

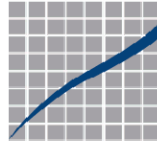


FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

TABLE OF CONTENTS

	Page
Independent auditor's report	1
<hr/>	
<u>Financial statements</u>	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7



BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Children's HopeChest, Inc.
Palmer Lake, Colorado

We have audited the accompanying financial statements of Children's HopeChest, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2021, and the related statement of activities, functional expenses, and cash flows for the year 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 audit. 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, whether due to fraud or error.

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's HopeChest, Inc. as of September 30, 2021, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BiggsKofford, P.C.

Colorado Springs, Colorado
November 17, 2021

CHILDREN'S HOPECHEST, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2021

ASSETS

Current assets:

Cash and equivalents	\$ 545,614
Cash held overseas	251,478
Contributions receivable	26,046
Prepaid expenses and other assets	33,085
Property and equipment, net	<u>110,939</u>

Total assets	<u><u>\$ 967,162</u></u>
--------------	--------------------------

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	<u>\$ 129,142</u>
---------------------------------------	-------------------

Net assets:

Without donor restrictions:

Operating	(319,706)
Net equity in property and equipment	<u>110,939</u>

Total net assets without donor restrictions	(208,767)
With donor restrictions	<u>1,046,787</u>

Total net assets	<u>838,020</u>
------------------	----------------

Total liabilities and net assets	<u><u>\$ 967,162</u></u>
----------------------------------	--------------------------

The accompanying notes and independent auditor's report
should be read with these financial statements.

CHILDREN'S HOPECHEST, INC.

STATEMENT OF ACTIVITIES YEAR ENDED SEPTEMBER 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<u>SUPPORT AND REVENUE</u>			
Contributions:			
Sponsorships	\$ -	\$ 5,006,189	\$ 5,006,189
Projects	-	714,917	714,917
General, grants and other	329,423	-	329,423
Total support and revenue	329,423	5,721,106	6,050,529
Net assets released from restrictions	5,832,322	(5,832,322)	-
<u>EXPENSES</u>			
Program services	4,992,913	-	4,992,913
General and administrative	650,455	-	650,455
Fundraising	457,475	-	457,475
Total expenses	6,100,843	-	6,100,843
Change in net assets before foreign currency translation adjustment	60,902	(111,216)	(50,314)
Foreign currency translation adjustment	(21,505)	-	(21,505)
Change in net assets	39,397	(111,216)	(71,819)
Net assets, beginning of year	(248,164)	1,158,003	909,839
Net assets, end of year	<u>\$ (208,767)</u>	<u>\$ 1,046,787</u>	<u>\$ 838,020</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

CHILDREN'S HOPECHEST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021

	Program Services	General and Administrative	Fundraising	Total
Depreciation	\$ 26,296	\$ 8,524	\$ -	\$ 34,820
Education and materials	169,377	-	-	169,377
Equipment and maintenance	275,790	-	-	275,790
Food and clothing	160,293	-	-	160,293
Grant expenses	2,631,108	-	-	2,631,108
Information technology	240,776	69,308	18,078	328,162
Medical supplies	83,917	-	-	83,917
Occupancy	146,872	26,695	28,291	201,858
Office supplies	29,043	137,194	21,955	188,192
Salaries and benefits	1,153,139	397,329	378,602	1,929,070
Travel	76,302	11,405	10,549	98,256
Total expenses	<u>\$ 4,992,913</u>	<u>\$ 650,455</u>	<u>\$ 457,475</u>	<u>\$ 6,100,843</u>
Percentage of total expenses	<u>82%</u>	<u>11%</u>	<u>7%</u>	<u>100%</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

CHILDREN'S HOPECHEST, INC.

STATEMENT OF CASH FLOWS YEAR ENDED SEPTEMBER 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (71,819)
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	34,820
Changes in operating assets and liabilities:	
Contributions receivable	(26,046)
Prepaid expenses and other current assets	13,833
Accounts payable and accrued expenses	(11,033)
Net cash flows from operating activities	(60,245)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	(7,432)
Net cash flows from investing activities	(7,432)
Net change in cash and equivalents	(67,677)
Cash and equivalents in U.S. and cash held overseas, beginning of year	864,769
Cash and equivalents in U.S. and cash held overseas, end of year	\$ 797,092

CASH AND EQUIVALENTS IN THE U.S. AND CASH HELD OVERSEAS CONSIST OF:

Cash and equivalents in U.S.	\$ 545,614
Cash held overseas	251,478
Total cash and equivalents in the U.S. and cash held overseas	\$ 797,092

The accompanying notes and independent auditor's report should be read with these financial statements.

CHILDREN'S HOPECHEST, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

1. NATURE OF ORGANIZATION

Children's HopeChest, Inc. ("Organization") is a nonprofit organization that helps highly vulnerable children overcome abandonment, poverty and violence. The Organization partners with churches, businesses, schools, and Christian communities. These sponsoring communities provide help, training and discipleship to vulnerable children, their families and their communities in highly impoverished areas. The Organization has active partnerships in Ethiopia, Guatemala, Kenya, Russia, Uganda and the United States.

Funding for these partnerships comes, in part, from a monthly child sponsorship program. Individual child sponsors provide a \$45/month donation during the year ended September 30, 2021, write letters, and pray for their sponsored child. This funding provides for direct survival needs such as food, water, clothing and basic medical care. It also helps fund educational and vocational support, voluntary Christian discipleship, income generating activities for the child's household, establishment of Village Savings and Loan Associations (VSLA's), child rights advocacy, grief and trauma assistance, as well as emotional guidance. These efforts are delivered through staffed "CarePoints" which are physical locations the children come to for assembly and program delivery.

The Organization is registered to do business in Ethiopia as Children's HopeChest Ethiopia, which is a field office of the Organization. It is not a separate legal entity and operation activities are controlled by the same board of directors as the Organization.

The Organization is registered to do business in Ethiopia as Children's HopeChest Ethiopia, which is a field office of the Organization. It is not a separate legal entity and operation activities are controlled by the same board of directors as the Organization. The Organization also provides both capital project development and ongoing program support to help children and members of the community develop opportunity, life skills, and independent adult life. Those programs include:

- **Transitional Living & Life Skills Programs:** Family Center & Independent Living Programs (Russia)
- **Community Programs:** CarePoints (all countries), Young Mothers Program (Russia), VLSA's/Self Help Savings Groups (all countries except Russia)
- **Education:** Uganda Leadership Academy (Uganda)

See independent auditor's report.

CHILDREN'S HOPECHEST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Use of estimates

The preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

Cash and equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

The Organization maintains its cash and equivalents in financial institutions that, at times, may exceed the federally insured limits. This risk is managed by maintaining deposits with high quality financial institutions. The Organization has not experienced any losses in such accounts and does not anticipate nonperformance by these institutions.

Property and equipment

All acquisitions of property and equipment in excess of \$2,000 that materially prolong the useful lives of assets are capitalized and recorded at cost, or fair value if donated. Depreciation is provided on a straight-line basis over estimated useful lives of three to seven years.

Net assets

The financial statements present amounts by class of net assets as follows:

Net assets without donor restrictions consist of resources currently available for use in operations and those resources invested in property and equipment.

Net assets with donor restrictions consist of donor-restricted contributions for the support of various projects and sponsorships.

See independent auditor's report.

CHILDREN'S HOPECHEST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and revenue

In accordance with US GAAP, grants and contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of donor restrictions, if applicable. Contribution income is recognized when cash is received, when unconditional promises are made, or when ownership of contributed assets are transferred to the Organization. When a donor restriction is satisfied, 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. The Organization takes an assessment of 20% on all donor-restricted income except for donations related to mission trips, where a \$225 per traveler assessment is taken.

The Organization reports gifts of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Donated services and materials are recognized as both support and expense in the accompanying statements of activities and functional expenses, and are recorded at their estimated fair values.

Foreign operations

As part of its ministry, the Organization maintains a field office outside of the United States. As of September 30, 2021, assets maintained by Children's HopeChest Ethiopia, which consist of cash and fixed assets, totaled \$257,467.

Management has reviewed the assets of Children's HopeChest Ethiopia and has determined they are under the control and ownership of the Organization. The assets are recognized as part of the Organization, however, the political climate in Ethiopia is subject to rapid change. Therefore, the reader should be aware that while the Organization believes the assets are properly stated at the date of this report, subsequent changes could occur that would adversely affect the realizable value of the assets in Ethiopia. In addition, it should be understood that the carrying value of the assets in Ethiopia may not be representative of the amount that would be realized.

See independent auditor's report.

CHILDREN'S HOPECHEST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expense allocation

The costs of providing various program services and support services have been summarized on a functional basis in the statement of functional expenses. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, insurance, and other, which are allocated on the basis of estimates of time and effort.

Income tax status

The Organization is exempt from income taxes under Internal Revenue Code ("Code") Section 501(c)(3) and is not a private foundation under Section 509(a)(2) of the Code. The Organization evaluates the effect of uncertain tax positions, if any, and provides for those positions in accordance with the provisions of FASB ASC 450, *Contingencies*. No tax accrual for uncertain tax positions has been recorded as management believes there are no uncertain tax positions for the Organization.

Subsequent events

Management has evaluated subsequent events through the date of the accompanying independent auditor's report, the date on which the financial statements were available to be issued.

See independent auditor's report.

CHILDREN'S HOPECHEST, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of September 30, 2021:

Cash and equivalents	\$ 545,614
Cash held overseas	251,478
Contributions receivable	<u>26,046</u>
Total financial assets	823,138
Less amounts not available for use within one year due to donor restrictions	<u>(1,046,787)</u>
Financial assets available within one year	<u><u>\$ (223,649)</u></u>

The Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. Management monitors cash flows closely through board meetings and detailed financial analysis. The Organization also has a line of credit in the amount of \$200,000, which it could draw upon in the event of an unanticipated liquidity (see Note 5).

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of September 30, 2021:

Computers and equipment	\$ 630,294
Furniture and fixtures	7,995
Foreign vehicles	<u>56,117</u>
	694,406
Accumulated depreciation	<u>(583,467)</u>
Property and equipment, net	<u><u>\$ 110,939</u></u>

5. LINE OF CREDIT

The Organization has a line of credit with a financial institution in the amount of \$200,000. The line of credit bears interest at the Wall Street Journal Prime Rate plus 1% per annum, and matures March 2022. As of September 30, 2021, there was no outstanding balance on the line of credit and there were no borrowings during the fiscal year ended September 30, 2021.

See independent auditor's report.

CHILDREN'S HOPECHEST, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of September 30, 2021:

Projects	\$ 711,946
Sponsorship	<u>334,841</u>
	<u>\$ 1,046,787</u>

7. RETIREMENT PLAN

The Organization sponsors a 401(k) retirement plan ("Plan") and makes contributions into the Plan on behalf of eligible U.S. employees. During the year ended September 30, 2021, the Organization matched employee contributions 100% up to 3% of the employee's gross salary and 50% of the next 2% of the employee's gross salary. During the year ended September 30, 2021, the Organization made employer contributions totaling \$60,421.

8. COMMITMENTS

The Organization entered into various lease agreements. Rent and lease expense for the year ended September 30, 2021 totaled \$130,790. Future minimum payments are as follows for the years ended September 30,:

2022	\$ 132,306
2023	64,588
2024	<u>8,795</u>
	<u>\$ 205,689</u>

9. PAYCHECK PROTECTION PROGRAM LOAN

During the year ended September 30, 2020, the Organization applied for and received a \$333,687 forgivable loan from the Small Business Administration ("SBA") as part of the Paycheck Protection Program ("PPP"), which is part of the federal government's Coronavirus Aid, Relief, and Economic Security ("CARES") Act. This loan was forgiven during the fiscal year ended September 30, 2021 and was recognized as a contribution without donor restrictions in the fiscal year ended September 30, 2020.

* * * * *

See independent auditor's report.