

COMMON HOPE AND AFFILIATE

Saint Paul, Minnesota

Consolidated Financial Statements

December 31, 2020 and 2019

COMMON HOPE AND AFFILIATE

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B O U L A Y

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Common Hope and Affiliate
Saint Paul, Minnesota

We have audited the accompanying consolidated financial statements of Common Hope (a nonprofit organization) and its Affiliate, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019 and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Common Hope and its Affiliate as of December 31, 2020 and 2019 and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Boulay PLLP

Minneapolis, Minnesota
June 24, 2021

COMMON HOPE AND AFFILIATE

Consolidated Statements of Financial Position

ASSETS	December 31	
	2020	2019
Current Assets		
Cash and cash equivalents		
U.S.	\$ 2,517,467	\$ 1,643,941
Guatemala	83,930	66,327
Total cash and cash equivalents	<u>2,601,397</u>	<u>1,710,268</u>
Accounts receivable	-	9,951
Pledges receivable, current portion	63,742	14,492
Prepaid expenses	48,369	68,279
Investments, short-term	315,191	409,598
Other	3,400	2,715
Total current assets	<u>3,032,099</u>	<u>2,215,303</u>
Investments , net of short-term	2,280,613	2,320,443
Property, Plant and Equipment, Guatemala		
Land and land improvements	1,763,752	1,768,536
Buildings	4,056,481	4,056,481
Equipment	107,965	107,965
Vehicles	182,460	195,248
	<u>6,110,658</u>	<u>6,128,230</u>
Less: accumulated depreciation	3,314,901	3,159,426
Net property, plant and equipment, Guatemala	<u>2,795,757</u>	<u>2,968,804</u>
Office Equipment, U.S.	83,687	83,687
Less: accumulated depreciation	65,997	55,205
Net office equipment, U.S.	<u>17,690</u>	<u>28,482</u>
Other Long-term Assets		
Security deposit	4,047	4,047
Total other long-term assets	<u>4,047</u>	<u>4,047</u>
Total assets	<u>\$ 8,130,206</u>	<u>\$ 7,537,079</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 109,380	\$ 93,213
Deferred revenue	109,908	186,554
Total current liabilities	<u>219,288</u>	<u>279,767</u>
Long-Term Liability - Severance	696,427	769,602
Net Assets		
Without donor restrictions		
Undesignated	6,557,152	5,816,568
Board designated	657,339	661,142
Total without donor restrictions	<u>7,214,491</u>	<u>6,477,710</u>
With donor restrictions	-	10,000
Total net assets	<u>7,214,491</u>	<u>6,487,710</u>
Total liabilities and net assets	<u>\$ 8,130,206</u>	<u>\$ 7,537,079</u>

Notes to Consolidated Financial Statements are an integral part of this Statement.

COMMON HOPE AND AFFILIATE

Consolidated Statements of Activities

	Year Ended December 31 2020			Year Ended December 31 2019		
	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions
Revenues and Other Support						
Contributions	\$ 4,098,004	\$ 1,846,330	\$ 2,251,674	\$ 4,027,825	\$ 1,695,513	\$ 2,332,312
Interest and dividend income	55,276	55,276	-	58,695	58,695	-
Unrealized and realized gain (loss) on investments, net of investment expense of \$1,559 and \$3,281, respectively	231,999	231,999	-	320,630	320,630	-
Program fees	153,652	153,652	-	348,451	348,451	-
Miscellaneous income, net of expenses of \$66,914 and \$127,225, respectively	477,008	477,008	-	341,604	341,604	-
Net assets released from restrictions:						
Satisfaction of program restrictions	-	2,261,674	(2,261,674)	-	2,416,560	(2,416,560)
Total revenues and other support	5,015,939	5,025,939	(10,000)	5,097,205	5,181,453	(84,248)
Expenses						
Program operating expenses						
Health care	434,486	434,486	-	560,134	560,134	-
Family and community development	1,183,427	1,183,427	-	1,171,648	1,171,648	-
Housing improvement	225,185	225,185	-	363,099	363,099	-
Education	1,557,045	1,557,045	-	1,738,243	1,738,243	-
Emergency response	79,599	79,599	-	-	-	-
General and administrative	550,121	550,121	-	691,008	691,008	-
Fundraising	259,295	259,295	-	265,103	265,103	-
Total expenses	4,289,158	4,289,158	-	4,789,235	4,789,235	-
Change in Net Assets	726,781	736,781	(10,000)	307,970	392,218	(84,248)
Net Assets - Beginning of year	6,487,710	6,477,710	10,000	6,179,740	6,085,492	94,248
Net Assets - End of year	\$ 7,214,491	\$ 7,214,491	\$ -	\$ 6,487,710	\$ 6,477,710	\$ 10,000

Notes to Consolidated Financial Statements are an integral part of this Statement.

COMMON HOPE AND AFFILIATE

Consolidated Statements of Cash Flows

For the Years Ended December 31,	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 726,781	\$ 307,970
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	179,315	180,857
Unrealized and realized gain on investments	(233,558)	(323,911)
Loss (gain) on donated stock	999	(37,785)
Loss on disposal of property and equipment	-	7,303
Paycheck Protection Program loan forgiveness	(168,300)	-
Proceeds from Paycheck Protection Program loan	168,300	-
Change in assets and liabilities:		
Accounts and pledges receivable	(39,299)	69,273
Prepaid expenses	19,910	(18,640)
Other	(685)	6,367
Accounts payable and accrued liabilities	(57,008)	(44,871)
Deferred revenue	(76,646)	70,404
Net cash from operating activities	<u>519,809</u>	<u>216,967</u>
Cash Flows from Investing Activities		
Proceeds from the sale of property	4,524	-
Proceeds from sale of investments	394,097	946,583
Purchase of investments	(27,301)	(1,178,253)
Purchase of property and equipment	-	(18,098)
Net cash from (used for) investing activities	<u>371,320</u>	<u>(249,768)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	891,129	(32,801)
Cash and Cash Equivalents - Beginning of Year	1,710,268	1,743,069
Cash and Cash Equivalents - End of Year	<u>\$ 2,601,397</u>	<u>\$ 1,710,268</u>

Notes to Consolidated Financial Statements are an integral part of this Statement.

COMMON HOPE AND AFFILIATE

Consolidated Statements of Functional Expenses

	Year Ended December 31, 2020							
	Program Operating Expenses						Supporting Services	
	Total	Health Care	Family & Community Development	Housing Improvement	Education	Emergency Response	General and Administrative	Fundraising
Specific assistance	\$ 966,683	\$ 156,515	\$ 200,699	\$ 34,914	\$ 552,968	\$ 19,946	\$ 582	\$ 1,059
Salaries, taxes, and benefits	2,356,355	221,629	789,283	117,538	812,990	-	237,966	176,949
Occupancy, utilities, and maintenance	159,749	19,144	58,284	9,966	40,126	813	15,636	15,780
Meetings and travel	46,113	1,142	10,547	4,476	13,774	6,444	4,974	4,756
Office expenses	241,221	4,635	50,401	2,833	19,873	52,396	82,422	28,661
Printing, copies, and postage	34,645	1,077	8,847	315	4,690	-	1,993	17,723
Professional fees and business insurance	205,897	9,751	41,233	5,837	16,481	-	124,611	7,984
Credit card and banking fees	63,314	7	45	2	17	-	63,205	38
Miscellaneous expense	35,866	1,291	12,511	2,993	3,505	-	11,363	4,203
Depreciation expense	179,315	19,295	11,577	46,311	92,621	-	7,369	2,142
Total expenses	\$ 4,289,158	\$ 434,486	\$ 1,183,427	\$ 225,185	\$ 1,557,045	\$ 79,599	\$ 550,121	\$ 259,295

	Year Ended December 31, 2019							
	Program Operating Expenses						Supporting Services	
	Total	Health Care	Family & Community Development	Housing Improvement	Education	Emergency Response	General and Administrative	Fundraising
Specific assistance	\$ 1,288,968	\$ 263,069	\$ 143,897	\$ 172,185	\$ 709,817	\$ -	\$ -	\$ -
Salaries, taxes, and benefits	2,513,013	229,554	768,932	111,405	795,566	-	429,346	178,210
Occupancy, utilities, and maintenance	189,599	21,609	70,047	14,486	49,638	-	18,105	15,714
Meetings and travel	94,584	2,349	27,676	4,124	25,142	-	25,225	10,068
Office expenses	209,275	11,393	53,725	3,791	27,546	-	91,589	21,231
Printing, copies, and postage	66,793	3,975	24,837	1,481	12,667	-	9,043	14,790
Professional fees and business insurance	177,498	7,878	70,356	8,369	22,173	-	49,408	19,314
Credit card and banking fees	60,764	10	44	4	22	-	60,652	32
Miscellaneous expense	7,884	838	458	548	2,261	-	204	3,575
Depreciation expense	180,857	19,459	11,676	46,706	93,411	-	7,436	2,169
Total expenses	\$ 4,789,235	\$ 560,134	\$ 1,171,648	\$ 363,099	\$ 1,738,243	\$ -	\$ 691,008	\$ 265,103

Notes to Consolidated Financial Statements are an integral part of this Statement.

COMMON HOPE AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Activity

Common Hope and its affiliate, Fundación Familias de Esperanza (Fundación) (collectively, the "Organization"), are nonprofit organizations devoted to aiding the poor of Guatemala living in and around Antigua, the outskirts of Guatemala City, and the village of San Rafael. The Organization promotes hope and opportunity in Guatemala, partnering with children, families, and communities who want to participate in a process of development to improve their lives through education, health care, family and community, housing, and emergency response. The programs presently conducted by the Organization affiliate include the following:

Education - The Organization helped provide pre-primary, primary, secondary, and university education for approximately 3,700 children during 2020 and 2019, paying for tuition and fees, books and supplies, shoes, and uniforms. Other programs include tutoring, summer school, occupational therapy, special education, access to libraries and computer labs, youth groups, and teacher training. The Organization operates a school for pre-primary and primary students at New Hope Village.

Health Care - The Organization's medical staff and volunteers provide preventative and curative care for families in the Antigua clinic. The Organization partners with other clinics to provide health and dental care at San Rafael, San Miguel Milpas Altas, and New Hope. Care provided includes examinations, lab tests, medications, and dentistry. When necessary, patients are referred for x-rays and outside lab services, specialists, surgery, or other treatments not available within our clinics. Patients may receive transportation, accompaniment, and cost coverage as needed. Clinic staff provides treatment and education for specific health issues endemic to the area, including diabetes, upper respiratory issues, and hypertension.

Family and Community Development - Through long-term relationships with the Organization's social workers, families are able to identify goals and obstacles to create their own unique development plan. In support of these development plans, the Organization partners with families to provide resources and tools to improve their lives. Programs include parenting and self-esteem trainings, legal services, emergency relief, and support groups for parents and alcoholism.

Housing Improvement - The Organization constructs new homes, roofs, stoves, and floors as well as installs plumbing and electrical services in existing homes. This work is done in partnership with families who perform community service hours to earn the materials and construction support. The Organization also built and currently operates the infrastructure for New Hope Village, including running water, electricity, and sewer, to help families who have relocated from marginal housing in Guatemala City.

Emergency Response - The Organization provides emergency response support to the people of Guatemala during and after a disaster. During 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic, which resulted in government mandated restrictions in Guatemala. The Organization provided support and aid to the people significantly impacted by the pandemic.

Basis of Presentation

The consolidated financial statements include the accounts of Common Hope, a nonprofit organization incorporated in Minnesota, and its affiliate, a related nonprofit organization incorporated in Guatemala, Central America, under the name of Fundación Familias de Esperanza (Fundación). Fundación is the entity that carries out the mission of Common Hope in Guatemala. All significant intercompany balances and transactions are eliminated in consolidation.

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Notes to Consolidated Financial Statements

December 31, 2020 and 2019

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. The Organization reports its financial position and activities according to two classes of net assets based upon the existence or absence of donor-imposed restrictions, as follows:

- Net assets without donor restrictions - net assets that are not subject to donor-imposed stipulations.
- Net assets with donor restrictions - net assets subject to donor-imposed restrictions. Donor restrictions are temporary in nature, such as those that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

Accounting Estimates

Management uses estimates and assumptions in preparing these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Significant estimates include the value of in-kind donations, depreciable lives of property and equipment, the Guatemalan severance liabilities, and the allocation of the functional expenses. Actual results could differ from those estimates, and the differences could be material.

Foreign Currency Translation

The functional currency used by Fundación is the U.S. Dollar. As funds are transferred from Common Hope to Fundación, they are converted to Guatemalan Quetzals and expended for the programs in Guatemala.

There are no material translation adjustments or material exchange rate differences in these consolidated financial statements. The difference in the exchange rates between the statement of financial position date and the date of the audit report would not materially affect these consolidated financial statements.

Cash and Cash Equivalents

The Organization considers certain money market funds and certificates of deposit with initial maturities of three months or less to be cash equivalents. At times throughout the year, the Organization's cash and cash equivalents deposited in financial institutions in the United States of America may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC). Money market funds totaled approximately \$708,000 and \$1,036,000 at December 31, 2020 and 2019, respectively, and were classified within cash and cash equivalents.

Investments

Investments in money market funds and marketable securities are stated at fair market value, based on quoted values. Donated investments are initially recorded at fair market value on the date of donation and thereafter reported in accordance with the Organization's aforementioned investment valuation policy. Realized and unrealized gains and losses on investments are recorded in the consolidated statement of activities. Investment income is generally absent donor restriction and is therefore unrestricted.

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Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Certificates of deposit are recognized at cost plus accrued interest, which approximates fair value, and are included in short-term investments when their original maturity date exceeds three months and their remaining maturity is one year or less. Certificates of deposit with a maturity date greater than one year are included in long-term investments. Certificates of deposit totaled approximately \$617,000 and \$1,013,000 at December 31, 2020 and 2019, respectively.

Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Organization first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including, but not limited to, discounted cash flow models, quoted market values and third-party independent appraisals.

Property, Plant, and Equipment

Property, plant, and equipment, which are primarily located in Guatemala, are stated at cost. Donated property, plant, and equipment are stated at estimated fair value on the date of contribution. Depreciation is recognized over the estimated useful lives of the assets by use of the straight-line and accelerated methods as follows:

Description	Estimated Useful Lives (Years)
Land improvements	5 – 20
Buildings	10 – 40
Equipment	3 – 10
Vehicles	5 – 10

Maintenance and repairs are expensed as incurred; major improvements and betterments are capitalized. Common Hope holds title to substantially all property, plant, and equipment located in Guatemala, except the New Hope Village land and land improvements and the vehicles, which are owned by Common Hope's affiliate, Fundación.

On March 15, 2009, the Organization was successful in completing an association in New Hope Village as a separate legal entity, subsequently donating the land currently functioning as community green space and roadways to the new association. During 2020, the Organization sold one lot for approximately \$5,000 to a non-profit organization. During 2019, no lots were sold. The Organization will continue to own the offices, school, community building, and wastewater treatment facility at New Hope Village. The Organization continues to own approximately 132,000 square meters of partially developed land with a book value of approximately \$254,000 and \$260,000, at December 31, 2020 and 2019, respectively, of which a portion may be available to New Hope residents in future years.

Long-Term Liability - Severance

The Organization has a universal severance policy for all Guatemalan employees who have been working for at least one year. Each Guatemalan employee, upon termination of employment, either voluntary or involuntary, will receive one month of additional pay for each year of employment. This policy complies with the Labor Code of the Congress of the Republic of Guatemala. At December 31, 2020 and 2019, the severance liability totaled approximately \$696,000 and \$770,000, respectively.

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Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Fair Value of Financial Instruments

The Organization's accounting for fair value measurements of assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring or nonrecurring basis adheres to the Financial Accounting Standards Board (FASB) fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the Organization at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Organization's assets that are recorded at fair value are classified in their respective hierarchy as shown in Note 8.

The carrying value of accounts and pledges receivable, accounts payable and accrued liabilities, and deferred revenue and other financial working capital items approximate fair value, due to the short-term nature of these items.

Contributions

The Organization reports gifts of cash and other assets 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 statement of activities as net assets released from restrictions. With regard to gifts of property, plant, and equipment or gifts of cash to be used to acquire such assets, absent specific donor stipulations, the Organization reports such gifts as net assets released from restrictions when the donated or acquired long-lived assets are placed in service.

Donated Services

A significant portion of the Organization's functions are conducted by unpaid volunteers, the value of which is not recorded in the consolidated financial statements because these services do not meet the criteria for recognition under accounting principles generally accepted in the United States of America. Various medical and other professionals also contribute their services to the Organization, the estimated value of which is approximately \$75,000 and \$80,000 for the years ended December 31, 2020 and 2019, respectively, and is recognized as contributions (revenue) and services and professional fees and other (expense) in the accompanying consolidated financial statements.

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Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as pledges receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

Basis of Allocating Functional Expenses

Allocations are generally made as follows:

- Salaries by time spent on principal activities of each employee
- Employee benefits and payroll taxes according to the percentage used to allocate salaries
- All other expenses are directly allocable or allocated in a manner as considered practicable

Income Taxes

Common Hope is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. Due to its exempt status, the Organization does not have any significant tax uncertainties that would require recognition or disclosure. However, income from activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income. The Organization is no longer subject to income tax examinations for years before 2017.

Fundación is a foundation operating under Guatemalan laws and is generally exempt from taxes based on income.

Recently Adopted Accounting Pronouncements

In May 2014, and subsequently amended, the FASB issued ASU No. 2014-09, which amended *Revenue from Contracts with Customers (Topic 606)* of the Accounting Standards Codification. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The Organization adopted the new standard effective January 1, 2020 using the modified retrospective method. The adoption of Topic 606 did not have a material impact on the consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820)*. This ASU improves the effectiveness of the notes to financial statements through changes in disclosure requirements for fair value measurement. The Organization adopted the new standard effective January 1, 2020 using the retrospective method. The adoption did not have a material impact on the consolidated financial statements.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which provides guidance for accounting for leases. The new guidance requires entities to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. The ASU is effective for the Organization for annual periods beginning January 1, 2022, with early adoption permitted. The Organization is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements.

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COVID-19 Impact

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic. COVID-19 may have a significant adverse effect on the Organization's operating results due to government mandated restrictions in Guatemala for schools, transportation, and business operations. Financial conditions may also have significant adverse effects, as revenues are expected to be impacted due to restrictions on public gatherings, business operations, and economic impact on donors. Management continues to deliver programs and services to Guatemalan families in compliance with local restrictions throughout the pandemic. The Organization provided more remote assistance, such as schooling at home. The Organization postponed all trips to Guatemala. The Minnesota office did not receive any volunteer help. The Organization applied for and received forgiveness for a Paycheck Protection Plan loan totaling approximately \$168,000 (see Note 5). The Organization expects to continue to provide support to Guatemala through government mandated restrictions and thereafter.

Subsequent Events

The Organization has evaluated subsequent events through June 24, 2021, the date which the consolidated financial statements were available to be issued.

2. PLEDGES RECEIVABLE

Pledges receivable consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Pledges - child sponsorship	\$ 63,742	\$ 4,492
Pledges - education	-	10,000
Total pledges receivable	<u>\$ 63,742</u>	<u>\$ 14,492</u>
Amounts are due in:		
Less than one year	<u>\$ 63,742</u>	<u>\$ 14,492</u>
Total pledges receivable	<u>\$ 63,742</u>	<u>\$ 14,492</u>

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Notes to Consolidated Financial Statements

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3. INVESTMENTS

Investments consist of the following instruments at December 31, 2020:

	Aggregate cost basis	Gross unrealized holdings gains	Gross unrealized holdings (losses)	Aggregate fair value
Short-term investments:				
U.S. equity securities	\$ 9,980	\$ -	\$ (161)	\$ 9,819
Certificates of deposit	305,372	-	-	305,372
Total short-term investments	<u>315,352</u>	<u>-</u>	<u>(161)</u>	<u>315,191</u>
Long-term investments:				
Mutual funds	1,655,965	313,463	-	1,969,428
Certificates of deposit	311,185	-	-	311,185
Total long-term investments	<u>1,967,150</u>	<u>313,463</u>	<u>-</u>	<u>2,280,613</u>
Total investments	<u>\$ 2,282,502</u>	<u>\$ 313,463</u>	<u>\$ (161)</u>	<u>\$ 2,595,804</u>

Investments consist of the following instruments at December 31, 2019:

	Aggregate cost basis	Gross unrealized holdings gains	Gross unrealized holding (losses)	Aggregate fair value
Short-term investments:				
U.S. equity securities	\$ 6,943	\$ -	\$ (6)	\$ 6,937
Certificates of deposit	402,661	-	-	402,661
Total short-term investments	<u>409,604</u>	<u>-</u>	<u>-</u>	<u>409,598</u>
Long-term investments:				
International equity securities	1,588,550	121,704	-	1,710,254
Certificates of deposit	610,189	-	-	610,189
Total long-term investments	<u>2,198,739</u>	<u>121,704</u>	<u>-</u>	<u>2,320,443</u>
Total investments	<u>\$ 2,608,343</u>	<u>\$ 121,704</u>	<u>\$ (6)</u>	<u>\$ 2,730,041</u>

For the years ended December 31, 2020 and 2019, the Organization recorded unrealized and realized net gain on its investments of approximately \$234,000 and \$324,000, respectively, which are recognized in net assets without donor restrictions.

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Notes to Consolidated Financial Statements

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4. OPERATING LEASE COMMITMENTS

The Organization leases its office location in St. Paul. The lease contains escalating rental payments for 103 months, expiring on October 31, 2029. The Organization is obligated to pay costs of insurance, repairs, and maintenance pursuant to the terms of the lease. The Organization also has a postage machine lease, expiring July 5, 2023. Rent expense, including executory costs, totaled approximately \$62,000 and \$59,000 for the years ended December 31, 2020 and 2019, respectively.

Future minimum lease commitments for office space and postage machine are as follows at December 31, 2020:

	<u>Lease Commitments</u>	
2021	\$	15,648
2022		33,028
2023		33,395
2024		33,663
2025		34,336
Thereafter		138,126
Total	\$	<u>288,196</u>

5. PAYCHECK PROTECTION PROGRAM

On April 15, 2020, the Organization received the funding of a loan from a lending institution in the aggregate amount of \$168,300 pursuant to the Paycheck Protection Program (the "PPP") under the Federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which was enacted March 27, 2020. The PPP is administered by the U.S. Small Business Administration ("SBA").

The Organization has elected to account for the proceeds of the loan as a government grant under International Accounting Standard 20 ("IAS 20"), Accounting for Government Grants and Disclosure of Government Assistance. Under IAS 20, the loan amount is initially recorded as a deferred income liability on the balance sheet and forgiveness income is recognized on a systematic basis over the periods in which the qualifying expenses are incurred when the Organization determines that the forgiveness is reasonably assured. On November 2, 2020, the Organization received notice that the PPP loan was fully forgiven by the SBA. During the year ended December 31, 2020, the Organization recognized forgiveness income of \$168,300, which is included as a component of miscellaneous income on the statement of activities.

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6. NET ASSETS

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

	<u>2020</u>	<u>2019</u>
Education programs	\$ -	\$ 10,000
Totals	<u>\$ -</u>	<u>\$ 10,000</u>

Total net assets released from donor restrictions because the restricted purposes and occurrence of other events as specified by donors were satisfied are as follows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Family and community development	\$ 2,093,897	\$ 2,060,516
Housing improvement programs	31,597	116,087
Health care programs	33,903	61,673
Education programs	92,277	133,715
New communities	10,000	44,569
Total net assets released from restrictions	<u>\$ 2,261,674</u>	<u>\$ 2,416,560</u>

Child sponsorship funds can be released for expenses in any of the following programs: family and community development, housing improvement, health care, education, and emergency responses.

7. RETIREMENT BENEFITS

The Organization has a SIMPLE IRA plan which is offered to all U.S. full-time employees and part-time employees working over 1,300 hours per year. The Organization matched employee contributions to a maximum of 3% of each covered employee's contribution to the plan as of December 31, 2020 and 2019. The Organization's matching contribution totaled approximately \$23,000 and \$25,000 for the years ended December 31, 2020 and 2019, respectively.

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8. FAIR VALUE

The following tables provide information on those assets that are measured at fair value on a recurring basis.

	December 31, 2020			
	Fair Value & Carrying Amount	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Assets:				
Money market funds, classified as:				
Cash and cash equivalents	\$ 709,633	\$ 709,633	\$ -	\$ -
Short-term investments:				
U.S. equity securities – Large Cap	9,819	9,819	-	-
Long-term investments:				
U.S. equity securities – Lifestrategy funds	1,969,428	1,969,428	-	-
Total	<u>\$ 2,688,880</u>	<u>\$ 2,688,880</u>	<u>\$ -</u>	<u>\$ -</u>

	December 31, 2019			
	Fair Value & Carrying Amount	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Assets:				
Money market funds, classified as:				
Cash and cash equivalents	\$ 1,036,120	\$ 1,036,120	\$ -	\$ -
Short-term investments:				
U.S. equity securities – Large Cap	6,937	6,937	-	-
Long-term investments:				
U.S. equity securities – Lifestrategy funds	1,710,254	1,710,254	-	-
Total	<u>\$ 2,753,311</u>	<u>\$ 2,753,311</u>	<u>\$ -</u>	<u>\$ -</u>

The fair value of the money market funds, mutual funds, and U.S. and international equity securities is based on quoted market prices in an active market. Certificates of deposit of approximately \$617,000 and \$1,013,000 at December 31, 2020 and 2019, respectively, are not incurred above, as they are carried at cost plus accrued interest, which approximates fair value.

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9. WITHOUT DONOR RESTRICTIONS – BOARD DESIGNATED

Board Designated – Endowment Funds

The Organization has established an endowment fund that consists of board designated funds for the purpose of a sponsorship legacy to provide long-term financial support to the Organization. As required by U.S. generally accepted accounting principles, net assets associated with reserve funds are classified and reported based on the existence or absence of donor-imposed restrictions. Since the Organization's reserve fund currently consists of board designated funds rather than donor restricted amounts, such funds are classified as net assets without donor restrictions. The board-designated endowment reserve is supported by the investments as disclosed in Note 3.

Return Objectives and Risk Parameters

The reserves are managed according to the Board of Directors' investment policies. These policies attempt to provide a consistent return on assets and preserve capital and the purchasing power of the reserve assets while providing a predictable funding stream to support programs.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization's policy requires targeting diversified asset allocations that seek to achieve its long-term return objectives within prudent risk constraints. The Organization targets a diversified asset allocation that places emphasis on equity and fixed income-based investments to achieve its long-term objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

As approved by the Finance Committee and Chief Executive Officer, the Organization determines the amounts appropriated for expenditure from the investment funds. The Organization may draw up to 4% of the reserve in any fiscal year for the purpose of supporting the sponsorship program.

These spending policies are consistent with the Organization's objective to maintain the purchasing power of endowment assets held in perpetuity, to provide a consistent and predictable funding stream to support the endowment purposes specified, and to provide additional growth through investment return.

Board Designated – Strategic Initiatives Fund

The Organization established a strategic initiatives fund that consists of board designated funds for the purpose of covering costs associated with the Organization's long-term strategic plans.

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10. WITHOUT DONOR RESTRICTIONS – BOARD DESIGNATED (CONTINUED)

Changes in Board-Designated Reserves and Net Assets with Donor Restrictions

	Year Ended December 31, 2020			
	Without Donor Restrictions – Board Designated Endowment	Without Donor Restrictions – Board Designated Strategic Initiatives	With Donor Restrictions	Total
Net assets, beginning of year	\$ 275,442	\$ 385,700	\$ -	\$ 661,142
Investment income, net depreciation (realized and unrealized)	37,445	-	-	37,445
Satisfaction of Board designations	-	(41,248)	-	(41,248)
Net assets, end of year	<u>\$ 312,887</u>	<u>\$ 344,452</u>	<u>\$ -</u>	<u>\$ 657,339</u>
	Year Ended December 31, 2019			
	Without Donor Restrictions – Designated Endowment	Without Donor Restrictions – Designated Strategic Initiatives	With Donor Restrictions	Total
Net assets, beginning of year	\$ 230,751	\$ 385,700	\$ -	\$ 616,451
Investment income, net appreciation (realized and unrealized)	44,691	-	-	44,691
New Board designations				
Satisfaction of Board designations	-	-	-	-
Net assets, end of year	<u>\$ 275,442</u>	<u>\$ 385,700</u>	<u>\$ -</u>	<u>\$ 661,142</u>

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11. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year of the financial position date are as follows at December 31:

	<u>2020</u>	<u>2019</u>
Financial Assets at December 31:		
Cash and cash equivalents	\$ 2,601,397	\$ 1,710,268
Investments, short term	315,191	409,598
Investments, readily convertible into cash, net of board designated	<u>1,623,274</u>	<u>1,659,301</u>
Total financial assets available within one year	<u>\$ 4,539,862</u>	<u>\$ 3,779,167</u>

The Organization's working capital and cash flow varies throughout the year. The Organization receives over 50 percent of its annual revenue in the fourth quarter of the calendar year. The Organization aspires to maintain recurring revenue, such as sponsorship and partnership revenue, at 42 percent or more of total revenue.

The Organization has policies in place to manage cash flow, liquidity, and risk. Board designated appropriations are approved annually during the standard budget process. Cash in excess of daily requirements is invested in short-term and money market funds. Other reserves are maintained in long-term investment funds that are readily convertible into cash for the stability and future viability of the Organization.