

CIRCLE OF HOPE INTERNATIONAL

FINANCIAL STATEMENTS

MARCH 31, 2015 AND 2014

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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, 2015 and 2014, 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.

Auditors' 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, 2015 and 2014, 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 28, 2015

**CIRCLE OF HOPE INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2015 AND 2014**

	2015	2014
ASSETS		
Cash and cash equivalents	\$ 41,715	\$ 112,208
Unconditional promises to give, net of allowance for uncollectible pledges of \$8,008 in 2015 and \$4,462 in 2014	32,031	56,155
Prepaid rent	600	600
Total assets	\$ 74,346	\$ 168,963
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accrued expenses	\$ 1,351	\$ 1,650
Total liabilities	1,351	1,650
NET ASSETS		
Unrestricted net assets	72,995	167,313
Total net assets	72,995	167,313
Total liabilities and net assets	\$ 74,346	\$ 168,963

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

**CIRCLE OF HOPE INTERNATIONAL
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014**

	2015	2014
UNRESTRICTED SUPPORT		
Contributions	\$ 442,713	\$ 628,655
Total unrestricted support	442,713	628,655
EXPENSES		
Malawi program services	432,851	444,302
Support services	98,844	91,638
Fundraising	5,336	4,584
Total expenses	537,031	540,524
(Decrease) increase in net assets	(94,318)	88,131
NET ASSETS AT BEGINNING OF YEAR	167,313	79,182
NET ASSETS AT END OF YEAR	\$ 72,995	\$ 167,313

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

**CIRCLE OF HOPE INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2015**

	MALAWI PROGRAM SERVICES	SUPPORT SERVICES	FUND- RAISING	TOTAL
Salaries	\$ 27,725	\$ 58,150	\$ -	\$ 85,875
Payroll taxes	-	4,520	-	4,520
Total salaries and related expenses	27,725	62,670	-	90,395
Travel	77,572	3,352	-	80,924
Supplies	28,053	-	-	28,053
Food for orphan programs	76,664	-	-	76,664
Administration	65,825	-	-	65,825
Children	15,144	-	-	15,144
Orphanage	2,160	-	-	2,160
Scholarships	8,754	-	-	8,754
Building, improvements & developments	47,674	-	-	47,674
Grace Community Health Center	39,023	-	-	39,023
Bad debt expense	44,257	-	-	44,257
Dues, fees & subscriptions	-	13,575	-	13,575
Professional fees	-	4,883	-	4,883
Rent	-	7,200	-	7,200
Telephone	-	4,809	-	4,809
Website	-	2,355	-	2,355
Postage & shipping	-	-	2,248	2,248
Printing	-	-	3,088	3,088
Total expenses	<u>\$ 432,851</u>	<u>\$ 98,844</u>	<u>\$ 5,336</u>	<u>\$ 537,031</u>

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

**CIRCLE OF HOPE INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2014**

	MALAWI PROGRAM SERVICES	SUPPORT SERVICES	FUND- RAISING	TOTAL
Salaries	\$ 42,091	\$ 54,000	\$ -	\$ 96,091
Payroll taxes	-	4,131	-	4,131
Total salaries and related expenses	42,091	58,131	-	100,222
Travel	69,434	7,150	-	76,584
Supplies	34,092	-	-	34,092
Food for orphan programs	90,411	-	-	90,411
Administration	7,642	-	-	7,642
Children	18,346	-	-	18,346
Orphanage	3,159	-	-	3,159
Scholarships	1,440	-	-	1,440
Building, improvements & developments	136,296	-	-	136,296
Research	4,625	-	-	4,625
Bad debt expense	36,766	-	-	36,766
Dues, fees & subscriptions	-	7,989	-	7,989
Professional fees	-	5,295	-	5,295
Rent	-	7,200	-	7,200
Telephone	-	3,458	-	3,458
Website	-	2,415	-	2,415
Postage & shipping	-	-	2,112	2,112
Printing	-	-	2,472	2,472
Total expenses	<u>\$ 444,302</u>	<u>\$ 91,638</u>	<u>\$ 4,584</u>	<u>\$ 540,524</u>

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

**CIRCLE OF HOPE INTERNATIONAL
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) increase in net assets	\$ (94,318)	\$ 88,131
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Decrease (increase) in unconditional promises to give	24,124	(14,225)
Decrease (increase) in prepaid rent	-	(600)
(Decrease) increase in accrued expenses	(299)	335
Net cash (used in) provided by operating activities	(70,493)	73,641
Net (decrease) increase in cash and cash equivalents	(70,493)	73,641
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	112,208	38,567
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 41,715	\$ 112,208

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

**CIRCLE OF HOPE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014**

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 March 31, 2015 and 2014, 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

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 temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports that support as unrestricted.

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, 2015 and 2014.

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, 2015 and 2014.

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, 2015 and 2014. Tax returns remain open for examination generally for tax years 2011 and forward.

**CIRCLE OF HOPE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014
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, 2015 and 2014, the allowance for doubtful accounts was \$8,008 and \$4,462, respectively.

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 - DONATED SERVICES

During the years ended March 31, 2015 and 2014, approximately 11,222 and 10,149 volunteer hours valued at approximately \$262,595 and \$237,487, 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 - CONCENTRATIONS

The Organization had two donors who contributed approximately 29% of total contributions during the year ended March 31, 2014. No donor accounted for more than 10% of the Organization's contributions during the year ended March 31, 2015.

NOTE 4 - OPERATING LEASES

The Organization entered into a two year operating lease to rent office space in February 2013. Monthly lease payments were \$600 and the lease expired March 31, 2015. Subsequent to March 31, 2015, the terms of the lease are month-to-month and the monthly lease payments remain at \$600. Rent expense for the years ended March 31, 2015 and 2014 totaled \$7,200 and \$7,200 respectively.

NOTE 5 - 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, 2015 no property has been furnished to the Organization through this program.

NOTE 6 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 28, 2015, the date on which the financial statements were available to be issued.