

BRIGHT HOPE INTERNATIONAL

Financial Statements
With Independent Auditors' Report

June 30, 2023 and 2022

BRIGHT HOPE INTERNATIONAL

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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, 2023 and 2022, and the related statements of activities, functional expenses, 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, 2023 and 2022, 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 14, 2023

BRIGHT HOPE INTERNATIONAL

Statements of Financial Position

	June 30,	
	2023	2022
ASSETS:		
Cash and cash equivalents	\$ 997,374	\$ 1,189,505
Grant receivable	101,584	-
Other assets	198,078	227,931
Right-of-use operating asset	78,053	-
Property and equipment, net	7,052	-
	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,382,141</u>	<u>\$ 1,417,436</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 76,009	\$ 71,067
Right-of-use operating lease obligation	79,048	-
Total liabilities	<u>155,057</u>	<u>71,067</u>
Net assets:		
Without donor restrictions	815,954	1,182,582
With donor restrictions	411,130	163,787
Total net assets	<u>1,227,084</u>	<u>1,346,369</u>
Total Liabilities and Net Assets	<u>\$ 1,382,141</u>	<u>\$ 1,417,436</u>

See notes to financial statements

BRIGHT HOPE INTERNATIONAL

Statements of Activities

	Year Ended June 30,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 1,132,683	\$ 1,017,286	\$ 2,149,969	\$ 1,127,250	\$ 878,056	\$ 2,005,306
Donated pharmaceuticals	-	355,745	355,745	-	184,084	184,084
Grant revenue	101,584	-	101,584	-	-	-
Rental income	-	-	-	179,740	-	179,740
Gain on sale	-	-	-	927,223	-	927,223
Investment income (loss)	8,203	-	8,203	(1,559)	-	(1,559)
Other income	14,234	-	14,234	469	-	469
Total Support and Revenue	1,256,704	1,373,031	2,629,735	2,233,123	1,062,140	3,295,263
RECLASSIFICATIONS:						
Net assets released from donor restrictions	1,125,688	(1,125,688)	-	973,792	(973,792)	-
EXPENSES:						
Program services	2,150,465	-	2,150,465	2,060,807	-	2,060,807
Management and general	364,631	-	364,631	395,460	-	395,460
Fundraising	233,924	-	233,924	288,872	-	288,872
Total Expenses	2,749,020	-	2,749,020	2,745,139	-	2,745,139
Change in Net Assets	(366,628)	247,343	(119,285)	461,776	88,348	550,124
Net Assets, Beginning of Year	1,182,582	163,787	1,346,369	720,806	75,439	796,245
Net Assets, End of Year	\$ 815,954	\$ 411,130	\$ 1,227,084	\$ 1,182,582	\$ 163,787	\$ 1,346,369

See notes to financial statements

BRIGHT HOPE INTERNATIONAL

Statements of Functional Expenses

	Year Ended June 30,							
	2023				2022			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Grants to supporting organizations	\$ 1,280,173	\$ -	\$ -	\$ 1,280,173	\$ 1,346,176	\$ -	\$ -	\$ 1,346,176
Salaries and benefits	371,102	181,226	108,324	660,652	370,100	124,180	109,289	603,569
In Kind pharmaceuticals	355,745	-	-	355,745	184,084	-	-	184,084
Professional fees	300	78,421	300	79,021	58,918	126,903	1,200	187,021
Depreciation	489	1,175	294	1,958	5,462	43,697	5,462	54,621
Bank fees	10,526	28,527	3,782	42,835	5,467	13,647	30,977	50,091
Other	5,186	18,916	3,798	27,900	-	8,287	647	8,934
Marketing	86,733	-	86,733	173,466	74,828	-	74,828	149,656
Printing and reproduction	912	442	912	2,266	-	1,638	24,640	26,278
Repairs and maintenance	-	-	-	-	2,811	22,485	2,811	28,107
Utilities	856	2,055	514	3,425	1,976	15,808	1,976	19,760
Insurance	1,709	4,100	1,025	6,834	1,677	13,413	1,677	16,767
Telephone and internet	8,059	3,936	2,352	14,347	5,822	3,113	1,927	10,862
Travel	9,292	3,108	9,437	21,837	-	3,651	16,529	20,180
Information technology	9,608	16,452	7,109	33,169	3,486	3,364	4,072	10,922
Postage and delivery	-	826	2,479	3,305	-	2,655	7,966	10,621
Equipment purchases and rentals	7,143	24,585	4,343	36,071	-	9,102	3,744	12,846
Education and seminars supplies	2,632	862	2,522	6,016	-	3,517	1,127	4,644
Total Expenses	<u>\$ 2,150,465</u>	<u>\$ 364,631</u>	<u>\$ 233,924</u>	<u>\$ 2,749,020</u>	<u>\$ 2,060,807</u>	<u>\$ 395,460</u>	<u>\$ 288,872</u>	<u>\$ 2,745,139</u>

See notes to financial statements

BRIGHT HOPE INTERNATIONAL

Statements of Cash Flows

	Year Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (119,285)	\$ 550,124
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,958	54,621
Non-cash effect of change in accounting principle	995	-
Gain on sale of property and equipment	-	(927,223)
Changes in:		
Other assets	29,853	(211,970)
Receivables	(101,584)	-
Accounts payable and accrued expenses	4,942	(501)
Net Cash Used by Operating Activities	(183,121)	(534,949)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property	-	1,589,708
Purchase of property and equipment	(9,010)	(23,320)
Net Cash (Used) Provided by Investing Activities	(9,010)	1,566,388
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment on note payable	-	(148,231)
Net Cash Used by Financing Activities	-	(148,231)
Net Change in Cash and Cash Equivalents	(192,131)	883,208
Cash and Cash Equivalents, Beginning of Year	1,189,505	306,297
Cash and Cash Equivalents, End of Year	\$ 997,374	\$ 1,189,505
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	\$ -	\$ 6,745
Disposal of fully depreciated equipment	\$ -	\$ 794,765

See notes to financial statements

BRIGHT HOPE INTERNATIONAL

Notes to Financial Statements

June 30, 2023 and 2022

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 \$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, 2023 and 2022

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, 2023 and 2022, BHI had \$0 and \$870,814, respectively, in excess of federally insured limits.

GRANT RECEIVABLE

Grant receivable consists of a tax credit claimed through the Employee Retention Credit (ERC) program offered through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Laws and regulations concerning government programs, including the ERC, established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act are complex and subject to varying interpretation. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge BHI's claim to the ERC, so management is taking a conservative approach with its cash management to ensure funds would be available should there be a challenge.

BHI claimed a tax credit of \$101,584, through the Employee Retention Credit program offered through the CARES Act. The credit is claimed in relation to qualified wages owed for the years ended June 30, 2020 and 2021. The full amount of the credit was recognized as grant revenue for the year ended June 30, 2023.

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, 2023 and 2022, 100% of donated materials were contributed by one donor.

BHI received donated pharmaceutical supplies totaling \$355,745 and \$184,084 during the years ended June 30, 2023 and 2022, respectively.

BRIGHT HOPE INTERNATIONAL

Notes to Financial Statements

June 30, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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 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, 2023 and 2022, the two largest donors contributed approximately 21% and 15% respectively, of total cash contributions. Rental income and other income are recognized when earned.

BRIGHT HOPE INTERNATIONAL

Notes to Financial Statements

June 30, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

RECENTLY ADOPTED ACCOUNTING STANDARDS

As of July 1, 2022, BHI adopted the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards update (ASU) 2016-02, *Leases* (Topic 842 of the ASC). The amendments in this update require organizations that lease assets to recognize on the statements of financial position the assets and liabilities for the rights and obligations created by the lease. BHI adopted this update for the year ended June 30, 2023. BHI elected to adopt the transition relief provisions from ASU 2018-11, *Leases (Topic 842): Targeted Improvements* and recorded the impact of adoption as of July 1, 2022, without restating any prior-year amounts. BHI also elected the practical expedient to not separate lease and non-lease components and the accounting policy election to exclude short-term leases with lease terms of 12 months or less. The adoption of this standard did not have a material effect on the financial statements.

BRIGHT HOPE INTERNATIONAL

Notes to Financial Statements

June 30, 2023 and 2022

3. PROPERTY AND EQUIPMENT:

Property and equipment are summarized by major classification as follows:

	June 30,	
	2023	2022
Building improvements	\$ 5,111	\$ -
Equipment	17,865	13,966
Furniture	950	950
	<u>23,926</u>	<u>14,916</u>
Less accumulated depreciation	<u>(16,874)</u>	<u>(14,916)</u>
	<u>\$ 7,052</u>	<u>\$ -</u>

4. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of the following:

	June 30,	
	2023	2022
Net assets with donor restrictions	<u>\$ 411,130</u>	<u>\$ 163,787</u>

5. 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, 2023 and 2022.

6. RELATED PARTY TRANSACTIONS:

BHI receives support from another nonprofit whose president is a family member of the BHI president. This support totaled \$62,255 and \$40,000 for the years ended June 30, 2023 and 2022. BHI also provided rent-free office space worth approximately \$1,500 to this nonprofit in 2022. 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 \$105,000 and \$120,000 of contribution revenue was received from BHI Board members for the years ended June 30, 2023 and 2022, respectively.

BRIGHT HOPE INTERNATIONAL

Notes to Financial Statements

June 30, 2023 and 2022

7. OPERATING LEASE - RIGHT OF USE ASSET AND OBLIGATION:

BHI leases office space under a noncancellable lease expiring in 2027. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease term on the inception date of the lease. The lease requires monthly payments of \$22,680.

	<u>June 30, 2023</u>
Operating lease right-of-use asset	\$ 78,053
Operating lease liability	\$ 79,048
Operating lease costs	\$ 18,012
Weighted-average discount rate	4.06%
Weighted-average remaining lease term	3.5 years

Future minimum lease payments required under operating leases that have an initial or remaining non-cancellable lease term in excess of one year are as follows:

<u>Year ending June 30,</u>	
2024	\$ 24,098
2025	24,908
2026	24,908
2027	12,758
	<u>86,671</u>
Less imputed interest	<u>(7,623)</u>
	<u>\$ 79,048</u>

BRIGHT HOPE INTERNATIONAL

Notes to Financial Statements

June 30, 2023 and 2022

8. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects BHI's financial assets as of June 30, 2023 and 2022, 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,	
	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 997,374	\$ 1,189,505
Grant receivable	101,584	-
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed purpose restrictions	(411,130)	(163,787)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 687,828</u>	<u>\$ 1,025,718</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.

9. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through November 14, 2023, which represents the date the financial statements were available to be issued.