

**OPERATION HOPE, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**  
**With Independent Auditor's Report Thereon**

## INDEPENDENT AUDITOR'S REPORT

To the Audit Committee of  
Operation HOPE, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Operation HOPE, Inc. (a California nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated 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 consolidated 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.

### 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Operation HOPE, Inc. as of December 31, 2020 and 2019, 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.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2021, on our consideration of Operation HOPE, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Operation HOPE, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Operation HOPE, Inc.'s internal control over financial reporting and compliance.

*Jul 8/2021 LC C*

Morrow, Georgia  
April 16, 2021

OPERATION HOPE, INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2020 AND 2019

ASSETS		
	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents	\$ 6,901,129	\$ 2,055,812
Investments	30,956	-
Grants receivable	417,729	374,833
Promises to give	10,143,810	6,610,679
Prepaid expenses	<u>99,421</u>	<u>54,460</u>
Total current assets	17,593,045	9,095,784
Promises to give – long-term	2,366,787	5,102,830
Property and equipment, net	1,720,248	1,991,880
Deposits	<u>8,396</u>	<u>8,396</u>
Total assets	<u>\$ 21,688,476</u>	<u>\$ 16,198,890</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 246,303	\$ 356,489
Accrued payroll and other compensation	1,010,223	1,329,779
Current portion of debt	<u>791,386</u>	<u>752,868</u>
Total current liabilities	<u>2,047,912</u>	<u>2,439,136</u>
Long-term debt	4,097,609	4,884,468
Total liabilities	<u>6,145,521</u>	<u>7,323,604</u>
Net (deficit) assets		
Without donor restrictions	(767,116)	(6,052,967)
With donor restrictions	<u>16,310,071</u>	<u>14,928,253</u>
Total net (deficit) assets	<u>15,542,955</u>	<u>8,875,286</u>
Total liabilities and net assets	<u>\$ 21,688,476</u>	<u>\$ 16,198,890</u>

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



OPERATION HOPE, INC.  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Contributions, grants, and sponsorships	\$ 6,054,304	\$ 15,884,404	\$ 21,938,708
Government revenue	3,998,144	-	3,998,144
Contributed goods and services	2,060,888	-	2,060,888
Other	<u>21,106</u>	<u>-</u>	<u>21,106</u>
Revenue and support	12,134,442	15,884,404	28,018,846
Net assets released from restrictions	<u>14,502,586</u>	<u>(14,502,586)</u>	<u>-</u>
Total revenue and support	<u>26,637,028</u>	<u>1,381,818</u>	<u>28,018,846</u>
Expenses			
Program services	18,257,766	-	18,257,766
Supporting services			
General and administration	2,230,416	-	2,230,416
Fundraising	<u>862,995</u>	<u>-</u>	<u>862,995</u>
Total supporting services	<u>3,093,411</u>	<u>-</u>	<u>3,093,411</u>
Total expenses	<u>21,351,177</u>	<u>-</u>	<u>21,351,177</u>
Change in net assets	5,285,851	1,381,818	6,667,669
Net (deficit) assets at beginning of year	<u>(6,052,967)</u>	<u>14,928,253</u>	<u>8,875,286</u>
Net (deficit) assets at end of year	<u>\$ (767,116)</u>	<u>\$ 16,310,071</u>	<u>\$ 15,542,955</u>

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

OPERATION HOPE, INC.  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Contributions, grants, and sponsorships	\$ 6,513,050	\$ 10,829,292	\$ 17,342,342
Government revenue	1,276,832	-	1,276,832
Contributed goods and services	1,494,378	-	1,494,378
Other	<u>30,195</u>	<u>-</u>	<u>30,195</u>
Revenue and support	9,314,455	10,829,292	20,143,747
Net assets released from restrictions	<u>11,184,562</u>	<u>(11,184,562)</u>	<u>-</u>
Total revenue and support	<u>20,499,017</u>	<u>(355,270)</u>	<u>20,143,747</u>
Expenses			
Program services	17,381,673	-	17,381,673
Supporting services			
General and administration	2,037,654	-	2,037,654
Fundraising	<u>640,720</u>	<u>-</u>	<u>640,720</u>
Total supporting services	<u>2,678,374</u>	<u>-</u>	<u>2,678,374</u>
Total expenses	<u>20,060,047</u>	<u>-</u>	<u>20,060,047</u>
Change in net assets	438,970	(355,270)	83,700
Net (deficit) assets at beginning of year	<u>(6,491,937)</u>	<u>15,283,523</u>	<u>8,791,586</u>
Net (deficit) assets at end of year	<u>\$ (6,052,967)</u>	<u>\$ 14,928,253</u>	<u>\$ 8,875,286</u>

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

OPERATION HOPE, INC.  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Program activities</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Totals</u>
Personnel	\$ 12,090,219	\$ 889,734	\$ 695,586	\$ 13,675,539
Client assistance	1,698,236	-	-	1,698,236
Contract and professional fees	761,887	541,208	47,190	1,350,285
Office	487,907	86,596	54,562	629,065
Conferences	296,341	-	-	296,341
Advertising and promotions	215,843	29,727	-	245,570
Occupancy	82,088	120,786	-	202,874
Telecommunications	155,479	24,545	12,060	192,084
Insurance	140,043	23,476	10,647	174,166
Travel and entertainment	<u>73,205</u>	<u>-</u>	<u>40,550</u>	<u>113,755</u>
Total expenses before bad debt, in-kind depreciation, and interest	16,001,248	1,716,072	860,595	18,577,915
In-kind goods and services	1,001,580	229,204	-	1,230,784
In-kind rent	830,104	-	-	830,104
Depreciation	424,834	6,978	2,400	434,212
Interest	-	264,617	-	264,617
Bad debt	-	7,750	-	7,750
Other	<u>-</u>	<u>5,795</u>	<u>-</u>	<u>5,795</u>
Total expenses	\$ <u>18,257,766</u>	\$ <u>2,230,416</u>	\$ <u>862,995</u>	\$ <u>21,351,177</u>

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

OPERATION HOPE, INC.  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program activities</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Totals</u>
Personnel	\$ 11,222,007	\$ 861,951	\$ 443,034	\$ 12,526,992
Client assistance	1,866,947	-	-	1,866,947
Contract and professional fees	797,855	342,629	37,854	1,178,338
Office	365,700	61,991	31,645	459,336
Conferences	780,175	-	-	780,175
Advertising and promotions	111,935	15,519	-	127,454
Occupancy	59,143	142,104	-	201,247
Telecommunications	220,225	31,423	13,970	265,618
Insurance	117,121	22,502	3,129	142,752
Travel and entertainment	<u>335,641</u>	<u>22,839</u>	<u>109,710</u>	<u>468,190</u>
Total expenses before bad debt, in-kind, depreciation, and interest	15,876,749	1,500,958	639,342	18,017,049
In-kind goods and services	917,774	134,385	-	1,052,159
In-kind rent	500,971	25,803	-	526,774
Depreciation	86,179	1,614	1,378	89,171
Interest	-	288,003	-	288,003
Bad debt	-	77,371	-	77,371
Other	<u>-</u>	<u>9,520</u>	<u>-</u>	<u>9,520</u>
Total expenses	\$ <u>17,381,673</u>	\$ <u>2,037,654</u>	\$ <u>640,720</u>	\$ <u>20,060,047</u>

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

OPERATION HOPE, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,667,669	\$ 83,700
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	434,212	89,171
Unrealized gain	-	(11,211)
PPP loan forgiveness	(2,031,707)	-
(Increase) Decrease in operating assets		
Grants receivable	(42,896)	19,739
Promises to give	(797,088)	(416,162)
Prepaid expenses	(44,961)	32,778
Donated facility usage	-	98,366
(Decrease) Increase in operating liabilities		
Accounts payable and accrued expenses	(110,186)	(655,968)
Accrued payroll and other compensation	(319,556)	113,279
Due from related parties	-	(20,533)
Deferred revenue	<u>-</u>	<u>(66,544)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	3,755,487	(733,385)
NET CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(162,580)	(19,373)
Proceeds from investments	<u>(30,956)</u>	<u>51,635</u>
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(193,536)	32,262
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from debt	-	1,420,836
Proceeds of PPP loan	2,031,707	-
Repayments of debt	<u>(748,341)</u>	<u>(362,664)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>1,283,366</u>	<u>1,058,172</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,845,317	357,049
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEARS	<u>2,055,812</u>	<u>1,698,763</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEARS	\$ <u>6,901,129</u>	\$ <u>2,055,812</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ <u>269,301</u>	\$ <u>279,780</u>

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



OPERATION HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

**1. ORGANIZATION**

Operation HOPE, Inc. (the “Organization”), headquartered in Atlanta, Georgia, is a nonprofit public benefit organization working to disrupt poverty and empower inclusion for low and moderate-income individuals throughout the U.S. The Organization was founded immediately following the civil unrest of April 29, 1992 in Los Angeles. Programs focus on financial literacy, credit counseling, small business technical assistance, home ownership and emergency financial counseling services for both youth and adults. The Organization’s support comes primarily from individual donors’ contributions, corporate and foundation gifts, and sponsorships for various program events.

HOPE Advisors LLC, a wholly-owned subsidiary of Operation HOPE, Inc., was formed in 2007 to provide consulting services to organizations regarding joint ventures. HOPE Advisors, LLC had no operations during the years ended December 31, 2020 and 2019, and held no assets nor had any liabilities as of December 31, 2020 and 2019.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

**Principles of consolidation**

The financial statements consolidate the accounts of Operation HOPE, Inc. and HOPE Advisors LLC (hereafter, collectively referred to as HOPE). Any interorganizational accounts and transactions have been eliminated in the consolidation.

**Basis of accounting**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

HOPE classifies its net assets and revenues and expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of HOPE and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the organization. These net assets may be used at the discretion of HOPE’s management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Those restrictions will be met by actions of HOPE or by the passage of time.

Contributions received are recorded as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions in the consolidated statement of activities as net assets released from restrictions.

OPERATION HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS – Continued

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Unconditional promises to give are recognized as revenues or gains in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

**Cash and cash equivalents**

HOPE considers cash on deposit, temporary investment, and all highly liquid financial instruments with original maturities of three months or less to be cash equivalents.

**Investments**

Investments in equity and debt securities are reported at fair value with realized and unrealized gains and losses included in the consolidated statement of activities.

**Federal grants and grants receivable**

Federal grants are considered conditional contributions. The principle condition attached to these awards is that HOPE must incur costs in accordance with the Office of Management and Budget's uniform guidance before costs can be reimbursed. HOPE exercises judgment regarding what constitutes a reimbursable cost per compliance with federal regulations. Grants receivable represent amounts due from funding organizations for reimbursable expenses incurred. Cash received under grants and contracts in advance of incurring the related expenses is reported as deferred revenue.

**Promises to give**

Unconditional promises to give involve fair value measurement only upon initial recognition. Unconditional promises to give, which are expected to be received in future years, are recorded at the present value of their estimated future cash flows using discount rates approximating the rate of return on U.S. government securities with similar maturities. Amortization of the discount is included in contribution revenue. HOPE provides for an allowance for doubtful receivables based on donor reputation and past giving history.

**Revenue recognition**

HOPE recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

*Federal, state and local grants*

A portion of HOPE's revenue is derived from cost-reimbursable federal, state and local contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when HOPE has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the consolidated statement of financial position. HOPE did not receive any advance payments for the years ended December 31, 2020 and 2019.

OPERATION HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS – Continued

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and equipment**

Property, leasehold improvements, and equipment are carried at cost if purchased, or if donated, at fair value on the date of donation. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$2,500 and the useful life is greater than one year. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	5 to 10 years (or lease term if shorter)
Furniture and fixtures	7 years
Computer and office equipment	3 to 5 years

Renewals and betterments that materially extend the life of an assets are capitalized. Expenditures for maintenance and repairs are charged against operations. When property is sold, retired, or otherwise disposed of, the cost and the related accumulated depreciation and amortization are eliminated from the accounts and any resulting gains or loss is included in current operations.

**Contributed goods and services**

The value of significant donated goods and services and free use of long-lived assets and facilities is reflected as contributions in the accompanying consolidated financial statements at the estimated fair value of such goods and services at the date of contribution.

Contributed services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

During the years ended December 31, 2020 and 2019, HOPE received contributed goods that included the use of property for program and fundraising. HOPE also received contributed legal and other professional services. Total in-kind contributed goods and services received and included in the accompanying consolidated statements of activities amounted to \$2,060,888 and \$1,494,378 for the years ended December 31, 2020 and 2019, respectively. Total in-kind expenses for the years ended December 31, 2020 and 2019 totaled \$2,060,888 and \$1,578,933, respectively.

**Advertising and promotion costs**

Advertising and promotion costs are expensed as incurred. Total advertising and promotion costs amounted to \$245,570 and \$127,454 for the years ended December 31, 2020 and 2019, respectively.

**Functional allocation of expenses**

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of HOPE. Those expenses including personnel, contract and professional fees, office, travel and entertainment, advertising and promotions, occupancy, telecommunications, insurance, in-kind goods and services, in-kind rent, and depreciation, are allocated on the basis of estimates of time and effort.

**Estimates in the financial statements**

Management of HOPE makes estimates and assumptions related to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare the consolidated financial statements in conformity with GAAP. Actual results could differ from these estimates.



OPERATION HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS – Continued

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income taxes**

HOPE is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “IRC”) whereby only unrelated business income, as defined by Section 512(a)(1) of the IRC is subject to federal income tax. HOPE had no unrelated business income and no provision for income taxes had been made as of December 31, 2020 and 2019.

HOPE’s application of ASC 740 regarding uncertain tax positions had no effect on its financial position as management believes HOPE has no material unrecognized income tax benefits, including any potential risk of loss of its not-for-profit status. HOPE would account for any potential interest or penalties related to possible future liabilities for unrecognized income tax benefits as income tax expense. HOPE is no longer subject to examination by federal, state or local tax authorities for periods before 2017.

**Recent accounting guidance**

*ASU No. 2016-02 Leases (Topic 842)*

FASB issued ASU 2016-02, Leases (Topic 842), which will require organizations to recognize assets and liabilities on the balance sheet for the rights and obligations created by the leases. A lessee will be required to recognize assets and liabilities for leases with terms that exceed twelve months. The standard will also require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. The disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. ASU No. 2020-05 delayed the application of the new leases standard for one year. As a result, the leases standard is effective for Operation HOPE, Inc.’s fiscal year ended December 31, 2022. Early application is permitted.

*ASU No. 2020-07 Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*

The ASU requires that an NFP present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, and disclose the following: (1) A disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets. (2) For each category of contributed nonfinancial assets recognized, qualitative information about whether nonfinancial assets were monetized or utilized; the NFP’s policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; donor-imposed restrictions associated with contributed nonfinancial assets; and valuation techniques, inputs, and the principal market used for determining fair value. This ASU is effective for Operation HOPE, Inc.’s fiscal year ended December 31, 2022. Retrospective basis is used for implementation.

HOPE is currently evaluating the impact of the adoptions for both standards on the financial statements.

**Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation.

**Subsequent events**

HOPE has evaluated subsequent events through April 16, 2021, the date which the consolidated financial statements were available to be issued.

OPERATION HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS – Continued

**3. AVAILABILITY AND LIQUIDITY**

The following represents HOPE's financial assets at December 31, 2020, reduced by amounts not available for expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

Financial assets:	
Cash and cash equivalents	\$ 6,901,129
Investments	30,956
Grants and promises to give receivable	<u>10,561,539</u>
Financial assets, at year-end	<u>17,493,624</u>
Less amounts unavailable to be used within one year:	
Net assets with time restrictions	<u>(2,766,667)</u>
Financial assets available to meet general expenditures over the next year	<u>\$ 14,726,957</u>

HOPE's goal is generally to maintain financial assets to meet 6 months of operating expenses. As part of its liquidity plan, HOPE keeps a portion of cash reserves in a savings account.

**4. PROMISES TO GIVE**

Promises to give at December 31:

	<u>2020</u>	<u>2019</u>
Within one year	\$ 10,143,810	\$ 6,610,679
Within two to five years	<u>2,402,500</u>	<u>5,230,000</u>
Less discount to reflect contributions receivable at present value	<u>(35,713)</u>	<u>(127,170)</u>
	<u>\$ 12,510,597</u>	<u>\$ 11,713,509</u>

The effective interest rates used to discount the promises to give was 1% and 2.5% for years ended December 31, 2020 and 2019, respectively.



OPERATION HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS – Continued

**5. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31:

	2020	2019
Computers and software	\$ 3,256,673	\$ 3,138,780
Leasehold improvements	783,236	783,236
Furniture and fixtures	42,584	42,584
	4,082,493	3,964,600
Less accumulated depreciation	(2,362,245)	(1,972,720)
	<u>\$ 1,720,248</u>	<u>\$ 1,991,880</u>

Depreciation expense for the years ended December 31, 2020 and 2019, amounted to \$434,212 and \$89,171, respectively.

**6. DEBT**

Operation HOPE has a 7-year term loan at an annual interest rate of 5%. A monthly payment of \$84,803 is due through the maturity date of June 1, 2026. The outstanding loan balance was \$4,888,995 and \$5,637,336 for the year ended December 31, 2020 and 2019, respectively.

Total interest expense was \$264,617 and \$288,003 for the years ended December 31, 2020 and 2019, respectively.

Aggregate maturities of the loan are as follows:

<u>December 31,</u>	<u>Principal</u>
2021	\$ 791,386
2022	831,875
2023	874,436
2024	919,173
2025	966,200
Thereafter	505,925
Total	<u>\$ 4,888,995</u>

**7. CONCENTRATION OF CREDIT RISK**

**Concentration of Cash Balances**

HOPE maintains its funds with a financial institution that insures cash balances up to \$250,000 as of December 31, 2020 and 2019, through the Federal Deposit Insurance Corporation. HOPE maintains cash balances that may exceed insured limits as of December 31, 2020 and 2019. HOPE performs on-going evaluations of the financial institution to limit its concentration of credit risk exposure. HOPE has not experienced any losses in such accounts and management believes HOPE is not exposed to any significant credit risk related to cash.

OPERATION HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS – Continued

**7. CONCENTRATION OF CREDIT RISK (Continued)**

**Concentration of Grants Receivable**

The financial instruments which potentially subject HOPE to credit risk are primarily grants receivables. The primary grants receivable balance outstanding at December 31, 2020 and 2019 consists of government contracts receivable due from other nonprofit, state and federal granting agencies. Concentration of credit risks with respect to these receivables is limited, as the majority of HOPE's receivable are from contract programs granted by governmental agencies.

**Major Donors**

For the years ended December 31, 2020 and 2019, HOPE received \$7,942,500 from six donors and \$7,535,576 from three donors, respectively, which represented approximately 32% and 37%, respectively, of total revenue and support. Promises to give included \$8,980,000 and \$9,718,334 from these donors at December 31, 2020 and 2019, respectively.

**8. COMMITMENTS**

HOPE has entered into noncancelable operating lease agreements through August 2024. The leases entered require HOPE to pay its pro rata share of operating expenses, insurance, and property taxes. It also requires the annual rent to be adjusted according to the change in the Consumer Price Index.

Future minimum payments for all operating leases are as follows:

Year	Amount
2021	126,175
2022	39,283
2023	9,965
2024	6,643
	<u>\$ 182,066</u>

Rent expense for the years ended December 31, 2020 and 2019, amounted to \$202,874 and \$201,247, respectively.

**9. EMPLOYEE BENEFIT PLAN**

HOPE has a 401k plan (the "Plan") which covers substantially all employees except for those who are members of a collective bargaining unit and non-resident aliens. Eligible employees must have completed 90 days of service. Employees may elect to make salary deferrals subject to the annual contribution limitation set by Internal Revenue Code. HOPE makes matching contributions of 50% up to the first 6% of employees' salary deferrals. HOPE may also make additional discretionary contributions to the Plan on an annual basis. HOPE made contributions in the amounts of \$173,764 and \$139,843 to the Plan during the years ended December 31, 2020 and 2019, respectively.

OPERATION HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS – Continued

**10. CONTINGENCIES**

**Federal Grants**

Certain federal grants which HOPE administers and for which it receives reimbursements are subject to audit and final acceptance by federal granting agencies. Current and prior year costs of such grants are subject to adjustment upon audit. The amount of expenditures that may be disallowed by the grantor, if any, cannot be determined at this time, although HOPE expects such amounts, if any, would not have a significant impact of the financial position of HOPE.

**Litigation**

In the normal course of business, HOPE may periodically be involved in litigation. Management believes that the resolution of these matters will not have a material effect on HOPE's financial position or results of operations.

**11. FAIR VALUE MEASUREMENT**

HOPE has adopted the provisions of Accounting Standards Codifications 820 ("ASC 820"), Fair Value Measurements, for financial assets and liabilities. Under ASC 820, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. These levels, in order of highest priority to lowest priority, are described as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Unobservable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Inputs are unobservable inputs for the asset that are supported by little or no market activity and that are significant to the fair value of the underlying asset.

HOPE's investments are measured at fair value on a recurring basis in accordance with ASC 820 as of December 31, 2020 and 2019, and are deemed as Level 1.

**12. RELATED PARTY TRANSACTIONS**

Operation HOPE acted as a fiscal agent for Bryant Group Motorsports Academy (BGMA) collecting donations of \$0 and \$0 in 2020 and 2019 respectively. HOPE remitted \$0 and \$20,533 in 2020 and 2019 respectively to BGMA. The Founder, Chairman and CEO of Operation HOPE founded BGMA.

Operation HOPE received \$0 and \$25,000 in membership from The Promise Homes Company (TPHC) in 2020 and 2019, respectively. As a member, TPHC provided their residents with access to Operation HOPE's financial coaching services.

OPERATION HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS – Continued

**12. RELATED PARTY TRANSACTIONS (Continued)**

Operation HOPE received \$0 and \$4,000 in 2020 and 2019, respectively, as a sponsor of HOPE Global Forums and received access to the three day conference for their staff. Operation HOPE received \$18,314 and \$12,000 in 2020 and 2019, respectively, for rent and office expenses associated with two workspaces provided for The Promise Homes Company. The Founder, Chairman and CEO of Operation HOPE served in a similar capacity with The Promise Homes Company (TPHC), which is an owner of single-family residential properties for working class and middle class communities. He is also an employee and receives compensation from TPHC. There is also an individual that serves on both boards.

HOPE received \$0 and \$2,500 from Bryant Group Companies in the form of a donation in 2020 and 2019, respectively. Bryant Group Companies is 100% owned by the Founder, Chairman and CEO of Operation HOPE.

HOPE's board members included representatives from banks where the debt is held.

Many of HOPE's board members are representatives from banks where HOPE's programs are offered. As part of the program, HOPE uses donated office space at some bank locations. In addition, the banks make annual donations to HOPE for these programs.

**13. PAYCHECK PROTECTION PROGRAM LOAN**

In March 2020, the President of the United States signed into law the Coronavirus Aid, Relief and Economic Security (CARES) Act, which provides Payroll Protection Program (PPP) loans to small businesses facing an unprecedented economic disruption due to the Coronavirus (COVID-19) outbreak. Paycheck Protection Program loans provide a direct incentive for nonprofits to keep their workers on the payroll and to maintain their operations. On April 19, 2020, HOPE was granted a loan of \$2,031,707 from the U.S. Government's Payroll Protection Program (PPP). The loan is uncollateralized and is fully guaranteed by the Federal government. HOPE initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. HOPE has recognized \$2,031,707 as grant revenue for the year ended December 31, 2020. The grant revenue is included in contributions, grants, and sponsorships in the statement of activities.



OPERATION HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS – Continued

**14. NET ASSETS**

Net assets with donor restrictions were as follows for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to the passage of time	\$ 10,880,000	\$ 10,605,000
Subject to expenditures for specific purpose:		
Adult and youth programs	4,373,305	4,294,086
Disaster programs	<u>1,056,766</u>	<u>29,167</u>
Sub-total purpose	<u>5,430,071</u>	<u>4,323,253</u>
Total net assets with donor restrictions	<u>\$ 16,310,071</u>	<u>\$ 14,928,253</u>

Net assets with donor restrictions released from restrictions were as follows for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to the passage of time	\$ 5,312,500	\$ 4,152,702
Satisfaction of purpose restrictions:		
Adult and youth programs	7,607,060	5,929,411
Disaster programs	1,538,026	719,218
Facility use	-	98,367
Operational support	<u>45,000</u>	<u>284,864</u>
Sub-total purpose	<u>9,190,086</u>	<u>7,031,860</u>
Total net assets released from restrictions	<u>\$ 14,502,586</u>	<u>\$ 11,184,562</u>

**15. COMMITMENT AND CONTINGENCY**

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. HOPE is closely monitoring its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on HOPE's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on HOPE's donors, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact HOPE's financial statements is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.



**SINGLE AUDIT SECTION**

OPERATION HOPE, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>Federal Grantor / Program Title</u>	<u>Grant ID No.</u>	<u>CFDA Number</u>	<u>Passed through to Subrecipients</u>	<u>Revenue/ Expenditures</u>
Economic Development Cluster -				
<b>U.S. Department of Commerce</b>				
<i>Direct Federal</i>				
Investments for Public Works and Economic Development Facilities	04-79-07227	11.300	\$ -	\$ 32,925
Economic Adjustment Assistance	01-79-14859	11.307	-	539,254
Economic Adjustment Assistance	01-79-14965	11.307	-	49,284
Total Economic Adjustment Assistance			-	588,538
<b>Total U.S. Department of Commerce</b>			-	621,463
Total Economic Development Cluster			-	621,463
Other Programs -				
<b>U.S. Department of Commerce</b>				
<i>Direct Federal</i>				
MBDA Business Center	MB20OBD8050154	11.805	-	26,104
<b>Total U.S. Department of Commerce</b>			-	26,104
<b>U.S. Department of Housing and Urban Development</b>				
<i>Direct Federal</i>				
Housing Counseling Assistance Program	HC190431001	14.169	-	287,094
Housing Counseling Assistance Program	HC200431003	14.169	-	213,888
<b>Total U.S. Department of Housing and Urban Development</b>			-	500,982

OPERATION HOPE, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>Federal Grantor / Program Title</u>	<u>Grant ID No.</u>	<u>CFDA Number</u>	<u>Passed through to Subrecipients</u>	<u>Revenue/ Expenditures</u>
Other Programs (Continued) -				
<b>U.S. Department of the Treasury</b>				
<i>Passed through Invest Atlanta</i>				
Coronavirus Relief Fund		21.019	-	30,000
<i>Passed through Dekalb County Community Development</i>				
Coronavirus Relief Fund		21.019	-	200,000
<b>Total U.S. Department of the Treasury</b>			-	230,000
<b>Total Other Programs</b>			-	757,085
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ -	\$ 1,378,549

OPERATION HOPE, INC.  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2020

**Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Operation HOPE, Inc. under programs of the federal government for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized, as applicable, by following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3 - Indirect Costs**

Operation HOPE, Inc. has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 4 - Subrecipients**

No federal grant awards were passed through to subrecipients during the year ended December 31, 2020.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

To the Audit Committee of  
Operation HOPE, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Operation HOPE, Inc. (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 16, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions



was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Wt & Fd LLC*

Morrow, Georgia  
April 16, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Audit Committee of  
Operation HOPE, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited Operation HOPE, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Organization's major federal programs for the year ended December 31, 2020. Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Organization's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

## Report on Internal Control over Compliance

Management of Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Organization's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Morrow, Georgia  
April 16, 2021

OPERATION HOPE, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2020

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued: **Unmodified**

Internal control over financial reporting:

	<u>Yes</u>	<u>No</u>	<u>None Reported</u>
• Material weakness(es) identified?	<u>          </u>	<u>  X  </u>	
• Significant deficiencies identified that are not considered to be material weaknesses?	<u>          </u>	<u>          </u>	<u>  X  </u>
Noncompliance material to financial statements noted?	<u>          </u>	<u>  X  </u>	

**Federal Awards**

Internal control over major programs:

• Material weakness(es) identified?	<u>          </u>	<u>  X  </u>	
• Significant deficiencies identified that are not considered to be material weaknesses?	<u>          </u>	<u>          </u>	<u>  X  </u>

Type of auditor’s report issued on compliance for  
Major programs: **Unmodified**

Any audit findings disclosed that are required to  
be reported in accordance with 2 CFR section 200.516(a)  
of the Uniform Guidance?

<u>          </u>	<u>  X  </u>
-------------------	--------------



OPERATION HOPE, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2020

**Identification of Major Programs:**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
11.300 and 11.307	Economic Development Cluster

Dollar threshold used to distinguish between  
type A and type B programs:

\$750,000

<u>Yes</u>	<u>No</u>
------------	-----------

Auditee qualified as low-risk auditee?

X

**Section II – Financial Statement Findings**

No matters were reported.

**Section III – Federal Award Findings and Questioned Costs**

No matters were reported.