

Hope For The Warriors®

Financial Statements and
Independent Auditor's Report

December 31, 2023 and 2022

Hope For The Warriors®

Financial Statements
December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hope For The Warriors®

Opinion

We have audited the accompanying financial statements of Hope For The Warriors® (HOPE), which comprise the statements of financial position as of December 31, 2023 and 2022; the related 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 financial statements referred to above present fairly, in all material respects, the financial position of HOPE 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. 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 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management for the Financial Statements (continued)

In preparing the 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 financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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, including omissions, 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 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 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 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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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.

Handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
April 18, 2024

Hope For The Warriors®

Statements of Financial Position December 31, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 789,751	\$ 2,542,110
Investments	2,099,834	975,011
Accounts receivable, net	105,821	66,348
Grants and contributions receivable, net	1,005,491	759,571
Deposits and prepaid expenses	145,760	118,723
Inventory	4,514	7,220
Property and equipment, net	85,277	87,772
Right-of-use asset – operating lease	82,240	385,758
Total assets	<u>\$ 4,318,688</u>	<u>\$ 4,942,513</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 133,476	\$ 65,984
Accrued salaries and benefits	256,926	177,570
Refundable advances	336,128	810,590
Lease liability – operating lease	93,799	403,762
Loan payable – Small Business Loan Program	156,042	159,903
Total liabilities	<u>976,371</u>	<u>1,617,809</u>
Net Assets		
Without donor restrictions:		
Undesignated	1,589,578	1,548,889
Board-designated	274,963	1,229,656
Total without donor restrictions	1,864,541	2,778,545
With donor restrictions	1,477,776	546,159
Total net assets	<u>3,342,317</u>	<u>3,324,704</u>
Total liabilities and net assets	<u>\$ 4,318,688</u>	<u>\$ 4,942,513</u>

See accompanying notes.

Hope For The Warriors®

Statement of Activities For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 3,684,215	\$ 3,506,208	\$ 7,190,423
Contract revenue	263,454	-	263,454
In-kind contributions	205,085	-	205,085
Special events, net	1,186,669	-	1,186,669
Cohen Veterans Network clinic	272,006	-	272,006
Investment return, net	213,526	-	213,526
Other income	47,939	-	47,939
Released from restrictions	2,574,591	(2,574,591)	-
Total revenue and support	8,447,485	931,617	9,379,102
Expenses			
Program services:			
Well-being	3,930,249	-	3,930,249
Cultural awareness	916,743	-	916,743
Community development	874,909	-	874,909
Community engagement	893,227	-	893,227
Cohen Veterans Network	1,556,691	-	1,556,691
Other programs	409,725	-	409,725
Total program services	8,581,544	-	8,581,544
Supporting services:			
Management and general	630,012	-	630,012
Fundraising	149,933	-	149,933
Total supporting services	779,945	-	779,945
Total expenses	9,361,489	-	9,361,489
Change in Net Assets	(914,004)	931,617	17,613
Net Assets, beginning of year	2,778,545	546,159	3,324,704
Net Assets, end of year	\$ 1,864,541	\$ 1,477,776	\$ 3,342,317

See accompanying notes.

Hope For The Warriors®

Statement of Activities For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 4,299,317	\$ 2,693,676	\$ 6,992,993
Contract revenue	337,355	-	337,355
In-kind contributions	40,468	-	40,468
Special events, net	841,347	-	841,347
Cohen Veterans Network clinic	227,521	-	227,521
Investment return, net	(181,548)	-	(181,548)
Released from restrictions	2,559,943	(2,559,943)	-
Total revenue and support	8,124,403	133,733	8,258,136
Expenses			
Program services:			
Well-being	3,659,897	-	3,659,897
Cultural awareness	797,045	-	797,045
Community development	834,543	-	834,543
Community engagement	682,845	-	682,845
Cohen Veterans Network	1,353,647	-	1,353,647
Other programs	228,034	-	228,034
Total program services	7,556,011	-	7,556,011
Supporting services:			
Management and general	654,297	-	654,297
Fundraising	40,218	-	40,218
Total supporting services	694,515	-	694,515
Total expenses	8,250,526	-	8,250,526
Change in Net Assets	(126,123)	133,733	7,610
Net Assets, beginning of year	2,904,668	412,426	3,317,094
Net Assets, end of year	\$ 2,778,545	\$ 546,159	\$ 3,324,704

See accompanying notes.

Hope For The Warriors®

Statement of Functional Expenses
For the Year Ended December 31, 2023

	Program Services							Supporting Services				Total
	Well-Being	Cultural Awareness	Community Development	Community Engagement	Cohen Veterans Network	Other Programs	Total Program Services	Management and General	Fundraising	Direct Benefit to Donors	Total Supporting Services	
Personnel costs	\$ 2,457,460	\$ 444,083	\$ 618,309	\$ 427,703	\$ 1,462,406	\$ 145,222	\$ 5,555,183	\$ 378,189	\$ 137,987	\$ -	\$ 516,176	\$ 6,071,359
Grants and contributions	1,097,135	-	30,434	7,864	1,637	13,803	1,150,873	-	-	11,293	11,293	1,162,166
Professional fees	13	42,125	32,695	43,954	29,873	17,348	166,008	93,111	-	-	93,111	259,119
Advertising	13,700	261,144	3,885	83,652	1,494	128,634	492,509	514	-	-	514	493,023
Technology	54,452	50,940	26,130	9,469	1,482	3,215	145,688	9,418	3,055	-	12,473	158,161
Travel and meals	36,740	4,410	4,478	138,448	8,839	30,646	223,561	2,015	-	-	2,015	225,576
Donated services, facilities, and materials	77,846	65,000	-	10,967	-	14,681	168,494	36,591	-	-	36,591	205,085
Meetings and events	8,844	945	2,773	138,504	4,891	5,066	161,023	247	-	283,040	283,287	444,310
Insurance	20,128	3,637	5,064	3,503	-	1,189	33,521	3,075	1,130	-	4,205	37,726
Depreciation	17,893	3,233	4,502	3,114	-	1,057	29,799	2,734	1,005	-	3,739	33,538
Occupancy	92,637	16,331	22,737	15,728	414	5,340	153,187	11,393	5,074	-	16,467	169,654
Provision for credit losses	-	-	-	-	-	-	-	11,193	-	-	11,193	11,193
Other expenses	53,401	24,895	123,902	10,321	45,655	43,524	301,698	81,532	1,682	-	83,214	384,912
Subtotal	3,930,249	916,743	874,909	893,227	1,556,691	409,725	8,581,544	630,012	149,933	294,333	1,074,278	9,655,822
Less: direct benefit to donors	-	-	-	-	-	-	-	-	-	(294,333)	(294,333)	(294,333)
Total Expenses	\$ 3,930,249	\$ 916,743	\$ 874,909	\$ 893,227	\$ 1,556,691	\$ 409,725	\$ 8,581,544	\$ 630,012	\$ 149,933	\$ -	\$ 779,945	\$ 9,361,489

See accompanying notes.

Hope For The Warriors®

Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services							Supporting Services				Total
	Well-Being	Cultural Awareness	Community Development	Community Engagement	Cohen Veterans Network	Other Programs	Total Program Services	Management and General	Fundraising	Direct Benefit to Donors	Total Supporting Services	
Personnel costs	\$ 2,437,324	\$ 415,399	\$ 572,007	\$ 371,109	\$ 1,063,682	\$ 129,732	\$ 4,989,253	\$ 355,375	\$ 37,369	\$ -	\$ 392,744	\$ 5,381,997
Grants and contributions	955,638	-	-	11,874	356	8,002	986,480	-	-	10,610	-	986,480
Professional fees	5,563	153,350	57,613	10	60,129	-	278,615	196,241	-	1,950	196,241	474,856
Advertising	20,730	144,302	18,099	83,986	2,816	7,482	277,415	641	-	-	641	278,056
Technology	41,697	45,264	19,826	6,161	27,386	2,962	143,296	6,768	620	-	7,388	150,684
Travel and meals	26,677	651	5,102	94,827	10,054	17,848	155,159	2,520	-	-	2,520	157,679
Donated services, facilities, and materials	1,420	-	-	18,321	-	20,727	40,468	-	-	-	-	40,468
Meetings and events	5,689	-	1,757	69,345	6,263	4,342	74,836	542	-	113,901	127,003	201,839
Insurance	15,953	2,719	3,744	2,429	6,962	849	32,656	2,327	245	-	2,572	35,228
Depreciation	24,972	4,256	5,861	3,802	10,898	1,329	51,118	3,641	383	-	4,024	55,142
Occupancy	75,054	12,536	17,262	11,199	32,244	3,915	152,210	22,083	1,128	-	23,211	175,421
Bad debt expense	-	-	-	-	-	-	-	62,405	-	-	62,405	62,405
Other expenses	49,180	18,568	133,272	9,782	132,857	30,846	374,505	1,754	473	-	2,227	376,732
Subtotal	3,659,897	797,045	834,543	682,845	1,353,647	228,034	7,556,011	654,297	40,218	126,461	820,976	8,376,987
Less: direct benefit to donors	-	-	-	-	-	-	-	-	-	(126,461)	(126,461)	(126,461)
Total Expenses	\$ 3,659,897	\$ 797,045	\$ 834,543	\$ 682,845	\$ 1,353,647	\$ 228,034	\$ 7,556,011	\$ 654,297	\$ 40,218	\$ -	\$ 694,515	\$ 8,250,526

See accompanying notes.

Hope For The Warriors®

Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 17,613	\$ 7,610
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	33,538	55,142
Donated investments	(192,591)	(22,954)
Net realized and unrealized (gain) loss on investments	(142,836)	197,368
Change in allowance for credit loss	94,166	-
Change in allowance – accounts receivable	-	62,405
Amortization of right-of-use-assets – operating lease	303,518	154,642
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, net	(133,639)	(54,596)
Grants and contributions receivable, net	(245,920)	114,880
Accrued rent receivable	-	7,664
Deposits and prepaid expenses	(27,037)	(41,244)
Inventory	2,706	-
Increase (decrease) in:		
Accounts payable	67,492	(70,003)
Accrued salaries and benefits	79,356	21,402
Interest payable	-	3,820
Deferred sponsorships	-	(63,000)
Refundable advances	(474,462)	23,479
Lease liability – operating lease, net	(309,963)	(136,638)
	(928,059)	259,977
Cash Flows from Investing Activities		
Purchases of fixed assets	(31,043)	(45,828)
Purchases of investments	(1,171,512)	(247,208)
Proceeds from sale of investments	382,116	257,367
	(820,439)	(35,669)
Cash Flows from Financing Activity		
Payments on loan payable	(3,861)	-
	(3,861)	-
Net (Decrease) Increase in Cash and Cash Equivalents	(1,752,359)	224,308
Cash and Cash Equivalents, beginning of year	2,542,110	2,317,802
Cash and Cash Equivalents, end of year	\$ 789,751	\$ 2,542,110
Non-Cash Transactions Arising from ASC 842 Adoption:		
Establishment of right-of-use asset – operating lease	\$ -	\$ 540,400
Establishment of lease liability – operating lease	\$ -	\$ 540,400

See accompanying notes.

Hope For The Warriors®

Notes to Financial Statements
December 31, 2023 and 2022

1. Nature of Operations

Hope For The Warriors® (HOPE) is a not-for-profit organization incorporated in North Carolina in 2006. HOPE's mission is to help those touched by military service to succeed at home by restoring their sense of self, family, and hope. Nationally, HOPE provides comprehensive support programs for service members, veterans, and military families that are focused on transition, health and wellness, peer engagement, and connectedness to community. Funding is provided primarily by individual, corporate, and foundation contributions. HOPE program areas are:

Well-Being

HOPE's overarching goal is to enhance the quality of life for the entire post-9/11 Warrior Community. HOPE views well-being, or wellness as positive and affirming; an active process in which people become aware of, and make choices toward, a more prosperous and purposeful life. HOPE's well-being model (details below) integrates six well-being domains that were developed to meet the complex needs of the Warrior Community.

Physical Wellness

Engages the Warrior Community in staying active and physically fit through competitive sports and recreational events. HOPE connects warriors and family members to a variety of opportunities to support personal fitness and recreation goals. Whether it is running, cycling, hiking, fishing, or hunting, HOPE helps warriors to set goals and track milestones with a healthy competitive spirit.

Emotional Wellness

Often, a veteran or family member is not able to obtain treatment within their community or is hesitant to seek services from the VA or other sources of mental health care available locally. HOPE's supportive counseling is designed to provide short-term counseling to augment other treatment. Licensed social workers provide supportive clinical services to service members, veterans, caregivers, and adult family members needing interim support where a gap in services is identified.

Financial Wellness

Financial wellness programs assist and support clients during times of crisis and transitions. Clinical case management is provided throughout the process. Program staff provide support through financial grants, referrals, information about resources, supportive counseling, and sharing of knowledge and education.

Hope For The Warriors®

Notes to Financial Statements
December 31, 2023 and 2022

1. Nature of Operations (continued)

Well-Being (continued)

Financial Wellness (continued)

The assistance provided is intended as a temporary support. These programs assist service members, veterans, and their families in two specific ways. First, program coordinators provide integrated case management, financial education with an emphasis on long-term financial stability, and resource referrals that assist the client both today and in the future. Second, if the client meets program eligibility criteria, financial support may be provided to assist the family in the short-term.

Life Roles

Life Roles programs support active-duty warriors and their family members primarily as they transition to veteran status. These programs address career transition, employment, and educational needs and benefits unique to warriors and military families. Many warriors and their family members face drastically different and new challenges if medically retired or designated as unemployable due to combat or service-connected injuries. Finding meaningful and satisfying work or impactful volunteer opportunities after service is critical to a warrior's overall health and wellness.

Social Support

Led by a licensed clinical social worker, this domain is the entry point for all of HOPE's wellness services supporting our Warrior Community. In less than three days from initial inquiry, the Intake Coordination team conducts intake interviews with a focus on expressed need and well-being, and then connects each applicant, as appropriate, to HOPE's physical, emotional, financial, and transition health supports, as well as community and peer support resources.

Community Connection

Integral to HOPE's continuum model, HOPE's all-veteran Military Relations team individually engages with warriors throughout their journey as part of the HOPE family. The team connects warriors to new opportunities provided by HOPE along with those of HOPE's community partners. HOPE's Ambassador Program offers opportunities for warriors to give back and support their comrades by providing 1-1 peer support. The Military Relations team helps warriors to find new ways to serve and to help warriors find where they fit and can engage in the larger community, outside of military service.

Hope For The Warriors®

Notes to Financial Statements
December 31, 2023 and 2022

1. Nature of Operations (continued)

Cultural Awareness

HOPE's communications team drives the initiative to bridge the military-civilian divide through understanding of the needs of the veteran community and military families, and how the public at large can support them. The team facilitates dialogue, primarily through digital platforms, that brings awareness of and respect for the existing cultural differences and experiences. Additionally, sustained awareness of the needs of the military community results in effective programming for the Department of Defense, Department of Veteran's Affairs, and socially-responsible corporate entities. This team informs HOPE and its partners with metrics and engagement strategies that continue that connection.

Community Development

HOPE strives to build educated communities that understand the unique needs and challenges of today's military family. HOPE collaborates with military organizations, corporations, civic groups, foundations, and individuals to improve military and veteran education and engagement. HOPE's corporate partners enjoy a rich relationship that is beneficial to their culture and feeds their military employee programs, while HOPE's individual supporters derive a personal touch to their giving.

Community Engagement

HOPE works directly at the community level to engage both military and civilian communities, uniting corporate and civil leaders, school districts, military agencies, and more to work together with a shared goal of embracing the military families within their communities. HOPE provides education and resources, both in person and virtually, to service members and their families as they transition out of the military. By developing relationships within the community — through both events and program work — HOPE establishes connectedness to community that is also a key component of the warrior culture.

Steven A. Cohen Military Family Clinic at Hope For the Warriors

The Steven A. Cohen Military Family Clinic ("The Clinic") at Hope for The Warriors provides confidential, high-quality behavioral health care services at little to no cost without long wait times to post-9/11 veterans, active-duty service members with a TRICARE referral, and military families. The Clinic is a local resource connection for the community, including Camp Lejeune, Jacksonville, and the greater Onslow County area.

Hope For The Warriors®

Notes to Financial Statements
December 31, 2023 and 2022

1. Nature of Operations (continued)

Steven A. Cohen Military Family Clinic at Hope For the Warriors (continued)

Services are available regardless of discharge status, role in uniform, combat experience, ability to pay, or insurance. Military families can find care for: depression, anxiety, post-traumatic stress disorder, sleep problems, adolescent behavioral issues, relationship and family stress, and transitional challenges. Families also have access to case management support and local referrals to help with other stresses like unemployment, finances, housing, and legal issues.

Other Programs

The Executive Team plays an integral role in the near fight and far fight of HOPE. Participating in conversations that drive change to protect the future of HOPE military families, while maintaining a personal touch with those HOPE serves, is critical in developing and maintaining relevant programming. The excellence of the HOPE team stems from the daily focus on team development. Specifically addressing the nature of HOPE work, advances in support, and the vision of HOPE, every staff member is immersed in opportunities to enhance their skill sets and work laterally across the spectrum providing a cohesive and consistent experience for HOPE service members and their families.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

HOPE's financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or grantor) restrictions. The governing Board has designated, from net assets without donor restrictions, net assets for an operating reserve fund.

Hope For The Warriors®

Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Basis of Accounting and Presentation (continued)

- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash Equivalents

HOPE considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of 90 days or less at the time of purchase. Excluded from this definition are amounts held for investment.

Investments

Investments are stated at fair value based on quoted market prices. Realized and unrealized gains and losses, less investment management fees, are included as a component of net investment return in the accompanying statements of activities. Donated investments are initially valued at the market value on the date received from the donor. HOPE's policy is to liquidate donated securities as soon as administratively-feasible, and therefore they are treated as operating activities in the accompanying statements of cash flows.

Accounts Receivable

Accounts receivable are recorded at net realizable value, are all due within one year, and are generated from income earned on Cohen Veterans Network Clinic and special events. Accounts receivable are presented net of an allowance for credit losses resulting from the inability of customers to make required payments. The allowance for credit losses is based upon historical loss experience in combination with current economic conditions and a forecast of future economic conditions. Any change in the assumptions used in analyzing a specific account receivable might result in an additional allowance for credit losses being recognized in the period in which the change occurs. However, HOPE has historically had insignificant write-offs due to bad debts.

Hope For The Warriors®

Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable (continued)

Allowance for credit losses consists of the following at December 31, 2023:

Allowance for credit losses, beginning of year	\$	105,359
Deductions (write off, net of recoveries)		<u>(94,166)</u>
Allowance for credit losses, end of year	\$	<u>11,193</u>

Grants and Contributions Receivable

Grants and contributions receivable represent unconditional receivables and are recorded at net realizable value. Grants and contributions are recognized as revenue in the period promised. Grants and contributions receivable due in more than one year are discounted to present value based on management's estimate of the risk-adjusted rate of return.

Property and Equipment

Property and equipment purchased at a cost of \$1,000 or more are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from five to 10 years. Expenditures for maintenance and repairs are expensed when incurred.

Operating Leases

HOPE records a right-of-use asset and lease liability for its operating leases. The right-of-use asset is amortized over the shorter of the lease term or the economic life of the leased asset. The associated lease liability represents the net present value of the future amounts due under the lease, calculated using a risk-free rate of return selected based on the term of the lease. For real estate leases, nonlease components are separated from the lease components for accounting purposes. HOPE does not apply the recognition requirements under Accounting Standards Codification (ASC) Topic 842, *Leases*, to short-term leases.

Hope For The Warriors®

Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

Grants and contributions that are unconditional are recorded as revenue when received or promised. HOPE reports grants and contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 and reported in the statements of activities as net assets released from restrictions.

Conditional contracts and grants are recorded as revenue upon meeting certain performance requirements and the incurrence of allowable qualifying expenses. HOPE recorded \$336,128 and \$810,590 at December 31, 2023 and 2022, respectively, as refundable advances in the accompanying statements of financial position related to the conditional grant for which the performance requirements had not been met.

In-kind contributions include donated goods, food, services, and advertising and are recognized at fair value at the time of receipt. Amounts totaling \$205,085 and \$40,468 are recorded in the statements of activities as in-kind contributions revenue for the years ended December 31, 2023 and 2022, respectively.

Sponsorships for special events that are nonreciprocal are recognized as contributions. For contributions, revenue is recognized when a contribution becomes unconditional. Typically, sponsorship agreements contain a right of return or right of release from obligations, should the sponsored event not take place. As such, HOPE recognizes revenue for these conditional contributions when the related event is conducted. Sponsorships received for future events are recorded as deferred sponsorships revenue in the statements of financial position.

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Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for as Contracts with Customers

Revenue is recognized when HOPE satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration HOPE expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, HOPE combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met. Specifically, for the various types of contracts, HOPE recognizes revenue as follows:

Special events revenue is recognized as earned in the period in which the event takes place. Events sponsorships are comprised of exchange elements based on the benefits received, including run registrations, banner and booth display, and advertisement.

Cohen Veterans Network clinic revenue is recognized as earned in the period the clinical service is provided to the veterans. The provisions for contractual adjustments and discounts are recognized on accrual basis and are deducted from gross program service fees to determine net program service fees.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs

Advertising costs are expensed as incurred, and approximated \$493,023 and \$278,056 during the years ended December 31, 2023 and 2022, respectively.

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Notes to Financial Statements
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2. Summary of Significant Accounting Policies (continued)

Use of 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 and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 presentation. These reclassifications have no effect on the change in net assets previously reported.

Adopted Accounting Pronouncement

In 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. This ASU addresses measurement and reporting of credit losses related to accounts receivable, notes receivable, leases receivable, and held-to-maturity debt securities. The ASU mandates the current expected credit loss (CECL) model, which measures and reports expected losses over the contractual life of an asset. The measurement of expected life credit losses will be based on relevant information, not just past events (including historical experience and current conditions), but also the “reasonable and supportable” forecasts that affect collectability of the reported amount. This guidance is effective for HOPE for the year ended December 31, 2023. HOPE adopted ASU 2016-13 during the year ended December 31, 2023, and has adjusted the presentation in the financial statements as permitted by ASU 2016-13.

Subsequent Events

In preparing these financial statements, HOPE has evaluated events and transactions for potential recognition or disclosure through April 18, 2024, the date the financial statements were available to be issued.

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Notes to Financial Statements
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3. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at December 31:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 789,751	\$ 2,542,110
Investments	2,099,834	975,011
Accounts receivable, net	105,821	66,348
Grants and contributions receivable, net	<u>1,005,491</u>	<u>759,571</u>
Total financial assets	4,000,897	4,343,040
Less: not available for general expenditures:		
Refundable advances	(336,128)	(810,590)
Board-designated funds	(274,963)	(1,229,656)
Net assets with donor restrictions	(1,477,776)	(546,159)
Collateralized investments	<u>(93,799)</u>	<u>(403,762)</u>
Total not available for general expenditures	<u>(2,182,666)</u>	<u>(2,990,167)</u>
Total available for general expenditures	<u>\$ 1,818,231</u>	<u>\$ 1,352,873</u>

HOPE strives to maintain liquid financial assets to meet 90 days of operating expenditures. As part of its liquidity plan, HOPE invests cash and cash equivalents in excess of daily requirements in various short-term investments. In addition, as described in Note 11 to the financial statements, HOPE maintains a flexible line of credit with its investment institution that is collateralized by HOPE's investment portfolio, and a committed line of credit in the amount of \$50,000 that it could draw upon in the event of an unanticipated liquidity need.

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Notes to Financial Statements
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4. Concentration of Credit Risk

Financial instruments that potentially subject HOPE to significant concentrations of credit risk consist of cash and cash equivalents, and investments. HOPE maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). HOPE has not experienced any credit losses on its cash and cash equivalents, and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

5. Investments and Fair Value Measurement

HOPE follows Financial Accounting Standards Board ASC 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period.

In general, and where applicable, HOPE uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

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Notes to Financial Statements
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5. Investments and Fair Value Measurement (continued)

The following table presents HOPE's fair value hierarchy for those investments measured on a recurring basis at December 31, 2023:

	Level 1	Level 2	Level 3	Total
Cash and money				
market funds	\$ 1,005,595	\$ -	\$ -	\$ 1,005,595
Mutual funds:				
Equity	333,119	-	-	333,119
Equity ETFs	327,912	-	-	327,912
Fixed income	158,929	-	-	158,929
Fixed income ETFs	274,279	-	-	274,279
Total investments	\$ 2,099,834	\$ -	\$ -	\$ 2,099,834

The following table presents HOPE's fair value hierarchy for those investments measured on a recurring basis at December 31, 2022:

	Level 1	Level 2	Level 3	Total
Cash and money				
market funds	\$ 20,658	\$ -	\$ -	\$ 20,658
Mutual funds:				
Equity	309,256	-	-	309,256
Equity ETFs	266,645	-	-	266,645
Fixed income	169,790	-	-	169,790
Fixed income ETFs	208,662	-	-	208,662
Total investments	\$ 975,011	\$ -	\$ -	\$ 975,011

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Notes to Financial Statements
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5. Investments and Fair Value Measurement (continued)

Net investment return consists of the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 79,737	\$ 25,566
Realized gain	172,606	4,760
Unrealized loss	(29,770)	(202,128)
Less: investment management fees	<u>(9,047)</u>	<u>(9,746)</u>
Total investment return, net	<u>\$ 213,526</u>	<u>\$ (181,548)</u>

6. Property and Equipment

HOPE held the following property and equipment at December 31:

	<u>2023</u>	<u>2022</u>
Furniture	\$ 1,625	\$ 1,625
Computer equipment and software	351,058	341,990
Vehicles	<u>64,390</u>	<u>64,390</u>
Total property and equipment	417,073	408,005
Less: accumulated depreciation	<u>(331,796)</u>	<u>(320,233)</u>
Property and equipment, net	<u>\$ 85,277</u>	<u>\$ 87,772</u>

7. Refundable Advances

On February 26, 2020, HOPE entered into an agreement with Cohen Veterans Network, Inc. (CVN). CVN is focused on establishing a network of free or low-cost outpatient mental health clinics for veterans and their family members. HOPE will work with CVN to support a clinic in North Carolina that will provide compassionate, evidence-based, individually-tailored, flexible, mental health treatment to veterans and their family members. Funds received from CVN are conditional grants and recorded as revenue when performance requirements are satisfied. At December 31, 2023 and 2022, HOPE recorded \$336,128 and \$810,590, respectively, as refundable advances in the accompanying statements of financial position related to the funds received from CVN.

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Notes to Financial Statements
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8. Commitments and Contingencies

Operating Leases

In April 2016, HOPE entered into a lease agreement for office space located in Springfield, Virginia. The terms of the lease contained provisions for reduced rent for the first 10 months, rent escalations, and was set to expire in 2022. In January 2020, the lease agreement was amended to reduce the size of the office space rented and extend the term of the lease through March 31, 2025. In December 2020, the lease agreement was amended one more time to defer base rent for a period of three months starting December 2020 through February 2021 to be payable in 12 monthly installments commencing March 1, 2021. On July 31, 2023, the lease was amended to reduce the size of office space rented and extend the lease term through December 2028. HOPE moved to the new office space on January 3, 2024.

In addition, HOPE entered into an office space lease agreement in Jacksonville, North Carolina, for a period of five years, starting from February 1, 2018, with an expiration date of January 31, 2023. The original lease had a base monthly payment of \$2,048. In December 2022, the lease agreement was amended to extend the term through December 31, 2025, with a revised base monthly payment of \$3,975.

Subsequent to year end, on January 1, 2024, HOPE entered into a one year lease agreement for office space located in the County of Onslow, North Carolina through December 31, 2024, with an annual rent of \$12.

HOPE also leases an office space in Houston, Texas, which is on a month-to-month basis for a monthly payment of \$125. The lease was terminated on November 15, 2023.

Lease cost was comprised of the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 160,490	\$ 160,490
Short-term lease cost	1,375	1,500
Total lease cost	<u>\$ 161,865</u>	<u>\$ 161,990</u>

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Notes to Financial Statements
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8. Commitments and Contingencies (continued)

Operating Leases (continued)

Other supplemental qualitative information related to the operating office leases is as follows at December 31:

	2023	2022
Cash paid for amounts included in the measurement of lease liability – operating cash flows from operating lease	\$ 164,520	\$ 142,486
Right-of-use asset obtained in exchange for lease obligations	\$ -	\$ 540,400
Weighted-average remaining lease term (in years)	2.00	2.51
Weighted-average discount rate	1.63%	1.25%

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liability, and a reconciliation to present value of lease liabilities as of December 31:

	NC Office
2024	\$ 47,700
2025	47,700
	95,400
Less: discount to present value at 1.63%	(1,601)
Present value of operating lease liability	\$ 93,799

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Notes to Financial Statements
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8. Commitments and Contingencies (continued)

Government Grants

Funds received from federal and other government agencies are subject to an audit under the provisions of the grant agreements. The ultimate determination of amounts received under these grants is based upon the allowance of costs reported to and accepted by the oversight agencies. Until such grants are completed, a potential contingency exists to refund any amounts received in excess of allowable costs. Management is of the opinion that no material liability exists.

9. Paycheck Protection Program Loan

HOPE applied for two loans under the Paycheck Protection Program (PPP) pursuant to Division A, Title 1 of the CARES Act, which was enacted on March 27, 2020. The PPP is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll through the COVID-19 pandemic, for which HOPE qualified. After the loans are granted, the Small Business Administration (SBA) will forgive loans if all employee retention criteria are met, and the funds are used for eligible expenses (which primarily consist of payroll costs, costs used to continue group healthcare benefits, rent, and utilities). The Paycheck Protection Program Flexibility Act of 2020 was enacted on June 5, 2020, and amends the PPP to give borrowers more freedom in how and when loan funds are spent while retaining the possibility of full forgiveness.

As part of the program, HOPE received two loans in fiscal years 2020 and 2021. The first loan in the amount of \$919,900 was forgiven on May 14, 2021, and the related amount was recognized as grant and contributions revenue in the statement of activities for the year ended December 31, 2021. The second loan in the amount of \$936,300 was forgiven on January 14, 2022 and the related amount was recognized as grants and contributions revenue in the accompanying statement of activities for the year ended December 31, 2022.

10. Loan Payable – Small Business Administrative Loan Program

In July 2020, HOPE applied for the SBA Loan Program (“SBA Loan”) and was granted a loan in the amount of \$150,000. The SBA Loan is scheduled to mature in July 2050, subject to an annual interest rate of 2.75%. At December 31, 2023 and 2022, the outstanding loan payable balance was \$156,042 and \$159,903, respectively.

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Notes to Financial Statements
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10. Loan Payable – Small Business Administrative Loan Program (continued)

Principal payments on the loan obligation are as follows for the years ending December 31:

2024	\$	3,496
2025		3,594
2026		3,694
2027		3,797
2028		3,902
Thereafter		<u>137,559</u>
Total principal payments	\$	<u><u>156,042</u></u>

11. Lines of Credit

HOPE maintains a \$50,000 unsecured line of credit with a bank for the purposes of working capital needs. The line of credit is renewable every year. Borrowings under this line bear interest at the *Wall Street Journal* prime rate plus 2.00% (10% and 5.25% at December 31, 2023 and 2022, respectively). There was no outstanding balance on this line of credit at December 31, 2023 and 2022.

In addition, HOPE has a flexible line of credit with its investment institution that is secured by an investment portfolio. This line of credit does not require principal payments; however, the investment institution may sell the underlying collateral to settle a collateral call without notice to HOPE. Interest accrues at approximately 4%, which is a variable rate based on the one-month LIBOR. There was no outstanding balance on this line of credit for both years ended December 31, 2023 and 2022.

12. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes at December 31:

	<u>2023</u>	<u>2022</u>
Program restricted	\$ 457,877	\$ 224,261
Time restricted	<u>1,019,899</u>	<u>321,898</u>
Total net assets with donor restrictions	<u><u>\$ 1,477,776</u></u>	<u><u>\$ 546,159</u></u>

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Notes to Financial Statements
December 31, 2023 and 2022

13. In-Kind Contributions

HOPE recognizes contribution revenue at fair value for certain services and materials received. The following amounts were recorded at fair value for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Professional fees	\$ 37,941	\$ -
Advertising	65,000	-
Goods	14,473	40,468
Food	87,671	-
Total in-kind contributions	<u>\$ 205,085</u>	<u>\$ 40,468</u>

Contributed professional fees represent legal services provided by attorneys who advise on various conservation and administrative legal matters. Contributed legal services are used for program and supporting services and recognized at fair value based on current rates for similar legal services.

Contributed advertising is valued using estimated principal market prices of identical or similar products. Contributed advertising is used for program services.

Contributed goods and food are valued using estimated principal market prices of identical or similar items. Contributed goods and food are used for program and supporting services.

All contributed goods and services received during the years ended December 31, 2023 and 2022 were unrestricted.

14. Special Events

Special events revenue is presented net of the direct benefit provided to donors. The following table summarizes revenue from special events for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Gross revenue	\$ 1,481,002	\$ 967,808
Direct benefit to donors	<u>(294,333)</u>	<u>(126,461)</u>
Special events, net	<u>\$ 1,186,669</u>	<u>\$ 841,347</u>

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Notes to Financial Statements
December 31, 2023 and 2022

15. Joint Costs

HOPE's sponsored run and annual gala include programmatic activities together with a request for contributions in support of HOPE's mission. The costs of conducting these activities included joint costs not directly attributable to any single function. Those costs were allocated among the functional expense categories as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Program services	\$ 286,204	\$ 128,094
Fundraising	<u>29,456</u>	<u>18,534</u>
Total joint costs	<u>\$ 315,660</u>	<u>\$ 146,628</u>

16. Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel costs, which are allocated on the basis of estimates of time and effort. Expenses that benefit all aspects of HOPE are allocated based upon the percentage of salaries for that program or activity relative to total HOPE salaries.

17. Income Taxes

HOPE is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes on net unrelated business activities. No tax expense is recorded in the accompanying financial statements for the years ended December 31, 2023 and 2022, as there was no significant unrelated business income. Management has evaluated HOPE's tax positions and has determined that HOPE has taken no uncertain tax positions that require either recognition or disclosure in the accompanying financial statements.