



HOPE WALKS

FREEDOM FROM CLUBFOOT

HOPE WALKS, INC.

Financial Statements
With Independent Auditors' Report

June 30, 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 statement of financial position as of June 30, 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 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, 2020, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Colorado Springs, Colorado
January 29, 2021

HOPE WALKS, INC.

Statement of Financial Position

June 30, 2020

ASSETS:

| | |
|-----------------------------------|--------------|
| Cash and cash equivalents | \$ 1,392,080 |
| Grants receivable | 912,629 |
| Board pledges receivable | 8,000 |
| Prepaid expenses and other assets | 410,797 |
| Furniture and equipment-net | <u>1,080</u> |

Total Assets \$ 2,724,586

LIABILITIES AND NET ASSETS:

| | |
|------------------|---------------|
| Accounts payable | \$ 34,442 |
| Accrued expenses | 5,475 |
| Note payable | <u>53,000</u> |
| | <u>92,917</u> |

Net assets:

| | |
|----------------------------|------------------|
| Without donor restrictions | 1,253,176 |
| With donor restrictions | <u>1,378,493</u> |
| | <u>2,631,669</u> |

Total Liabilities and Net Assets \$ 2,724,586

See notes to financial statements

HOPE WALKS, INC.

Statement of Activities

For the year ended June 30, 2020

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|-------------------------------|---------------------------------------|------------------------------------|---------------------|
| SUPPORT AND REVENUE: | | | |
| Contributions | \$ 702,828 | \$ 1,332,550 | \$ 2,035,378 |
| Other income | 1,569 | - | 1,569 |
| | <u>704,397</u> | <u>1,332,550</u> | <u>2,036,947</u> |
| NET ASSETS RELEASED: | | | |
| Purpose and time restrictions | <u>2,341,700</u> | <u>(2,341,700)</u> | <u>-</u> |
| EXPENSES: | | | |
| Program activities | <u>2,094,408</u> | <u>-</u> | <u>2,094,408</u> |
| Supporting activities: | | | |
| Fund-raising | 247,962 | - | 247,962 |
| General and administrative | 151,532 | - | 151,532 |
| | <u>399,494</u> | <u>-</u> | <u>399,494</u> |
| | <u>2,493,902</u> | <u>-</u> | <u>2,493,902</u> |
| Change in Net Assets | 552,195 | (1,009,150) | (456,955) |
| Net Assets, Beginning of Year | <u>700,981</u> | <u>2,387,643</u> | <u>3,088,624</u> |
| Net Assets, End of Year | <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

For the 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> | |
| Grants to others | \$ 1,201,233 | \$ - | \$ - | \$ 1,201,233 |
| Personnel and labor | 510,863 | 100,453 | 52,334 | 663,650 |
| Donor development | 43,508 | 106,438 | 2,217 | 152,163 |
| Staff development and travel | 110,823 | 8,716 | 8,863 | 128,402 |
| Activities and materials | 95,664 | - | - | 95,664 |
| Professional services | 9,873 | 5,409 | 68,059 | 83,341 |
| Office expense | 46,498 | 6,620 | 2,121 | 55,239 |
| Financing, fees, and insurance | 23,827 | 14,299 | 8,756 | 46,882 |
| Information technology | 26,270 | 6,027 | 6,782 | 39,079 |
| Occupancy | 25,849 | - | 2,400 | 28,249 |
| | <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.

Statement of Cash Flows

For the year ended June 30, 2020

| | |
|--|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Change in net assets | \$ (456,955) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | |
| Change in operating assets and liabilities: | |
| Grants receivable | 1,415,336 |
| Prepaid expenses and other assets | (409,181) |
| Accounts payable | 21,771 |
| Net Cash Provided by Operating Activities | <u>570,971</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Purchase of furniture and equipment | <u>(1,080)</u> |
| Net Cash Used in Investing Activities | <u>(1,080)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | |
| Proceeds from notes payable | <u>53,000</u> |
| Net Cash Provided by Financing Activities | <u>53,000</u> |
| Change in Cash and Cash Equivalents | 622,891 |
| Cash and Cash Equivalents, Beginning of Year | <u>769,189</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 1,392,080</u> |

See notes to financial statements

HOPE WALKS, INC.

Notes to Financial Statements

June 30, 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 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 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, 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, 2020, cash on deposit with financial institutions exceeded federally insured limits by approximately \$1,140,000. 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.

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 \$6,429 as of June 30, 2020.

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, 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.

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 PRONOUNCEMENT

In 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. HWI adopted the recipient provisions of this new standard during the year ended June 30, 2020, and has implemented the guidance on a modified retrospective approach, meaning, changes are only applied to the portion of revenue that has not yet been recognized before the adoption of this ASU and there is no impact to beginning net assets as of June 30, 2020. The provider portions will be adopted during the year ending June 30, 2021.

HOPE WALKS, INC.

Notes to Financial Statements

June 30, 2020

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects HWI's financial assets as of June 30, 2020, 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, 2020 are considered available for general expenditure within one year.

| | | |
|---------------------------|----|------------------|
| Cash and cash equivalents | \$ | 1,392,080 |
| Grants receivable | | 912,629 |
| Board pledges receivable | | 8,000 |
| | | <hr/> |
| | \$ | <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:

As of June 30, 2020 furniture and equipment–net consists of:

| | | |
|--|----|--------------|
| Equipment | \$ | 1,080 |
| Less accumulated depreciation and amortization | | - |
| | | <hr/> |
| | \$ | <u>1,080</u> |

Due to timing of purchase, HWI did not incur depreciation expenses as of June 30, 2020.

5. NOTE PAYABLE:

As of June 30, 2020 the note payable was as follows:

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%. Subsequent to June 30, 2020, the loan was forgiven in full.

\$ 53,000

HWI was in compliance with all financial and reporting covenants as of June 30, 2020.

HOPE WALKS, INC.

Notes to Financial Statements

June 30, 2020

6. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions, as of June 30, 2020, consists of:

| | | |
|-----------------|----|------------------|
| Time restricted | \$ | 920,596 |
| Ethiopia | | 221,572 |
| Global program | | 148,723 |
| North Sudan | | 65,969 |
| Burkina Faso | | 16,493 |
| Niger | | 5,140 |
| | | <hr/> |
| | \$ | <u>1,378,493</u> |

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, none of which was received as of year end. These contributions amount to approximately 41% of HWI's contributions during the year ended June 30, 2020. As of June 30, 2020, there was a total grants receivable of \$894,743 from this related party.

Contributions received from related party board members totaled \$31,797 during the year ended June 30, 2020. Outstanding board pledges receivable were \$8,000 as of June 30, 2020.

8. CONCENTRATIONS:

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

9. RISKS AND UNCERTANTIES:

In March of 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 declines and volatility in financial markets. HWI has had some staff affected by COVID-19, but have encouraged all staff that are able, to work remotely and to social distance when individuals are together in the offices. Staff travel has been limited and HWI has adjusted timelines and scheduling of projects due to various elements of the pandemic. Overall, HWI has been able to work around these issues to date. Management believes the virus has had some impact on contributions, due to the uncertainty the virus has created. Management is carefully monitoring the situation and evaluating its options as circumstances evolve. 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.

HOPE WALKS, INC.

Notes to Financial Statements

June 30, 2020

9. RISKS AND UNCERTANTIES, continued:

HWI received a Paycheck Protection Program (PPP) loan of \$53,000 funded by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). PPP loans are considered conditional contributions, with a right-of return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barriers are that PPP loan funds must be used to maintain compensation costs and employee head count, and other qualifying expenses (mortgage interest, rent, and utilities) incurred following receipt of the funds. Application for forgiveness of the loan will be made when the bank notifies HWI it is accepting applications, with inclusion of compliance substantiation and certification therein. However, at the time of issuance of the financial statements, notice of forgiveness had not been received from the lender.

10. SUBSEQUENT EVENTS:

In October 2020, HWI received official notification from the Small Business Administration that the Paycheck Protection Program loan of \$53,000 plus accrued interest had been fully forgiven. This gain on forgiveness will be reflected in the June 30, 2021 financial statements.

Subsequent to the year ended June 30, 2020, HWI received a second Paycheck Protection Program loan in the amount of \$74,440. If the underlying requirements in the loan agreement are met, it will be eligible for forgiveness.

Subsequent to the year ended June 30, 2020, \$560,000 of grants receivable from a related party were received.

Subsequent events were evaluated through January 29, 2021, which is the date the financial statements were available to be issued.