

**CIRCLE OF HOPE INTERNATIONAL**

**FINANCIAL STATEMENTS**

**MARCH 31, 2021 AND 2020**

**CIRCLE OF HOPE INTERNATIONAL  
FINANCIAL STATEMENTS  
MARCH 31, 2021 AND 2020**

**TABLE OF CONTENTS**

	<u>Page(s)</u>
<b>Independent Auditor's Report</b>	3
<b>Financial Statements</b>	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
<b>Notes to Financial Statements</b>	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, 2021 and 2020, 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, 2021 and 2020, 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 6, 2021



**CIRCLE OF HOPE INTERNATIONAL**  
**STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 256,695	\$ 96,974
Unconditional promises to give, net of allowance for uncollectible pledges of \$18,368 in 2021 and \$20,593 in 2020	90,428	75,514
Prepaid rent	-	650
Total assets	<u>\$ 347,123</u>	<u>\$ 173,138</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accrued expenses	\$ 1,906	\$ 1,911
Total liabilities	<u>1,906</u>	<u>1,911</u>
 <b>NET ASSETS</b>		
Without donor restrictions	<u>345,217</u>	<u>171,227</u>
Total net assets	<u>345,217</u>	<u>171,227</u>
Total liabilities and net assets	<u>\$ 347,123</u>	<u>\$ 173,138</u>

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

**CIRCLE OF HOPE INTERNATIONAL  
STATEMENTS OF ACTIVITIES  
YEARS ENDED MARCH 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>UNRESTRICTED SUPPORT</b>		
Contributions	\$ 620,847	\$ 555,328
Loan forgiveness	13,900	-
Total unrestricted support	<u>634,747</u>	<u>555,328</u>
<b>EXPENSES</b>		
Malawi program services	336,915	446,421
Support services	120,536	121,371
Fundraising	3,306	4,905
Total expenses	<u>460,757</u>	<u>572,697</u>
Increase/(decrease) in net assets	173,990	(17,369)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>171,227</u>	<u>188,596</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 345,217</u></u>	<u><u>\$ 171,227</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, 2021**

	<b>MALAWI PROGRAM SERVICES</b>	<b>SUPPORT SERVICES</b>	<b>FUND- RAISING</b>	<b>TOTAL</b>
Salaries	\$ 134,544	\$ 77,520	\$ -	\$ 212,064
Payroll taxes	-	5,122	-	5,122
Total salaries and related expenses	134,544	82,642	-	217,186
Travel	28,892	4,620	-	33,512
Supplies	1,298	-	-	1,298
Food for orphan programs	38,556	-	-	38,556
Administration	8,596	-	-	8,596
Orphanage	16,034	-	-	16,034
Scholarships	7,874	-	-	7,874
Building, improvements & developments	62,418	-	-	62,418
Grace Community Health Center	16,898	-	-	16,898
Grace Center Schools	18,815	-	-	18,815
Bad debt expense	-	-	-	-
Dues, fees & subscriptions	-	18,709	-	18,709
Professional fees	-	9,150	-	9,150
Rent	-	1,300	-	1,300
Telephone	-	1,310	-	1,310
Website	-	-	-	-
Insurance	-	2,805	-	2,805
Postage & shipping	-	-	1,875	1,875
Printing	-	-	1,431	1,431
Total expenses	<u>\$ 336,915</u>	<u>\$ 120,536</u>	<u>\$ 3,306</u>	<u>\$ 460,757</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**

	<b>MALAWI PROGRAM SERVICES</b>	<b>SUPPORT SERVICES</b>	<b>FUND- RAISING</b>	<b>TOTAL</b>
Salaries	\$ 131,861	\$ 73,998	\$ -	\$ 205,859
Payroll taxes	-	5,178	-	5,178
Total salaries and related expenses	131,861.00	79,176	-	211,037
Travel	91,967	4,718	-	96,685
Supplies	11,656	51	-	11,707
Food for orphan programs	47,464	-	-	47,464
Administration	470	-	-	470
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
Research	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**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED MARCH 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 173,990	\$ (17,369)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
(Increase) decrease in unconditional promises to give	(14,914)	1,273
Decrease in prepaid rent	650	-
(Decrease) increase in accrued expenses	(5)	1,207
Net cash provided by (used in) operating activities	<u>159,721</u>	<u>(14,889)</u>
 Net change in cash and cash equivalents	 159,721	 (14,889)
 <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	 <u>96,974</u>	 <u>111,863</u>
 <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	 <u><u>\$ 256,695</u></u>	 <u><u>\$ 96,974</u></u>

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

**CIRCLE OF HOPE INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2021 AND 2020**

**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, 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 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, 2021 AND 2020**  
**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, 2021 and 2020, the allowance for uncollectible promises was \$18,368 and \$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, 2021 and 2020. Tax returns remain open for examination generally for tax years 2017 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 adopted this standard effective April 1, 2020.

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.

**RECLASSIFICATIONS**

Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 presentation. These reclassifications had no impact on net assets.

**NOTE 2 - DONATED SERVICES**

During the years ended March 31, 2021 and 2020, approximately 1,904 and 10,676 volunteer hours valued at approximately \$54,340 and \$290,387, 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.

**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. One donor accounted for 17% of the Organization's contributions during year ended March 31, 2021. No donor accounted for more than 10% of the Organization's contributions during year ended March 31, 2020.

**CIRCLE OF HOPE INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2021 AND 2020  
CONTINUED**

**NOTE 4 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization had \$347,123 and \$172,488 of financial assets at March 31, 2021 and 2020, respectively, all of which were available for general use during the following twelve months.

**NOTE 5 - PAYCHECK PROTECTION PROGRAM LOAN**

On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security Act” (“CARES Act”). The CARES Act, among other things, includes provisions relating to refundable payroll tax credits and deferment of employer social security payments. Additionally, the CARES Act appropriated funds for potentially forgivable loans under the U.S. Small Business Administration Paycheck Protection Program. The Organization elected to apply for and received a Paycheck Protection Program loan, totaling \$13,900. During the year ended March 31, 2021, the Organization was notified that the loan, in its entirety, has been forgiven by the U.S. Small Business Administration. As such, \$13,900 is recorded as unrestricted support on the statement of activities and changes in net assets in accordance with the CARES Act terms.

**NOTE 6 - OPERATING LEASES**

The Organization had a month-to-month lease for office space at \$650 per month which was terminated during the 2021 fiscal year. Rent expense for the years ended March 31, 2021 and 2020 totaled \$1,300 and \$7,800, respectively.

**NOTE 7 - 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, 2021, no property has been furnished to the Organization through this program.

**NOTE 8 - CONCENTRATIONS, RISKS AND UNCERTAINTIES**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

**CONCENTRATION OF CREDIT RISK**

The Organization maintains its cash in one deposit account which, at times during the normal course of business, may exceed federally insured limits. Accounting standards identify these items as a concentration of credit risk, regardless of the degree of risk. Management believes that the risk associated with this excess is minimal and manages the risk by maintaining its deposits in a high quality financial institution. The Organization has not experienced any losses in such accounts.

**ECONOMIC CONDITIONS**

On March 11, 2020, 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 business and markets worldwide. The Organization cannot reasonably estimate the length or severity of this disruption, or the extent to which the disruption may adversely impact its future financial position, results of operations and cash flows. However, management is actively monitoring the conditions and believes it has the resources necessary to address the current economic conditions.

**NOTE 9 - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through August 6, 2021, the date on which the financial statements were available to be issued.