

CIRCLE OF HOPE INTERNATIONAL

FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

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FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019**

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor's Report	3
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 11



INDEPENDENT AUDITOR'S REPORT

Board of Directors of
Circle of Hope International
Wilmore, Kentucky

Report on Financial Statements

We have audited the accompanying financial statements of Circle of Hope International (a non-profit organization), which comprise the statements of financial position as of March 31, 2020 and 2019, and the related statements of activities, functional expenses, 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 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves 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 the entity'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 the entity'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 Circle of Hope International as of March 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Henry + Peters, P.C.

Tyler, Texas
August 19, 2020



CIRCLE OF HOPE INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 96,974	\$ 111,863
Unconditional promises to give, net of allowance for uncollectible pledges of \$20,593 in 2020 and 2019	75,514	76,787
Prepaid rent	650	650
Total assets	<u>\$ 173,138</u>	<u>\$ 189,300</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accrued expenses	\$ 1,911	\$ 704
Total liabilities	<u>1,911</u>	<u>704</u>
 NET ASSETS		
Without donor restrictions	<u>171,227</u>	<u>188,596</u>
Total net assets	<u>171,227</u>	<u>188,596</u>
Total liabilities and net assets	<u>\$ 173,138</u>	<u>\$ 189,300</u>

The accompanying notes are an integral part of the financial statements.

**CIRCLE OF HOPE INTERNATIONAL
STATEMENTS OF ACTIVITIES
YEARS ENDED MARCH 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
UNRESTRICTED SUPPORT		
Contributions	\$ 555,328	\$ 554,316
Total unrestricted support	<u>555,328</u>	<u>554,316</u>
EXPENSES		
Malawi program services	446,421	409,672
Support services	121,371	120,402
Fundraising	4,905	8,948
Total expenses	<u>572,697</u>	<u>539,022</u>
(Decrease)/increase in net assets	(17,369)	15,294
NET ASSETS AT BEGINNING OF YEAR	<u>188,596</u>	<u>173,302</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 171,227</u></u>	<u><u>\$ 188,596</u></u>

The accompanying notes are an integral part of the financial statements.

CIRCLE OF HOPE INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2020

	MALAWI PROGRAM SERVICES	SUPPORT SERVICES	FUND- RAISING	TOTAL
Salaries	\$ -	\$ 73,998	\$ -	\$ 73,998
Payroll taxes	-	5,178	-	5,178
Total salaries and related expenses	-	79,176	-	79,176
Travel	91,967	4,718	-	96,685
Supplies	11,656	51	-	11,707
Food for orphan programs	47,464	-	-	47,464
Administration	132,331	-	-	132,331
Orphanage	12,336	-	-	12,336
Scholarships	7,219	-	-	7,219
Building, improvements & developments	16,846	-	-	16,846
Grace Community Health Center	108,965	-	-	108,965
Grace Center Schools	7,582	-	-	7,582
Bad debt expense	10,055	-	-	10,055
Dues, fees & subscriptions	-	18,593	-	18,593
Professional fees	-	5,013	-	5,013
Rent	-	7,800	-	7,800
Telephone	-	2,046	-	2,046
Website	-	1,201	-	1,201
Insurance	-	2,773	-	2,773
Postage & shipping	-	-	3,747	3,747
Printing	-	-	1,158	1,158
Total expenses	<u>\$ 446,421</u>	<u>\$ 121,371</u>	<u>\$ 4,905</u>	<u>\$ 572,697</u>

The accompanying notes are an integral part of the financial statements.

CIRCLE OF HOPE INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2019

	MALAWI PROGRAM SERVICES	SUPPORT SERVICES	FUND- RAISING	TOTAL
Salaries	\$ -	\$ 70,633	\$ -	\$ 70,633
Payroll taxes	-	4,220	-	4,220
Total salaries and related expenses	-	74,853	-	74,853
Travel	143,693	4,793	-	148,486
Supplies	52,344	50	-	52,394
Food for orphan programs	14,739	-	-	14,739
Administration	87,313	-	-	87,313
Orphanage	18,327	-	-	18,327
Scholarships	11,804	-	-	11,804
Building, improvements & developments	5,597	-	-	5,597
Grace Community Health Center	41,341	-	-	41,341
Research	25,901	-	-	25,901
Bad debt expense	8,613	-	-	8,613
Dues, fees & subscriptions	-	25,239	-	25,239
Professional fees	-	5,850	-	5,850
Rent	-	7,800	-	7,800
Telephone	-	1,767	-	1,767
Website	-	50	-	50
Postage & shipping	-	-	7,621	7,621
Printing	-	-	1,327	1,327
Total expenses	<u>\$ 409,672</u>	<u>\$ 120,402</u>	<u>\$ 8,948</u>	<u>\$ 539,022</u>

The accompanying notes are an integral part of the financial statements.

**CIRCLE OF HOPE INTERNATIONAL
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (17,369)	\$ 15,294
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Increase in unconditional promises to give	1,273	1,983
Increase (decrease) in accrued expenses	<u>1,207</u>	<u>(955)</u>
Net cash (used in) provided by operating activities	<u>(14,889)</u>	<u>16,322</u>
Net change in cash and cash equivalents	(14,889)	16,322
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>111,863</u>	<u>95,541</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 96,974</u></u>	<u><u>\$ 111,863</u></u>

The accompanying notes are an integral part of the financial statements.

**CIRCLE OF HOPE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Circle of Hope International (Organization) is a Kentucky not-for-profit corporation whose mission is to provide help and hope to those in desperate poverty by working together in a community.

BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-210-50-3, *Financial Statements of Not-for-Profit Organizations* in preparing the financial statements, which requires the Organization to report net assets, revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. With the adoption of Accounting Standards Update (ASU) 2016-14 on, net assets of the Organization and changes therein, are classified and reported as follows:

Net assets without donor restrictions – Net assets not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time.

Revenues and expenses are reported as increases in net assets without restrictions unless use of the related asset is limited by donor-imposed restrictions. Expirations of restricted contributions (i.e., when the donor-stipulated purposes have been fulfilled and/or when the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

FUNCTIONAL EXPENSES

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated as deemed appropriate.

The Organization's principal program is Malawi Program Services, which provides orphan relief and program development to the children of Malawi.

CASH AND CASH EQUIVALENTS

The Organization considers all highly liquid instruments with maturities of three months or less when purchased to be cash equivalents.

CONTRIBUTIONS AND REVENUE RECOGNITION

Unconditional promises to give are recorded as received. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as donor restricted. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports that support as unrestricted.

CIRCLE OF HOPE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019
CONTINUED

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

UNCONDITIONAL PROMISES TO GIVE AND ALLOWANCE FOR UNCOLLECTIBLE PROMISES

The Organization maintains unconditional promises to give due from various contributors. The allowance for uncollectible promises to give is established through a provision for bad debts charged to expense and represents management's best estimate of possible losses due to doubtful collections on unconditional promises that have been incurred within the promises to give portfolio. As of March 31, 2020 and 2019, the allowance for uncollectible promises was \$20,593.

INCOME TAXES

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, except to the extent the entity has unrelated business income. The Organization had no taxable unrelated business income during the years ended March 31, 2020 and 2019. Tax returns remain open for examination generally for tax years 2016 and forward.

ESTIMATES

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RECENT ACCOUNTING PRONOUNCEMENTS

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. In accordance with ASU 2020-05 described below, the Organization will adopt this standard effective April 1, 2020.

In 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This update requires lessees to recognize assets and liabilities for leases with lease terms of more than 12 months and disclose key information about leasing arrangements. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as finance or operating lease. Management is currently evaluating the future impact of this update on the financial statements.

In June 2020, the FASB issued ASU 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842). This ASU defers the effective date of Topic 606 for non-public entities to annual reporting periods beginning after December 15, 2019, and the effective date of Topic 842 for non-public entities to annual reporting periods beginning after December 15, 2021.

NOTE 2 - DONATED SERVICES

During the years ended March 31, 2020 and 2019, approximately 10,676 and 10,351 volunteer hours valued at approximately \$290,387 and \$263,226, respectively, were donated to the Organization's program services which are not recognized in the financial statements. These values were calculated using an hourly rate obtained from the Independent Sector.

**CIRCLE OF HOPE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019
CONTINUED**

NOTE 3 - ECONOMIC DEPENDENCE

The continued viability of the Organization is entirely dependent upon public contributions, which are integrally related to the state of the economy. No donor accounted for more than 10% of the Organization's contributions during the year ended March 31, 2020 or March 31, 2019.

NOTE 4 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization had \$171,227 and \$188,596 of financial assets at March 31, 2020 and 2019, respectively, all of which were available for general use during the following twelve months.

NOTE 5 - OPERATING LEASES

The Organization has a month-to-month lease for office space at \$650 per month. Rent expense for the years ended March 31, 2020 and 2019 totaled \$7,800 and \$7,800, respectively.

NOTE 6 - LIMITED EXCESS PROPERTY PROGRAM

On April 9, 2012, the Organization was approved by the U.S. Agency for International Development (USAID) to participate in the Limited Excess Property Program (LEPP). U.S. Government owned excess property to be furnished to the Organization shall not exceed original acquisition cost of \$1,000,000. As of March 31, 2020, no property has been furnished to the Organization through this program.

NOTE 7 - SUBSEQUENT EVENTS

Subsequent to the financial statement date but before the financials were available to be issued, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. As a result of the COVID-19 virus pandemic, there has been disruption in businesses and markets world-wide. Current economic and financial market conditions related to the COVID-19 virus pandemic could adversely affect the Organization's results of operations in future periods. While the long-term effects are unknown, management believes that it has the resources to handle its current obligations.

The Organization has evaluated subsequent events through August 19, 2020, the date on which the financial statements were available to be issued.