

Filter of Hope, Inc.

Independent Auditor's Report

Tuscaloosa, Alabama

Year Ended December 31, 2021

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**Members of American Institute of Certified Public Accountants and Member of the Alabama Society of
Certified Public Accountants**

Index

INDEPENDENT AUDITOR’S REPORT.....	1
FINANCIAL STATEMENTS	
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7-11

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Independent Auditor's Report

To the Board of Directors
Filter of Hope, Inc.
Tuscaloosa, Alabama

Opinion

We have audited the accompanying financial statements of Filter of Hope, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 and the related statement of activities, statement of functional expenses, and statement of cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Filter of Hope, Inc. as of December 31, 2021 and the results of its operations 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 (GAAS). 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 Filter of Hope, Inc. 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 Filter of Hope, Inc.'s ability to continue as a going concern for a reasonable period of time.

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 GAAS will always detect a material misstatement 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 GAAS, 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 the 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 Filter of Hope, Inc.'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 Filter of Hope, Inc.'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.

Steve Richardson & Company, PC

Tuscaloosa, Alabama

May 20, 2022

Filter of Hope, Inc.
Statement of Financial Position
Year Ended December 31, 2021

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents (Notes 1 & 2)	\$ 1,815,322
Prepaid Expenses (Note 3)	180,686
Inventory	57,094
Total Current Assets	<u>2,053,102</u>
LONG-TERM ASSETS	
Property and Equipment, net of accumulated depreciation (Note 4)	<u>4,115</u>
Total Long-term Assets	<u>4,115</u>
TOTAL ASSETS	<u><u>\$ 2,057,217</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Credit Cards Payable	\$ 220,453
Accrued Payroll-Related Liabilities	31,012
Total Current Liabilities	<u>251,465</u>
Long-term Debt	
Total Long-term Debt (Note 5)	<u>-</u>
TOTAL LIABILITIES	251,465
NET ASSETS	
Without Donor Restrictions (Note 6)	1,359,664
With Donor Restrictions (Note 6)	446,088
Total Net Assets	<u>1,805,752</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,057,217</u></u>

Filter of Hope, Inc.
Statement of Activities
Year Ended December 31, 2021

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	
Program Revenues	
Filter Donations	\$ 395,278
General Donations	141,471
Filter Distribution and Evangelism Programs	899,251
Community of Hope	79,963
Paycheck Protection Plan Loan Forgiven (Note 5)	105,300
Other Income	19,290
TOTAL REVENUES WITHOUT DONOR RESTRICTIONS	1,640,553
Net Assets Released from Restrictions	<u>1,372,042</u>
TOTAL SUPPORT WITHOUT RESTRICTIONS	3,012,595
EXPENSES	
Program Expenses	2,312,045
Management & general	212,076
Fundraising	<u>55,941</u>
Total Expenses	<u>2,580,062</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	432,533
NET ASSETS WITH DONOR RESTRICTIONS	
Donor Restricted Income (Note 6)	
Missionary/Staff Support	1,012,422
Living Water Project-Unreached People Groups	<u>319,876</u>
Total - Donor Restricted Income	1,332,298
Net Assets Released from Donor Restrictions (Note 6)	<u>(1,372,042)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(39,744)</u>
CHANGE IN NET ASSETS	392,789
NET ASSETS, beginning of year	1,412,963
NET ASSETS, end of year	<u>\$ 1,805,752</u>

Filter of Hope, Inc.
Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services	Management & General	Fundraising	Total Expenses
Filter Expense - Cost of Goods Sold	\$ 239,043	\$ -	\$ -	\$ 239,043
CEO Salary	61,578	30,789	10,263	102,630
Other Salaries and Wages	339,906	39,989	19,994	399,889
Payroll Taxes	13,882	3,966	1,983	19,831
Accounting	-	14,500	-	14,500
Legal and Professional Fees	-	31,609	-	31,609
Auto Gas, Oil, Repairs	2,367	1,725	394	4,486
Filter Distribution and Evangelism Programs	732,123	-	-	732,123
Missionary/Staff Support	669,588	-	-	669,588
Advertising and Promotion	10,176	2,544	-	12,720
Rent	14,581	7,290	2,430	24,301
Trade Shows and Conferences	23,244	-	-	23,244
Insurance	69,274	41,787	11,546	122,607
Credit Card/PayPal Fees	28,096	-	-	28,096
Special Ministry Projects	66,347	-	-	66,347
Office Expense	-	18,933	-	18,933
Customer Relations	21,083	10,542	3,514	35,139
International Mission Staff	15,924	-	-	15,924
Telecommunications Expense	4,833	1,381	690	6,904
Fundraising Expenses	-	-	4,343	4,343
Depreciation Expense	-	3,922	-	3,922
Other Expenses	-	3,099	784	3,883
	<u>\$ 2,312,045</u>	<u>\$ 212,076</u>	<u>\$ 55,941</u>	<u>\$ 2,580,062</u>

Filter of Hope, Inc.
Statement of Cash Flows
Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 392,789
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and Amortization	3,922
Changes in operating assets	
(Increase) decrease in prepaids and other assets	(84,727)
(Increase) decrease in inventory	52,157
Increase (decrease) in payables and accrued expenses	214,154
Increase (decrease) in accrued payroll-related liabilities	3,255
Provided By (Used In) Operating Activities	<u>581,550</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(1,335)
Provided By (Used In) Investing Activities	<u>(1,335)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Paycheck Protection Plan Loan Forgiveness (Note 5)	(105,300)
Provided By (Used In) Financing Activities	<u>(105,300)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	474,915
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,340,407</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>1,815,322</u></u>
Interest Paid for the Year	<u><u>\$ -</u></u>

Filter of Hope, Inc.
Notes to Financial Statements

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization and Activities

Filter of Hope is a 501(c)(3) nonprofit ministry with a mission to provide safe drinking water and the “Living Water” of Jesus Christ to families around the world in desperate need of both. The mission is carried out utilizing hundreds of strategic partnerships and through a large group of international staff and volunteers. The mission strategy involves taking thousands of church members and college and high school students on short-term mission trips yearly in Latin America. The teams work with local churches in each country making home visits to families in their communities to provide them with their own personal household water filter followed by sharing the clear gospel message. The teams install and demonstrate proper use of the filters inside families’ homes and then share the gospel using the water filter as a perfect illustration of God’s love, grace, and forgiveness available to all.

Filter of Hope has strategic partnerships around the globe which allows their water filters to be used as tools for both health and evangelism in places that are too difficult and dangerous to travel. Filter of Hope household water filters are now used in over 70 countries. Filter of Hope has a major focus on Unreached People Groups (UPG’s). UPG’s are countries inside the 10/40 Window where less than 2% of the entire population are followers of Christ, and the vast majority of the 3.2 billion people in these countries have never heard about Jesus.

Filter of Hope’s ministry programs and projects are funded by financial partners who believe in the ministry focus and strategy. Funding partners include churches, families, corporate partners, and foundations. Filter of Hope has a recurring monthly donor program called “Community of Hope” where families, companies, and individuals can support the ministry on a monthly basis.

Filter of Hope’s guiding core principle is: “NO ONE should have to live without clean drinking water, and EVERYONE deserves the opportunity to know Christ personally.”

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) and, accordingly, reflect all significant assets and liabilities as of December 31, 2021 and revenue earned and expenses incurred for 2021.

Filter of Hope, Inc.
Notes to Financial Statements - continued

Basis of Presentation

The financial statements report amounts separately by class of net assets as follows:

Net Assets Without Donor Restrictions are resources currently available at the discretion of the board of directors for use in the Organization's operations.

Net Asset with Donor Restrictions are comprised of donor-restricted contributions for the support of the Organization's specific programs and those resources.

Contributions

Contributions are recognized on the date of receipt. The Organization recognizes no Pledges Receivable or Accounts Receivable from potential donors. Contributions are recognized as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Gifts of cash and other assets are reported with donor-restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional donations with restriction are recognized when the condition or conditions on which they depend are substantially met. When a restriction expires, that is, when a stipulated purpose restriction is accomplished or a time restriction ends, 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor-restriction support.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis based on employee positions allocated to specific functions, employee time worked on specific programs or activities, and the nature of the expenses themselves.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Filter of Hope, Inc.
Notes to Financial Statements - continued

Income Tax Status

No provision for income taxes have been made in these financial statements since Filter of Hope, Inc. is exempt from federal and state income taxes, respectively, under Section 501(c)(3) of the Internal Revenue Code and the Alabama Non-Profit Corporation Act. The Organization is not classified as a private foundation.

The Organization follows the guidance of FASB ASC 740, Income Taxes. FASB ASC 740 provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the financial statements. FASB ASC 740 requires the evaluation of tax positions taken or expected to be taken by the applicable tax authority. Management believes that it has not taken a tax position that, if challenged, would have a material effect on the Organization's financial statements. No tax returns are currently under examination by the Internal Revenue Service.

Cash and Cash Equivalents

For purposes of the statement of financial position and statement of cash flows, the Organization considers all highly liquid debt instruments to be cash equivalents. This includes positive balances in online accounts which are classified as cash equivalents.

Inventory

Inventory is recorded at the lower of cost or market value. For the Organization, the inventory is all portable water filtration devices to be distributed on mission trips to foreign countries. This inventory is carried at cost on the statement of financial position.

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the following estimated useful lives: computer and office equipment, 5 years; furniture and fixtures, 7 years; automobiles, trucks, and trailers, 5 years. All purchased assets are added to Property & Equipment on the purchase date and assessed an estimated useful life depending on the type of asset purchased. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Post-Retirement Benefit Obligations

The Organization provides a post-retirement 401(b) plan which is administered by Vanguard Investments. Employees can make pre-tax contributions with wages earned up to certain limitations. The Plan is 100% funded by employees of The Organization.

Filter of Hope, Inc.
Notes to Financial Statements - continued

NOTE 2 – CONCENTRATION OF CREDIT RISK / CASH AND CASH EQUIVALENTS

The Organization’s cash and cash equivalents balance consists of four checking accounts with one large, multi-state bank and two common online accounts (cash equivalents). As of December 31, 2021, the Organization had a cash and cash equivalents balance of \$1,815,322. The checking accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per account, in accordance with regulatory standards. On December 31, 2021, there were three cash deposit accounts over the \$250,000 insured limit. The total of the three account balances over the \$250,000 insured limit was \$792,472.

NOTE 3 – PREPAID EXPENSES

On December 31, 2021, Prepaid Expenses consisted of water filtration devices (inventory) purchased in advance by a foreign manufacturer but not yet received. Due to international laws and the manufacturer’s rules and regulations, the Organization must order and pay for its inventory in advance prior to manufacture and shipment. International shipment and delivery delays have caused the Organization to have to order water filtration devices much further in advance than normal. The water filtration devices are taken to be distributed on all trips and programs the Organization leads.

NOTE 4 – PROPERTY AND EQUIPMENT

As of December 31, 2021, the Organization’s property & equipment, net of accumulated depreciation, consisted of the following:

Computer Equipment	\$	9,773
Furniture and Fixtures		7,466
Autos, Trucks, and Trailers		10,000
Accumulated Depreciation		<u>(23,124)</u>
Property and Equipment, net of accumulated depreciation	\$	<u>4,115</u>

NOTE 5 – PAYCHECK PROTECTION PLAN LOAN FORGIVENESS

In 2020, the Organization applied for and received a Paycheck Protection Plan Loan from the Federal government in the amount of \$105,300. This amount was forgiven in its entirety in July of 2021.

Filter of Hope, Inc.
Notes to Financial Statements - continued

NOTE 6 - NET ASSETS

The Organization receives some donations with donor-imposed restrictions. For the year 2021, donor-restricted receipts totaled \$1,332,298. Donor-restricted receipts were designated for Missionary/Staff Support and the Living Water Project – Unreached People Groups. In 2021, \$1,372,042 was released from donor restriction for Missionaries/Support Staff and the Living Water Project – Unreached People Groups. As of December 31, 2021, the Organization had balances of \$1,359,664 in Net Assets Without Donor Restriction and \$446,088 in Net Assets With Donor Restrictions.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

The Organization entered into a lease contract for its office space (with a copier included) July 3, 2017. The lease contains a small, variable component which is based on the number of copies the Organization makes. Future minimum payments under the leasing agreement that have remaining terms more than 12 months as of December 31, 2021, are as follows:

2022	\$ 25,562
2023	12,781

NOTE 8 - RELATED PARTY TRANSACTIONS

From the discussions we had with leadership of the Organization, there are no related parties or related party transactions to report for the year 2021.

NOTE 9 - SUBSEQUENT EVENTS

In preparing the financial statements, management has evaluated all subsequent events and transactions for potential recognition or disclosure through May 20, 2022, the date the financial statements were available for issuance. As of the date of this report, there were no material events or transactions that occurred since the fiscal year end of December 31, 2021.