

Hope International Ministries, Inc.

Financial Statements

June 30, 2018 and December 31, 2017

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Independent Auditor's Report

Board of Directors
Hope International Ministries, Inc.
Tampa, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Hope International Ministries, Inc., which comprise the statements of financial position as of June 30, 2018 and December 31, 2017; the related statements of activities, functional expenses, and cash flows for the six months ended June 30, 2018 and the year ended December 31, 2017; 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 the 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 the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope International Ministries, Inc. as of June 30, 2018 and December 31, 2017; and the changes in its net assets and its cash flows for the six months ended June 30, 2018 and the year ended December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.

Gregory, Sharer & Stuart, P.A.

St. Petersburg, Florida
October 2, 2018

Hope International Ministries, Inc.
Statements of Financial Position

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Assets		
Current assets		
Cash	\$ 2,518,167	\$ 2,609,202
Investments	1,076,792	1,070,279
Current portion of note receivable	2,096	92,096
Other assets	1,500	-
Total current assets	<u>3,598,555</u>	<u>3,771,577</u>
Property and equipment, net of accumulated depreciation	5,584,949	5,339,289
Investments	105,654	105,429
Notes receivable, net of current portion	<u>3,228</u>	<u>3,478</u>
Total assets	<u>\$ 9,292,386</u>	<u>\$ 9,219,773</u>
Liabilities and net assets		
Current liabilities		
Current maturities of long-term debt	\$ 34,848	\$ 34,245
Accounts payable	10,829	26,627
Accrued expenses	147,993	91,222
Due to related parties	16,795	15,789
Total current liabilities	<u>210,465</u>	<u>167,883</u>
Long-term debt, net of current maturities and debt issuance costs	<u>731,171</u>	<u>748,243</u>
Total liabilities	<u>941,636</u>	<u>916,126</u>
Net assets		
Unrestricted	6,436,871	6,411,676
Temporarily restricted	1,808,225	1,786,542
Permanently restricted	105,654	105,429
Total net assets	<u>8,350,750</u>	<u>8,303,647</u>
Total liabilities and net assets	<u>\$ 9,292,386</u>	<u>\$ 9,219,773</u>

Hope International Ministries, Inc.
Statement of Activities for the Six Months Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains (losses), and other support				
Contributions	\$ 950,675	\$ 248,544	\$ -	\$ 1,199,219
In-kind contributions	251,369	-	-	251,369
Interest and dividends	5,169	-	-	5,169
Realized and unrealized gain on investments	6,513	-	225	6,738
Other	10,100	-	-	10,100
Net assets released from restriction	226,861	(226,861)	-	-
Total revenue, gains (losses), and other support	<u>1,450,687</u>	<u>21,683</u>	<u>225</u>	<u>1,472,595</u>
Expenses				
Program services	1,212,190	-	-	1,212,190
Support services				
Administrative	180,983	-	-	180,983
Fundraising	32,319	-	-	32,319
Total expenses	<u>1,425,492</u>	<u>-</u>	<u>-</u>	<u>1,425,492</u>
Change in net assets	25,195	21,683	225	47,103
Net assets at beginning of period	<u>6,411,676</u>	<u>1,786,542</u>	<u>105,429</u>	<u>8,303,647</u>
Net assets at end of period	<u>\$ 6,436,871</u>	<u>\$ 1,808,225</u>	<u>\$ 105,654</u>	<u>\$ 8,350,750</u>

Hope International Ministries, Inc.**Statement of Activities for the Year Ended December 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains, and other support				
Contributions	\$ 2,422,290	\$ 961,859	\$ -	\$ 3,384,149
In-kind contributions	408,412	-	-	408,412
Interest and dividends	8,768	-	-	8,768
Realized and unrealized gain on investments	110,198	-	14,029	124,227
Other	91,192	-	-	91,192
Net assets released from restriction	583,674	(579,466)	(4,208)	-
Total revenue, gains, and other support	<u>3,624,534</u>	<u>382,393</u>	<u>9,821</u>	<u>4,016,748</u>
Expenses				
Program services	2,394,341	-	-	2,394,341
Support services				
Administrative	230,700	-	-	230,700
Fundraising	54,133	-	-	54,133
Total expenses	<u>2,679,174</u>	<u>-</u>	<u>-</u>	<u>2,679,174</u>
	945,360	382,393	9,821	1,337,574
Change in net assets	<u>5,466,316</u>	<u>1,404,149</u>	<u>95,608</u>	<u>6,966,073</u>
Net assets at beginning of period	<u>\$ 6,411,676</u>	<u>\$ 1,786,542</u>	<u>\$ 105,429</u>	<u>\$ 8,303,647</u>
Net assets at end of period				

Hope International Ministries, Inc.
Statement of Functional Expenses for the Six Months Ended June 30, 2018

	Program Services	Support Services		Total Support Services	Total Expenses
		Administrative	Fundraising		
Salaries and wages	\$ 298,523	\$ 32,881	\$ 21,406	\$ 54,287	\$ 352,810
Employee benefits	120,233	15,340	-	15,340	135,573
Payroll taxes	31,720	2,765	3	2,768	34,488
Total salaries and related expenses	450,476	50,986	21,409	72,395	522,871
Children's programs	67,178	-	-	-	67,178
Junior/senior expenses	2,360	-	-	-	2,360
School	8,490	-	-	-	8,490
Occupancy	91,262	2,218	-	2,218	93,480
Repairs and maintenance	54,654	-	-	-	54,654
Travel	48,109	-	-	-	48,109
Professional fees	-	25,680	-	25,680	25,680
Insurance	51,630	-	-	-	51,630
Information technology	6,057	4,848	-	4,848	10,905
Office expenses	37,862	3,508	-	3,508	41,370
Fees and dues	3,959	-	4,250	4,250	8,209
In-kind expenses	251,369	-	-	-	251,369
Bad debt	-	90,000	-	90,000	90,000
Other	13,649	3,265	6,660	9,925	23,574
Total expenses before depreciation and interest	1,087,055	180,505	32,319	212,824	1,299,879
Depreciation	110,484	478	-	478	110,962
Interest	14,651	-	-	-	14,651
Total expenses	\$ 1,212,190	\$ 180,983	\$ 32,319	\$ 213,302	\$ 1,425,492

Hope International Ministries, Inc.

Statement of Functional Expenses for the Year Ended December 31, 2017

	Program Services	Support Services		Total Support Services	Total Expenses
		Administrative	Fundraising		
Salaries and wages	\$ 644,116	\$ 78,450	\$ 32,623	\$ 111,073	\$ 755,189
Employee benefits	238,531	31,336	100	31,436	269,967
Payroll taxes	63,416	3,234	107	3,341	66,757
Total salaries and related expenses	946,063	113,020	32,830	145,850	1,091,913
Children's programs	133,708	-	-	-	133,708
Junior/senior expenses	1,007	-	-	-	1,007
School	44,109	-	-	-	44,109
Occupancy	173,082	1,396	-	1,396	174,478
Repairs and maintenance	168,772	-	-	-	168,772
Travel	78,983	10,594	-	10,594	89,577
Professional fees	-	77,763	-	77,763	77,763
Insurance	75,997	9,856	-	9,856	85,853
Information technology	28,615	10,276	-	10,276	38,891
Office expenses	76,967	7,077	-	7,077	84,044
Fees and dues	12,344	-	6,363	6,363	18,707
In-kind expenses	408,412	-	-	-	408,412
Other	16,273	718	14,940	15,658	31,931
Total expenses before depreciation and interest	2,164,332	230,700	54,133	284,833	2,449,165
Depreciation	199,726	-	-	-	199,726
Interest	30,283	-	-	-	30,283
Total expenses	\$ 2,394,341	\$ 230,700	\$ 54,133	\$ 284,833	\$ 2,679,174

Hope International Ministries, Inc.
Statements of Cash Flows

	Six Months Ended June 30, 2018	Year Ended December 31, 2017
	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 47,103	\$ 1,337,574
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	110,962	199,726
Amortization of loan costs	614	1,228
Bad debt expense	90,000	-
Realized and unrealized gain on investments	(6,738)	(124,227)
Donated investments	-	(3,719)
(Increase) decrease in operating assets		
Other assets	(1,500)	-
Due to related parties	1,006	14,574
(Decrease) increase in operating liabilities		
Accounts payable	(15,798)	15,378
Accrued expenses	56,771	(76,653)
Net cash provided by operating activities	<u>282,420</u>	<u>1,363,881</u>
Cash flows from investing activities		
Proceeds from sale of investments	-	4,208
Purchases of property and equipment	(356,622)	(617,494)
Proceeds from note receivable	250	1,250
Net cash used by investing activities	<u>(356,372)</u>	<u>(612,036)</u>
Cash flows from financing activities		
Principal payments on long-term debt	<u>(17,083)</u>	<u>(33,118)</u>
Net (decrease) increase in cash	(91,035)	718,727
Cash at beginning of period	<u>2,609,202</u>	<u>1,890,475</u>
Cash at end of period	<u>\$ 2,518,167</u>	<u>\$ 2,609,202</u>
Supplemental Disclosure		
Cash paid for interest	<u>\$ 14,037</u>	<u>\$ 29,055</u>

Note A - Description of Organization

Organization

Hope International Ministries, Inc. (the Organization) is a not-for-profit corporation founded in 1968 to provide a Christian home and education for children who have come from broken homes and families. The Organization has cared for nearly 5,000 abandoned, abused, neglected, and orphaned children from newborn through 18 years old. These children have come from the United States and around the world.

The Organization is located in Tampa, Florida on 55 wooded acres of land. The campus consists of dormitories for the boys and girls that can house a total of 80 children, as well as several 4,000 square foot cottages that care for younger children and allow siblings to live together. The children live in a family atmosphere with house parents who give guidance and encouragement.

Hope Christian School is also located on the property and is accredited by the state of Florida, providing a private Christian education to children from nursery through 12th grade.

The Organization does not receive state or federal funding, but is supported entirely by churches, private individuals, businesses, clubs, and other organizations.

Change in Fiscal Year

On February 8, 2018, the Board of Directors authorized a change of the Organization's fiscal year from a fiscal period ending on December 31, to June 30. In accordance with this change, the statements of activities, functional expenses, and cash flows for the period ended June 30, 2018 cover a period of six months whereas those statements cover a full fiscal year (twelve months) for the preceding year's comparative financial statements. Because of the seasonal nature of the Organization's activities, the change in net assets for the six months ended June 30, 2018 may not be indicative of the change in net assets that may be expected for a full fiscal year.

Note B - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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 of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash

Cash consists of cash on hand in checking and savings accounts.

Notes Receivable

Notes receivable are stated at cost less an allowance for doubtful accounts. Management's determination of the allowance is based on an evaluation of past collection history. Management provides for probable uncollectable amounts through a charge to earnings and a credit to valuation 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 through a charge to the valuation allowance and a credit to accounts receivable.

Management provided no allowance for notes receivable as of June 30, 2018 and December 31, 2017.

Investments

Investments are recorded and carried at fair value. Donated investments are recorded at fair value at the time of receipt. Cash and money market accounts designated for long-term purposes are classified as investments.

Fair Value

The Organization follows accounting guidance that defines fair value and specifies a hierarchy of valuation techniques. The disclosure of fair value estimates is based on whether the significant inputs into the valuation are observable. In determining the level of hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs. The Organization measures investments at fair value on a recurring basis.

The following is a brief description of the type of valuation information (inputs) that qualifies a financial asset for each level:

Level 1 - Unadjusted quoted market prices for identical assets in active markets which are accessible by the Organization.

Level 2 - Observable prices in active markets for similar assets. Prices for identical or similar assets in markets that are not active. Market inputs that are not directly observable but are derived from or corroborated by observable market data.

Level 3 - Unobservable inputs based on the Organization's own judgment as to assumptions a market participant would use, including inputs derived from extrapolation and interpolation that are not corroborated by observable market data.

The Organization evaluates the various types of financial assets to determine the appropriate fair value hierarchy based upon trading activity and the observability of market inputs. The Organization employs control processes to validate the reasonableness of the fair value estimates of its assets, including those estimates based on prices and quotes obtained from independent third-party sources.

Property and Equipment

Property and equipment are carried at cost if purchased or at estimated fair market value at date of receipt if acquired by gift. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets ranging from five to 40 years.

Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of property and equipment assets are capitalized. Expenditures for normal repairs and maintenance are expensed as incurred.

Debt Issuance Costs

Debt issuance costs are presented as a reduction of long-term debt on the accompanying statement of financial position. Debt issuance costs are amortized over the life of the related loan and recorded as interest expense in the accompanying statements of activities.

Net Assets and Revenue Recognition

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. If donor-imposed restrictions are met in the same period the gift is received, the amount is reported as unrestricted revenue. Accordingly, net assets of the Organization are classified and reported as follows:

Unrestricted net assets - include net assets that are not subject to donor imposed stipulations.

Temporarily restricted net assets - include net assets for which donor imposed restrictions have not been met.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Contributions are recorded when received. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Donor-restricted support is reported as an increase in unrestricted net assets if the restriction expires in the same reporting period in which the support is recognized. All other donor-restricted contributions are reported as an increase in temporarily restricted or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction ends, or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

In-Kind Contributions

Tangible donations are recorded as support at their estimated fair value when received, except for contributions of merchandise available for sale at a related retail thrift store. Contributed services that require specialized skills (attorneys, computer consultants, etc.) are recorded in the statements of activities and changes in net assets as unrestricted support at their estimated fair value. A number of unpaid volunteers, including board members, have made significant contributions of their time to develop the Organization's programs and special events. The value of this contributed time is not reflected in the statements of activities and changes in net assets, since it is not susceptible to objective measurement or valuation.

The Organization receives contributions of goods and materials and provides these contributions as merchandise available for sale in a related retail thrift store. The Organization believes that the inventory of contributed goods and materials does not possess an attribute that is easily measurable or verifiable with sufficient reliability to determine inventory value at the time of donation. It is only through the value-added processes that prepare the donated inventory for sale that donated inventory has value. Accordingly, contributed goods and materials are not valued prior to being offered for sale, and no revenue is recognized until the date of sale. There is no contributions revenue recorded in the accompanying financial statements for the six months ended June 30, 2018 and the year ended December 31, 2017 associated with these contributions.

Functional Expenses

The cost of providing for the programs and other activities has been detailed in the statements of functional expenses and summarized on a functional basis in the statement of activities.

Expenses that can be identified with a specific program service are charged directly to that program, according to their natural expenditure and classification. Administrative and fundraising expenses that are not directly allocable are allocated based on their estimated usage in each program or supporting service.

Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Organization is treated as a publicly supported organization, and not as a private foundation. Management is not aware of any activities that would jeopardize the Organization's tax-exempt status.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, to improve financial reporting to provide users of financial statements more useful information. The standard is effective for nonpublic entities for fiscal years beginning after December 15, 2017 (the Organization's June 30, 2019 financial statements); early adoption is permitted. The Organization is currently evaluating the impact of this accounting standard on its financial statements.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, to clarify the principles used to recognize revenue for all entities. Subsequently in August 2015, FASB issued ASU 2015-14, which delayed the effective date for nonpublic entities to annual periods beginning after December 15, 2018 (the Organization's June 30, 2020 financial statements). The Organization is currently evaluating the impact of this accounting standard on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify the definition of an exchange transaction and contribution and to clarify accounting for the same. The standard is effective for nonpublic entities for fiscal years beginning after December 15, 2018 (the Organization's June 30, 2020 financial statements); early adoption is permitted. The Organization is currently evaluating the impact of this accounting standard on its financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about the leasing arrangements. The amendments are effective for nonpublic companies for fiscal years beginning after December 15, 2019 (the Organization's June 30, 2021 financial statements). The Organization is currently evaluating the impact that adopting this guidance will have on its financial statements.

Subsequent Events

Management has evaluated events subsequent to the statement of financial position date of June 30, 2018 and through October 2, 2018, which is the date the financial statements were available to be issued. There were no subsequent events that would require adjustment to, or disclosure in, the accompanying financial statements.

Hope International Ministries, Inc.
Notes to Financial Statements
June 30, 2018 and December 31, 2017

Note C - Concentration of Credit Risk

The Organization maintains cash and investments balances that may exceed federal insurance limits. The Organization has not experienced any losses in such accounts, and management believes the Organization is not exposed to any significant risk of loss on cash or investments.

Note D - Investments and Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the Organization's investments carried at fair value:

<i>June 30, 2018</i>	Fair Value	Level 1	Level 2	Level 3
Cash equivalents	\$ 142,087	\$ 142,087	\$ -	\$ -
Mutual funds	930,819	930,819	-	-
Stocks	3,886	3,886	-	-
Other	105,654	-	105,654	-
	<u>\$ 1,182,446</u>	<u>\$ 1,076,792</u>	<u>\$ 105,654</u>	<u>\$ -</u>
<i>December 31, 2017</i>				
Cash equivalents	\$ 143,684	\$ 143,684	\$ -	\$ -
Mutual funds	923,066	923,066	-	-
Stocks	3,529	3,529	-	-
Other	105,429	-	105,429	-
	<u>\$ 1,175,708</u>	<u>\$ 1,070,279</u>	<u>\$ 105,429</u>	<u>\$ -</u>

Note E - Notes Receivable

Notes receivable consist of the following:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Note receivable from former employee; \$175 monthly payments including interest at 6% per annum; due April 2019; unsecured.	\$ 5,324	\$ 5,574
Note receivable from an unrelated third party; varying payment amounts of principal plus interest at 15% per annum; due May 2018; unsecured.	-	90,000
	<u>5,324</u>	<u>95,574</u>
Less current portion	<u>(2,096)</u>	<u>(92,096)</u>
	<u>\$ 3,228</u>	<u>\$ 3,478</u>

During 2018, the Organization became aware that the \$90,000 note receivable would not be collectable. Accordingly, the Organization expensed the note receivable as bad debt expense, included in other expenses in the statement of activities.

Note F - Property and Equipment

Property and equipment consists of the following:

	June 30, 2018	December 31, 2017
Land	\$ 2,288,674	\$ 2,288,674
Buildings and improvements	4,937,097	4,649,501
Property improvements	583,518	546,143
Vehicles	384,523	390,873
Equipment	155,199	135,148
Furniture and fixtures	45,062	45,062
Software	77,647	68,697
Total property and equipment	<u>8,471,720</u>	<u>8,124,098</u>
Less: accumulated depreciation	<u>(2,886,771)</u>	<u>(2,784,809)</u>
Net property and equipment	<u>\$ 5,584,949</u>	<u>\$ 5,339,289</u>

Construction Commitments

The Organization has entered into commitments for future construction totally approximately \$430,000 at June 30, 2018.

Note G - Long-Term Debt

Mortgages Payable

The Organization maintains a mortgage obligation for the campus property. The campus mortgage is payable to a bank with monthly payments of \$5,162 including both principal and interest at 3.5% per annum. The original campus mortgage was \$890,000 and was financed over 10 years, with the remaining principal due at maturity. The campus mortgage is collateralized by the underlying real estate.

Maturities of the campus mortgage are as follows:

Years ending June 30,	
2019	\$ 34,848
2020	36,088
2021	37,371
2022	38,701
2023	40,077
Thereafter	587,322
	<u>\$ 774,407</u>

The obligation for the campus mortgage is guaranteed by GoodKids Village Incorporated, a related party as described in Note J, and consists of the following:

	June 30, 2018	December 31, 2017
Campus mortgage	\$ 774,407	\$ 791,490
Less debt issuance costs	(8,388)	(9,002)
Less current maturities	(34,848)	(34,245)
Total long-term debt, net	<u>\$ 731,171</u>	<u>\$ 748,243</u>

Hope International Ministries, Inc.
Notes to Financial Statements
June 30, 2018 and December 31, 2017

Debt Issuance Costs

Debt issuance costs incurred in connection with the issuance of long-term debt are presented as a reduction of long-term debt to be amortized over the term of the loan and consist of the following:

	June 30, 2018	December 31, 2017
Debt issuance costs	\$ 12,284	\$ 12,284
Less accumulated amortization	(3,896)	(3,282)
Total debt issuance costs, net	\$ 8,388	\$ 9,002

Interest expense related to amortization of debt issuance costs was \$614 and \$1,228 for the six months ended June 30, 2018 and the year ended December 31, 2017, respectively.

Note H - Temporarily and Permanently Restricted Net Assets

Net assets were temporarily restricted for the following purposes:

	June 30, 2018	December 31, 2017
Capital needs	\$ 1,732,687	\$ 1,766,327
Enrichment activities	75,538	20,215
	\$ 1,808,225	\$ 1,786,542

Net assets are released from temporary donor restrictions by incurring expenses that satisfy the purpose specified by the donors or the passage of time. Temporarily restricted net assets were released as follows:

	Six Months Ended June 30, 2018	Year Ended December 31, 2017
Purpose restrictions satisfied	\$ 226,861	\$ 720,652
Additional restriction	-	(141,186)
	\$ 226,861	\$ 579,466

At June 30, 2018 and December 31, 2017, permanently restricted net assets of \$105,654 and \$105,429, respectively, consisted of various one-time gifts to be used for educational activities.

Note I - Leases

During 2016, the Organization entered into two noncancelable operating leases for copiers expiring in April and December of 2020. Rental expense for the six months ended June 30, 2018 and the year ended December 31, 2017 was approximately \$4,500 and \$9,000, respectively.

Future minimum lease payments are summarized as follows:

Years ending June 30	
2019	\$ 9,024
2020	7,296
2021	880
	\$ 17,200

Note J - Related Parties

The Organization's employment policy requires all employees and their immediate families live on the Organization's property during their employment.

Hope of Honduras, Inc. operates a children's home in Honduras. The Organization provides accounting and management staff to Hope of Honduras, Inc. The Organization's executive director, board chairman, board treasurer, and board secretary are members of Hope of Honduras, Inc.'s board.

GoodKids Village Incorporated (GoodKids) operates two thrift stores in the Tampa Bay area for the purpose of raising funds to support the programs of organizations that care for the wellbeing of children around the world. The Organization provides accounting and management staff to GoodKids. The Organization also guarantees the mortgages related to the GoodKids thrift stores and GoodKids guarantees the mortgage of the Organization (Note G). The Organization's board chairman, board treasurer, and board secretary are members of GoodKids' board. During the six months ended June 30, 2018 and the year ended December 31, 2017, GoodKids donated to the Organization \$54,436 for operating expenses and \$200,000 for construction, respectively, for a new campus to be built in New Mexico. These amounts are reflected in contributions in the statement of activities.

At June 30, 2018 and December 31, 2017, the Organization had amounts due to these related parties in the amounts of \$16,795 and \$15,789, respectively.

Although the Organization shares common board members with these organizations, it does not have an economic interest in the organizations, nor does it have control over them. Therefore, the operations of the organizations are not included in the financial statements of the Organization.