



HOPE WALKS

FREEDOM FROM CLUBFOOT

HOPE WALKS, INC.

Financial Statements
With Independent Auditors' Report

June 30, 2023 and 2022

HOPE WALKS, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Hope Walks, Inc.
York Springs, PA

Opinion

We have audited the accompanying financial statements of Hope Walks, Inc., which comprise the statements of financial position as of June 30, 2023 and 2022, 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, 2023 and 2022, 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.
York Springs, 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, Colorado
November 15, 2023

HOPE WALKS, INC.

Statements of Financial Position

	June 30,	
	2023	2022
ASSETS:		
Cash and cash equivalents	\$ 1,726,577	\$ 1,744,257
Grants receivable	135,000	324,176
Prepaid expenses and other assets	84,461	78,811
Operating lease—right-of-use assets	134,685	-
Furniture and equipment-net	204,948	222,551
Total Assets	\$ 2,285,671	\$ 2,369,795
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 31,146	\$ 38,024
Accrued expenses	62,552	31,710
Operating lease obligations	134,685	-
Total Liabilities	228,383	69,734
Net Assets:		
Without donor restrictions	1,784,448	1,560,222
With donor restrictions	272,840	739,839
Total Net Assets	2,057,288	2,300,061
Total Liabilities and Net Assets	\$ 2,285,671	\$ 2,369,795

See notes to financial statements

HOPE WALKS, INC.

Statements of Activities

	Year Ended June 30,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 1,241,805	\$ 2,433,933	\$ 3,675,738	\$ 1,214,245	\$ 1,907,791	\$ 3,122,036
Gifts-in-kind	109,427	-	109,427	-	-	-
Other gains (losses)	27,089	-	27,089	(17,910)	-	(17,910)
Total Support and Revenue	1,378,321	2,433,933	3,812,254	1,196,335	1,907,791	3,104,126
NET ASSETS RELEASED:						
Purpose and time restrictions	2,900,932	(2,900,932)	-	2,292,342	(2,292,342)	-
EXPENSES:						
Program activities	3,172,383	-	3,172,383	2,771,569	-	2,771,569
Supporting activities:						
Fund-raising	599,216	-	599,216	564,170	-	564,170
General and administrative	283,428	-	283,428	169,712	-	169,712
	882,644	-	882,644	733,882	-	733,882
Total Expenses	4,055,027	-	4,055,027	3,505,451	-	3,505,451
Change in Net Assets	224,226	(466,999)	(242,773)	(16,774)	(384,551)	(401,325)
Net Assets, Beginning of Year	1,560,222	739,839	2,300,061	1,576,996	1,124,390	2,701,386
Net Assets, End of Year	\$ 1,784,448	\$ 272,840	\$ 2,057,288	\$ 1,560,222	\$ 739,839	\$ 2,300,061

See notes to financial statements

HOPE WALKS, INC.

Statement of Functional Expenses

Year ended June 30, 2023

	<u>Program Activities</u>	<u>Supporting Activities:</u>		<u>Total</u>
		<u>Fund-raising</u>	<u>General and Administrative</u>	
Personnel and labor	\$ 956,788	\$ 271,678	\$ 92,013	\$ 1,320,479
Medical partner grants	1,243,140	-	-	1,243,140
Activities and materials	305,601	-	-	305,601
Marketing and advancement	11,048	244,599	-	255,647
Travel	203,662	24,776	1,255	229,693
Occupancy and depreciation	167,791	-	4,242	172,033
Training	133,623	485	7,999	142,107
Professional services	1,375	1,479	128,519	131,373
Information technology	74,510	32,197	4,563	111,270
Financing, fees, and insurance	16,211	18,828	37,991	73,030
Office expense	58,634	5,174	6,846	70,654
	<u>\$ 3,172,383</u>	<u>\$ 599,216</u>	<u>\$ 283,428</u>	<u>\$ 4,055,027</u>

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
Activities and materials	210,882	-	-	210,882
Marketing and advancement	9,701	236,442	-	246,143
Travel	271,386	15,766	2,217	289,369
Occupancy and depreciation	139,307	-	-	139,307
Training	131,379	3,761	6,254	141,394
Professional services	14,400	4,825	94,966	114,191
Information technology	55,224	8,125	3,304	66,653
Financing, fees, and insurance	17,627	16,551	22,545	56,723
Office expense	54,008	5,483	5,606	65,097
	<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.

Statements of Cash Flows

	Year Ended June 30,	
	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (242,773)	\$ (401,325)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	60,151	70,845
Change in operating assets and liabilities:		
Grants receivable	189,176	26,469
Prepaid expenses and other assets	(5,650)	(71,577)
Accounts payable	(6,877)	(34,947)
Accrued expenses	30,842	(15,953)
Net Cash Provided by (Used in) Operating Activities	<u>24,869</u>	<u>(426,488)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of furniture and equipment	<u>(42,549)</u>	<u>(111,989)</u>
Net Cash Used in Investing Activities	<u>(42,549)</u>	<u>(111,989)</u>
Change in Cash and Cash Equivalents	(17,680)	(538,477)
Cash and Cash Equivalents, Beginning of Year	<u>1,744,257</u>	<u>2,282,734</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,726,577</u>	<u>\$ 1,744,257</u>
SUPPLEMENTAL DISCLOSURE:		
Right-of-use assets obtained in exchange for operating lease obligations	<u>\$ 165,767</u>	<u>\$ -</u>

See notes to financial statements

HOPE WALKS, INC.

Notes to Financial Statements

June 30, 2023 and 2022

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 disables 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 170 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, Niger, 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, Niger, 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, 2023 and 2022

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, 2023 and 2022, cash on deposit with financial institutions exceeded federally insured limits by approximately \$1,377,000 and \$1,445,000, respectively.

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.

CONDITIONAL GRANT EXPENSES

During the years ended June 30, 2023 and 2022, HWI entered into conditional grant expense agreements in the amounts of \$67,853 and \$61,707, respectively. These agreements were signed and funded as of June 30, 2023 and 2022, and are included in prepaid expenses and other assets on the statements of financial position as of June 30, 2023 and 2022.

OPERATING LEASE–RIGHT-OF-USE ASSETS AND OBLIGATIONS

HWI adopted Accounting Standards Update (ASU) 2016-02 and its related amendments as of July 1, 2022, which resulted in the recognition operating lease–right-of-use assets and operating lease obligations of \$134,685, as of June 30, 2023. The additional lease disclosure can be found in Note 4.

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, 2023 and 2022

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 statements of activities as net assets released from restrictions. All contributions are considered available for use without donor restrictions unless specifically restricted by the donor.

Gift-in-kind contributions consist of donated services, supplies, and use of facilities. Donated services are recorded at the estimated fair values of the services received. Contributed supplies are recorded at estimated fair value at the date of donation. The contributed use of facilities is recorded at estimated fair value based on rental rates of comparable facilities in the area. Gift-in-kind contributions are received without any donor restrictions and are primarily utilized in HWI's program activities.

FUNCTIONAL ALLOCATION OF EXPENSES

The statements of functional expenses and statement of activities present 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 PRONOUNCEMENT

In 2016, Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases* (Topic 842 of the ASC). The amendments in this update require organizations that lease assets to recognize on the statements of financial position the assets and liabilities for the rights and obligations created by the leases. The amendments are effective for fiscal years beginning after December 15, 2021. Some of HWI's contracts contain the right to control the use of property and equipment and are therefore considered leases. HWI elected to adopt the transition relief provisions from ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements* and recorded the impact of adoption as of July 1, 2022, without restating any prior-year amounts. HWI also elected to exclude leases with terms of less than 12 months. The additional lease disclosures can be found in Note 4.

HOPE WALKS, INC.

Notes to Financial Statements

June 30, 2023 and 2022

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, 2023 and 2022, are considered available for general expenditure within one year.

	June 30,	
	2023	2022
Cash and cash equivalents	\$ 1,726,577	\$ 1,744,257
Grants receivable	135,000	324,176
	<u>\$ 1,861,577</u>	<u>\$ 2,068,433</u>

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

4. OPERATING LEASE—RIGHT-OF-USE ASSETS AND OBLIGATIONS:

Hope Walks leases office space under four noncancelable operating leases expiring at various dates through 2026. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease terms. Monthly payments under these leases total \$6,724, with discount rates ranging from 2.84%-3.86%. For the comparable period HWI had operating lease expenses of \$68,227.

One of the operating leases for office space with an original maturity date of March 2024 contains an option for renewal for an additional three years with the increase in lease payment amount based on fair market rental, expiring in March 2027. Fair market rental at the date of lease commencement in April 2021 was a semi-annual payment of approximately \$2,300. As of June 30, 2023, this additional term is included in the operating lease calculations as management expects to exercise this extension.

	June 30, 2023
Operating lease—right-of-use assets	\$ 134,685
Operating lease obligations	\$ 134,685
Operating lease costs	\$ 27,837
Short-term lease cost	\$ 2,700
Weighted-average discount rate	3.71%
Weighted-average remaining lease term	2.65 years

HOPE WALKS, INC.

Notes to Financial Statements

June 30, 2023 and 2022

4. OPERATING LEASE–RIGHT-OF-USE ASSETS AND OBLIGATIONS, continued:

Future minimum lease payments required under the operating lease that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

<u>Year Ending June</u>	
2024	\$ 54,687
2025	53,208
2026	31,458
2027	2,304
	<u>141,657</u>
Less imputed interest	<u>(6,972)</u>
	<u>\$ 134,685</u>

5. FURNITURE AND EQUIPMENT–NET:

Furniture and equipment–net consists of:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 56,757	\$ 55,755
Vehicles and machinery	127,890	86,344
Program IT	152,199	152,199
	<u>336,846</u>	<u>294,298</u>
Less accumulated depreciation and amortization	<u>(131,898)</u>	<u>(71,747)</u>
	<u>\$ 204,948</u>	<u>\$ 222,551</u>

Depreciation expense of \$60,151 and \$70,844, has been recorded for the years ended June 30, 2023 and 2022, respectively.

HOPE WALKS, INC.

Notes to Financial Statements

June 30, 2023 and 2022

6. GIFT-IN-KIND CONTRIBUTIONS:

Gift-in-kind contributions consist of:

	June 30, 2023
Donated medical services	\$ 66,056
Contributed clinic space and office rent	43,371
	\$ 109,427

7. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consists of:

	June 30,	
	2023	2022
Time restricted	\$ 135,000	\$ 316,474
North Sudan	48,434	139,836
Ethiopia	45,730	185,445
Hope Walks Global Programs	32,251	-
Honduras	5,929	3,749
Hope Walks Fundraising	5,496	-
Burkina Faso	-	23,512
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
Haiti	-	1,615
Rwanda	-	1,449
Malawi	-	1,387
Benin	-	553
Mozambique	-	346
	\$ 272,840	\$ 739,839

HOPE WALKS, INC.

Notes to Financial Statements

June 30, 2023 and 2022

7. NET ASSETS WITH DONOR RESTRICTIONS, continued:

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, 2023 and 2022, assets in other countries totaled approximately \$205,000 and \$223,000, respectively. The account balances relating to foreign operations are reflected in the financial statements in U.S. Dollars.

8. RELATED PARTY TRANSACTIONS:

Contributions received from board members totaled \$152,169 and \$36,545, during the years ended June 30, 2023 and 2022, respectively.

9. CONCENTRATIONS:

During the years ended June 30, 2023 and 2022, the top five donors gave \$2,203,512 and \$1,734,009, respectively, to HWI. This represents approximately 60% and 56% of HWI's contributions during the years ended June 30, 2023 and 2022, respectively.

10. SUBSEQUENT EVENTS:

Subsequent events were evaluated through November 15, 2023, which is the date the financial statements were available to be issued.