

Financial Statements

Children's Hope India, Inc.

For the years ended December 31, 2021 and 2020

CHILDREN'S HOPE INDIA, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Children's Hope India, Inc.

Opinion

We have audited the accompanying financial statements of Children's Hope India, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Hope India, Inc. as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Children's Hope India, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Children's Hope India, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Children's Hope India, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Children's Hope India, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Liggett, Melzer + Joshi, CPA's P.C.

New York, NY
July 29, 2022

Children's Hope India, Inc.
Statement of Financial Position
As of December 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 1,526,314	\$ 1,275,836
Certificates of deposit	800,000	700,000
Investments	2,087,612	2,185,857
Contributions receivable, net	16,204	32,542
Other receivable	-	49,950
Total Assets	\$ 4,430,130	\$ 4,244,185
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 2,082	\$ 31,931
Deferred revenue	30,000	130,550
Total Liabilities	32,082	162,481
Net Assets		
Without donor restrictions	4,360,121	4,081,704
With donor restrictions	37,927	-
Total Net Assets	4,398,048	4,081,704
Total Liabilities and Net Assets	\$ 4,430,130	\$ 4,244,185

(See accompanying notes to the financial statements)

Children's Hope India, Inc.
Statement of Activities
For the years ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and Other Revenue						
Special events	\$ 536,767	\$ -	\$ 536,767	\$ 441,132	\$ -	\$ 441,132
Donations	655,007	-	655,007	253,020	-	253,020
Grants	242,173	37,927	280,100	-	-	-
Total Public Support	1,433,947	37,927	1,471,874	694,152	-	694,152
Other Revenue:						
Realized and unrealized investment income, net	172,087	-	172,087	172,436	-	172,436
Interest and dividend income, net	35,847	-	35,847	47,148	-	47,148
Other income	5,781	-	5,781	2,706	-	2,706
Total Public Support and Other Revenue	1,647,662	37,927	1,685,589	916,442	-	916,442
Expenses						
Program Services:						
Program activities	1,119,433	-	1,119,433	596,854	-	596,854
Total Program Services	1,119,433	-	1,119,433	596,854	-	596,854
Supporting Services:						
Management and general	94,229	-	94,229	98,316	-	98,316
Fundraising	155,583	-	155,583	87,680	-	87,680
Total Supporting Services	249,812	-	249,812	185,996	-	185,996
Total Program and Support Services Expenses	1,369,245	-	1,369,245	782,850	-	782,850
Increase in Net Assets	278,417	37,927	316,344	133,592	-	133,592
Net Assets, Beginning of year	4,081,704	-	4,081,704	3,948,112	-	3,948,112
Net Assets, End of Year	\$ 4,360,121	\$ 37,927	\$ 4,398,048	\$ 4,081,704	\$ -	\$ 4,081,704

(See accompanying notes to the financial statements)

Children's Hope India, Inc.
Statement of Functional Expenses
December 31, 2021 and 2020

	Supporting Services			Total Expenses 2021
	Program	Management & General	Fundraising	
Program Expenses	\$ 973,120	\$ -	\$ -	\$ 973,120
Salaries	81,716	67,355	37,865	186,936
Employee benefits and payroll taxes	6,317	5,207	2,927	14,451
Professional fees	58,280	6,455	-	64,735
Fundraising event expenses	-	-	98,379	98,379
Printing and design	-	-	450	450
Office expenses	-	2,154	105	2,259
Insurance	-	1,620	-	1,620
Rent expense	-	4,200	-	4,200
Credit card processing fees	-	473	15,857	16,330
Dues and subscriptions	-	6,765	-	6,765
Total Expenses	\$ 1,119,433	\$ 94,229	\$ 155,583	\$ 1,369,245

	Supporting Services			Total Expenses 2020
	Program	Management & General	Fundraising	
Program Expenses	\$ 493,507	\$ -	\$ -	\$ 493,507
Salaries	58,153	70,503	47,671	176,327
Employee benefits and payroll taxes	4,394	5,327	3,602	13,323
Professional fees	40,800	6,450	-	47,250
Fundraising event expenses	-	-	25,072	25,072
Printing and design	-	-	2,359	2,359
Office expenses	-	2,893	141	3,034
Insurance	-	2,308	-	2,308
Rent expense	-	4,050	-	4,050
Credit card processing fees	-	371	8,835	9,206
Dues and subscriptions	-	6,414	-	6,414
Total Expenses	\$ 596,854	\$ 98,316	\$ 87,680	\$ 782,850

(See accompanying notes to the financial statements)

Children's Hope India, Inc.
Statement of Cash Flows
For the years ended December 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Increase in net assets	\$ 316,344	\$ 935,832
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized income on investments	(172,087)	(269,515)
Dividend and interest income	(35,847)	(63,654)
(Increase) Decrease in:		
Contributions receivable	66,288	(25,634)
Other assets	-	350
Increase (Decrease) in:		
Accounts payable and accrued expenses	(100,399)	(10,515)
Deferred Revenue	(30,000)	-
Net cash provided by operating activities	44,299	566,864
 Cash Flows From Investing Activities		
Purchase of certificates of deposit	(100,000)	-
Sale of investments	751,820	162,580
Purchase of investments	(445,641)	(88,043)
Net cash (used in) provided by investing activities	206,179	74,537
 Cash Flows From Financing Activities	-	-
 Net (decrease) increase in cash and cash equivalents	250,478	641,401
Cash and cash equivalents, Beginning of year	1,275,836	1,221,450
Cash and Cash Equivalents, End of Year	\$ 1,526,314	\$ 1,862,851
 Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ -	\$ -
Cash paid for taxes	\$ 150	\$ 476

(See accompanying notes to the financial statements)

Children's Hope India, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

Note 1 – Organization and nature of activities

Nature of Organization

Children's Hope India, Inc. (the "Organization") is a non-for-profit corporation, incorporated in 1993 under the laws of New York State. The Organization was established to help children and families progress from poverty to prosperity. The organization does this by partnering with local organizations that improve access to education, medical care, shelter and job skills training. They support initiatives that improve communities and foster an environment where change is possible.

Affiliations

Children's Hope India, Inc. is affiliated with Children's Hope based in India ("CH"). The organizations operate under a Memorandum of Understanding whereby CH is the local implementing organization of their joint mission. The Organization makes funding decisions regarding CH as needed. The Organization and CH are controlled by separate Boards of Directors and Officers. These financial statements include the activities of the Organization only and not those of the combined operations.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP) and accordingly reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Certificates of Deposit

Certificates of deposit are carried at cost and adjusted for unamortized premiums or discounts. The certificates of deposit at December 31, 2021 earn interest at a rate of 0.1499% to 0.1999% and mature in March 2022.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs consist of investments with quoted prices for similar assets or liabilities in active markets. Level 3 inputs are only used when Level 1 or Level 2 inputs were not available.

Level 1 Fair Value Measurements

The fair value of equities and mutual funds is based on quoted net asset values of the shares held by the organization at year-end.

Level 2 Fair Value Measurements

Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Children's Hope India, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

Note 2 - Summary of Significant Accounting Policies (continued)

Corporate bonds and government obligations and other fixed income securities are priced by a computerized pricing service or, for less actively traded issues, by utilizing a yield-based matrix system to arrive at an estimated market value.

Level 3 Fair Value Measurements

Valuations based on unobservable inputs reflecting the Organization's own assumptions, consistent with reasonably available assumptions made by other market participants.

At December 31, 2021, investments consisted of mutual funds and are considered Level 1 investments and certificates of deposit are considered Level 2 securities.

	Fair Value	Level 1	Level 2	Level 3
Mutual funds	\$ 2,087,612	\$ 2,087,612	\$ -	\$ -
Certificates of deposit	800,000	-	800,000	-
	<u>\$ 2,887,612</u>	<u>\$ 2,087,612</u>	<u>\$ 800,000</u>	<u>\$ -</u>

At December 31, 2020, all investments consisted of mutual funds and are considered Level 1 investments.

	Fair Value	Level 1	Level 2	Level 3
Mutual funds	\$ 2,185,857	\$ 2,185,857	\$ -	\$ -
Certificates of deposit	700,000	-	700,000	-
	<u>\$ 2,885,857</u>	<u>\$ 2,185,857</u>	<u>\$ 700,000</u>	<u>\$ -</u>

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Contributions Receivable

Contributions receivable reflects the amount of pledged contributions not yet received by the Organization.

Contributions and Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in donations without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, they are reclassified into net assets without donor restrictions.

Private grants or contributions are conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred asset or a right of release of the promisor's obligation to transfer assets. Conditional contributions received with donor-imposed conditions are recognized as revenue when the conditions have been met. Amounts received in advance of

Children's Hope India, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

Note 2 - Summary of Significant Accounting Policies (continued)

satisfying the donor-imposed conditions are reported as deferred revenue until the conditions are met. Conditional contributions for which the conditions have not yet been met, amount to \$30,000 as of December 31, 2021.

Net Assets

As required by the FASB Accounting Standards Codification, 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. These classifications are related to the existence or absence of donor-imposed restrictions as presented on the following page.

Net Assets Without Donor Restrictions - consists of assets, public support and program revenues which are available and used for operations and programs. Net assets without donor restrictions represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Net Assets With Donor Restrictions - includes funds with donor-imposed restrictions which permit the organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds. They also include resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the Organization to expend part or all of the income derived from the donated assets

Functional Expenses

As required by the FASB Accounting Standards Codification, the Organization allocates its expenses on a functional basis among various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated using formulas derived from the nature of related time. Supporting services are those related to operating and managing the Organization and their programs on a day-to-day basis. Supporting services have been sub-classified as follows:

Administrative - includes all activities related to the Organization's internal management and accounting for program services.

Fund Raising - includes all activities related to maintaining contributor information, writing grant proposals, direct mail solicitation, distribution of materials and other similar projects related to the procurement of funds.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. An example of such estimates is the fair value of investments. Actual results could differ from those estimates.

Tax Status and Uncertain Tax Positions

The Organization is a not-for-profit corporation, exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 402 of the Not-for-Profit Corporation Law in New York State, and has been designated as an organization which is not a private foundation. The Organization's Form 990, *Return of Organization's Exempt from Income Tax*, for the years ended December 2017, 2016 and 2015 are subject to

Children's Hope India, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

Note 2 - Summary of Significant Accounting Policies (continued)

examination by the IRS, generally for three years after they were filed. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

New Accounting Pronouncements

The FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU will improve transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this update address certain stakeholder' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities. This ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021. The Organization is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

Note 3 - Restrictions on Net Assets

Net assets with donor restrictions are assets restricted for future programs and periods. As of December 31, 2021 there were \$37,927 of net assets with donor restrictions.

Note 4 - Concentration of Credit Risk

The Organization maintains its cash and money market balances in two financial institutions located in New York, NY. The cash balances were fully insured by the Federal Deposit Insurance Corporation up to \$250,000 as of December 31, 2021 and 2020.

The Organization's money market balances are insured by the Securities Investor Protection Corporation ("SIPC") up to \$500,000 per customer. The SIPC does not protect investors from market risk. The Organization's money market balances exceed the SIPC limit by \$516,052 and \$167,140 as of December 31, 2021 and 2020, respectively.

Note 5 - Investments

Investments consist of the following at December 31, 2021 and 2020:

	2021	2020
	Fair Value	Fair Value
Mutual funds	\$ 2,087,612	\$ 2,185,857
	\$ 2,087,612	\$ 2,185,857

The following summarizes investment returns for the year ended December 31, 2021 and 2020:

	2021	2020
Dividend and interest income	\$ 35,847	\$ 47,148
Realized gain (loss) on investments	60,885	(2,145)
Unrealized gain on investments	111,202	174,581
	\$ 207,934	\$ 219,584

Children’s Hope India, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

Note 6 – Grants to India Affiliate

The Organization provides funding to Children’s Hope in India (See Note 1). Financial support is sent to India via wire transfer. Children’s Hope in India receives grants based on the specific expenditures and is responsible for its own filings in India. The Organization sent \$2,500 and \$2,500 to Children’s Hope in India for the year ended December 31, 2021 and 2020, respectively.

Note 7 - Functional Allocation of Expenses

The cost of providing the various programs and the supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Note 8 - Liquidity

The Organization is substantially supported by donations without any donor restrictions. As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Organization has sufficient funds to draw upon in its cash balances and there are no restrictions in the use of its investment funds if the need arises.

The financial assets available within one year from December 31, 2021 for general expenditure are as follows:

	<u>2021</u>
Assets	
Cash and cash equivalents	\$ 1,526,314
Certificates of deposit	800,000
Investments	2,087,612
Contributions receivable, net	<u>16,204</u>
	4,430,130
Less: Donor restricted fund cash	(30,000)
Less: Restricted net assets	<u>(37,927)</u>
Total financial assets and other resources available for expenditure within one year	<u>\$ 4,362,203</u>

Note 9 - Subsequent Events

The Organization has evaluated subsequent events through July 29, 2022, the date which the financial statements were available to be issued.