

CHILDREN OF PROMISE INTERNATIONAL
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017

CHILDREN OF PROMISE INTERNATIONAL
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DECEMBER 31, 2018 AND 2017

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c e r t i f i e d p u b l i c a c c o u n t a n t s

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Children of Promise International

We have audited the accompanying financial statements of Children of Promise International (a nonprofit organization), which comprise the statements of financial position as of December 31, 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.

Auditor's 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 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 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 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 Children of Promise International as of December 31, 2018 and 2017, 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.

Duvall & Associates, Inc.

Duvall & Associates, Inc.

Dayton, Ohio

July 24, 2019

CHILDREN OF PROMISE INTERNATIONAL
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2018 AND 2017

ASSETS	2018	2017
CURRENT ASSETS		
Cash	\$ 570,498	\$ 501,093
Certificates of deposit	103,906	103,492
	674,404	604,585
PROPERTY AND EQUIPMENT		
net of accumulated depreciation		
of \$2,987 for 2018 and \$2,987 for 2017	-	-
TOTAL ASSETS	\$ 674,404	\$ 604,585
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 25
TOTAL CURRENT LIABILITIES	-	25
NET ASSETS		
Without donor restrictions	256,165	221,422
With donor restrictions	418,239	383,138
TOTAL NET ASSETS	674,404	604,560
TOTAL LIABILITIES AND NET ASSETS	\$ 674,404	\$ 604,585

The accompanying notes are an integral part of these statements.

CHILDREN OF PROMISE INTERNATIONAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT			
Support from the public:			
Contributions and bequests	\$ 49,723	\$ 912,077	\$ 961,800
Other Revenue:			
Interest Income	4,045	-	4,045
Net assets released from restrictions	<u>876,976</u>	<u>(876,976)</u>	<u>-</u>
Total support, revenues and gains	<u>930,744</u>	<u>35,101</u>	<u>965,845</u>
EXPENSES:			
Program Services	876,976	-	876,976
Supporting Services			
Management and General	<u>19,025</u>	<u>-</u>	<u>19,025</u>
Total Expenses	<u>896,001</u>	<u>-</u>	<u>896,001</u>
CHANGE IN NET ASSETS	34,743	35,101	69,844
NET ASSETS - Beginning of Year	<u>221,422</u>	<u>383,138</u>	<u>604,560</u>
NET ASSETS - End of Year	<u>\$ 256,165</u>	<u>\$ 418,239</u>	<u>\$ 674,404</u>

The accompanying notes are an integral part of these statements.

CHILDREN OF PROMISE INTERNATIONAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Support from the public:			
Contributions and bequests	\$ 28,454	\$ 1,005,761	\$ 1,034,215
Other Revenue:			
Interest income	3,792	-	3,792
Net assets released from restrictions	1,032,922	(1,032,922)	-
Total support, revenues and gains	1,065,168	(27,161)	1,038,007
EXPENSES:			
Program Services	1,032,922	-	1,032,922
Supporting Services			
Management and General	18,436	-	18,436
Total Expenses	1,051,358	-	1,051,358
CHANGE IN NET ASSETS	13,810	(27,161)	(13,351)
NET ASSETS - Beginning of Year	207,612	410,299	617,911
NET ASSETS - End of Year	\$ 221,422	\$ 383,138	\$ 604,560

The accompanying notes are an integral part of these statements.

CHILDREN OF PROMISE INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total Expenses</u>
Direct payments to the field	\$ 869,589	\$ -	\$ 869,589
Missionary health insurance	6,357	-	6,357
Bank charges	1,030	5,111	6,141
Supplies	-	969	969
Printing and publications	-	69	69
Postage and mailing services	-	1,710	1,710
Equipment rental and maintenance	-	1,792	1,792
Accounting and legal	-	6,805	6,805
Business registration fees	-	1,335	1,335
Travel and meeting	-	38	38
Property insurance	-	475	475
Telephone	-	721	721
	<u>\$ 876,976</u>	<u>\$ 19,025</u>	<u>\$ 896,001</u>

The accompanying notes are an integral part of these statements.

CHILDREN OF PROMISE INTERNATIONAL
 STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services	Supporting Services	Total Expenses
Direct payments to the field	\$ 1,025,892	\$ -	\$ 1,025,892
Missionary health insurance	5,920	-	5,920
Bank charges	1,110	5,020	6,130
Supplies	-	787	787
Postage and mailing services	-	1,821	1,821
Equipment rental and maintenance	-	1,845	1,845
Accounting and legal	-	5,525	5,525
Business registration fees	-	2,205	2,205
Travel and meeting	-	44	44
Property insurance	-	475	475
Telephone	-	714	714
	<u>\$ 1,032,922</u>	<u>\$ 18,436</u>	<u>\$ 1,051,358</u>

The accompanying notes are an integral part of these statements.

CHILDREN OF PROMISE INTERNATIONAL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash from contributions and bequests	\$ 961,800	\$ 1,034,215
Interest received	4,045	3,792
Cash paid to vendors and others	(896,026)	(1,051,333)
Net Cash Provided (Used) by Operating Activities	69,819	(13,326)
Cash Flows From Investing Activities:		
Redemption (Purchase) of certificates of deposit	(414)	149,373
Net Cash Provided (Used) in Financing Activities	(414)	149,373
Net Increase (Decrease) in Cash	69,405	136,047
Cash, Beginning of Year	501,093	365,046
Cash, End of Year	\$ 570,498	\$ 501,093
Reconciliation of Change in Net Assets		
Provided by Operating Activities:		
Change in Net Assets	\$ 69,844	\$ (13,351)
Adjustment to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Increase (decrease) in Accounts Payable	(25)	25
Net Cash Provided (Used) by Operating Activities	\$ 69,819	\$ (13,326)

The accompanying notes are an integral part of these statements.

CHILDREN OF PROMISE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. ORGANIZATION AND OPERATIONS

Children of Promise International (the Organization), founded in 1973, as a non-profit corporation, is a non-denominational Christian organization dedicated to caring for orphans, widows, and destitute children worldwide. The Organization fulfills its mission through partnerships to both establish and provide ongoing support for church-based orphan homes that provide comprehensive care (food, clothing, shelter, education, spiritual equipping) for orphaned and destitute children and assistance for widows. The Organization also engages in partnership to support indigenous nationals as Christian workers who plant churches and care for the poorest of the poor in many of the most impoverished nations of the earth.

The Organization's program services and partnership initiatives are concentrated primarily in 23 countries throughout Asia and the Indian subcontinent, Africa, Central and South America, and Europe. The Organization provided support through both exclusive program services and partnership collaborations to approximately 1,200 orphaned and destitute children in some 21 orphan homes in 2018 and 1,500 children in 57 homes in 2017. Program services included feeding and nutrition programs, free schools, higher education support, and family assistance. The Organization also engages in mobilization of short-term mission teams to care for orphans and widows and adoption advocacy and assistance through partnerships with adoption agency partners and assistance to adoptive families and the orphaned children they are adopting. The Organization also engages in advocacy initiatives and activities on behalf of orphans and widows before faith, business, civic, philanthropic, and governmental communities.

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for federal income taxes has been made in the accompanying financial statements.

The Organization's tax filings are subject to audit by taxing authorities. The organization's open audit periods are the years ended December 31, 2015 through December 31, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as more explicitly described in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under this method of accounting, income and expenses are identified with specific periods

CHILDREN OF PROMISE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

of time and are recorded as earned or incurred along with the acquired assets, without regard to the date of receipt or payment of cash.

Functional expenses

Expenses are allocated on a functional basis among the programs and support services benefited. Expenses that can be identified with a specific program are allocated directly to that program according to their natural expenditure qualification. Other expenses that cannot be identified as related to specific programs are allocated to functional areas on the basis of estimated use appropriate for the particular expenditure.

Financial statement presentation

The Organization adopted the provision of FASB's ASU 2016-14 effective January 1, 2018. Under the provisions of ASU 2016-14, the Organization reports its net assets with donor restrictions and those without donor restrictions.

The Organization elected to apply ASU 2016-14 retrospectively to 2017. Net assets previously reported as temporarily restricted were reclassified to net assets with donor restrictions. Unrestricted net assets were reclassified to net assets without donor restrictions.

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions are those currently available at the discretion of the board for use in the entity's operations and those resources invested in land, buildings, and equipment.

Net assets with donor restrictions are those which are stipulated by donors for specific operation purposes, special projects, or for the acquisition or construction of land, buildings, and equipment.

Contributions received are recorded as with or without donor restrictions depending on the nature of the restriction. When a restriction expires or the stipulation is met, net assets with donor restrictions are reclassified to net assets without donor restrictions.

CHILDREN OF PROMISE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and certificates of deposit totaling \$418,239 and \$383,164 were restricted by donors as of December 31, 2018 and 2017, respectively.

The Organization maintains its checking and savings accounts in banks that are insured by the Federal Deposit Insurance Corporation for up to \$250,000. Amounts in excess of insured limits were \$278,585 and \$212,137 at December 31, 2018 and 2017, respectively.

Property and equipment and depreciation

Property and equipment is stated at cost if purchased or fair value at the date of the gift if donated. Expenditures primarily for domestic property and equipment over a nominal amount are capitalized and depreciated over their estimated useful lives using the straight-line method.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosure of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Subsequent events

The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through July 24, 2019, the date which the financial statements were available to be issued.

Donations of in-kind goods and services

Material donations of in-kind goods and qualified services are recorded by the Organization as support at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding

CHILDREN OF PROMISE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donations of in-kind goods and services (continued)

their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulation regarding how long the donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Net assets with donor restrictions are reclassified to net assets without donor restrictions at that time.

The efforts of volunteer workers are not reflected in the accompanying financial statements as no objective basis is available to measure the value of their services; however, a substantial number of volunteers have donated significant amounts of their time to the Organization.

The Organization's office is located in facilities provided by another company free of rent. The value of such rents, which have not been determined by management, are excluded from the statements of activities.

3. CONCENTRATIONS OF RISK

The Organization's donors are located throughout the United States of America and in the foreign countries in which it ministers. In 2018, thirty-seven donors accounted for approximately 31% of the contributions received. In 2017, thirty-three donors accounted for approximately 27% of the contributions received. Property in certain foreign countries in which the Organization operated may be subject to confiscation and activities halted due to the instability of the foreign government.

4. PROPERTY, EQUIPMENT AND OTHER ASSETS

Property and equipment at December 31, 2018 and 2017 consists of the following:

Equipment	\$ 2,987	\$ 2,987
Accumulated depreciation	<u>(2,987)</u>	<u>(2,987)</u>
Total	<u>\$ -</u>	<u>\$ -</u>

There was no depreciation expense for the years ended December 31, 2018 and 2017.

Trademark registration fees of \$1,945 were fully amortized at December 31, 2018 and 2017.

CHILDREN OF PROMISE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
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5. SPONSORSHIP PROGRAMS

The Organization participates in the sponsorship of approximately 1,200 orphans in about twenty-one other homes for orphans. These programs are conducted primarily by churches and other ministries in Asia, Africa and Central America. The Organization provides sponsorship funds as they are available and can cease its participation at any time.

6. CREDIT CARD

The Organization has a credit card with a local bank with a credit line of \$5,000. Available credit at December 31, 2018 and 2017 was \$5,000, respectively.

7. FINANCIAL ASSETS AVAILABLE

The following reflects the Organization's financial assets as of December 31, 2018 reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Amounts already appropriated from the donor-restricted endowment for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

Financial assets, at December 31, 2018	\$ 674,404
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	<u>(418,239)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 256,165</u>

The Organization is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.