

**CHILDREN OF PROMISE INTERNATIONAL
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019**

**CHILDREN OF PROMISE INTERNATIONAL
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DECEMBER 31, 2020 AND 2019**

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Children of Promise International

Opinion

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, 2020 and 2019, 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 Children of Promise International as of December 31, 2020 and 2019, 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 of 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 Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are required to be independent of Children of Promise 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 Children of Promise International's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility 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 auditor's 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, including omissions, 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 Children of Promise 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 Children of Promise 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.

Duvall & Associates, Inc.

Duvall & Associates, Inc.

Dayton, Ohio

July 19, 2021

CHILDREN OF PROMISE INTERNATIONAL
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2020 AND 2019

| | ASSETS | |
|--|-------------------|-------------------|
| | 2020 | 2019 |
| CURRENT ASSETS | | |
| Cash | \$ 355,209 | \$ 524,231 |
| Certificates of deposit | 356,490 | 104,322 |
| | 711,699 | 628,553 |
| PROPERTY AND EQUIPMENT | | |
| net of accumulated depreciation | | |
| of \$2,987 for 2020 and \$2,987 for 2019 | - | - |
| TOTAL ASSETS | \$ 711,699 | \$ 628,553 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ - | \$ - |
| TOTAL CURRENT LIABILITIES | - | - |
| NET ASSETS | | |
| Without donor restrictions | 347,695 | 306,537 |
| With donor restrictions | 364,004 | 322,016 |
| TOTAL NET ASSETS | 711,699 | 628,553 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 711,699 | \$ 628,553 |

The accompanying notes are an integral part of these statements.

CHILDREN OF PROMISE INTERNATIONAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

| | <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 | \$ 56,808 | \$ 759,965 | \$ 816,773 |
| Other Revenue: | | | |
| Interest Income | 5,710 | - | 5,710 |
| Net assets released from restrictions | <u>717,977</u> | <u>(717,977)</u> | <u>-</u> |
| Total support, revenues and gains | <u>780,495</u> | <u>41,988</u> | <u>822,483</u> |
| EXPENSES: | | | |
| Program Services | 721,479 | - | 721,479 |
| Supporting Services | | | |
| Management and General | <u>17,858</u> | <u>-</u> | <u>17,858</u> |
| Total Expenses | <u>739,337</u> | <u>-</u> | <u>739,337</u> |
| CHANGE IN NET ASSETS | 41,158 | 41,988 | 83,146 |
| NET ASSETS - Beginning of Year | <u>306,537</u> | <u>322,016</u> | <u>628,553</u> |
| NET ASSETS - End of Year | <u>\$ 347,695</u> | <u>\$ 364,004</u> | <u>\$ 711,699</u> |

The accompanying notes are an integral part of these statements.

CHILDREN OF PROMISE INTERNATIONAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

| | <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 | \$ 61,116 | \$ 685,823 | \$ 746,939 |
| Other Revenue: | | | |
| Interest income | 8,164 | - | 8,164 |
| Net assets released from restrictions | <u>782,046</u> | <u>(782,046)</u> | <u>-</u> |
| Total support, revenues and gains | <u>851,326</u> | <u>(96,223)</u> | <u>755,103</u> |
| EXPENSES: | | | |
| Program Services | 784,255 | - | 784,255 |
| Supporting Services | | | |
| Management and General | <u>16,699</u> | <u>-</u> | <u>16,699</u> |
| Total Expenses | <u>800,954</u> | <u>-</u> | <u>800,954</u> |
| | | | |
| CHANGE IN NET ASSETS | 50,372 | (96,223) | (45,851) |
| | | | |
| NET ASSETS - Beginning of Year | <u>256,165</u> | <u>418,239</u> | <u>674,404</u> |
| NET ASSETS - End of Year | <u>\$ 306,537</u> | <u>\$ 322,016</u> | <u>\$ 628,553</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, 2020

| | Program Services | Supporting Services | Total Expenses |
|----------------------------------|---------------------|------------------------|-------------------|
| Direct payments to the field | \$ 720,459 | \$ - | \$ 720,459 |
| Bank charges | 1,020 | 5,642 | 6,662 |
| Supplies | - | 403 | 403 |
| Postage and mailing services | - | 1,623 | 1,623 |
| Equipment rental and maintenance | - | 1,919 | 1,919 |
| Accounting and legal | - | 5,750 | 5,750 |
| Business registration fees | - | 1,110 | 1,110 |
| Property insurance | - | 475 | 475 |
| Telephone | - | 936 | 936 |
| | <u>\$ 721,479</u> | <u>\$ 17,858</u> | <u>\$ 739,337</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, 2019

| | Program Services | Supporting Services | Total Expenses |
|----------------------------------|---------------------|------------------------|-------------------|
| Direct payments to the field | \$ 776,295 | \$ - | \$ 776,295 |
| Missionary health insurance | 6,890 | - | 6,890 |
| Bank charges | 1,070 | 4,619 | 5,689 |
| Supplies | - | 496 | 496 |
| Postage and mailing services | - | 1,518 | 1,518 |
| Equipment rental and maintenance | - | 1,854 | 1,854 |
| Accounting and legal | - | 5,650 | 5,650 |
| Business registration fees | - | 1,195 | 1,195 |
| Property insurance | - | 475 | 475 |
| Telephone | - | 892 | 892 |
| | <u>\$ 784,255</u> | <u>\$ 16,699</u> | <u>\$ 800,954</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, 2020 AND 2019

| | 2020 | 2019 |
|---|---------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash from contributions and bequests | \$ 816,773 | \$ 746,939 |
| Interest received | 5,710 | 8,164 |
| Cash paid to vendors and others | (739,337) | (800,954) |
| Net Cash Provided (Used) by Operating Activities | 83,146 | (45,851) |
| Cash Flows From Investing Activities: | | |
| Redemption (Purchase) of certificates of deposit | (252,168) | (416) |
| Net Cash Provided (Used) in Financing Activities | (252,168) | (416) |
| Net Increase (Decrease) in Cash | (169,022) | (46,267) |
| Cash, Beginning of Year | 524,231 | 570,498 |
| Cash, End of Year | \$ 355,209 | \$ 524,231 |
| Reconciliation of Change in Net Assets | | |
| Provided by Operating Activities: | | |
| Change in Net Assets | \$ 83,146 | \$ 45,851 |
| Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Increase (decrease) in Accounts Payable | - | - |
| Net Cash Provided (Used) by Operating Activities | \$ 83,146 | \$ 45,851 |

The accompanying notes are an integral part of these statements.

CHILDREN OF PROMISE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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 875 orphaned and destitute children in some 17 orphan homes in 2020 and 1,050 children in 19 homes in 2019. 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, 2017 through December 31, 2020.

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, 2020 AND 2019

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 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, 2020 AND 2019

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 \$364,004 and \$322,016 were restricted by donors as of December 31, 2020 and 2019, 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 \$156,735 and \$249,304 at December 31, 2020 and 2019, 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 19, 2021, 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, 2020 AND 2019

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 2020, twenty-four donors accounted for approximately 48% of the contributions received. In 2019, twenty-one donors accounted for approximately 47% 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, 2020 and 2019 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, 2020 and 2019.

Trademark registration fees of \$1,945 were fully amortized at December 31, 2020 and 2019.

CHILDREN OF PROMISE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

5. SPONSORSHIP PROGRAMS

The Organization participates in the sponsorship of approximately 875 orphans in about seventeen 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, 2020 and 2019 was \$5,000, respectively.

7. FINANCIAL ASSETS AVAILABLE

The following reflects the Organization's financial assets as of December 31, 2020 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, 2020 | \$ 711,699 |
| 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>(364,004)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 347,695</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.