

Circle of Love Foundation, Inc.

**Financial Statements
(Audited)**

Year Ended December 31, 2016

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Independent Auditor's Report

To the Board of Directors of
Circle of Love Foundation Inc.

We have audited the accompanying financial statements of Circle of Love Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Circle of Love Foundation, Inc. as of December 31, 2016, and its changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Littonman & Cleland, Ltd.

Rockford, Illinois
June 12, 2017

Circle of Love Foundation, Inc.
Statement of Financial Position
December 31, 2016

Assets

Cash	\$ 32,159
Property and equipment, net	<u>---</u>
Total Assets	\$ <u>32,159</u>

Net Assets

Unrestricted Net Assets	\$ <u>32,159</u>
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See accompanying notes and independent auditor's report.

Circle of Love Foundation, Inc.
Statement of Activities
For the Year Ended December 31, 2016

Unrestricted Net Assets

Support and Revenues:

Support:

Contributions	\$ 104,122
Pastoral and missionary support	137,933
Mission trips	292,566

Revenues and (Losses):

Loss on Investments	(80)
Fundraising and other	<u>30,223</u>

Total Unrestricted Support and Revenue 564,764

Expenses:

Program services:

Grants	159,041
Pastoral support	83,124
Mission trips and support	321,606

Supporting services:

Management and general	9,683
Fundraising	<u>18,342</u>

Total Expenses 591,796

Decrease in Unrestricted Net Assets (27,032)

Net Assets at Beginning of Year 59,191

Net Assets at End of Year \$ 32,159

See accompanying notes and independent auditor's report.

Circle of Love Foundation, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2016

	<u>Program Services</u>			<u>Supporting Services</u>		
		<u>Pastoral</u>		<u>Management</u>		
	<u>Grants</u>	<u>Support</u>	<u>Mission Trips</u>	<u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Depreciation	\$ -	\$ -	\$ 46	\$ 3	\$ 9	\$ 58
Insurance	-	-	7,235	-	-	7,235
Postage	-	-	2,036	127	382	2,545
Printing and reproduction	-	-	3,829	239	719	4,787
Office supplies and expenses	-	-	8,219	514	1,541	10,274
Telephone	-	-	1,021	-	-	1,021
Pastoral support	-	83,124	-	-	-	83,124
Professional fees	-	-	-	6,400	-	6,400
Banquet expenses	-	-	-	-	8,491	8,491
Grants paid	159,041	-	-	-	-	159,041
Office and field staff services	-	-	146,680	2,400	7,200	156,280
Travel expenses	-	-	75,971	-	-	75,971
Medical supplies and equipment	-	-	69,504	-	-	69,504
Humanitarian supplies	-	-	7,065	-	-	7,065
	<u>\$ 159,041</u>	<u>\$ 83,124</u>	<u>\$ 321,606</u>	<u>\$ 9,683</u>	<u>\$ 18,342</u>	<u>\$ 591,796</u>

See accompanying notes and independent auditor's report.

Circle of Love Foundation, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2016

Cash Flows from Operating Activities

Decrease in net assets	\$ (27,032)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:	
Realized loss on sale of investments	80
Contribution of investments	(3,589)
Depreciation	<u>58</u>

Net Cash Used by Operating Activities (30,483)

Cash Flows From Investing Activities

Proceeds from sale of investments	<u>5,063</u>
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Net Cash Provided by Investing Activities 5,063

Net Decrease in Cash (25,420)

Cash at Beginning of Year	<u>57,579</u>
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Cash at End of Year	\$ <u>32,159</u>
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See accompanying notes and independent auditor's report.

Circle of Love Foundation, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2016

Note (1) Nature of Activities and Significant Accounting Policies

Nature of Activities

Circle of Love Foundation, Inc. is a nonprofit corporation organized in December, 1995, under the laws of the state of Illinois. The Organization seeks to build the kingdom of God by reaching out in the love of Christ to those who are in need. Offering free medical clinics in impoverished areas is the primary vehicle for ministry. At a free medical clinic, an individual has the opportunity to hear the Gospel, receive quality medical care, prescription medications and a Bible in his/her language. The Organization seeks to bring about lasting changes through other programs such as planting and building churches, orphanages, children's ministry, discipleship, micro-development, prison ministry, and disaster relief. Financial support of national pastors and missionary partners is a significant factor in helping Circle of Love reach their ministry goals. They have been active in South Africa, Thailand, Viet Nam, Botswana, Guatemala, Uganda, Sudan, India and Sri Lanka. For more information please visit our website: www.circleoflovefoundation.net.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code and qualifies donors for the charitable contributions deduction.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2013, 2014, 2015, and 2016 are subject to possible examination by the IRS, generally for three years after they are filed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the value of donated medications from donor organizations which no longer provide the estimated values of the medications which were donated.

Circle of Love Foundation, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2016

Note (1) **Nature of Activities and Significant Accounting Policies (Continued)**

Method of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Unrestricted net assets are those assets presently available for use by the Organization at the discretion of the Board of Directors. If the Board specifies a purpose where none has been stated by the original donor, such assets are classified as designated unrestricted net assets.

Temporarily restricted assets are those assets which have donor imposed restrictions as to time, purpose or both. As of December 31, 2016 there were no temporarily restricted net assets.

Permanently restricted net assets result from a donors' specification that the assets be invested in perpetuity and that, generally, only the income be used. As of December 31, 2016, there were no permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values are recorded at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investment income and gains on assets restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Promises To Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Circle of Love Foundation, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2016

Note (1) **Nature of Activities and Significant Accounting Policies (Continued)**

Property and Equipment

Property and equipment are recorded at cost, or if donated, at estimated fair value at the date of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment are stated at cost for purchased assets. The Organization follows the practice of capitalizing property and equipment with a cost, or fair market value if donated, of \$500 or more. Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

Equipment	Five to seven years
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There is currently no major maintenance planned.

Contributed Services and Materials

The Organization recognizes the value of donated services in the financial statements when the services create or enhance a nonfinancial asset or are considered specialized skills provided by entities or persons possessing those skills that would be purchased if they were not donated.

An amount of \$156,280 is reflected in the financial statements for donated services during the year ended December 31, 2016. The contributed services consist mainly of office and field staff services.

There were no contributions of services that did not meet the requirements for recognition in the financial statements for the year ended December 31, 2016.

Donated materials are recorded at their fair value at the date of the gift when available. A major donor organization has changed their reporting procedures and no longer provide estimated values of donated medications; therefore estimates have been used to determine the value of donated medications. The Organization does not imply time restrictions for gifts of long-lived assets. As a result, in the absence of donor-imposed restrictions, gifts of long-lived assets are reported as unrestricted revenue.

Circle of Love Foundation, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2016

Note (1) Nature of Activities and Significant Accounting Policies (Continued)

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function have been allocated between program services and supporting services based on the Organization's analysis of actual and estimated allocation of expenses. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Advertising Costs

The Organization expenses advertising costs as incurred.

Note (2) Investments

Circle of Love Foundation received donations of corporate stock during the year ended December 31, 2016. All securities received were subsequently sold.

The following schedule summarizes the unrestricted investment return and its classification in the statement of activities for the year ended December 31, 2016:

Net realized losses	\$ (80)
Net unrealized gain	---
Interest income, net of fees	<u>---</u>
Total investment loss	\$ <u><u>(80)</u></u>

Note (3) Property and Equipment

Property and equipment consist of the following for the year ended December 31, 2016:

Office equipment	\$ 8,356
Medical equipment	<u>555</u>
	8,911
Accumulated depreciation	<u>8,911</u>
	\$ <u><u>---</u></u>

Circle of Love Foundation, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2016

Note (4) **Uninsured Deposits**

The Organization maintains cash at various financial institutions. Accounts at those institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2016 the Organization's cash balances were fully insured.

Note (5) **Major Revenue Source**

Substantially all of the Organization's revenue consists of contributions from private individuals and companies. A loss of this revenue would prevent the Organization's continued existence. No donor contributed more than 10% of the total cash donations for the year ended December 31, 2016.

Note (6) **Subsequent Events**

Circle of Love Foundation evaluated the December 31, 2016 financial statements for subsequent events through June 12, 2017, the date the financial statements were available to be issued. Circle of Love Foundation is not aware of any subsequent events that would require recognition or disclosure in the financial statements.