

**OPERATION HOPE, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025 AND 2024**  
**With Independent Auditor's Report Thereon**

OPERATION HOPE, INC.  
DECEMBER 31, 2025 AND 2024

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## INDEPENDENT AUDITOR'S REPORT

To the Audit Committee of  
Operation HOPE, Inc.

### 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, 2025 and 2024, 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, 2025 and 2024, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 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 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 financial statements.

In performing an audit in accordance with generally accepted 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 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 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.



Morrow, Georgia  
April 2, 2026

OPERATION HOPE, INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2025 AND 2024

ASSETS		
	2025	2024
Current assets		
Cash and cash equivalents	\$ 4,939,211	\$ 7,011,790
Investments	815,243	1,128,976
Grants receivable	213,934	325,738
Promises to give, net	21,266,156	19,981,871
Prepaid expenses	223,672	203,024
Total current assets	27,458,216	28,651,399
Promises to give – long-term	15,125,737	23,509,884
Property and equipment, net	652,775	2,773,811
Operating lease right-of-use asset	1,122,407	1,385,926
Deposits	75,044	25,044
Total assets	\$ 44,434,179	\$ 56,346,064
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 2,380,446	\$ 1,883,338
Accrued payroll and other compensation	2,804,866	2,577,793
Debt – short-term	-	853,110
Operating leases liability – short-term	289,737	264,602
Total current liabilities	5,475,049	5,578,843
Operating leases liability – long term	940,904	1,230,641
Total liabilities	6,415,953	6,809,484
Net (deficit) assets		
Without donor restrictions	(9,228,956)	(9,578,202)
With donor restrictions	47,247,182	59,114,782
Total net assets	38,018,226	49,536,580
Total liabilities and net assets	\$ 44,434,179	\$ 56,346,064

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

OPERATION HOPE, INC.  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Contributions, grants, and sponsorships	\$ 5,951,665	\$ 24,564,738	\$ 30,516,403
In-kind contributions	6,238,270	-	6,238,270
Government revenue	1,206,989	82,500	1,289,489
Other	310,498	-	310,498
Revenue and support	13,707,422	24,647,238	38,354,660
Net assets released from restrictions	36,514,838	(36,514,838)	-
Total revenue and support	50,222,260	(11,867,600)	38,354,660
Expenses			
Program services	42,698,085	-	42,698,085
Supporting services			
General and administration	4,687,422	-	4,687,422
Fundraising	2,487,507	-	2,487,507
Total supporting services	7,174,929	-	7,174,929
Total expenses	49,873,014	-	49,873,014
Change in net assets	349,246	(11,867,600)	(11,518,354)
Net (deficit) assets at beginning of year	(9,578,202)	59,114,782	49,536,580
Net (deficit) assets at end of year	\$ (9,228,956)	\$ 47,247,182	\$ 38,018,226

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

OPERATION HOPE, INC.  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Contributions, grants, and sponsorships	\$ 4,316,101	\$ 50,798,415	\$ 55,114,516
In-kind contributions	5,186,393	-	5,186,393
Government revenue	1,894,449	27,500	1,921,949
Other	475,035	-	475,035
Revenue and support	11,871,978	50,825,915	62,697,893
Net assets released from restrictions	32,100,041	(32,100,041)	-
Total revenue and support	43,972,019	18,725,874	62,697,893
Expenses			
Program services	40,274,672	-	40,274,672
Supporting services			
General and administration	4,950,579	-	4,950,579
Fundraising	2,412,236	-	2,412,236
Total supporting services	7,362,815	-	7,362,815
Total expenses	47,637,487	-	47,637,487
Change in net assets	(3,665,468)	18,725,874	15,060,406
Net (deficit) assets at beginning of year	(5,912,734)	40,388,908	34,476,174
Net (deficit) assets at end of year	\$ (9,578,202)	\$ 59,114,782	\$ 49,536,580

*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, 2025

	Program services	General and administration	Fundraising	Totals
Personnel	\$ 28,243,039	\$ 3,166,799	\$ 1,882,961	\$ 33,292,799
Contract and professional fees	2,458,806	663,221	117,285	3,239,312
Conferences and events	1,593,762	-	-	1,593,762
Office	1,244,537	155,521	113,431	1,513,489
Client assistance	1,058,413	-	-	1,058,413
Travel and entertainment	692,540	29,238	320,422	1,042,200
Occupancy	222,677	210,176	1,500	434,353
Advertising and promotions	198,136	67,834	11,600	277,570
Telecommunications	317,656	28,387	18,199	364,242
Insurance	269,929	54,929	22,109	346,967
Total expenses before bad debt, in-kind depreciation, and interest	36,299,495	4,376,105	2,487,507	43,163,107
In-kind goods and services	6,085,674	152,596	-	6,238,270
Depreciation	312,916	71,301	-	384,217
Interest	-	87,420	-	87,420
Total expenses	\$ 42,698,085	\$ 4,687,422	\$ 2,487,507	\$ 49,873,014

*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, 2024

	Program services	General and administration	Fundraising	Totals
Personnel	\$ 27,231,837	\$ 3,123,239	\$ 1,855,207	\$ 32,210,283
Contract and professional fees	1,849,740	547,173	49,313	2,446,226
Conferences and events	1,387,633	-	-	1,387,633
Office	1,313,896	180,294	116,931	1,611,121
Client assistance	1,189,228	-	-	1,189,228
Travel and entertainment	694,093	51,698	294,252	1,040,043
Occupancy	223,699	209,510	1,500	434,709
Advertising and promotions	265,975	104,815	14,023	384,813
Telecommunications	304,922	22,862	17,640	345,424
Insurance	258,896	51,144	21,843	331,883
Total expenses before bad debt, in-kind depreciation, and interest	34,719,919	4,290,735	2,370,709	41,381,363
In-kind goods and services	4,678,539	472,854	35,000	5,186,393
Depreciation	676,214	73,736	6,527	756,477
Bad debt	200,000	-	-	200,000
Interest	-	113,254	-	113,254
Total expenses	\$ 40,274,672	\$ 4,950,579	\$ 2,412,236	\$ 47,637,487

*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, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (11,518,354)	\$ 15,060,406
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	384,217	756,477
Amortization of operating lease right-of-use asset	263,519	250,887
Net appreciation on investments	(108,456)	(224,786)
Donated securities	(61,582)	(60,080)
Amortization of discount on promises to give	(882,003)	(238,973)
Provision for bad debt	(25,000)	(85,000)
Gain on disposal of property	(43,116)	-
Decrease (Increase) in operating assets		
Grants receivable	111,804	220,534
Promises to give, net	8,006,865	(16,124,171)
Prepaid expenses	(20,648)	30,341
Deposits	(50,000)	-
Increase (Decrease) in operating liabilities		
Accounts payable and accrued expenses	497,108	356,792
Accrued payroll and other compensation	227,073	386,245
Operating lease liabilities	(264,602)	(241,064)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(3,483,175)	87,608
NET CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	1,786,835	-
Proceeds from investments	978,962	1,718,399
Purchase of property and equipment	(6,900)	-
Purchase of investments	(495,191)	(1,170,031)
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,263,706	548,368
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under line of credit	2,700,000	2,750,000
Repayments of debt	(853,110)	(947,906)
Repayments under line of credit	(2,700,000)	(2,750,000)
NET CASH USED IN FINANCING ACTIVITIES	(853,110)	(947,906)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,072,579)	(311,930)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEARS	7,011,790	7,323,720
CASH AND CASH EQUIVALENTS AT THE END OF THE YEARS	\$ 4,939,211	\$ 7,011,790
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 82,290	\$ 118,996

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

OPERATION HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024

**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.

**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., HOPE Advisors LLC, and Operation HOPE Properties LLC (hereafter, collectively referred to as HOPE). HOPE Advisors LLC, a wholly-owned subsidiary of Operation HOPE, Inc., was formed in 2007 to provide consulting services to organizations regarding joint ventures. Operation HOPE Properties LLC, a single member of Operation HOPE, was formed in August 2022 to own donated land and building assets. 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. For the years ended December 31, 2025 and 2024, HOPE had cash equivalents of \$11,886 and \$19,182, respectively.

**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 collection 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. As of December 31, 2025 and 2024, HOPE did not have any deferred revenue on the consolidated statement of financial position.

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 \$5,000 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
Building	39 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.

**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.

**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, 2025 and 2024.

OPERATION HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS – Continued

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

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 2022.

**Subsequent events**

HOPE has evaluated subsequent events through April 2, 2026, the date which the consolidated financial statements were available to be issued.

**3. AVAILABILITY AND LIQUIDITY**

HOPE monitors its financial resources to ensure that sufficient liquidity is available to meet its operating needs and financial obligations as they come due. The following table reflects HOPE's financial assets as of December 31, 2025, along with adjustments to reflect amounts that are not available for general use within the next 12 months due to donor restrictions or other limitations.

Financial assets:	
Cash and cash equivalents	\$ 4,939,211
Investments	815,243
Grants receivable	213,934
ST promises to give, net	<u>21,266,156</u>
Financial assets, at year-end	27,234,544
Less amounts obligated and unavailable to be used within one year due to donor restrictions:	
Net assets with donor restrictions	<u>18,809,801</u>
Financial assets available to meet general expenditures over the next year	\$ <u>8,424,743</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. Additionally, to help manage unanticipated liquidity needs, HOPE has established a line of credit in the amount of \$5,000,000 (Note 9).

OPERATION HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS – Continued

**4. 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, 2025 and 2024, and are deemed as Level 1.

**5. INVESTMENTS**

The fair value of investments as follows at December 31:

	<u>2025</u>	<u>2024</u>
Equity funds	\$ 592,406	\$ 700,465
Fixed Income	<u>222,837</u>	<u>428,511</u>
	<u>\$ 815,243</u>	<u>\$ 1,128,976</u>

**6. PROMISES TO GIVE**

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

	<u>2025</u>	<u>2024</u>
Within one year	\$ 21,266,156	\$ 20,006,871
Within two to five years	<u>16,183,551</u>	<u>25,455,577</u>
	37,449,707	45,462,448
Less allowance for uncollectible promises to give	-	(25,000)
Less discount to reflect contributions receivable at present value	<u>(1,057,814)</u>	<u>(1,945,693)</u>
	<u>\$ 36,391,893</u>	<u>\$ 43,491,755</u>

The effective interest rates used to discount the promises to give was 5% for years ended December 31, 2025 and 2024.

OPERATION HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS – Continued

**7. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31:

	2025	2024
Computers and software	\$ 3,592,785	\$ 4,663,020
Leasehold improvements	994,290	994,290
Furniture and fixtures	156,874	156,874
Land	-	1,100,000
Building	-	700,000
	4,743,949	7,614,184
Less accumulated depreciation	(4,091,174)	(4,840,373)
	\$ 652,775	\$ 2,773,811

Depreciation expense for the years ended December 31, 2025 and 2024, amounted to \$384,217 and \$756,477, respectively.

**8. LEASING ARRANGEMENTS**

In 2022, HOPE entered into a noncancelable operating lease agreement through September 2029. HOPE determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the consolidated statement of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, HOPE used their incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that HOPE will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The following summarizes the line items in the balance sheets which include amounts for operating leases as of December 31, 2025:

<b>Operating Leases</b>	
Operating lease right-of-use-assets	\$ 920,206
Operating lease incentives	202,201
Total operating lease assets	\$ 1,122,407
Other current liabilities	\$ 289,737
Operating lease liabilities	940,904
Total operating lease liabilities	\$ 1,230,641

OPERATION HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS – Continued

**8. LEASING ARRANGEMENTS (Continued)**

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2025:

<b>Weighted Average Remaining Lease Term</b>	
Operating leases	45 months
 <b>Weighted Average Discount Rate</b>	
Operating leases	5%

The maturities of operating lease liabilities as of December 31, 2025 are as follows:

Year Ending December 31:	
2026	\$ 343,313
2027	354,993
2028	367,072
2029	<u>283,883</u>
Total lease payments	1,349,261
Less: present value discount	<u>(118,620)</u>
Present value of lease liabilities	<u>\$ 1,230,641</u>

Rent expense for the years ended December 31, 2025 and 2024, amounted to \$370,454 and \$369,379, respectively.

**9. DEBT**

Operation HOPE had a 7-year term loan with an original maturity date of June 1, 2026, and an annual interest rate of 5%. A monthly payment of \$84,803 was due through maturity. The outstanding loan balance was \$0 and \$853,110 for the years ended December 31, 2025 and 2024, respectively. During prior years, Operation HOPE made additional principal payments totaling \$400,000, contributing to the early payoff of the loan on November 1, 2025.

Total interest expense was \$87,420 and \$113,254 for the years ended December 31, 2025 and 2024, respectively.

Operation HOPE secured a new line of credit in 2023 with a maximum borrowing capacity of \$3,000,000. The line of credit was renewed in 2025 and 2024, with borrowing capacities of \$5,000,000 and \$3,000,000, respectively. The line of credit agreement allows for borrowings at variable interest rates based on the Term SOFR rate with the interest payable monthly. While the organization accessed funds during the fiscal year, the year-end balance was \$0.

OPERATION HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS – Continued

**10. 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, 2025, through the Federal Deposit Insurance Corporation. HOPE maintains cash balances that may exceed insured limits as of December 31, 2025. As of December 31, 2025, HOPE held funds of \$4,540,569 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.

**Concentration of Grants Receivable**

The financial instruments which potentially subject HOPE to credit risk are primarily grants receivable. The primary grants receivable balance outstanding at December 31, 2025 and 2024 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, 2025 and 2024, HOPE received a significant portion of its contributions from a limited number of donors. In 2025, contributions from a single donor accounted for approximately 12% of total contributions, while in-kind support from three donors represented approximately 59% of total in-kind support. In 2024, contributions from two donors accounted for approximately 24% of total contributions, while in-kind support from a single donor represented approximately 18% of total in-kind support.

**Concentration of Promises to Give**

As of December 31, 2025 and 2024, HOPE's promises to give were concentrated among a limited number of donors. As of December 31, 2025, a single donor collectively represented approximately 37% of total receivables. In 2024, two donors collectively represented approximately 51% of total receivables.

**11. 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 outcome of such matters will not have a material adverse effect on HOPE's financial position or results of operations.

OPERATION HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS – Continued

**12. 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 made contributions in the amounts of \$426,405 and \$416,938 to the Plan during the years ended December 31, 2025 and 2024, respectively. HOPE may also make additional discretionary contributions to the Plan on an annual basis.

**13. RELATED PARTY TRANSACTIONS**

Board Members

Certain members of HOPE’s Board of Directors are representatives of banks that provide the organization’s line of credit and host HOPE programs. In connection with these programs, the banks provide office space at certain locations and make annual contributions to HOPE programs.

Board Member Commitments

During the fiscal year ending 2024, certain members of the Board of Directors have committed multi-year financial pledges to support the organization's mission. The total amount pledged was \$210,000 with \$70,000 pledged for future support. The pledged amounts are recognized as receivables in our financial statements, with a corresponding increase in net assets with donor restrictions.

During the fiscal year ending 2025, certain members of the Board of Directors have committed multiyear financial pledges to support the organization's mission. The total amount pledged was \$363,336 with \$180,000 pledged for future support. The pledged amounts are recognized as receivable in the financial statements, with a corresponding increase in net assets with donor restrictions.

Bryant Family Foundation

Operation HOPE received a pledge of \$12,500 from Bryant Family Foundation in 2022, restricted to the Youth Program, which was paid in full in 2024. No new pledges were received in 2025.

John and Chaitra Bryant

Operation HOPE received a multi-year pledge of \$2,500,000 from John and Chaitra Bryant in 2021 that is to be paid in 2029.

The pledge was originally restricted as follows: \$1,250,000 for the benefit of employees, \$750,000 to establish 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.

In 2025, the donors removed the purpose restrictions on amounts previously restricted for the endowment and the 1MBB initiative, allowing these funds to be used where needed most. As a result, these amounts were released from donor restrictions during 2025.

OPERATION HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS – Continued

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

Officer’s Spouse

In 2024, Operation HOPE engaged in arm’s-length transactions totaling \$36,640 with a company owned by an officer’s spouse, representing reimbursement of expenses, not compensation; no such transactions occurred in 2025.

The Promise Homes Company

The Promise Homes Company (TPHC) is an owner of single-family residential properties for working class and middle-class communities.

In 2024, when TPHC was a related party, Operation HOPE received \$43,750 in membership revenue from TPHC. As a member, TPHC provided their residents with access to Operation HOPE’s financial coaching services. Operation HOPE also received \$13,813 in 2024 for HOPE Inside Adult workshops and sessions as well as Youth programming to residents of TPHC.

The Founder, Chairman, and CEO of Operation HOPE stepped down as managing partner at TPHC during 2024 but retained a financial interest in the company in 2025.

**14. DONATED FACILITIES, GOODS, AND SERVICES**

HOPE received gifts-in-kind for the years ended December 31, 2025, and 2024:

	2025	2024
Professional Services	\$ 2,341,377	\$ 3,003,937
Office Space	1,840,364	1,942,487
E-Commerce Subscriptions	2,025,906	201,376
Goods	30,623	38,593
	\$ 6,238,270	\$ 5,186,393

HOPE’s gifts-in-kind policy is to utilize the assets given to carry out the mission of the Organization. If the asset does not allow HOPE to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or independent specialist depending on the type of asset.

HOPE requires the use of dedicated office space within partner organizations. The office spaces are provided at no cost to HOPE and valued at current market rates provided by partner organizations. HOPE received donated office space valued at \$1,840,364 and \$1,942,487 for the years ended December 31, 2025, and 2024, respectively.

HOPE received various legal, marketing, and other professional services to support HOPE’s mission and clients. Based on current market rates, services were valued at \$2,341,377 and \$3,003,937 for the years ended December 31, 2025, and 2024, respectively.

HOPE’s One Million Black Business (1MBB) participants receive a free six-month subscription trial to Shopify’s e-commerce platform. The retail value of these subscriptions totaled \$2,025,906 and \$201,376 for years ended December 31, 2025, and 2024, respectively.

OPERATION HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS – Continued

**14. DONATED FACILITIES, GOODS, AND SERVICES (Continued)**

HOPE received donated goods with a fair market value of \$30,623 and \$38,593 for the years ended December 31, 2025, and 2024, respectively. The goods provided were utilized in support of HOPE Global Forums and other events organized by HOPE.

All gifts-in-kind received by HOPE for the years ended December 31, 2025, and 2024 were considered without donor restrictions and able to be used by HOPE as determined by the board of directors and management unless otherwise noted above.

**15. NET ASSETS**

Net assets with donor restrictions were as follows for the years ended December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Subject to the passage of time	\$ 28,437,381	\$ 42,349,592
Subject to expenditures for specific purpose:		
Adult and youth programs	16,105,504	13,419,575
Operational support	1,925,566	3,262,282
Disaster programs	<u>778,731</u>	<u>83,333</u>
Sub-total purpose	<u>18,809,801</u>	<u>16,765,190</u>
Total net assets with donor restrictions	<u>\$ 47,247,182</u>	<u>\$ 59,114,782</u>

Net assets with donor restrictions released from restrictions were as follows for the years ended December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Subject to the passage of time	\$ 14,139,620	\$ 11,670,212
Satisfaction of purpose restrictions:		
Adult and youth programs	19,419,337	19,041,977
Operational support	2,526,716	1,241,713
Disaster programs	<u>429,165</u>	<u>146,139</u>
Sub-total purpose	<u>22,375,218</u>	<u>20,429,829</u>
Total net assets released from restrictions	<u>\$ 36,514,838</u>	<u>\$ 32,100,041</u>

**16. RISKS AND UNCERTAINTIES**

HOPE receives funding from various sources, including individual and corporate donations, sponsorships, and government grants. Federal grant funding represents approximately 2% of total revenues and is subject to annual budget appropriations by the U.S. government. While management does not anticipate significant changes to this funding, future federal budget decisions could impact the availability of such grants. However, due to the limited percentage of total revenue derived from federal grants, management does not expect any material effect on the Organization's financial position or operations.