

Filter of Hope, Inc.

Independent Auditor's Report

Tuscaloosa, Alabama

Years Ended December 31, 2023 and 2022

Steve Richardson & Company, P.C. Certified Public Accountants

2618 8th Street • Tuscaloosa, Alabama 35401

Telephone 205/349-3580 • Facsimile 205/349-4871

www.srcocpa.com

**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.....	4
Statement of Activities.....	5
Statement of Functional Expenses.....	6
Statement of Cash Flows.....	7
Notes to Financial Statements.....	8-12

Steve Richardson & Company, P.C.

Certified Public Accountants

2618 Eighth Street
Tuscaloosa, Alabama 35401
www.srcocpa.com

Telephone: 205/349-3580

Facsimile: 205/349-4871

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

Independent Auditor's Report

To the Leadership and 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, 2023 and 2022 and the related statement of activities, statement of functional expenses, and statement of cash flows for the years 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, 2023 and 2022 and the results of its operations and its cash flows for the years 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.

Report on Summarized Comparative Information

Filter of Hope, Inc., year ended December 31, 2022 audit financial statements with a report issue date of September 21, 2023 expressed an unmodified opinion. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

July 2, 2024

Filter of Hope, Inc.
Statement of Financial Position
Years Ended December 31, 2023 and 2022

ASSETS	2023	2022
CURRENT ASSETS		
Cash and cash equivalents (Notes 1 & 2)	\$ 4,705,299	\$ 2,569,608
Prepaid Expenses (Note 3)	53,150	90,392
Inventory	55,616	189,119
Total Current Assets	<u>4,814,065</u>	<u>2,849,119</u>
LONG-TERM ASSETS		
Property and Equipment, net of accumulated depreciation (Note 4)	1,368	2,116
Total Long-term Assets	<u>1,368</u>	<u>2,116</u>
TOTAL ASSETS	<u>\$ 4,815,433</u>	<u>\$ 2,851,235</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Credit Cards Payable	\$ 76,270	\$ 55,086
Accrued Payroll-Related Liabilities	41,227	19,536
Deferred Revenue (Note 5)	885,887	-
Total Current Liabilities	<u>1,003,384</u>	<u>74,622</u>
TOTAL LIABILITIES	\$ 1,003,384	\$ 74,622
NET ASSETS		
Without Donor Restrictions (Note 6)	2,888,022	1,927,805
With Donor Restrictions (Note 6)	924,027	848,808
Total Net Assets	<u>3,812,049</u>	<u>2,776,613</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,815,433</u>	<u>\$ 2,851,235</u>

Filter of Hope, Inc.
Statement of Activities
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Program Revenues		
Filter Donations	\$ 162,847	\$ 298,509
General Donations	69,757	381,001
Filter Distribution and Evangelism Programs	4,200,480	2,588,823
Community of Hope	117,223	130,078
Other Income	124,115	15,267
TOTAL REVENUES WITHOUT DONOR RESTRICTIONS	<u>4,674,422</u>	<u>3,413,678</u>
Net Assets Released from Restrictions	2,869,931	1,509,839
TOTAL SUPPORT WITHOUT RESTRICTIONS	<u>7,544,353</u>	<u>4,923,517</u>
EXPENSES		
Program Expenses	6,174,357	3,996,101
Management & general	344,711	272,975
Fundraising	65,068	86,300
Total Expenses	<u>6,584,136</u>	<u>4,355,376</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	960,217	568,141
NET ASSETS WITH DONOR RESTRICTIONS		
Donor Restricted Income (Note 6)		
Missionary/Staff Support	1,286,733	964,838
Living Water Project-Unreached People Groups	1,658,417	947,721
Total - Donor Restricted Income	<u>2,945,150</u>	<u>1,912,559</u>
Net Assets Released from Donor Restrictions (Note 6)	<u>(2,869,931)</u>	<u>(1,509,839)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>75,219</u>	<u>402,720</u>
CHANGE IN NET ASSETS	1,035,436	970,861
NET ASSETS, beginning of year	<u>2,776,613</u>	<u>1,805,752</u>
NET ASSETS, end of year	<u>\$ 3,812,049</u>	<u>\$ 2,776,613</u>

Filter of Hope, Inc.
Statement of Functional Expenses
Years Ended December 31, 2023 and 2022

	Program Services	Management & General	Fundraising	Total Expenses
Filter Expense - Cost of Goods Sold	\$ 1,067,328	\$ -	\$ -	\$ 1,067,328
CEO Salary	73,200	36,600	12,200	122,000
Other Salaries and Wages	186,624	21,956	10,978	219,558
Staff Housing Allowances	50,385	5,928	2,964	59,276
Accounting	-	14,160	-	14,160
Auto Gas, Oil, Repairs	5,282	2,641	880	8,803
Bank Service Charges	-	4,130	-	4,130
Credit Card/PayPal Fees	42,383	-	-	42,383
Employee Bonuses	66,374	-	-	66,374
Special Ministry Projects	36,297	-	-	36,297
Dues & Subscriptions	84	84	-	168
Depreciation Expense	2,119	2,119	-	4,238
Computer Expense	-	480	-	480
Staff Insurance	17,809	8,904	2,968	29,681
Workers Compensation Insurance	-	7,903	-	7,903
Customer Relations	54,259	27,130	9,043	90,432
Missionary/Staff Support	1,227,410	-	-	1,227,410
International Mission Staff	27,362	-	-	27,362
Office Expense	-	57,592	-	57,592
Professional & Legal Fees	-	123,352	-	123,352
Promotions & Advertising	39,102	-	9,775	48,877
Payroll Taxes	25,613	7,318	3,659	36,590
Retirement Spending Expense	-	1,502	-	1,502
Rent	25,481	12,740	4,247	42,468
Repairs & Maintenance	-	8,555	-	8,555
Fundraising Expenses	-	-	7,575	7,575
Taxes, Licenses, & Fees	-	56	-	56
Telecommunications Expense	5,455	1,558	779	7,792
Mission Trips and Programs	1,549,834	-	-	1,549,834
Unreached People Group (UPG)	1,642,521	-	-	1,642,521
Trade Shows and Conferences	29,436	-	-	29,436
Other Expenses	-	3	-	3
	<u>\$ 6,174,357</u>	<u>\$ 344,711</u>	<u>\$ 65,068</u>	<u>\$ 6,584,136</u>

Filter of Hope, Inc.
Statement of Cash Flows
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets	\$ 1,035,436	\$ 970,861
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and Amortization	4,238	53,371
Changes in operating assets		
(Increase) decrease in prepaids and other assets	37,242	90,294
(Increase) decrease in inventory	133,503	(132,025)
Increase (decrease) in payables and accrued expenses	21,184	(165,367)
Increase (decrease) in accrued payroll-related liabilities	21,691	(11,476)
Increase (decrease) in deferred revenue	885,887	-
Provided By (Used In) Operating Activities	<u>2,139,181</u>	<u>805,658</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(3,490)</u>	<u>(51,372)</u>
Provided By (Used In) Investing Activities	<u>(3,490)</u>	<u>(51,372)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
None	<u>-</u>	<u>-</u>
Provided By (Used In) Financing Activities	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,135,691	754,286
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,569,608</u>	<u>1,815,322</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,705,299</u>	<u>\$ 2,569,608</u>
Interest Paid for the Year	<u>\$ 3</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 financial transactions incurred for years 2023 and 2022.

Basis of Presentation

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

Net Assets Without Donor Restrictions for use in the organization’s operations.

Net Asset With Donor Restrictions for organizational specific programs and services.

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

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.

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 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.

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

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.

Employee Retirement Plan

The organization provides a 403 (b) retirement plan which is administered by Vanguard Investments. Employees can make pre-tax contributions with wages earned up to certain annual limitations. The Plan is 100% funded by employees of the organization.

Comparative Financial Information

The financial statements include certain prior year audited comparative information. Such information is included to provide a basis for comparison with 2023 and present summarized totals only. Accordingly, the 2022 totals are not intended to present all information necessary for a fair presentation in conformity with the accrual basis of accounting. Such information should be read in conjunction with the financial statements for the year ended December 31, 2022.

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 consist of three checking accounts with one large, multi-state bank, a money market account, and three common online accounts (cash equivalents). As of December 31, 2023 and 2022, the organization had a cash and cash equivalents balance of \$4,705,299 and \$2,569,608, respectively. 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, 2023 and 2022, the cash deposit accounts and one online, FDIC-insured institution held balances over the \$250,000 insured limit. The total of the account balances over the \$250,000 insured limit on December 31, 2023 and 2022 were \$4,030,675 and \$1,819,520, respectively.

NOTE 3 – PREPAID EXPENSES

As of December 31, 2023 and 2022, 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, 2023 and 2022, the organization's property & equipment, net of accumulated depreciation, consisted of the following:

	2023	2022
Computer Equipment	\$ 13,263	9,773
Furniture and Fixtures	7,466	7,466
Autos, Trucks, and Trailers	61,373	61,373
Accumulated Depreciation	(80,734)	(76,496)
Property and Equipment, net of accumulated depreciation	<u>\$ 1,368</u>	<u>\$ 2,116</u>

NOTE 5 – DEFERRED REVENUE

As of December 31, 2023, the organization recorded \$885,887 in deferred revenue. This amount represents funds received for a trip scheduled for March 2024. As of December 31, 2022, the organization recorded no deferred revenues for funds collected at year-end for future trips the following year.

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 2023 and 2022, donor-restricted receipts totaled \$2,945,150 and \$1,912,559, respectively. Donor-restricted receipts were designated for Missionary/Staff Support and the Living Water Project – Unreached People Groups. In 2023 and 2022, \$2,869,931 and \$1,509,839, respectively was released from donor restriction for Missionaries/Support Staff and the Living Water Project – Unreached People Groups. As of December 31, 2023 and 2022, the organization had balances of \$2,888,022 and \$1,927,805 in Net Assets Without Donor Restriction and \$924,027 and \$848,808 in Net Assets With Donor Restrictions, respectively.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

The organization entered into a new lease contract for its office space (with a copier included) March 25, 2024. 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, 2023, are as follows:

2024	\$ 43,920
2025	45,275
2026	45,275
2027	45,275
2028	26,411

NOTE 8 - RELATED PARTY TRANSACTIONS

From the discussions we had with the leadership of the organization, there are no related parties or related party transactions to report for the years 2023 or 2022.

NOTE 9 - SUBSEQUENT EVENTS

In preparing the financial statements, management has evaluated all subsequent events and transactions for potential recognition or disclosure through July 2, 2024, the date the financial statements were available for issuance. As of the date of this report, there have been only two material events or transactions that occurred since December 31, 2023. Due to the amount of cash above the FDIC protection limit at year-end, the organization deposited \$3,500,000 into its Ameriprise Money Market account in February, March, and April. Ameriprise then transferred these funds into 15 FDIC-insured financial institutions where no single financial institution had an account balance over \$250,000. These funds were deposited into certificates of deposit ranging from 6-24 months. The second subsequent event after year-end occurred when the organization signed a new lease agreement for its office space effective March 25, 2024.