

# BRIGHT HOPE INTERNATIONAL

Financial Statements  
With Independent Auditors' Report

June 30, 2017 and 2016

# BRIGHT HOPE INTERNATIONAL

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## 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, 2017 and 2016, 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 audits 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 combined 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 combined 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 Bright Hope International as of June 30, 2017 and 2016, 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.

A handwritten signature in cursive script that reads "Capin Crouse LLP".

Wheaton, Illinois  
November 2, 2017

# BRIGHT HOPE INTERNATIONAL

## Statements of Financial Position

	June 30,	
	2017	2016
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 328,356	\$ 76,232
Other assets	18,616	57,020
Property and equipment, net	857,522	934,682
<b>Total Assets</b>	<b>\$ 1,204,494</b>	<b>\$ 1,067,934</b>
<b>LIABILITIES AND NET ASSETS:</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 50,861	\$ 86,401
Line of credit	315,000	315,000
	365,861	401,401
<b>Net assets:</b>		
Unrestricted	487,782	240,583
Temporarily restricted	350,851	425,950
	838,633	666,533
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,204,494</b>	<b>\$ 1,067,934</b>

See notes to financial statements

# BRIGHT HOPE INTERNATIONAL

## Statements of Activities

	Year Ended June 30,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUES:</b>						
Contributions	\$ 1,253,853	\$ 1,512,671	\$ 2,766,524	\$ 1,301,039	\$ 1,911,601	\$ 3,212,640
Donated materials	-	3,014,531	3,014,531	-	7,120,840	7,120,840
Rental income	62,562	-	62,562	58,924	-	58,924
Loss on sale of equipment	(23,729)	-	(23,729)	(12,321)	-	(12,321)
Other income	11,596	-	11,596	3,224	-	3,224
<b>Total revenues</b>	<b>1,304,282</b>	<b>4,527,202</b>	<b>5,831,484</b>	<b>1,350,866</b>	<b>9,032,441</b>	<b>10,383,307</b>
<b>RECLASSIFICATIONS:</b>						
Net assets released by satisfaction of purpose restrictions	4,602,301	(4,602,301)	-	9,310,707	(9,310,707)	-
<b>EXPENSES:</b>						
Program services	5,134,561	-	5,134,561	10,125,842	-	10,125,842
Supporting activities:						
Management and general	382,420	-	382,420	536,546	-	536,546
Fund-raising	142,403	-	142,403	460,782	-	460,782
<b>Total expenses</b>	<b>5,659,384</b>	<b>-</b>	<b>5,659,384</b>	<b>11,123,170</b>	<b>-</b>	<b>11,123,170</b>
Change in Net Assets	247,199	(75,099)	172,100	(461,597)	(278,266)	(739,863)
Net Assets, Beginning of Year	240,583	425,950	666,533	702,180	704,216	1,406,396
Net Assets, End of Year	<b>\$ 487,782</b>	<b>\$ 350,851</b>	<b>\$ 838,633</b>	<b>\$ 240,583</b>	<b>\$ 425,950</b>	<b>\$ 666,533</b>

See notes to financial statements

# BRIGHT HOPE INTERNATIONAL

## Statements of Functional Expenses

	Year Ended June 30,							
	2017				2016			
	Program Services	Management and General	Fund-raising	Total	Program Services	Management and General	Fund-raising	Total
Bank service charges	\$ 2,391	\$ 1,676	\$ 16,223	\$ 20,290	\$ 2,988	\$ 1,265	\$ 23,070	\$ 27,323
Computer technology	179	19,012	13,513	32,704	1,745	25,372	24,420	51,537
Depreciation expense	44,548	6,282	6,282	57,112	51,202	7,221	7,221	65,644
Dues and subscriptions	750	12,154	2,705	15,609	170	10,144	4,845	15,159
Education and seminars	96	2,546	5	2,647	3,529	2,077	2,301	7,907
Equipment purchase and rental	6,348	1,496	-	7,844	1,778	6,218	-	7,996
Event expense	-	-	818	818	252	1,507	8,467	10,226
GIK project expense	3,014,531	-	-	3,014,531	7,120,840	-	-	7,120,840
Insurance	14,234	2,007	2,007	18,248	12,625	1,781	1,781	16,187
Licenses and permits	-	3,745	-	3,745	-	4,177	-	4,177
Miscellaneous	10,659	19,416	2,260	32,335	2,737	7,567	1,772	12,076
Payroll expenses	374,648	211,776	56,910	643,334	988,208	345,088	235,288	1,568,584
Postage and delivery	-	2,150	6,450	8,600	-	5,414	16,242	21,656
Printing and reproduction	10,115	12,521	8,078	30,714	2,331	24,915	38,409	65,655
Professional fees	121,460	68,657	18,450	208,567	186,843	65,247	44,486	296,576
Project expense	1,476,792	-	-	1,476,792	1,656,496	-	-	1,656,496
Repairs and maintenance	18,289	2,579	2,579	23,447	24,679	3,480	3,480	31,639
Supplies	45	3,542	174	3,761	9,780	6,142	1,923	17,845
Telephone and internet	9,752	5,512	1,481	16,745	12,662	4,422	4,015	21,099
Travel and entertainment	7,140	4,164	1,283	12,587	23,257	11,164	39,717	74,138
Utilities	22,584	3,185	3,185	28,954	23,720	3,345	3,345	30,410
<b>Total Expenses</b>	<b>\$ 5,134,561</b>	<b>\$ 382,420</b>	<b>\$ 142,403</b>	<b>\$ 5,659,384</b>	<b>\$ 10,125,842</b>	<b>\$ 536,546</b>	<b>\$ 460,782</b>	<b>\$ 11,123,170</b>

See notes to financial statements

# BRIGHT HOPE INTERNATIONAL

## Statements of Cash Flows

	Year Ended June 30,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 172,100	\$ (739,863)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	57,112	65,644
Loss on disposal of plant and equipment	23,729	12,321
Changes in:		
Other assets	38,404	51,387
Accounts payable and accrued expenses	(35,540)	(96)
Net Cash Provided (Used) by Operating Activities	255,805	(610,607)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of property	-	44,001
Purchase of property and equipment	(3,681)	(17,253)
Net Cash (Used) Provided by Investing Activities	(3,681)	26,748
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from line of credit	-	315,000
Net Cash Provided by Financing Activities	-	315,000
Net Change in Cash and Cash Equivalents	252,124	(268,859)
Cash and Cash Equivalents, Beginning of Year	76,232	345,091
Cash and Cash Equivalents, End of Year	\$ 328,356	\$ 76,232
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Cash paid for interest	\$ 18,304	\$ 6,002

See notes to financial statements

# BRIGHT HOPE INTERNATIONAL

Notes to Financial Statements

June 30, 2017 and 2016

## 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 \$1 a day. BHI works in communities primarily located in South America, Africa and Asia.

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, BH 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, 2017 and 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

### CASH AND CASH EQUIVALENTS

Cash includes checking, savings, money market accounts and insured deposit accounts as part of a larger investment pool. These accounts may from time to time exceed federally insured limits. BHI has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

### 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, furniture, relief supplies, school supplies and other materials 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, 2017 and 2016, 100% of donated materials were contributed by one donor.

### 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

### 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 unrestricted support 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 temporarily restricted contributions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statements of activities as net assets released from restrictions. For the years ended June 30, 2017 and 2016, the five largest and four largest donors contributed approximately 37% and 24%, respectively, of total cash contributions.

Rental income and other income are recognized when earned.

# BRIGHT HOPE INTERNATIONAL

Notes to Financial Statements  
June 30, 2017 and 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

### ALLOCATION OF EXPENSES

Expenses are reported when incurred. The costs of providing the various program services and supporting activities of BHI 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 that benefited from those costs. BHI expenses advertising costs as they are incurred.

### NET ASSETS

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

*Unrestricted* net assets are those available for current purposes under the direction of the Board (undesignated net assets and those resources invested in property and equipment).

*Temporarily restricted* net assets are those subject to donor-imposed stipulations that will be met either by actions of BHI and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

### 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. The majority of 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,	
	2017	2016
Building	\$ 1,007,490	\$ 1,007,490
Building improvements	718,421	718,421
Land and land improvements	307,014	307,014
Equipment	118,407	153,151
Furniture	197,253	197,253
	<u>2,348,585</u>	<u>2,383,329</u>
Less accumulated depreciation	<u>(1,491,063)</u>	<u>(1,448,647)</u>
	<u>\$ 857,522</u>	<u>\$ 934,682</u>

# BRIGHT HOPE INTERNATIONAL

## Notes to Financial Statements June 30, 2017 and 2016

### 4. NET ASSETS:

Temporarily restricted net assets consisted of the following:

	June 30,	
	2017	2016
Relief projects	\$ 148,773	\$ 128,006
Economic development	21,384	134,662
Staff support	66,608	-
Spiritual growth	114,086	163,282
	<u>\$ 350,851</u>	<u>\$ 425,950</u>

### 5. DONATED MATERIALS:

BHI received donated pharmaceutical supplies totaling \$3,014,531 and \$7,120,840 during the years ended June 30, 2017 and 2016, respectively.

### 6. LINE OF CREDIT:

BHI maintains a \$500,000 line of credit with a bank. This line is secured by a mortgage and assignments of rent on real property located at 2060 Stonington Avenue, Hoffman Estates, Illinois. This line matures in April 2018 and bears interest at 5% with full outstanding balance due upon maturity. As of both June 30, 2017 and 2016, BHI's outstanding balance was \$315,000. Interest expense for the years ended June 30, 2017 and 2016, was \$18,304 and \$6,002, respectively.

### 7. 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, 2017 and 2016.

### 8. RELATED PARTY TRANSACTIONS:

BHI receives support from another non-profit whose president is a family member of the BHI president. This support totaled \$165,000 and \$115,125 for the years ended June 30, 2017 and 2016, respectively. BHI also provides rent-free office space worth approximately \$1,500 per year to this non-profit.

# BRIGHT HOPE INTERNATIONAL

## Notes to Financial Statements

June 30, 2017 and 2016

### 9. FINANCIAL CONDITION:

At June 30, 2017 and 2016, BHI had unrestricted net assets of \$487,782 and \$240,583, respectively. Fiscal year 2016 was a difficult year for BHI financially, even though their effectiveness of its overseas programs continued to strengthen. While fiscal year 2016 plan continued on the path of growth based on the vision and positive trends of recent years, income versus expenses during the year did not follow projections. This led to a year of deficit spending and subsequent cutting of planned expenses and reductions in staff at the U.S. office.

In recognition of the importance of strengthening the financial condition of BHI, for fiscal year 2017, the board of directors and management took significant steps in an effort to improve BHI's financial condition and sustain positive financial results for its operations. Together, management and the board developed specific strategies which reflected the future vision for the U.S operations including flexibility of staffing, increased use of technology, downsizing of facilities use, etc. The strategies developed included:

- Reducing personnel costs in view of future administrative requirements, by adopting a leaner approach to administration, marketing and fund-raising.
- Selling the current building in Hoffman Estates, IL to reduce operating costs. This is made possible due to improvement of international relief and development practices. Warehousing in-kind goods is no longer required on-site.
- Increasing the use of technology which will require less office space for staff, etc.
- Creating a program that will help build a broader base of regular, recurring donors.

As a result of pursuing these strategies during fiscal year 2017, BHI's finances were strengthened substantially. Unrestricted Net Income reached \$274,199 resulting in the Unrestricted Net Assets balance increasing to \$487,782, from \$240,583 at the previous year-end. These strategies used during fiscal year 2017 will continue during fiscal year 2018 in an effort to continue to create a more solid financial footing for operations. The strategies still include the possible sale of its current building, however, various scenarios are being researched further to seek optimal use of the building and its related resources.

### 10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through November 2, 2017, which represents the date the financial statements were available to be issued.