



AFRICAN VISION OF HOPE

FINANCIAL STATEMENTS

DECEMBER 31, 2018

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To the Board of Directors
African Vision of Hope
Maryville, Illinois

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Management is responsible for the accompanying financial statements of *African Vision of Hope* (an Illinois not-for-profit organization) which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

November 12, 2019
St. Louis, Missouri

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Certified Public Accountants

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AFRICAN VISION OF HOPE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

Current Assets	
Cash	\$ 648,565
Total Current Assets	<u>648,565</u>
Property and Equipment, Net of Depreciation	<u>-</u>
Total Assets	\$ <u>648,565</u>

LIABILITIES & NET ASSETS

Current Liabilities	
Accounts payable	\$ 20
Accrued payroll and taxes	<u>5,898</u>
Total Current Liabilities	<u>5,918</u>
Net Assets	
Without Donor Restrictions	626,776
With Donor Restrictions	<u>15,871</u>
Total Net Assets	<u>642,647</u>
Total Liabilities and Net Assets	\$ <u>648,565</u>

AFRICAN VISION OF HOPE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions, including in-kind	\$ 734,093	\$ 15,871	\$ 749,964
Sponsorships	329,115	-	329,115
Special events, including contributions	293,830	-	293,830
Less: direct benefits to donors	(96,156)	-	(96,156)
Grant Income	2,667	-	2,667
Other income	429	-	429
	<u>1,263,978</u>	<u>15,871</u>	<u>1,279,849</u>
Net assets released from restrictions	<u>9,109</u>	<u>(9,109)</u>	<u>-</u>
Total Support and Revenue	<u>1,273,087</u>	<u>6,762</u>	<u>1,279,849</u>
Functional Expenses			
Program	1,187,745	-	1,187,745
General and administrative	59,806	-	59,806
Fundraising	37,460	-	37,460
Total Functional Expenses	<u>1,285,011</u>	<u>-</u>	<u>1,285,011</u>
Increase (Decrease) in Net Assets	<u>(11,924)</u>	<u>6,762</u>	<u>(5,162)</u>
Net Assets - Beginning of the Year	<u>638,700</u>	<u>9,109</u>	<u>647,809</u>
Net Assets - End of the Year	<u>\$ 626,776</u>	<u>\$ 15,871</u>	<u>\$ 642,647</u>

AFRICAN VISION OF HOPE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash Flows from Operating Activities	
Net decrease in net assets	\$ (5,162)
Adjustments to reconcile net decrease in net assets to net cash used by operating activities	
Change in assets - (increase) decrease	
Accounts receivable	660
Change in liabilities - increase (decrease)	
Accounts payable	(3,420)
Accrued payroll and taxes	(1,317)
Total Adjustments	(4,077)
Net Cash Used by Operating Activities	(9,239)
Decrease in Cash	(9,239)
Cash - Beginning of Year	657,804
Cash - End of Year	\$ <u>648,565</u>

AFRICAN VISION OF HOPE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Schools & Education	Feeding Program & Medical Care	Vocational & Leadership Training	Total Program Services	Management and General Services	Fundraising Services	Total
Expenses							
Auto expense	\$ 1,426	\$ 743	\$ 1,966	\$ 4,135	\$ 547	\$ 664	\$ 5,346
Communications	-	-	-	-	2,756	170	2,926
Donor development expenses	-	-	-	-	-	8,152	8,152
Employee benefit expenses	1,354	710	643	2,707	440	237	3,384
Grants	458,868	86,554	273,413	818,835	-	-	818,835
Insurance	1,177	941	891	3,009	558	1,252	4,819
Mission trip expenses	34,188	33,108	35,480	102,776	-	-	102,776
Occupancy expenses	12,736	8,915	8,278	29,929	637	1,274	31,840
Office expenses	5,962	5,277	5,813	17,052	7,684	4,021	28,757
Other expenses	3,735	1,929	3,113	8,777	931	461	10,169
Payroll taxes	6,624	3,478	3,147	13,249	2,153	1,159	16,561
Professional services	1,018	1,008	5,038	7,064	17,462	8,060	32,586
Salaries and wages	92,539	44,696	42,023	179,258	25,689	11,851	216,798
Volunteer expense	294	294	366	954	949	159	2,062
Total Expenses	\$ 619,921	\$ 187,653	\$ 380,171	\$ 1,187,745	\$ 59,806	\$ 37,460	\$ 1,285,011

AFRICAN VISION OF HOPE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

African Vision of Hope (as known as "AVOH" or the "Organization") was organized on January 21, 2003, as a not-for-profit corporation. AVOH is a Christian organization committed to bringing immediate and lasting solutions to children and families living in extreme poverty. AVOH confronts the root causes of poverty by providing opportunities to be educated, grow up healthy, develop leadership and economic skills and learn about God's love.

Method 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.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from estimated amounts.

Cash and Cash Equivalents

Cash and cash equivalents include funds that are with and without donor restrictions. Short-term investments with maturity dates less than 90 days from the purchase date are considered cash equivalents.

Accounts Receivable

Accounts receivable are stated at net realizable amounts from grant contracts.

Management has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed. The Organization did not have any bad debt for the year ended December 31, 2018.

Property and Equipment

All property and equipment are recorded at cost, if purchased, or estimated fair value at the date of donation, if contributed, less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives between five and seven years. Expenditures above the capitalization policy, which substantially increase the useful lives of assets, are capitalized. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in current income. Maintenance, repairs and minor renewals are charged to expense as incurred.

AFRICAN VISION OF HOPE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported 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. AVOH reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions.

When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions

Contributions are recorded as made or unconditionally promised. All contributions are available for use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no unconditional or conditional promises to give as of December 31, 2018.

Concentration of Credit Risk

AVOH maintains the majority of its cash balance in one financial institution. The account is insured by the Federal Deposit Insurance Corporation up to \$250,000 for the year ending December 31, 2018. At various times during the year, AVOH's cash balance exceeded the standard insured limit.

Advertising

Advertising costs are expensed as incurred. The advertising costs expensed for the year ended December 31, 2018, were \$2,926 and presented as communications expense.

AFRICAN VISION OF HOPE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Supporting services includes general and administrative of \$59,806 which is 5% of total expenses and fundraising of \$37,460 which is 3% of total expenses for the year ended December 31, 2018. Collectively, these expenses are 8% of total expenses.

Program Services

Program services includes those expenditures that enable the Organization to fulfill its mission of confronting the root causes of poverty by providing opportunities to be educated, grow up healthy, develop leadership and economic skills, and learn about God's love.

Management and General

Management and general expense include the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of the Organization's program mission, secure proper administrative functioning of the Board of Directors, and manage the financial and budgetary responsibilities of the Organization. It includes all activities not directly identifiable with one or more program or fundraising activities.

Fundraising

Fundraising expense provides the structure necessary to encourage and secure grants and private financial support from corporations, foundations and individuals through various fundraising events and activities.

Expense Allocation

Expenses which directly benefit programs, management and general, or fundraising are charged to the respective functional area on the basis of actual costs. Other expenses are charged and allocated to program, management and general, and fundraising based on an appropriate allocation method that would include expenses in the following categories: overhead expenses, salaries, benefits, payroll taxes, and expenses that are associated with employees are allocated on estimates of time and effort. Certain occupancy related expenses such as utilities and repairs and maintenance are allocated based on square footage or usage.

Donated Services

Donated services are recognized as contributions in accordance with "Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605-15, Contributions Received", if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. However, a substantial number of volunteers have donated significant amounts of their time to the Organization's fundraising events and programs; the value of their time is not included in the financial statements.

AFRICAN VISION OF HOPE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Materials

Various materials are donated to the Organization. Donated materials that meet the criteria for recognition under the provisions of accounting for contributions received and contributions made in regard to financial statements of not-for-profit organizations, as discussed under this topic of the FASB ASC, are recorded at fair market value as of the date of donation.

Special Events

The gross revenue for special events includes contributions for the events and event ticket revenue, as presented on the statement of activities. Expenses for direct benefits provided to donors at the special events are presented as a reduction of the gross revenue.

Commitments and Contingencies

In the normal course of operations, the Organization participates in grant programs. These programs are subject to audit by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Presently, the Organization has no such request pending, and in the opinion of management, any such amounts would not be considered material.

New Accounting Pronouncements

On August 18, 2016, FASB issued Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented and has adjusted the presentation in these financial statements accordingly.

Future Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which is effective for fiscal years beginning after December 15, 2018 for entities other than public business entities and outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts and customers. ASU 2014-09 supersedes most current revenue recognition guidance, including industry-specific guidance, and outlines a five-step process for revenue recognition that focuses on transfer of control, as opposed to transfer of risk and reward. Major provisions include determining which goods and services are distinct and represent separate performance obligations, how variable consideration (which may include change orders and claims) is recognized, whether revenue should be recognized at a point in time or over time and ensuring the time value of money is considered in the transaction price. ASU 2014-09 can be applied either retrospectively to each prior period presented or as a cumulative-effect adjustment as of the date of adoption. Management is currently evaluating the impact of adopting ASU 2014-09 on the Organization's financial statements and related disclosures.

AFRICAN VISION OF HOPE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Future Accounting Pronouncements (Continued)

On June 21, 2018, the FASB issued ASU No. 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This standard is intended to address questions stemming from FASB ASU No. 2014-09, Revenue from Contracts with Customers, regarding its implications on the grants and contracts of not-for-profit organizations. Entities should apply the amendments for transactions in which the entity serves as the resource recipient for the calendar year ending December 31, 2019, and interim periods within annual periods beginning the calendar year ending December 31, 2020. For nonreciprocal transactions (contributions), the next point to consider for both parties is whether conditions have been placed on the resources provided. The presence of conditions affects the timing of revenue and expense recognition by the resource recipient and resource provider, respectively. Management is currently evaluating the impact of adopting ASU 2018-08 on the Organization's financial statements and related disclosures.

Program Service Revenue Recognition

Program service revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

NOTE 2 LIQUIDITY AND AVAILABILITY

As of December 31, 2018, the following table shows the total financial assets held by the Organization and the amounts of those financial assets that could readily be made available within one year of the statement of financial position date to meet general expenditures:

Cash and cash equivalents	\$ 648,565
Total Financial Assets at Year End	<u>648,565</u>
Less: amounts not available to be used within one year	
Net assets with donor restrictions	<u>15,871</u>
Financial Assets Available to Meet General Expenditures over the Next Twelve Months	<u>\$ 632,694</u>

The Organization receives contributions and promises to give that are restricted by donors, and considers contributions restricted for programs which are ongoing and central to its annual operations, to be available to meet cash needs for general expenditures.

The Organization manages its liquidity and reserves following three principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations, if any, will be discharged.

AFRICAN VISION OF HOPE
NOTES TO FINANCIAL STATEMENTS

NOTE 3 INCOME TAXES

The Organization is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and applicable state laws. Therefore, there are no provisions for income taxes reflected in these financial statements. The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, AVOH may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include tax-exempt status of AVOH and various positions related to the potential sources of unrelated business income. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the years ended December 31, 2018.

AVOH files income tax returns in the United States federal jurisdiction. The federal income tax returns of AVOH for 2018 (once filed), 2017, 2016, and 2015, are subject to examination by the taxing authority generally for three years after they were filed.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2018:

Computer	\$	4,345
Equipment		11,626
Software		<u>21,693</u>
Subtotal		37,664
Less: accumulated depreciation		<u>(37,664)</u>
Total Property and Equipment	\$	<u><u>-</u></u>

Depreciation amounted to \$0 for the year ended December 31, 2018.

NOTE 5 RISK OF FOREIGN OPERATIONS

The Organization's operations in Zambia are subject to risks inherent in operating in this country in Africa that are not typically associated with operations in North America. Accordingly, the Organization's financial condition and activities may be influenced by the political, economic, and legal environments in that country. As a result, the Organization's activities in this country are subject to a variety of risks, including:

- Social, political, and economic instability
- Inflation
- Additional costs of compliance with government regulation and licensing requirements
- Tariffs and other trade barriers
- Expropriation, nationalization, and limitation on repatriation of earnings
- Fluctuations in foreign exchange rates
- Difficulties in managing foreign operations
- Unexpected changes in regulatory requirements

**AFRICAN VISION OF HOPE
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 RISK OF FOREIGN OPERATIONS (CONTINUED)

Any of these developments, or others, could adversely affect the financial condition and activities. Should such circumstances occur, the Organization might need to alter activities in a particular area. The Organization's ability to deal with these issues may be affected by applicable U.S. laws and, in particular, potential conflicts between the requirements of U.S. law and the need to protect its assets.

In addition, the Organization is required to comply with the United States Foreign Corrupt Practices Act and similar laws, which prohibit entities from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. Corruption, extortion, bribery, payoffs, theft, and other fraudulent practices occur from time-to-time in the areas in which it operates. All funds are maintained in the U.S., and all costs are fulfilled directly with vendors which are highly predictable payments that leave good paperwork trails.

NOTE 6 DONOR CONCENTRATIONS

For the year ended December 31, 2018, revenue from one donor amounted to 9.5% of total support and revenue.

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2018, the Organization had net assets totaling \$15,871 that were donor restricted for the specified purpose of a mission trip to be taken in the next year.

There was \$9,109 released from restrictions for year ended December 31, 2018, due to satisfying the purpose restrictions of purchasing desks, purchasing bicycles, and going on mission trips.

NOTE 8 SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the Independent Accountants' Compilation Report, the date the financial statements were available to be issued.