

DESIGNS FOR HOPE

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

DESIGNS FOR HOPE



DESIGNS FOR HOPE
CONTENTS
DECEMBER 31, 2020 AND 2019

	<u>Page</u>
Independent Accountant's Compilation Report	1
Statements of Financial Position (Unaudited)	2
Statements of Activities (Unaudited)	3
Statements of Functional Expenses (Unaudited)	5
Statements of Cash Flows (Unaudited)	7
Notes to Financial Statements (Unaudited)	9

SOVEREIGN CPA GROUP, LLC

Two Chase Corporate Drive, Suite 40
Birmingham, Alabama 35244
Telephone 205.402.4245 Facsimile 866.229.1120

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, 2020 and 2019, 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 assurance on these financial statements.



Birmingham, Alabama
July 23, 2021

DESIGNS FOR HOPE
STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

	December 31	December 31
	2020	2019
ASSETS		
Cash - unrestricted	\$ 207,321	\$ 191,722
Cash - restricted	100,852	34,108
	308,173	225,830
Inventory	101,548	31,344
TOTAL CURRENT ASSETS	409,721	257,174
Property and equipment - net	99,210	2,813
TOTAL ASSETS	\$ 508,931	\$ 259,987
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 961	\$ 0
Paycheck Protection Program loan	20,000	0
TOTAL CURRENT LIABILITIES	20,961	0
Net assets without donor restrictions	387,118	225,879
Net assets with donor restrictions	100,852	34,108
TOTAL NET ASSETS	487,970	259,987
TOTAL LIABILITIES AND NET ASSETS	\$ 508,931	\$ 259,987

See accompanying notes and independent accountant's compilation report.

DESIGNS FOR HOPE
STATEMENTS OF ACTIVITIES (UNAUDITED)

	Year Ended		
	December 31		
	2020		
	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUE AND OTHER SUPPORT			
Contributions	\$ 562,273	\$ 900,000	\$ 1,462,273
Fundraising events	11,280	0	11,280
Donated services	4,820	0	4,820
Sale of promotional items	1,297	0	1,297
Interest income	0	246	246
Net assets released from restriction	833,502	(833,502)	0
TOTAL REVENUE AND OTHER SUPPORT	1,413,172	66,744	1,479,916
EXPENSES			
Program services			
Outreach programs	1,083,973	0	1,083,973
Support services			
Management, general and fundraising	167,960	0	167,960
TOTAL EXPENSES	1,251,933	0	1,251,933
CHANGE IN NET ASSETS	161,239	66,744	227,983
Net assets at beginning of year	225,879	34,108	259,987
NET ASSETS AT END OF YEAR	\$ 387,118	\$ 100,852	\$ 487,970

See accompanying notes and independent accountant's compilation report.

DESIGNS FOR HOPE
STATEMENTS OF ACTIVITIES (UNAUDITED) - CONTINUED

	Year Ended		
	December 31		
	2019		
	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUE AND OTHER SUPPORT			
Contributions	\$ 314,920	\$ 450,000	\$ 764,920
Fundraising events	49,924	0	49,924
Donated services	4,820	0	4,820
Sale of promotional items	1,975	0	1,975
Interest income	0	108	108
Net assets released from restriction	416,000	(416,000)	0
TOTAL REVENUE AND OTHER SUPPORT	787,639	34,108	821,747
EXPENSES			
Program services			
Outreach programs	596,625	0	596,625
Support services			
Management, general and fundraising	174,910	0	174,910
TOTAL EXPENSES	771,535	0	771,535
CHANGE IN NET ASSETS	16,104	34,108	50,212
Net assets at beginning of year	209,775	0	209,775
NET ASSETS AT END OF YEAR	\$ 225,879	\$ 34,108	\$ 259,987

See accompanying notes and independent accountant's compilation report.

DESIGNS FOR HOPE
STATEMENT OF FUNCTIONAL EXPENSES (UNAUDITED)
YEAR ENDED DECEMBER 31, 2020

	Services		
	Program	Support	Totals
	Outreach Programs	Management, General and Fundraising	
Contributions to Abundant Life Ministries	\$ 833,502	\$ 0	\$ 833,502
General	169,287	0	169,287
Well monitoring	120	0	120
Water filtration	27,280	0	27,280
Solar power production	10,103	0	10,103
App development	10,199	0	10,199
Fundraising activities	0	1,575	1,575
Advertising	0	7,617	7,617
Bank and credit card fees	0	5,630	5,630
Computer	0	3,598	3,598
Depreciation	0	1,130	1,130
Dues and subscriptions	0	293	293
Grant writing	0	23,020	23,020
Meetings	0	638	638
Miscellaneous	0	125	125
Office expense	0	7,240	7,240
Postage	0	598	598
Professional fees	0	8,331	8,331
Rent, parking and utilities	0	30,000	30,000
Salaries and wages	31,086	72,534	103,620
Taxes - Payroll	2,396	5,592	7,988
Taxes and licenses	0	39	39
TOTAL FUNCTIONAL EXPENSES	\$ 1,083,973	\$ 167,960	\$ 1,251,933

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
Solar power production	7,275	0	7,275
Motorcycle production	7,653	0	7,653
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
STATEMENTS OF CASH FLOWS (UNAUDITED)

	Year Ended		
	December 31		
	2020		
	Without Donor Restrictions	With Donor Restrictions	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ 161,239	\$ 66,744	\$ 227,983
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation	1,130	0	1,130
Changes in:			
Inventory	(70,204)	0	(70,204)
Accounts payable	961	0	961
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	93,126	66,744	159,870
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	(97,527)	0	(97,527)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(97,527)	0	(97,527)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Paycheck Protection Program loan	20,000	0	20,000
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	20,000	0	20,000
NET CHANGE IN CASH	15,599	66,744	82,343
Cash at beginning of year	191,722	34,108	225,830
CASH AT END OF YEAR	\$ 207,321	\$ 100,852	\$ 308,173

See accompanying notes and independent accountant's compilation report.

DESIGNS FOR HOPE
STATEMENTS OF CASH FLOWS (UNAUDITED) - CONTINUED

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

See accompanying notes and independent accountant's compilation report.

**DESIGNS FOR HOPE
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)
DECEMBER 31, 2020 AND 2019**

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 support for these activities comes primarily from individuals and Organization donor contributions.

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.

DESIGNS FOR HOPE
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) - CONTINUED
DECEMBER 31, 2020 AND 2019

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, 2020 and 2019, are as follows:

	December 31	
	2020	2019
Finished goods	\$ 61,835	\$ 18,785
Parts	38,023	11,919
Retail items held for sale	1,690	640
TOTALS	\$ 101,548	\$ 31,344

Property and Equipment

Property and 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 property and equipment in excess of \$1,000 cost or fair value. 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 expense totaled approximately \$8,000 and \$6,000 for the years ended December 31, 2020 and 2019, respectively.

DESIGNS FOR HOPE
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) - CONTINUED
DECEMBER 31, 2020 AND 2019

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. We adopted the standard on January 1, 2019. Our program 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, 2020 and 2019, 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, 2020 and 2019.

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, 2020 AND 2019

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 \$207,321 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 - PROPERTY AND EQUIPMENT

Property and equipment is presented net of accumulated depreciation in the accompanying financial statements. The components of property and equipment at December 31, 2020 and 2019, are as follows:

	December 31	
	2020	2019
Computer equipment	\$ 3,851	\$ 3,851
Leasehold improvements	97,527	0
	101,378	3,851
Less accumulated depreciation	(2,168)	(1,038)
TOTALS	\$ 99,210	\$ 2,813

NOTE E - CONCENTRATIONS OF RISK

Cash

At December 31, 2020 and 2019, substantially all the Organization's cash was held by a bank with accounts guaranteed by federal deposit insurance up to certain limits. Uninsured balances at December 31, 2020, were approximately \$19,000. All balances were fully insured at December 31, 2019.

Contributions

Contributions totaling approximately \$1,120,000 and \$520,000 were made by two contributors for the years ended December 31, 2020 and 2019, respectively. Contributors are from various areas in the United States of America.

DESIGNS FOR HOPE
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) - CONTINUED
DECEMBER 31, 2020 AND 2019

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, 2020 and 2019, donated professional services meeting the requirements for recognition totaled approximately \$5,000. 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. 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 the property and the cost of food that was donated by the owner of the property. The amount recorded in the year ended December 31, 2019, 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, 2020 and 2019, was approximately \$30,000.

Donated Inventory

Donated inventory received in 2019 of approximately \$6,000 was recorded as fundraising events revenue and fundraising activities expense in the accompanying financial statements. No donated inventory was recieved during 2020.

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, 2020 and 2019, DFH received approximately \$35,000 and \$19,000, respectively, in contributions from these related parties.

During the years ended December 31, 2020 and 2019, DFH received approximately \$230,000 and \$115,000, respectively, in donations from its officers and board of directors.

DESIGNS FOR HOPE
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) - CONTINUED
DECEMBER 31, 2020 AND 2019

NOTE G - RELATED PARTIES - CONTINUED

During the years ended December 31, 2020 and 2019, DFH received contributions without restrictions of \$12,000 from an individual who is an officer of McSweeney Company and board member of DFH.

In addition, DFH received contributions with donor restrictions 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 the years ended December 31, 2020 and 2019, DFH received contributions with restrictions in the amount of \$900,000 and \$450,000, respectively. Assets released from restrictions were approximately \$834,000 and \$416,000, respectively.

NOTE H - PAYCHECK PROTECTION PROGRAM LOAN

In April 2020 the Organization received a loan in the amount of \$20,000 under the Payroll Protection Program (PPP Loan). The loan accrued interest at a rate of 1% and has an original maturity date of two years which can be extended to five years by mutual agreement of the Organization and the lender. Payments are deferred until March 2021. Any amounts not forgiven under the Program will be payable in equal installments of principal plus any interest.

Under the requirements of the CARES Act, as amended by the PPP Flexibility Act and Consolidated Appropriation Act, 2021, proceeds may only be used for the Company's eligible payroll costs, or other eligible costs, paid during the 24-week period following the disbursement. The PPP Loan may be fully forgiven if (i) proceeds are used to pay eligible payroll costs or other eligible costs and (ii) full-time employee headcount and salaries are either maintained during the 24-week period following disbursement or restored by December 31, 2020. If not maintained or restored, any forgiveness of the PPP Loan would be reduced in accordance with the regulations that were issued by the Small Business Administration. All proceeds of the PPP Loan were used by the Organization to pay eligible payroll costs and the Organization maintained its headcount and otherwise complied with the terms of the PPP Loan.

While the Organization believes that it has acted in compliance with the program and will seek forgiveness of the PPP Loan, no assurance can be provided that the Organization will obtain forgiveness of the PPP Loan in whole or in part. The balance on this PPP Loan was \$20,000 as of December 31, 2020, and has been classified as a current liability in the accompanying financial statements. (See Note I.)

NOTE I - SUBSEQUENT EVENTS

The Organization received full forgiveness of the PPP Loan subsequent to year end.

The Organization has evaluated subsequent events through July 23, 2021, the date which the financial statements were available to be issued.