



HOPE *worldwide, ltd.*

FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

HOPE worldwide, Ltd.

Contents

	<u>Page</u>
Financial Statements	
Independent auditors' report	1
Statements of financial position as of December 31, 2013 and 2012	2
Statements of activities and changes in net assets for the years ended December 31, 2013 and 2012	3
Statements of cash flows for the years ended December 31, 2013 and 2012	4
Notes to financial statements	5

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
HOPE *worldwide, Ltd.*

Report on the Financial Statements

We have audited the accompanying financial statements of HOPE *worldwide, Ltd.* (the "Agency"), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets, and cash flows for each of the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Agency's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HOPE *worldwide, Ltd.* as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.



Jenkintown, Pennsylvania
June 11, 2014

HOPE worldwide, Ltd.**Statements of Financial Position**

	December 31	
ASSETS	2013	2012
Current assets:		
Cash	\$ 2,484,814	\$ 1,384,016
Restricted cash	992,411	998,260
Accounts receivable, net of allowance for doubtful accounts of \$8,089 in 2013 and \$9,681 in 2012	363,775	450,222
Inventory	91,516	78,228
Advances	633,327	671,043
Prepaid expenses and other current assets	120,317	139,120
Total current assets	4,686,160	3,720,889
Noncurrent assets:		
Investments	2,360,010	1,505,029
Property and equipment:		
Equipment	1,067,099	1,142,982
Leasehold improvements	242,712	241,444
	1,309,811	1,384,426
Less accumulated depreciation and amortization	544,205	460,143
Net property and equipment	765,606	924,283
	\$ 7,811,776	\$ 6,150,201
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 231,424	\$ 271,189
Line-of-credit	685,000	-
Accrued expenses and other current liabilities	96,086	157,794
Refundable advance	992,411	998,260
Total current liabilities	2,004,921	1,427,243
Other liability:		
Deferred rent	77,508	59,328
Total liabilities	2,082,429	1,486,571
Commitments and contingencies		
NET ASSETS		
Unrestricted	46,754	(87,480)
Unrestricted - Board designated	932,523	-
Temporarily restricted	2,988,610	2,965,570
Permanently restricted	1,761,460	1,785,540
	5,729,347	4,663,630
	\$ 7,811,776	\$ 6,150,201

HOPE worldwide, Ltd.**Statements of Activities and Changes in Net Assets**

	Year Ended December 31	
	2013	2012
Change in unrestricted net assets:		
Operating support and revenues:		
Contributions	\$ 4,275,401	\$ 2,962,949
Grants and other	101,090	939,940
Medical services	3,455,042	3,003,692
Investment income, net	10,376	7,443
Unrealized appreciation on investments	90,287	39,362
Clinic (surplus) deficit	274,296	(693,766)
Investment earnings allocation	(25,920)	(40,390)
	8,180,572	6,219,230
Net assets released from restrictions	20,268,313	5,946,554
	28,448,885	12,165,784
Expenses:		
U.S. programs	1,990,674	1,467,795
Non-U.S. programs	21,131,258	7,505,145
Management and general	3,354,136	2,906,186
Fundraising	906,060	995,038
	27,382,128	12,874,164
Change in unrestricted net assets	1,066,757	(708,380)
Change in temporarily restricted net assets:		
Operating support and revenues:		
Contributions and grants	20,515,572	5,072,169
Clinic surplus (deficit)	(274,296)	693,766
Investment income (loss), net	77	(2,509)
Net assets released from restrictions	(20,218,313)	(5,946,554)
	23,040	(183,128)
Change in permanently restricted net assets:		
Operating support and revenues:		
Contributions	-	75,000
Investment earnings allocation	25,920	40,390
Net assets released from restrictions	(50,000)	-
	(24,080)	115,390
Change in net assets	1,065,717	(776,118)
Net assets at beginning of year	4,663,630	5,439,748
Net assets at end of year	\$ 5,729,347	\$ 4,663,630

HOPE worldwide, Ltd.**Statements of Cash Flows**

	Year Ended December 31	
	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ 1,065,717	\$ (776,118)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Increase (decrease) in allowance for doubtful accounts	(1,592)	4,761
Depreciation	192,694	104,283
Loss on disposal of property and equipment	-	4,390
Unrealized appreciation on investments	(90,287)	(39,362)
Donated securities	(5,176)	(232,725)
Contributions restricted for endowment	-	(75,000)
Authorized withdrawals from endowment	50,000	-
(Increase) decrease in assets:		
Accounts receivable	88,039	(125,580)
Inventory	(13,288)	(42,056)
Advances	37,716	270,593
Prepaid expenses and other current assets	18,803	3,955
Increase (decrease) in liabilities:		
Accounts payable	(39,765)	(47,049)
Accrued expenses and other current liabilities	(61,708)	(99,961)
Refundable advances	(5,849)	(393,630)
Deferred rent	77,508	59,328
Net cash provided by (used in) operating activities	1,312,812	(1,384,171)
Cash flows from investing activities:		
Purchase of property and equipment	(70,018)	(474,650)
Proceeds from sales of investments	50,000	224,460
Purchases of investments	(832,845)	(103,649)
Net cash used in investing activities	(852,863)	(353,839)
Cash flows from financing activities:		
Contributions restricted for endowment	-	75,000
Authorized withdrawals from endowment	(50,000)	-
Net change in short-term debt	685,000	(30)
Net cash provided by financing activities	635,000	74,970
Net increase (decrease) in cash	1,094,949	(1,663,040)
Cash at beginning of year	2,382,276	4,045,316
Cash at end of year	\$ 3,477,225	\$ 2,382,276
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 14,954	\$ 101
Supplemental disclosure of noncash investing and financing activities:		
Property and equipment additions in accrued expenses	\$ -	\$ 36,000
Receipt of donated fixed asset	-	200,000
	\$ -	\$ 236,000

See notes to financial statements

HOPE worldwide, Ltd.

Notes to Financial Statements December 31, 2013 and 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Description of organization:

HOPE *worldwide, Ltd.* (the "Agency") is a not-for-profit, faith-based charity founded in 1991 by the International Churches of Christ dedicated to developing, managing, and funding programs domestically and internationally to help the poor and needy. Funding is provided by corporate grants, federal, state and local government grants, contributions from churches, individuals, volunteer fundraisers and from medical service fees. The Agency's mission is to change lives by empowering the compassion and commitment of dedicated staff and volunteers to deliver sustainable, high-impact, community-based services to the poor and needy. Through its employees and global pool of volunteers on six inhabited continents, the Agency serves more than two million needy people annually. The Agency is a recognized nongovernmental organization in special consultative status with the Economic and Social Council of the United Nations and is a registered private voluntary organization with the United States Agency for International Development ("USAID").

Effective December 10, 1996, the Agency entered into a joint sponsorship agreement with three organizations (Japan Relief for Cambodia, American Assistance for Cambodia, and World Mate) to sponsor the Sihanouk Hospital Center of HOPE, in Phnom Penh, Cambodia. A nonprofit 501(c)(3) Delaware corporation was set up for the purpose of owning and operating the Sihanouk Hospital (the "Sihanouk Hospital Corporation"). The Board of Directors of the Sihanouk Hospital Corporation oversees the development and operation of the Sihanouk Hospital. The Agency has one-third representation on the Board of Directors of the Sihanouk Hospital Corporation, and provides certain management services to the hospital.

The Sihanouk Hospital Corporation is not consolidated in the financial statements of the Agency nor is it accounted for on the equity method.

The Agency and the Sihanouk Hospital Corporation are financially interrelated organizations. The Agency recognizes revenue when contributions specified for use of the Sihanouk Hospital Corporation are made. Contributions and revenues received during the years ended December 31, 2013 and 2012 consisted of:

	<u>2013</u>	<u>2012</u>
In-kind donations	\$ 15,325,449	\$ 1,691,912
Grants	1,207	-
Program revenue	7,840	236
Cash contributions	<u>194,742</u>	<u>31,193</u>
	<u>\$ 15,529,238</u>	<u>\$ 1,723,341</u>

The Agency recognizes expenses as contributions are remitted to Sihanouk Hospital Corporation.

In addition, Sihanouk Hospital Corporation paid management fees to the Agency in the amount of \$157,184 and \$332,935 for the years ended December 31, 2013 and 2012, respectively.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[2] Basis of accounting and reporting:

The accompanying financial statements of the Agency have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

The net assets of the Agency are classified as follows:

- ***Unrestricted***

Unrestricted net assets represent resources that are not subject to donor-imposed restrictions, although their use may be limited by other factors such as by contract or Board designation.

- ***Temporarily Restricted***

Temporarily restricted net assets represent those resources that have been restricted by donors for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions. Temporarily restricted net assets also include the net surplus or deficit of certain fee-for-service activities in Cambodia.

- ***Permanently Restricted***

Permanently restricted net assets represent those resources subject to donor-imposed stipulations that the corpus be invested in perpetuity and that only the investment income be made available for operations in accordance with donor restrictions.

[3] Basis of reporting and estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

[4] Concentration of credit risk:

The Agency maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Agency has not experienced any losses in these accounts and, as a result, believes it is not exposed to any significant credit risk on cash.

[5] Restricted cash:

Restricted cash represents corporate grant funds which are held by the Agency and later released to the intended subrecipients of the grants once the expenditures are made in accordance with the grant terms.

[6] Inventory:

Inventory is stated at the lower of cost or market, using the first-in, first-out ("FIFO") method for determining cost.

**Notes to Financial Statements
December 31, 2013 and 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] Investments:

Investments are recorded in the statements of financial position at fair value, as determined based on quoted market prices. Cash equivalents classified as investments are short-term, highly liquid investments with original maturities of three months or less. Realized and unrealized gains and losses are included in the statements of activities and changes in net assets. The investment portfolio is subject to market volatility.

[8] Advances:

Advances represent Agency funds sent to corporate grant subrecipients prior to the intended services being provided by the subrecipients.

[9] Property and equipment and depreciation:

Property and equipment are stated at cost and are depreciated over their estimated useful lives, generally 3 to 10 years, using the straight-line method. Expenditures for major improvements are capitalized, and repairs and maintenance are charged to income as incurred. When assets are disposed of, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss from such disposition is included in the change in unrestricted net assets. The Agency's policy is to report gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Depreciation for the years ended December 31, 2013 and 2012 was \$192,694 and \$104,283, respectively.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. Management does not believe that there are any impairments as of both December 31, 2013 and 2012.

[10] Refundable advances:

Refundable advances represent grant funding received for which the services have not yet been provided. These funds are also designated as restricted cash. Refundable advances will be recorded as revenue as the services are provided.

[11] Deferred rent:

The Agency recognizes rent expense on a straight-line basis over the life of the leases. The difference between rent expense recognized and rental payments, as stipulated in the leases, is reflected as deferred rent in the statements of financial position.

[12] Contributions:

Contributions are recorded as revenue when received or unconditionally pledged, whichever occurs first. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

HOPE worldwide, Ltd.

**Notes to Financial Statements
December 31, 2013 and 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[13] In-kind gifts:

The Agency receives in-kind gifts primarily consisting of medical supplies and equipment for use in the Agency's medical programs. The Sihanouk Hospital Corporation is the largest individual recipient of in-kind gifts (see Note A). The value of in-kind contributions is recorded at the wholesale acquisition cost. In-kind gifts are recognized as revenue when the shipment of goods leaves the dock for its intended location.

In-kind contributions as of December 31, 2013 and 2012 were distributed as follows:

	<u>2013</u>	<u>2012</u>
Cambodia	\$ 15,503,243	\$ 2,010,393
Guatemala	-	86,456
Honduras	20,471	86,456
Nicaragua	-	12,138
Afghanistan	-	5,000
United States	<u>113,846</u>	<u>73,341</u>
	<u>\$ 15,637,560</u>	<u>\$ 2,273,784</u>

[14] Contributed services:

If the Agency receives contributed services that require specialized skills, are provided by individuals possessing those skills, and would typically be purchased by the Agency if they had not been provided by donation, the value of these services is included in the financial statements. However, more than 50,000 volunteers, including the members of the Board of Directors, have made significant contributions of time to the Agency's policy-making, program and support functions. These contributed services do not meet the above criteria for recognition of contributed services and, accordingly, are not included in the accompanying financial statements. Key executives of the Agency contribute business advisory services to certain overseas affiliated organizations, free of charge. The dollar value of such contributed services is not estimable but is not believed to be material.

[15] Reclassifications:

Certain amounts in the December 31, 2012 financial statements have been reclassified, with no effect on net assets, to conform to the current year's presentation.

HOPE worldwide, Ltd.

**Notes to Financial Statements
December 31, 2013 and 2012**

NOTE B - INVESTMENTS

Investments consisted of the following as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Invested cash	\$ 1,957,150	\$ 1,171,785
Equities	5,176	13,144
Mutual funds	<u>397,684</u>	<u>320,100</u>
	<u>\$ 2,360,010</u>	<u>\$ 1,505,029</u>

The donor of certain permanently restricted funds authorized the Agency to borrow up to \$613,500 of permanently restricted funds for various unrestricted purposes. Any amounts borrowed must be repaid over a ten-year period and such amounts are subject to the permanent restrictions of the original gift. The outstanding amount as of December 31, 2013 and 2012 was \$246,750 and \$306,750, respectively.

NOTE C - INVENTORY

Inventory consisted of the following as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Medical supplies	\$ 14,385	\$ 18,457
Medicines / vaccinations	<u>77,131</u>	<u>59,771</u>
	<u>\$ 91,516</u>	<u>\$ 78,228</u>

NOTE D - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants.

In determining fair value, the Agency uses various valuation approaches, including market, income and/or cost approaches. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the topic are described below:

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

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 - Significant inputs to the valuation model are unobservable.

HOPE worldwide, Ltd.

Notes to Financial Statements December 31, 2013 and 2012

NOTE D - FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a description of the Agency's valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2013 and 2012.

Invested cash – Valued at cost which approximates fair value.

Equities – Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds – Valued at the net asset value of the shares held by the Agency at year-end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities.

The following tables set forth, by level, the Agency's assets at fair value, within the fair value hierarchy, as of December 31, 2013 and 2012:

	Investment Assets at Fair Value as of			
	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Invested cash	\$ 1,957,150	\$ -	\$ -	\$ 1,957,150
Equities:				
Technology	4,483	-	-	4,483
Industrial goods	693	-	-	693
Mutual funds:				
Large Blend	397,684	-	-	397,684
Total investment assets at fair value	<u>\$ 2,360,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,360,010</u>

	Investment Assets at Fair Value as of			
	December 31, 2012			
	Level 1	Level 2	Level 3	Total
Invested cash	\$ 1,171,785	\$ -	\$ -	\$ 1,171,785
Equities:				
Communication	13,144	-	-	13,144
Mutual funds:				
Large Blend	320,100	-	-	320,100
Total investment assets at fair value	<u>\$ 1,505,029</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,505,029</u>

HOPE worldwide, Ltd.

**Notes to Financial Statements
December 31, 2013 and 2012**

NOTE D - FAIR VALUE MEASUREMENTS (CONTINUED)

Changes in fair value levels:

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the years ended December 31, 2013 and 2012, there were no transfers into or out of Levels 1, 2 or 3.

NOTE E - RETIREMENT PROGRAM

The Agency participates in a 403(b) multiemployer defined-contribution pension plan, which covers all full-time employees who have met certain age and service requirements. The Agency recorded \$58,205 and \$57,289 of expense related to the defined-contribution plan for the years ended December 31, 2013 and 2012, respectively.

NOTE F - LINE-OF-CREDIT

The Agency has a line-of-credit, up to \$700,000, with a financial institution which matures on February 14, 2015. The interest rate is at the prime rate plus .50%, but the effective interest rate shall never be below 4.25% (prime was 3.25% as of December 31, 2013, so the effective interest rate for this line-of-credit was 4.25%). Borrowings under this line-of-credit as of December 31, 2013 and 2012 were \$685,000 and \$-0-, respectively.

HOPE worldwide, Ltd.

**Notes to Financial Statements
December 31, 2013 and 2012**

NOTE G - TEMPORARILY RESTRICTED NET ASSETS AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available and were released from restrictions for the following purposes as of and for the years ended December 31, 2013 and 2012:

<u>Program activities</u>	<u>Available</u>		<u>Released</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Afghanistan	\$ 12,404	\$ 10,364	\$ 20,009	\$ (3,404)
African and Caribbean programs	238,670	175,780	292,246	241,361
Bolivia - Health Programs	23,516	-	(23,516)	-
Bolivia - Fundacion Arco Iris Hospital	174,748	82,446	138,866	172,438
Brazil	17,738	15,195	19,000	14,000
Cambodia - Sihanouk Hospital	669	15,273	189,622	90,625
Cambodia	1,118,654	1,213,476	36,434	-
China	4,463	-	-	5,745
Colombia	-	17,063	23,516	20,800
Disaster Relief	110,445	281,559	716,808	923,226
Empowerment Funds:				
Centers of HOPE	945	945	-	-
Children - General	20,770	20,770	-	-
Education - General	210	210	-	-
Education - Cambodia	35,671	12,361	55,273	105,500
Health	4,697	4,697	-	-
Seniors	377	377	-	-
General	4,748	-	-	14,245
Germany	7,764	7,764	-	-
Health programs	47,356	202,279	660,760	339,805
India/Indonesia/Oceania programs	184,695	272,968	264,129	277,965
Malaysia	728	728	-	-
Mexico	7,821	7,332	2,341	-
Middle East programs	1,308	1,308	-	-
Moscow and CIS programs	13,614	16,075	18,437	32,316
Pakistan	6,361	6,239	-	7,412
Pacific Rim programs	8,901	10,514	2,931	5,969
Philippines	276,671	55,628	184,787	704
Procurement and Reimbursement	(17,033)	180	15,401,896	1,960,807
Romania	1,312	1,312	-	-
South and Central America programs	93,995	27,611	137,947	235,937
Thailand	4,470	4,300	-	-
United Kingdom	18,480	1,480	-	-
United States	555,876	483,269	1,842,877	1,355,510
Volunteer programs	7,566	16,067	233,950	145,593
	<u>\$ 2,988,610</u>	<u>\$ 2,965,570</u>	<u>\$ 20,218,313</u>	<u>\$ 5,946,554</u>

HOPE worldwide, Ltd.

**Notes to Financial Statements
December 31, 2013 and 2012**

NOTE G - TEMPORARILY RESTRICTED NET ASSETS AND PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

Permanently restricted net assets are available to support the following purposes as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Agency programs	\$ 928,642	\$ 916,974
Programs benefiting orphans and the needs of disadvantaged children in Eastern Europe and the Balkan States	29,940	29,427
International medical programs with a preference for Sihanouk Hospital and the benefit of HOPE <i>worldwide, Ltd.</i> international programs	30,709	30,183
Cambodia programs	<u>772,169</u>	<u>808,956</u>
	<u>\$ 1,761,460</u>	<u>\$ 1,785,540</u>

The Board of Directors has interpreted state law as requiring the preservation of the purchasing power (real value) of the permanent endowment funds unless explicit donor stipulation specifies how net appreciation must be used. To meet that objective, the Agency endowment management policies require that net appreciation be maintained permanently in an amount necessary to adjust the historic dollar value of original endowment gifts by the change in the Consumer Price Index. After maintaining the real value of the permanent funds, any remainder is available for appropriation.

The Agency has adopted investment and spending policies for endowment and Board designated assets that attempt to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. The objective of the permanently restricted assets is the preservation of capital.

Funds with deficiencies:

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor requires the Agency to retain as a fund of perpetual duration ("underwater"). In accordance with U.S. GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$-0- and \$24,610 as of December 31, 2013 and 2012, respectively. These deficiencies resulted from the allocation of investment earnings between unrestricted and permanently restricted net assets.

HOPE worldwide, Ltd.

**Notes to Financial Statements
December 31, 2013 and 2012**

NOTE G - TEMPORARILY RESTRICTED NET ASSETS AND PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

For the years ended December 31, 2013 and 2012, the Agency's endowment and Board designated net assets had the following activity:

	Year Ended December 31, 2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets at beginning of year	\$ (24,610)	\$ -	\$ 1,785,540	\$ 1,760,930
Interest and dividends	5,835	-	-	5,835
Net appreciation	79,551	-	-	79,551
Authorized withdrawal	-	-	(50,000)	(50,000)
Earnings allocation	(25,920)	-	25,920	-
Change in endowment net assets	59,466	-	(24,080)	35,386
Endowment net assets at end of year	\$ 34,856	\$ -	\$ 1,761,460	\$ 1,796,316
	Year Ended December 31, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	\$ (20,821)	\$ -	\$ 1,670,150	\$ 1,649,329
Interest and dividends	6,024	-	-	6,024
Net appreciation	30,577	-	-	30,577
Contributions	-	-	75,000	75,000
Earnings allocation	(40,390)	-	40,390	-
Change in endowment net assets	(3,789)	-	115,390	111,601
Endowment net assets at end of year	\$ (24,610)	\$ -	\$ 1,785,540	\$ 1,760,930

The Agency's Board designated net assets were available for various international programs.

HOPE worldwide, Ltd.

**Notes to Financial Statements
December 31, 2013 and 2012**

NOTE H - COMMITMENTS

The Agency leases facilities and equipment for operations throughout the United States. Future minimum lease obligations under noncancelable operating leases are as follows:

Year Ending December 31

2014	\$ 291,554
2015	275,521
2016	176,042
2017	181,126
2018	184,210
Thereafter	<u>195,294</u>
	<u>\$ 1,303,747</u>

Rent expense was \$374,411 and \$401,383 for the years ended December 31, 2013 and 2012, respectively.

NOTE I - FEDERAL INCOME TAX STATUS

The Agency has been classified by the Internal Revenue Service ("IRS") as an organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability if the Agency has taken an uncertain tax position that more likely than not would not be sustained upon examination by a government authority. Management has analyzed the tax positions taken by the Agency and has concluded that as of December 31, 2013 and 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

The Agency recognizes accrued interest and penalties associated with uncertain tax positions, if any. There were no income tax related interest and penalties recorded for the years ended December 31, 2013 and 2012. The tax returns of the Agency for the years ended December 31, 2010 through 2012 are subject to examination by the IRS and other various taxing authorities, generally for three years after they were filed.

HOPE worldwide, Ltd.

Notes to Financial Statements
December 31, 2013 and 2012

NOTE J - SCHEDULE OF EXPENSES BY SERVICES PROVIDED

The following are schedules of expenses by services provided for the years ended December 31, 2013 and 2012:

	Year Ended December 31, 2013						
	Program (U.S. and Non-U.S.)				Management and General	Fundraising	Total
	Health	Education and Development	Children/Adoption Care	Other Services			
Salaries	\$ 1,286,481	\$ 204,433	\$ -	\$ 469,216	\$ 1,415,735	\$ 364,698	\$ 3,740,563
Employee benefits	152,715	19,411	-	54,066	304,079	47,055	577,326
Payroll expenses	22,826	18,760	-	32,498	140,921	27,939	242,944
Out-of-town expenses	47,475	62,610	195	399,932	171,223	60,995	742,430
Bad debt	731	-	-	-	-	-	731
Bank charges	687	5	436	1,551	42,775	3,021	48,475
Conference/seminar	1,952	825	-	1,315	11,869	55,495	71,456
Depreciation	156,363	1,245	523	750	33,173	640	192,694
Gifts	732	1,488	-	8,624	4,827	3,735	19,406
Insurance	508	1,056	-	1,510	103,155	3,265	109,494
Interest	-	-	-	-	14,954	-	14,954
License/fees/taxes	604	-	-	60	23,827	2,807	27,298
Maintenance and repairs, building and grounds	2,077	-	-	300	33,230	-	35,607
Meals/entertainment	14,426	8,131	-	62,804	51,682	15,132	152,175
Miscellaneous office expense	528	-	-	499	(295)	-	732
Office equipment rental/maintenance	18,690	94	754	6,349	37,020	17,970	80,877
Printing	6,211	1,566	-	10,225	13,078	41,062	72,142
Professional/legal fees	101,673	93,910	14,539	252,381	428,526	177,846	1,068,875
Program expenses	18,052,928	87,229	154,965	1,063,155	7,369	261	19,365,907
Promotional	3,207	15,524	1,665	94,819	4,565	21,416	141,196
Rent	7,843	5,481	-	33,525	324,089	3,473	374,411
Shipping/postage	4,500	834	-	4,669	5,300	12,419	27,722
Special events	-	-	-	133	-	35,859	35,992
Supplies	7,797	1,307	-	2,479	33,271	4,646	49,500
Telephone	4,525	26	-	5,800	52,789	5,263	68,403
Travel	5,110	4,282	283	8,986	5,490	1,063	25,214
Utilities	4,120	-	-	-	91,484	-	95,604
	<u>\$ 19,904,709</u>	<u>\$ 528,217</u>	<u>\$ 173,360</u>	<u>\$ 2,515,646</u>	<u>\$ 3,354,136</u>	<u>\$ 906,060</u>	<u>\$ 27,382,128</u>

HOPE worldwide, Ltd.

**Notes to Financial Statements
December 31, 2013 and 2012**

NOTE J - SCHEDULE OF EXPENSES BY SERVICES PROVIDED (CONTINUED)

	Year Ended December 31, 2012						Total
	Program (U.S. and Non-U.S.)			Management and General	Fundraising		
	Health	Education and Development	Children/ Adoption Care				
Salaries	\$ 1,178,798	\$ 291,285	\$ -	\$ 344,663	\$ 1,198,051	\$ 524,481	\$ 3,537,278
Employee benefits	57,827	35,199	-	19,951	224,818	66,409	404,204
Payroll expenses	26,203	25,229	-	12,448	87,268	37,140	188,288
Out-of-town expenses	58,516	65,312	-	165,903	152,417	75,854	518,002
Bad debt	4,655	206	-	-	10,937	-	15,798
Bank charges	394	-	3	645	27,004	3,052	31,098
Conference/seminar	963	1,640	-	9,035	1,956	6,672	20,266
Depreciation	34,944	1,501	-	410	67,055	373	104,283
Gifts	75	1,370	-	4,972	3,370	4,888	14,675
Insurance	408	1,353	-	991	92,629	2,805	98,186
Interest	-	-	-	-	101	-	101
License/fees/taxes	1,126	397	-	331	22,421	157	24,432
Maintenance and repairs, building and grounds	18,382	-	-	300	20,682	-	39,364
Meals/entertainment	8,317	15,376	-	33,600	65,628	16,380	139,301
Miscellaneous office expense	2,344	-	-	-	744	-	3,088
Office equipment rental/maintenance	10,358	227	-	412	36,692	15,138	62,827
Printing	2,817	3,480	-	4,146	12,870	39,095	62,408
Professional/legal fees	1,839	138,658	-	200,545	252,333	107,609	700,984
Program expenses	4,018,595	359,299	241,185	1,395,275	-	-	6,014,354
Promotional	2,674	8,895	-	75,424	25,365	21,828	134,186
Rent	-	20,440	-	24,914	349,281	6,748	401,383
Shipping/postage	5,584	970	-	10,978	8,166	26,551	52,249
Special events	-	-	-	-	-	10,399	10,399
Supplies	224	694	-	3,271	71,029	20,224	95,442
Telephone	1,526	591	-	8,589	66,483	7,784	84,973
Travel	1,037	1,915	-	3,281	7,177	1,451	14,861
Utilities	25	-	-	-	101,709	-	101,734
	<u>\$ 5,437,631</u>	<u>\$ 974,037</u>	<u>\$ 241,188</u>	<u>\$ 2,320,084</u>	<u>\$ 2,906,186</u>	<u>\$ 995,038</u>	<u>\$ 12,874,164</u>

NOTE K - SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through June 11, 2014, which is the date the financial statements were available to be issued.