



HOPE WALKS
FREEDOM FROM CLUBFOOT

HOPE WALKS, INC.

Financial Statements
With Independent Auditors' Report

June 30, 2019

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 statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the two-month period 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 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, 2019, and the changes in its net assets and cash flows for the two-month period then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Hope Walks, Inc. has adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. This has had a material effect on the presentation of the June 30, 2019 financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Colorado Springs, Colorado
January 15, 2020

HOPE WALKS, INC.

Statement of Financial Position

June 30, 2019

ASSETS:

Cash and cash equivalents	\$ 769,189
Grants receivable	1,185,000
Contribution receivable from related party	1,122,865
Board pledges receivable	28,100
Prepaid expenses and other assets	<u>1,616</u>

Total Assets \$ 3,106,770

LIABILITIES AND NET ASSETS:

Accounts payable	\$ 8,781
Accrued expenses	<u>9,365</u>
	<u>18,146</u>

Net assets:

Without donor restrictions	700,981
With donor restrictions	<u>2,387,643</u>
	<u>3,088,624</u>

Total Liabilities and Net Assets \$ 3,106,770

See notes to financial statements

HOPE WALKS, INC.

Statement of Activities

For the two-month period ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Contributions	\$ 774,967	\$ 2,396,609	\$ 3,171,576
Other income	1,131	-	1,131
	<u>776,098</u>	<u>2,396,609</u>	<u>3,172,707</u>
NET ASSETS RELEASED:			
Purpose restrictions	<u>8,966</u>	<u>(8,966)</u>	<u>-</u>
EXPENSES:			
Program activities	<u>29,523</u>	<u>-</u>	<u>29,523</u>
Supporting activities:			
Fund-raising	26,051	-	26,051
General and administrative	28,509	-	28,509
	<u>54,560</u>	<u>-</u>	<u>54,560</u>
	<u>84,083</u>	<u>-</u>	<u>84,083</u>
Change in Net Assets	<u>700,981</u>	<u>2,387,643</u>	<u>3,088,624</u>
Net Assets, Beginning of Period	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets, End of Period	<u>\$ 700,981</u>	<u>\$ 2,387,643</u>	<u>\$ 3,088,624</u>

See notes to financial statements

HOPE WALKS, INC.

Statement of Functional Expenses

For the two-month period ended June 30, 2019

	Supporting Activities:			Total
	Program Activities	Fund-raising	General and Administrative	
Personnel and labor	\$ 9,562	\$ 5,674	\$ 5,685	\$ 20,921
Professional services	-	200	18,295	18,495
Grants to others	12,692	-	-	12,692
State registrations and licenses	108	11,101	-	11,209
Donor development	1,155	5,028	211	6,394
Information technology	970	2,753	1,968	5,691
Travel	2,982	1,269	40	4,291
Office expense	1,030	26	485	1,541
Bank and financing fees	-	-	1,079	1,079
Occupancy	600	-	-	600
Staff development	-	-	599	599
Insurance	424	-	147	571
	<u>\$ 29,523</u>	<u>\$ 26,051</u>	<u>\$ 28,509</u>	<u>\$ 84,083</u>

See notes to financial statements

HOPE WALKS, INC.

Statement of Cash Flows

For the two-month period ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 3,088,624
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Change in operating assets and liabilities:	
Grants receivable	(1,185,000)
Contribution receivable from related party	(1,122,865)
Board pledges receivable	(28,100)
Prepaid expenses and other assets	(1,616)
Accounts payable	18,146
Net Cash Provided by Operating Activities	<u>769,189</u>
Change in Cash and Cash Equivalents	769,189
Cash and Cash Equivalents, Beginning of Period	<u>-</u>
Cash and Cash Equivalents, End of Period	<u>\$ 769,189</u>

See notes to financial statements

HOPE WALKS, INC.

Notes to Financial Statements

June 30, 2019

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 Inc. made the decision to transition its clubfoot program over to a new organization independent of CURE International Inc. HWI was created and incorporated in July 2018 and an independent board selected. CURE International Inc. 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, Zambia. These partners 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.

HOPE WALKS, INC.

Notes to Financial Statements

June 30, 2019

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, 2019, cash on deposit with financial institutions exceeded federally insured limits by approximately \$515,000. 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.

CONTRIBUTION RECEIVABLE FROM RELATED PARTY

The contribution receivable from related party represents amounts due to HWI that have not been received as of June 30, 2019 related to an agreement with CURE International, Inc. upon the formation of HWI. Management expects to receive the full amount of the receivable; therefore, no allowance for uncollectible amounts has been recorded.

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 \$250,000 as of June 30, 2019.

HOPE WALKS, INC.

Notes to Financial Statements

June 30, 2019

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.

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of HWI. Costs were allocated on estimates of time and effort. Total expenses include all operating expenses.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

In 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. HWI adopted the provisions of this new standard during the year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added including liquidity and funds available (Note 3), disclosures related to functional allocation of expenses (Note 2, above), and a statement of functional expenses.

HOPE WALKS, INC.

Notes to Financial Statements

June 30, 2019

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects HWI's financial assets as of June 30, 2019, 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, 2019 are considered available for general expenditure within one year.

Cash and cash equivalents	\$ 769,189
Grants receivable	1,185,000
Contribution receivable from related party	1,122,865
Board pledges receivable	28,100
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	\$ 3,105,154
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HWI has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

4. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions, as of June 30, 2019, consists of:

Ministry programs	\$ 1,327,107
Time restricted	1,060,536
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	\$ 2,387,643
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5. RELATED PARTY TRANSACTIONS:

A HWI board member is also on the board for a related party. For the two-month period ended June 30, 2019, contribution revenue of \$1,122,865 was recorded from this related party, none of which was received as of year end. Accordingly, as of June 30, 2019, there was a contribution receivable of \$1,122,865 from this related party. These contributions amounted to approximately 35% of HWI's contributions during the two-month period ended June 30, 2019.

In addition, contributions received from related party board members totaled \$33,450 during the two-month period ended June 30, 2019. Outstanding board pledges receivable were \$28,100 as of June 30, 2019.

6. SUBSEQUENT EVENTS:

Subsequent events were evaluated through January 15, 2020, which is the date the financial statements were available to be issued.