

CIRCLE OF HOPE INTERNATIONAL

FINANCIAL STATEMENTS

MARCH 31, 2022 AND 2021

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FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors of
Circle of Hope International
Wilmore, Kentucky

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, 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 Circle of Hope International as of March 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Circle of Hope International 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 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.

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 Circle of Hope International's ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards 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.

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In performing an audit in accordance with generally accepted auditing standards, 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 Circle of Hope International'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 Circle of Hope International'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.

Henry + Peters, P.C.

Tyler, Texas
June 4, 2022



CIRCLE OF HOPE INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 210,983	\$ 256,695
Unconditional promises to give, net of allowance for uncollectible pledges of \$18,368 in 2022 and 2021	<u>95,578</u>	<u>90,428</u>
Total assets	<u><u>\$ 306,561</u></u>	<u><u>\$ 347,123</u></u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accrued expenses	<u>\$ 2,328</u>	<u>\$ 1,906</u>
Total liabilities	2,328	1,906
 NET ASSETS		
Without donor restrictions	<u>304,233</u>	<u>345,217</u>
Total net assets	<u>304,233</u>	<u>345,217</u>
Total liabilities and net assets	<u><u>\$ 306,561</u></u>	<u><u>\$ 347,123</u></u>

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

**CIRCLE OF HOPE INTERNATIONAL
STATEMENTS OF ACTIVITIES
YEARS ENDED MARCH 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
UNRESTRICTED SUPPORT		
Contributions	\$ 568,041	\$ 620,847
Loan forgiveness	-	13,900
Total unrestricted support	<u>568,041</u>	<u>634,747</u>
EXPENSES		
Malawi program services	483,007	336,915
Support services	122,947	120,536
Fundraising	3,071	3,306
Total expenses	<u>609,025</u>	<u>460,757</u>
(Decrease) increase in net assets	(40,984)	173,990
NET ASSETS AT BEGINNING OF YEAR	<u>345,217</u>	<u>171,227</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 304,233</u></u>	<u><u>\$ 345,217</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, 2022**

	MALAWI PROGRAM SERVICES	SUPPORT SERVICES	FUND-RAISING	TOTAL
Salaries	\$ 128,980	\$ 80,472	\$ -	\$ 209,452
Payroll taxes	-	6,116	-	6,116
Total salaries and related expenses	128,980	86,588	-	215,568
Travel	15,472	1,232	-	16,704
Food for orphan programs	37,715	-	-	37,715
Children	20,169	-	-	20,169
Scholarships	18,688	-	-	18,688
Building, improvements & developments	113,948	-	-	113,948
Grace Community Health Center	109,436	-	-	109,436
Grace Center Schools	35,099	-	-	35,099
Missionary	3,500	-	-	3,500
Dues, fees & subscriptions	-	18,632	-	18,632
Professional fees	-	11,770	-	11,770
Telephone	-	1,100	-	1,100
Website	-	617	-	617.00
Insurance	-	3,008	-	3,008
Postage & shipping	-	-	1,641	1,641
Printing	-	-	1,430	1,430
Total expenses	<u>\$ 483,007</u>	<u>\$ 122,947</u>	<u>\$ 3,071</u>	<u>\$ 609,025</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

	MALAWI PROGRAM SERVICES	SUPPORT SERVICES	FUND-RAISING	TOTAL
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
Transportation	2,990	-	-	2,990
Research	18,815	-	-	18,815
Dues, fees & subscriptions	-	18,709	-	18,709
Professional fees	-	9,150	-	9,150
Rent	-	1,300	-	1,300
Telephone	-	1,310	-	1,310
Insurance	-	2,805	-	2,805
Postage & shipping	-	-	1,875	1,875
Printing	-	-	1,431	1,431
	<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
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (40,984)	\$ 173,990
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
(Increase) decrease in unconditional promises to give	(5,150)	(14,914)
Decrease in prepaid rent	-	650
(Decrease) increase in accrued expenses	422	(5)
Net cash (used in) provided by operating activities	<u>(45,712)</u>	<u>159,721</u>
Net change in cash and cash equivalents	(45,712)	159,721
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>256,695</u>	<u>96,974</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 210,983</u></u>	<u><u>\$ 256,695</u></u>

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

**CIRCLE OF HOPE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021**

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, 2022 AND 2021
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, 2022 and 2021, the allowance for uncollectible promises was \$18,368.

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, 2022 and 2021. Tax returns remain open for examination generally for tax years 2018 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 2014-09 described above, the Organization adopted this standard effective April 1, 2020 with no significant impact 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 842 for non-public entities to annual reporting periods beginning after December 15, 2021. Management plans to adopt this standard effective April 1, 2022.

NOTE 2 - DONATED SERVICES

During the years ended March 31, 2022 and 2021, approximately 1,728 and 1,904 volunteer hours valued at approximately \$51,754 and \$54,340, 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 12.8% of the Organization's contributions during the year ended March 31, 2022. One donor accounted for 17% of the Organization's contributions during the year ended March 31, 2021.

**CIRCLE OF HOPE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021
CONTINUED**

NOTE 4 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization had \$306,561 and \$347,123 of financial assets on March 31, 2022 and 2021, 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. During the year ended March 31, 2021, the Organization elected to apply for and received a Paycheck Protection Program loan, totaling \$13,900, which was forgiven by the U.S. Small Business Administration. As such, \$13,900 was recorded as unrestricted support on the statement of activities and changes in net assets as of March 31, 2021, in accordance with the CARES Act terms.

NOTE 6 - OPERATING LEASE

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, 2022 and 2021 totaled \$0 and \$1,300, 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, 2022, 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 June 4, 2022, the date on which the financial statements were available to be issued.