

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
World Hope International, Inc. and Affiliates

Opinion

We have audited the consolidated financial statements of World Hope International, Inc. and Affiliates ("WHI"), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, 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 accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of World Hope International, Inc. and Affiliates as of December 31, 2023 and 2022, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 WHI and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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 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 WHI's ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the 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 GAAS 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 GAAS, 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 WHI'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 WHI'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 audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and the consolidating statement of activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities and are 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 consolidating 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 information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.


Crowe LLP

New York, New York
November 15, 2024

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents		
Headquarters	\$ 428,508	\$ 914,065
Field offices	630,345	710,360
Investments	1,400,436	674,779
Grants and accounts receivable, net	403,775	616,732
Prepaid expenses	660,319	619,231
Inventory	170,043	244,760
Investment in subsidiaries	211,134	300,000
Property and equipment, net	476,390	566,746
Right of use of assets	1,032,570	1,210,914
Deposits and other assets	<u>56,308</u>	<u>49,288</u>
Total assets	<u>\$ 5,469,828</u>	<u>\$ 5,906,875</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 1,057,294	\$ 976,776
Refundable advances	418,994	212,359
Lines of credit	552,490	-
Loans payable	210,000	-
Lease liabilities	<u>1,140,797</u>	<u>1,320,304</u>
Total liabilities	3,379,575	2,509,439
Net assets		
Without donor restrictions	1,082,033	3,080,247
With donor restrictions	<u>1,008,220</u>	<u>317,189</u>
Total net assets	<u>2,090,253</u>	<u>3,397,436</u>
Total liabilities and net assets	<u>\$ 5,469,828</u>	<u>\$ 5,906,875</u>

See notes to consolidated financial statements.

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years ended December 31, 2023 and 2022

	2023			2022		
	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support and revenue						
In-kind contributions	\$ 10,356,248	\$ -	\$ 10,356,248	\$ 9,580,035	\$ -	\$ 9,580,035
Contributions	5,274,297	1,491,709	6,766,006	10,068,220	-	10,068,220
International grants	3,027,520	-	3,027,520	3,356,627	-	3,356,627
Federal grants	590,831	-	590,831	163,592	-	163,592
Program income	701,153	-	701,153	606,983	-	606,983
Other income	423,819	-	423,819	612,891	-	612,891
Interest and dividends	34,447	-	34,447	26,460	-	26,460
Investment income (loss)	101,413	-	101,413	(126,107)	-	(126,107)
Net assets released from restrictions	<u>800,678</u>	<u>(800,678)</u>	<u>-</u>	<u>997,705</u>	<u>(997,705)</u>	<u>-</u>
Total support and revenue	21,310,406	691,031	22,001,437	25,286,406	(997,705)	24,288,701
Expenses						
Program services						
Global health	13,424,014	-	13,424,014	14,152,908	-	14,152,908
Protection and anti-trafficking	3,528,795	-	3,528,795	3,684,335	-	3,684,335
Water, sanitation and energy	2,077,256	-	2,077,256	2,078,274	-	2,078,274
Social ventures	-	-	-	618,088	-	618,088
Public awareness	<u>537,965</u>	<u>-</u>	<u>537,965</u>	<u>373,864</u>	<u>-</u>	<u>373,864</u>
Total program services	19,568,030	-	19,568,030	20,907,469	-	20,907,469
Supporting services						
General and administrative	2,336,093	-	2,336,093	2,480,101	-	2,480,101
Fundraising	<u>1,404,497</u>	<u>-</u>	<u>1,404,497</u>	<u>1,369,249</u>	<u>-</u>	<u>1,369,249</u>
Total supporting services	3,740,590	-	3,740,590	3,849,350	-	3,849,350
Total expenses	<u>23,308,620</u>	<u>-</u>	<u>23,308,620</u>	<u>24,756,819</u>	<u>-</u>	<u>24,756,819</u>
Change in net assets	(1,998,214)	691,031	(1,307,183)	529,588	(997,705)	(468,117)
Net assets, beginning of year	<u>3,080,247</u>	<u>317,189</u>	<u>3,397,436</u>	<u>2,550,659</u>	<u>1,314,894</u>	<u>3,865,553</u>
Net assets, end of year	<u>\$ 1,082,033</u>	<u>\$ 1,008,220</u>	<u>\$ 2,090,253</u>	<u>\$ 3,080,247</u>	<u>\$ 317,189</u>	<u>\$ 3,397,436</u>

See notes to consolidated financial statements.

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2023

	Program Services				Total Program Services	Supporting Services			Total
	Global Health	Protection and Anti-trafficking	Water Sanitation, and Energy	Public Awareness		General and Administrative	Fundraising	Total Supporting Services	
Grants and assistance	\$ 11,866,236	\$ 1,423,784	\$ 1,499,981	\$ 1,435	\$ 14,791,436	\$ 14,908	\$ 2,355	\$ 17,263	\$ 14,808,699
Salaries, taxes and benefits - field offices	1,160,654	1,219,220	422,809	-	2,802,683	37,919	-	37,919	2,840,602
Salaries, taxes and benefits - headquarters	100,401	521,678	8,565	270,277	900,921	1,227,607	493,181	1,720,788	2,621,709
Professional fees	56,744	51,966	2,584	22,816	134,110	307,946	47,639	355,585	489,695
Occupancy	38,572	31,931	322	16,138	86,963	70,004	42,394	112,398	199,361
Office expenses	74,035	75,240	32,554	1,047	182,876	101,629	9,147	110,776	293,652
Travel	14,551	40,307	1,463	3,278	59,599	100,444	30,398	130,842	190,441
Depreciation and amortization	27,920	45,660	70,835	927	145,342	4,813	2,420	7,233	152,575
Information technology	32,995	55,798	11,632	2,673	103,098	253,634	6,099	259,733	362,831
Advertising and promotion	26,274	16,231	2,980	214,216	259,701	1,012	752,024	753,036	1,012,737
Other expenses	17,759	20,497	5,472	891	44,619	87,253	7,446	94,699	139,318
Interest	-	-	-	-	-	38,875	-	38,875	38,875
Conferences, conventions and meetings	7,804	25,481	18,059	3,498	54,842	31,448	6,650	38,098	92,940
Insurance	69	1,002	-	769	1,840	58,601	4,744	63,345	65,185
Total expenses	\$ 13,424,014	\$ 3,528,795	\$ 2,077,256	\$ 537,965	\$ 19,568,030	\$ 2,336,093	\$ 1,404,497	\$ 3,740,590	\$ 23,308,620

See notes to consolidated financial statements.

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2022

	Program Services					Total Program Services	Supporting Services			Total
	Global Health	Protection and Anti-trafficking	Water Sanitation, and Energy	Social Ventures	Public Awareness		General and Administrative	Fundraising	Total Supporting Services	
Grants and assistance	\$ 12,379,296	\$ 1,636,310	\$ 1,493,421	\$ 266,655	\$ 6,323	\$ 15,782,005	\$ 11,589	\$ 1,936	\$ 13,525	\$ 15,795,530
Salaries, taxes and benefits - field offices	1,054,324	864,859	456,870	255,141	-	2,631,194	70,018	-	70,018	2,701,212
Salaries, taxes and benefits - headquarters	172,453	393,732	2,956	27,312	90,070	686,523	1,412,225	486,758	1,898,983	2,585,506
Professional fees	85,984	240,506	25,139	7,604	8,737	367,970	426,361	58,166	484,527	852,497
Occupancy	14,963	28,615	2,643	-	7,904	54,125	52,430	29,856	82,286	136,411
Office expenses	88,977	173,655	32,592	16,314	2,076	313,614	124,667	12,018	136,685	450,299
Travel	137,820	173,204	17,726	7,202	20,985	356,937	60,919	52,632	113,551	470,488
Depreciation and amortization	117,938	25,739	236	-	1,654	145,567	24,952	6,057	31,009	176,576
Information technology	46,370	54,689	32,987	14,451	8,925	157,422	213,608	15,653	229,261	386,683
Advertising and promotion	51,589	11,980	2,040	643	221,213	287,465	1,157	664,077	665,234	952,699
Other expenses	(8,138)	50,973	4,140	20,742	2,033	69,750	43,762	13,165	56,927	126,677
Interest	-	-	-	-	-	-	6,614	-	6,614	6,614
Conferences, conventions and meetings	4,450	15,879	1,563	2,024	-	23,916	5,634	11,749	17,383	41,299
Insurance	6,882	14,194	5,961	-	3,944	30,981	26,165	17,182	43,347	74,328
Total expenses	\$ 14,152,908	\$ 3,684,335	\$ 2,078,274	\$ 618,088	\$ 373,864	\$ 20,907,469	\$ 2,480,101	\$ 1,369,249	\$ 3,849,350	\$ 24,756,819

See notes to consolidated financial statements.

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating activities		
Change in net assets	\$ (1,307,183)	\$ (468,117)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	152,575	176,576
Net realized and unrealized (gain) loss on investments	(101,413)	126,107
Loss on sales of property and equipment	6,374	-
Change in beneficial interest	-	517,782
Credit loss expense	-	5,861
Changes in assets and liabilities		
Grants and accounts receivable	212,957	1,046
Contributions receivable	-	111,934
Prepaid expenses	(41,088)	(144,981)
Inventory	74,717	444,552
Deposits and other assets	(7,020)	26,990
Accounts payable and accrued expenses	80,518	22,790
Deferred rent	-	(163,819)
Operating right-of-use assets and lease liabilities, net	(1,163)	109,390
Refundable advances	<u>206,635</u>	<u>(280,109)</u>
Net cash (used in) provided by operating activities	(724,091)	486,001
Investing activities		
Proceeds from sale of property and equipment	13,491	-
Purchase of property and equipment	(82,084)	(205,665)
Sale of investments	481,582	1,039,802
Purchase of investments	<u>(1,016,960)</u>	<u>(1,107,302)</u>
Net cash used in investing activities	(603,971)	(273,165)
Financing activities		
Proceeds from line of credit	552,490	-
Proceeds from issuance of loans	<u>210,000</u>	<u>-</u>
Net cash provided by investing activities	762,490	-
Net (decrease) increase in cash and cash equivalents	(565,572)	212,837
Cash and cash equivalents, beginning of year	<u>1,624,425</u>	<u>1,411,588</u>
Cash and cash equivalents, end of year	<u>\$ 1,058,853</u>	<u>1,624,425</u>
Supplemental cash flow information:		
Interest paid	\$ 38,875	\$ 6,617
Supplemental disclosure of non-cash activities		
Recording of right of use of assets and lease liabilities under ASC 842	\$ -	\$ 1,585,247

See notes to consolidated financial statements.

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities: World Hope International, Inc. (“World Hope”) is a nonprofit organization incorporated under the Indiana Non-Profit Corporation Act. World Hope’s mission is to alleviate poverty, suffering, and injustice. World Hope pursues this mission by delivering: 1) global health, 2) water, sanitation and energy, 3) protection and anti-trafficking, 4) social venture, and 5) public awareness programs through A) market-based, B) community-based or C) disaster response mechanisms. The consolidated financial statements include the accounts of World Hope, but do not include the various foreign locations where World Hope may provide some support but over which it has no legal or direct control.

First Step Economic Opportunity Zone, Inc. (“First Step”) was incorporated in the state of Delaware in June 2009. First Step was established to help bring ethical foreign direct investment to Sierra Leone. First Step is leveraging the substantial presence and experience of World Hope in Sierra Leone to reduce the risks and costs for international businesses to establish export processing activity in Sierra Leone. World Hope initially had a 65.42% ownership in First Step, while the remaining 34.58% was owned by related parties. In December 2019, World Hope purchased the remaining 34.58% from the related parties. First Step was dissolved as of December 30, 2022.

World Hope Social Ventures LLC (“WHSV”) was incorporated in the state of Delaware in August 2018 as a for-profit social venture entity owned 100% by World Hope. In January 2019, WHSV signed a shareholder agreement for 35% share in TapEffect, a private limited company in Cambodia, which was established to enable access to clean piped water for semi-urban, semi-rural and rural households and small and medium enterprises. WHSV provided capital to TapEffect of \$300,000, which WHSV paid to TapEffect from January to April 2020.

La Gonave Wesleyan Hospital provides hospital-based care to the 120,000 people living on the island of La Gonave, Haiti. WHSV entered into a grant agreement with La Gonave Wesleyan Hospital in June 2020. Pursuant to the grant agreement, WHSV supports the hospital with capital projects, administrative and financial expertise, and board governance. The June 2020 grant agreement gives World Hope International board control during the term of the agreement. La Gonave Wesleyan Hospital is a wholly owned subsidiary of WHSV, and its activities and result of operations are consolidated to WHSV.

In December 2020, the WHSV entered into an equity agreement with FryFry Media PLC, a national Christian radio broadcasting station in Sierra Leone. FryFry Media is wholly owned by WHSV and is expanding its broadcast infrastructure to reach a national audience. The results of operations are consolidated to WHSV.

On September 16, 2023, WHI Board of Directors unanimously approved the change in WHI’s fiscal year from January to December to July to June. This change will be effective for fiscal year beginning July 1, 2025.

Principle of Consolidation: The consolidated financial statements include the activities of World Hope, First Step and WHSV (collectively known as WHI). All material intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America (US GAAP).

Use of Estimates: The preparation of consolidated financial statements in conformity with the generally accepted accounting principles of the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

(Continued)

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates: The preparation of consolidated financial statements in conformity with the generally accepted accounting principles of the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents: Cash and cash equivalents include highly liquid investments with an original maturity of three months or less. Cash consists of bank deposits in accounts that are federally insured up to \$250,000 per financial institution.

Concentration of Credit Risk: WHI's cash deposits may, at times, exceed federally insured limits.

Grants and Accounts Receivables: Receivables are carried at original invoice amounts, less an estimate made for doubtful receivables based on a review of all outstanding amounts on an annual basis. Management determines the allowance for credit losses by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. As of December 31, 2023 and 2022, WHI reported an allowance for credit losses of \$0. All grants and accounts receivable are due within one year.

Inventory: Inventory is valued at the lower of cost or net realizable value. As of December 31, 2023 and 2022, inventory comprised mostly supplies and equipment used mainly for the clean water wells and sanitation program. As of December 31, 2023 and 2022, WHI reported \$170,043 and \$244,760, respectively.

Investments: Investments are reported at fair value. WHI reports money market funds and cash equivalents held in investment portfolios as investments. Realized and unrealized gains and losses are recognized in the accompanying statements of activities. Investment return, including realized and unrealized gains and losses, are included as a component of the change in net assets consistent with the purpose of the investment and donor-imposed restrictions.

Purchased investments are initially recorded at cost and contributed investments are initially recorded at fair value on the date received, and any net appreciation or loss arising thereafter is reported annually in the consolidated statements of activities. Gains and losses on investments, including changes in market value, are reported in the consolidated statements of activities as increases or decreases in net assets without donor restrictions or net assets with donor restrictions.

Investments in Subsidiaries: WHSV has an investment in a limited liability company, TapEffect Inc., in which they have 35% interest and World Hope has one out of the three board members. The investment is accounted using the equity method of accounting.

WHI invests in a professionally managed portfolio that contains various securities during the years ended December 31, 2023 and 2022, which are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near-term could materially affect investment balances and the amounts reported in the consolidated financial statements.

(Continued)

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Equipment and Leasehold Improvements: Office and other equipment, vehicles and software are stated at cost and are depreciated or amortized on a straight-line basis over the estimated useful lives of the assets, ranging from three to five years. Leasehold improvements are stated at cost and are amortized using the straight-line method over the shorter of the lease term or the estimated useful lives of the assets. Buildings and improvements are recorded at cost and depreciated over 27.5 years. WHI capitalizes all property and equipment purchased with a cost of \$5,000 or more with a useful life of more than one year.

Valuation of Long-Lived Assets: Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Right of Use Assets and Lease Liabilities: At the inception of an arrangement, WHI determines if an arrangement is a lease based on all relevant facts and circumstances. Leases are classified as operating or finance leases at the lease commencement date. Operating leases are included in operating right-of-use ("ROU") assets and operating lease liabilities in the consolidated statement of financial position. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Leases with a term of 12 months or less (short-term leases) are not recorded on the consolidated statement of financial position.

Right of use ("ROU") assets represent WHI's right to use the underlying assets for the lease term and lease liabilities represent the net present value of WHI's obligation to make payments arising from these leases. The lease liabilities are based on the present value of fixed lease payments over the lease term using the implicit lease interest rate or, when unknown, WHI's incremental borrowing rate on the lease commencement date or January 1, 2022 for leases that commenced prior to that date. If the lease includes one or more options to extend the term of the lease, the renewal option is considered in the lease term if it is reasonably certain WHI will exercise the options. Operating lease expense is recognized on a straight-line basis over the term of the lease. As permitted by ASC 842, leases with an initial term of twelve months or less ("short-term leases") are not recorded on the accompanying statement of financial position.

WHI has lease agreements with lease and non-lease components, which are accounted for as a single lease component under the practical expedient provisions of the standard. WHI has lease agreements with terms less than one year. For the qualifying short-term leases, WHI elected the short-term lease recognition exemption in which WHI will not recognize ROU assets or lease liabilities, including the ROU assets or lease liabilities for existing short-term leases of those assets in upon adoption.

Variable lease payments consist primarily of common area maintenance, utilities, and taxes, which are not included in the recognition of ROU assets and related lease liabilities. Variable lease payments and short term lease expenses were immaterial to WHI's consolidated financial statements for the years ended December 31, 2023 and 2022. WHI's lease agreements do not contain material restrictive covenants.

(Continued)

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Refundable Advances: Revenue from grants and contracts are recorded based upon terms of the award allotment which generally provide that revenue are earned when the allowable costs of the specific grant or contract provisions have been incurred. Support received from awarding agencies in advance of related allowable costs is recorded as refundable advances. Unexpended advances may have to be returned to the awarding agency at the end of the contract term. Revenues are subject to audit by the contract or grant awarding agency and, if the examination results in a disallowance of any expenditure, repayment could be required. WHI had \$418,994 and \$212,359 of refundable advances in sixteen different grants or contracts as of December 31, 2023 and 2022, respectively.

Net Asset Classification: GAAP requires, among other things, that the financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are classified as without donor restrictions or with donor restrictions, as defined below:

Without Donor Restrictions Net Assets – net assets that are not subject to donor-imposed stipulations.

With Donor Restrictions Net Assets – Net assets subject to donor-imposed restrictions that will be met either by the actions of WHI or through the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt.

Revenues are reported as increases in without donor restriction net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in without donor restriction net assets.

Gains and losses on investments and other assets or liabilities are reported as increases or decreases in without donor restriction net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributions: Contributions, including unconditional contributions are recognized as revenue upon receipt or when unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. Contribution revenue is recorded as increases in net assets without donor restrictions unless their use is limited by time or donor-imposed restrictions.

WHI recognizes pledges at their estimated fair value. Fair value is determined by calculating the present value of the risk adjusted estimated future cash flows using rates at the date of the donation. When WHI receives donor-restricted contributions whose restrictions are met in the same reporting period, WHI reports the contributions as without donor restriction.

Contributions receivables are recognized as revenue when the donor has made an unconditional promise to contribute funds to WHI in future periods. Contributions receivables are recorded at their net realizable value if expected to be collected in one year or at their present value if expected to be collected in more than one year. Conditional contribution receivables are recognized when the conditions on which they depend are substantially met. WHI provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off. Contributions receivable due as of December 31, 2023, and 2022 was \$0.

(Continued)

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government Grants and Contracts: WHI receives grants and enters into contracts with the U.S. government, foreign governments and multi-lateral organizations, which support various WHI programs on a cost reimbursement basis. Support and revenue related to government and other grants is recognized when donor-imposed conditions are met. These revenues are subject to right of return if funds are not spent and also have other performance and/or control barriers that must be met to be entitled to the funds. For this reason, WHI's grant revenues are considered to be conditional and revenue is recognized as funds are utilized for programmatic activities specified in the grant agreement. Accordingly, amounts received, but not recognized as revenue, are classified in the consolidated statements of financial position as refundable advances.

Gifts-in-kind: WHI recognizes in kind donations of property, equipment and other valuables at their estimated fair value determined using the market approach. Revenue is recognized in circumstances in which WHI has sufficient discretion over the use and disposition of the items to recognize a contribution in conformity with the Codification. Accordingly, the recognition of gifts-in-kind revenue is limited to circumstances in which WHI takes constructive possession of the gifts-in-kind and WHI is the recipient of the gift, rather than an agent or intermediary.

Revenue Recognition: WHI derives some of its revenues from various programs and activities, as follows:

Program revenue – revenue includes revenue from various program activities, including mushroom sales, water distribution sales, English class tuitions, and life skills trainings. Revenue generated from program services throughout the fiscal year is recognized when the sale of the product takes place. There is no deferred revenue as of December 31, 2023 and 2022 for program income.

Laboratory income – revenue includes services performed through laboratory testing and services. Revenue from laboratory services is recognized in the period in which the related services were provided to the patients. The performance obligation of providing services is simultaneously received by the patients; therefore, the revenue is recognized. There is no deferred revenue as of December 31, 2023 and 2022 for laboratory income.

Meds/Pharmacy – revenue includes sales of medicine and other pharmacy items to patients and customers. Revenue from these services is recognized in the period in which the related services were provided to the patients. The performance obligation of providing services is simultaneously received by the patients; therefore, the revenue is recognized. There is no deferred revenue as of December 31, 2023, and 2022 for Meds/Pharmacy income.

Dossier/Patient Records – revenue includes costs associated with patient record maintenance and requests from patients for copies. Revenue from these services is recognized in the period in which the related services were provided to the patients. The performance obligation of providing services is simultaneously received by the patients; therefore, the revenue is recognized. There is no deferred revenue as of December 31, 2023 and 2022 for Dossier/Patient Records income.

Hospitalization – revenue includes all services related to revenue from hospitalization services are recognized in the period in which the related services were provided to the patients. The performance obligation of providing services is simultaneously received by the patients; therefore, the revenue is recognized. There is no deferred revenue as of December 31, 2023 and 2022 for hospitalization income.

(Continued)

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Designated Project Income – revenue generated from these services throughout the fiscal year is recognized when the sale of the product takes place. There is no deferred revenue as of December 31, 2023 and 2022 for designated project income.

Functional Expense Allocation: The consolidated financial statements report certain categories of expenses that are attributable to more than one program or function. As a result, these expenses require allocation on a reasonable basis that is consistently applied within the organization. Salaries and benefits are allocated to programs on a basis of time and effort. The categories of occupancy and insurance, information services and telephone and internet are allocated to programs based on the percentage of time and effort identified to each program.

Income Taxes: WHI is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on activities unrelated to its exempt purpose. In addition, WHI qualifies for the charitable contribution deduction and has been classified as an organization that is not a private foundation.

WHI follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, World Hope may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses derecognition, classification, interest and penalties on income taxes and accounting in interim periods.

Management evaluated World Hope tax positions and concluded that World Hope had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance. Generally, World Hope is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2020.

First Step Economic Opportunity Zone, Inc. (First Step) was incorporated as corporation in the state of Delaware and is owned by World Hope International. There was no tax liability at December 31, 2023 and 2022.

World Hope Social Ventures LLC (WHSV) was incorporated in the state of Delaware in August 2018 as a for-profit social venture entity owned 100% by World Hope International and is considered a disregarded entity for tax purposes.

Foreign Currency Translation: The functional currency of WHI is the U.S. dollar. The consolidated financial statements and transactions of WHI's foreign operations are generally maintained in the relevant local currency. Where local currencies are used, assets and liabilities are remeasured at the consolidated statements of financial position date at the exchange rate in effect at year-end. Gains and losses from foreign currency translation are included in change in the net assets. Monthly expenses that are incurred by project field office operations in foreign countries are translated using the adjusted monthly average exchange rate in effect at the end of each month.

(Continued)

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Standard: On January 1, 2023, WHI adopted Accounting Standards Update (“ASU”) 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326) using the modified retrospective approach. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. CECL requires an estimate of credit losses for the remaining estimated life of financial assets using historical experience, current conditions, and reasonable supportable forecasts. The new standard had no material impact on the Company’s financial statements.

Subsequent Events: WHI has performed an analysis of the activities and transactions subsequent to December 31, 2023, to determine the need for any adjustments or disclosures to the consolidated financial statements for the year ended December 31, 2023. WHI has evaluated subsequent events through the date the accompanying financial statements were available to be issued, which was November 15, 2024.

Reclassifications: Certain reclassifications have been made to present last year’s financial statements on a basis comparable to the current year’s financial statements. These reclassifications had no effect on the change in net assets or total net assets.

NOTE 2 – INVESTMENTS

The composition of investments at fair value, are as follows at December 31:

	<u>2023</u>	<u>2022</u>
Mutual funds	\$ <u>1,400,436</u>	\$ <u>674,779</u>

Interest and dividends and realized and unrealized gains and losses on investments are comprised of the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 34,447	\$ 26,460
Net realized gain (loss) on investments	94,393	(119,118)
Net unrealized gain (loss) on investments	<u>7,020</u>	<u>(6,989)</u>
Total realized and unrealized gain (loss) on investments	<u>101,413</u>	<u>(126,107)</u>
Total investment income (loss)	<u>\$ 135,860</u>	<u>\$ (99,647)</u>

(Continued)

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 4 – INVESTMENT IN SUBSIDIARY

WHI invests in its subsidiaries that are either wholly or partly owned by them. As of December 31, 2023 and 2022, these investments values are as follows:

	<u>2023</u>	<u>2022</u>
TapEffect	\$ 211,134	\$ 300,000
	<u>\$ 211,134</u>	<u>\$ 300,000</u>

The investment in TapEffect of \$300,000 was made during the year ended December 31, 2020, by WHSV that has 35% interest.

TapEffect offers a market-based solution for households in rural Cambodia to have access to clean, piped water. As a result, women – upon whom the majority of the clean water burden falls – can have clean water piped into their homes for drinking, washing, gardening and more.

The investment is accounted using the equity method of accounting as WHI has no control of the Company but has significant influence. WHI's share of net income was distributed within the same year.

The following is a summary of the consolidated statements of financial position and results of operations of TapEffect, as of and for the year ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Total assets	<u>\$ 1,904,815</u>	<u>\$ 671,571</u>
Total liabilities	\$ 605,860	\$ 210,034
Total members' equity	<u>1,298,955</u>	<u>461,537</u>
	<u>\$ 1,904,815</u>	<u>\$ 671,571</u>
Total revenue	\$ 270,437	\$ 70,058
Total expenses	<u>127,856</u>	<u>229,083</u>
Net income	<u>\$ 142,581</u>	<u>\$ (159,025)</u>
WHSV share of income (loss)	<u>\$ 49,903</u>	<u>\$ (55,659)</u>

NOTE 5 – INVENTORY

WHI received approximately \$170,043 and \$244,760 in medical supplies that were not used in WHI's operations as of December 31, 2023 and 2022, respectively.

Approximately 96% and 98% of WHI's gifts-in-kind revenues were provided by one and five companies during the year ended December 31, 2023 and 2022, respectively.

(Continued)

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 6 – PROPERTY AND EQUIPMENT

WHI held the following property and equipment as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
WHI:		
Land	\$ 9,400	\$ 9,400
Leasehold improvements	219,580	508,750
Vehicles	1,439,811	1,482,311
Office and other equipment	597,662	844,243
Software	364,528	376,480
WHI Social Ventures (Hospital Wesleyen De La Gonave and FryFry):		
Vehicles	18,835	16,790
Leasehold improvements	17,177	-
Office and other equipment	<u>171,653</u>	<u>88,755</u>
Total property and equipment	2,838,646	3,326,729
Less accumulated depreciation and amortization	<u>(2,362,256)</u>	<u>(2,759,983)</u>
Property and equipment, net	<u>\$ 476,390</u>	<u>\$ 566,746</u>

Depreciation and amortization expense amounted to \$152,575 and \$176,576 for the years ended December 31, 2023 and 2022, respectively.

NOTE 7 – LINES OF CREDIT

WHI has a secured line of credit with its financial institution that has a \$500,000 and \$250,000 credit limit as of December 31, 2023 and 2022, respectively. This line of credit was renewed annually, during the month of April. The line of credit has an interest rate equal to the bank's prime rate plus 0.05%. The rate was 8.56% as of December 31, 2023. The line of credit is secured by WHI's personal property, including its receivables, inventory and equipment. The outstanding balance on this line of credit as of December 31, 2023 and 2022 was \$200,000 and \$0, respectively.

WHI opened a Loan Management Account (revolving line of credit) with Merrill Lynch in May 2021 using the existing Investment Endowment Management Accounts (EMA) held by Merrill Lynch as collateral. Credit limit was \$500,000 as of December 31, 2023 and 2022 and was determined by the value of the portfolio. This line of credit was renewed annually at the end of each year. The line of credit has an interest rate equal to the bank's prime rate plus 0.05%. The rate was 8.56% as of December 31, 2023. The line of credit is secured by WHI's investment in the Merrill Lynch LMA. The outstanding balance on this line of credit as of December 31, 2023 and 2022 was \$352,490 and \$0, respectively.

(Continued)

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 8 – LOANS PAYABLE

During 2023, WHI has secured three one-time loans with its board members at the values stated above that were used to towards the acquisition of various fixed assets. The loans have an interest rate of 5.87% and are secured by WHI's personal property, including its receivables, inventory and equipment.

A summary of loans payable at December 31, 2023 and 2022, are as follows:

	<u>Maturity</u>	<u>Interest Rate</u>	<u>2023</u>	<u>2022</u>
Lee	August 30, 2028	5.87%	\$ 50,000	\$ -
Rickman	August 30, 2028	5.87%	10,000	-
Chambers	August 30, 2028	5.87%	150,000	-
			<u>\$ 210,000</u>	<u>\$ -</u>

Aggregate annual maturities of the loans payable at December 31, 2023, are as follows:

2024	\$ 45,000
2025	44,500
2026	42,000
2027	42,000
2028	<u>36,500</u>
	<u>\$ 210,000</u>

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Foreign Operations: WHI had field offices in Cambodia, Sierra Leone, Haiti, Azerbaijan, Albania, Liberia, Philippines and Bosnia during the years ended December 31, 2023 and 2022. WHI maintained cash, accounts receivable, fixed assets and other assets in each of these countries. The future of these programs can be adversely affected by a number of potential factors, such as currency devaluations or changes in the political climate. As of December 31, 2023 and 2022, WHI had assets in these countries totaling approximately \$2,288,265 and \$2,418,776, respectively, representing approximately 42% and 41% of WHI's total consolidated assets.

Leases: In January 2013, World Hope entered into a noncancelable 10-year lease agreement for its headquarters office space, commencing on May 1, 2013, and expiring on July 31, 2031. Under the terms of the lease, WHI is committed to annual rentals, adjusted for defined escalations of 2.5% annually, and its share of the buildings operating expenses. As an inducement to this lease, the landlord provided WHI with a leasehold construction allowance of \$76,346.

(Continued)

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 9 – COMMITMENTS AND CONTINGENCIES (Continued)

The following table summarizes the details for WHI's operating leases recorded on the consolidated statement of financial position as of December 31, 2023.

	<u>2023</u>	<u>2022</u>
Right of use of assets	\$ 1,032,570	\$ 1,210,914
Lease liabilities	\$ 1,140,797	\$ 1,320,304
Weighted average remaining lease term	88 months	67 months
Weighted average discount rate	1.75%	0.90%

WHI's lease agreements do not provide an implicit rate, as such WHI uses an estimated incremental borrowing rate, which is derived from third-party information available at the adoption date in determining the present value of lease payments.

Fixed lease payments are recognized as operating lease cost on a straight-line basis over the lease term. ROU assets are periodically evaluated for impairment.

The following table summarizes maturities of WHI's operating lease liabilities as of December 31, 2023, which reconciles to total lease liabilities included on WHI's consolidated statement of financial position.

2024	\$ 168,913
2025	130,368
2026	135,023
2027	141,560
2028	148,328
Thereafter	<u>416,605</u>
	<u>\$ 1,140,797</u>

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2023 and 2022, net assets with donor restrictions were available as follows:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specific purposes:		
Global health	\$ 208,383	\$ 35,984
Protection and anti-trafficking	495,795	145,816
Water, sanitation and energy	304,041	85,371
Social ventures	-	<u>50,018</u>
Total net assets with donor restrictions	<u>\$ 1,008,220</u>	<u>\$ 317,189</u>

(Continued)

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors:

	<u>2023</u>	<u>2022</u>
Global health	\$ 78,119	\$ 276,013
Protection and anti-trafficking	524,639	94,604
Water, sanitation and energy	197,919	77,001
Social ventures	-	30,228
Beneficial interest in assets held in trust by others	-	519,859
	<u>\$ 800,678</u>	<u>\$ 997,705</u>

NOTE 11 – AVAILABILITY OF RESOURCES AND LIQUIDITY

WHI regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. WHI's financial assets available within one year of the consolidated statements of financial position date for general expenditures at December 31, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,058,853	\$ 1,624,425
Investments	1,400,436	674,779
Grants and accounts receivable, net	<u>403,775</u>	<u>616,732</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,863,064</u>	<u>\$ 2,915,936</u>

WHI has various sources of liquidity at its disposal, including cash and cash equivalents and receivables, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of WHI throughout the year. This is done through monitoring and reviewing WHI's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of WHI's cash flow related to WHI's various funding sources and is, therefore, able to ensure that there is cash available to meet current liquidity needs.

NOTE 12 – PENSION PLAN

WHI sponsors a defined contribution annuity retirement plan for all employees. If an employee is eligible to participate in the plan and elects to participate, WHI contributes 4% of the participating employee's annual compensation to the plan. Pension expense totaled \$52,723 and \$62,772 for the years ended December 31, 2023 and 2022, respectively, and is included as part of salaries, taxes and benefits in the accompanying consolidated statements of functional expenses.

SUPPLEMENTARY INFORMATION

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2023

	<u>World Hope</u> <u>International, Inc.</u>	<u>World Hope</u> <u>Social Ventures</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents - headquarters:				
Headquarters	\$ 426,818	\$ 1,690	\$ -	\$ 428,508
Field offices	556,984	73,361	-	630,345
Investments	1,400,436	-	-	1,400,436
Grants and accounts receivable, net	1,158,940	7,648	(762,813)	403,775
Prepaid expenses	660,319	-	-	660,319
Inventory	139,743	30,300	-	170,043
Investment in subsidiaries	-	762,813	(551,679)	211,134
Property and equipment, net	320,737	155,653	-	476,390
Right of use of assets	1,032,570	-	-	1,032,570
Deposits and other assets	56,308	-	-	56,308
	<u>\$ 5,752,855</u>	<u>\$ 1,031,465</u>	<u>\$ (1,314,492)</u>	<u>\$ 5,469,828</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	\$ 977,320	\$ 1,394,466	\$ (1,314,492)	\$ 1,057,294
Refundable advances	418,994	-	-	418,994
Lines of credit	552,490	-	-	552,490
Loans payable	210,000	-	-	210,000
Lease liabilities	1,140,797	-	-	1,140,797
Total liabilities	3,299,601	1,394,466	(1,314,492)	3,379,575
Net assets:				
Without donor restrictions	1,445,034	(363,001)	-	1,082,033
With donor restrictions	1,008,220	-	-	1,008,220
Total net assets	2,453,254	(363,001)	-	2,090,253
Total liabilities and net assets	<u>\$ 5,752,855</u>	<u>\$ 1,031,465</u>	<u>\$ (1,314,492)</u>	<u>\$ 5,469,828</u>

See independent auditor's report.

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
Year ended December 31, 2023

	World Hope International, Inc.	World Hope Social Ventures	Eliminations	Total
Support and revenue:				
In-kind contributions	\$ 10,356,248	\$ -	\$ -	\$ 10,356,248
Contributions	6,877,960	-	(111,954)	6,766,006
International grants	3,027,520	-	-	3,027,520
Federal grants	590,831	-	-	590,831
Program income	85,816	615,337	-	701,153
Other income	393,814	30,005	-	423,819
Interest and dividends	34,447	-	-	34,447
Investment income	101,413	-	-	101,413
Total support and revenue	21,468,049	645,342	(111,954)	22,001,437
Expenses				
Program services:				
Global health	12,915,868	620,100	(111,954)	13,424,014
Protection and anti-trafficking	3,405,319	123,476	-	3,528,795
Water, sanitation and energy	2,077,256	-	-	2,077,256
Public awareness	537,965	-	-	537,965
Total program services	18,936,408	743,576	(111,954)	19,568,030
Supporting services				
General and administrative	2,336,093	-	-	2,336,093
Fundraising	1,404,497	-	-	1,404,497
Total supporting services	3,740,590	-	-	3,740,590
Total expenses	22,676,998	743,576	(111,954)	23,308,620
Change in net assets	(1,208,949)	(98,234)	-	(1,307,183)
Net assets, beginning of year	3,662,203	(264,767)	-	3,397,436
Net assets, end of year	<u>\$ 2,453,254</u>	<u>\$ (363,001)</u>	<u>\$ -</u>	<u>\$ 2,090,253</u>

See independent auditor's report.