

IMPACT WITH HOPE MINISTRIES

FINANCIAL STATEMENTS

DECEMBER 31, 2016

CLARK, KING & ASSOCIATES

Certified Public Accountants

IMPACT WITH HOPE MINISTRIES

DECEMBER 31, 2016

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CLARK, KING & ASSOCIATES

Certified Public Accountants
7854 West Central Avenue
Toledo, OH 43617

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Impact with Hope, Inc.

We have audited the accompanying financial statements of Impact with Hope Ministries (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Impact with Hope Ministries as of December 31, 2016 and 2015, 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.

Clark, King & Associates

Toledo, Ohio
October 30, 2017

IMPACT WITH HOPE MINISTRIES
STATEMENTS OF FINANCIAL POSITION

	<u>DECEMBER 31</u>	
<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current		
Cash and cash equivalents	\$ 31,397	\$ 14,644
Inventory	274,141	445,964
Accounts receivable	21,000	35,121
Total current assets	<u>326,538</u>	<u>495,729</u>
Promises to give	95,800	95,800
Property and equipment		
Land	147,811	147,811
Buildings and improvements	894,987	866,162
Vehicles	161,779	142,779
Furnishings	104,402	104,402
Equipment	136,125	136,125
Int'l Hope Center project	416,100	416,100
	<u>1,861,204</u>	<u>1,813,379</u>
Less accumulated depreciation	(693,986)	(641,386)
Net property and equipment	<u>1,167,218</u>	<u>1,171,993</u>
 Total assets	 <u>\$1,589,556</u>	 <u>\$ 1,763,522</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable	\$ 63,092	\$ 75,194
Total current liabilities	<u>63,092</u>	<u>75,194</u>
Non-current Liabilities		
Long-term debt	99,885	109,684
Note payable – related party	374,500	374,500
Total liabilities	<u>537,477</u>	<u>559,378</u>
<u>NET ASSETS</u>		
Unrestricted net assets	661,138	618,485
Temporarily restricted	390,941	585,659
Total net assets	<u>1,052,079</u>	<u>1,204,144</u>
Total liabilities and net assets	<u>\$1,589,556</u>	<u>\$1,763,522</u>

See accompanying notes and accountants' report.

IMPACT WITH HOPE MINISTRIES

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains and other support			
Contributions	\$ 388,809	\$ 3,774	\$ 392,583
Contributions of goods and services		5,372,975	5,372,975
Interest income			
Net assets released based on satisfaction of program restrictions	<u>5,994,656</u>	<u>(5,994,656)</u>	
Total revenue, gains and other support	6,383,465	(617,907)	<u>5,765,558</u>
 Expenses			
Missions effort	3,066,032		3,066,032
Medical material and services	2,974,049		2,974,049
Children's medical rehabilitation	270,817		270,817
Total program expenses	<u>6,310,898</u>		<u>6,310,898</u>
 Management and general	118,419		118,419
Fundraising	<u>18,405</u>		<u>18,405</u>
Total expenses	<u>6,447,722</u>		<u>6,447,722</u>
 Change in net assets	(64,257)	(617,907)	(682,164)
 Net assets at beginning of year	<u>682,742</u>	<u>1,203,566</u>	<u>1,886,308</u>
 Net assets at end of year	<u>\$ 618,485</u>	<u>\$ 585,659</u>	<u>\$1,204,144</u>

See accompanying notes and accountants' report.

IMPACT WITH HOPE MINISTRIES

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains and other support			
Contributions	\$ 426,665	\$ 93,801	\$ 520,466
Contributions of goods and services		5,430,621	5,430,621
Interest income	1		1
Net assets released based on satisfaction of program restrictions	<u>5,719,140</u>	<u>(5,719,140)</u>	
Total revenue, gains and other support	6,145,806	(194,718)	5,951,088
 Expenses			
Missions effort	2,074,925		2,074,925
Medical material and services	3,714,305		3,714,305
Children's medical rehabilitation	156,900		156,900
Total program expenses	<u>5,946,130</u>		<u>5,946,130</u>
 Management and general	137,610		137,610
Fundraising	19,413		19,413
Total expenses	<u>6,103,153</u>		<u>6,103,153</u>
 Change in net assets	42,653	(194,718)	(152,065)
 Net assets at beginning of year	<u>618,485</u>	<u>585,659</u>	<u>1,204,144</u>
 Net assets at end of year	<u>\$ 661,138</u>	<u>\$390,941</u>	<u>\$1,052,079</u>

See accompanying notes and accountants' report.

IMPACT WITH HOPE MINISTRIES

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	<u>Supporting Services</u>			
	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fund-</u> <u>raising</u>	<u>Total</u>
Donated				
Food and commodities	\$2,688,774			\$2,688,774
Medical supplies	2,841,971			2,841,971
Medical and work team volunteers	337,436			337,436
Shipping expenses	33,449			33,449
Repairs, maintenance and equipment	3,447	\$ 919	\$ 230	4,596
Salaries and wages	19,411	15,529	3,882	38,822
Professional fees	80	2,575		2,655
Mission expenses	162,230	15,602	2,938	180,770
Utilities	12,844	4,654	1,117	18,615
Website and computer costs	2,027	7,089	1,424	10,540
Property fees and rent	80,227	10,919	2,670	93,816
Supplies	1,353	1,486	418	3,257
Office	3,716	7,448	636	11,800
Auto	26,409	13,553	4,387	44,349
Travel	3,084			3,084
Depreciation	38,301	16,415		54,716
Insurance	15,110	14,087		29,197
Meals and entertainment	2,007	443	102	2,552
Interest	5300	5300		10,600
Promotional expenses	315		135	450
Payroll taxes	2,327	1,861	466	4,654
Medical	7,363			7,363
Education	1,545			1,545
Warehouse expenses	12,078			12,078
Contributions and grants	10,094			10,094
Miscellaneous	<u>0</u>	<u>539</u>	<u> </u>	<u>539</u>
Total Expenses	<u>\$6,310,898</u>	<u>\$ 118,419</u>	<u>\$ 18,405</u>	<u>\$6,447,722</u>

See accompanying notes and accountants' report.

IMPACT WITH HOPE MINISTRIES

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	<u>Supporting Services</u>			
	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fund-</u> <u>Raising</u>	<u>Total</u>
Donated				
Food and commodities	\$1,241,546			\$1,241,546
Medical supplies	3,576,805			3,576,805
Medical and work team volunteers	382,979			382,979
Shipping expenses	346,506			346,506
Repairs, maintenance and equipment	4,461	\$ 33,991	\$ 1,967	40,419
Salaries and wages	27,501	22,001	5,500	55,002
Professional fees	1,292	5,784	258	7,334
Mission expenses	209,715	1,097	1,646	212,458
Utilities	15,885	3,502	846	20,233
Website and computer costs	1,860	5,413	363	7,636
Property fees and rent	1,542	95	18	1,655
Supplies	2,148	573	142	2,863
Office	8,511	10,370	1,848	20,729
Auto	11,092	5,546	1,849	18,487
Travel	3,400			3,400
Depreciation	28,930	21,040	2,630	52,600
Insurance	15,328	14,144		29,472
Bank charges	441	2,733	147	3,321
Meals and entertainment		123	184	307
Interest	3,535	3,402		6,937
Promotional expenses		452	553	1,005
Payroll taxes	7,301	5,841	1,462	14,604
Medical	2,057			2,057
Education	3,029			3,029
Warehouse expenses	3,626			3,626
Contributions and grants	41,568			41,568
Miscellaneous	5,072	1,503		6,575
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$5,946,130</u>	<u>\$137,610</u>	<u>\$19,413</u>	<u>\$6,103,153</u>

See accompanying notes and accountants' report.

STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ (152,065)	\$ (682,164)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	52,600	54,716
Increase/(decrease) in operating assets and liabilities		
Increase/(decrease) in accounts payable	(12,102)	66,540
(Increase)/decrease in accounts receivable	14,121	(17,751)
(Increase)/decrease inventory	171,823	617,907
Accrued liabilities	<u>-0-</u>	<u>(1,461)</u>
Net cash provided (used) by operating activities	<u>74,377</u>	<u>37,787</u>
Cash Flows from Investing Activities		
Additions to property and equipment	(47,825)	(139,665)
Cash Flows from Financing Activities		
Net borrowings on line of credit		
Borrowings on related party note	-0-	82,312
Repayment of bank note payable & capital lease	<u>(9,799)</u>	<u>(5,224)</u>
Net cash provided (used) by financing activities	<u>(9,799)</u>	<u>77,088</u>
Net increase (decrease) in cash and cash equivalents	16,753	(24,790)
Cash and cash equivalents at beginning of year	<u>14,644</u>	<u>39,434</u>
Cash and cash equivalents at end of year	<u>\$ 31,397</u>	<u>\$ 14,644</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 6,937</u>	<u>\$ 10,600</u>

See accompanying notes and accountants' report.

NOTE 1 – Nature of Activities and Significant Accounting Policies

Nature of Activities

Impact with Hope Ministries formerly International Services of Hope/Impact With God Crusades, Inc. (ISOH) is a non-denominational Christian organization providing spiritual and physical aid to children and their families around the world. Since the consolidation of two organizations in 1991, Impact with Hope has provided services to children and their families who are victims of war, poverty, disease, famine and natural disasters with the purpose of sharing God's love. Impact with Hope provides services regardless of color, creed or religion.

Basis of Presentation and Net Asset Classification

Impact with Hope reports information regarding its financial position and activities on the accrual basis of accounting in accordance with the generally accepted accounting principles of the United States of America. This includes presenting activities according to three classes of net assets: Unrestricted – net assets are not restricted by donors or the donor-imposed restriction have expired. Unrestricted net assets include board designated net assets. Temporarily Restricted – net assets are those whose use by Impact with Hope has been limited by donors to a specific time period or purpose. The restrictions are satisfied either by the passage of time or by actions of Impact with Hope. As of December 31, 2016 and 2015 there was \$139,695 of net assets for the use in the construction of the new International Hope Center. At the end of 2016 and 2015 there were \$274,141 and \$445,964 of donated food and supplies remaining to be shipped. Permanently restricted – net assets that have been restricted by donors to be maintained by ISOH or a trustee in perpetuity. There were no permanently restricted net assets at December 31, 2016 and 2015.

Estimates

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

Cash and Cash Equivalents

Impact with Hope considers cash and cash equivalents to include cash on hand and in banks in the form of checking and savings accounts and certificates of deposit.

Inventory

Inventory consists of donated items held at year-end. It is valued at the lower of cost or fair market value.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 – Significant Accounting Policies - Continued

Property and Equipment

Property and equipment are stated at cost or fair value, if donated. Depreciation is provided at rates based on the estimated useful lives of the assets using the straight-line method. Assets purchased for \$500 or more are capitalized.

Promises to Give and Contributions

Contributions are recorded when made, unconditional promises to give are recorded when the donor makes the promise. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give, due in subsequent years, are reported as temporarily restricted income at their realizable value. All promises to give at December 31, 2016 will be paid upon the commencement of the construction of the New Hope Center.

Income Taxes

Impact with Hope has adopted the provisions of FASB ASC Topic, Accounting for uncertainty in income taxes, effective January 1, 2009. Under this guidance management of the organization is required to determine whether a tax position of the organization, such as tax exemption designation, is more likely than not to be sustained upon examination by the taxing authority. Management is not aware of any tax positions for which it is reasonably possible that significant change in a tax position will occur. Impact with Hope is exempt from federal tax under Section 501(c)(3) of the Internal Revenue Code, and has been deemed to be a publicly supported organization under Section 509(a)(2) of the Internal Revenue Code. Form 990, Return of Organizations Exempt from Income Tax, for the years ending 2014 thru 2016 are subject to examination by the IRS, generally for three years.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and of functional expenses. Accordingly, certain costs have been allocated between the programs and supporting services benefited.

Contributed Goods and Services

A substantial number of donors contributed goods and services. The value of the services donated is determined based on the type of service performed at the average fair value of comparable services. Donated goods are recorded at fair value. Revenue and an equal amount of expense are reflected in the financial statements for the donated services and goods. In 2016 and 2015 Impact with Hope recognized \$382,979 and \$263,906 respectively for donated services and \$5,047,642 and \$5,368,895 respectively in medical equipment and supplies, airfare, shipping and foodstuffs.

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NOTES TO FINANCIAL STATEMENTS – CONTINUED

Evaluation of Subsequent Events

Subsequent events were evaluated through October 30, 2017, which is the date the financial statements were available to be issued.

NOTE 2 – Debt

Debt consists of the following at December 31:

	<u>2016</u>	<u>2015</u>
Note payable to bank in monthly payments of \$1,300 Including interest at 5.7%. Final maturity will be in Sept. of 2022. Note is secured by the real estate.	\$ 78,400	\$ 88,239
Commercial loan at 8.24% secured by equipment	\$ 21,484	\$ 21,445
Credit line at 13%.	\$ 759	\$ 105

Annual maturities of the debt will be as follows for the years ending December 31:

2017	\$ 10,499
2018	11,113
2019	11,764
2020	12,452
2021	13,181
Thereafter	<u>41,634</u>
Total	<u>\$100,643</u>

NOTE 3 – Notes Payable to Related Party

	<u>2016</u>	<u>2015</u>
Unsecured note payable to the CEO and President, no interest. There is currently no expected repayment date on this loan. The note has been secured by a mortgage on the property. During current and prior years, the CEO and President contributed funds for the operating facility. As a condition of these contributions, Impact with Hope must repay these contributions in the event that the donor is terminated from employment.	<u>\$374,500</u>	<u>\$374,500</u>

NOTE 4 – Cash Reserve Credit

Impact with Hope has a cash reserve credit agreement which allows for advances up to \$1,000. The reserve balance bears interest of 13%. The balance outstanding under this agreement as of December 31, 2016 and 2015 was \$759 and \$105 respectively.

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NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 5 – Restriction on Net Assets

Temporary restriction on net assets at the end of 2016 and 2015 were \$390,941 and \$585,659 and are related to contributions for Impact with Hope's missions effort.

NOTE 6 – Construction of International Hope Center

In 2005, the Board of Impact with Hope approved a plan to construct the International Hope Center to be located in Levis Commons in Perrysburg, Ohio. The International Hope Center, a ministry of Impact with Hope, will be a facility that provides physical and spiritual aid to hurting people around the world, regardless of their religion, race or nationality. This ministry will help meet the needs of people who are victims of war, poverty, natural disaster, disease and famine with the purpose of sharing God’s love. The International Hope Center will serve the church worldwide to promote the Gospel of Jesus Christ through a network of community partners. As part of this plan Impact with Hope purchased the land for this building during 2007 for a cost of \$300,000. The developer discounted the price to 50% of the market value as a donation to Impact with Hope. The \$150,000 discount was recorded as a contribution in 2007. Engineering and architectural services valued at \$93,874 were contributed to the project in prior years.

Management estimates that the cost of this project will be \$1,300,000. As of December 31, 2016, after determining the cash received, in-kind contributions, and promises to give restricted to this project, approximately \$700,000 of funding is still uncommitted. These additional funds, including a matching grant, are expected to be received from multiple donors to assist in the completion of this project.

In 2012 a matching grant in the amount of \$150,000 was extended in order for Impact with Hope to accumulate an Operations and Maintenance Fund that will underwrite the annual costs associated with ongoing maintenance and facility management for the International Hope Center.

In addition, another matching grant in the amount of \$200,000 was extended to provide construction costs for the Hope Center.

NOTE 7 – Fair Value Measurements

SFAS No. 157, *Fair Value Measurements*, establishes a fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value. This hierarchy consist of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Fair values for short-term investments and long-term investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Levels 2 and 3 are lower priorities and did not apply in 2016 or 2015.

Fair values of assets measured on a recurring basis at December 31, 2016 and 2015 were all level one and equaled \$31,397 and \$14,644 respectively.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 8 – Description of Lease Arrangements

Impact with Hope currently leases equipment with combined monthly payments of \$1,480 per month. Future lease commitments are as follows.

2017	\$17,954
2018	\$11,620
2019	\$3,728

NOTE 9 – Concentration of Risk

Linda Greene, RN, Ph.D. is the President and CEO of Impact with Hope. In addition to serving as President and CEO she also provides 24 hour care as a nurse to residents of the facility. Mrs. Greene does not take compensation for her work. In the event she was unable to perform her current duties, it would create a substantial financial hardship on the organization.