

DESIGNS FOR HOPE

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018



**DESIGNS
FORHOPE**

DESIGNS FOR HOPE
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DECEMBER 31, 2019 AND 2018

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors
Designs for Hope
Birmingham, Alabama

Management is responsible for the accompanying financial statements of Designs for Hope (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 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.



Birmingham, Alabama
June 30, 2020

DESIGNS FOR HOPE
STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

	December 31	December 31
	2019	2018
ASSETS		
CURRENT ASSETS		
Cash without donor restrictions	\$ 191,722	\$ 185,877
Cash with donor restrictions	34,108	0
	225,830	185,877
Inventories	31,344	25,422
TOTAL CURRENT ASSETS	257,174	211,299
EQUIPMENT - NET	2,813	1,937
TOTAL ASSETS	\$ 259,987	\$ 213,236
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 0	\$ 3,461
TOTAL CURRENT LIABILITIES	0	3,461
NET ASSETS		
Net assets without donor restrictions	225,879	209,775
Net assets with donor restrictions	34,108	0
TOTAL NET ASSETS	259,987	209,775
TOTAL LIABILITIES AND NET ASSETS	\$ 259,987	\$ 213,236

See accompanying notes and independent accountant's compilation report.

DESIGNS FOR HOPE
STATEMENTS OF ACTIVITIES (UNAUDITED)

	Year Ended			Year Ended
	December 31			December 31
	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions
REVENUE AND OTHER SUPPORT				
Contributions	\$ 314,920	\$ 450,000	\$ 764,920	\$ 342,566
Fundraising events	49,924	0	49,924	44,143
Donated services, inventory and office supplies	4,820	0	4,820	8,295
Sale of promotional items	1,975	0	1,975	3,105
Interest income	0	108	108	0
Net assets released from restriction	416,000	(416,000)	0	0
TOTAL REVENUE AND OTHER SUPPORT	787,639	34,108	821,747	398,109
EXPENSES				
Program services				
Outreach programs	596,625	0	596,625	146,094
Support services				
Management, general and fundraising	174,910	0	174,910	151,872
TOTAL EXPENSES	771,535	0	771,535	297,966
CHANGE IN NET ASSETS	16,104	34,108	50,212	100,143
Net assets at beginning of year	209,775	0	209,775	109,632
NET ASSETS AT END OF YEAR	\$ 225,879	\$ 34,108	\$ 259,987	\$ 209,775

See accompanying notes and independent accountant's compilation report.

DESIGNS FOR HOPE
STATEMENT OF FUNCTIONAL EXPENSES (UNAUDITED)
YEAR ENDED DECEMBER 31, 2019

	Services		
	Program	Support	Totals
	Outreach Programs	Management, General and Fundraising	
Airfare	\$ 13,276	\$ 0	\$ 13,276
Contributions to Abundant Life Ministries	416,000	0	416,000
Meals	0	29	29
General	105,095	0	105,095
Well monitoring	3,571	0	3,571
Bicycle power production	5,255	0	5,255
Motorcycle production	7,653	0	7,653
Solar power production	7,275	0	7,275
App development	139	0	139
Fundraising activities	0	21,606	21,606
Advertising	0	6,146	6,146
Bank and credit card fees	0	2,523	2,523
Computer	0	1,872	1,872
Depreciation	0	475	475
Dues and subscriptions	0	986	986
Grant writing	0	4,145	4,145
Insurance	0	2,000	2,000
Miscellaneous	0	40	40
Office expense	0	4,230	4,230
Postage	0	2,690	2,690
Professional fees	0	7,868	7,868
Rent, parking and utilities	0	30,000	30,000
Salaries and wages	35,787	83,503	119,290
Taxes - Payroll	2,574	6,007	8,581
Taxes and licenses	0	790	790
TOTAL FUNCTIONAL EXPENSES	\$ 596,625	\$ 174,910	\$ 771,535

See accompanying notes and independent accountant's compilation report.

DESIGNS FOR HOPE
STATEMENT OF FUNCTIONAL EXPENSES (UNAUDITED)
YEAR ENDED DECEMBER 31, 2018

	Services		
	Program	Support	Totals
	Outreach Programs	Management, General and Fundraising	
Airfare	\$ 8,169	\$ 0	\$ 8,169
Meals	0	218	218
General	84,613	0	84,613
Well monitoring	6,125	0	6,125
Bicycle power production	11,304	0	11,304
Solar power production	4,950	0	4,950
App development	1,687	0	1,687
Fundraising activities	0	27,332	27,332
Advertising	0	1,757	1,757
Bank and credit card fees	0	2,976	2,976
Computer	0	1,970	1,970
Depreciation	0	250	250
Dues and subscriptions	0	642	642
Grant writing	0	1,155	1,155
Insurance	0	1,030	1,030
Meetings	0	881	881
Miscellaneous	0	689	689
Office expense	0	1,512	1,512
Postage	0	847	847
Professional fees	0	12,469	12,469
Rent, parking and utilities	0	29,905	29,905
Salaries and wages	27,136	63,317	90,453
Taxes - Payroll	2,110	4,922	7,032
TOTAL FUNCTIONAL EXPENSES	\$ 146,094	\$ 151,872	\$ 297,966

See accompanying notes and independent accountant's compilation report.

DESIGNS FOR HOPE
STATEMENTS OF CASH FLOWS (UNAUDITED)

	Year Ended			Year Ended
	December 31			December 31
	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ 16,104	\$ 34,108	\$ 50,212	\$ 100,143
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:				
Depreciation	475	0	475	250
Changes in:				
Inventories	(5,922)	0	(5,922)	3,405
Accounts payable	(3,461)	0	(3,461)	3,014
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	7,196	34,108	41,304	106,812
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of equipment	(1,351)	0	(1,351)	0
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(1,351)	0	(1,351)	0
NET CHANGE IN CASH	5,845	34,108	39,953	106,812
Cash at beginning of year	185,877	0	185,877	79,065
CASH AT END OF YEAR	\$ 191,722	\$ 34,108	\$ 225,830	\$ 185,877

See accompanying notes and independent accountant's compilation report.

**DESIGNS FOR HOPE
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)
DECEMBER 31, 2019 AND 2018**

NOTE A - ORGANIZATION AND OPERATIONS

Designs for Hope (DFH or the Organization) is a nonprofit corporation located in Alabama that provides sustainable energy, clean water, and other innovative designs to disciple makers in developing countries.

The vision of DFH is to design products that empower disciple makers to ignite their communities for the gospel of Jesus Christ and to distribute those products through strategic partnerships with like-minded organizations.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of the Organization is presented to assist in understanding the financial statements. The accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting. Consequently, revenues are recognized when earned rather than received, and expenses are recognized when the obligation is incurred rather than when cash is disbursed.

Basis of Presentation

Resources are classified for accounting and reporting purposes into two classes of net assets, according to donor-imposed restrictions:

Net assets without donor restrictions - Net assets that are not subject to any donor-imposed restrictions.

Net assets with donor restrictions - Net assets resulting (a) from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, (b) from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, (c) from other asset enhancements and diminishments that are subject to the same kind of stipulations, and (d) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Organization pursuant to those stipulations. The Organization's donor-restricted net assets consists of cash contributed for the purpose of building a church in Jamaica. In the year ended December 31, 2019, \$416,000 of donor-restricted net assets were released to net assets without donor restrictions upon transferring the funds to Abundant Life Ministries. See Note G for more information.

DESIGNS FOR HOPE
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) - CONTINUED
DECEMBER 31, 2019 AND 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Inventories

Inventories are stated at the lower of cost or market determined by the first-in, first-out method if purchased. Donated inventory is stated at estimated fair value at the date of donation. The components of inventory as of December 31, 2019 and 2018 are as follows:

	December 31	
	2019	2018
Finished goods	\$ 18,785	\$ 3,297
Parts	11,919	21,825
Retail items held for sale	640	300
TOTALS	\$ 31,344	\$ 25,422

Equipment

Equipment is stated at cost if purchased and at fair value at the date of contribution of assets donated to the Organization. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. The Organization capitalizes additions of equipment in excess of \$1,000 cost or fair value, if donated. Annual depreciation is primarily computed using the straight line method.

Functional Expenses

Certain categories of expenses are attributable to program or support functions and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are compensation and related taxes, which are allocated on the basis of estimates of time and effort.

Advertising

Advertising costs are charged to operations the first time the advertising takes place. Advertising costs totaled approximately \$6,000 and \$2,000 for the years ended December 31, 2019 and 2018, respectively.

DESIGNS FOR HOPE
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) - CONTINUED
DECEMBER 31, 2019 AND 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. DFH adopted the standard on January 1, 2019. Revenue is generated substantially from the sale of finished consumer products and charitable contributions from individuals and other types of organizations. Those sales and contributions contain a single delivery element and revenue is recognized at a single point in time. The timing of revenue recognition was not affected by the new standard.

Income Taxes

DFH is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization had no unrelated business income during the years ended December 31, 2019 and 2018, and therefore, no provision for federal or state income taxes has been made in the accompanying financial statements. The Organization has also been classified as an entity that is not a private foundation with the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(a)(i).

The Organization evaluates all significant tax positions as required by generally accepted accounting principles in the United States of America. Management does not believe DFH has any uncertain tax positions at December 31, 2019 and 2018.

Since tax matters are subject to some degree of uncertainty, there can be no assurance that DFH's tax returns will not be challenged by the taxing authorities and that DFH will not be subject to additional tax, penalties, and interest as a result of such challenge. DFH's federal tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

DESIGNS FOR HOPE
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) - CONTINUED
DECEMBER 31, 2019 AND 2018

NOTE C - CASH MANAGEMENT AND LIQUIDITY

As part of a cash management plan, DFH prepares annual budgets that are approved by the Board of Directors. In addition, the finance director prepares cash projections that are approved by the executive director and one member of the Board of Directors. DFH has approximately \$192,000 of cash available to meet expenditure needs for general operating expenditures. DFH also maintains a restricted cash account to properly segregate disbursements related to the construction of Abundant Life Ministries in Jamaica. See Note G for more information.

NOTE D - EQUIPMENT

Equipment is presented net of accumulated depreciation in the accompanying financial statements. The components of property, plant and equipment at December 31, 2019 and 2018 are as follows:

	December 31	
	2019	2018
Computer equipment	\$ 3,851	\$ 2,500
Less accumulated depreciation	(1,038)	(563)
TOTALS	\$ 2,813	\$ 1,937

NOTE E - CONCENTRATIONS OF RISK

Cash

At December 31, 2019 and 2018, substantially all the Organization's cash was held by a bank and was fully insured with federal depository insurance.

Contributions

Contributions totaling approximately \$520,000 and \$155,000 were made by two and one contributors for the years ended December 31, 2019 and 2018, respectively. During the years ended December 31, 2019 and 2018, DFH received approximately 6% and 11% of its total contributions from a fund-raising event. Substantially all contributors are located in the Birmingham, Alabama geographical area.

DESIGNS FOR HOPE
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) - CONTINUED
DECEMBER 31, 2019 AND 2018

NOTE F - IN-KIND DONATIONS

Donated Services

DFH receives services from a large number of volunteers who give significant amounts of their time to its programs and fundraising campaigns. Donated services are recognized as revenues at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. For each of the years ended December 31, 2019 and 2018, donated professional services meeting the requirements for recognition totaled approximately \$5,000 and \$3,000, respectively. These amounts are included in donated services revenue and professional fees expense in the accompanying financial statements.

Donated Use of Facilities

The use of a facility for a fundraising event was donated by the owner of the property in 2019 and 2018. Amounts have been recognized as fundraising events in revenue and other support and fundraising activities in management, general and fundraising expenses in the accompanying financial statements as the fair market rental value of the property. The amount recorded for the years ended December 31, 2019 and 2018, was approximately \$7,700.

The use of office space is donated by the owner of the property. The amount recorded was recognized as contributions and rent, parking and utilities expense in the accompanying financial statements. The amount recorded for the years ended December 31, 2019 and 2018, was approximately \$30,000.

Donated Inventory

Donated inventory received in 2019 and 2018 of approximately \$6,000 and \$14,000, respectively, was recorded as fund raising events revenue and fundraising activities expense in the accompanying financial statements.

NOTE G - RELATED PARTIES

DFH has a financial partnerships with various churches and businesses. These entities serve as intermediaries for donations received from members and employees, and the entities provide financial support with regular contributions. During the years ended December 31, 2019 and 2018, DFH received approximately \$19,000 and \$40,000, respectively, in contributions from these related parties.

During the years ended December 31, 2019 and 2018, DFH received approximately \$115,000 and \$9,000, respectively, in donations from its officers and board of directors.

DESIGNS FOR HOPE
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) - CONTINUED
DECEMBER 31, 2019 AND 2018

NOTE G - RELATED PARTIES - CONTINUED

During the year ended December 31, 2019, DFH received contributions without donor restrictions of \$12,000 from an individual who is an officer of McSweeney Company and board member of DFH. In addition, DFH also received contributions with donor restrictions of \$450,000 from The McSweeney Foundation, which is managed by the same board member. These contributions are restricted for the purpose of building a church for Abundant Life Ministries in Jamaica. During 2019 DFH released \$416,000 of cash with donor restrictions to Abundant Life Ministries.

NOTE H - SUBSEQUENT EVENTS

Due to the passing of the Coronavirus Aid, Relief, and Economic Security (CARES) Act DFH obtained a Small Business Administration Loan totaling \$20,000 through the Paycheck Protection Program (PPP), which was a result of Congress's action to alleviate the financial crisis of COVID-19. The Company believes all proceeds from the PPP loan will be forgiven.

The Organization has evaluated subsequent events through June 30, 2020, the date which the financial statements were available to be issued.