

EDUCATION EQUALS HOPE

FINANCIAL STATEMENTS

DECEMBER 31, 2022

EDUCATION EQUALS HOPE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Education Equals Hope
Fort Mill, South Carolina

Opinion

We have audited the accompanying financial statements of Education Equals Hope (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Education Equals Hope as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Education Equals Hope and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Education Equals Hope's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement

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when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Education Equals Hope's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Education Equals Hope's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Burkett Burkett & Burkett

BURKETT, BURKETT & BURKETT
Certified Public Accountants, P.A.
Rock Hill, SC

September 15, 2023

Education Equals Hope
Statement of Financial Position
December 31, 2022

ASSETS

Current assets

Cash	\$ 682,305
Accounts receivable	<u>5,029</u>

TOTAL ASSETS \$ 687,334

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ <u>55</u>
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TOTAL LIABILITIES 55

NET ASSETS

With donor restrictions	-
Without donor restrictions	<u>687,279</u>

TOTAL NET ASSETS 687,279

TOTAL LIABILITIES AND NET ASSETS \$ 687,334

The notes to the financial statements are an integral part of this exhibit.

Education Equals Hope
Statement of Activities
For the year ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Memorandum Only</u>
Support and Revenue			
Contribution revenue	\$ 973,806	\$ -	\$ 973,806
Total support and revenue	<u>973,806</u>	<u>-</u>	<u>973,806</u>
Expenses			
Programming	77,448	-	77,448
Grants	686,312	-	686,312
Management and general	130,123	-	130,123
Total expenses	<u>893,883</u>	<u>-</u>	<u>893,883</u>
Change in net assets	79,923	-	79,923
Net assets, beginning of year	<u>607,356</u>	<u>-</u>	<u>607,356</u>
Net assets, end of year	<u>\$ 687,279</u>	<u>\$ -</u>	<u>\$ 687,279</u>

The notes to the financial statements are an integral part of this exhibit.

Education Equals Hope
Statement of Cash Flows
For the year ended December 31, 2022

	2022
Cash Flows from Operating Activities:	
Change in net assets	\$ 79,923
Adjustments to reconcile change in net assets to net cash provided by / (used by) operating activities:	
Depreciation	22
Increase/ decrease in:	
Accounts receivable	(2,201)
Accounts payable	(55)
Net cash provided by / (used by) operating activities	77,689
Cash Flows From financing Activities:	
PPP loan forgiveness	(20,486)
Net cash provided by / (used by) financing activities	(20,486)
Net increase (decrease) in cash and cash equivalents	57,203
Cash Balance, Beginning of Year	625,102
Cash Balance, End of Year	\$ 682,305

The notes to the financial statements are an integral part of this exhibit.

Education Equals Hope
Statement of Functional Expenses
December 31, 2022

	<u>Programming</u>	<u>Management & General</u>	<u>Total</u>
Accounting	\$ -	\$ 1,169	\$ 1,169
Advertising	11,518	10,749	22,267
Bank & credit card fees	10,729	1,627	12,356
Depreciation	-	22	22
Grants	687,240	4,709	691,949
Information technology	417	10,576	10,993
Insurance	723	6,238	6,961
Meals & entertainment	396	1,760	2,156
Office expenses	50	1,330	1,380
Office supplies	1,310	2,063	3,373
Outside contract services	16,014	594	16,608
Payroll taxes	-	7,068	7,068
Postage & printing	4,897	442	5,339
Professional services	-	1,728	1,728
Registration fees	-	50	50
Rent	12,600	3,600	16,200
Salaries	-	57,030	57,030
Staff development	470	-	470
Telephone	3,939	1,931	5,870
Travel	9,962	17,437	27,399
Utilities	3,495	-	3,495
	<u> </u>	<u> </u>	<u> </u>
Total expenses	\$ <u>763,760</u>	\$ <u>130,123</u>	\$ <u>893,883</u>

The notes to the financial statements are an integral part of this exhibit.

Education Equals Hope
Notes to Financial Statements
December 31, 2022

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Education Equals Hope (“the Company”) exists to provide for the education of those who are living in desperate and difficult situations. They provide educational support for children, teens and adults and work to provide educational resources for entire communities in regions of the world that have suffered from poverty, crisis and natural disaster. Programs/activities look different in each country served as programs are tailored around the exact needs of the students and their communities versus having a “one size fits all” model.

Basis of Accounting

The financial statements of Education Equals Hope have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Education Equals Hope is required to present information regarding its financial position and activities according to the following net asset classifications:

Net Assets without donor restrictions:

These are net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Company. These net assets may be used at the discretion of the Company’s management and the board of directors.

Net Assets with donor restrictions:

These are net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Company or 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 statement of activities.

Functional Expenses

The Company uses various methods to allocate its natural expenses among programs, management and general, and fundraising functions when certain costs cannot be directly coded to a natural expense. Items coded to the *Programming* line in the statement of functional expenses do not always involve allocations and are most often the result of directly coding certain program and fundraising event costs.

Education Equals Hope
Notes to Financial Statements
December 31, 2022

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

Cash and cash equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Allowance for Bad Debts

The Company considers accounts receivable to be fully collectible; accordingly, the allowance for doubtful accounts has been determined to be zero.

Revenue Recognition

Company's main source of revenue derives from charitable contributions from individuals, businesses, churches, and foundations. These revenues are recorded when realizable and earned. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted revenues are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Compensated Absences

The Company's PTO hours are both earned and accrued each month. PTO time is encouraged to be used during each calendar year; however, in the event that PTO time cannot be used in the calendar year, a maximum of 10 days of earned paid vacation may be carried over from one calendar year to the next.

Income Taxes

The Company is a not-for-profit entity under IRS Code 501(c)(3) and is exempt from income tax. The Company believes that it has engaged in no controversial or questionable activities that could result in revocation of exempt status or give rise to any unasserted taxes, assessments, or penalties by taxing authorities. The Company's income tax returns are subject to review and examination by federal and state authorities for year 2019 and after. The Company is not aware of any activities that would jeopardize its tax-exempt status.

Education Equals Hope
Notes to Financial Statements
December 31, 2022

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

Estimates

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

Measurement of Operations

In its statement of activities, the Company includes in its definition of operations all revenues and expenses that are an integral part of its program and supporting activities. Nonoperating activities are limited to other activities considered to be of a more unusual or nonrecurring nature. There were not any nonoperating activities in 2022.

Advertising

The Company uses advertising to promote its programs to the general public. The costs of advertising are expensed as incurred.

Recently Issued Accounting Pronouncements

In February 2016, the FASB amended the Leases Topic of the Accounting Standards Codification to revise certain aspects of recognition, measurement, presentation and disclosure of leasing transactions. The amendments will be effective for fiscal years beginning after December 15, 2021. Management evaluated the effect that implementation of the new standard would have on the Company's financial statements and found that leases are immaterial to the financial statements.

In September 2020, the FASB issued [Accounting Standards Update No. 2020-07](#), *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Update is expected to increase transparency around contributed nonfinancial assets (also known as "gifts-in-kind") received by not-for-profit (NFP) organizations, including transparency on how those assets are used and how they are valued. The amendments will be effective for fiscal years beginning after June 15, 2021. Management is currently evaluating the effect that implementation of the new standard will have on the Company's financial statements.

Education Equals Hope
Notes to Financial Statements
December 31, 2022

NOTE 2 – LIQUIDITY AND AVAILABILITY

The following represents the Company’s financial assets as of December 31, 2022:

Financial Assets at year-end:	
Unrestricted cash and cash equivalents	\$ 682,305
Grants receivable	<u>5,029</u>
Total Financial Assets	687,334
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 687,334</u>

The Company’s goal is to maintain financial assets to meet at least six months of operating expenses. In addition to financial assets available to meet general expenditures, the Company operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statement of cash flows which identifies the sources and uses of the Company’s cash and shows positive cash generated by operations for fiscal year 2022.

NOTE 3 – CASH AND CASH EQUIVALENTS

Concentration of Credit Risk

The Company maintains cash balances with one commercial bank. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2022, the amount exceeding FDIC coverage totaled \$432,945.

NOTE 4 – LEASE COMMITMENTS

The Company entered into a three year lease for office space with Hope University. Rent expense for the lease was \$12,600 for the year ended December 31, 2022. As of issuance of these financials, the lease with Hope University has been terminated.

NOTE 5 – NET ASSETS

The Company did not have any net assets with donor restrictions at December 31, 2022.

Education Equals Hope
Notes to Financial Statements
December 31, 2022

NOTE 6 - SUBSEQUENT EVENTS

Subsequent events were evaluated through September 15, 2023 which is the date the financial statements were available to be issued.