

**Living Hope for Children**  
**Audited Financial Statements**  
**For the Year Ended December 31, 2023**  
**(With Independent Auditor's Report Thereon)**

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## Independent Auditor's Report

To the Board of Directors of  
Living Hope for Children  
Glen Ellyn, Illinois

### **Opinion**

We have audited the accompanying financial statements of Living Hope for Children (the "Organization") (a nonprofit organization), which comprise the statement of assets and net assets – modified cash basis as of December 31, 2023, and the related statements of support, revenue, expenses, and changes in net assets – modified cash basis and statements of functional expenses – modified cash basis for the year then ended, and the related notes to the financial statements (the "financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Organization as of December 31, 2023, and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

### **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 the Organization 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.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

## **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 misstatements 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 the Organization'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 the Organization'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.

*Tighe Kross & Orr, PC*

Elgin, Illinois  
June 13, 2024

**Living Hope for Children**  
**Statement of Assets and Net Assets - Modified Cash Basis**  
**December 31, 2023**

**Assets**

Assets:		
Cash and cash equivalents	\$	287,428
Certificates of deposit		600,000
Inventory		<u>1,000</u>
Total Assets	\$	<u><u>888,428</u></u>

**Net Assets**

Net Assets:		
Without donor restrictions:		
Undesignated	\$	222,817
Board-designated		<u>53,000</u>
Total without donor restrictions		<u>275,817</u>
With donor restrictions		<u>612,611</u>
Total Net Assets	\$	<u><u>888,428</u></u>

The accompanying notes are an integral part of the financial statements.

**Living Hope for Children**  
**Statement of Support, Revenue, Expenses, and Changes in Net Assets - Modified Cash Basis**  
**For the Year Ended December 31, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue:			
Contributions:			
General support	\$ 575,254	\$ -	\$ 575,254
Construction	-	73,610	73,610
College scholarships	-	59,706	59,706
Mission trips	-	37,923	37,923
Healthcare	-	13,630	13,630
Discipleship and evangelism	-	25,236	25,236
Interest income	9,066	-	9,066
Net assets released from restrictions	141,176	(141,176)	-
	<u>725,496</u>	<u>68,929</u>	<u>794,425</u>
Total Support and Revenue			
	<u>725,496</u>	<u>68,929</u>	<u>794,425</u>
Functional Expenses:			
Program services	637,064	-	637,064
Management and general	88,170	-	88,170
	<u>725,234</u>	<u>-</u>	<u>725,234</u>
Total Functional Expenses			
	<u>725,234</u>	<u>-</u>	<u>725,234</u>
Change in Net Assets	261	68,929	69,190
Net Assets, Beginning of Year	<u>275,555</u>	<u>543,682</u>	<u>819,237</u>
Net Assets, End of Year	<u>\$ 275,817</u>	<u>\$ 612,611</u>	<u>\$ 888,428</u>

The accompanying notes are an integral part of the financial statements.

**Living Hope for Children**  
**Statement of Functional Expenses - Modified Cash Basis**  
**For the Year Ended December 31, 2023**

	Program Services	Management and General	Total Expenses
Contracted services	\$ -	\$ 17,088	\$ 17,088
Construction	-	-	-
College sponsorships	57,580	-	57,580
Travel	-	3,226	3,226
Professional services	-	16,055	16,055
Healthcare	24,583	-	24,583
Discipleship and evangelism	20,897	-	20,897
Mission trips	37,575	-	37,575
Orphan care	496,429	-	496,429
Other expense	-	51,802	51,802
Total Expenses	<u>\$ 637,064</u>	<u>\$ 88,170</u>	<u>\$ 725,234</u>

The accompanying notes are an integral part of the financial statements.

**Living Hope for Children**  
**Notes to Financial Statements**  
**December 31, 2023**

**Note 1 – Significant Accounting Policies**

**Organization and Nature of Activities:**

Living Hope for Children (the “Organization”) was organized to provide residential homes and educational assistance to orphaned children, and conduct evangelism, discipleship, and social welfare development activities in Uganda. The Organization began its activities in 2004 as a separate fund of the First Presbyterian Church of Glen Ellyn, Illinois. The Organization was incorporated on September 28, 2004. A separate charitable organization in Uganda directly supervises the activities in Uganda. The Organization’s primary source of revenue is contributions from donors.

**Basis of Accounting:**

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States. Contributions and other revenue are recognized when received instead of when earned, and expenses are recognized when paid rather than when the obligation is incurred.

**Basis of Presentation:**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Update (“ASU”) 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. Under FASB ASU 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions include undesignated and board-designated sources with no donor-imposed restrictions.

Net assets with donor restrictions represent net assets subject to donor-imposed or legal restrictions, which will either be met by the Organization’s actions, the passage of time, or are perpetual in nature. Net assets with donor restrictions are reclassified to net assets without donor restrictions when the restrictions are met or have expired. These reclassifications are reported in the Statement of Support, Revenue, Expenses, and Changes in Net Assets – Modified Cash Basis as net assets released from restrictions.

**Use of Estimates:**

In preparing financial statements in conformity with the modified cash basis of accounting, management makes estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Living Hope for Children**  
**Notes to Financial Statements**  
**December 31, 2023**

**Note 1 – Significant Accounting Policies (continued)**

**Cash and Cash Equivalents:**

The Organization defines cash and cash equivalents, and certificate of deposits as cash on hand, amounts held at financial institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash. Investments with an original maturity of three months or less are considered short-term for these purposes. The Organization maintains cash balances at a local bank where deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The Organization maintains bank account balances that, at times, may exceed federally insured limits. The Organization has not experienced any losses on such accounts. Cash for the year ended December 31, 2023 exceeded federally insured limits by \$634,343.

**Inventory:**

The Organization's inventory consists of various crafts valued at cost.

**Donated Services:**

The Organization receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the Statement of Support, Revenue, Expenses, and Changes in Net Assets – Modified Cash Basis because the criteria for recognition under FASB ASC 958-225 has not been met.

The Organization recognizes contributed nonfinancial assets in accordance with Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item on the Statement of Support, Revenue, Expenses, and Changes in Net Assets – Modified Cash Basis, apart from contributions of cash or other financial assets. The standard also increased the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received.

**Contributions:**

The Organization accounts for contributions in accordance with the recommendations in FASB ASC 958-225. In accordance with FASB ASC 958-225, contributions and grants received are recorded as support and revenue with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Since the Organization prepares its financial statements on the modified cash basis of accounting, contributions receivable are not reported in the accompanying financial statements.

All contributions are considered to be available for unrestricted use unless specifically restricted by donors.

**Living Hope for Children**  
**Notes to Financial Statements**  
**December 31, 2023**

**Note 1 – Significant Accounting Policies (continued)**

Functional Expenses:

The Organization classifies expenses into functional programs and supporting services (management and general). The program service function includes all expenses directly related to the Organization’s objective described in the nature of activities. Expenses directly identified with the programs are charged to that program and where those expenses affect more than one program or supporting service, they are allocated on the basis of estimates by management.

Income Taxes:

The Organization is a tax-exempt organization as defined in Section 501(c)(3) of the Internal Revenue Code. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service or other applicable taxing authorities.

Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Liquidity Policy:

The Organization has \$888,428 of financial assets available within one year of the Statement of Assets and Net Assets – Modified Cash Basis date to meet cash needs for general expenditures, consisting of cash and cash equivalents of \$287,428 and certificates of deposit of \$600,000. Other than restricted net assets of \$612,611, none of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the date of the Statement of Assets and Net Assets – Modified Cash Basis. The Organization has a goal to maintain financial assets, which consist of cash and cash equivalents, on hand to meet two months of normal operating expenses, which are, on average, approximately \$120,000.

**Note 2 – Net Assets with Donor Restrictions**

Net assets with donor restrictions at December 31, 2023 are available to be used in subsequent periods for the following purposes:

Construction	\$ 26,030
Mission trips	7,608
Healthcare	7,230
College scholarships	31,082
School operations	526,562
Discipleship and evangelism	14,099
Total	<u>\$ 612,611</u>

**Living Hope for Children**  
**Notes to Financial Statements**  
**December 31, 2023**

**Note 3 – Date of Management’s Review**

Subsequent events have been evaluated through the date of this report, which is the date the financial statements were available to be issued. It was concluded that there are no subsequent events required to be disclosed.