

BRIGHT HOPE INTERNATIONAL

Financial Statements
With Independent Auditors' Report

June 30, 2022 and 2021

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

Opinion

We have audited the accompanying financial statements of Bright Hope International, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the financial statements section of our report. We are required to be independent of Bright Hope International and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bright Hope International's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
Bright Hope International
Hoffman Estates, Illinois

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Bright Hope International's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bright Hope International's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Capin Crouse LLP

Naperville, Illinois
November 22, 2022

BRIGHT HOPE INTERNATIONAL

Statements of Financial Position

	June 30,	
	<u>2022</u>	<u>2021</u>
ASSETS:		
Cash and cash equivalents	\$ 1,189,505	\$ 306,297
Other assets	227,931	15,961
Property held for sale	-	683,926
Property and equipment, net	-	9,860
	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,417,436</u>	<u>\$ 1,016,044</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 71,067	\$ 71,568
Note payable	-	148,231
Total liabilities	<u>71,067</u>	<u>219,799</u>
Net assets:		
Without donor restrictions	1,182,582	720,806
With donor restrictions	163,787	75,439
Total net assets	<u>1,346,369</u>	<u>796,245</u>
Total Liabilities and Net Assets	<u>\$ 1,417,436</u>	<u>\$ 1,016,044</u>

See notes to financial statements

BRIGHT HOPE INTERNATIONAL

Statements of Activities

	Year Ended June 30,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 1,127,250	\$ 878,056	\$ 2,005,306	\$ 1,122,396	\$ 711,792	\$ 1,834,188
Donated pharmaceuticals	-	184,084	184,084	-	176,838	176,838
Rental income	179,740	-	179,740	189,236	-	189,236
Gain on sale	927,223	-	927,223	-	-	-
Investment (loss) income	(1,559)	-	(1,559)	2,107	-	2,107
Other income	469	-	469	1,493	-	1,493
Total Support and Revenue	2,233,123	1,062,140	3,295,263	1,315,232	888,630	2,203,862
RECLASSIFICATIONS:						
Net assets released from donor restrictions	973,792	(973,792)	-	960,674	(960,674)	-
EXPENSES:						
Program services	2,060,807	-	2,060,807	1,592,014	-	1,592,014
Management and general	395,460	-	395,460	362,203	-	362,203
Fundraising	288,872	-	288,872	233,046	-	233,046
Total Expenses	2,745,139	-	2,745,139	2,187,263	-	2,187,263
Change in Net Assets	461,776	88,348	550,124	88,643	(72,044)	16,599
Net Assets, Beginning of Year	720,806	75,439	796,245	632,163	147,483	779,646
Net Assets, End of Year	\$ 1,182,582	\$ 163,787	\$ 1,346,369	\$ 720,806	\$ 75,439	\$ 796,245

See notes to financial statements

BRIGHT HOPE INTERNATIONAL

Statements of Functional Expenses

	Year Ended June 30,							
	2022				2021			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Grants to supporting organizations	\$ 1,346,176	\$ -	\$ -	\$ 1,346,176	\$ 907,001	\$ -	\$ -	\$ 907,001
Salaries and benefits	370,100	124,180	109,289	603,569	329,890	151,999	92,618	574,507
In Kind pharmaceuticals	184,084	-	-	184,084	176,838	-	-	176,838
Professional fees	58,918	126,903	1,200	187,021	135,872	62,604	38,146	236,622
Depreciation	5,462	43,697	5,462	54,621	5,613	44,908	5,613	56,134
Bank fees	5,467	13,647	30,977	50,091	5,202	11,211	22,628	39,041
Other	-	8,287	647	8,934	10	29,585	1,065	30,660
Advertising	74,828	-	74,828	149,656	2,834	-	23,215	26,049
Printing and reproduction	-	1,638	24,640	26,278	-	475	23,996	24,471
Repairs and maintenance	2,811	22,485	2,811	28,107	2,006	16,052	2,006	20,064
Utilities	1,976	15,808	1,976	19,760	1,871	14,970	1,871	18,712
Insurance	1,677	13,413	1,677	16,767	1,515	12,123	1,515	15,153
Telephone and internet	5,822	3,113	1,927	10,862	7,870	3,626	2,210	13,706
Travel	-	3,651	16,529	20,180	9,310	2,552	1,834	13,696
Information technology	3,486	3,364	4,072	10,922	6,182	1,727	4,117	12,026
Postage and delivery	-	2,655	7,966	10,621	-	2,534	7,603	10,137
Equipment purchases and rentals	-	9,102	3,744	12,846	-	4,353	3,171	7,524
Education and seminars supplies	-	3,517	1,127	4,644	-	3,484	1,438	4,922
Total Expenses	\$ 2,060,807	\$ 395,460	\$ 288,872	\$ 2,745,139	\$ 1,592,014	\$ 362,203	\$ 233,046	\$ 2,187,263

See notes to financial statements

BRIGHT HOPE INTERNATIONAL

Statements of Cash Flows

	Year Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 550,124	\$ 16,599
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	54,621	56,134
Loss on disposal of property and equipment	-	1,483
Gain on sale of property and equipment	(927,223)	-
Changes in:		
Other assets	(211,970)	2,685
Accounts payable and accrued expenses	(501)	29,882
Net Cash (Used) Provided by Operating Activities	(534,949)	106,783
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property	1,589,708	-
Purchase of property and equipment	(23,320)	-
Net Cash Provided by Investing Activities	1,566,388	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	-	150,520
Payment on line of credit	-	(319,061)
Payment on note payable	(148,231)	(2,289)
Net Cash Used by Financing Activities	(148,231)	(170,830)
Net Change in Cash and Cash Equivalents	883,208	(64,047)
Cash and Cash Equivalents, Beginning of Year	306,297	370,344
Cash and Cash Equivalents, End of Year	\$ 1,189,505	\$ 306,297
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	\$ 6,745	\$ 14,704
Disposal of fully depreciated equipment	\$ 794,765	\$ -

See notes to financial statements

BRIGHT HOPE INTERNATIONAL

Notes to Financial Statements

June 30, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021, BHI had \$870,814 and \$0, respectively, in excess of federally insured limits. BHI has not experienced any losses on such accounts and does not believe that it is exposed to any significant credit risk.

OTHER ASSETS

Other assets consist mainly of prepaid expenses and funds held in escrow. 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 fair market value at the date of donation based on market prices in the country of use. For both of the years ended June 30, 2022 and 2021, 100% of donated materials were contributed by one donor.

PROPERTY HELD FOR SALE

Property held for sale at June 30, 2021, consisted of property located in Hoffman Estates, Illinois. The real estate held for sale was reported at the lower of its carrying amount or fair value less estimated selling costs which at June 30, 2021, was \$683,926. The property was sold in May of 2022.

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, 2022 and 2021

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, 2022 and 2021, the two largest donors contributed approximately 15% and 16% 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, 2022 and 2021

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.

RECENTLY ADOPTED ACCOUNTING STANDARDS

As of July 1, 2021, BHI adopted the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The ASU has been applied retroactively to all periods presented, with no effect on net assets or previously issued financial statements. In addition to breaking out contributed nonfinancial assets into a separate line item in the statements of activities, additional disclosures with regards to contributed nonfinancial assets were also added.

3. PROPERTY AND EQUIPMENT:

Property and equipment are summarized by major classification as follows:

	June 30,	
	2022	2021
Equipment	\$ 13,966	\$ 84,433
Furniture	950	146,773
	14,916	231,206
Less accumulated depreciation	(14,916)	(221,346)
	<u>\$ -</u>	<u>\$ 9,860</u>

BRIGHT HOPE INTERNATIONAL

Notes to Financial Statements

June 30, 2022 and 2021

4. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of the following:

	June 30,	
	2022	2021
Net assets with donor restrictions	\$ 163,787	\$ 75,439

5. DONATED MATERIALS:

BHI received donated pharmaceutical supplies totaling \$184,084 and \$176,838 during the years ended June 30, 2022 and 2021, respectively.

6. NOTE PAYABLE:

Note payable consists of:

	June 30,	
	2022	2021
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. This loan was paid in full in June 2022.	\$ -	\$ 148,231
	<u>\$ -</u>	<u>\$ 148,231</u>

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, 2022 and 2021.

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 for both the years ended June 30, 2022 and 2021. BHI also provides rent-free office space worth approximately \$1,500 per year to this nonprofit. For the year ended June 30, 2022, BHI granted one time support of \$300,000 from the sale of the Bright Hope building to a related party ministry. Approximately \$120,000 and \$34,000 of contribution revenue was received from BHI Board members for the years ended June 30, 2022 and 2021, respectively.

BRIGHT HOPE INTERNATIONAL

Notes to Financial Statements

June 30, 2022 and 2021

9. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects BHI's financial assets as of June 30, 2022 and 2021, 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,	
	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 1,189,505	\$ 306,297
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed purpose restrictions	<u>(163,787)</u>	<u>(75,439)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,025,718</u>	<u>\$ 230,858</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.

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through November 22, 2022, which represents the date the financial statements were available to be issued.