

**CHILDREN OF PROMISE INTERNATIONAL
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006**

**CHILDREN OF PROMISE INTERNATIONAL
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Children of Promise International

I have audited the accompanying statements of financial position of Children of Promise International (the "Organization"), as of December 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the organization as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Randall Fiene

Randall C. Fiene, CPA
September 15, 2008

FINANCIAL STATEMENTS

EXHIBIT A

CHILDREN OF PROMISE INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2007 AND 2006

ASSETS**CURRENT ASSETS**

	2007	2006
Cash	\$ 107,482	104,607
Prepaid Expenses	0	5,373
Inventory	0	9,972
Total Current Assets	<u>107,482</u>	<u>119,952</u>

PROPERTY AND EQUIPMENT

Land	103,648	103,648
Furniture and Fixtures	58,615	58,615
Automobiles	0	18,653
Machinery and Equipment	12,419	31,864
Buildings	228,000	228,000
Leasehold Improvements	2,151	2,151
Less: Accumulated Depreciation	(148,665)	(162,077)
Total Property and Equipment	<u>256,168</u>	<u>280,854</u>

OTHER ASSETS

Other Assets	2,500	2,500
Total Other Assets	<u>2,500</u>	<u>2,500</u>

TOTAL ASSETS \$ 366,150 403,306

LIABILITIES AND NET ASSETS**CURRENT LIABILITIES**

Accounts Payable and Accrued Expenses	\$ 0	6,932
Notes Payable-Short Term (Note VI)	236,461	243,398
Total Current Liabilities	<u>236,461</u>	<u>250,330</u>

LONG-TERM LIABILITIES

Notes Payable (Note VI)	0	3,093
Total Liabilities	<u>236,461</u>	<u>253,423</u>

NET ASSETS

Unrestricted	(325,066)	(282,688)
Temporarily Restricted	454,755	432,571
Total Net Assets	<u>129,689</u>	<u>149,883</u>

TOTAL LIABILITIES AND NET ASSETS \$ 366,150 403,306

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT B

**CHILDREN OF PROMISE INTERNATIONAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>SUPPORT, REVENUES AND GAINS:</u>			
Support:			
Contributions and bequests	\$ 143,616	978,839	1,122,455
Other Revenues (expenses):			
Investment income	8	0	8
Rental income	1,400	0	1,400
Miscellaneous	6	0	6
Loss on disposal of assets	(4,789)	0	(4,789)
Net assets released from restrictions	<u>956,655</u>	<u>(956,655)</u>	<u>0</u>
TOTAL SUPPORT, REVENUES AND GAINS	<u>1,096,896</u>	<u>22,184</u>	<u>1,119,080</u>
<u>EXPENSES:</u>			
Program Services	1,008,581	0	1,008,581
Supporting Services:			
Management and General	97,734	0	97,734
Fund Raising	<u>32,959</u>	<u>0</u>	<u>32,959</u>
TOTAL EXPENSES	<u>1,139,274</u>	<u>0</u>	<u>1,139,274</u>
CHANGE IN NET ASSETS	(42,378)	22,184	(20,194)
NET ASSETS - Beginning of Year	<u>(282,688)</u>	<u>432,571</u>	<u>149,883</u>
NET ASSETS - End of Year	<u>\$ (325,066)</u>	<u>454,755</u>	<u>129,689</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT C

CHILDREN OF PROMISE INTERNATIONAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>SUPPORT, REVENUES AND GAINS:</u>			
Support:			
Contributions and bequests	\$ 107,748	1,057,733	1,165,481
Other Revenues (expenses):			
Investment income	763	0	763
Rental income	987	0	987
Loss on disposal of assets	(1,985)	0	(1,985)
Net assets released from restrictions	<u>1,021,836</u>	<u>(1,021,836)</u>	<u>0</u>
TOTAL SUPPORT, REVENUES AND GAINS	<u>1,129,349</u>	<u>35,897</u>	<u>1,165,246</u>
<u>EXPENSES:</u>			
Program Services	1,076,249	0	1,076,249
Supporting Services:			
Management and General	120,713	0	120,713
Fund Raising	<u>30,227</u>	<u>0</u>	<u>30,227</u>
TOTAL EXPENSES	<u>1,227,189</u>	<u>0</u>	<u>1,227,189</u>
CHANGE IN NET ASSETS	(97,840)	35,897	(61,943)
NET ASSETS - Beginning of Year	<u>(184,848)</u>	<u>396,674</u>	<u>211,826</u>
NET ASSETS - End of Year	<u>\$ (282,688)</u>	<u>432,571</u>	<u>149,883</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT D

**CHILDREN OF PROMISE INTERNATIONAL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash from contributions and bequests	\$ 1,122,455	1,165,481
Rental income	1,400	987
Interest received	8	763
Miscellaneous income	6	0
Interest paid	(17,967)	(17,775)
Cash paid to employees, vendors and others	<u>(1,095,398)</u>	<u>(1,203,154)</u>
Net Cash (Used) Provided by Operating Activities	10,504	(53,698)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of Fixed Assets	<u>2,400</u>	<u>0</u>
Net Cash Provided (Used) by Investing Activities	<u>2,400</u>	<u>0</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Retirement of Notes Payable	<u>(10,029)</u>	<u>(7,438)</u>
Net Cash Provided by Financing Activities	<u>(10,029)</u>	<u>(7,438)</u>
Net (Decrease) Increase in Cash	2,875	(61,136)
Cash, Beginning of Year	<u>104,607</u>	<u>165,743</u>
Cash, End of Year	<u>\$ 107,482</u>	<u>104,607</u>
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in Net Assets	\$ (20,194)	(61,943)
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Loss on disposal of assets	4,789	1,985
Depreciation and amortization	17,496	20,602
Accounts receivable	0	1,558
Inventory	9,972	(657)
Other assets	0	(2,500)
Prepaid expenses	5,373	133
Accounts payable and accrued expenses	<u>(6,932)</u>	<u>(12,876)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 10,504</u>	<u>(53,698)</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

**CHILDREN OF PROMISE INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS**

I. ORGANIZATION AND OPERATIONS

Children of Promise International – the (Organization), founded in 1973, as a Missouri 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 in 23 countries throughout Asia and the Indian subcontinent, Africa, Central and South America, and Europe. During 2007, the Organization provided support through both exclusive program services and partnership collaborations to approximately 3,000 orphaned and destitute children in some 80 orphan homes. In addition, more than 2,000 additional widows, Christian workers, and children were served through related program services, such as feeding and nutrition programs, free schools and higher educational 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 partnership 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 an organization exempt from income taxes under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended and corresponding state laws. In addition, the Organization is classified as an organization that is not a private foundation under IRC Section 509(a)(1).

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Accounts receivable are stated at the amount management expects to collect. Management makes a regular assessment of the collectibility of outstanding accounts. Balances that remain outstanding after reasonable collection efforts are written-off. Management believes that balances at year-end are fully collectible; therefore, no allowance for doubtful accounts is required. No collateral is required for receivables from donations, grants or sales of merchandise.
- B. The Organization uses advertising to promote its programs among the community it serves. The costs of advertising are expensed as incurred. During the years ended December 31, 2007 and 2006, marketing and public relations costs totaled \$1,209 and \$573, respectively.
- C. 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 classification. 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.

- D. The financial statements of the Organization have been prepared on the accrual basis of accounting, consequently, certain support and revenue are recognized when earned rather than when received, and certain expenses are recognized when the obligation is incurred rather than when cash is disbursed.
- E. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.
1. Unrestricted net assets 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.
 2. Temporarily restricted net assets are those which are stipulated by donors for specific operating purposes, special projects, or for the acquisition or construction of land, buildings, and equipment.
 3. Permanently restricted net assets are those restricted by donors in perpetuity as endowments or irrevocable trusts. At December 31, 2007, there were no permanently restricted net assets.
- F. 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.
- G. The Organization maintains its checking and savings accounts in banks in Missouri, Ohio and Illinois. These assets are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2007, the Organization's balances were not fully insured. The Organization's donors are located throughout the United States of America and in the foreign countries in which it ministers. In 2007, ten donors accounted for approximately 22% of contributions received. Property in certain foreign countries in which the Organization operates may be subject to confiscation and activities halted due to the instability of the foreign government.
- H. The Organization reports contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Accordingly, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.
- All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.
- The Organization utilizes 15% of temporarily restricted contributions to assist with the support of its administrative and fund raising activities.
- I. 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 unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations 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. Temporarily restricted net assets are reclassified to unrestricted net assets 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.

- J. Inventory is valued at cost of acquisition. Donated inventory is valued at fair market value the date the items are contributed.
- K. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- L. Cash, receivables, accounts payable and accrued expenses and notes payable are reflected in the financial statements at fair value.
- M. Unconditional promises to give are recognized by the Organization as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organization had no conditional promises to give at December 31, 2007.
- N. Expenditures primarily for domestic property and equipment over a nominal amount are capitalized and depreciated over their estimated useful lives of 3 to 25 years using the straight-line method. The Organization has contributed funds to joint venture partners in foreign countries for property and equipment. These assets are generally owned in the name of the joint venture partner and, accordingly, not recorded in the accompanying financial statements.

III. CASH

The cash in bank and savings account balances at December 31, 2007 are considered to be temporarily restricted.

IV. PROPERTY, EQUIPMENT AND OTHER ASSETS

Property and equipment at December 31, 2007 consists of the following:

Building and improvements	\$ 230,151
Furniture and fixtures	58,615
Equipment	<u>12,419</u>
	301,185
Accumulated depreciation	<u>(148,665)</u>
	152,520
Land	<u>103,648</u>
Total	<u>\$ 256,168</u>

Other assets at year-end include video production costs, trademark registration fees, and a Servant Christian Community Foundation Giving account of \$12,667, net of accumulated amortization of \$10,167. These assets have an estimated useful life of five years.

V. OPERATING LEASES

The organization leases a printer and copy machine. Lease and related expenses for 2007 amounted to \$14,741. The annual commitments are as follows:

<u>December 31,</u>	
2008	\$ 12,191
2009	<u>12,191</u>
Total	<u>\$ 24,382</u>

VI. NOTES PAYABLE

The notes payable at December 31, 2007 consists of a note with a bank totaling \$236,461. The bank note requires a monthly payment of \$1,814, including interest of 7.75% per annum. The bank note matures on July 23, 2008 and is collateralized by property.

<u>December 31,</u>	
2008	\$ <u>236,461</u>
Total	<u>\$ 236,461</u>

VII. UNRESTRICTED NET ASSETS

Unrestricted net assets consisted of the following at December 31, 2007:

Net investment in property and equipment	\$ 19,707
Due to temporarily restricted net assets	(347,273)
Undesignated	<u>2,500</u>
Total	<u>\$ (325,066)</u>

VIII. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted to use in the Organization's domestic and overseas programs.

IX. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

X. SPONSORSHIP PROGRAMS

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

SUPPLEMENTARY DATA

SCHEDULE 1

CHILDREN OF PROMISE INTERNATIONAL
 SCHEDULE OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2007

	PROGRAM SERVICES						SUPPORTING SERVICES			
	Orphan Support	Missionary Support	Family Assistance	Evangelism	Disaster Relief	Total Program Expenses	Management and General	Fund Raising	Total Supporting Expenses	Total Expenses
Direct payments to the field	\$ 477,274	271,771	13,224	67,177	6,488	835,934	0	0	0	835,934
Salaries and benefits	69,263	39,440	1,919	9,749	942	121,313	44,308	10,201	54,509	175,822
Facilities costs	13,434	7,650	372	1,891	183	23,530	6,275	1,569	7,844	31,374
Office expenses	1,118	637	31	157	15	1,958	14,138	2,145	16,283	18,241
Travel and transportation	924	526	26	130	13	1,619	4,813	875	5,688	7,307
Miscellaneous	7,636	4,348	211	1,075	102	13,372	16,230	14,429	30,659	44,031
Professional fees	0	0	0	0	0	0	6,155	500	6,655	6,655
Printed materials	42	24	1	6	1	74	183	476	659	733
Interest	6,155	3,505	171	866	84	10,781	5,390	1,797	7,187	17,968
Advertising and promotion	0	0	0	0	0	0	242	967	1,209	1,209
TOTAL EXPENSES	\$ 575,846	327,901	15,955	81,051	7,828	1,008,581	97,734	32,959	130,693	1,139,274

The accompanying Notes to the Financial Statements are an integral part of this schedule.