

NETHOPE, INC.
Fairfax, Virginia
FINANCIAL REPORT
JUNE 30, 2020

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GBI	Global Broadband and Innovations
ICT	Information and Communication Technology

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
NetHope, Inc.
Fairfax, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of NetHope, Inc. (NetHope), which comprise the statements of financial position as of June 30, 2020 and 2019, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to NetHope's preparation and fair presentation of the 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 NetHope'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 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 financial statements referred to above present fairly, in all material respects, the financial position of NetHope, Inc. as of June 30, 2020 and 2019, 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.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that NetHope, Inc. will continue as a going concern. As discussed in Note 14 to the financial statements, the Organization has suffered recurring losses and will lose a significant source of revenue subsequent to year end which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 14. The financial statements do not include any adjustments that might result from the outcome of the uncertainty. Our opinion is not modified with respect to this matter.

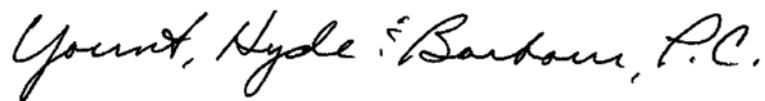
Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2020, on our consideration of NetHope's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NetHope's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NetHope's internal control over financial reporting and compliance.



Winchester, Virginia
October 15, 2020

NETHOPE, INC.

Statements of Financial Position

June 30, 2020 and 2019

Assets	2020	2019
Current Assets		
Cash and cash equivalents	2,048,193	2,183,326
Accounts receivable	216,695	537,599
Grants receivable	222,841	183,878
Prepaid expenses	<u>159,039</u>	<u>90,577</u>
Total current assets	<u>2,646,768</u>	<u>2,995,380</u>
 Deposits	<u>44,699</u>	<u>35,314</u>
 Property and equipment, net	<u>43,892</u>	<u>67,659</u>
 Total assets	<u>\$ 2,735,359</u>	<u>\$ 3,098,353</u>
 Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 300,217	\$ 559,306
Deferred revenue	<u>738,040</u>	<u>448,520</u>
Total current liabilities	<u>1,038,257</u>	<u>1,007,826</u>
 Long-Term Debt , note payable	<u>210,269</u>	<u>--</u>
 Total liabilities	<u>1,248,526</u>	<u>1,007,826</u>
 Net Assets		
Without donor restrictions	216,169	503,717
With donor restrictions	<u>1,270,664</u>	<u>1,586,810</u>
Total net assets	<u>1,486,833</u>	<u>2,090,527</u>
 Total liabilities and net assets	<u>\$ 2,735,359</u>	<u>\$ 3,098,353</u>

See Notes to Financial Statements.

NETHOPE, INC.

Statement of Activities

For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 1,183,628	\$ 3,162,865	\$ 4,346,493
Donated goods and services	429,044	--	429,044
Membership dues	974,720	--	974,720
Contract services and fees	580,356	--	580,356
Interest and other income	16,475	--	16,475
Net assets released from restrictions:			
Released from purpose restrictions	3,479,011	(3,479,011)	--
Total revenue and support	6,663,234	(316,146)	6,347,088
Expenses			
Program Services:			
Emergency Response and Refugee Program	1,336,434	--	1,336,434
GBI	778,579	--	778,579
Center for Digital Non-Profit	622,298	--	622,298
Summit	763,330	--	763,330
Connectivity and Infrastructure	261,227	--	261,227
Crisis Informatics	244,237	--	244,237
Shared Services and Strategic Sourcing	131,295	--	131,295
Solution Center	81,531	--	81,531
Frontline Humanitarian Logistics	34,750	--	34,750
Other programs	198,127	--	198,127
Total program services	4,451,808	--	4,451,808
Supporting Services:			
Management and general	2,275,764	--	2,275,764
Fundraising	223,210	--	223,210
Total supporting services	2,498,974	--	2,498,974
Total expenses	6,950,782	--	6,950,782
Change in net assets	(287,548)	(316,146)	(603,694)
Net Assets, beginning of year	503,717	1,586,810	2,090,527
Net Assets, end of year	\$ 216,169	\$ 1,270,664	\$ 1,486,833

See Notes to Financial Statements.

NETHOPE, INC.

Statement of Activities

For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 3,016,783	\$ 2,887,208	\$ 5,903,991
Donated goods and services	702,388	--	702,388
Membership dues	924,000	--	924,000
Contract services and fees	739,673	--	739,673
Interest and other income	20,307	--	20,307
Net assets released from restrictions:			
Released from purpose restrictions	3,585,373	(3,585,373)	--
Total revenue and support	8,988,524	(698,165)	8,290,359
Expenses			
Program Services:			
Emergency Response and Refugee Program	1,821,534	--	1,821,534
GBI	1,462,821	--	1,462,821
Center for Digital Non-Profit	783,144	--	783,144
Summit	741,084	--	741,084
Shared Services and Strategic Sourcing	470,709	--	470,709
Crisis Informatics	486,200	--	486,200
Solution Center	92,347	--	92,347
Device Challenge	95,651	--	95,651
Connectivity	52,954	--	52,954
ICT	51,860	--	51,860
Other programs	354,957	--	354,957
Total program services	6,413,261	--	6,413,261
Supporting Services:			
Management and general	2,719,808	--	2,719,808
Fundraising	187,654	--	187,654
Total supporting services	2,907,462	--	2,907,462
Total expenses	9,320,723	--	9,320,723
Change in net assets	(332,199)	(698,165)	(1,030,364)
Net Assets, beginning of year	835,916	2,284,975	3,120,891
Net Assets, end of year	\$ 503,717	\$ 1,586,810	\$ 2,090,527

See Notes to Financial Statements.

NETHOPE, INC.

Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ (603,694)	\$ (1,030,364)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation and amortization	27,310	27,229
Decrease (increase) in assets:		
Accounts receivable	320,904	(60,381)
Grants receivable	(38,963)	116,730
Prepaid expenses	(68,462)	(35,653)
Deposits	(9,385)	11,307
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(259,089)	34,279
Deferred revenue	289,520	260,062
Net cash (used in) operating activities	(341,859)	(676,791)
 Cash Flows from Investing Activities,		
purchase of property and equipment	(3,543)	(4,847)
 Cash Flows from Financing Activities,		
proceeds from long-term debt	210,269	--
Change in cash and cash equivalents	(135,133)	(681,638)
 Cash and Cash Equivalents		
Beginning of year	2,183,326	2,864,964
End of year	\$ 2,048,193	\$ 2,183,326
 Supplemental Disclosure of Cash Flow Information,		
donated goods and services	\$ 429,044	\$ 702,388

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 56 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 180 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 and 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 has been declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. 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 Receivable

Accounts receivable are recorded at their net realizable value. All amounts are due within one year. Accounts 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, 2020 and 2019, NetHope did not have an allowance for doubtful accounts.

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, Inc. 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

NetHope recognizes all unconditional contributed support in the period in which the commitment is made. Grants and contributions are considered revenue and support without donor restrictions and are available for general operations unless specifically restricted by the donor. NetHope reports grants of cash and other assets as revenue and support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets to a particular purpose or to future periods. When the stipulated time restriction ends or the purpose of the restriction is met, net assets with donor restrictions are classified to net assets without donor restrictions reported in the accompanying statements of activities as net assets released from restrictions. Revenue recognized on these grants for which the cash has not been received from the grantor as of year-end is reflected as grants receivable in the accompanying statements of financial position.

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, 2020, there are conditional promises to give totaling \$300,000 outstanding from two grantors. As the conditions have not yet been met, the commitments have not yet been recognized in the accompanying statement of activities.

NetHope receives grants from U.S. Government agencies in exchange for services. Revenue from these grants is recognized as direct costs are incurred on the basis of direct costs plus allowable indirect costs. Revenue recognized on these grants for which billings have not been presented to the grantor and cash has not been received from the grantor is reflected as grants receivable in the accompanying statements of financial position.

Notes to Financial Statements

Income from membership dues is recorded during the period of membership, which is generally one year. NetHope prepares an annual dues formula based on members' annual revenue. Dues payments received in advance for a succeeding year are reflected as deferred revenue in the accompanying statements of financial position.

Contract service and fees revenue represents 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. Net Hope 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.

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 as provided by the donor, 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.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the schedule 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.

Notes to Financial Statements

Upcoming Accounting Pronouncements

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 ended 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.

ASU 2018-08 is effective for contributions made, if applicable, by NetHope for its year ended June 30, 2021. Early adoption is permitted. NetHope is currently evaluating the impact that the adoption of Topic 958 will have on its financial statements.

New Accounting Pronouncements

In June 2018, the FASB issued Accounting Standards Update No. 2018-08, Not-for-Profit Entities (Topic 958), which clarifies the scope and the accounting guidance for contributions received and contributions made. Specifically, the update assists entities in determining whether a transaction should be accounted for as a contribution or an exchange transaction. If a transaction is accounted for as an exchange transaction, other accounting guidance, for example, in Topic 606, Revenue from Contracts with Customers, should be followed. If, however, a transaction is accounted for as a contribution, guidance in Subtopic 958-605 should be followed. Additionally, the update assists entities in determining whether a contribution is conditional. ASU 2018-08 is effective for contributions received by NetHope for its year ended June 30, 2020. Net Hope implemented the provisions of ASU 2018-08 for contributions received in accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the Organization's implementation of ASU 2018-08.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606), which provides guidance for recognizing revenue from contracts with customers. The core principle of ASU 2014-09 is that revenue will be recognized when promised goods or services are transferred to customers in an amount that reflects consideration for which entitlement is expected in exchange for those goods or services. Generally, the ASU states that revenue should be recognized by following a five step process which include identifying the contract with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligation in the contract, and recognizing revenue as the entity satisfies a performance obligation. ASU 2014-09 is effective for NetHope for its year ended June 30, 2020. NetHope adopted the standard in the current year. Analysis of various provisions of the standard resulted in no significant changes in the way the Organization recognize revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced with the standard.

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.

	2020	2019
Financial assets, at year-end		
Cash and cash equivalents	\$ 2,048,193	\$ 2,183,326
Accounts receivable	216,695	537,599
Grants receivable	222,841	183,878
	2,487,729	\$ 2,904,803
Less those unavailable for general expenditure within one year, due to, donor-imposed restrictions	1,270,664	1,586,810
Financial assets available to meet cash needs for general expenditure within one year	\$ 1,217,065	\$ 1,317,993

Note 3. Grants Receivable

NetHope's grants receivable consisted of federal awards receivable as of June 30, 2020 and 2019. All amounts are due in less than one year and considered fully collectible.

Note 4. Property and Equipment and Accumulated Depreciation and Amortization

NetHope's property and equipment consist of the following as of June 30, 2020 and 2019:

	2020	2019
Program equipment	\$ 25,722	\$ 25,722
Office equipment	27,427	23,884
Website	117,791	117,791
Total property and equipment	170,940	167,397
Less: accumulated depreciation and amortization	(127,048)	(99,738)
Property and equipment, net	\$ 43,892	\$ 67,659

Depreciation and amortization expense totaled \$27,310 and \$27,229 for the years ended June 30, 2020 and 2019, respectively.

Notes to Financial Statements

Note 5. 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, 2020 and 2019, the interest rate was 3.75% and 6%, respectively, and no amounts were outstanding either year on this demand loan.

Note 6. Note Payable

NetHope has 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. Net Hope applied for and received this loan under the Paycheck Protection Program, a program enacted as a result of COVID-19. Interest is at 1%. Proceeds are to be used for certain business expenses, including payroll, employee benefits, rent, utilities and interest on debt obligations. The note payable may be full or partially forgiven if certain conditions are met. Payments begin October 28, 2020.

Note 7. Risks and Contingencies

Office of Management and Budget and the Uniform Guidance

NetHope has instructed its independent auditors to audit its applicable federal programs for the year ended June 30, 2020, in compliance with the Uniform Guidance issued by the U.S. Office of Management and Budget (OMB). Until such audit is reviewed and accepted by the contracting or granting agencies, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that any matters arising from the reviews by the federal agencies of the independent auditor's reports for the year ended June 30, 2020 will not have a material effect on NetHope's financial position as of June 30, 2020 or its results of operations for the year then ended.

Provisional Indirect Costs Rates

Billings under cost-reimbursable government contracts and grants are calculated using provisional rates that permit recovery of indirect costs. These rates are subject to audit by the U.S. Agency for International Development (USAID), NetHope's cognizant agency. The audit results in the negotiation and determination of the final indirect cost rates, which may create a liability for indirect cost recovery for amounts billed in excess of the actual rates, or may allow for additional billings for unbilled indirect costs.

USAID audits costs related to U.S. Government contracts and grants in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. USAID has yet to audit indirect costs for the years ended June 30, 2011 through 2020. Management believes that cost disallowances, if any, arising from USAID's audits will not have a material effect on NetHope's financial position as of June 30, 2020 and 2019, or results of operations for the years then ended.

Notes to Financial Statements

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following programs and time periods as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Advocacy	\$ 800	\$ 299,517
Emergency Response	791,493	718,547
The Center for the Digital Nonprofit	300,003	380,000
Microsoft - Account Management	25,000	33,333
Visa Innovation Grant Awards	<u>153,368</u>	<u>155,413</u>
Total	<u>\$ 1,270,664</u>	<u>\$ 1,586,810</u>

Note 9. Concentrations

Major Grantors

For the year ended June 30, 2020, NetHope earned revenue of \$1,023,074 directly from USAID which represented 17% of NetHope's total revenue and support excluding in-kind revenue. For the year ended June 30, 2019, NetHope earned revenue of \$2,075,968 directly from USAID which represented 27% of NetHope's total revenue and support excluding in-kind revenue.

As of June 30, 2020, \$222,841 of NetHope's grants receivable balance was due directly from USAID which represented 100% of NetHope's grants receivable balance. As of June 30, 2019, \$183,878 of NetHope's grants receivable balance was due directly from USAID which represented 100% of NetHope's grants receivable balance.

NetHope received in-kind revenue totaling \$256,268 and \$595,069 from Cisco which represented 60% and 85% of NetHope's in-kind revenue for the year ended June 30, 2020 and 2019, respectively.

Foreign Operations

During the year ended June 30, 2020, NetHope performed services and transacted business in Albania, Algeria, Australia, Austria, Bahamas, Bangladesh, Belgium, Benin, Bolivia, Botswana, Brazil, Burkina Faso, Burundi, Cambodia, Cameroun, Canada, Cayman Islands, China, Colombia, Congo, Côte-d'Ivoire, Democratic Republic of Congo, Denmark, Djibouti, Ecuador, Egypt, Estonia, Ethiopia, Finland, France, Gambia, Georgia, Ghana, Greece, Guatemala, Guinea, Guinea-Bissau, India, Indonesia, Ireland, Italy, Jamaica, Jordan, Kazakhstan, Kenya, Kosovo, Laos, Lebanon, Lesotho, Luxembourg, Madagascar, Malawi, Mali, Mexico, Morocco, Mozambique, Nairobi, Nepal, Netherlands, New Zealand, Nigeria, Nigeria, Norway, Pakistan, Peru, Philippines, Puerto Rico, Rwanda, Saudi Arabia, Senegal, Serbia, Sierra Leone, Singapore, Somalia, South Africa, South Sudan, Spain, Sudan, Switzerland, Tajikistan, Tanzania, Thailand, The Gambia, Turkey, Uganda, Ukraine, United Kingdom, United States, Vietnam, Yemen, Zambia, Zimbabwe.

Notes to Financial Statements

Note 10. Donated Goods and Services

Donated goods and services consist primarily of professional services, legal services, staffing, IT support and equipment donations. Donated services are 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. The financial statements include in-kind revenue and expense for the years ended June 30, 2020 and 2019, related to the following:

	<u>2020</u>	<u>2019</u>
Staffing and equipment	\$ 256,268	\$ 595,069
Software	--	50,000
Legal services	172,776	42,586
Other	--	14,733
Total	<u>\$ 429,044</u>	<u>\$ 702,388</u>

Note 11. 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 \$57,144 and \$59,640 for the years ended June 30, 2020 and 2019, respectively.

Note 12. 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, 2020 and 2019, 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 year ended June 30, 2020, and determined that there are 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, 2020, the statute of limitations for tax years ended June 30, 2017 through June 30, 2019, remains open with the U.S. Federal jurisdiction or the various states and local jurisdictions in which NetHope files tax returns.

Notes to Financial Statements

Note 13. Subsequent Events

Net Hope has evaluated all subsequent events through October 15, 2020, the date the financial statements were available to be issued. Subsequent to year-end, Net Hope expects to apply for forgiveness related to its note payable (note 6).

Net hope has determined there are no additional subsequent events that require recognition or disclosure.

Note 14. Going Concern and Management's Plans

NetHope has incurred operating deficits over the past three fiscal years and a significant long-term grant will end subsequent to year end. These factors result in doubt in the Organization's ability to continue as a going concern.

It is NetHope's intention to continue operations. Management believes the following steps will facilitate the NetHope's continued operations and success:

- A transition management team was put in place in February and has taken significant steps to bring costs into alignment with revenues, with a core objective of reaching financial stability in FY22.
- NetHope's focus is on their transition strategy "Back to Basics Better" which seeks to ensure that core functions such as Summit, Chapter Meetings, Working Groups, Disaster Response and Preparedness, and the CDN can continue to flourish.
- NetHope has planned for the impact of the USAID grant ending and has taken measures to reduce expenditures with the conclusion of the project.
- Management further intends to significantly improve the financial position by adjusting staff and reducing costs for ongoing activities.
- With the changes in staffing, the Board and Management are focusing on ways to improve the financial performance of NetHope as a whole, particularly through new sources of income developing sustainable sources of unrestricted funds.

Notes to Financial Statements

Note 15. Schedules of Functional Expenses

The schedules of functional expenses were as follows for the years ended June 30, 2020 and 2019:

	2020				
		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
Consulting	\$ 1,350,013	\$ 370,872	\$ --	\$ 370,872	\$ 1,720,885
Supplies	90,150	15,561	--	15,561	105,711
VAT/tax	7,072	--	--	--	7,072
Grants	110,216	--	--	--	110,216
Personnel	1,236,274	1,235,811	200,221	1,436,032	2,672,306
Telecommunications	99,661	2,700	18	2,718	102,379
Travel and related expenses	364,464	84,141	11,442	95,583	460,047
Donated goods and services expense	256,268	172,776	--	172,776	429,044
Website, marketing and communication	21,287	26,948	2,020	28,968	50,255
Professional fees	127,242	258,509	--	258,509	385,751
Postage and delivery	57,156	1,952	--	1,952	59,108
Dues and subscriptions	132,895	42,220	7,488	49,708	182,603
Conferences and meetings	487,020	15,820	550	16,370	503,390
Equipment	(1,729)	8,014	--	8,014	6,285
Occupancy	--	3,500	--	3,500	3,500
Printing and publication	4,970	1,088	1,471	2,559	7,529
Insurance	76	7,610	--	7,610	7,686
Depreciation	--	27,310	--	27,310	27,310
Bad debt expense	108,773	932	--	932	109,705
Total expenses	\$ 4,451,808	\$ 2,275,764	\$ 223,210	\$ 2,498,974	\$ 6,950,782

Notes to Financial Statements

2019

	<u>Supporting Services</u>			<u>Total Supporting Services</u>	<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Consulting	\$ 2,394,182	\$ 300,816	\$ --	\$ 300,816	\$ 2,694,998
Supplies	106,320	14,313	375	14,688	121,008
Grants	167,520	--	--	--	167,520
Personnel	1,220,634	1,574,264	175,926	1,750,190	2,970,824
Telecommunication	127,649	3,357	--	3,357	131,006
Travel and related expenses	607,535	186,919	5,756	192,675	800,210
Donated goods and services expense	655,069	47,319	--	47,319	702,388
Website, marketing and communication	56,815	43,804	--	43,804	100,619
Professional fees	55,277	381,304	5,000	386,304	441,581
Postage and delivery	68,516	863	--	863	69,379
Dues and subscriptions	471,236	44,366	597	44,963	516,199
Conferences and meetings	465,869	63,337	--	63,337	529,206
Non-capitalizable equipment	1,615	1,691	--	1,691	3,306
Occupancy	6,900	3,125	--	3,125	10,025
Printing and publication	6,011	(110)	--	(110)	5,901
Insurance	2,113	14,186	--	14,186	16,299
Depreciation and amortization	--	27,229	--	27,229	27,229
Bad debt expense	--	13,025	--	13,025	13,025
Total expenses	<u>\$ 6,413,261</u>	<u>\$ 2,719,808</u>	<u>\$ 187,654</u>	<u>\$ 2,907,462</u>	<u>\$ 9,320,723</u>

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
NetHope, Inc.
Fairfax, Virginia

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of NetHope, Inc. (NetHope), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered NetHope's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NetHope's internal control. Accordingly, we do not express an opinion on the effectiveness of NetHope's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of NetHope's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

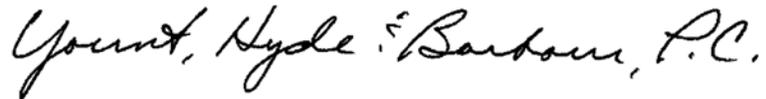
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NetHope's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NetHope's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NetHope's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Grant, Hyde & Barbour, P.C.".

Winchester, Virginia
October 15, 2020

**INDEPENDENT AUDITOR’S REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

To the Board of Directors
NetHope, Inc.
Fairfax, Virginia

Report on Compliance for Each Major Federal Program

We have audited NetHope, Inc.’s (NetHope) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of NetHope’s major federal programs for the year ended June 30, 2020. NetHope’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of NetHope’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about NetHope’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of NetHope’s compliance.

Opinion on Each Major Federal Program

In our opinion, NetHope complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

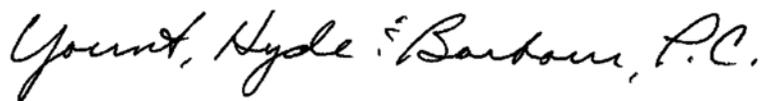
Report on Internal Control Over Compliance

Management of NetHope is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered NetHope's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of NetHope's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Winchester, Virginia
October 15, 2020

NETHOPE, INC.

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Passed Through to Subrecipients	Federal Expenditures
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT			
USAID Foreign Assistance for Programs Overseas Global Broadband and Innovations (GBI) Program	98.001	\$ <u>84,659</u>	\$ <u>1,023,074</u>
Total Expenditures of Federal Awards		\$ <u>84,659</u>	\$ <u>1,023,074</u>

See Notes to the Schedule of Expenditures of Federal Awards.

NETHOPE, INC.

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2020

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of NetHope, Inc. under programs of the federal government for the year ended June 30, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of NetHope, Inc. it is not intended to and does not present the financial position, changes in net assets, or cash flows of NetHope, Inc.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Reconciliation of Schedule of Expenditures of Federal Awards to the Financial Statements

Federal program revenue	\$ 1,023,074
Plus: nonfederal program revenue	<u>3,323,419</u>
Grants and contributions per statement of activities	<u>\$ 4,346,493</u>

Note 4. Indirect Cost Rate

NetHope, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NETHOPE, INC.

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: X Unmodified Qualified
 Adverse Disclaimer

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Type of auditor's report issued on compliance for major federal programs: X Unmodified Qualified
 Adverse Disclaimer

Internal control over major federal programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None Reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? Yes X No

Identification of Major Federal Program(s):

<u>CFDA#</u>	<u>Name of Federal Program</u>
98.001	USAID Foreign Assistance for Programs Overseas

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee? X Yes No

B. FINANCIAL STATEMENT FINDINGS

None.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS



Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2020

Identifying Number: 2019-001

Finding: The Organization withdrew funds in excess of allowable indirect costs.

Corrective Actions Taken or Planned: To prevent future occurrences, the Finance Manager maintains a spreadsheet which calculates the allowable indirect costs for the fiscal year. A comparison is made between the amount calculated for allowable indirect costs to the amount recorded and requested for reimbursement. The Chief of Party reviews the spreadsheet and signs off on the calculation.