

BRIGHT HOPE INTERNATIONAL

Financial Statements
With Independent Auditors' Report

June 30, 2021 and 2020

BRIGHT HOPE INTERNATIONAL

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7



INDEPENDENT AUDITORS' REPORT

Board of Directors
Bright Hope International
Hoffman Estates, Illinois

We have audited the accompanying financial statements of Bright Hope International, which comprise the statements of financial position as of June 30, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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.

Board of Directors
Bright Hope International
Hoffman Estates, Illinois

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bright Hope International as of June 30, 2021 and 2020, and the change in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Naperville, Illinois
March 14, 2022

BRIGHT HOPE INTERNATIONAL

Statements of Financial Position

	June 30,	
	2021	2020
ASSETS:		
Cash and cash equivalents	\$ 306,297	\$ 370,344
Other assets	15,961	18,646
Property held for sale	683,926	-
Property and equipment, net	9,860	751,403
Total Assets	\$ 1,016,044	\$ 1,140,393
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 71,568	\$ 41,686
Line of credit	-	319,061
Note payable	148,231	-
	<u>219,799</u>	<u>360,747</u>
Net assets:		
Without donor restrictions	720,806	632,163
With donor restrictions	75,439	147,483
	<u>796,245</u>	<u>779,646</u>
Total Liabilities and Net Assets	\$ 1,016,044	\$ 1,140,393

See notes to financial statements

BRIGHT HOPE INTERNATIONAL

Statements of Activities

	Year Ended June 30,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 1,122,396	\$ 711,792	\$ 1,834,188	\$ 1,203,384	\$ 1,061,091	\$ 2,264,475
Donated materials	-	176,838	176,838	-	422,377	422,377
Rental income	189,236	-	189,236	128,719	-	128,719
Government grants	-	-	-	-	97,879	97,879
Other income	3,600	-	3,600	4,362	-	4,362
Total Support and Revenue	1,315,232	888,630	2,203,862	1,336,465	1,581,347	2,917,812
RECLASSIFICATIONS:						
Net assets released from donor restrictions	960,674	(960,674)	-	1,656,894	(1,656,894)	-
EXPENSES:						
Program services	1,592,014	-	1,592,014	2,090,978	-	2,090,978
Supporting activities:						
Management and general	362,203	-	362,203	412,490	-	412,490
Fundraising	233,046	-	233,046	279,219	-	279,219
Total Expenses	2,187,263	-	2,187,263	2,782,687	-	2,782,687
Change in Net Assets	88,643	(72,044)	16,599	210,672	(75,547)	135,125
Net Assets, Beginning of Year	632,163	147,483	779,646	421,491	223,030	644,521
Net Assets, End of Year	\$ 720,806	\$ 75,439	\$ 796,245	\$ 632,163	\$ 147,483	\$ 779,646

See notes to financial statements

BRIGHT HOPE INTERNATIONAL

Statements of Functional Expenses

	Year Ended June 30,							
	2021				2020			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Grants to supporting organizations	\$ 907,001	\$ -	\$ -	\$ 907,001	\$ 1,103,064	\$ -	\$ -	\$ 1,103,064
Salaries and benefits	329,890	151,999	92,618	574,507	307,122	158,392	117,697	583,211
In Kind pharmaceuticals	176,838	-	-	176,838	422,377	-	-	422,377
Professional fees	135,872	62,604	38,146	236,622	157,211	81,078	60,247	298,536
Depreciation	5,613	44,908	5,613	56,134	6,599	52,794	6,599	65,992
Bank fees	5,202	11,211	22,628	39,041	9,640	913	22,475	33,028
Other	10	29,585	1,065	30,660	14,306	20,211	8,396	42,913
Advertising	2,834	-	23,215	26,049	23,530	-	39,728	63,258
Printing and reproduction	-	475	23,996	24,471	-	27,637	-	27,637
Repairs and maintenance	2,006	16,052	2,006	20,064	3,262	26,094	3,262	32,618
Utilities	1,871	14,970	1,871	18,712	1,773	14,184	1,773	17,730
Insurance	1,515	12,123	1,515	15,153	1,468	11,742	1,468	14,678
Telephone and internet	7,870	3,626	2,210	13,706	9,851	5,081	3,775	18,707
Travel	9,310	2,552	1,834	13,696	28,277	2,383	3,652	34,312
Information technology	6,182	1,727	4,117	12,026	2,498	3,823	3,492	9,813
Postage and delivery	-	2,534	7,603	10,137	-	2,218	6,655	8,873
Equipment purchases and rentals	-	4,353	3,171	7,524	-	4,233	-	4,233
Education and seminars supplies	-	3,484	1,438	4,922	-	1,707	-	1,707
Total Expenses	\$ 1,592,014	\$ 362,203	\$ 233,046	\$ 2,187,263	\$ 2,090,978	\$ 412,490	\$ 279,219	\$ 2,782,687

See notes to financial statements

BRIGHT HOPE INTERNATIONAL

Statements of Cash Flows

	Year Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 16,599	\$ 135,125
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	56,134	65,992
Loss on disposal of plant and equipment	1,483	-
Recognition of paycheck protection program income	-	(97,879)
Changes in:		
Other assets	2,685	3,823
Accounts payable and accrued expenses	29,882	(11,842)
Net Cash Provided by Operating Activities	106,783	95,219
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	-	(45,955)
Net Cash Used by Investing Activities	-	(45,955)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	-	150,000
Proceeds from note payable	150,520	-
Proceeds from paycheck protection program loan	-	97,879
Payment on line of credit	(319,061)	-
Payment on note payable	(2,289)	-
Net Cash (Used) Provided by Financing Activities	(170,830)	247,879
Net Change in Cash and Cash Equivalents	(64,047)	297,143
Cash and Cash Equivalents, Beginning of Year	370,344	73,201
Cash and Cash Equivalents, End of Year	\$ 306,297	\$ 370,344
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	\$ 14,704	\$ 18,571

See notes to financial statements

BRIGHT HOPE INTERNATIONAL

Notes to Financial Statements

June 30, 2021 and 2020

1. NATURE OF ORGANIZATION:

Bright Hope International (BHI) is incorporated under the laws of the State of Illinois to operate as a charitable religious organization within the meaning of Section 501(c)(3) of the Internal Revenue Code (the Code). It is exempt from federal and state income taxes and contributions are deductible within the limitations prescribed by the Code. The organization has been classified as a public organization that is not a private foundation under section 509(a) of the Code. BHI's primary source of support and revenue is contributions from individuals, churches, and other organizations.

BHI is committed to bringing hope to those living on less than a \$2 a day. BHI works in communities primarily located in South America and Africa.

BHI's ministry of community transformation is accomplished through partnership with local, in-country churches that have an established group of Christ followers.

BHI works to bring hope and create sustainable change to communities living in poverty around the world. In order to accomplish this, BHI uses a three-tier approach:

HOPE FOR TODAY

Hope for Today refers to projects that meet the basic needs of the community. These projects include feeding programs, clean water initiatives, care for orphans and vulnerable children, medical assistance, and crisis and disaster response.

HOPE FOR TOMORROW

Hope for Tomorrow refers to projects that move people toward self-reliance and sustainability. This includes projects focused on church training, microenterprise, job creation programs, educational support, and human trafficking rescue and rehabilitation.

HOPE FOR ETERNITY

Hope for Eternity projects provide the community with opportunities for spiritual growth and a deeper relationship with Jesus Christ. These projects include pastor and leadership training, evangelism and discipleship, and Bible distribution.

2. SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING

The financial statements have been prepared using the accrual basis of accounting. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates. The more significant accounting policies are summarized below.

BRIGHT HOPE INTERNATIONAL

Notes to Financial Statements

June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS

Cash includes checking, savings and money market accounts. These accounts, from time to time, may exceed federally insured limits. In both June 30, 2021 and 2020, BHI's deposits did not exceed federally insured limits. BHI does not believe these funds to be at substantial risk of loss due to the lack of federal insurance coverage.

OTHER ASSETS

Other assets consist mainly of prepaid expenses. Prepaid expenses represent expenditures for which BHI had not yet received services.

DONATED MATERIALS

BHI receives donations of medical supplies restricted for use in the ministry programs. Such gifts are recorded at their estimated fair market value at the date of donation. For both of the years ended June 30, 2021 and 2020, 100% of donated materials were contributed by one donor.

PROPERTY HELD FOR SALE

Property held for sale at June 30, 2021, consists of property located in Hoffman Estates, Illinois. The real estate held for sale is reported at the lower of its carrying amount or fair value less estimated selling costs which at June 30, 2021, was \$683,926. Subsequent to year end property held for sale was under contract with a selling price of \$1,600,000.

PROPERTY AND EQUIPMENT

Land, building and equipment in excess of \$3,000 are capitalized at cost or, if donated, at fair market value on the date of donation. Repairs and maintenance expenses that neither materially add to the value of the property nor prolong its life are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the assets on a straight-line basis. Generally, useful lives are as follows:

Building	30 years
Building improvements	15 years
Land improvements	10 years
Equipment	3 - 10 years
Furniture	10 years

BRIGHT HOPE INTERNATIONAL

Notes to Financial Statements

June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE

Contributions are reported when cash is received, unconditional promises are made or ownership of donated assets are transferred. Contributions of assets other than cash are reported at their estimated fair value. Gifts of property and equipment are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash and other assets received with donor stipulations during the year that have not yet been expended are reported as support with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statements of activities as net assets released from restrictions. For the years ended June 30, 2021 and 2020, the two largest donors contributed approximately 16% and 21%, respectively, of total cash contributions.

Rental income and other income are recognized when earned.

FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are reported when incurred. The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and occupancy-related costs, which are allocated on a square footage basis, as well as salaries and benefits, travel, and certain office-related expenses, which are allocated on the basis of estimates of time and effort.

NET ASSETS

The financial statements report amounts by class of net assets as follows:

Net assets without donor restrictions are currently available for use at the discretion of the Board as well as resources invested in property and equipment.

Net assets with donor restrictions are those stipulated by donors for specific operating purposes or programs, with time restrictions, or not currently available for use until commitments regarding their use have been fulfilled. Reclassifications to without donor restrictions are made when the restrictions have been fulfilled.

BRIGHT HOPE INTERNATIONAL

Notes to Financial Statements

June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

VOLUNTEER SERVICES

Contributed services are recorded as contributions at their estimated fair values at the date of donation if the services (1) enhance or create non-financial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. BHI receives a significant amount of donated services from unpaid volunteers who assist in special programs. These contributed services are not reported as they do not meet the necessary accounting criteria.

3. PROPERTY AND EQUIPMENT:

Property and equipment are summarized by major classification as follows:

	June 30,	
	2021	2020
Building	\$ -	\$ 1,007,490
Building improvements	-	738,351
Land and land improvements	-	349,800
Equipment	84,433	121,576
Furniture	146,773	197,253
	<u>231,206</u>	<u>2,414,470</u>
Less accumulated depreciation	<u>(221,346)</u>	<u>(1,663,067)</u>
	<u>\$ 9,860</u>	<u>\$ 751,403</u>

4. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of the following:

	June 30,	
	2021	2020
Net assets with donor restrictions	<u>\$ 75,439</u>	<u>\$ 147,483</u>

BRIGHT HOPE INTERNATIONAL

Notes to Financial Statements

June 30, 2021 and 2020

5. DONATED MATERIALS:

BHI received donated pharmaceutical supplies totaling \$176,838 and \$422,377 during the years ended June 30, 2021 and 2020, respectively.

6. LINE OF CREDIT:

BHI maintained a \$320,520 line of credit with a bank. This line held an interest rate of 5.75% and was secured by a mortgage and assignments of rent on real property located at 2060 Stonington Avenue, Hoffman Estates, Illinois. This line matured in January 2021 and was not renewed. As of June 30, 2021 and 2020, BHI's outstanding balance was \$0 and \$319,061, respectively. Interest expense for the years ended June 30, 2021 and 2020, was \$14,704 and \$18,571, respectively.

7. NOTE PAYABLE:

Note payable consists of:

A mortgage agreement secured by real property of BHI, in the original amount of \$150,520, with monthly principal and interest payments at a rate of 5% beginning February 2021 of \$1,823 are due until maturity in February 2026, at which time the remaining balance is due.

	June 30,	
	2021	2020
	\$ 148,231	\$ -
	\$ 148,231	\$ -

Future maturities are as follows:

June 30,	
2022	\$ 7,099
2023	7,462
2024	7,844
2025	8,245
2026	117,581
	\$ 148,231

8. EMPLOYEE BENEFIT PLAN:

BHI participates in a retirement plan under section 403(b) of the Internal Revenue Code salary reduction plan. Under the plan, eligible employees may elect to defer a percentage or dollar amount of their salary, subject to the Internal Revenue Service limits. BHI did not make employer contributions to the plan for the years ended June 30, 2021 and 2020.

BRIGHT HOPE INTERNATIONAL

Notes to Financial Statements

June 30, 2021 and 2020

9. RELATED PARTY TRANSACTIONS:

BHI receives support from another nonprofit whose president is a family member of the BHI president. This support totaled \$50,000 and \$40,000 for the years ended June 30, 2021 and 2020, respectively. BHI also provides rent-free office space worth approximately \$1,500 per year to this nonprofit. Approximately \$34,000 and \$300,000 of contribution revenue was received from BHI Board members for the years ended June 30, 2021 and 2020, respectively.

10. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects BHI's financial assets as of June 30, 2021 and 2020, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year because of contractual or donor-imposed restrictions.

	June 30,	
	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 306,297	\$ 370,344
Less those unavailable for general expenditures within on year, due to:		
Donor-imposed purpose restrictions	(75,439)	(147,483)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 230,858</u>	<u>\$ 222,861</u>

BHI structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Funds restricted by donors that are part of BHI's ongoing operations are considered to be financial assets available to meet cash needs for general expenditures. As part of BHI's liquidity management, it has established guidelines for making decisions related to managing short term cash reserves in a prudent manner.

11. RISKS AND UNCERTAINTIES:

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern," which continues to spread throughout the world and has adversely impacted global economic activity and contributed to significant declines and volatility in financial markets, in addition to significant job loss. COVID-19 could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of COVID-19. Nevertheless, COVID-19 presents uncertainty and risk with respect to BHI and its financial results.

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through March 14, 2022, which represents the date the financial statements were available to be issued. Subsequent to year end BHI updated their IRS determination to a public charity as described under 509(a)(1) and 170(b)(1)(A)(vi).