

WORLD HOPE MINISTRIES INTERNATIONAL

REPORT OF EXAMINATION
(Independent Auditors' Report)

For the Years Ended December 31, 2020 and 2019

Hajovsky, Jones & Co., P.C.

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August 28, 2021

INDEPENDENT AUDITORS' REPORT

World Hope Ministries International
Houston, Texas

We have audited the accompanying financial statements of World Hope Ministries International which comprise the statements of assets, liabilities and net assets – modified cash basis as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows – modified cash basis 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 the modified cash basis of accounting as described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 risk 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.

Auditor's Responsibility (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of World Hope Ministries International as of December 31, 2020 and 2019, and its support, revenue, expenses and cash flows for the years then ended, in accordance with the modified cash basis of accounting as described in Note A.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Hajovsky, Jones & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

WORLD HOPE MINISTRIES INTERNATIONAL
(A Non-Profit Corporation)
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS
(Modified Cash Basis)

ASSETS

	December 31,	
	2020	2019
Current assets:		
Cash and cash equivalents	\$ 955,232	\$ 874,458
Total current assets	955,232	874,458
Property and equipment:		
Building	\$ 148,819	\$ 148,819
Furniture and equipment	54,091	54,091
Land	11,000	11,000
	213,910	213,910
Less accumulated depreciation	72,095	60,448
Total property and equipment	141,815	153,462
Total assets	\$ 1,097,047	\$ 1,027,920

LIABILITIES AND NET ASSETS

Current liabilities:		
Total current liabilities	\$ -	\$ -
Other liabilities	-	-
Total liabilities	-	-
Net assets:		
Without donor restrictions	\$ 729,632	\$ 648,142
With donor restrictions	367,415	379,778
Total net assets	1,097,047	1,027,920
Total liabilities and net assets	\$ 1,097,047	\$ 1,027,920

The accompanying notes are an integral part of these financial statements.

WORLD HOPE MINISTRIES INTERNATIONAL

(A Non-Profit Corporation)
STATEMENTS OF ACTIVITY
(Modified Cash Basis)

	Years ended December 31,	
	2020	2019
Net Assets Without Donor Restrictions		
Support and revenue:		
Contributions	\$ 754,199	\$ 917,390
Donated services	279,680	472,430
Paycheck Protection Program grant	113,065	-
Total support and revenue	<u>1,146,944</u>	<u>1,389,820</u>
Reclassification of net assets with donor restrictions released from restrictions	<u>515,069</u>	<u>615,978</u>
Total support and reclassifications	<u>1,662,013</u>	<u>2,005,798</u>
Expenses:		
Program services (ministries):		
Global Reach - mission support	278,889	403,603
Bible Institute	929,133	1,056,836
Total program services	<u>1,208,022</u>	<u>1,460,439</u>
Supporting services:		
Fundraising	107,755	110,294
Administrative	264,746	272,345
Total supporting services	<u>372,501</u>	<u>382,639</u>
Total expenses	<u>1,580,523</u>	<u>1,843,078</u>
Increase in net assets without donor restrictions	81,490	162,720
Increase (decrease) in net assets with donor restrictions	(12,363)	18,149
Net assets - beginning of year	<u>1,027,920</u>	<u>847,051</u>
Net assets - end of year	<u>\$ 1,097,047</u>	<u>\$ 1,027,920</u>
Net Assets With Donor Restrictions		
Support and revenue:		
Contributions	\$ 502,706	\$ 634,127
Total support and revenue	<u>502,706</u>	<u>634,127</u>
Reclassification of net assets with donor restrictions released from restrictions	<u>(515,069)</u>	<u>(615,978)</u>
Increase in net assets with donor restrictions	<u>\$ (12,363)</u>	<u>\$ 18,149</u>

The accompanying notes are an integral part of these financial statements.

WORLD HOPE MINISTRIES INTERNATIONAL

(A Non-Profit Corporation)

STATEMENT OF CASH FLOWS

(Modified Cash Basis)

	<u>Years ended</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Cash flows from operating activities:		
Increase in net assets	\$ 69,127	\$ 180,869
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	11,647	11,271
Net cash provided by operating activities	<u>80,774</u>	<u>192,140</u>
Cash flows from investing activities	-	(15,048)
Net cash used by investing activities	<u>-</u>	<u>(15,048)</u>
Cash flows from financing activities:	-	-
Net cash used by financing activities	<u>-</u>	<u>-</u>
Net increase in cash	80,774	177,092
Cash and cash equivalents at beginning of year	<u>874,458</u>	<u>697,366</u>
Cash and cash equivalents at end of year	<u>\$ 955,232</u>	<u>\$ 874,458</u>

The accompanying notes are an integral part of these financial statements.

WORLD HOPE MINISTRIES INTERNATIONAL

(A Non-Profit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

	Program Services		Supporting Services		Total
	Global Reach	Bible Institute	Mgmt/General	Fundraising	
Mission trips and travel	\$ 49,307	\$ 61,143	\$ -	\$ -	\$ 110,450
Mission projects and grants	164,913	27,652	-	-	192,565
Salaries, benefits and taxes	60,957	527,816	221,308	93,452	903,533
Faculty expenses	-	279,680	-	-	279,680
Development and event	-	-	-	7,012	7,012
Insurance	1,199	6,396	4,131	1,599	13,325
Depreciation	-	-	11,647	-	11,647
Office and postage	294	1,570	1,626	393	3,883
Technology	1,091	18,866	6,367	3,798	30,122
Dues, subscriptions and books	-	-	1,481	-	1,481
Bank and credit card charges	-	-	7,992	-	7,992
Maintenance and improvements	608	3,242	2,094	811	6,755
Accounting	-	-	6,312	-	6,312
Utilities	520	2,768	1,788	690	5,766
	<u>\$ 278,889</u>	<u>\$ 929,133</u>	<u>\$ 264,746</u>	<u>\$ 107,755</u>	<u>\$ 1,580,523</u>

For the Year Ended December 31, 2019

	Program Services		Supporting Services		Total
	Global Reach	Bible Institute	Mgmt/General	Fundraising	
Mission trips and travel	\$ 160,123	\$ 152,925	\$ -	\$ -	\$ 313,048
Mission projects and grants	168,805	-	-	-	168,805
Salaries, benefits and taxes	69,093	401,334	191,760	84,819	747,007
Faculty expenses	-	472,430	-	-	472,430
Development and event	-	-	-	18,205	18,205
Insurance	1,383	5,778	3,728	1,529	12,418
Depreciation	-	-	11,271	-	11,271
Office and postage	317	1,324	855	350	2,846
Technology	1,509	13,127	43,782	2,767	61,185
Dues, subscriptions and books	-	-	1,210	-	1,210
Bank and credit card charges	-	-	7,159	-	7,159
Maintenance and improvements	1,569	6,556	4,231	1,735	14,090
Accounting	-	-	6,180	-	6,180
Utilities	804	3,361	2,169	889	7,224
	<u>\$ 403,603</u>	<u>\$ 1,056,836</u>	<u>\$ 272,345</u>	<u>\$ 110,294</u>	<u>\$ 1,843,077</u>

The accompanying notes are an integral part of these financial statements.

WORLD HOPE MINISTRIES INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE A - Summary of Significant Accounting Policies:

Organization and nature of activities -

World Hope Ministries International, a religious organization, is a non-profit corporation under the laws of the State of Texas, originally organized in 1977. The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and related state statutes. The Organization is supported primarily through contributions from individuals, churches, foundations and other organizations interested in promoting the spread of the Gospel of Jesus Christ. The Organization supports Christian missions and provides theology education to pastors and other church leaders in remote areas of the world.

Basis of Presentation –

The Organization's policy is to prepare its financial statements on the modified cash basis of accounting; consequently, certain revenues are recognized when received and certain expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred.

Net Assets -

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic No. 958, as changed by Accounting Standards Update (ASU) 2016-4. Under those accounting standards, the Organization is required to report information regarding its financial position and activities according to two classes of net assets as noted below.

Net assets of the Organization consist of the following:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. These net assets are available for general obligations of the Organization.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed or grantor-imposed restrictions that permit the Organization to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Organization.

Tithes and offerings designated by the donor for a particular purpose are separately accounted for in the financial statements as net assets with donor restrictions. As these amounts are expended for the designated purpose they are reclassified as net assets without donor restrictions. Net assets with donor restrictions as of December 31, 2020 and 2019 include amounts for the following ministries:

	<u>2020</u>	<u>2019</u>
Mission support and projects	\$30,713	\$5,270
Mission – Global Reach	18,263	49,686
Mission – Bible Institute	304,632	302,547
Kenya Children	<u>13,807</u>	<u>22,275</u>
	<u>\$367,415</u>	<u>\$379,778</u>

WORLD HOPE MINISTRIES INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE A - Summary of Significant Accounting Policies (continued):

Contributions -

Contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets with restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with restrictions.

Gifts of cash and other assets are reported as increases in net assets with restrictions if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or a purpose restriction is accomplished, these net assets are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Property and equipment –

Fixed assets are recorded at cost if purchased and at estimated fair value if donated. Depreciation expense for 2020 and 2019 in the amount of \$11,647 and \$11,271 is computed on the straight-line method over 20 to 30 years on the building and 10 years on furniture and equipment.

Cash and cash equivalents -

For purposes of the cash flow statement, cash consists of all bank accounts (including undeposited receipts).

Donated Services –

The faculty of the Organization is made up of many teaching professionals who volunteer their time to provide theological training to pastors and leaders in remote and underserved areas around the world. These men and women have the education and experience to provide sound biblical training. Without their volunteering the Organization would have to hire qualified individuals to provide the needed training which is an integral part of the mission of World Hope.

The fair value of the services is based upon the educational level of each individual and the hours of service provided. The amount of donated services consisted of 7,480 hours valued at \$279,680 for 2020 and 10,200 hours valued at \$472,430 for 2019 and is recognized in support and revenue as donated services with a corresponding faculty expense in program services.

WORLD HOPE MINISTRIES INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE A - Summary of Significant Accounting Policies (continued) -

Donated Services (continued) –

A large number of other individuals have contributed significant amounts of time to support the ministries of the Organization without compensation. The financial statements do not reflect the value of those contributed services because, although clearly substantial, no reliable basis exists for determining an appropriate amount

Income Taxes -

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and related state statutes. The organization does file form 990, Return of Organization Exempt from Income Tax with the Internal Revenue Service. The 990's for 2020, 2019, 2018 and 2017 are subject to examination for a period of three years after they were filed.

Estimates -

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses.

NOTE B– Functional Allocation of Expenses:

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Costs are allocated between supporting services or program services based on evaluations of the related benefits. Supporting services include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

NOTE C – Global Pandemic and Paycheck Protection Program Loans:

The organization reduced most of the normal activities starting in April 2020 due to the Coronavirus pandemic. As a result revenues of the Organization were lower than expected, offset to some extent by lower operating costs. The Organization obtained an SBA loan under the Paycheck Protection Program (PPP) in the amount of \$113,065. The loan enabled the Organization to maintain its staff and pay some overhead expenses until operations were resumed. The Organization has been advised that the SBA has forgiven the entire loan amount of the loan, based on the fact the funds have been expended in accordance with the loan program and the Organization has met all requirements for forgiveness. The amount is reflected in support and revenue for 2020.

WORLD HOPE MINISTRIES INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE D – Liquidity and Availability of Financial Assets:

The following reflects the Organization’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor imposed restrictions within one year of the balance sheet date. Donor imposed restrictions that are available for use within one year for general purposes include donations for specific partners in carrying out their mission with respect to the Bible Institute or Global Reach, donations which will be used to support the Kenyan children’s programs and donations which will support specific ongoing projects.

	<u>2020</u>	<u>2019</u>
Financial assets at year-end	\$955,232	\$874,458
Less those unavailable for general expenditures within one year due to:		
Donor restricted for capital improvements	-0-	-0-
Donor restricted to other long-term purposes	<u>-0-</u>	<u>-0-</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$955,232</u>	<u>\$874,458</u>

NOTE E - Significant Concentrations of Credit Risk:

The Organization maintains its cash accounts with Wells Fargo Bank and Frost Bank and regularly has deposits in excess of insured limits with Wells Fargo Bank.

NOTE F – Subsequent Events:

Subsequent events were evaluated through August 28, 2021, which is the date the financial statements were available to be issued.

The Organization has obtained a second PPP loan in February, 2021 in the amount of \$137,400. This loan has also been forgiven by the SBA.