

**CREATING HOPE INTERNATIONAL
(A Michigan Non-Profit Organization)**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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30150 Telegraph Road
Suite 371
Bingham Farms,
Michigan 48025

Ph: (248) 258-7165
(248) 642-0455
Fax: (248) 258-5032

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Creating Hope International

We have audited the accompanying financial statements of Creating Hope International (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities 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 the 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 of 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 Creating Hope International as of December 31, 2018, and the changes 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



T & S ASSOCIATES, PC

Bingham Farms, MI

August 5, 2019

CREATING HOPE INTERNATIONAL
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

Current Assets:

Cash and cash equivalents:

Cash checking	\$	418,430
Money Market		<u>2,520,437</u>

Total Current Assets		\$ 2,938,867
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Property and equipment		7,990
Less: accumulated depreciation		<u>(7,990)</u>

Total Property and Equipment		-
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Investments		<u>888</u>
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TOTAL ASSETS		<u>\$ 2,939,755</u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Payroll Liabilities	\$	419
Credit Card Payable		4,977
Agency Funds		<u>316,221</u>

Total Current Liabilities		\$ 321,617
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NET ASSETS:

Unrestricted		1,043,420
Temporarily restricted		1,574,718
Permanently restricted		<u>-</u>

Total Net Assets		<u>2,618,138</u>
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TOTAL LIABILITIES AND NET ASSETS		<u>\$ 2,939,755</u>
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See accompanying notes

CREATING HOPE INTERNATIONAL
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	<u>Unrestricted Assets</u>	<u>Temporarily Restricted Assets</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Support			
Grant Income	\$ 397,827	\$ 239,905	\$ 637,732
Designated Funds		524,718	524,718
	<u>397,827</u>	<u>764,623</u>	<u>1,162,450</u>
Total Support			
Other Revenue (Expenses):			
Interest income	3,681	-	3,681
Unrealized gain or (loss) on investments	(508)	-	(508)
	<u>3,173</u>	<u>-</u>	<u>3,173</u>
Total Other Revenue			
Net Assets Released From Restrictions:			
Restrictions satisfied by payments	640,213	(640,213)	-
	<u>640,213</u>	<u>(640,213)</u>	<u>-</u>
Total Net Assets Released From Restrictions			
TOTAL SUPPORT AND REVENUE	<u>1,041,721</u>	<u>124,410</u>	<u>1,166,131</u>
DECREASES IN UNRESTRICTED NET ASSETS:			
Program services	1,281,800	-	1,281,800
Management and general	18,677	-	18,677
Fundraising	208	-	208
	<u>1,317,414</u>	<u>-</u>	<u>1,317,414</u>
TOTAL DECREASES IN UNRESTRICTED NET ASSETS			
CHANGE IN NET ASSETS	\$ (275,693)	\$ 124,410	\$ (151,283)
NET ASSETS AT BEGINNING OF YEAR	<u>1,319,113</u>	<u>1,450,308</u>	<u>2,769,421</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,043,420</u>	<u>\$ 1,574,718</u>	<u>\$ 2,618,138</u>

See accompanying notes

CREATING HOPE INTERNATIONAL

STATEMENT OF CASH FLOWS

DECEMBER 31, 2018

Cash Flows from Operating Activites:

Net increase in net assets	\$ (151,283)
Adjustments to reconcile net increase in net assets provided (used) by operating activites:	
Depreciation	725
Net realized and unrealized gain on investments	508
(Increase) decrease in:	
Grants Receivable	
Increase (decrease) in:	
Payroll liabilities	(4,925)
Credit Card Payable	488
Agency Funds	<u>27,902</u>
 Net Cash provided by Operating Activites	 <u>(126,585)</u>
 Net Increase in Cash and Cash Equivalents	 (126,585)
Cash and Cash Equivalents Balance, Beginning of Year	<u>3,065,452</u>
 Cash and Cash Equivalents Balance, End of Year	 <u>\$ 2,938,867</u>

See accompanying notes

**CREATING HOPE INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are accounting principles and policies followed by the organization:

Description of Entity – Creating Hope International is formed exclusively for charitable, educational, and scientific purposes, including the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code. The Organization raises the educational, health, social and economic levels of people throughout the world who are poor, distressed, underprivileged, oppressed or otherwise in need, by providing educational, health, learning and training opportunities for them.

Basis of Accounting – The accompanying financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents – Cash equivalents consist of short-term, highly liquid investments that are readily convertible into cash within ninety days of purchase.

Property and Equipment – Property and equipment are stated at cost. There are no limitations on the Organization's use of the property and equipment. The Organization capitalizes any asset with a useful life greater than one year. Depreciation is computed using the straight line method. Depreciation expense was \$725 in 2018.

Support and Revenue – The Organization recognizes contributed support when the funds are pledged. Contributed support is reported as unrestricted or as restricted depending on the existence of donor stipulations that limit the use of the support for a particular project. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Sources of revenue include grants from various 501(c)(3) organizations, corporations, individuals and foundations.

Classification of Net Assets – Net assets are classified as permanently restricted, temporarily restricted or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in these assets. Donor-imposed restrictions that expire with the passage of time or that can be removed by meeting certain requirements result in temporarily restricted net assets.

Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor.

**CREATING HOPE INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)**

Functional Allocation of Expenses – Expenses are charged to each program based on direct expenditures incurred. Any expenditures not directly chargeable and/or supporting services are allocated to a program based on a proration of such expenses. This proration is based on an analysis of personnel time and space utilized for related activities.

Tax Status – The Organization is exempt from income tax as provided for under Internal Revenue Code Section 501(c)(3). In addition, the Organization qualifies for the charitable contribution deduction and has been classified as an organization that is not a private foundation.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Compensated Absences – Compensated absences are an insignificant total of overall expenses; therefore, the Organization does not accrue them.

2. DONATED FACILITIES

The Organization's office facilities during 2018 were four rooms in Christ Episcopal Church. The Organization paid \$800 per month. The donated value of these facilities, including utilities and other related occupancy expenses was \$4,600. The donated facilities are not included in the accompanying financial statements.

3. SEPARATE CASH ACCOUNT

The Organization received funds from a donor with the condition of maintaining a separate account. The amount in the account as of December 31, 2018 was \$98,394 The interest included in the balance for 2018 is \$94

4. PROGRAM SERVICES

The Organization has five main programs they fund. The major program is to give financial grant and technical assistance in the form of teacher training, administrative training and technical assistance on proposals, reports, and financial data to the Afghan Institute of Learning. Approximately 400,000 people directly benefit from this program annually and 850,000 benefit indirectly.

The second program involves speaking engagements regarding the need for education, health and training of women in the third world and in Afghanistan and the impact of the

**CREATING HOPE INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)**

community-based approach used by The Afghan Institute of Learning. Approximately 2 million people benefited from this program in 2018.

The third program is the Alternative Health Project. It is to teach and train people to use energy and the Labyrinth as healing tools. Approximately 200 people benefit from this program.

The fourth program is the Tibetan project. It provides grant and technical assistance to Tibetan refugees. Approximately 1,000 people benefit from this program.

The fifth program is the Afghan Health and Education Program. It provides support for quality health, education and training programs in Afghanistan, including support for a radio station. Approximately 1 million people benefited from this program.

The Organization's program service expenditures for the year ended December 31, 2018 were as follows:

	<u>Amount</u>
Afghan Institute of Learning	\$ 750,010
Tibetan Health Project	19,000
Alternative Health Program	0
Afghan Health & Education	175,000
Total	<u>\$ 944,010</u>

5. RELATED PARTY TRANSACTIONS

An officer of the Organization is the executive director of Afghan Institute of Learning (AIL). The Organization is the fiscal sponsor for the Afghan Institute of Learning. For this purpose, Creating Hope International acts as their agent whereby they collect and disburse funds as stipulated by the grants received. As of December 31, 2018, the undisbursed agency fund balance was \$316,221

6. CONCENTRATIONS OF RISK

Financial instruments that potentially subject the organization to concentrations of credit risk consist principally of cash and cash equivalents. The organization places its cash and cash equivalents on deposit with two different banks. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each financial institution. The uninsured balance as of December 31, 2018 was \$2,608,599.

**CREATING HOPE INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)**

The Organization's operations are mainly centered in Afghanistan and Pakistan. Political, social and economic uncertainty in the region makes it difficult to predict future efforts to maintain and develop programs in that geographic area.

7. INVESTMENTS

The following is a summary of the cost and fair value of investments held using quoted prices in active markets for identical assets as of December 31, 2018:

	Level One	
	<u>Cost</u>	<u>Fair Value</u>
Registered investment companies	<u>\$ 1,172</u>	<u>\$ 888</u>

Net investment income and losses are as follows for the year ended December 31, 2018:

Unrestricted:	
Interest income	\$ 3681
Net realized and unrealized loss	<u>(508)</u>
 Total Net Investment Income	 \$ 3,173 <u>=====</u>

8. SUBSEQUENT EVENTS

There are no subsequent events as August 5, 2019 which is the issuance date of the independent accountants' audit report.

CREATING HOPE INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
<u>SALARIES AND RELATED EXPENSES:</u>				
Wages and other compensation	\$ 214,081	\$ 13,930		\$ 228,011
Employee benefits, payroll taxes and workers' compensation	18,368	2,291		20,659
Total Wages and Other Compensation and Related Expenses	<u>232,449</u>	<u>16,221</u>	<u>-</u>	<u>248,670</u>
<u>OTHER EXPENSES:</u>				
Bank charges	643	1,382		2,025
Conferences/Seminars	3,450			3,450
Depreciation		725		725
Insurance		2,096		2,096
Materials and supplies	1,963	799		2,762
Memberships/Fees	481			481
Miscellaneous	131			131
Office expense	285			285
Postage	649	237	100	986
Printing and duplicating	30	18	108	156
Professional fees		9,175		9,175
Program Expense	972,103			972,103
Rent	9,600			9,600
Telephone/Internet	7,738	1,449		9,187
Travel expense	52,278	2,796		55,074
Total Other Expenses	<u>1,049,351</u>	<u>18,677</u>	<u>208</u>	<u>1,068,236</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 1,281,800</u>	<u>\$ 34,898</u>	<u>\$ 208</u>	<u>\$ 1,316,906</u>

The accompanying notes are an integral part of these financial statements.