

BRIGHT HOPE INTERNATIONAL

Financial Statements
With Independent Auditors' Report

June 30, 2018 and 2017

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, 2018 and 2017, 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 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, 2018 and 2017, 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.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Bright Hope International
Hoffman Estates, Illinois

Emphasis of a Matter

As described in Note 9 to the financial statements, based on additional guidance clarifying the valuation methodology of certain gifts in kind, related activity prior to June 30, 2017 was restated during the current year. Accordingly, a restatement to the statement of activities has been made to properly classify various items for the year ended June 30, 2017. Our opinion is not modified as a result of this matter.

Capin Crouse LLP

Naperville, Illinois
March 1, 2019

BRIGHT HOPE INTERNATIONAL

Statements of Financial Position

	June 30,	
	2018	2017 (restated)
ASSETS:		
Cash and cash equivalents	\$ 435,082	\$ 328,356
Other assets	22,394	18,616
Property and equipment, net	802,378	857,522
Total Assets	\$ 1,259,854	\$ 1,204,494
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 42,617	\$ 50,861
Line of credit	169,061	315,000
	<u>211,678</u>	<u>365,861</u>
Net assets:		
Unrestricted	703,117	487,782
Temporarily restricted	345,059	350,851
	<u>1,048,176</u>	<u>838,633</u>
Total Liabilities and Net Assets	\$ 1,259,854	\$ 1,204,494

See notes to financial statements

BRIGHT HOPE INTERNATIONAL

Statements of Activities

	Year Ended June 30,					
	2018			2017 (restated)		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES:						
Contributions	\$ 1,432,268	\$ 1,355,716	\$ 2,787,984	\$ 1,253,853	\$ 1,512,671	\$ 2,766,524
Donated materials	-	193,442	193,442	-	105,155	105,155
Rental income	40,655	-	40,655	62,562	-	62,562
Loss on sale of equipment	-	-	-	(23,729)	-	(23,729)
Other income	3,230	-	3,230	11,596	-	11,596
Total revenues	1,476,153	1,549,158	3,025,311	1,304,282	1,617,826	2,922,108
RECLASSIFICATIONS:						
Net assets released by satisfaction of purpose restrictions	1,554,950	(1,554,950)	-	1,692,925	(1,692,925)	-
EXPENSES:						
Program services	2,128,983	-	2,128,983	2,225,185	-	2,225,185
Supporting activities:						
Management and general	456,134	-	456,134	382,420	-	382,420
Fund-raising	230,651	-	230,651	142,403	-	142,403
Total expenses	2,815,768	-	2,815,768	2,750,008	-	2,750,008
Change in Net Assets	215,335	(5,792)	209,543	247,199	(75,099)	172,100
Net Assets, Beginning of Year	487,782	350,851	838,633	240,583	425,950	666,533
Net Assets, End of Year	\$ 703,117	\$ 345,059	\$ 1,048,176	\$ 487,782	\$ 350,851	\$ 838,633

See notes to financial statements

BRIGHT HOPE INTERNATIONAL

Statements of Functional Expenses

	Year Ended June 30,							
	2018				2017 (restated)			
	Program Services	Management and General	Fund-raising	Total	Program Services	Management and General	Fund-raising	Total
Bank service charges	\$ 6,872	\$ 970	\$ 21,466	\$ 29,308	\$ 2,391	\$ 1,676	\$ 16,223	\$ 20,290
Computer technology	76	10,484	2,064	12,624	179	19,012	13,513	32,704
Depreciation expense	43,012	6,066	6,066	55,144	44,548	6,282	6,282	57,112
Dues and subscriptions	2,000	8,830	2,155	12,985	750	12,154	2,705	15,609
Education and seminars	955	5,816	79	6,850	96	2,546	5	2,647
Equipment purchase and rental	27	4,891	-	4,918	6,348	1,496	-	7,844
Event expense	-	-	400	400	-	-	818	818
GIK expense (pharmaceuticals)	193,442	-	-	193,442	105,155	-	-	105,155
Insurance	8,250	1,163	1,163	10,576	14,234	2,007	2,007	18,248
Licenses and permits	-	3,497	-	3,497	-	3,745	-	3,745
Miscellaneous	9,260	49,380	10,081	68,721	10,659	19,416	2,260	32,335
Payroll expenses	314,776	197,499	108,184	620,459	374,648	211,776	56,910	643,334
Postage and delivery	-	3,080	9,240	12,320	-	2,150	6,450	8,600
Printing and reproduction	-	40,974	956	41,930	10,115	12,521	8,078	30,714
Professional fees	148,379	93,097	50,995	292,471	121,460	68,657	18,450	208,567
Project expense	1,342,861	-	-	1,342,861	1,476,792	-	-	1,476,792
Repairs and maintenance	29,464	4,155	4,155	37,774	18,289	2,579	2,579	23,447
Supplies	-	2,932	107	3,039	45	3,542	174	3,761
Telephone and internet	9,696	6,084	3,332	19,112	9,752	5,512	1,481	16,745
Travel and entertainment	99	14,422	7,414	21,935	7,140	4,164	1,283	12,587
Utilities	19,814	2,794	2,794	25,402	22,584	3,185	3,185	28,954
Total Expenses	\$ 2,128,983	\$ 456,134	\$ 230,651	\$ 2,815,768	\$ 2,225,185	\$ 382,420	\$ 142,403	\$ 2,750,008

See notes to financial statements

BRIGHT HOPE INTERNATIONAL

Statements of Cash Flows

	Year Ended June 30,	
	2018	2017 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 209,543	\$ 172,100
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	55,144	57,112
Loss on disposal of plant and equipment	-	23,729
Changes in:		
Other assets	(3,778)	38,404
Accounts payable and accrued expenses	(8,244)	(35,540)
Net Cash Provided by Operating Activities	252,665	255,805
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	-	(3,681)
Change in investments	-	-
Net Cash Used by Investing Activities	-	(3,681)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment on line of credit	(145,939)	-
Net Cash Used by Financing Activities	(145,939)	-
Net Change in Cash and Cash Equivalents	106,726	252,124
Cash and Cash Equivalents, Beginning of Year	328,356	76,232
Cash and Cash Equivalents, End of Year	\$ 435,082	\$ 328,356
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	\$ 18,237	\$ 18,304

See notes to financial statements

BRIGHT HOPE INTERNATIONAL

Notes to Financial Statements
June 30, 2018 and 2017 (restated)

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, Africa and Central America.

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, 2018 and 2017 (restated)

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. At June 30, 2018 and 2017, BHI's cash balances 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. At June 30, 2018 and 2017, BHI's deposits exceeded federally insured limits by \$16,278 and \$0, respectively.

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 the years ended June 30, 2018 and 2017, 100% of donated materials were contributed by two and one donor, respectively.

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, 2018 and 2017 (restated)

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 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, 2018 and 2017, the three and five largest donors contributed approximately 31% and 37%, of total cash contributions.

Rental income and other income are recognized when earned.

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 (none incurred in 2018 or 2017).

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. These contributed services are not reported as they do not meet the necessary accounting criteria.

BRIGHT HOPE INTERNATIONAL

Notes to Financial Statements
June 30, 2018 and 2017 (restated)

3. PROPERTY AND EQUIPMENT:

Property and equipment are summarized by major classification as follows:

	June 30,	
	2018	2017
Building	\$ 1,007,490	\$ 1,007,490
Building improvements	718,421	718,421
Land and land improvements	307,015	307,015
Equipment	118,407	118,407
Furniture	197,252	197,252
	<u>2,348,585</u>	<u>2,348,585</u>
Less accumulated depreciation	<u>(1,546,207)</u>	<u>(1,491,063)</u>
	<u>\$ 802,378</u>	<u>\$ 857,522</u>

BRIGHT HOPE INTERNATIONAL

Notes to Financial Statements
June 30, 2018 and 2017 (restated)

4. NET ASSETS:

Temporarily restricted net assets consisted of the following:

	June 30,	
	2018	2017
Relief projects	\$ 220,586	\$ 148,773
Economic development	9,038	21,384
Staff support	71,538	66,608
Spiritual growth	43,897	114,086
	<u>\$ 345,059</u>	<u>\$ 350,851</u>

5. DONATED MATERIALS:

BHI received donated pharmaceutical supplies totaling \$193,442 and \$105,155 during the years ended June 30, 2018 and 2017, 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 2020 and bears interest at 5% with full outstanding balance due upon maturity. As of June 30, 2018 and 2017, BHI's outstanding balance was \$169,061 and \$315,000, respectively. Interest expense for the years ended June 30, 2018 and 2017, was \$18,237 and \$18,304, 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, 2018 and 2017.

8. RELATED PARTY TRANSACTIONS:

BHI receives support from another nonprofit whose president is a family member of the BHI president. This support totaled \$40,000 and \$165,000 for the years ended June 30, 2018 and 2017, respectively. BHI also provides rent-free office space worth approximately \$1,500 per year to this nonprofit.

BRIGHT HOPE INTERNATIONAL

Notes to Financial Statements
June 30, 2018 and 2017 (restated)

9. PRIOR YEAR RESTATEMENT:

The previously issued financial statements for the year ended June 30, 2017 incorrectly showed the pharmaceutical gifts in kind valued using United States pharmaceutical pricing rather than the appropriate international values. Accordingly, a retrospective adjustment has been made to correct the statement of activities. The effects of these restatements on the 2017 financial statements are as follows:

	As Previously Stated	Prior Period Restatement	As Restated
Adjustment to June 30, 2017 statement of activities, temporarily restricted net assets:			
Donated materials	\$ 3,014,531	\$ (2,909,376)	\$ 105,155
Net assets released by satisfaction of purpose restrictions	\$ (4,602,301)	\$ 2,909,376	\$ (1,692,925)
Adjustment to June 30, 2017 statement of activities, unrestricted net assets:			
Program expenses	\$ 5,134,561	\$ (2,909,376)	\$ 2,225,185
Net assets released by satisfaction of purpose restrictions	\$ 4,602,301	\$ (2,909,376)	\$ 1,692,925

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through March 1, 2019, which represents the date the financial statements were available to be issued.