

CHILDREN OF PROMISE INTERNATIONAL
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011

CHILDREN OF PROMISE INTERNATIONAL
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DECMEBER 31, 2012 AND 2011

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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

To the Board of Trustees of
Children of Promise International

We have audited the accompanying financial statements of Children of Promise International (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years 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.

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 of Promise International as of December 31, 2012 and 2011 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Duvall & Associates, Inc.

Duvall & Associates, Inc.
Dayton, Ohio
August 23, 2013

CHILDREN OF PROMISE INTERNATIONAL
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2012 AND 2011

ASSETS	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash and cash equivalents	<u>\$ 283,037</u>	<u>\$ 237,957</u>
PROPERTY AND EQUIPMENT		
net of accumulated depreciation		
of \$2,987 for 2012 and \$18,041 for 2011	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 283,037</u></u>	<u><u>\$ 237,957</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	<u>\$ 993</u>	<u>\$ 25</u>
NET ASSETS		
Unrestricted	48,418	48,549
Temporarily restricted	<u>233,626</u>	<u>189,383</u>
TOTAL NET ASSETS	<u>282,044</u>	<u>237,932</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 283,037</u></u>	<u><u>\$ 237,957</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, 2012

	Unrestricted	Temporarily restricted	Total
REVENUES, GAINS AND OTHER SUPPORT			
Support from the public:			
Contributions and bequests	\$ 20,762	\$ 1,152,608	\$ 1,173,370
Other Revenue:			
Interest Income	92		92
Net assets released from restrictions	1,108,365	(1,108,365)	-
Total support, revenues and gains	1,129,219	44,243	1,173,462
 EXPENSES:			
Program Services	1,111,264	-	1,111,264
Supporting Services			
Management and General	18,086	-	18,086
Total Expenses	1,129,350	-	1,129,350
CHANGE IN NET ASSETS	(131)	44,243	44,112
NET ASSETS - Beginning of Year	48,549	189,383	237,932
NET ASSETS - End of Year	\$ 48,418	\$ 233,626	\$ 282,044

The accompanying notes are an integral part of these statements.

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

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
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	<u>1,031,607</u>	<u>(1,031,607)</u>	<u>-</u>
Total support, revenues and gains	<u>1,176,471</u>	<u>7,807</u>	<u>1,184,278</u>
EXPENSES:			
Program Services	988,953	-	988,953
Supporting Services			
Management and General	<u>45,087</u>	<u>-</u>	<u>45,087</u>
Total Expenses	<u>1,034,040</u>	<u>-</u>	<u>1,034,040</u>
 CHANGE IN NET ASSETS	 <u>142,431</u>	 <u>7,807</u>	 <u>150,238</u>
 NET ASSETS - Beginning Balance as previously reported	 (2,234)	 181,576	 179,342
 Prior period adjustment - correction of error	 <u>(91,648)</u>	 <u>-</u>	 <u>(91,648)</u>
 Balance beginning of Year as restated	 (93,882)	 181,576	 87,694
 CHANGE IN NET ASSETS	 <u>142,431</u>	 <u>7,807</u>	 <u>150,238</u>
 NET ASSETS - End of Year	 <u>\$ 48,549</u>	 <u>\$ 189,383</u>	 <u>\$ 237,932</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, 2012

	Program Services	Supporting Services	Total Expenses
Direct payments to the field	\$ 1,086,586	\$ -	\$ 1,086,586
Missionary health insurance	22,863	-	22,863
Bank charges	1,815	4,192	6,007
Supplies	-	1,590	1,590
Printing and publications	-	87	87
Postage and mailing services	-	3,219	3,219
Equipment rental and maintenance	-	1,458	1,458
Accounting and legal	-	5,260	5,260
Business registration fees	-	925	925
Travel and meeting	-	215	215
Property insurance	-	375	375
Miscellaneous expense	-	128	128
Book and subscriptions	-	102	102
Telephone	-	535	535
	<u>\$ 1,111,264</u>	<u>\$ 18,086</u>	<u>\$ 1,129,350</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 <u>Services</u>	Supporting <u>Services</u>	Total <u>Expenses</u>
Direct payments to the field	\$ 961,834	\$ -	\$ 961,834
Missionary health insurance	24,749	-	24,749
Interest expense	-	10,586	10,586
Bank charges	2,370	2,867	5,237
Supplies	-	1,349	1,349
Depreciation expense	-	6,840	6,840
Building and property maintenance	-	3,421	3,421
Postage and mailing services	-	2,995	2,995
Equipment rental and maintenance	-	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 subscription	-	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
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash from contributions and bequests	\$ 1,173,370	\$ 1,090,804
Interest received	92	13
Interest paid	-	(10,586)
Cash paid to vendors and others	(1,128,382)	(1,016,589)
Net cash Provided (Used) by operating activities	45,080	63,642
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)
Net cash Provided (Used) by Financing activities	-	(221,402)
Net (Decrease) Increase in Cash	45,080	56,382
Cash, Beginning of Year	237,957	181,575
Cash, End of Year	\$ 283,037	\$ 237,957
Reconciliation of Change in Net Assets		
Provided by Operating Activities:		
Change in Net Assets	\$ 44,112	\$ 150,238
Adjustment to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation and amortization	-	6,840
Gain on sale of assets	-	(93,461)
Increase (decrease) in Accounts Payable	968	25
Net cash Provided (Used) by Operating activities	\$ 45,080	\$ 63,642

The accompanying notes are an integral part of these statements.

CHILDREN OF PROMISE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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 2012 and 2011, the Organization provided support through both exclusive program services and partnership collaborations to approximately 1,300 orphaned and destitute children in some 75 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(c)(3) of the Internal Revenue Code. Therefore, no provision for federal income taxes has been made in the accompanying financial statements.

The Organization's tax filings are subject to audit by taxing authorities. The organization's open audit periods are the years ended December 31, 2009 through December 31, 2012.

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, 2012 AND 2011

2. 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 reports 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, 2012 and 2011, 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 \$233,626 and \$189,383 was temporarily restricted by donors as of December 31, 2012 and 2011, respectively.

CHILDREN OF PROMISE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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, 2012 and 2011.

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 23, 2012, the date which the financial statements were available to be issued. The 2011 financial statements previously considered events through August 29, 2012, the date which those 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

CHILDREN OF PROMISE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donations of in-kind goods and services (continued)

are reclassified to unrestricted net assets at that time.

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.

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 2012, thirty-seven donors accounted for approximately 16% of the contributions received. 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, 2012 and 2011 consists of the following:

Video	\$	-	\$	5,622
Equipment		2,987		12,419
		<u>2,987</u>		<u>18,041</u>
Accumulated depreciation		<u>(2,987)</u>		<u>(18,041)</u>
Total	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>

Depreciation expense was \$0 and \$6,840 for the years ended December 31, 2012 and 2011, respectively.

Trademark registration fees of \$1,945 were fully amortized at December 31, 2012 and 2011.

CHILDREN OF PROMISE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

5. SPONSORSHIP PROGRAMS

The Organization participates in the sponsorship of approximately 1,300 orphans in about seventy-five 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.

6. PRIOR PERIOD ADJUSTMENT

During 2013, the Organization discovered that land was improperly capitalized on its books in years prior to 2011. The amount recorded for the land of \$91,648 should have been expensed in years prior to 2011 as direct payments to the field.

The accompanying financial statements for 2011 have been restated to correct the error made in prior years. The effect of the restatement was to decrease beginning net assets for 2011.

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
NET ASSETS - Beginning Balance as previously reported	\$ (2,234)	\$ 181,576	\$ 179,342
Prior period adjustment - correction of error	<u>(91,648)</u>	<u>-</u>	<u>(91,648)</u>
Balance beginning of Year as restated	(93,882)	181,576	87,694
CHANGE IN NET ASSETS	<u>142,431</u>	<u>7,807</u>	<u>150,238</u>
NET ASSETS - End of Year	<u>\$ 48,549</u>	<u>\$ 189,383</u>	<u>\$ 237,932</u>

In addition, net property and equipment at December 31, 2011 were restated to reflect the write off of the land costs.

7. LINE OF CREDIT

The Organization has a credit card with a local bank with a credit line of \$21,000. Available credit at December 31, 2012 was \$20,032.