

**CIRCLE OF HOPE INTERNATIONAL**

**FINANCIAL STATEMENTS**

**MARCH 31, 2013 AND 2012**

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FINANCIAL STATEMENTS  
MARCH 31, 2013 AND 2012**

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**HENRY & PETERS, PC**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

Board of Directors of  
Circle of Hope International  
Wilmore, Kentucky

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, 2013 and 2012, 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, 2013 and 2012, 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  
May 14, 2013

**CIRCLE OF HOPE INTERNATIONAL  
STATEMENTS OF FINANCIAL POSITION  
MARCH 31, 2013 AND 2012**

	2013	2012
<b>ASSETS</b>		
Cash and cash equivalents	\$ 38,567	\$ 46,336
Unconditional promises to give	41,930	28,700
Total assets	\$ 80,497	\$ 75,036
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accrued expenses	\$ 1,315	\$ 1,256
Total liabilities	1,315	1,256
 <b>NET ASSETS</b>		
Unrestricted net assets	79,182	73,780
Total net assets	79,182	73,780
Total liabilities and net assets	\$ 80,497	\$ 75,036

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

**CIRCLE OF HOPE INTERNATIONAL  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>UNRESTRICTED SUPPORT</b>		
Contributions	\$ 632,214	\$ 378,653
Total unrestricted support	<u>632,214</u>	<u>378,653</u>
<b>EXPENSES</b>		
Malawi program services	540,466	293,134
Support services	79,850	42,080
Fundraising	<u>6,496</u>	<u>3,665</u>
Total expenses	<u>626,812</u>	<u>338,879</u>
Increase in net assets	5,402	39,774
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>73,780</u>	<u>34,006</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 79,182</u></u>	<u><u>\$ 73,780</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, 2013**

	<b>MALAWI PROGRAM SERVICES</b>	<b>SUPPORT SERVICES</b>	<b>FUND- RAISING</b>	<b>TOTAL</b>
Salaries	\$ 3,000	\$ 41,850	\$ -	\$ 44,850
Payroll taxes	-	3,802	-	3,802
Total salaries and related expenses	3,000	45,652	-	48,652
Travel	122,195	10,357	-	132,552
Supplies	3,787	6,233	-	10,020
Food for orphan programs	17,000	-	-	17,000
Administration	22,464	-	-	22,464
Orphanage	4,805	-	-	4,805
Building, improvements & developments	194,660	-	-	194,660
Grace Community Health Center	45,517	-	-	45,517
Research	13,891	-	-	13,891
Bad debt expense	3,147	-	-	3,147
Theft loss	110,000	-	-	110,000
Dues, fees & subscriptions	-	5,903	-	5,903
Professional fees	-	3,550	-	3,550
Rent	-	1,200	-	1,200
Telephone	-	2,822	-	2,822
Website	-	4,133	-	4,133
Postage & shipping	-	-	3,878	3,878
Printing	-	-	2,618	2,618
Total expenses	<u>\$ 540,466</u>	<u>\$ 79,850</u>	<u>\$ 6,496</u>	<u>\$ 626,812</u>

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

**CIRCLE OF HOPE INTERNATIONAL  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED MARCH 31, 2012**

	<b>MALAWI PROGRAM SERVICES</b>	<b>SUPPORT SERVICES</b>	<b>FUND- RAISING</b>	<b>TOTAL</b>
Salaries	\$ 5,468	\$ 31,285	\$ -	\$ 36,753
Payroll taxes	-	2,370	-	2,370
Total salaries and related expenses	5,468	33,655	-	39,123
Travel	54,455	351	-	54,806
Supplies	37,518	379	528	38,425
Food for orphan programs	21,587	-	-	21,587
Administration	3,795	-	-	3,795
Orphanage	7,379	-	-	7,379
Scholarships	2,000	-	-	2,000
Building, improvements & developments	131,820	-	-	131,820
Grace Community Health Center	21,036	-	-	21,036
Transportation	1,816	-	-	1,816
Registration for projects	3,000	-	-	3,000
Bad debt expense	3,260	-	-	3,260
Dues, fees & subscriptions	-	2,394	-	2,394
Professional fees	-	3,450	-	3,450
Telephone	-	1,728	-	1,728
Website	-	123	-	123
Postage & shipping	-	-	921	921
Printing	-	-	2,216	2,216
Total expenses	<u>\$ 293,134</u>	<u>\$ 42,080</u>	<u>\$ 3,665</u>	<u>\$ 338,879</u>

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

**CIRCLE OF HOPE INTERNATIONAL  
STATEMENTS OF CASH FLOWS  
YEARS ENDED MARCH 31, 2013 AND 2012**

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 5,402	\$ 39,774
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Increase in unconditional promises to give	(13,230)	(5,756)
Increase (decrease) in payroll payable	59	(90)
Net cash (used in) provided by operating activities	(7,769)	33,928
Net (decrease) increase in cash and cash equivalents	(7,769)	33,928
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	46,336	12,408
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 38,567	\$ 46,336

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



**CIRCLE OF HOPE INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2013 AND 2012**

**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.

The Organization follows Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 958-210-45-8 "*Classification of Assets and Liabilities*" in preparing the financial statements, which requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As of and for the years ended March 31, 2013 and 2012, the Organization had no temporarily or permanently restricted 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**

Contributions, including unconditional promises to give by donors, are recorded when received and are immediately available for unrestricted use unless specifically restricted by the donor. Contributions to be made over a period in excess of one year are recorded at the present value of estimated future cash flows using a discount rate commensurate with the risks involved. There were no contributions to be made over a period in excess of one year during the years ended March 31, 2013 and 2012.

Conditional promises to give are recognized when the conditions on which such promises depend are substantially met. There were no conditional promises to give made during the years ended March 31, 2013 and 2012.

**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, 2013 and 2012. Tax returns remain open for examination generally for tax years 2009 and forward.

**ALLOCATION OF EXPENSES**

The costs of providing programs and services have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and services, based on management estimates. These expenses are summarized in the statement of functional expenses.

**CIRCLE OF HOPE INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2013 AND 2012  
CONTINUED**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**UNCONDITIONAL PROMISES TO GIVE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS**

The Organization maintains pledges receivable due from various contributors. The allowance for doubtful accounts is established through a provision for bad debts charged to expense and represents management's best estimate of possible losses due to bad debts that have been incurred within the accounts receivable portfolio. As of March 31, 2013 and 2012, an allowance for doubtful accounts was not considered necessary to properly reflect the realizable value of accounts receivable.

**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.

**NOTE 2 - CONTRIBUTED AND DONATED SERVICES**

During the years ended March 31, 2013 and 2012, approximately 15,473 and 7,218 volunteer hours valued at approximately \$342,572 and \$157,280, 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 - UNCONDITIONAL PROMISES TO GIVE**

As of March 31, 2013 and 2012, the Organization had unconditional promises to give of \$41,930 and \$28,700, respectively, comprised of numerous small pledges.

**NOTE 4 - CONCENTRATIONS**

The Organization had two donors that contributed approximately 31% of total contributions during the year ended March 31, 2013, and one donor that contributed approximately 16% of total contributions during the year ended March 31, 2012.

**NOTE 5 - OPERATING LEASES**

The Organization entered into an operating lease to rent office space in February 2013. Monthly lease payments are \$600 and the lease expires March 31, 2015. Rent expense for the year ended March 31, 2013 was \$1,200.

As of March 31, 2013, the future minimum lease payments under this operating lease are as follows for the years ended March 31:

2014	\$ 6,000
2015	<u>7,200</u>
Total minimum lease payments	<u>\$ 13,200</u>

**NOTE 6 - THEFT LOSS**

In January 2013, a representative of the Organization traveling from the United States to Malawi with \$110,000 cash, was forced to surrender his carry-on bag to authorities. When the bag was returned, the cash was missing. The Organization has filed a loss report with the airline, but no recoveries are expected.

**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, 2013 no property has been furnished to the Organization through this program.

**CIRCLE OF HOPE INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2013 AND 2012  
CONTINUED**

**NOTE 8 - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through May 14, 2013, the date on which the financial statements were available to be issued.