

CIRCLE OF HOPE INTERNATIONAL

FINANCIAL STATEMENTS

MARCH 31, 2011

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MARCH 31, 2011**

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HENRY & PETERS, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors of
Circle of Hope International
Wilmore, Kentucky

We have audited the accompanying statement of financial position of Circle of Hope International (a non-profit organization) as of March 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Circle of Hope International as of March 31, 2011, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Henry + Peters, P.C.

Tyler, Texas
September 1, 2011

**CIRCLE OF HOPE INTERNATIONAL
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2011**

ASSETS

Cash and cash equivalents	\$ 12,408
Unconditional promises to give	<u>22,944</u>
Total assets	<u><u>\$ 35,352</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accrued expenses	\$ 1,346
Total liabilities	<u>1,346</u>

NET ASSETS

Unrestricted net assets	<u>34,006</u>
Total net assets	<u>34,006</u>
Total liabilities and net assets	<u><u>\$ 35,352</u></u>

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

**CIRCLE OF HOPE INTERNATIONAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2011**

UNRESTRICTED SUPPORT	
Contributions	\$ 160,899
Total unrestricted support	<u>160,899</u>
EXPENSES	
Malawi program services	145,820
Support services	30,312
Fundraising	4,067
Total expenses	<u>180,199</u>
Decrease in net assets	(19,300)
NET ASSETS AT BEGINNING OF YEAR	<u>53,306</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 34,006</u></u>

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

**CIRCLE OF HOPE INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2011**

	MALAWI PROGRAM SERVICES	SUPPORT SERVICES	FUND- RAISING	TOTAL
Salaries	\$ 7,125	\$ 21,216	\$ -	\$ 28,341
Payroll taxes	-	1,241	-	1,241
Total salaries and related expenses	7,125	22,457	-	29,582
Travel	48,311	611	-	48,922
Supplies	21,201	98	343	21,642
Food for orphan programs	11,674	-	-	11,674
Administration	5,309	-	-	5,309
Orphanage	2,423	-	-	2,423
Scholarships	2,002	-	-	2,002
Building, improvements & developments	33,229	-	-	33,229
Transportation	1,700	-	-	1,700
Registration for projects	2,500	-	-	2,500
Bad debt expense	1,080	-	-	1,080
Dues, fees & subscriptions	-	2,987	-	2,987
Professional fees	-	1,608	-	1,608
Telephone	-	1,813	-	1,813
Website	-	738	-	738
Postage & shipping	-	-	1,534	1,534
Printing	-	-	2,190	2,190
Other	9,266	-	-	9,266
Total expenses	<u>\$ 145,820</u>	<u>\$ 30,312</u>	<u>\$ 4,067</u>	<u>\$ 180,199</u>

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

**CIRCLE OF HOPE INTERNATIONAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	\$ (19,300)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Increase in unconditional promises to give	(12,047)
Increase in payroll payable	<u>1,346</u>
Net cash used in operating activities	<u>(30,001)</u>
Net decrease in cash and cash equivalents	(30,001)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>42,409</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 12,408</u></u>

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

**CIRCLE OF HOPE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Circle of Hope International (Organization) is a Kentucky not-for-profit corporation whose mission is to provide help and hope to those in desperate poverty by working together in a community.

BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

The Organization follows Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 958-210-45-8 "*Classification of Assets and Liabilities*" in preparing the financial statements, which requires the Organization to report 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. As of and for the year ended March 31, 2011, the Organization had no temporarily or permanently restricted net assets.

FUNCTIONAL EXPENSES

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated as deemed appropriate.

The Organization's principal program:

Malawi Program Services

The Organization provides orphan relief and program development to the children of Malawi.

CASH AND CASH EQUIVALENTS

The Organization considers all highly liquid instruments with maturities of three months or less when purchased to be cash equivalents.

CONTRIBUTIONS AND REVENUE RECOGNITION

Contributions, including unconditional promises to give by donors, are recorded when received and are immediately available for unrestricted use unless specifically restricted by the donor. Contributions to be made over a period in excess of one year are recorded at the present value of estimated future cash flows using a discount rate commensurate with the risks involved. There were no contributions to be made over a period in excess of one year during the year ended March 31, 2011.

Conditional promises to give are recognized when the conditions on which such promises depend are substantially met. There were no conditional promises to give made during the year ended March 31, 2011.

INCOME TAXES

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, except to the extent the entity has unrelated business income. The Organization had no taxable unrelated business income during the year ended March 31, 2011.

**CIRCLE OF HOPE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011
CONTINUED**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ALLOCATION OF EXPENSES

The costs of providing programs and services have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and services, based on management estimates. These expenses are summarized in the statement of functional expenses.

UNCONDITIONAL PROMISES TO GIVE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Organization maintains pledges receivable due from various contributors. The allowance for doubtful accounts is established through a provision for bad debts charged to expense and represents management's best estimate of possible losses due to bad debts that have been incurred within the accounts receivable portfolio. As of March 31, 2011, an allowance for doubtful accounts was not considered necessary to properly reflect the realizable value of accounts receivable.

ESTIMATES

The preparation of the 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.

NOTE 2 - CONTRIBUTED AND DONATED SERVICES

During the year ended March 31, 2011, approximately 5,700 volunteer hours valued at approximately \$122,000 were donated in the Organization's program services which are not recognized in the financial statements. This value was calculated using an hourly rate obtained from the Independent Sector.

NOTE 3 - UNCONDITIONAL PROMISES TO GIVE

As of March 31, 2011, the Organization had unconditional promises to give of \$22,944, comprised of numerous small pledges. No individual or small group of donors represented more than ten percent of this total.

NOTE 4 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 1, 2011, the date on which the financial statements were available to be issued.