

OPERATION HOPE, INC.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
With Independent Auditor's Report Thereon

OPERATION HOPE, INC.
DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

To the Audit Committee of
Operation HOPE, Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying financial statements of Operation HOPE, Inc. ("HOPE") (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HOPE as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the HOPE and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the HOPE's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the HOPE's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the HOPE's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated 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 13, 2022 on our consideration of the HOPE'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 the HOPE'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 the HOPE's internal control over financial reporting and compliance.



Morrow, Georgia
April 13, 2022

OPERATION HOPE, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

ASSETS		
	2021	2020
Current assets		
Cash and cash equivalents	\$ 11,790,236	\$ 6,901,129
Investments	333,603	30,956
Grants receivable	403,809	417,729
Promises to give, net	13,942,592	10,143,810
Prepaid expenses	170,612	99,421
Total current assets	26,640,852	17,593,045
Promises to give – long-term	13,643,695	2,366,787
Property and equipment, net	2,204,695	1,720,248
Deposits	24,619	8,396
Total assets	\$ 42,513,861	\$ 21,688,476
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 561,032	\$ 246,303
Accrued payroll and other compensation	2,658,378	1,010,223
Deferred rent – short-term	50,432	-
Debt – short-term	839,571	791,386
Total current liabilities	4,109,413	2,047,912
Deferred rent – long-term	302,138	-
Debt – long-term	3,111,222	4,097,609
Total liabilities	7,522,773	6,145,521
Net (deficit) assets		
Without donor restrictions	(1,121,776)	(767,116)
With donor restrictions	36,112,864	16,310,071
Total net (deficit) assets	34,991,088	15,542,955
Total liabilities and net assets	\$ 42,513,861	\$ 21,688,476

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

OPERATION HOPE, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Contributions, grants, and sponsorships	\$ 4,491,981	\$ 36,862,645	\$ 41,354,626
Government revenue	2,054,921	2,000,000	4,054,921
Contributed goods and services	5,299,561	-	5,299,561
Other	32,754	-	32,754
Revenue and support	11,879,217	38,862,645	50,741,862
Net assets released from restrictions	19,059,852	(19,059,852)	-
Total revenue and support	30,939,069	19,802,793	50,741,862
Expenses			
Program services	26,340,937	-	26,340,937
Supporting services			
General and administration	3,375,480	-	3,375,480
Fundraising	1,577,312	-	1,577,312
Total supporting services	4,952,792	-	4,952,792
Total expenses	31,293,729	-	31,293,729
Change in net assets	(354,660)	19,802,793	19,448,133
Net (deficit) assets at beginning of year	(767,116)	16,310,071	15,542,955
Net (deficit) assets at end of year	\$ (1,121,776)	\$ 36,112,864	\$ 34,991,088

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	26,777	-	26,777
Revenue and support	12,140,113	15,884,404	28,024,517
Net assets released from restrictions	14,502,586	(14,502,586)	-
Total revenue and support	26,642,699	1,381,818	28,024,517
Expenses			
Program services	18,257,766	-	18,257,766
Supporting services			
General and administration	2,236,087	-	2,236,087
Fundraising	862,995	-	862,995
Total supporting services	3,099,082	-	3,099,082
Total expenses	21,356,848	-	21,356,848
Change in net assets	5,285,851	1,381,818	6,667,669
Net (deficit) assets at beginning of year	(6,052,967)	14,928,253	8,875,286
Net (deficit) assets at end of year	\$ (767,116)	\$ 16,310,071	\$ 15,542,955

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, 2021

	Program activities	Management and general	Fundraising	Totals
Personnel	\$ 14,887,930	\$ 2,068,705	\$ 1,154,785	\$ 18,111,420
Client assistance	1,817,016	-	-	1,817,016
Contract and professional fees	1,921,039	534,473	52,434	2,507,946
Office	628,635	138,687	95,346	862,668
Conferences and events	655,724	-	130,256	785,980
Advertising and promotions	207,266	51,106	43,177	301,549
Occupancy	90,854	114,713	-	205,567
Telecommunications	191,427	29,983	13,083	234,493
Insurance	170,189	33,346	17,883	221,418
Travel and entertainment	71,917	26,231	57,661	155,809
Total expenses before bad debt, in-kind depreciation, and interest	20,641,997	2,997,244	1,564,625	25,203,866
In-kind goods and services	3,601,001	83,046	-	3,684,047
In-kind rent	1,615,514	-	-	1,615,514
Depreciation	476,012	21,277	7,556	504,845
Interest	-	223,874	-	223,874
Bad debt	-	50,000	-	50,000
Other	6,413	39	5,131	11,583
Total expenses	\$ 26,340,937	\$ 3,375,480	\$ 1,577,312	\$ 31,293,729

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

	Program activities	Management and general	Fundraising	Totals
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 and events	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	73,205	-	40,550	113,755
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	-	11,466	-	11,466
Total expenses	\$ 18,257,766	\$ 2,236,087	\$ 862,995	\$ 21,356,848

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 19,448,133	\$ 6,667,669
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	504,845	434,212
Unrealized gain on investments	(26,878)	-
Loss on disposal of property and equipment	11,544	-
PPP loan forgiveness	-	(2,031,707)
Decrease (Increase) in operating assets		
Grants receivable	13,920	(42,896)
Promises to give	(15,075,690)	(797,088)
Prepaid expenses	(71,191)	(44,961)
Deposits	(16,223)	-
Increase (Decrease) in operating liabilities		
Accounts payable and accrued expenses	314,729	(110,186)
Deferred rent	352,570	-
Accrued payroll and other compensation	<u>1,648,155</u>	<u>(319,556)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,103,914	3,755,487
NET CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,000,836)	(162,580)
Purchase of investments	<u>(275,769)</u>	<u>(30,956)</u>
NET CASH USED IN INVESTING ACTIVITIES	(1,276,605)	(193,536)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of PPP loan	-	2,031,707
Repayments of debt	<u>(938,202)</u>	<u>(748,341)</u>
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	<u>(938,202)</u>	<u>1,283,366</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,889,107	4,845,317
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEARS	<u>6,901,129</u>	<u>2,055,812</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEARS	<u>\$ 11,790,236</u>	<u>\$ 6,901,129</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 229,439</u>	<u>\$ 269,301</u>
Supplemental disclosure of non-cash financing activities:		
PPP loan forgiveness	<u>\$ -</u>	<u>\$ 2,031,707</u>

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

OPERATION HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

1. ORGANIZATION

Operation HOPE, Inc. (“HOPE”), 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. HOPE 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. HOPE’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, 2021 and 2020, and held no assets nor had any liabilities as of December 31, 2021 and 2020.

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 principal 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, 2021 and 2020.

Deferred rent

Deferred rent results from a period of reduced rent payments and allowance for leasehold improvements at the inception of the lease and is being amortized over the life of the lease. HOPE recognizes rent expense on a straight-line basis over the life of the lease in accordance with GAAP.

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, 2021 and 2020, HOPE received contributed goods that included the use of property for programs. 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 \$5,299,561 and \$2,060,888 for the years ended December 31, 2021 and 2020, respectively.

Advertising and promotion costs

Advertising and promotion costs are expensed as incurred. Total advertising and promotion costs amounted to \$301,549 and \$245,570 for the years ended December 31, 2021 and 2020, 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, and insurance 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, 2021 and 2020.

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 2018.

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 HOPE’s fiscal year ended December 31, 2022.

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 HOPE’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 13, 2022, 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, 2021, 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	\$ 11,790,236
Investments	333,603
Grants receivable	403,809
Promises to give, net	<u>27,586,287</u>
Financial assets, at year-end	<u>40,113,935</u>
Less amounts unavailable to be used within one year:	
Net assets with donor restrictions	36,112,864
Less net assets with time restrictions to be met in less than a year	<u>(11,349,736)</u>
	<u>24,763,128</u>
Financial assets available to meet general expenditures over the next year	<u>\$ 15,350,807</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

Unconditional promises to give are estimated to be collected as follows at December 31:

	<u>2021</u>	<u>2020</u>
Within one year	\$ 13,992,592	\$ 10,143,810
Within two to five years	<u>13,938,750</u>	<u>2,402,500</u>
Less allowance for uncollectible promises to give	(50,000)	-
Less discount to net present value	<u>(295,055)</u>	<u>(35,713)</u>
	<u>\$ 27,586,287</u>	<u>\$ 12,510,597</u>

The effective interest rates used to discount the promises to give was 1% and 1% for years ended December 31, 2021 and 2020, respectively.

OPERATION HOPE, INC.
NOTES TO FINANCIAL STATEMENTS – Continued

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2021	2020
Computers and software	\$ 3,666,706	\$ 3,256,673
Leasehold improvements	1,206,364	783,236
Furniture and fixtures	134,439	42,584
	5,007,509	4,082,493
Less accumulated depreciation	(2,802,814)	(2,362,245)
	\$ 2,204,695	\$ 1,720,248

Depreciation expense for the years ended December 31, 2021 and 2020, amounted to \$504,845 and \$434,212, 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 \$3,950,793 and \$4,888,995 for the year ended December 31, 2021 and 2020, respectively.

Total interest expense was \$223,874 and \$264,617 for the years ended December 31, 2021 and 2020, respectively.

Aggregate maturities of the loan are as follows:

December 31,	Principal
2022	\$ 839,571
2023	882,525
2024	927,677
2025	975,138
2026	325,882
Total	\$ 3,950,793

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, 2021, through the Federal Deposit Insurance Corporation. HOPE maintains cash balances that may exceed insured limits as of December 31, 2021. As of December 31, 2021, HOPE held funds of \$11,207,894 that exceeded the insured limits. 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, 2021 and 2020 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 receivables are from contract programs granted by governmental agencies.

Major Donors

For the years ended December 31, 2021 and 2020, HOPE received \$29,701,294 from nine donors and \$7,942,500 from six donors, respectively, which represented approximately 72% and 37%, respectively, of total revenue and support. Promises to give included \$21,517,131 and \$8,980,000 from these donors, which represented approximately 78% and 72% of total promises to give at December 31, 2021 and 2020, respectively. In-kind goods and services included \$3,801,747 and \$682,076 from these donors, which represented approximately 72% and 33% of total in-kind goods and services for the years ending December 31, 2021 and 2020, respectively.

8. COMMITMENTS

HOPE has entered into noncancelable operating lease agreements through September 2029. The leases require HOPE to pay its pro rata share of operating expenses, insurance, and property taxes. The lease agreements also require 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
2022	\$ 129,030
2023	181,468
2024	206,495
2025	203,266
2026	209,405
Thereafter	<u>609,243</u>
	<u>\$ 1,538,906</u>

Rent expense for the years ended December 31, 2021 and 2020, amounted to \$205,567 and \$202,874, 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 \$208,802 and \$173,764 to the Plan during the years ended December 31, 2021 and 2020, 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. INVESTMENTS

The fair value of investments on: December 31, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Short term reserves and cash	\$ 11,043	\$ 73
Equity funds	200,897	30,883
Balanced mutual funds	<u>121,663</u>	<u>-</u>
	<u>\$ 333,603</u>	<u>\$ 30,956</u>

12. 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, 2021 and 2020, and are deemed as Level 1.

OPERATION HOPE, INC.
NOTES TO FINANCIAL STATEMENTS – Continued

13. RELATED PARTY TRANSACTIONS

The Promise Homes Company

Operation HOPE received \$25,000 and \$0 in membership from The Promise Homes Company (TPHC) in 2021 and 2020 respectively. As a member, TPHC provided their residents with access to Operation HOPE’s financial coaching services.

Operation HOPE received \$2,414 and \$18,314 in 2021 and 2020 respectively for rent and office expenses associated with two workspaces provided for The Promise Homes Company.

Operation HOPE received \$11,750 and \$0 in 2021 and 2020 respectively for HOPE Inside Adult workshops and sessions as well as Youth programming to residents of 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.

John and Chaitra Bryant

Operation HOPE received a multi-year pledge of \$2,500,000 from John and Chaitra Bryant in 2021.

The pledge was restricted to \$1,250,000 directed to the benefit of employees, \$750,000 to fund Operation HOPE’s endowment, \$200,000 for Operation HOPE’s One Million Black Businesses (1MBB) initiative, \$200,000 for Operation HOPE’s Financial Literacy For All (FL4A) initiative, and \$100,000 for capacity building.

Board Members

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 has donated office space at some bank locations. In addition, the banks make annual donations to HOPE for these programs.

14. NET ASSETS

Net assets with donor restrictions were as follows for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Subject to the passage of time	\$ 24,993,431	\$ 10,880,000
Subject to expenditures for specific purpose:		
Adult and youth programs	10,746,061	4,373,305
Disaster programs	<u>373,372</u>	<u>1,056,766</u>
Sub-total purpose	<u>11,119,433</u>	<u>5,430,071</u>
Total net assets with donor restrictions	<u>\$ 36,112,864</u>	<u>\$ 16,310,071</u>

OPERATION HOPE, INC.
NOTES TO FINANCIAL STATEMENTS – Continued

14. NET ASSETS (Continued)

Net assets with donor restrictions released from restrictions were as follows for the years ended December 31, 2021 and 2020:

	2021	2020
Subject to the passage of time	\$ 7,815,684	\$ 5,312,500
Satisfaction of purpose restrictions:		
Adult and youth programs	9,677,225	7,607,060
Disaster programs	1,566,943	1,538,026
Operational support	-	45,000
Sub-total purpose	11,244,168	9,190,086
 Total net assets released from restrictions	 \$ 19,059,852	 \$ 14,502,586

15. 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 provided Payroll Protection Program (PPP) loans to small businesses facing an unprecedented economic disruption due to the Coronavirus (COVID-19) outbreak. Paycheck Protection Program loans provided 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 was uncollateralized and was 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 received full forgiveness of the loan on October 15, 2021. HOPE 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 for the year ended December 31, 2020.

SINGLE AUDIT SECTION

OPERATION HOPE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

<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 -				
U.S. Department of Commerce				
<i>Direct Federal</i>				
Economic Adjustment Assistance	04-79-07599	11.307	\$ -	\$ 197,404
Economic Adjustment Assistance	01-79-14965	11.307	23,802	210,503
Economic Adjustment Assistance	01-79-14859	11.307	-	113,773
Total Economic Adjustment Assistance			<u>23,802</u>	<u>521,680</u>
Total U.S. Department of Commerce			<u>23,802</u>	<u>521,680</u>
Total Economic Development Cluster			<u>23,802</u>	<u>521,680</u>
Other Programs -				
U.S. Department of Commerce				
<i>Direct Federal</i>				
MBDA Business Center	MB20OBD8050154	11.805	-	274,932
Total U.S. Department of Commerce			<u>-</u>	<u>274,932</u>
U.S. Department of Housing and Urban Development				
<i>Direct Federal</i>				
Housing Counseling Assistance Program	HC200431003	14.169	-	260,017
Housing Counseling Assistance Program	HC210431002	14.169	-	102,899
Total U.S. Department of Housing and Urban Development			<u>-</u>	<u>362,916</u>

OPERATION HOPE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

<i>Federal Grantor / Program Title</i>	<i>Grant ID No.</i>	<i>CFDA Number</i>	<i>Passed through to Subrecipients</i>	<i>Revenue/ Expenditures</i>
Other Programs (Continued) -				
Department of the Treasury				
<i>Passed through Invest Atlanta</i>				
Coronavirus Relief Fund	COVID-19	21.019	-	5,000
Total Department of the Treasury			-	5,000
U.S. Department of Agriculture				
<i>Direct Federal</i>				
Rural Microentrepreneur Assistance Program	RO131211 70785	10.870	-	5,872
Total U.S. Department of Commerce			-	5,872
Total Other Programs			-	648,720
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 23,802	\$ 1,170,400

OPERATION HOPE, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2021

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, 2021. 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.

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 financial statements of Operation HOPE, Inc. ("HOPE") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related 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 13, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered HOPE'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 HOPE's internal control. Accordingly, we do not express an opinion on the effectiveness of HOPE'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether HOPE'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.

A handwritten signature in blue ink, appearing to read "Julia G. K... LLC".

Morrow, Georgia
April 13, 2022

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

Opinion on Each Major Federal Program

We have audited Operation HOPE, Inc.'s ("HOPE") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of HOPE's major federal programs for the year ended December 31, 2021. HOPE's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, HOPE 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, 2021.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of HOPE and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of HOPE's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to HOPE's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on HOPE's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about HOPE's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding HOPE's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of HOPE's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 HOPE's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 13, 2022

OPERATION HOPE, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 DECEMBER 31, 2021

Section I – Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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?		X	
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OPERATION HOPE, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 DECEMBER 31, 2021

Identification of Major Programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
11.805	MBDA Business Center

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

\$750,000

Yes	No
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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.