

**CHILDREN OF PROMISE INTERNATIONAL
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010**

CHILDREN OF PROMISE INTERNATIONAL
TABLE OF CONTENTS
DECMEBER 31, 2011 AND 2010

Independent Auditors' Report	Page 1 - 2
Statements of Financial Position	3
Statement of Activities - 2011	4
Statement of Activities - 2010	5
Statement of Functional Expenses - 2011	6
Statement of Functional Expenses - 2010	7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 13



DUVALL & ASSOCIATES, INC.

c e r t i f i e d p u b l i c a c c o u n t a n t s

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Children of Promise International

We have audited the accompanying statement of financial position of Children of Promise International (a nonprofit organization) (the "Organization"), as of December 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. The financial statements of Children of Promise International as of December 31, 2010, were audited by other auditors whose opinion dated September 9, 2011, expressed an unqualified opinion on those statements. As discussed in Note 7 to the financial statements, the Organization has restated its 2010 financial statements during the current year to properly report board restrictions on net assets as unrestricted net assets, in conformity with accounting principles generally accepted in the United States of America. The other auditors reported on the 2010 financial statements before the restatement.

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 Children of Promise International as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We also audited the adjustment described in Note 7 that was applied to restate the 2010 financial statements. In our opinion, such adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to Children of Promise International's 2010 financial statements other than with respect to the adjustment, and

accordingly, we do not express an opinion or any other form of assurance on the 2010 financial statements as a whole.

Duwall & Associates, Inc.

Duwall & Associates, Inc.

Dayton, Ohio

August 29, 2012

CHILDREN OF PROMISE INTERNATIONAL
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2011 AND 2010

ASSETS	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and cash equivalents	<u>\$ 237,958</u>	<u>\$ 181,576</u>
PROPERTY AND EQUIPMENT		
net of accumulated depreciation of \$18,042 for 2011 and \$191,287 for 2010	<u>91,647</u>	<u>219,168</u>
TOTAL ASSETS	<u><u>\$ 329,605</u></u>	<u><u>\$ 400,744</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 25	\$ -
Long term debt - current portion	<u>-</u>	<u>6,940</u>
TOTAL CURRENT LIABILITIES	<u>25</u>	<u>6,940</u>
LONG-TERM LIABILITIES		
Long-term debt - less current portion	<u>-</u>	<u>214,462</u>
TOTAL LIABILITIES	<u>25</u>	<u>221,402</u>
NET ASSETS		
Unrestricted	140,197	(2,234)
Temporarily restricted	<u>189,383</u>	<u>181,576</u>
TOTAL NET ASSETS	<u>329,580</u>	<u>179,342</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 329,605</u></u>	<u><u>\$ 400,744</u></u>

The accompanying notes are an integral part of these statements.

CHILDREN OF PROMISE INTERNATIONAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Unrestricted	Temporarily restricted	Total
REVENUES, GAINS AND OTHER SUPPORT			
Support from the public:			
Contributions and bequests	\$ 51,390	\$ 1,039,414	\$ 1,090,804
Other Revenue:			
Interest Income	13		13
Gain on sale of assets	93,461	-	93,461
Net assets released from restrictions	1,031,607	(1,031,607)	-
Total support, revenues and gains	1,176,471	7,807	1,184,278
 EXPENSES:			
Program Services	988,953	-	988,953
Supporting Services			
Management and General	45,087	-	45,087
Total Expenses	1,034,040	-	1,034,040
CHANGE IN NET ASSETS	142,431	7,807	150,238
NET ASSETS - Beginning of Year	(2,234)	181,576	179,342
NET ASSETS - End of Year	\$ 140,197	\$ 189,383	\$ 329,580

The accompanying notes are an integral part of these statements.

CHILDREN OF PROMISE INTERNATIONAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT			
Support from the public:			
Contributions and bequests	\$ 44,877	\$ 1,028,087	\$ 1,072,964
Other Revenue:			
Interest income	76	-	76
Net assets released from restrictions	<u>1,003,136</u>	<u>(1,003,136)</u>	<u>-</u>
Total support, revenues and gains	<u>1,048,089</u>	<u>24,951</u>	<u>1,073,040</u>
 EXPENSES:			
Program Services	999,208	-	999,208
Supporting Services			
Management and General	<u>51,824</u>	<u>-</u>	<u>51,824</u>
Total Expenses	<u>1,051,032</u>	<u>-</u>	<u>1,051,032</u>
CHANGE IN NET ASSETS	(2,943)	24,951	22,008
NET ASSETS - Beginning of Year	<u>709</u>	<u>156,625</u>	<u>157,334</u>
NET ASSETS - End of Year	<u>\$ (2,234)</u>	<u>\$ 181,576</u>	<u>\$ 179,342</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, 2011

	Program Services	Supporting Services	Total Expenses
Direct payments to the field	\$ 961,834	\$ -	\$ 961,834
Missionary health insurance	24,749	-	24,749
Interest expense	0	10,586	10,586
Bank charges	2,370	2,867	5,237
Supplies	0	1,349	1,349
Depreciation expense	0	6,840	6,840
Building and property maintenance	0	3,421	3,421
Postage and mailing services	0	2,995	2,995
Equipment rental and maintenance	0	1,408	1,408
Accounting and legal	-	5,000	5,000
Business registration fees	-	920	920
Travel and meeting	-	497	497
Utilities	-	8,542	8,542
Property insurance	-	51	51
Miscellaneous expense	-	36	36
Book and subscriptions	-	23	23
Telephone	-	552	552
	<u>\$ 988,953</u>	<u>\$ 45,087</u>	<u>\$ 1,034,040</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, 2010

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total Expenses</u>
Direct payments to the field	\$ 966,100	\$ -	\$ 966,100
Missionary health insurance	25,171	-	25,171
Interest expense	-	15,171	15,171
Bank charges	2,385	2,324	4,709
Supplies	-	968	968
Depreciation expense	-	9,428	9,428
Building and property maintenance	-	1,453	1,453
Postage and mailing services	3,176	369	3,545
Equipment rental and maintenance	2,376	378	2,754
Accounting and legal	-	6,850	6,850
Business registration fees	-	865	865
Travel and meeting	-	152	152
Utilities	-	9,677	9,677
Property insurance	-	3,026	3,026
Printing	-	670	670
Telephone	-	493	493
	<u>\$ 999,208</u>	<u>\$ 51,824</u>	<u>\$ 1,051,032</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, 2011 AND 2010**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash from contributions and bequests	\$ 1,090,804	\$ 1,072,964
Interest received	13	76
Interest paid	(10,586)	(15,171)
Cash paid to vendors and others	(1,016,589)	(1,026,748)
Net cash Provided (Used) by operating activities	63,642	31,121
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	214,142	-
Net cash Provided (Used) by investing activities	214,142	-
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of notes payable	(221,402)	(6,485)
Net cash Provided (Used) by Financing activities	(221,402)	(6,485)
Net (Decrease)Increase in Cash	56,382	24,636
 Cash, Beginning of Year	181,576	156,940
Cash, End of Year	\$ 237,958	\$ 181,576
 Reconciliation of Change in Net Assets Provided by Operating Activities:		
Change in Net Assets	150,238	22,008
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and amortization	6,840	9,428
Gain on sale of assets	(93,461)	-
Increase (decrease) in Accounts Payable	25	(315)
Net cash Provided (Used) by Operating activities	\$ 63,642	\$ 31,121

The accompanying notes are an integral part of these statements.

CHILDREN OF PROMISE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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 in 23 countries throughout Asia and the Indian subcontinent, Africa, Central and South America, and Europe. During 2011 and 2010, the Organization provided support through both exclusive program services and partnership collaborations to approximately 3,000 orphaned and destitute children in some 80 orphan homes. 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(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended and corresponding state laws. In addition, the Organization is classified as an organization that is not a private foundation under IRC Section 509(a)(1).

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 of time and are recorded as earned or incurred along with the

CHILDREN OF PROMISE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 is required 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.

Unrestricted net assets 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.

Temporarily restricted net assets are those which are stipulated by donors for specific operation purposes, special projects, or for the acquisition or construction of land, buildings, and equipment.

Permanently restricted net assets are those restricted by donors in perpetuity as endowments or irrevocable trusts. At December 31, 2011 and 2010, there were no permanently restricted net assets.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires or the stipulation is met, temporarily restricted net assets are reclassified to unrestricted net assets.

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 of \$189,383 was temporarily restricted by donors as of December 31, 2011.

CHILDREN OF PROMISE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization maintains its checking and savings accounts in banks that are insured by the Federal Deposit Insurance Corporation for up to \$250,000 for interest-bearing accounts; non-interest bearing accounts are fully insured. The Organization's accounts were fully insured at December 31, 2011 and 2010.

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 August 29, 2012, 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 unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations 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. Temporarily restricted net assets are reclassified to unrestricted net assets at that time.

CHILDREN OF PROMISE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Reclassifications

Certain amounts reported in the 2010 financial statements have been reclassified to conform to the current year financial statement presentation.

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 2011, sixteen donors accounted for approximately 25% 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, 2011 and 2010 consists of the following:

	<u>12/31/11</u>	<u>12/31/10</u>
Land	\$ 91,648	\$ 103,648
Building	0	228,000
Leasehold improvements	0	2,151
Furniture & Fixtures	0	58,615
Video	5,622	5,622
Equipment	<u>12,419</u>	<u>12,419</u>
	109,689	410,455
Accumulated depreciation	<u>(18,042)</u>	<u>(191,287)</u>
Total	<u>\$ 91,647</u>	<u>\$ 219,168</u>

Depreciation expense was \$6,840 and \$9,428 for the years ended December 31, 2011 and 2010, respectively.

Trademark registration fees of \$4,545 were fully amortized at December 31, 2011 and 2010.

CHILDREN OF PROMISE INTERNATIONAL
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

5. NOTES PAYABLE

Note payable to trust, monthly payments of \$1,805, including interest at 6.75% due on January 23, 2014, and secured by real estate.	<u>12/31/11</u>	<u>12/31/10</u>	
	\$ -	\$ 221,402	
Less Current portion	<u>-</u>	<u>6,940</u>	
Total Long-term debt	<u>\$ -</u>	<u>\$ 214,462</u>	

The note was paid off during 2011 when the real estate was sold.

6. SPONSORSHIP PROGRAMS

The Organization participates in the sponsorship of approximately 1,200 orphans in about eighty other 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.

7. PRIOR PERIOD ADJUSTMENT

Board imposed restrictions on net assets were previously reported as temporarily restricted net assets in the 2010 financial statements. In accordance with generally accepted accounting principles, such board restricted net assets have been restated as of January 1, 2010 as unrestricted. The table below summarizes the restatement of the net assets as of January 1, 2010.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net assets 1/1/10 - as previously reported	\$ (332,169)	\$ 489,503	\$ 157,334
Adjustment to reclass board imposed restrictions as unrestricted net assets	<u>332,878</u>	<u>(332,878)</u>	<u>-</u>
Net Assets 1/1/10 - as restated	<u>\$ 709</u>	<u>\$ 156,625</u>	<u>\$ 157,334</u>

In addition, net assets released from restrictions in 2010 were adjusted from \$999,208 (as previously reported) to \$1,003,136 in order to properly restate temporarily restricted net assets at December 31, 2010.