

DESIGNS FOR HOPE

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

DESIGNS FOR HOPE

www.designsforhope.org

TABLE OF CONTENTS

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

TILL, HESTER, EYER & BROWN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
MOUNTAIN BROOK CENTER, SUITE 400
2700 HIGHWAY 280 EAST
BIRMINGHAM, ALABAMA 35223
TELEPHONE (205) 871-9855
FACSIMILE (205) 871-9832

MEMBERS
AMERICAN INSTITUTE
OF CERTIFIED
PUBLIC ACCOUNTANTS

ALABAMA
SOCIETY
OF CERTIFIED
PUBLIC ACCOUNTANTS

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, 2022 and 2021, 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.

Till, Hester, Eyer & Brown, P.C.

June 7, 2023

DESIGNS FOR HOPE
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash - Unrestricted	\$ 138,006	\$ 167,399
Cash - Restricted	<u>25,574</u>	<u>2,263</u>
	163,580	169,662
Inventory	<u>52,060</u>	<u>119,660</u>
TOTAL CURRENT ASSETS	215,640	289,322
Property and equipment, net	<u>93,294</u>	<u>96,252</u>
TOTAL ASSETS	\$ <u><u>308,934</u></u>	\$ <u><u>385,574</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ <u>673</u>	\$ <u>-</u>
TOTAL CURRENT LIABILITIES	673	-
NET ASSETS		
Without donor restrictions	282,687	383,311
With donor restrictions	<u>25,574</u>	<u>2,263</u>
TOTAL NET ASSETS	<u>308,261</u>	<u>385,574</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>308,934</u></u>	\$ <u><u>385,574</u></u>

See accompanying notes and independent accountant's compilation report.

DESIGNS FOR HOPE
STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Contributions of cash	\$ 607,881	\$ 25,574	\$ 633,455
Special event revenue	33,483	-	33,483
Contributions of nonfinancial assets	39,700	-	39,700
Sale of promotional items	2,780	-	2,780
Interest income	252	-	252
Net assets released from restriction	2,263	(2,263)	-
TOTAL REVENUE AND OTHER SUPPORT	<u>686,359</u>	<u>23,311</u>	<u>709,670</u>
EXPENSES			
Program services			
Outreach programs	541,851	-	541,851
Support services			
Management and general	199,386	-	199,386
Fundraising	45,746	-	45,746
TOTAL EXPENSES	<u>786,983</u>	<u>-</u>	<u>786,983</u>
CHANGE IN NET ASSETS	(100,624)	23,311	(77,313)
NET ASSETS AT BEGINNING OF YEAR	<u>383,311</u>	<u>2,263</u>	<u>385,574</u>
NET ASSETS AT END OF YEAR	<u>\$ 282,687</u>	<u>\$ 25,574</u>	<u>\$ 308,261</u>

See accompanying notes and independent accountant's compilation report.

DESIGNS FOR HOPE
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Contributions of cash	\$ 338,908	\$ 579,208	\$ 918,116
Special event revenue	29,403	-	29,403
Contributions of nonfinancial assets	2,000	-	2,000
Sale of promotional items	1,643	-	1,643
Gain on extinguishment of debt - PPP	20,000	-	20,000
Interest income	-	44	44
Net assets released from restriction	<u>677,841</u>	<u>(677,841)</u>	<u>-</u>
TOTAL REVENUE AND OTHER SUPPORT	1,069,795	(98,589)	971,206
EXPENSES			
Program services			
Outreach programs	884,709	-	884,709
Support services			
Management and general	178,678	-	178,678
Fundraising	<u>10,215</u>	<u>-</u>	<u>10,215</u>
TOTAL EXPENSES	<u>1,073,602</u>	<u>-</u>	<u>1,073,602</u>
CHANGE IN NET ASSETS	(3,807)	(98,589)	(102,396)
NET ASSETS AT BEGINNING OF YEAR	<u>387,118</u>	<u>100,852</u>	<u>487,970</u>
NET ASSETS AT END OF YEAR	\$ <u><u>383,311</u></u>	\$ <u><u>2,263</u></u>	\$ <u><u>385,574</u></u>

See accompanying notes and independent accountant's compilation report.

DESIGNS FOR HOPE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Outreach Programs	Management and General	Fundraising	Totals
Mission activities	\$ 421,106	\$ -	\$ -	\$ 421,106
Solar power production	83,019	-	-	83,019
Special event expenses	-	-	11,836	11,836
Advertising	-	3,861	-	3,861
Bank and credit card fees	-	6,266	-	6,266
Computer	-	4,407	-	4,407
Depreciation	-	2,958	-	2,958
Dues and subscriptions	-	2,446	-	2,446
Insurance	-	984	-	984
Meetings	-	4,359	-	4,359
Office expense	-	6,264	-	6,264
Postage	-	2,164	-	2,164
Professional fees	-	13,511	-	13,511
Rent, parking and utilities	-	30,200	-	30,200
Salaries and wages	34,906	112,821	31,375	179,102
Taxes - Payroll	2,820	9,114	2,535	14,469
Taxes and licenses	-	31	-	31
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>\$ 541,851</u>	<u>\$ 199,386</u>	<u>\$ 45,746</u>	<u>\$ 786,983</u>

See accompanying notes and independent accountant's compilation report.

DESIGNS FOR HOPE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021

	Outreach Programs	Management and General	Fundraising	Total
Mission activities	\$ 846,244	\$ -	\$ -	\$ 846,244
App development	3,665	-	-	3,665
Special event expenses	-	-	10,215	10,215
Advertising	-	9,631	-	9,631
Bank and credit card fees	-	5,110	-	5,110
Computer	-	3,914	-	3,914
Depreciation	-	2,958	-	2,958
Dues and subscriptions	-	2,760	-	2,760
Equipment rental and maintenance	-	1,409	-	1,409
Grant writing	-	23,425	-	23,425
Insurance	-	954	-	954
Meetings	-	2,316	-	2,316
Office expense	-	4,751	-	4,751
Postage	-	2,801	-	2,801
Professional fees	-	7,451	-	7,451
Rent, parking and utilities	-	30,000	-	30,000
Salaries and wages	32,362	75,510	-	107,872
Taxes - Payroll	2,438	5,688	-	8,126
	<u>\$ 884,709</u>	<u>\$ 178,678</u>	<u>\$ 10,215</u>	<u>\$ 1,073,602</u>

See accompanying notes and independent accountant's compilation report.

DESIGNS FOR HOPE
STATEMENT OF CASH FLOWS
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ (100,624)	\$ 23,311	\$ (77,313)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation	2,958	-	2,958
Decrease in:			
Inventory	67,600	-	67,600
Increase in:			
Accounts payable	673	-	673
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(29,393)</u>	<u>23,311</u>	<u>(6,082)</u>
NET CHANGE IN CASH	(29,393)	23,311	(6,082)
CASH AT BEGINNING OF YEAR	<u>167,399</u>	<u>2,263</u>	<u>169,662</u>
CASH AT END OF YEAR	<u>\$ 138,006</u>	<u>\$ 25,574</u>	<u>\$ 163,580</u>

See accompanying notes and independent accountant's compilation report.

DESIGNS FOR HOPE
STATEMENT OF CASH FLOWS
Year Ended December 31, 2021

	Without Donor	With Donor Restrictions	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ (3,807)	\$ (98,589)	\$ (102,396)
Adjustment to reconcile change in net assets to net cash (used) by operating activities:			
Depreciation	2,958	-	2,958
Gain on extinguishment of debt - PPP	(20,000)	-	(20,000)
Increase in:			
Inventory	(18,112)	-	(18,112)
Decrease in:			
Accounts payable	(961)	-	(961)
	<u>(39,922)</u>	<u>(98,589)</u>	<u>(138,511)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>(39,922)</u>	<u>(98,589)</u>	<u>(138,511)</u>
NET CHANGE IN CASH	(39,922)	(98,589)	(138,511)
CASH AT BEGINNING OF YEAR	<u>207,321</u>	<u>100,852</u>	<u>308,173</u>
CASH AT END OF YEAR \$	<u><u>167,399</u></u>	<u><u>2,263</u></u>	<u><u>169,662</u></u>

See accompanying notes and independent accountant's compilation report.

DESIGNS FOR HOPE
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE A - ORGANIZATION AND OPERATIONS

Designs for Hope (DFH) 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 from contributions provided by individuals and organizations primarily in the state of Alabama.

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 and Revenue Recognition

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. DFH reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restriction - Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restriction - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Contributions are recognized in revenue when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

DESIGNS FOR HOPE
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Revenues are reported as increases in net assets without donor restriction unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on the sale of assets or extinguishment of liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

DFH has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Interest income and other miscellaneous income is recognized when received.

Income from ticket sales, sponsorships, advertising, and events may be received in advance of the event or the service provided. These advance payments are reported as deferred revenue unless the event is held or the service is provided in the same period.

Contributions of donated noncash assets are reported as contributions of nonfinancial assets in the statement of activities and are recorded at their fair values in the period received. See Note F for more information on contributions of nonfinancial assets.

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, 2022 and 2021, are as follows:

	2022	2021
Finished goods	\$ 23,690	\$ 72,170
Parts	27,820	46,140
Retail items held for sale	<u>550</u>	<u>1,350</u>
	<u>\$ 52,060</u>	<u>\$ 119,660</u>

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.

DESIGNS FOR HOPE
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

The Organization capitalizes additions of property and 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 expense totaled \$3,861 and \$9,631 for the years ended December 31, 2022 and 2021, respectively.

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, 2022 and 2021, and therefore, no provision for federal or state income taxes has been made in the accompanying financial statements.

DFH 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, 2022 and 2021.

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
December 31, 2022 and 2021

Adoption of New Accounting Standard

On February 25, 2016, FASB issued *FASB No. 2016-02, Leases Topic 842*, which requires lessees to recognize an asset and liability associated with the right to use a given asset and obligations to make payments pursuant to the terms of the lease. The Company adopted this standard on January 1, 2022. This standard had no impact for the years ended December 31, 2022 and 2021.

Reclassification

Certain reclassifications have been made to the 2021 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

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. At December 31, 2022 DFH had the following cash available to meet expenditure needs for general operating expenditures.

Financial assets:		
Cash	\$	163,580
Reduced by donor-imposed restrictions		25,574
Financial assets available to meet cash needs for general expenditures within one year	\$	138,006

NOTE D - PROPERTY AND EQUIPMENT

Equipment is presented net of accumulated depreciation in the accompanying financial statements. The components of property and equipment at December 31, 2022, and 2021 are as follows:

	2022	2021
Computer equipment	\$ 3,851	\$ 3,851
Leasehold improvements	97,527	97,527
	101,378	101,378
Less accumulated depreciation	(8,084)	(5,126)
	\$ 93,294	\$ 96,252

DESIGNS FOR HOPE
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE E - CONCENTRATIONS OF RISK

Cash

DFH maintains its cash balances in two financial institutions and the balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. There were no uninsured balances at December 31, 2022 and 2021.

Contributions

Contributions totaling \$181,000 and \$579,208 were made by one contributor for the years ended December 31, 2022 and 2021, respectively. Contributors are from various areas in the United States of America.

NOTE F - CONTRIBUTION OF NONFINANCIAL ASSETS

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 the years ended December 31, 2022 and 2021, donated professional services attributed to management and general expenses that meet the requirement for recognition totaled \$2,000. These amounts are included in donated services revenue and professional fees expense in the accompanying financial statements.

Donated Use of Facilities

DFH hosts a fundraising event in a venue donated by the owner of the property. The fair market value of the income and expense have been recognized as contributions of nonfinancial assets in the statements of activities and special event expenses in the statements of functional expenses. The amount recognized in the years ended December 31, 2022 and 2021 was \$7,700.

DFH operates in office space donated by the owner of the property. The amount is recognized as contributions of nonfinancial assets in the statement of activities and rent, parking and utilities in the statement of functional expenses. The amount recognized for the years ended December 31, 2022 and 2021 was \$30,000.

NOTE G - RELATED PARTIES

During the years ended December 31, 2022 and 2021, DFH received \$33,562 and \$7,301, respectively, in donations from its officers and board of directors.

DESIGNS FOR HOPE
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

In addition, DFH also received contributions from The McSweeney Foundation, which is managed by a board member. These contributions totaled \$181,000 and \$677,841 for the years ended December 31, 2022 and 2021, respectively.

NOTE H - SPECIAL BORROWING ARRANGEMENT

DFH received a Small Business Administration Loan totaling \$20,000 through the Paycheck Protection Program (PPP) in the year ended December 31, 2020. Full forgiveness of the loan was received in the year ended December 31, 2021. The forgiveness of the loan is recorded in the statement of activities as gain on extinguishment of debt - PPP.

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2022 and 2021, net assets with donor restrictions are restricted for the following purposes:

	2022	2021
Subject to expenditure for specified purpose:		
Abundant Life Church	\$ 3,324	\$ 2,263
Salary for fundraising	<u>22,250</u>	<u>-</u>
	<u>\$ 25,574</u>	<u>\$ 2,263</u>

NOTE J - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 21, 2023, the date which the financial statements were available to be issued.