



ONEHOPE, INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012





REPORT OF INDEPENDENT AUDITORS

The Board of Directors
OneHope, Inc.
Pompano Beach, Florida

We have audited the accompanying consolidated financial statements of OneHope, Inc. ("the Organization"), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities and cash flows 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 audits 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 Organization'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 Organization'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 consolidated financial position of OneHope, Inc. as of December 31, 2013 and 2012, the consolidated changes in its net assets, and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Batts Morrison Wales & Lee, P.A.

BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida
April 16, 2014

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ONEHOPE, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2013	2012
ASSETS		
Cash and cash equivalents	\$ 3,641,230	\$ 4,479,293
Prepaid expenses and other assets, net	1,111,022	1,021,699
Property and equipment, net	2,387,698	2,291,306
Total assets	\$ 7,139,950	\$ 7,792,298

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 2,458,667	\$ 2,044,084
Other liabilities	407,055	345,934
Total liabilities	2,865,722	2,390,018
NET ASSETS		
Unrestricted	3,092,017	4,474,014
Temporarily restricted	1,182,211	928,266
Total net assets	4,274,228	5,402,280
Total liabilities and net assets	\$ 7,139,950	\$ 7,792,298

ONEHOPE, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES

	For The Year Ended December 31, 2013			For The Year Ended December 31, 2012
	Unrestricted	Temporarily Restricted	Total	
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS				
Grants from OneHope Coalition of Transformational Churches, Inc.	\$ 14,540,974	\$ —	\$ 14,540,974	\$ —
Unrestricted contributions	8,561,748	—	8,561,748	27,166,413
Temporarily restricted contributions	—	5,208,009	5,208,009	2,387,563
Tenant and accommodation revenue	2,334,383	—	2,334,383	2,285,284
Other income	480,966	—	480,966	888,268
Team trip revenue	124,694	—	124,694	185,556
Investment income	9,662	—	9,662	21,146
Net assets released from restrictions	<u>4,954,064</u>	<u>(4,954,064)</u>	<u>—</u>	<u>—</u>
Total public support and revenue and net assets released from restrictions	<u>31,006,491</u>	<u>253,945</u>	<u>31,260,436</u>	<u>32,934,230</u>
Expenses:				
Program activities	<u>26,625,767</u>	<u>—</u>	<u>26,625,767</u>	<u>24,746,598</u>
Supporting activities:				
General and administrative	3,395,176	—	3,395,176	3,170,542
Fundraising	<u>2,367,545</u>	<u>—</u>	<u>2,367,545</u>	<u>2,232,255</u>
Total supporting activities	<u>5,762,721</u>	<u>—</u>	<u>5,762,721</u>	<u>5,402,797</u>
Total expenses	<u>32,388,488</u>	<u>—</u>	<u>32,388,488</u>	<u>30,149,395</u>
Change in unrestricted net assets	(1,381,997)	—	(1,381,997)	1,982,850
Change in temporarily restricted net assets	<u>—</u>	<u>253,945</u>	<u>253,945</u>	<u>801,985</u>
CHANGE IN NET ASSETS	(1,381,997)	253,945	(1,128,052)	2,784,835
NET ASSETS - Beginning of year	<u>4,474,014</u>	<u>928,266</u>	<u>5,402,280</u>	<u>2,617,445</u>
NET ASSETS - End of year	<u>\$ 3,092,017</u>	<u>\$ 1,182,211</u>	<u>\$ 4,274,228</u>	<u>\$ 5,402,280</u>

The Accompanying Notes are an Integral
Part of These Consolidated Financial Statements

ONEHOPE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Years Ended December 31,	
	2013	2012
OPERATING CASH FLOWS		
Cash received from OneHope Coalition of Transformational Churches, Inc.	\$ 14,540,974	\$ —
Cash received from donors	12,971,071	29,146,429
Cash received from tenants and other revenue	3,116,704	3,177,648
Investment income received	9,662	21,146
Cash paid for operating activities and costs	<u>(31,106,434)</u>	<u>(29,900,029)</u>
Net operating cash flows	<u>(468,023)</u>	<u>2,445,194</u>
INVESTING CASH FLOWS		
Purchases of and improvements to property and equipment	<u>(370,040)</u>	<u>(257,784)</u>
Net investing cash flows	<u>(370,040)</u>	<u>(257,784)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(838,063)	2,187,410
CASH AND CASH EQUIVALENTS - Beginning of year	<u>4,479,293</u>	<u>2,291,883</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 3,641,230</u>	<u>\$ 4,479,293</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS		
Change in net assets	\$ (1,128,052)	\$ 2,784,835
Adjustments to reconcile change in net assets to net operating cash flows:		
Depreciation	273,648	316,793
Change in prepaid expenses and other assets, net	(89,323)	(114,318)
Change in accounts payable and accrued expenses	414,583	(430,415)
Change in other liabilities	<u>61,121</u>	<u>(111,701)</u>
Net operating cash flows	<u>\$ (468,023)</u>	<u>\$ 2,445,194</u>

The Accompanying Notes are an Integral
Part of These Consolidated Financial Statements

ONEHOPE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES

OneHope, Inc. (“the Organization”), based in Pompano Beach, Florida, is a not-for-profit Florida corporation formed to affect destiny by providing God’s Eternal Word to all children and youth of the world. To accomplish its mission, the scripture book, *The Book of Hope*, and an animated film, *The GodMan*, are distributed around the world in various languages. During 2012, the Organization amended its governing documents to require that the members of the Board of Directors be composed of the members of the Board of Directors of OneHope Coalition of Transformational Churches, Inc. (“the Ministry”). The Ministry is a not-for-profit Florida corporation formed on October 26, 2009 and located in Pompano Beach, Florida whose purpose is to bring together evangelical churches from across the globe that are committed to co-laboring and pursuing meaningful and measurable change in the spiritual and social lives of their members, communities, and nations through outcome-based ministry. The accompanying consolidated financial statements do not reflect the financial position, changes in net assets, and cash flows of the Ministry as a whole.

In conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), the consolidated financial statements of the Organization include the accounts of Marie Green Forum, LLC (“the Forum”), a single member limited liability company of which the Organization is the sole member. The Forum was created to operate and manage The Marie Green Forum facility, which includes a Christian conference center, lodging facilities, and office space primarily occupied by the Organization, other Christian nonprofit organizations, and certain other tenants. The consolidated financial statements of the Organization also include the accounts of OneHope Fund, LLC (“OneHope Fund”), a single member limited liability company of which the Organization is the sole member. OneHope Fund was created to operate endowment and resource development activities and to provide resources to fulfill the mission and ministry of the Organization.

All significant interorganization balances and transactions have been eliminated in consolidation.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Contributions received are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statements of activities as “net assets released from restrictions.” Net assets released from restrictions were \$1,585,578 for 2012.

Cash and cash equivalents

The Organization considers investment instruments purchased or donated with original maturities of three months or less to be cash equivalents.

Property and equipment

Property and equipment are stated at cost, if purchased, or estimated fair value on the date of donation, if donated. Depreciation is provided using the straight-line method over the expected useful lives of the related assets.

Temporarily restricted net assets

Net assets were temporarily restricted primarily for book distribution in certain geographic areas.

Income taxes

The Organization is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to Florida law. The Organization is further classified as a public charity and not a private foundation for federal tax purposes. The Forum and OneHope Fund are treated as disregarded entities for federal tax purposes. None of the organizations included in the consolidated financial statements have incurred unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying consolidated financial statements. The organizations have not taken any material uncertain tax positions for which the associated tax benefits may not be recognized under U.S. GAAP. Federal and state tax authorities may generally examine the organizations’ income tax positions or (if applicable) returns for periods of approximately three to six years.

ONEHOPE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

Management uses estimates and assumptions in preparing the consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these consolidated financial statements include those related to the value of donated rent and the estimated useful lives of property and equipment. Actual results could differ from the estimates.

Reclassifications

Certain amounts included in the 2012 financial statements have been reclassified to conform to classifications adopted during 2013. The reclassifications had no material effect on the accompanying consolidated financial statements.

Subsequent events

The Organization has evaluated for possible financial reporting and disclosure subsequent events through April 16, 2014, the date as of which the consolidated financial statements were available to be issued.

NOTE C – CONCENTRATIONS

The Organization maintains its cash and cash equivalents in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

During 2013 and 2012, more than 57% and 75%, respectively, of the Organization's contribution revenue came from a small group of donors. The Organization hopes and expects to gratefully continue its relationship with these significant donors and would be adversely impacted financially if support from these donors were to diminish significantly or cease.

During 2013, the Organization received approximately 47% of its revenue from the Ministry.

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

<u>Category</u>	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Land	\$ 460,309	\$ 460,309
Buildings and building improvements	2,208,826	2,003,314
Furniture and equipment	1,795,529	1,767,186
Computer equipment and software	1,479,204	1,361,563
Vehicles	<u>83,986</u>	<u>119,194</u>
Total property and equipment	6,027,854	5,711,566
Less: Accumulated depreciation	<u>(3,640,156)</u>	<u>(3,420,260)</u>
Net property and equipment	<u>\$ 2,387,698</u>	<u>\$ 2,291,306</u>

Depreciation expense amounted to \$273,648 and \$316,793 for 2013 and 2012, respectively.

ONEHOPE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE D – PROPERTY AND EQUIPMENT (Continued)

The Organization rents its previous headquarters location to an unrelated third party under a long-term operating lease (See Note H). The facility includes land with a carrying value of \$460,309 and buildings with a carrying value of approximately \$918,000 and \$955,000 as of December 31, 2013 and 2012, respectively.

NOTE E – TRANSACTIONS WITH RELATED PARTIES

During 2013 and 2012, the Organization paid approximately \$221,000 and \$366,000, respectively, to Board members, their family members, or organizations in which Board members or their family members have ownership interests for printing, mailing, management, fund raising, and consulting services.

Marie Green Forum, LLC operates The Marie Green Forum pursuant to a lease agreement executed during 2012 with 1CTC, LLC (an affiliated entity whose accounts are not included in the accompanying consolidated financial statements). The lease agreement requires nominal annual rent of one dollar. In order to reflect the below-market rental of the facilities, during 2013 and 2012 approximately \$676,000 and \$113,000, respectively, of contribution revenue and contributed program and supporting activities expense are included in the accompanying consolidated financial statements. The lease is renewable annually at the option of 1CTC, LLC in its sole discretion.

NOTE F – RETIREMENT PLAN

The Organization maintains a 403(b) retirement plan (“the Plan”) for which employees are eligible to participate upon meeting the eligibility requirements described in the plan document. Eligible employees may make tax-deferred contributions to the Plan. The Organization may provide a discretionary annual matching contribution based on each participant’s elective deferrals. The Organization made matching contributions of approximately \$262,000 and \$236,000 during 2013 and 2012, respectively.

NOTE G – COMMITMENTS

The Organization has available a line of credit in an amount up to \$1,200,000. The line of credit bears interest at the bank’s prime rate plus 1% per annum (minimum 4.5% per annum). The line of credit is secured by a mortgage and security agreement and matures during December 2014. As of December 31, 2013 and 2012, there were no amounts outstanding under the line of credit.

The Organization is obligated under various contracts for printing and related services. The actual dollar amount of the contracts varies depending upon actual production needs of the Organization.

ONEHOPE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE H – LEASES

The Organization leases office space to tenants under non-cancelable operating leases. Following is a schedule by year of future minimum lease payments receivable (including common area charges) at December 31, 2013:

<u>Year Ending</u> <u>December 31,</u>	
2014	\$ 1,030,000
2015	754,000
2016	760,000
2017	243,000
2018	249,000
Thereafter	<u>276,000</u>
Total	<u>\$ 3,312,000</u>

NOTE I – MEMORANDUM OF UNDERSTANDING

The Organization has entered into a Memorandum of Understanding (“the Agreement”) with Assemblies of God World Missions of the General Council of the Assemblies of God (“AGWM”), the goal of which is to cooperate and collaborate to fulfill the missions of the Organization and AGWM. The terms of the Agreement include a requirement that the Organization notify AGWM representatives of the Organization’s intentions to operate in certain geographic regions; seconding of AGWM missionaries to the Organization for field missionary activities; a provision that donations from General Council of the Assemblies of God sources (as further described below) are subject to an AGWM “emergency fund” assessment; a requirement that the Organization submit its audited consolidated financial statements to AGWM; and other related provisions.

Approximately \$1,200,000 of the Organization’s revenue during 2013 and 2012 was identified by management as revenue from General Council of the Assemblies of God sources, including Assemblies of God churches, church members, and ministries. Such amounts are included in “contributions” revenue in the accompanying consolidated statements of activities.