

**CHILDREN OF PROMISE INTERNATIONAL  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2016 AND 2015**

CHILDREN OF PROMISE INTERNATIONAL  
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DECEMBER 31, 2016 AND 2015

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# DUVALL & ASSOCIATES, INC.

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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, 2016 and 2015, 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 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 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, 2016 and 2015 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, 2017

CHILDREN OF PROMISE INTERNATIONAL  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2016 AND 2015

ASSETS	<u>2016</u>	<u>2015</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 365,046	\$ 342,805
Certificates of deposit	252,865	220,813
Prepaid expenses	<u>-</u>	<u>683</u>
	<u>617,911</u>	<u>564,301</u>
<b>PROPERTY AND EQUIPMENT</b>		
net of accumulated depreciation		
of \$2,987 for 2016 and \$2,987 for 2015	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 617,911</u></u>	<u><u>\$ 564,301</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>-</u>	<u>-</u>
<b>NET ASSETS</b>		
Unrestricted	207,612	184,829
Temporarily restricted	<u>410,299</u>	<u>379,472</u>
<b>TOTAL NET ASSETS</b>	<u>617,911</u>	<u>564,301</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 617,911</u></u>	<u><u>\$ 564,301</u></u>

The accompanying notes are an integral part of these statements.

CHILDREN OF PROMISE INTERNATIONAL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily restricted	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Support from the public:			
Contributions and bequests	\$ 38,827	\$ 1,112,665	\$ 1,151,492
Other Revenue:			
Interest Income	3,337	-	3,337
Net assets released from restrictions	1,081,838	(1,081,838)	-
Total support, revenues and gains	1,124,002	30,827	1,154,829
 <b>EXPENSES:</b>			
Program Services	1,081,838	-	1,081,838
Supporting Services			
Management and General	19,381	-	19,381
Total Expenses	1,101,219	-	1,101,219
CHANGE IN NET ASSETS	22,783	30,827	53,610
NET ASSETS - Beginning of Year	184,829	379,472	564,301
NET ASSETS - End of Year	\$ 207,612	\$ 410,299	\$ 617,911

The accompanying notes are an integral part of these statements.

CHILDREN OF PROMISE INTERNATIONAL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily restricted	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Support from the public:			
Contributions and bequests	\$ 56,180	\$ 1,192,235	\$ 1,248,415
Other Revenue:			
Interest income	1,001	-	1,001
Net assets released from restrictions	1,268,605	(1,268,605)	-
Total support, revenues and gains	1,325,786	(76,370)	1,249,416
<b>EXPENSES:</b>			
Program Services	1,268,605	-	1,268,605
Supporting Services			
Management and General	17,727	-	17,727
Total Expenses	1,286,332	-	1,286,332
CHANGE IN NET ASSETS	39,454	(76,370)	(36,916)
NET ASSETS - Beginning of Year	145,375	455,842	601,217
NET ASSETS - End of Year	\$ 184,829	\$ 379,472	\$ 564,301

The accompanying notes are an integral part of these statements.

CHILDREN OF PROMISE INTERNATIONAL  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total Expenses</u>
Direct payments to the field	\$ 1,075,516	\$ -	\$ 1,075,516
Missionary health insurance	5,047	-	5,047
Insurance expense	-	475	475
Bank charges	1,275	6,390	7,665
Supplies	-	890	890
Postage and mailing services	-	2,338	2,338
Equipment rental and maintenance	-	1,672	1,672
Accounting and legal	-	5,375	5,375
Business registration fees	-	1,050	1,050
Travel and meeting	-	570	570
Miscellaneous expense	-	25	25
Telephone	-	596	596
	<u>\$ 1,081,838</u>	<u>\$ 19,381</u>	<u>\$ 1,101,219</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, 2015

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total Expenses</u>
Direct payments to the field	\$ 1,261,721	\$ -	\$ 1,261,721
Missionary health insurance	5,409	-	5,409
Bank charges	1,475	4,887	6,362
Supplies	-	412	412
Postage and mailing services	-	2,563	2,563
Equipment rental and maintenance	-	1,616	1,616
Accounting and legal	-	5,250	5,250
Business registration fees	-	1,000	1,000
Travel and meeting	-	854	854
Insurance	-	475	475
Telephone	-	670	670
	<u>\$ 1,268,605</u>	<u>\$ 17,727</u>	<u>\$ 1,286,332</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, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash from contributions and bequests	\$ 1,151,492	\$ 1,248,415
Interest received	3,337	1,001
Cash paid to vendors and others	(1,100,536)	(1,287,015)
Net Cash Provided (Used) by Operating Activities	54,293	(37,599)
Cash Flows From Investing Activities:		
Purchase of certificates of deposit	(32,052)	(80,732)
Net Cash Used in Financing Activities	(32,052)	(80,732)
Net Increase (Decrease) in Cash	22,241	(118,331)
Cash, Beginning of Year	342,805	461,136
Cash, End of Year	\$ 365,046	\$ 342,805
Reconciliation of Change in Net Assets		
Provided by Operating Activities:		
Change in Net Assets	\$ 53,610	\$ (36,916)
Adjustment to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Decrease (Increase) in Prepaid Expenses	683	(683)
Net Cash Provided (Used) by Operating Activities	\$ 54,293	\$ (37,599)

The accompanying notes are an integral part of these statements.

CHILDREN OF PROMISE INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

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 1,600 orphaned and destitute children in some 58 orphan homes in 2016 and 1,750 children in 63 homes in 2015. 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, 2013 through December 31, 2016.

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, 2016 AND 2015

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 reports 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.

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.

Temporarily restricted net assets are those which are stipulated by donors for specific operation purposes, special projects, or for the acquisition or construction of land, buildings, and equipment.

Permanently restricted net assets are those restricted by donors in perpetuity as endowments or irrevocable trusts. At December 31, 2016 and 2015, there were no permanently restricted net assets.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires or the stipulation is met, temporarily restricted net assets are reclassified to unrestricted net assets.

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 \$410,299 and \$379,472 were

CHILDREN OF PROMISE INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

temporarily restricted by donors as of December 31, 2016 and 2015, 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 \$90,746 and \$90,857 at December 31, 2016 and 2015, 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, 2017, 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 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 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

CHILDREN OF PROMISE INTERNATIONAL  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donations of in-kind goods and services (continued)

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.

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 2016, fifty-five donors accounted for approximately 30% of the contributions received. In 2015, fifty-four 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, 2016 and 2015 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, 2016 and 2015.

Trademark registration fees of \$1,945 were fully amortized at December 31, 2016 and 2015.

CHILDREN OF PROMISE INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

5. SPONSORSHIP PROGRAMS

The Organization participates in the sponsorship of approximately 1,600 orphans in about fifty-eight 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, 2016 and 2015 was \$5,000.