

NETHOPE, INC.
Falls Church, Virginia
FINANCIAL REPORT
JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
NetHope, Inc.
Falls Church, Virginia

Opinion

We have audited the accompanying financial statements of NetHope, Inc. (NetHope), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities and cash flows for the years 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 NetHope, Inc. as of June 30, 2022 and 2021, and the changes in its net assets 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 audits 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 NetHope and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 NetHope's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 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 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 NetHope'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 NetHope'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.

Gount, Hyde & Barbour, P.C.

Winchester, Virginia
November 28, 2022

NETHOPE, INC.

Statements of Financial Position

June 30, 2022 and 2021

Assets	2022	2021
Current Assets		
Cash and cash equivalents	\$ 5,708,313	\$ 2,110,571
Accounts receivable	720	15,658
Grants and contributions receivable, net	4,242,353	150,000
Employee retention tax credit receivable	103,714	--
Prepaid expenses	36,076	59,530
Total current assets	<u>10,091,176</u>	<u>2,335,759</u>
Noncurrent Assets		
Grants and contributions receivable, net of current portion	8,656,985	150,000
Deposits	80,712	46,011
Total noncurrent assets	<u>8,737,697</u>	<u>196,011</u>
Total assets	<u>\$ 18,828,873</u>	<u>\$ 2,531,770</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 262,783	\$ 297,928
Deferred revenue	583,533	190,400
Total current liabilities	<u>846,316</u>	<u>488,328</u>
Total liabilities	<u>846,316</u>	<u>488,328</u>
Net Assets		
Without donor restrictions	1,190,806	894,512
With donor restrictions	16,791,751	1,148,930
Total net assets	<u>17,982,557</u>	<u>2,043,442</u>
Total liabilities and net assets	<u>\$ 18,828,873</u>	<u>\$ 2,531,770</u>

See Notes to Financial Statements.

NETHOPE, INC.

Statement of Activities
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 866,831	\$ 17,127,941	\$ 17,994,772
Donated goods and services	86,992	--	86,992
Membership dues	1,017,480	--	1,017,480
Summit attendance fees	116,292	--	116,292
Contract services	43,499	--	43,499
Corporate partnerships	190,423	--	190,423
Interest income	21,954	--	21,954
Other income	104,282	--	104,282
Net assets released from restrictions	<u>1,485,120</u>	<u>(1,485,120)</u>	<u>--</u>
Total revenue and support	<u>3,932,873</u>	<u>15,642,821</u>	<u>19,575,694</u>
Expenses			
Program Services:			
Emergency Response and Refugee Program	293,774	--	293,774
Digital Inclusion	121,948	--	121,948
Program Development	79,578	--	79,578
Center for Digital Non-Profit	315,143	--	315,143
Summit	518,127	--	518,127
Connectivity and Infrastructure	9,492	--	9,492
Digital Protection	31,370	--	31,370
COVID-19	254,079	--	254,079
Member Programming	542,223	--	542,223
Other programs	<u>201,448</u>	<u>--</u>	<u>201,448</u>
Total program services	<u>2,367,182</u>	<u>--</u>	<u>2,367,182</u>
Supporting Services:			
Management and general	981,916	--	981,916
Fundraising	<u>287,481</u>	<u>--</u>	<u>287,481</u>
	<u>1,269,397</u>	<u>--</u>	<u>1,269,397</u>
Total expenses	<u>3,636,579</u>	<u>--</u>	<u>3,636,579</u>
Change in net assets	296,294	15,642,821	15,939,115
Net Assets, beginning of year	<u>894,512</u>	<u>1,148,930</u>	<u>2,043,442</u>
Net Assets, end of year	<u>\$ 1,190,806</u>	<u>\$ 16,791,751</u>	<u>\$ 17,982,557</u>

See Notes to Financial Statements.

NETHOPE, INC.

Statement of Activities
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 1,093,118	\$ 1,821,118	\$ 2,914,236
Paycheck Protection Program loans forgiveness	360,212	--	360,212
Donated goods and services	143,595	--	143,595
Membership dues	962,336	--	962,336
Summit attendance fees	129,147	--	129,147
Contract services	70,374	--	70,374
Corporate partnerships	30,000	--	30,000
Interest income	2,362	--	2,362
Other income	14,494	--	14,494
(Loss) on disposal of equipment	(20,193)	--	(20,193)
Net assets released from restrictions	<u>1,942,852</u>	<u>(1,942,852)</u>	<u>--</u>
Total revenue and support	<u>4,728,297</u>	<u>(121,734)</u>	<u>4,606,563</u>
Expenses			
Program Services:			
Emergency Response and Refugee Program	218,956	--	218,956
Global Broadband and Innovations	324,520	--	324,520
Center for Digital Non-Profit	483,304	--	483,304
Summit	395,424	--	395,424
Connectivity and Infrastructure	7,584	--	7,584
COVID-19	484,144	--	484,144
Member programming	806,440	--	806,440
Other programs	<u>189,970</u>	<u>--</u>	<u>189,970</u>
Total program services	<u>2,910,342</u>	<u>--</u>	<u>2,910,342</u>
Supporting Services:			
Management and general	891,337	--	891,337
Fundraising	<u>248,275</u>	<u>--</u>	<u>248,275</u>
Total supporting services	<u>1,139,612</u>	<u>--</u>	<u>1,139,612</u>
Total expenses	<u>4,049,954</u>	<u>--</u>	<u>4,049,954</u>
Change in net assets	678,343	(121,734)	556,609
Net Assets, beginning of year	<u>216,169</u>	<u>1,270,664</u>	<u>1,486,833</u>
Net Assets, end of year	<u>\$ 894,512</u>	<u>\$ 1,148,930</u>	<u>\$ 2,043,442</u>

See Notes to Financial Statements.

NETHOPE, INC.

Statements of Cash Flows For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 15,939,115	\$ 556,609
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Paycheck Protection Program loans forgiveness	--	(360,212)
Loss on disposal of equipment	--	20,193
Depreciation and amortization	--	23,699
Decrease (increase) in assets:		
Accounts receivable	14,938	201,037
Grants and contributions receivable	(12,599,338)	(77,159)
Employee retention tax credit receivable	(103,714)	--
Prepaid expenses	23,454	99,509
Deposits	(34,701)	(1,312)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(35,145)	(2,289)
Deferred revenue	<u>393,133</u>	<u>(547,640)</u>
Net cash provided by (used in) operating activities	<u>3,597,742</u>	<u>(87,565)</u>
 Cash Flows from Financing Activities,		
proceeds from long-term debt	<u>--</u>	<u>149,943</u>
 Change in cash and cash equivalents	3,597,742	62,378
 Cash and Cash Equivalents		
Beginning of year	<u>2,110,571</u>	<u>2,048,193</u>
End of year	<u>\$ 5,708,313</u>	<u>\$ 2,110,571</u>
 Supplemental Disclosure of Cash Flow Information,		
donated goods and services	<u>\$ 86,992</u>	<u>\$ 143,595</u>

See Notes to Financial Statements.

NETHOPE, INC.

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies

Organization

NetHope, Inc. (NetHope) which started in 2001, is a new-generation information technology collaboration of 65 leading international non-governmental organizations (NGOs) representing more than \$40 billion U.S. dollars of humanitarian development, emergency response and conservation programs serving millions of beneficiaries in more than 190 countries. Through member collaboration and by facilitating public-private partnerships with major technology companies, foundations and individuals, NetHope helps members use their technology investments to better serve people in the most remote areas. NetHope is supported primarily through membership dues, grants and contributions and was incorporated under the laws of the state of Delaware.

In addition to normal revenue and expense fluctuations as new programs are funded and old ones are finished, NetHope's income and expenses can vary greatly if NetHope has responded to a disaster during the fiscal year. Not all years include disaster response, but the years that do, NetHope will have a large fluctuation in the overall income and expenses.

Beginning around March 2020, the COVID-19 virus was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, have been impacted for months and beyond. Governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management continues to monitor the situation and evaluate its options. No adjustments have been made to these financial statements as a result of this uncertainty.

Basis of Accounting

NetHope uses the accrual method of accounting for financial statement reporting purposes. Under this method, revenue is recognized when earned and expenses when incurred.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and money market accounts. NetHope considers all highly-liquid financial instruments purchased with an initial maturity of three months or less to be cash equivalents. NetHope has not experienced any losses on its accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts, Grants and Contributions Receivable

Receivables are recorded at their net realizable value. Amounts receivable that are past due are individually analyzed for collectability. Management annually adjusts the allowance account based upon its estimate of those receivables it believes to be uncollectible. As of June 30, 2022 and 2021, NetHope did not have an allowance for doubtful accounts. Bad debt expense was \$7,213 and \$70,157 for the years ended June 30, 2022 and 2021, respectively.

As of June 30, 2022, grants and contributions receivable were discounted by \$493,162 to present value, using a discount rate of 1.70%. A discount was not considered necessary as of June 30, 2021.

Notes to Financial Statements

Property and Equipment and Related Depreciation and Amortization

Property and equipment in excess of \$5,000 are capitalized and are carried at cost. Depreciation on program and office equipment is provided for on a straight-line basis over the estimated useful lives of the assets, which range from five to seven years. Costs related to the website are recorded at cost and is amortized using the straight-line method over five years. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation or amortization, and any gain or loss is reflected in revenue and support in the accompanying statement of activities. Major additions are capitalized while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

Net Assets

The net assets of NetHope are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for operations;
- Net assets with donor restrictions represent amounts that are specifically restricted by donors or grantors for various purposes or time periods.

Revenue Recognition

Revenue Recognition Methodology for Exchange Transactions

For exchange transactions, NetHope recognizes revenue in accordance with Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers, as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

For any amounts received in advance and for which performance obligations have not been satisfied, a contract liability (deferred revenue) is recorded.

Revenue Recognition Methodology for Grants and Contributions

Grants and contributions are recognized as revenue when they are received or unconditionally promised.

NetHope reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limited the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose 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.

Notes to Financial Statements

Gifts of property and equipment are presented as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long these long-lived assets must be maintained, NetHope reports expirations of donor restrictions when the donated or acquired long lived assets are placed in service.

Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized, or are treated as a refundable advance, until the conditions on which they depend have been met.

As of June 30, 2021, there was a conditional promise to give totaling \$100,000 outstanding from one grantor. As the conditions had not yet been met, the commitments had not yet been recognized in the accompanying Statement of Activities. There were no conditional promises to give as of June 30, 2022.

Revenue Streams

NetHope's revenue consists of grants and contributions, including federal funding, membership dues, summit attendance fees, contract services, corporate partnerships, interest income and other income.

NetHope's grants and contributions are recognized when received or unconditionally promised. Federal funding revenue is considered conditional and is only recognized upon the incurrence of qualifying expenditures.

Membership dues and corporate partnerships represent an exchange transaction. Income is recognized over the life of the membership or partnership which is generally one year. Membership dues and corporate partnership payments received in advance for a succeeding year are reflected as deferred revenue in the accompanying Statements of Financial Position.

Summit attendance fees represent an exchange transaction. Income is recognized at a point in time, at the time of the Summit. Any fees collected in advance of the Summit are reflected as deferred revenue in the accompanying Statements of Financial Position.

Contract services represent an exchange transaction and include information technology (IT) support services that are provided to member organizations. Revenue is recognized as services are provided to the member. Revenue recognized on contracts for which billings have not been billed or received as of year-end is included in accounts receivable in the accompanying Statements of Financial Position.

All other income is recognized at a point in time, when received.

Donated Goods and Services

Donated goods and services are recognized as revenue and support and expenses in the accompanying Statements of Activities at their estimated fair value, at the date of receipt. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Donated services are

Notes to Financial Statements

only recognized if the services received create or enhance long-lived assets or require specialized skills, are provided by individual possessing these skills, and would typically need to be purchased if not donated.

Functional Allocation of Expenses

The costs of providing program services and other activities have been summarized on a functional basis in the schedules of functional expenses. Certain costs have been allocated among program, management and general and fundraising. Such allocations have been made by management on an equitable basis. Personnel and consulting expenses are allocated based on time and effort. All other costs are allocated based on direct allocation.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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.

New Accounting Pronouncement

In September 2020, FASB issued ASU No. 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958), which requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts in-kind. ASU No. 2020-07 was effective for NetHope for its year ended June 30, 2022. This guidance is intended to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhanced presentation and disclosure requirements.

This ASU requires that nonfinancial assets are presented as a separate line item in the statement of activities and disclosures include a disaggregation of the amount contributed by category, a description of donor restrictions, and valuation techniques for the nonfinancial assets received. No reclassifications were required on the Statements of Activities for NetHope. NetHope has historically presented nonfinancial assets as a separate line item. NetHope did enhance its disclosures to adhere to the new standard.

Upcoming Accounting Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for NetHope for the year ending June 30, 2023. Early adoption is permitted. NetHope is currently evaluating the impact that the adoption of Topic 842 will have on its financial statements.

Notes to Financial Statements

Note 2. Liquidity and Availability of Resources

NetHope has the following financial assets within one year of the statement of financial position date to meet cash needs for general expenditure. NetHope has a demand loan in the amount of \$250,000, which it could draw upon in the event of an unexpected liquidity need.

	<u>2022</u>	<u>2021</u>
Financial assets, at year-end		
Cash and cash equivalents	\$ 5,708,313	\$ 2,110,571
Accounts receivable	720	15,658
Grants and contributions receivable, net	4,242,353	150,000
Employee retention tax credit receivable	103,714	--
	<u>10,055,100</u>	<u>2,276,229</u>
Less those unavailable for general expenditure within one year, due to:		
Donor-imposed restrictions	16,791,751	1,148,930
(Less) grants and contributions receivable due in greater than one year	<u>(8,656,985)</u>	<u>(150,000)</u>
Financial assets not available to be used within one year	<u>8,134,766</u>	<u>998,930</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,920,334</u>	<u>\$ 1,277,299</u>

Note 3. Property and Equipment and Accumulated Depreciation and Amortization

During fiscal year 2021, NetHope disposed of assets no longer in service. NetHope has elected to expense website redesign costs during fiscal year 2022 and 2021 as the website is continually being updated to stay current; there are no major improvements to functionality. NetHope does not have property and equipment as of June 30, 2022 and 2021.

Depreciation and amortization expense totaled \$0 and \$23,699 for the years ended June 30, 2022 and 2021, respectively.

Note 4. Demand Loan

NetHope has a \$250,000 demand loan with a financial institution. There is no date of maturity associated with the demand loan; it is due when called upon. The demand loan bears interest at the prime rate, as published in the Money Rates section of the Wall Street Journal, plus 0.5%, and at no time shall the interest be below 3.75% per annum. As of June 30, 2022 and 2021, the interest rate was 5.25% and 3.75%, respectively, and no amounts were outstanding either year on this demand loan.

Notes to Financial Statements

Note 5. Note Payable

NetHope had a \$210,269 note payable, uncollateralized, to FVC Bank, administered by the U.S. Small Business Administration, and fully guaranteed by the U.S. Government. NetHope applied for and received this loan under the Paycheck Protection Program, a program enacted as a result of COVID-19. Interest was at 1%. Proceeds were to be used for certain business expenses, including payroll, employee benefits, rent, utilities and interest on debt obligations. NetHope received full forgiveness of this loan during fiscal year 2021.

Note 6. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Emergency Preparedness and Response	\$ 6,677,960	\$ 19,610
COVID-19 Programs	--	303,938
Capacity Building	2,874,998	--
Climate Intersections	2,872,549	--
Center for Digital Nonprofit and Program Management	767,640	607,711
Data and Information Management	--	101,371
Collective Impact	349,530	--
Crisis Connectivity	--	8,634
Digital Inclusion	<u>3,249,074</u>	<u>107,666</u>
Total	<u>\$ 16,791,751</u>	<u>\$ 1,148,930</u>

Net assets released from donor restrictions were as follows during the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Emergency Preparedness and Response	\$ 389,363	\$ 308,704
COVID-19 Programs	303,938	591,028
Capacity Building	28,250	--
Climate Intersections	23,762	--
Center for Digital Nonprofit and Program Management	452,194	945,066
Data and Information Management	101,371	43,428
Crisis Connectivity	8,634	8,629
Digital Inclusion	<u>177,608</u>	<u>45,997</u>
Total	<u>\$ 1,485,120</u>	<u>\$ 1,942,852</u>

Notes to Financial Statements

Note 7. Concentrations

Major Grantors

For the year ended June 30, 2022, NetHope earned revenue of \$14,536,838 directly from one large corporate donor which represented 75% of NetHope's total revenue and support excluding in-kind revenue. As of June 30, 2022, \$11,506,838 of NetHope's grants and contributions receivable balance was due directly from the large corporate donor noted above and represented 89% of NetHope's grants and contributions receivable balance.

For the year ended June 30, 2021, NetHope earned revenue of \$451,746 from USAID which represented 10% of NetHope's total revenue and support excluding in-kind revenue. For the year ended June 30, 2021, NetHope earned revenue of \$1,157,217 directly from two large corporate donors which represented 26% of NetHope's total revenue and support excluding in-kind revenue. As of June 30, 2021, \$300,000 of NetHope's grants and contributions receivable balance was due directly from a large corporate donor which represented 100% of NetHope's grants and contributions receivable balance.

NetHope received in-kind revenue totaling \$85,072 and \$143,595 from Orrick which represented 98% and 100% of NetHope's in-kind revenue for the years ended June 30, 2022 and 2021, respectively.

Foreign Operations

During the year ended June 30, 2022, NetHope performed services and transacted business in France, Germany, Ghana, Iceland, Kenya, Lebanon, Mexico, Moldova, New Zealand, Philippines, Poland, Romania, Rwanda, Uganda and United Kingdom.

During the year ended June 30, 2021, NetHope performed services and transacted business in Austria, Canada, Colombia, Denmark, Finland, Germany, Greece, Iceland, Ireland, Kenya, Kosovo, Lebanon, Mexico, Netherlands, New Zealand, Nicaragua, Nigeria, Norway, Rwanda, Serbia, Switzerland, and United Kingdom.

Note 8. Contributed Nonfinancial Assets (donated goods and services)

Contributed nonfinancial assets received from private donors during the years ended June 30, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Travel	\$ 1,920	\$ -
Legal services	<u>85,072</u>	<u>143,595</u>
Total	<u>\$ 86,992</u>	<u>\$ 143,595</u>

Travel and legal services are valued at the estimated fair value based on current rates for similar travel and legal services.

Notes to Financial Statements

NetHope does not have a policy to monetize any contributed nonfinancial assets received; NetHope intends to use any in-kind contributions for its program and supporting services. There were no donor restrictions associated with the contributed nonfinancial assets received during the years ended June 30, 2022 and 2021.

Note 9. Retirement Plan

NetHope established a tax-exempt profit-sharing plan and trust (the Plan), effective January 1, 2006, under Internal Revenue Code (IRC) Section 401(a). Employees become eligible upon employment and attaining the age of 21. NetHope will match 100% of the employee's contribution to the plan up to 3% of the employee's gross annual salary, and then 50% of the employee's contribution to the plan up to 5% of the employee's gross annual salary. Employees are fully vested in the employer contributions once they begin participating in the plan. Contributions to the plan by NetHope were \$33,492 and \$33,241 for the years ended June 30, 2022 and 2021, respectively.

Note 10. Income Taxes

NetHope qualifies as a tax-exempt organization under Section 501(c)(3) of the IRC and is classified as a publicly supported organization under Section 509(a)(1) of the IRC. As such, NetHope is taxed only on its net unrelated business income. No provision for income taxes has been made in the accompanying financial statements for the years ended June 30, 2022 and 2021, as there was no net unrelated business income.

NetHope follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Financial Accounting Standards Board Accounting Standards Codification Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. NetHope performed an evaluation of uncertain tax positions for the years ended June 30, 2022 and 2021, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. It is NetHope's policy to recognize interest and penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2022, the statute of limitations for tax years ended June 30, 2019 through June 30, 2021, remains open with the U.S. Federal jurisdiction or the various states and local jurisdictions in which NetHope files tax returns.

Note 11. Subsequent Events

NetHope has evaluated all subsequent events through November 28, 2022, the date the financial statements were available to be issued. Subsequent to year end, NetHope was awarded \$1.2 million in funding from USAID for the period October 1, 2022 through September 30, 2024. NetHope has determined there are no additional subsequent events that require recognition or disclosure.

Notes to Financial Statements

Note 12. Schedules of Functional Expenses

The schedules of functional expenses were as follows for the years ended June 30, 2022 and 2021:

2022					
	Program Services	Supporting Services		Total Supporting Services	Total
		Management and General	Fundraising		
Consulting	\$ 973,295	\$ 77,661	\$ 137,956	\$ 215,617	\$ 1,188,912
Supplies	10,849	2,979	--	2,979	13,828
Advertising and marketing	5,510	--	--	--	5,510
Grants	600	--	--	--	600
Personnel	855,878	450,260	136,489	586,749	1,442,627
Telecommunication	118,896	49,938	31	49,969	168,865
Travel and related expenses	78,041	4,179	11,430	15,609	93,650
Donated services expense	1,920	85,072	--	85,072	86,992
Website, marketing and communication	57,489	346	64	410	57,899
Professional fees	7,507	221,328	--	221,328	228,835
Postage and delivery	1,446	2,448	--	2,448	3,894
Dues and subscriptions	42,350	50,033	1,499	51,532	93,882
Conferences and meetings	166,984	5,000	12	5,012	171,996
Non-capitalizable equipment	37,701	9,964	--	9,964	47,665
Printing and publication	225	--	--	--	225
Insurance	5,333	18,635	--	18,635	23,968
Bad debt expense	3,158	4,073	--	4,073	7,231
Total expenses	<u>\$ 2,367,182</u>	<u>\$ 981,916</u>	<u>\$ 287,481</u>	<u>\$ 1,269,397</u>	<u>\$ 3,636,579</u>

2021					
	Program Services	Supporting Services		Total Supporting Services	Total
		Management and General	Fundraising		
Consulting	\$ 1,230,575	\$ 100,562	\$ 129,339	\$ 229,901	\$ 1,460,476
Supplies	24,402	1,819	--	1,819	26,221
Advertising and marketing	3,000	--	--	--	3,000
Grants	150,000	--	--	--	150,000
Personnel	1,077,189	199,354	118,936	318,290	1,395,479
Telecommunications	135,318	39,750	--	39,750	175,068
Travel and related expenses	37,658	25,381	--	25,381	63,039
Donated services expenses	--	143,595	--	143,595	143,595
Website, marketing and communication	24,994	1,377	--	1,377	26,371
Professional fees	6,711	246,289	--	246,289	253,000
Postage and delivery	9,519	819	--	819	10,338
Dues and subscriptions	86,843	47,523	--	47,523	134,366
Conferences and meetings	93,940	--	--	--	93,940
Non-capitalizable equipment	5,135	3,929	--	3,929	9,064
Printing and publication	58	--	--	--	58
Insurance	--	12,083	--	12,083	12,083
Depreciation and amortization	--	23,699	--	23,699	23,699
Bad debt expense	25,000	45,157	--	45,157	70,157
Total expenses	<u>\$ 2,910,342</u>	<u>\$ 891,337</u>	<u>\$ 248,275</u>	<u>\$ 1,139,612</u>	<u>\$ 4,049,954</u>