinery	92,252	-
	<u>98,668</u>	<u>1,080</u>
Less accumulated depreciation and amortization	<u>(902)</u>	<u>-</u>
	97,766	1,080
Construction in Progress	<u>83,640</u>	<u>-</u>
	<u>\$ 181,406</u>	<u>\$ 1,080</u>

Depreciation expense of \$902 and \$0, has been recorded for the years ended June 30, 2021 and 2020, respectively.

HOPE WALKS, INC.

Notes to Financial Statements

June 30, 2021 and 2020

5. NOTE PAYABLE:

Notes payable consist of:

	June 30,	
	2021	2020
Paycheck Protection Program loan obtained in April 2020, due to the coronavirus pandemic. The loan is fully forgivable if HWI meets certain spending and employment thresholds. Any portion not forgiven will be due April 2022, at a fixed interest rate of 1%. During the year ended June 30, 2021, the loan was forgiven.	\$ -	\$ 53,000

HWI was in compliance with all financial and reporting covenants as of June 30, 2021.

6. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consists of:

	June 30,	
	2021	2020
Global program	\$ 360,632	\$ 148,723
Time restricted	348,520	920,596
Ethiopia	292,202	221,572
North Sudan	62,071	65,969
Haiti	43,940	-
Burkina Faso	7,070	16,493
Hope Walks USA	5,305	-
Togo	2,600	-
Niger	-	5,140
	<u>\$ 1,122,340</u>	<u>\$ 1,378,493</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, 2021 and 2020, assets in other countries totaled approximately \$181,000 and \$0, 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, 2021 and 2020

7. RELATED PARTY TRANSACTIONS:

A HWI board member is also on the board for a related party. For the year ended June 30, 2020, contribution revenue of \$793,520 was recorded from this related party. These contributions amount to approximately 41% of HWI's contributions during the year ended June 30, 2020. As of June 30, 2021 and 2020, there was a total grants receivable of \$233,520 and \$894,743, respectively, from this related party.

Contributions received from related party board members totaled \$20,873 and \$31,797, during the years ended June 30, 2021 and 2020, respectively. Outstanding board pledges receivable were \$2,050 and \$8,000, as of June 30, 2021 and 2020, respectively.

The brother-in-law of a member of the board of directors acts as an insurance agent for HWI. The amount HWI paid to this insurance provider during the years ended June 30, 2021 and 2020 was approximately \$132,000 and \$67,000, respectively.

8. CONCENTRATIONS:

During the years ended June 30, 2021 and 2020, the top five donors, excluding the related party discussed in Note 7, gave \$852,654 and \$467,218, respectively, to HWI. This represents approximately 42% and 24% of HWI's contributions.

9. 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.

10. SUBSEQUENT EVENTS:

Subsequent events were evaluated through November 12, 2021, which is the date the financial statements were available to be issued.