

BRIGHT HOPE INTERNATIONAL

Financial Statements
With Independent Auditors' Report

June 30, 2019 and 2018

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, 2019 and 2018, 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.

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, 2019 and 2018, 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.

Emphasis of Matter

Bright Hope International has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. This has had a material effect on the presentation of the June 30, 2019 and 2018 financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Naperville, Illinois
November 26, 2019

BRIGHT HOPE INTERNATIONAL

Statements of Financial Position

	June 30,	
	2019	2018
ASSETS:		
Cash and cash equivalents	\$ 73,201	\$ 435,082
Other assets	22,469	22,394
Property and equipment, net	771,440	802,378
Total Assets	\$ 867,110	\$ 1,259,854
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 53,528	\$ 42,617
Line of credit	169,061	169,061
	222,589	211,678
Net assets:		
Without donor restrictions	325,398	703,117
With donor restrictions	319,123	345,059
	644,521	1,048,176
Total Liabilities and Net Assets	\$ 867,110	\$ 1,259,854

See notes to financial statements

BRIGHT HOPE INTERNATIONAL

Statements of Activities

	Year Ended June 30,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 1,259,392	\$ 1,024,134	\$ 2,283,526	\$ 1,432,268	\$ 1,355,716	\$ 2,787,984
Donated materials	-	422,708	422,708	-	193,442	193,442
Rental income	48,620	-	48,620	40,655	-	40,655
Other income	1,340	-	1,340	3,230	-	3,230
	<u>1,309,352</u>	<u>1,446,842</u>	<u>2,756,194</u>	<u>1,476,153</u>	<u>1,549,158</u>	<u>3,025,311</u>
RECLASSIFICATIONS:						
Net assets released from donor restrictions	1,472,778	(1,472,778)	-	1,554,950	(1,554,950)	-
EXPENSES:						
Program services	2,325,824	-	2,325,824	2,128,983	-	2,128,983
Supporting activities:						
Management and general	539,710	-	539,710	456,134	-	456,134
Fund-raising	294,315	-	294,315	230,651	-	230,651
	<u>3,159,849</u>	<u>-</u>	<u>3,159,849</u>	<u>2,815,768</u>	<u>-</u>	<u>2,815,768</u>
Change in Net Assets	(377,719)	(25,936)	(403,655)	215,335	(5,792)	209,543
Net Assets, Beginning of Year	703,117	345,059	1,048,176	487,782	350,851	838,633
Net Assets, End of Year	<u>\$ 325,398</u>	<u>\$ 319,123</u>	<u>\$ 644,521</u>	<u>\$ 703,117</u>	<u>\$ 345,059</u>	<u>\$ 1,048,176</u>

See notes to financial statements

BRIGHT HOPE INTERNATIONAL

Statements of Functional Expenses

	Year Ended June 30,							
	2019				2018			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Grants to supporting organizations	\$ 1,163,164	\$ -	\$ -	\$ 1,163,164	\$ 1,168,289	\$ -	\$ -	\$ 1,168,289
In Kind pharmaceuticals	422,708	-	-	422,708	193,442	-	-	193,442
Salaries and benefits	332,984	171,729	127,608	632,321	314,776	197,499	108,184	620,459
Travel	175,082	35,066	2,296	212,444	174,671	14,422	7,414	196,507
Professional fees	168,005	86,645	64,383	319,033	148,379	93,097	50,995	292,471
Advertising	19,865	-	42,707	62,572	-	12,539	6,262	18,801
Bank fees	12,773	11,870	21,926	46,569	8,873	9,800	23,621	42,294
Telephone and internet	9,877	5,094	3,785	18,756	9,696	6,084	3,332	19,112
Repairs and maintenance	6,399	51,194	6,399	63,992	29,464	4,155	4,155	37,774
Depreciation	5,087	40,694	5,087	50,868	43,012	6,066	6,066	55,144
Utilities	2,194	17,550	2,194	21,938	19,814	2,794	2,794	25,402
Insurance	1,397	11,177	1,397	13,971	8,250	1,163	1,163	10,576
Education and seminars	1,095	7,558	599	9,252	955	5,816	79	6,850
Equipment purchases and rentals	-	11,173	-	11,173	27	4,891	-	4,918
Information technology	-	8,614	3,331	11,945	76	10,484	2,064	12,624
Postage and delivery	-	3,289	9,868	13,157	-	3,080	9,240	12,320
Printing and reproduction	-	63,503	-	63,503	-	40,974	956	41,930
Other	5,194	14,554	2,735	22,483	9,259	43,270	4,326	56,855
	<u>\$ 2,325,824</u>	<u>\$ 539,710</u>	<u>\$ 294,315</u>	<u>\$ 3,159,849</u>	<u>\$ 2,128,983</u>	<u>\$ 456,134</u>	<u>\$ 230,651</u>	<u>\$ 2,815,768</u>
Total Expenses	<u>\$ 2,325,824</u>	<u>\$ 539,710</u>	<u>\$ 294,315</u>	<u>\$ 3,159,849</u>	<u>\$ 2,128,983</u>	<u>\$ 456,134</u>	<u>\$ 230,651</u>	<u>\$ 2,815,768</u>

See notes to financial statements

BRIGHT HOPE INTERNATIONAL

Statements of Cash Flows

	Year Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (403,655)	\$ 209,543
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	50,868	55,144
Changes in:		
Other assets	(75)	(3,778)
Accounts payable and accrued expenses	10,911	(8,244)
Net Cash (Used) Provided by Operating Activities	(341,951)	252,665
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(19,930)	-
Net Cash Used by Investing Activities	(19,930)	-
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	(361,881)	106,726
Cash and Cash Equivalents, Beginning of Year	435,082	328,356
Cash and Cash Equivalents, End of Year	\$ 73,201	\$ 435,082
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	\$ 9,870	\$ 18,237

See notes to financial statements

BRIGHT HOPE INTERNATIONAL

Notes to Financial Statements

June 30, 2019 and 2018

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, 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, 2019 and 2018

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, 2019 and 2018, BHI's deposits exceeded federally insured limits by \$0 and \$16,278, respectively. 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 the years ended June 30, 2019 and 2018, 100% of donated materials were contributed by one and two donors, 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, 2019 and 2018

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 contributions 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, 2019 and 2018, the two and three largest donors contributed approximately 32% and 31%, respectively, of total cash contributions.

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.

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, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ISSUED ACCOUNTING STANDARDS

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. BHI adopted the provisions of this new standard in the year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources (Note 9) and disclosures related to functional allocation of expenses were expanded (Note 2).

3. PROPERTY AND EQUIPMENT:

Property and equipment are summarized by major classification as follows:

	June 30,	
	2019	2018
Building	\$ 1,007,490	\$ 1,007,490
Building improvements	738,351	718,421
Land and land improvements	307,015	307,015
Equipment	118,406	118,407
Furniture	197,252	197,252
	<u>2,368,514</u>	<u>2,348,585</u>
Less accumulated depreciation	<u>(1,597,074)</u>	<u>(1,546,207)</u>
	<u>\$ 771,440</u>	<u>\$ 802,378</u>

4. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of the following:

	June 30,	
	2019	2018
Relief projects	\$ 204,286	\$ 220,586
Staff support	69,617	71,538
Spiritual growth	45,220	43,897
Economic development	-	9,038
	<u>\$ 319,123</u>	<u>\$ 345,059</u>

BRIGHT HOPE INTERNATIONAL

Notes to Financial Statements June 30, 2019 and 2018

5. DONATED MATERIALS:

BHI received donated pharmaceutical supplies totaling \$422,708 and \$193,442 during the years ended June 30, 2019 and 2018, 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 6% with full outstanding balance due upon maturity. As of June 30, 2019 and 2018, BHI's outstanding balance was \$169,061 and \$169,061, respectively. Interest expense for the years ended June 30, 2019 and 2018, was \$9,870 and \$18,237, 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, 2019 and 2018.

8. RELATED PARTY TRANSACTIONS:

BHI receives support from another nonprofit whose president is a family member of the BHI president. This support totaled \$50,500 and \$40,000 for the years ended June 30, 2019 and 2018, respectively. BHI also provides rent-free office space worth approximately \$1,500 per year to this nonprofit. Approximately \$332,000 and \$215,000 of contribution revenue was received from BHI board members for the years ended June 30, 2019 and 2018, respectively.

9. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects BHI's financial assets as of June 30, 2019 and 2018, 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,	
	2019	2018
Financial assets:		
Cash and cash equivalents	\$ 73,201	\$ 435,082
Less those unavailable for general expenditures within on year, due to:		
Donor-imposed purpose restrictions	(319,123)	(345,059)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ (245,922)</u>	<u>\$ 90,023</u>

BHI structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Funds restricted by doors 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. Additionally, BHI has \$330,939 available on its line of credit (Note 6), which can be drawn upon to meet other, unforeseen liquidity events.

BRIGHT HOPE INTERNATIONAL

Notes to Financial Statements

June 30, 2019 and 2018

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through November 26, 2019, which represents the date the financial statements were available to be issued.