

DESIGNS FOR HOPE

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

DESIGNS FOR HOPE

www.designsforhope.org

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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, 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 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.

The financial statements of Designs for Hope as of December 31, 2020, were subjected to a compilation engagement by other accountants, whose report dated July 23, 2021, stated that they have not audited or reviewed the 2020 financial statements and do not express an opinion, a conclusion, nor provide any assurance on those financial statements.

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

Birmingham, Alabama
June 3, 2022

DESIGNS FOR HOPE
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash - Unrestricted	\$ 167,399	\$ 207,321
Cash - Restricted	<u>2,263</u>	<u>100,852</u>
	169,662	308,173
 Inventory	 <u>119,660</u>	 <u>101,548</u>
TOTAL CURRENT ASSETS	289,322	409,721
 Property and equipment, net	 <u>96,252</u>	 <u>99,210</u>
TOTAL ASSETS \$	<u><u>385,574</u></u>	<u><u>\$ 508,931</u></u>
 LIABILITIES AND NET ASSETS		
Accounts payable	\$ -	\$ 961
Paycheck Protection Program (PPP) loan	<u>-</u>	<u>20,000</u>
TOTAL CURRENT LIABILITIES	-	20,961
 Net assets without donor restrictions	 383,311	 387,118
Net assets with donor restrictions	<u>2,263</u>	<u>100,852</u>
TOTAL NET ASSETS	<u>385,574</u>	<u>487,970</u>
TOTAL LIABILITIES AND NET ASSETS \$	<u><u>385,574</u></u>	<u><u>\$ 508,931</u></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	\$ 338,908	\$ 579,208	\$ 918,116
Fundraising events	29,403	-	29,403
Donated services	2,000	-	2,000
Sale of promotional items	1,643	-	1,643
Gain on extinguishment of debt - PPP (See Note H)	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, general and fundraising	<u>188,893</u>	<u>-</u>	<u>188,893</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 ACTIVITIES
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Contributions	\$ 562,273	\$ 900,000	\$ 1,462,273
Fundraising events	11,280	-	11,280
Donated services	4,820	-	4,820
Sale of promotional items	1,297	-	1,297
Interest income	-	246	246
Net assets released from restriction	833,502	(833,502)	-
TOTAL REVENUE AND OTHER SUPPORT	1,413,172	66,744	1,479,916
EXPENSES			
Program services			
Outreach programs	1,083,973	-	1,083,973
Support services			
Management, general and fundraising	167,960	-	167,960
TOTAL EXPENSES	1,251,933	-	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
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021

	Outreach Programs	Management, General and Fundraising	Totals
Contributions to Abundant Life Ministries	\$ 677,841	\$ -	\$ 677,841
General	168,403	-	168,403
App development	3,665	-	3,665
Fundraising activities	-	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>188,893</u>	<u>1,073,602</u>
	\$ <u>884,709</u>	\$ <u>188,893</u>	\$ <u>1,073,602</u>

See accompanying notes and independent accountant's compilation report.

DESIGNS FOR HOPE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020

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

See accompanying notes and independent accountant's compilation report.

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

	Without Donor Restrictions	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 provided (used) by operating activities:			
Depreciation	2,958	-	2,958
Gain on extinguishment of debt - PPP (See Note H)	(20,000)	-	-
Changes in:			
Inventory	(18,112)	-	(18,112)
Accounts payable	(961)	-	(961)
	<u> </u>	<u> </u>	<u> </u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(39,922)</u>	<u>(98,589)</u>	<u>(118,511)</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
STATEMENT OF CASH FLOWS
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
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	-	1,130
Changes in:			
Inventory	(70,204)	-	(70,204)
Accounts payable	961	-	961
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>93,126</u>	<u>66,744</u>	<u>159,870</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	<u>(97,527)</u>	<u>-</u>	<u>(97,527)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(97,527)</u>	<u>-</u>	<u>(97,527)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Paycheck Protection Program loan	<u>20,000</u>	<u>-</u>	<u>20,000</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>20,000</u>	<u>-</u>	<u>20,000</u>
NET CHANGE IN CASH	15,599	66,744	82,343
CASH AT BEGINNING OF YEAR	<u>191,722</u>	<u>34,108</u>	<u>225,830</u>
CASH AT END OF YEAR	<u>\$ 207,321</u>	<u>\$ 100,852</u>	<u>\$ 308,173</u>

See accompanying notes and independent accountant's compilation report.

DESIGNS FOR HOPE
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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

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
December 31, 2021 and 2020

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 2021 and 2020 are as follows:

	2021	2020
Finished goods	\$ 72,170	\$ 61,835
Parts	46,140	38,023
Retail items held for sale	<u>1,350</u>	<u>1,690</u>
TOTALS	<u>\$ 119,660</u>	<u>\$ 101,548</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. 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 \$9,631 and \$7,617 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, and therefore, no provision for federal or state income taxes has been made in the accompanying financial statements.

DESIGNS FOR HOPE
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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, 2021 and 2020.

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.

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 \$167,399 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

Equipment is presented net of accumulated depreciation in the accompanying financial statements. The components of property, plant and equipment at December 31 2021 and 2020 are as follows:

	2021	2020
Computer equipment	\$ 3,851	\$ 3,851
Leasehold improvements	<u>97,527</u>	<u>97,527</u>
	101,378	101,378
Less accumulated depreciation	<u>(5,126)</u>	<u>(2,168)</u>
TOTALS	<u>\$ 96,252</u>	<u>\$ 99,210</u>

DESIGNS FOR HOPE
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE E - CONCENTRATIONS OF RISK

Cash

At December 31, 2021 and 2020, substantially DFH's cash was held by a bank with insured balances up to \$250,000 with federal depository insurance. Uninsured balances at December 31, 2021 and 2020 were \$-0- and \$19,000, respectively.

Contributions

Contributions totaling \$579,208 and \$1,120,000 were made by one contributor for the years ended December 31, 2021 and 2020, respectively. Contributors are from various areas in the United States of America.

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, 2021 and 2020, donated professional services meeting the requirements for recognition totaled \$2,000 and \$4,820, 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 2021. 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 that was donated by the owner of the property. The amount recorded in the year ended December 31, 2021 was \$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, 2021 and 2020 was \$30,000.

DESIGNS FOR HOPE
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE G - RELATED PARTIES

During the years ended December 31, 2021 and 2020, DFH received \$7,301 and \$230,000, respectively, in donations from its officers and board of directors.

In addition, DFH also received contributions with 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, 2021 and 2020, DFH received contributions with restrictions in the amount of \$579,208 and \$900,000, respectively. Assets released from restrictions were \$677,841 and \$833,502, respectively. Restricted cash was relieved by paying vendors for the construction of the church.

NOTE H - SIGNIFICANT EVENT

The COVID-19 pandemic that began in 2020 and continued through the end of 2021 had devastating effects on the country's economy as a whole. The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law during 2020 in response to the worldwide pandemic cause by the coronavirus (COVID-19). The CARES Act provided opportunities for certain businesses to receive emergency grants and loans to pay qualifying expenses including payroll costs, mortgage interest, rent and utilities. Grants will not be repaid, and certain loans can be forgiven if specified conditions are met. In addition, the Paycheck Protection Program (PPP) and Health Care Enhancement Act was signed into law, which increased funding provided by the CARES Act. Due to the CARES Act and DFH's strategic planning for the uncertainty of COVID-19, DFH was able to continue normal operations.

The long-term effects of the pandemic cannot be determined and there is a potential risk that the organization could be negatively affected as the pandemic continues.

DFH was able to obtain a Small Business Administration Loan totaling \$20,000 through the 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 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 10, 2022 the date which the financial statements were available to be issued.