



# ONEHOPE, INC.

## CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016





## REPORT OF INDEPENDENT AUDITOR

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

We have audited the accompanying consolidated financial statements of OneHope, Inc. ("the Ministry"), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, 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 Ministry'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 Ministry'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, 2017 and 2016, 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.

Fort Lauderdale, Florida  
March 29, 2018

**ONEHOPE, INC.**  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

**ASSETS**

	December 31,	
	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,831,009	\$ 9,832,995
Investments	9,383,238	—
Accounts receivable, prepaid expenses, and other assets, net	3,130,870	2,926,762
Property and equipment, net	13,137,440	13,668,698
<b>Total assets</b>	<b>\$ 33,482,557</b>	<b>\$ 26,428,455</b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 2,490,605	\$ 1,574,780
Other liabilities	217,322	475,746
Notes payable	200,000	1,080,008
<b>Total liabilities</b>	<b>2,907,927</b>	<b>3,130,534</b>

**NET ASSETS**

Unrestricted		
Undesignated	20,669,512	22,787,142
Investment assets board designated for future ministry venture projects	9,383,238	—
Total unrestricted net assets	30,052,750	22,787,142
Temporarily restricted	521,880	510,779
<b>Total net assets</b>	<b>30,574,630</b>	<b>23,297,921</b>
<b>Total liabilities and net assets</b>	<b>\$ 33,482,557</b>	<b>\$ 26,428,455</b>

**ONEHOPE, INC.**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**

	For The Year Ended December 31, 2017			For The Year Ended December 31, 2016
	Unrestricted	Temporarily Restricted	Total	
<b>PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS</b>				
Unrestricted contributions	\$ 27,709,455	\$ —	\$ 27,709,455	\$ 29,490,445
Gain from sale of assets	17,000,000	—	17,000,000	—
Other income	3,048,832	—	3,048,832	4,258,631
Temporarily restricted contributions	—	2,962,043	2,962,043	2,821,651
Tenant and accommodation revenue	2,201,183	—	2,201,183	2,154,585
Noncash contribution of property	—	—	—	500,000
Net assets released from restrictions	<u>2,950,942</u>	<u>(2,950,942)</u>	<u>—</u>	<u>—</u>
<b>Total public support and revenue and net assets released from restrictions</b>	<b><u>52,910,412</u></b>	<b><u>11,101</u></b>	<b><u>52,921,513</u></b>	<b><u>39,225,312</u></b>
Expenses				
Program activities	<u>39,813,680</u>	<u>—</u>	<u>39,813,680</u>	<u>30,697,682</u>
Supporting activities				
General and administrative	3,604,383	—	3,604,383	3,565,975
Fundraising	<u>2,226,741</u>	<u>—</u>	<u>2,226,741</u>	<u>2,091,392</u>
Total supporting activities	<u>5,831,124</u>	<u>—</u>	<u>5,831,124</u>	<u>5,657,367</u>
<b>Total expenses</b>	<b><u>45,644,804</u></b>	<b><u>—</u></b>	<b><u>45,644,804</u></b>	<b><u>36,355,049</u></b>
<b>Change in unrestricted net assets</b>	<b>7,265,608</b>	<b>—</b>	<b>7,265,608</b>	<b>2,843,110</b>
<b>Change in temporarily restricted net assets</b>	<b><u>—</u></b>	<b><u>11,101</u></b>	<b><u>11,101</u></b>	<b><u>27,153</u></b>
<b>CHANGE IN NET ASSETS</b>	<b>7,265,608</b>	<b>11,101</b>	<b>7,276,709</b>	<b>2,870,263</b>
<b>NET ASSETS - Beginning of year</b>	<b><u>22,787,142</u></b>	<b><u>510,779</u></b>	<b><u>23,297,921</u></b>	<b><u>20,427,658</u></b>
<b>NET ASSETS - End of year</b>	<b><u>\$ 30,052,750</u></b>	<b><u>\$ 521,880</u></b>	<b><u>\$ 30,574,630</u></b>	<b><u>\$ 23,297,921</u></b>

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,	
	2017	2016
<b>OPERATING CASH FLOWS</b>		
Cash received from donors	\$ 30,494,299	\$ 32,095,697
Cash received from rentals and other activities	4,797,920	5,893,847
Cash paid for operating activities and costs (including program grants)	(43,118,114)	(36,293,835)
Interest paid	(15,710)	(44,326)
	<b>(7,841,605)</b>	<b>1,651,383</b>
<b>INVESTING CASH FLOWS</b>		
Purchases of investments	(8,222,042)	—
Proceeds from sale of assets	14,720,000	—
Proceeds from sale of property	350,000	—
Purchases of and improvements to property and equipment	(128,331)	(444,460)
	<b>6,719,627</b>	<b>(444,460)</b>
<b>FINANCING CASH FLOWS</b>		
Repayments of note payable	(880,008)	(24,213)
	<b>(880,008)</b>	<b>(24,213)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,001,986)</b>	<b>1,182,710</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>9,832,995</b>	<b>8,650,285</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 7,831,009</b>	<b>\$ 9,832,995</b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS</b>		
Change in net assets	\$ 7,276,709	\$ 2,870,263
Adjustments to reconcile change in net assets to net operating cash flows		
Gain from sale of assets	(17,000,000)	—
Gain on investments	(23,011)	—
Gain on sale of property	(92,000)	—
Depreciation	401,589	407,120
Noncash contribution of property	—	(500,000)
Change in accounts receivable, prepaid expenses, and other assets, net	937,707	(1,361,438)
Change in accounts payable and accrued expenses	915,825	275,329
Change in other liabilities	(258,424)	(39,891)
	<b>\$ (7,841,605)</b>	<b>\$ 1,651,383</b>

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 Coalition of Transformational Churches, Inc. (“the Ministry”) is a not-for-profit Florida corporation 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.

OneHope, Inc. (“the Organization”) is a not-for-profit Florida corporation located in Pompano Beach, Florida, 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. Pursuant to the Organization’s governing documents, the members of the Organization’s Board of Directors are composed of the members of the Ministry’s Board of Directors.

During 2017, the Ministry and the Organization entered into a merger agreement whereby all assets and liabilities of the Organization were transferred to the Ministry as of April 1, 2017. Additionally, all activities previously conducted by the Organization are now carried out by the Ministry. In conjunction with the merger, the Ministry changed its name to OneHope, Inc.

In conformity with accounting principles generally accepted in the United States of America (“GAAP”), the consolidated financial statements of the Ministry include the accounts of the following organizations, which are separate legal entities, all located in Pompano Beach, Florida:

- 1CTC, LLC (“the LLC”) is a single member limited liability company of which the Ministry is the sole member. The LLC was created to hold title to real property including The Marie Green Forum facility, which includes a Christian conference center, lodging facilities, and office space primarily occupied by the Ministry, other Christian nonprofit organizations, and certain other tenants.
- Marie Green Forum, LLC (“the Forum”) is a single member limited liability company of which the Ministry is the sole member. The Forum was created to operate and manage The Marie Green Forum facility.
- Kindrid, LLC (“Kindrid”) is a single member limited liability company of which the Ministry is the sole member. Kindrid was created to provide a mobile platform for churches to unleash generosity through smart giving. During 2017, all assets used in conjunction with the operation of the smart giving platform were sold in accordance with an agreement further described in Note G. Subsequent to the sale, Kindrid changed its name to KinBlessing, LLC. On January 1, 2018, the Ministry transferred its membership interest in KinBlessing, LLC to Life Covenant Church, Inc. d/b/a Life.Church, an Oklahoma nonprofit corporation.
- OneHope Fund, LLC (“OneHope Fund”) is a single member limited liability company of which the Ministry is the sole member. OneHope Fund was created to operate endowment and resource development activities to provide resources to fulfill the mission and ministry of the Ministry.
- Book of Hope Foundation, Inc. (“BHF”) is a not-for-profit Florida corporation which exists to operate for the benefit of the Ministry. The Ministry has the authority to appoint a majority of the board members of BHF.
- OneHope South Africa, LLC is a single member limited liability company of which the Ministry is the sole member. OneHope South Africa, LLC was created to hold title to certain property.

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

**ONEHOPE, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**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 \$2,794,498 for 2016.

**Cash and cash equivalents**

All investment instruments purchased or donated with original maturities of three months or less are considered to be cash equivalents.

**Investments**

Investments consist primarily of government securities and are stated at estimated fair value.

**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.

**Board designated net assets**

Board designated net assets are designated for future ministry venture projects and are not for regular ministry operations.

**Temporarily restricted net assets**

Net assets were temporarily restricted primarily for book distribution in certain geographic areas and various Ministry projects.

**Income taxes**

The Ministry, Organization, and BHF are exempt from federal income tax as organizations described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to Florida law. The Ministry, Organization, and BHF are further classified as public charities and not private foundations for federal tax purposes. The LLC, the Forum, Kindrid, OneHope Fund, and OneHope South Africa, LLC are treated as disregarded entities for federal tax purposes. The Forum and Kindrid engage in certain unrelated business activities. The organizations have not taken any material uncertain tax positions for which the associated tax benefits may not be recognized under GAAP.

**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 estimating the fair value of investments, the value of donated property, and the estimated useful lives of property and equipment. Actual results could differ from the estimates.

**Subsequent Events**

The Ministry has evaluated for possible financial reporting and disclosure subsequent events through March 29, 2018, the date as of which the consolidated financial statements were available to be issued.

**NOTE C – CONCENTRATIONS**

Each 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 organizations have not experienced any losses in such accounts and believe they are not exposed to any significant credit risk related to cash and cash equivalents.

**ONEHOPE, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE C – CONCENTRATIONS (Continued)**

During 2017 and 2016, more than 75% of the Ministry’s contribution revenue came from a small group of donors. The Ministry 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.

**NOTE D – FAIR VALUE MEASUREMENTS**

GAAP defines fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, GAAP recognizes a hierarchy of “inputs” an organization may use in determining or estimating fair value.

The inputs are categorized into “levels” that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Following is a description of each of the three levels of input within the fair value hierarchy:

Level 1 – unadjusted quoted market prices in active markets for identical items

Level 2 – other significant observable inputs (such as quoted prices for similar items)

Level 3 – significant unobservable inputs

Investments in limited partnership interests listed as “Level 3” investments consist primarily of investments in units of a limited liability company. Generally, such investments cannot be liquidated in the near-term at the discretion of the investee.

Estimated fair value of assets measured on a recurring basis as of December 31, 2017, are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Government securities - United States Treasury Bills	\$ 8,419,386	\$ 8,419,386	\$ —	\$ —
Equity securities	49,295	49,295	—	—
Limited partnership interests	<u>914,557</u>	<u>—</u>	<u>—</u>	<u>914,557</u>
Total	<u>\$ 9,383,238</u>	<u>\$ 8,468,681</u>	<u>\$ —</u>	<u>\$ 914,557</u>

**ONEHOPE, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE E – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

Category	December 31,	
	2017	2016
Land	\$ 3,496,809	\$ 3,754,809
Buildings and building improvements	11,649,101	11,533,333
Furniture and equipment	1,857,190	1,866,734
Computer equipment and software	1,310,887	1,525,126
Vehicles	118,521	118,521
Total property and equipment	18,432,508	18,798,523
Less: Accumulated depreciation	(5,295,068)	(5,129,825)
Net property and equipment	\$ 13,137,440	\$ 13,668,698

Depreciation expense amounted to \$401,589 and \$407,120 for 2017 and 2016, respectively.

During 2016, the Ministry entered into an agreement to rent its previous headquarters location to an unrelated third party under a long-term operating lease. The facility includes land with a carrying value of approximately \$460,000 and buildings with a carrying value of approximately \$780,000 as of December 31, 2017.

During 2016, OneHope Fund received certain donated land from an unrelated third party. The donated property was recorded at its estimated fair value of \$500,000. This amount is included in “noncash contribution of property” in the consolidated 2016 statement of activities.

**NOTE F – NOTES PAYABLE**

Notes payable consisted of the following:

	December 31,	
	2017	2016
Note payable to a bank; payable in monthly payments of principal and interest based on a twenty-five year amortization schedule; with interest at 4% per annum for the first five years (4% as of December 31, 2016); adjusting to the five-year U.S. Treasury rate plus 2% per annum thereafter, with a floor of 4%; secured by a mortgage; paid in full during 2017	\$ —	\$ 880,008
Purchase money mortgage payable to a Board member; due on demand; interest at 4% per annum; unsecured; paid in full during 2018	200,000	200,000
Total notes payable	\$ 200,000	\$ 1,080,008

Interest expense was \$15,710 and \$44,326 during 2017 and 2016, respectively.

**ONEHOPE, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE G – SALE OF KINDRID**

During 2017, the Ministry entered into a contractual agreement which involved the sale of the Kindrid line of activity, including certain assets with minimal carrying value, in exchange for \$16,000,000 in cash proceeds plus a \$1,000,000 note receivable. In addition, the Ministry received 300,000 units of a limited partnership interest (140,000 units were issued to OneHope and 160,000 units were issued to Kindrid). The assets transferred by the Ministry in the transaction had no carrying value, and the limited partnership interest received is carried at the historical cost of the assets given up, or zero. In accordance with generally accepted accounting principles, the partnership interest received is carried at the lower of cost or market value. The Ministry deems its cost for the partnership interest to be zero in the interests of conservatism and practicality. The Ministry has not obtained independent data to support a different carrying value. If and when an event occurs resulting in the disposition of all or part of the partnership interest in exchange for assets that may be carried at a higher value, a gain will be recognized to the extent of any net proceeds in the period in which such disposition occurs. Additionally, any cash distributions received by the Ministry as a result of its holding of the limited partnership interest will be recognized as income when received. See also Note H.

**NOTE H – GRANT TO LIFE COVENANT CHURCH, INC.**

Subsequent to the closing of the sale described in Note G, the Ministry authorized cash grants totaling \$5,600,000 to Life Covenant Church, Inc., an Oklahoma nonprofit corporation. As of December 31, 2017, \$512,000 of the \$5,600,000 remained as an accrued grant payable. A member of the Ministry's Board of Directors serves in a position of leadership at Life Covenant Church, Inc. In addition, on January 1, 2018, the Ministry assigned its membership of KinBlessing, LLC (formerly known as Kindrid, LLC) to Life Covenant Church, Inc., thereby granting 160,000 limited partnership interest units to Life Covenant Church, Inc., leaving the Ministry with 140,000 units.

**NOTE I – TRANSACTIONS WITH RELATED PARTIES**

During 2017 and 2016, the Ministry, the Organization, and 1CTC, LLC paid approximately \$219,000 and \$419,000, respectively, to Board members, their family members, or organizations in which Board members or their family members have ownership interests for printing, mailing, management, fundraising, interest (see Note F), and consulting services.

The Ministry cooperates in ministry with Hope Educational Foundation International, Inc. ("Hope Ed"), a Florida not-for-profit corporation, in accomplishing its purpose. Several members of the Ministry's Board of Directors, or their family members, also serve in positions of leadership for Hope Ed. During 2017 and 2016, the Ministry made payments of approximately \$2,603,000 and \$2,456,000, respectively, to Hope Ed.

**NOTE J – RETIREMENT PLAN**

The Ministry 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 Ministry provides a matching contribution for each participant's elective deferrals up to 6%. The Ministry may also provide a discretionary annual matching contribution based on each participant's elective deferrals. Matching contributions of approximately \$413,000 and \$374,000 were made to the Plan during 2017 and 2016, respectively.

**NOTE K – COMMITMENTS**

The Ministry 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 Ministry.

**ONEHOPE, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE L - LEASES**

The Forum leases office space to tenants under non-cancelable operating leases. The following is a schedule by year of future minimum lease payments receivable (including common area charges) under the leases at December 31, 2017:

<u>Year Ending</u> <u>December 31,</u>	
2018	\$ 1,557,000
2019	1,497,000
2020	530,000
2021	290,000
2022	222,000
Thereafter	<u>1,456,000</u>
Total	<u>\$ 5,552,000</u>