

CHILDREN OF PROMISE INTERNATIONAL
(A NONPROFIT ORGANIZATION)
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

CHILDREN OF PROMISE INTERNATIONAL

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Trustees
Children of Promise International
Dayton, Ohio

We have reviewed the accompanying financial statements of **Children of Promise International** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

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 related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT ACCOUNTANTS' REVIEW REPORT - CONTINUED

Report on Restatement Adjustments to 2021 Net Asset Classification

As part of our review of the 2022 financial statements, we also reviewed the adjustments described in Note 4 that were applied to restate the 2021 net asset classification. Based on our review, we are not aware of any material modifications that should be made to the adjustments that were applied to restate the 2021 net asset classification in order for the beginning balance of net assets to be in accordance with accounting principles generally accepted in the United States of America.

Brady, Ware & Schoenfeld, Inc.

Dayton, Ohio
October 24, 2023

CHILDREN OF PROMISE INTERNATIONAL

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	329,525
Certificates of deposit		<u>253,850</u>

Total current assets		583,375
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OPERATING LEASE RIGHT-OF-USE ASSET		73,929
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DEPOSIT		<u>769</u>
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Total other assets	\$	<u>658,073</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current operating lease liabilities	\$	8,398
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LONG-TERM LIABILITIES

Long-term operating lease liabilities		<u>66,289</u>
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Total liabilities		<u>74,687</u>
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NET ASSETS WITHOUT DONOR RESTRICTIONS

Undesignated		468,373
Board-designated		<u>115,013</u>

Total Net Assets Without Donor Restrictions		<u>583,386</u>
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	\$	<u>658,073</u>
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CHILDREN OF PROMISE INTERNATIONAL

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

PUBLIC SUPPORT AND REVENUE

Contributions	\$ 691,182
Interest income	<u>5,677</u>

Total Public Support and Revenue	<u>696,859</u>
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EXPENSES

Program services	696,330
Management and general	<u>28,903</u>

Total Expenses	<u>725,233</u>
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CHANGE IN NET ASSETS

(28,374)

NET ASSETS WITHOUT DONOR RESTRICTIONS

Beginning of year, as restated	<u>611,760</u>
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End of year	<u>\$ 583,386</u>
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CHILDREN OF PROMISE INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Direct payments to the field	\$ 695,350	\$ -	\$ 695,350
Bank charges	980	5,917	6,897
Supplies	-	837	837
Building and property lease	-	10,013	10,013
Printing and publication	-	146	146
Postage and mailing services	-	1,611	1,611
Maintenance	-	2,071	2,071
Accounting and legal	-	6,085	6,085
Business registration and fees	-	1,296	1,296
Property insurance	-	475	475
Travel and meetings	-	328	328
Other expenses	-	124	124
	<u>\$ 696,330</u>	<u>\$ 28,903</u>	<u>\$ 725,233</u>

CHILDREN OF PROMISE INTERNATIONAL

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2022

OPERATING ACTIVITIES

Change in net assets without donor restrictions	\$ (28,374)
Adjustments to reconcile change in net assets to net cash and cash equivalents used by operating activities:	
Noncash operating lease expense	<u>758</u>
	(27,616)
Changes in operating assets and liabilities:	
Accounts payable	<u>(61)</u>
Net Cash and Cash Equivalents Used by Operating Activities	(27,677)

INVESTING ACTIVITIES

Proceeds from redemption of certificate of deposit	228,354
Purchase of certificates of deposit	(200,000)
Reinvestment of interest from certificates of deposit	<u>(3,266)</u>
Net Cash and Cash Equivalents Provided by Investing Activities	<u>25,088</u>

DECREASE IN CASH AND CASH EQUIVALENTS (2,589)

CASH AND CASH EQUIVALENTS

Beginning of year	<u>332,114</u>
End of year	<u>\$ 329,525</u>

CHILDREN OF PROMISE INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Children of Promise International (the "Organization"), 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 for orphaned and destitute children and assistance for widows. The Organization also engages in partnerships to support indigenous nationals as Christian workers who plant churches and care for the poor in many of the most impoverished nations.

The following is a summary of significant accounting policies followed in the preparation of these financial statements.

Basis of Presentation - The Organization's financial statement presentation conforms to accounting principles generally accepted in the United States of America and practices within the industry. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated from net assets without donor restrictions, net assets for direct program support.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization does not have assets that are required to be maintained in perpetuity. The Organization had no assets with donor restrictions at December 31, 2022.

Use of Estimates - The preparation of financial statements in conformity with U.S. 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.

Contributions - In accordance with accounting standards, the Organization accounts for contributions received as support without donor restrictions or support with donor restrictions, depending on the existence or nature of any donor restrictions.

Gifts of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as contributions without donor restrictions.

Cash and Cash Equivalents - Cash and cash equivalents include all cash on hand or on deposit with maturities of less than 90 days and money market accounts active with financial institutions.

Tax-Exempt Status - The Organization is a charitable organization exempt from federal income tax pursuant to provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is presented in these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounting for Uncertainty in Income Taxes - Accounting standards require the evaluation of tax positions taken, or expected to be taken, in the course of preparing the Organization's tax returns, to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. This statement provides that a tax benefit from an uncertain tax position may be recognized in the financial statements only when it is "more-likely-than-not" the position will be sustained upon examination, including resolution of any related appeals or litigation processes, based upon the technical merits and consideration of all available information. Once the recognition threshold is met, the portion of the tax benefit that is recorded represents the largest amount of tax benefit that is greater than 50 percent likely to be realized upon settlement with a taxing authority. Based on its review, management does not believe the Organization has taken any material uncertain tax positions, including any position that would place the Organization's exempt status in jeopardy, as of December 31, 2022.

Leases - In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, Leases) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective January 1, 2022 and recognized and measured leases existing at January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available.

The Organization elected the available practical expedients to account for existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022 a lease liability of \$82,776, which represents the present value of the remaining operating lease payments of \$88,449, discounted using the Organization's risk free rate of 1.49%, and a right-of-use asset of \$82,776.

The standard had an impact on the statement of financial position but did not have a significant impact on the statement of activities, statement of functional expenses, nor the statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for the operating lease.

The Organization leases office space. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease ROU assets, and current and long-term operating lease liabilities on the statement of financial position.

CHILDREN OF PROMISE INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit interest rate, the Organization uses a risk free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Concentrations - Financial instruments that potentially subject the Organization to credit risks consist of cash and cash equivalents and certificates of deposit with financial institutions that periodically exceeded federally insured limits throughout the year.

Subsequent Events - In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 24, 2023, the date the financial statements were available to be issued.

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets at year-end:	
Cash	\$ 329,525
Certificates of deposit	<u>253,850</u>
	583,375
Less amounts not available to be used within one year due to:	
Board-designated net assets	<u>(115,013)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 468,362</u>

The Organization anticipates covering its general expenditures by collecting public support and revenue. Further, the amounts designated for program operations by the Board of Directors can be used to meet general expenditures upon approval by the board.

CHILDREN OF PROMISE INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - LEASING ACTIVITIES

The Organization leases office space. The lease has a remaining lease term of 94 months, which includes two renewal options management has determined are highly likely to be exercised.

The maturities of operating lease liabilities as of December 31, 2022 are as follows:

2023	\$	9,441
2024		9,630
2025		9,822
2026		10,019
2027		10,219
Thereafter		<u>30,063</u>
Total lease payments		79,194
Less interest		<u>4,507</u>
Present value of lease liabilities	\$	<u>74,687</u>

The following summarizes the line items in the statement of activities which include the components of lease expense for the year ended December 31, 2022.

Operating lease expense allocated to functional expenses: \$ 10,013

The following summarizes cash flow information related to the lease for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows for operating lease \$ 9,256

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2022:

Weighted Average Remaining Lease Term

Operating lease 7.83 years

Weighted Average Discount Rate

Operating lease 1.49%

CHILDREN OF PROMISE INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - RESTATEMENT OF NET ASSETS

Certain errors resulting in the overstatement and understatement of previously reported balances were discovered during the review for the year ended December 31, 2022. The net adjustments to the amounts previously reported in the statement of financial position and statement of activities as of December 31, 2021 are as follows:

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
December 31, 2021 balance, as previously reported	\$ 417,108	\$ 194,652	\$ 611,760
Misclassification of net assets	<u>194,652</u>	<u>(194,652)</u>	<u>-</u>
December 31, 2021 balances, as restated	<u>\$ 611,760</u>	<u>\$ -</u>	<u>\$ 611,760</u>