

**A Child's Hope International, Inc.**

**Financial Statements**

**December 31, 2019 and 2018**



**FLAGEL HUBER FLAGEL**  
Certified Public Accountants | Business Advisors

**A Child's Hope International, Inc.**

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**December 31, 2019 and 2018**

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# 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, 2019 and 2018, 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, 2019 and 2018 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  
November 2, 2020

**A Childs Hope International, Inc.**  
**Statements of Financial Position**  
**December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash, cash equivalents, and restricted cash	\$ 1,083,056	\$ 1,122,664
Contributions receivable	119,644	33,944
Investments	593	0
Inventory	11,583	11,863
<b>Total Current Assets</b>	<u>1,214,876</u>	<u>1,168,471</u>
<b>Property and Equipment, Net</b>	<u>391,568</u>	<u>56,525</u>
<b>Total Assets</b>	<u>\$ 1,606,444</u>	<u>\$ 1,224,996</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 75,668	\$ 10,875
Accrued expenses	21,537	13,686
<b>Total Liabilities</b>	<u>97,205</u>	<u>24,561</u>
<b>Net Assets</b>		
Without donor restrictions	1,461,371	1,144,718
With donor restrictions	47,868	55,717
<b>Total Net Assets</b>	<u>1,509,239</u>	<u>1,200,435</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,606,444</u>	<u>\$ 1,224,996</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, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and Revenues</b>			
Contributions	\$ 1,198,481	\$ 42,365	\$ 1,240,846
In-kind contributions	701,838	0	701,838
Grants	103,600	0	103,600
Interest and other income	25,869	0	25,869
Merchandise and book sales	41,441	0	41,441
Net assets released from restriction	50,214	(50,214)	0
<b>Total Support and Revenues</b>	<b>2,121,443</b>	<b>(7,849)</b>	<b>2,113,594</b>
<b>Expenses</b>			
Program services	1,630,393	0	1,630,393
Management and general	132,035	0	132,035
Fundraising	42,362	0	42,362
<b>Total Expenses</b>	<b>1,804,790</b>	<b>0</b>	<b>1,804,790</b>
<b>Change in Net Assets</b>	<b>316,653</b>	<b>(7,849)</b>	<b>308,804</b>
<b>Net Assets - beginning of year</b>	<b>1,144,718</b>	<b>55,717</b>	<b>1,200,435</b>
<b>Net Assets - end of year</b>	<b>\$ 1,461,371</b>	<b>\$ 47,868</b>	<b>\$ 1,509,239</b>

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**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and Revenues</b>			
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
<b>Total Support and Revenues</b>	<b>2,913,937</b>	<b>2,033</b>	<b>2,915,970</b>
<b>Expenses</b>			
Program services	2,569,197	0	2,569,197
Management and general	171,231	0	171,231
Fundraising	57,708	0	57,708
<b>Total Expenses</b>	<b>2,798,136</b>	<b>0</b>	<b>2,798,136</b>
<b>Change in Net Assets</b>	<b>115,801</b>	<b>2,033</b>	<b>117,834</b>
<b>Net Assets - beginning of year</b>	<b>1,028,917</b>	<b>53,684</b>	<b>1,082,601</b>
<b>Net Assets - end of year</b>	<b>\$ 1,144,718</b>	<b>\$ 55,717</b>	<b>\$ 1,200,435</b>

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, 2019**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Humanitarian relief production	\$ 859,262	\$ 0	\$ 0	\$ 859,262
Compensation and benefits	298,175	73,608	14,204	385,987
Payroll taxes	27,125	6,696	1,292	35,113
Payroll services	1,519	375	72	1,966
Occupancy	234,973	20,831	5,208	261,012
Professional services	14,848	14,848	0	29,696
Advertising	6,865	0	6,865	13,730
Special events	8,947	0	8,947	17,894
Office expenses	23,746	1,820	455	26,021
Equipment and fixtures	8,662	664	166	9,492
Travel	10,714	0	0	10,714
Depreciation	37,058	2,839	710	40,607
Insurance	5,214	399	100	5,713
Supplies	18,791	1,440	360	20,591
Bank fees	5,762	1,921	0	7,683
Membership and subscription	6,546	6,546	0	13,092
Grants paid	30,250	0	0	30,250
Contract labor	13,235	0	0	13,235
Volunteer management	6,702	0	0	6,702
Merchandise	11,951	0	3,983	15,934
Miscellaneous	48	48	0	96
<b>Total Expenses</b>	<b>\$ 1,630,393</b>	<b>\$ 132,035</b>	<b>\$ 42,362</b>	<b>\$ 1,804,790</b>

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**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
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
<b>Total Expenses</b>	<b>\$ 2,569,197</b>	<b>\$ 171,231</b>	<b>\$ 57,708</b>	<b>\$ 2,798,136</b>

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, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 308,804	\$ 117,834
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	40,607	16,240
Net realized gains on investments	(77)	(753)
Donated securities	(6,404)	(13,229)
Increase (decrease) in cash due to changes in:		
Contributions receivable	(85,700)	(3,676)
Inventory	280	273
Accounts payable	64,793	(18,124)
Accrued expenses	7,851	1,748
<b>Net Cash Provided by Operating Activities</b>	<u>330,154</u>	<u>100,313</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment	(375,650)	(11,658)
Net proceeds from sale of investments	5,888	14,510
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>(369,762)</u>	<u>2,852</u>
<b>Change in Cash, Cash Equivalents and Restricted Cash</b>	(39,608)	103,165
<b>Cash, Cash Equivalents and Restricted Cash:</b>		
Beginning of year	1,122,664	1,019,499
End of year	<u>\$ 1,083,056</u>	<u>\$ 1,122,664</u>
<b>Supplemental Disclosure of Noncash Investing Activities:</b>		
Donated securities	\$ 6,404	\$ 13,229

The accompanying notes are an integral part of these statements.

## A Child's Hope International, Inc.

### Notes to Financial Statements

December 31, 2019 and 2018

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#### 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.

##### Cash, Cash Equivalents, and Restricted Cash

Effective January 1, 2019, the Organization adopted *Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows (Topic 230)*. The standard provides guidance on the classification and presentation of restricted cash in the statements of cash flows. The adoption of this new guidance does not have a material impact on the Organization's financial statements.

For financial statement purposes, the Organization considers all highly liquid bank accounts that include interest and non-interest-bearing demand deposit accounts to be cash equivalents.

The Organization may maintain a portion of this cash in commercial bank accounts which, at times, could exceed federally insured limits. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on cash.

Cash, cash equivalents, and restricted cash as of December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Cash	\$ 1,035,188	\$ 1,066,947
Cash - with donor restrictions	<u>47,868</u>	<u>55,717</u>
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	<u>\$ 1,083,056</u>	<u>\$ 1,122,664</u>

## A Child's Hope International, Inc.

### Notes to Financial Statements

December 31, 2019 and 2018

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## 2. Summary of Significant Accounting Policies (Continued)

### 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.

### 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, 2019 and 2018, 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, 2019 and 2018.

### 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.

## A Child's Hope International, Inc.

### Notes to Financial Statements

December 31, 2019 and 2018

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#### 2. Summary of Significant Accounting Policies (Continued)

##### Revenue Recognition

The Financial Accounting Standards Board (FASB) issued two Accounting Standard Updates (ASU's) that affect revenue recognition under Accounting Principles Generally Accepted in the United States of America. The first, *Accounting Standards Update No. 2014-09 (ASU 2014-09), Revenue from Contracts with Customers (Topic 606)* affects contracts with customers to transfer goods or services. The core principle of this ASU is that an entity should recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services provided. Revenues from contracts are measured based on the amount of consideration specified in a contract with a customer and are recognized when performance obligations (i.e. obligations to transfer goods and / or services) are satisfied, which generally occurs with the transfer of control of the goods or services to the customer. The adoption of this new standard has not had a material impact on the Organization's financial statements.

The second, *Accounting Standards Update No. 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions, contributions or conditional contributions. The adoption of this new standard changed the classification of governmental reimbursement type grants from program service fee revenue to conditional contributions. Consequently, these reimbursement type grants are not subject to *ASU 2014-09 Revenue from Contracts with Customers*. The adoption of this new standard has not had a material impact on the Organization's financial statements.

##### 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.

##### 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, 2019 and 2018 were \$13,730 and \$13,922, respectively.

## A Child's Hope International, Inc.

### Notes to Financial Statements

December 31, 2019 and 2018

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#### 2. Summary of Significant Accounting Policies (Continued)

##### 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, 2019 and 2018. The Organization believes it is no longer subject to income tax examinations for tax years prior to 2016.

#### 3. Liquidity and Availability

The following reflects the Organization's financial assets as of December 31, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year.

Cash, cash equivalents and restricted cash	\$	1,083,056
Contributions receivable		119,644
Total financial assets at December 31, 2019		<u>1,202,700</u>
Less those unavailable for general expenditure within one year, due to:		
Donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions		<u>(47,868)</u>
Financial assets available to meet cash needs for general expenditures within one year:	\$	<u><u>1,154,832</u></u>

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.

## A Child's Hope International, Inc.

### Notes to Financial Statements

December 31, 2019 and 2018

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#### 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>2019</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Change</u>
Common stock	<u>\$ 593</u>	<u>\$ 593</u>	<u>\$ 0</u>

  

<u>2018</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Change</u>
Common stock	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

#### 5. Property and Equipment

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

	<u>2019</u>	<u>2018</u>	<u>Estimated Life in Years</u>
Leasehold improvements	\$ 372,511	\$ 43,687	15
Vehicles	59,530	15,302	5
Office equipment	59,820	59,820	7
Office furniture	15,260	12,660	7
Computer software	4,026	4,026	5
	<u>511,147</u>	<u>135,495</u>	
Less: Accumulated depreciation	<u>(119,579)</u>	<u>(78,970)</u>	
	<u>\$ 391,568</u>	<u>\$ 56,525</u>	

Depreciation expense for the years ended December 31, 2019 and 2018, was \$40,607 and \$16,240, respectively. See Note 7 for further details regarding in-kind contributions related to fixed assets.

#### 6. Net Assets

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

	<u>2019</u>	<u>2018</u>
Fresh water wells	\$ 0	\$ 17,575
Promise Water	34,615	0
Designated relief	6,503	30,503
Adoption	4,229	2,118
Foster care	2,521	5,521
	<u>\$ 47,868</u>	<u>\$ 55,717</u>

## A Child's Hope International, Inc.

### Notes to Financial Statements

December 31, 2019 and 2018

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#### 6. Net Assets (Continued)

Net assets were released from donor restrictions during the years ended December 31, 2019 and 2018, by incurring expenses satisfying the restricted purpose as follows:

	<u>2019</u>	<u>2018</u>
Fresh water wells	\$ 17,575	\$ 0
Designated relief	25,000	0
Adoption	2,118	245
Foster care	5,521	94
	<u>\$ 50,214</u>	<u>\$ 339</u>

#### 7. In-Kind Contributions

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

	<u>2019</u>	<u>2018</u>
Investments	\$ 6,404	\$ 13,229
Occupancy	121,356	81,356
Humanitarian relief production	269,169	1,684,117
Contract labor	13,235	1,200
Supplies	4,292	11,297
Property and equipment	279,970	0
Shipping	7,412	0
	<u>\$ 701,838</u>	<u>\$ 1,791,199</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). The fixed asset amount is included in the leasehold improvements total in Note 5.

#### 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, 2019 and 2018 was \$112,080 and \$68,680, 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>
2020	\$ 112,080
2021	67,740
	<u>\$ 179,820</u>

## **A Child's Hope International, Inc.**

### **Notes to Financial Statements**

**December 31, 2019 and 2018**

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#### **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 2019 and 2018.

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, 2019 and 2018 are measured at Level 1 inputs.

#### **10. Subsequent Events**

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. The Organization is not able to estimate the possible effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for subsequent years.



**A Child's Hope International, Inc.**

**Notes to Financial Statements**

**December 31, 2019 and 2018**

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**10. Subsequent Events (Continued)**

In May of 2020, the Organization received approval and funding for a loan under the Paycheck Protection Program (PPP) as provided for by the CARES Act. The loan was issued through Fifth Third Bank in connection with the Small Business Administration (SBA) for a total of \$86,100. The PPP loan may be forgiven in whole or in part depending upon certain factors, which will be determined after an 8-week covered period. Any unforgiven amount of the PPP loan will be required to be repaid over a two-year term at 1% interest. On June 5, 2020, the Paycheck Protection Program Flexibility Act of 2020 (PPPPFA) was signed into law. The PPPFA extended the covered period to 24 weeks and increased the repayment period to five years for loans made after June 5, 2020. For loans made prior to June 5, 2020, borrowers may elect to use the original 8-week covered period, or the extended 24-week period, and may renegotiate the original two-year term with their lender to match the five-year term under the PPPFA.

Management evaluated the activity of the Organization through November 2, 2020 (the date the financial statements were available to be issued) and concluded that, except as disclosed above, no other 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*.

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