

A Child's Hope International, Inc.

Financial Statements

December 31, 2018 and 2017



FLAGEL HUBER FLAGEL
Certified Public Accountants | Business Advisors

A Child's Hope International, Inc.

Table of Contents

December 31, 2018 and 2017

| | |
|-------------------------------------|--------|
| Independent Auditor's Report | Page 1 |
| Financial Statements | |
| Statements of Financial Position | 2 |
| Statements of Activities | 3 - 4 |
| Statements of Functional Expenses | 5 - 6 |
| Statements of Cash Flows | 7 |
| Notes to Financial Statements | 8 - 14 |



FLAGEL HUBER FLAGEL

Certified Public Accountants | Business Advisors

Independent Auditor's Report

To the Board of Directors of
A Child's Hope International, Inc.

We have audited the accompanying financial statements of A Child's Hope International, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 A Child's Hope International, Inc. as of December 31, 2018 and 2017, 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.

Flagel Huber Flagel

Certified Public Accountants
Dayton, Ohio
September 20, 2019

A Childs Hope International, Inc.
Statements of Financial Position
December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 1,122,664 | \$ 1,019,499 |
| Contributions receivable | 33,944 | 30,268 |
| Investments | 0 | 528 |
| Inventory | 11,863 | 12,136 |
| Total Current Assets | <u>1,168,471</u> | <u>1,062,431</u> |
| Property and Equipment, Net | <u>56,525</u> | <u>61,107</u> |
| Total Assets | <u>\$ 1,224,996</u> | <u>\$ 1,123,538</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable | \$ 10,875 | \$ 28,999 |
| Accrued expenses | 13,686 | 11,938 |
| Total Liabilities | <u>24,561</u> | <u>40,937</u> |
| Net Assets | | |
| Without donor restrictions | 1,144,718 | 1,028,917 |
| With donor restrictions | 55,717 | 53,684 |
| Total Net Assets | <u>1,200,435</u> | <u>1,082,601</u> |
| Total Liabilities and Net Assets | <u>\$ 1,224,996</u> | <u>\$ 1,123,538</u> |

The accompanying notes are an integral part of these statements.

A Child's Hope International, Inc.
Statement of Activities
For the Year Ended December 31, 2018

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---------------------------------------|------------------------------------|---------------------|
| Support and Revenues | | | |
| Contributions | \$ 786,195 | \$ 2,372 | \$ 788,567 |
| In-kind contributions | 1,791,199 | 0 | 1,791,199 |
| Grants | 80,000 | 0 | 80,000 |
| Special events revenue (net of cost of direct benefits to donors totaling \$19,394) | 194,386 | 0 | 194,386 |
| Interest and other income | 10,630 | 0 | 10,630 |
| Merchandise and book sales | 51,188 | 0 | 51,188 |
| Net assets released from restriction | 339 | (339) | 0 |
| Total Support and Revenues | 2,913,937 | 2,033 | 2,915,970 |
| Expenses | | | |
| Program services | 2,569,197 | 0 | 2,569,197 |
| Management and general | 171,231 | 0 | 171,231 |
| Fundraising | 57,708 | 0 | 57,708 |
| Total Expenses | 2,798,136 | 0 | 2,798,136 |
| Change in Net Assets | 115,801 | 2,033 | 117,834 |
| Net Assets - beginning of year | 1,028,917 | 53,684 | 1,082,601 |
| Net Assets - end of year | \$ 1,144,718 | \$ 55,717 | \$ 1,200,435 |

The accompanying notes are an integral part of these statements.

A Child's Hope International, Inc.

Statement of Activities

For the Year Ended December 31, 2017

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|---------------------------------------|------------------------------------|---------------------|
| Support and Revenues | | | |
| Contributions | \$ 757,748 | \$ 33,243 | \$ 790,991 |
| In-kind contributions | 1,016,577 | 0 | 1,016,577 |
| Grants | 77,500 | 0 | 77,500 |
| Interest and other income | 2,511 | 0 | 2,511 |
| Merchandise and book sales | 32,667 | 0 | 32,667 |
| Net assets released from restriction | 351,685 | (132,499) | 219,186 |
| Total Support and Revenues | 2,238,688 | (99,256) | 2,139,432 |
| Expenses | | | |
| Program services | 1,922,649 | 0 | 1,922,649 |
| Management and general | 104,016 | 0 | 104,016 |
| Fundraising | 39,984 | 0 | 39,984 |
| Total Expenses | 2,066,649 | 0 | 2,066,649 |
| Change in Net Assets | 172,039 | (99,256) | 72,783 |
| Net Assets - beginning of year | 856,878 | 152,940 | 1,009,818 |
| Net Assets - end of year | \$ 1,028,917 | \$ 53,684 | \$ 1,082,601 |

The accompanying notes are an integral part of these statements.

A Child's Hope International, Inc
Statement of Functional Expenses
For the Year Ended December 31, 2018

| | Program Services | Management and General | Fundraising | Total |
|--------------------------------|-----------------------------|-----------------------------------|--------------------|---------------------|
| Humanitarian relief production | \$ 2,132,615 | \$ 0 | \$ 0 | \$ 2,132,615 |
| Compensation and benefits | 185,074 | 97,391 | 20,775 | 303,240 |
| Payroll taxes | 18,832 | 9,910 | 2,114 | 30,856 |
| Payroll services | 1,102 | 580 | 124 | 1,806 |
| Occupancy | 133,693 | 25,067 | 8,356 | 167,116 |
| Professional services | 0 | 18,401 | 0 | 18,401 |
| Advertising | 6,961 | 0 | 6,961 | 13,922 |
| Special events | 7,279 | 0 | 7,279 | 14,558 |
| Office expenses | 24,484 | 4,591 | 1,530 | 30,605 |
| Equipment and fixtures | 884 | 166 | 55 | 1,105 |
| Travel | 4,586 | 5 | 0 | 4,591 |
| Depreciation | 12,992 | 2,436 | 812 | 16,240 |
| Insurance | 3,405 | 638 | 213 | 4,256 |
| Supplies | 10,058 | 1,886 | 629 | 12,573 |
| Bank fees | 0 | 5,544 | 0 | 5,544 |
| Membership and subscription | 4,253 | 4,253 | 0 | 8,506 |
| Grants paid | 91 | 0 | 0 | 91 |
| Contract labor | 2,490 | 0 | 0 | 2,490 |
| Volunteer management | 11,168 | 0 | 0 | 11,168 |
| Merchandise | 8,860 | 0 | 8,860 | 17,720 |
| Miscellaneous | 370 | 363 | 0 | 733 |
| Total Expenses | \$ 2,569,197 | \$ 171,231 | \$ 57,708 | \$ 2,798,136 |

The accompanying notes are an integral part of these statements.

A Child's Hope International, Inc
Statement of Functional Expenses
For the Year Ended December 31, 2017

| | Program Services | Management and General | Fundraising | Total |
|--------------------------------|-----------------------------|-----------------------------------|--------------------|---------------------|
| Humanitarian relief production | \$ 1,470,904 | \$ 0 | \$ 0 | \$ 1,470,904 |
| Compensation and benefits | 208,077 | 26,010 | 26,010 | 260,097 |
| Payroll taxes | 15,347 | 1,919 | 1,919 | 19,185 |
| Payroll services | 4,715 | 524 | 0 | 5,239 |
| Occupancy | 139,301 | 15,478 | 0 | 154,779 |
| Professional services | 0 | 10,224 | 0 | 10,224 |
| Advertising | 12,055 | 0 | 12,055 | 24,110 |
| Office expenses | 7,994 | 18,651 | 0 | 26,645 |
| Equipment and fixtures | 3,848 | 0 | 0 | 3,848 |
| Travel | 11 | 40 | 0 | 51 |
| Depreciation | 15,154 | 1,684 | 0 | 16,838 |
| Insurance | 3,382 | 376 | 0 | 3,758 |
| Supplies | 1,705 | 189 | 0 | 1,894 |
| Bank fees | 0 | 7,941 | 0 | 7,941 |
| Membership and subscription | 4,850 | 4,850 | 0 | 9,700 |
| Grants paid | 5,000 | 0 | 0 | 5,000 |
| Contract labor | 8,800 | 16,130 | 0 | 24,930 |
| Volunteer management | 6,870 | 0 | 0 | 6,870 |
| Merchandise | 14,636 | 0 | 0 | 14,636 |
| Total Expenses | \$ 1,922,649 | \$ 104,016 | \$ 39,984 | \$ 2,066,649 |

The accompanying notes are an integral part of these statements.

A Child's Hope International, Inc.

Statements of Cash Flows

For the Years Ended December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Cash Flows from Operating Activities: | | |
| Change in net assets | \$ 117,834 | \$ 72,783 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 16,240 | 16,838 |
| Net realized gains on investments | (753) | 0 |
| Donated securities | (13,229) | (3,129) |
| Increase (decrease) in cash due to changes in: | | |
| Contributions receivable | (3,676) | (30,268) |
| Inventory | 273 | 3,538 |
| Accounts payable | (18,124) | 11,714 |
| Accrued expenses | 1,748 | 11,938 |
| Net Cash Provided by Operating Activities | <u>100,313</u> | <u>83,414</u> |
| Cash Flows from Investing Activities: | | |
| Purchase of property and equipment | (11,658) | (9,708) |
| Net proceeds from sale of investments | 14,510 | 4,325 |
| Net Cash Provided by (Used in) Investing Activities | <u>2,852</u> | <u>(5,383)</u> |
| Change in Cash | 103,165 | 78,031 |
| Cash and Cash Equivalents - beginning of year | <u>1,019,499</u> | <u>941,468</u> |
| Cash and Cash Equivalents - end of year | <u>\$ 1,122,664</u> | <u>\$ 1,019,499</u> |
| Supplemental Disclosure of Noncash Investing Activities: | | |
| Donated securities | \$ 13,229 | \$ 3,129 |

The accompanying notes are an integral part of these statements.

A Child's Hope International, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

1. Organization

A Child's Hope International, Inc. (the Organization) is a not-for-profit organization incorporated in the State of Ohio in 2008. The Organization is a partner-based organization dedicated to motivating and mobilizing the church and community to care for the orphans and vulnerable children worldwide through adoption, foster care, orphan care, and humanitarian relief. The Organization was founded on the principle that because children matter to God, they should matter to us and was formed to give glory to the Father by caring for the least of these (Matthew 25:31-46). The Organization is supported primarily through donor contributions.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. A description of each class as it pertains to the Organization is as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposit accounts, which include checking and savings accounts, as well as certificates of deposit.

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

A Child's Hope International, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (Continued)

Contributions Receivable

Contributions receivable represent unconditional promises to give that are expected to be collected in the future. All receivables are expected to be collected within one year and therefore no discount has been recorded. The Organization utilizes the direct write off method to account for bad debts. Accordingly, amounts are written off in the period they are determined uncollectible. There was no bad debt expense with respect to receivables for the years ended December 31, 2018 and 2017, respectively.

Investments

The Organization carries investments at their fair value on the statements of financial position. Investment return includes interest, dividends, and realized and unrealized gains and losses and is included on the statements of activities.

Inventory

Inventory consists of books and is stated at the lower of cost or net realizable value determined by the average cost method.

Property and Equipment

Property and equipment is stated at cost when purchased or fair value when received as a donation. The Organization capitalizes purchases of \$500 or more with an expected useful life of more than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 15 years.

Impairment of Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value. No impairment losses were recognized during the years ended December 31, 2018 and 2017.

Support and Revenue

Contributions received are recorded as with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

Donated Materials and Services

Donated materials are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

A Child's Hope International, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (Continued)

Functional Expenses

The costs of providing various program services and supporting activities have been reported on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefitted, on a reasonable basis that is consistently applied. Expenses that are not directly related to a single program or activity but are indispensable to the conduct of the Organization's programs or existence are charged to management and general. Expenses relating to activities undertaken to induce contributions are charged to fundraising. Certain administrative costs including salaries and wages, payroll taxes, and employee benefits are allocated on the basis of estimates of personnel time related to each activity. Costs related to occupancy and maintenance of the building are allocated based upon a space utilization schedule.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2018 and 2017 were \$13,922 and \$24,110, respectively.

Income Taxes

The financial statements include no provision for income taxes since the Organization is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. However, any income from certain activities not directly related to the Organization's tax exempt purpose may be subject to taxation as unrelated business income.

The Organization determines the recognition of uncertain tax positions, if applicable, that may subject the Organization to unrelated business income tax by applying a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with tax authorities. The Organization does not have any uncertain tax positions at December 31, 2018 and 2017. The Organization believes it is no longer subject to income tax examinations for tax years prior to 2015.

3. Liquidity and Availability

The following reflects the Organization's financial assets as of December 31, 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year.

| | | |
|---|----|-------------------------|
| Cash and cash equivalents | \$ | 1,122,664 |
| Contributions receivable | | 33,944 |
| Total financial assets at December 31, 2018 | | <u>1,156,608</u> |
| Less those unavailable for general expenditure within one year, due to: | | |
| Donor-imposed restrictions: | | |
| Restricted by donor with time or purpose restrictions | | <u>(55,717)</u> |
| Financial assets available to meet cash needs for general expenditures within one year: | \$ | <u><u>1,100,891</u></u> |

A Child's Hope International, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

3. Liquidity and Availability (Continued)

The Organization is substantially supported by contributions, which may contain donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Consequently, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management policy it structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

It is the policy of the Organization to regularly review and assess the need for funds to meet operating obligations and to ensure the availability of cash or collateral to fulfill those requirements. The Organization is committed to maintaining a reserve of \$600,000 which represents approximately six months of operating expenses.

4. Investments

The Organization receives donations of investments which are typically sold within a few months of receipt. No other investments are held by the client, therefore the return on investments is usually minimal.

Investments are stated at fair value and consist of the following at December 31:

| <u>2018</u> | <u>Fair Value</u> | <u>Cost</u> | <u>Change</u> |
|--------------|-------------------|---------------|---------------|
| Common stock | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| <u>2017</u> | <u>Fair Value</u> | <u>Cost</u> | <u>Change</u> |
| Common stock | <u>\$ 528</u> | <u>\$ 528</u> | <u>\$ 0</u> |

Investment return consisted of realized gains, interest, and dividends totaling \$840 for the year ended December 31, 2018. Investment return was \$0 for the year ended December 31, 2017.

5. Property and Equipment

Property and equipment consists of the following, at cost, for the years ended December 31:

| | <u>2018</u> | <u>2017</u> | <u>Estimated Life in Years</u> |
|--------------------------------|------------------|------------------|------------------------------------|
| Leasehold improvements | \$ 43,687 | \$ 34,485 | 15 |
| Vehicles | 15,302 | 15,302 | 5 |
| Office equipment | 59,820 | 59,820 | 7 |
| Office furniture | 12,660 | 10,204 | 7 |
| Computer software | 4,026 | 4,026 | 5 |
| | <u>135,495</u> | <u>123,837</u> | |
| Less: Accumulated depreciation | <u>(78,970)</u> | <u>(62,730)</u> | |
| | <u>\$ 56,525</u> | <u>\$ 61,107</u> | |

Depreciation expense for the years ended December 31, 2018 and 2017, was \$16,240 and \$16,838, respectively.

A Child's Hope International, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

6. Net Assets

Net assets with donor restrictions consist of cash that is restricted for the following program purposes at December 31:

| | <u>2018</u> | <u>2017</u> |
|-------------------|------------------|------------------|
| Fresh water wells | \$ 17,575 | \$ 17,566 |
| Designated relief | 30,503 | 30,503 |
| Adoption | 2,118 | 0 |
| Foster care | 5,521 | 5,615 |
| | <u>\$ 55,717</u> | <u>\$ 53,684</u> |

Net assets were released from donor restrictions during the years ended December 31, 2018 and 2017, by incurring expenses satisfying the restricted purpose as follows:

| | <u>2018</u> | <u>2017</u> |
|-------------------|---------------|-------------------|
| Promise water | \$ 0 | \$ 5,394 |
| Shipping | 0 | 41,901 |
| Designated relief | 0 | 79,210 |
| Hope boxes | 0 | 5,994 |
| Adoption | 245 | 0 |
| Foster care | 94 | 0 |
| | <u>\$ 339</u> | <u>\$ 132,499</u> |

7. In-Kind Contributions

In-kind contributions consist of the following at December 31:

| | <u>2018</u> | <u>2017</u> |
|--------------------------------|---------------------|---------------------|
| Investments | \$ 13,229 | \$ 3,129 |
| Occupancy | 81,356 | 73,356 |
| Humanitarian relief production | 1,684,117 | 927,576 |
| Contract labor | 1,200 | 8,800 |
| Supplies | 11,297 | 3,716 |
| | <u>\$ 1,791,199</u> | <u>\$ 1,016,577</u> |

The occupancy amounts disclosed above represent in-kind contributions of office, warehouse, and courtyard space that was provided to the Organization at below market lease rates (as determined by the fair value of similar space and communicated by the property's lessor).

A Child's Hope International, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

8. Operating Lease

The Organization leases office and warehouse space under lease agreements expiring at various dates through 2021. Rent expense for the years ended December 31, 2018 and 2017 was \$68,680 and \$60,000, respectively. See Note 7 for further details regarding in-kind contributions related to rent.

Future minimum lease payments are as follows for each year ending December 31:

| <u>Year</u> | <u>Amount</u> |
|-------------|-------------------|
| 2019 | \$ 112,080 |
| 2020 | 112,080 |
| 2021 | 63,400 |
| | <u>\$ 287,560</u> |

9. Fair Value Measurements

The Organization applies accounting principles generally accepted in the United States of America (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received for an asset or paid to transfer a liability, in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants at the measurement date. GAAP establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value as follows:

- Level 1 - Observable inputs such as quoted prices in active markets;
- Level 2 - Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 - Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Significant transfers between fair value levels are determined at the end of the reporting period. There were no significant transfers in 2018 and 2017.

The Organization has determined that the only material financial assets or liabilities that are measured at fair value on a recurring basis and categorized using the fair value hierarchy are investments. For such investments, fair value measurement is based upon quoted prices. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. All investments at December 31, 2018 and 2017 are measured at Level 1 inputs.

A Child's Hope International, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

10. Change in Accounting Policy

The Organization reclassified its opening net asset balances as of January 1, 2017 to properly comply with accounting standards related to net asset classifications. The adoption of the new standard changes the presentation of net assets and has no net effect on the financial results of the Organization. Under the new policy the Organization's three net asset classifications (permanently restricted, temporarily restricted, and unrestricted) were replaced with two net asset classes: net assets with donor restrictions and net assets without donor restrictions.

11. Subsequent Events

Management evaluated the activity of the Organization through September 20, 2019 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



In this ever-changing business environment, Flagel Huber Flagel goes beyond numbers and deadlines, returning the trust and confidence our clients place in us, with a caring partner relationship. We are committed to a collaborative search for ideas and solutions that help business organizations thrive and families build and preserve wealth. Our commitment is simple; financial and operational *insight*, service *integrity*, and problem solving *innovation*.

www.fhf-cpa.com

3400 South Dixie Drive, Dayton, OH 45439 | 937.299.3400
9135 Governors Way, Cincinnati, OH 45249 | 513.774.0300