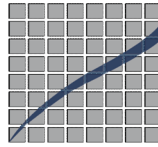




FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Finance Committee

Children's HopeChest, Inc.

Colorado Springs, Colorado

Opinion

We have audited the accompanying financial statements of Children's HopeChest, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 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 our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's HopeChest, Inc. as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report. We are required to be independent of Children's HopeChest, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Children's HopeChest, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Children's HopeChest, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Children's HopeChest, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

BiggsKofford, P.C.

Colorado Springs, Colorado
November 17, 2022

CHILDREN'S HOPECHEST, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current assets:		
Cash and equivalents	\$ 660,663	\$ 545,614
Cash held overseas	209,693	251,478
Contributions receivable	40,495	26,046
Prepaid expenses and other assets	35,271	33,085
Total current assets	946,122	856,223
Operating lease right-of-use asset	172,438	-
Property and equipment, net	79,765	110,939
Total assets	<u>\$ 1,198,325</u>	<u>\$ 967,162</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 103,816	\$ 129,142
Current portion of operating lease liability	30,538	-
Total current liabilities	134,354	129,142
Noncurrent liabilities:		
Operating lease liability, net of current portion	143,311	-
Total liabilities	277,665	129,142
Net assets:		
Without donor restrictions:		
Operating	(57,944)	(319,706)
Net equity in property and equipment and operating lease right-of-use asset	78,354	110,939
Total net assets without donor restrictions	20,410	(208,767)
With donor restrictions	900,250	1,046,787
Total net assets	920,660	838,020
Total liabilities and net assets	<u>\$ 1,198,325</u>	<u>\$ 967,162</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

CHILDREN'S HOPECHEST, INC.

STATEMENT OF ACTIVITIES YEAR ENDED SEPTEMBER 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Contributions:			
Sponsorships	\$ -	\$ 4,256,161	\$ 4,256,161
Projects	-	1,127,067	1,127,067
General, grants, and other	398,155	-	398,155
Total support and revenue	398,155	5,383,228	5,781,383
Net assets released from restrictions	5,529,765	(5,529,765)	-
<u>EXPENSES</u>			
Program services	4,678,431	-	4,678,431
General and administrative	625,078	-	625,078
Fundraising	364,591	-	364,591
Total expenses	5,668,100	-	5,668,100
Change in net assets before foreign currency translation adjustment	259,820	(146,537)	113,283
Foreign currency translation adjustment	(30,643)	-	(30,643)
Change in net assets	229,177	(146,537)	82,640
Net assets, beginning of year	(208,767)	1,046,787	838,020
Net assets, end of year	<u>\$ 20,410</u>	<u>\$ 900,250</u>	<u>\$ 920,660</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

CHILDREN'S HOPECHEST, INC.

STATEMENT OF ACTIVITIES YEAR ENDED SEPTEMBER 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Contributions:			
Sponsorships	\$ -	\$ 5,006,189	\$ 5,006,189
Projects	-	750,239	750,239
General, grants, and other	294,101	-	294,101
Total support and revenue	294,101	5,756,428	6,050,529
Net assets released from restrictions	5,867,644	(5,867,644)	-
<u>EXPENSES</u>			
Program services	4,992,912	-	4,992,912
General and administrative	650,456	-	650,456
Fundraising	457,475	-	457,475
Total expenses	6,100,843	-	6,100,843
Change in net assets before foreign currency translation adjustment	60,902	(111,216)	(50,314)
Foreign currency translation adjustment	(21,505)	-	(21,505)
Change in net assets	39,397	(111,216)	(71,819)
Net assets, beginning of year	(248,164)	1,158,003	<u>\$ 909,839</u>
Net assets, end of year	<u>\$ (208,767)</u>	<u>\$ 1,046,787</u>	<u>\$ 838,020</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

CHILDREN'S HOPECHEST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2022

	Program Services	General and Administrative	Fundraising	Total
Bank and credit card fees	\$ 1,302	\$ 74,693	\$ -	\$ 75,995
Depreciation	25,858	8,015	-	33,873
Education and materials	258,649	-	-	258,649
Equipment and maintenance	261,507	-	-	261,507
Food and clothing	138,281	-	-	138,281
Grants	2,240,977	-	-	2,240,977
Information technology	129,083	99,003	52,445	280,531
Marketing and promotion	-	2,732	8,605	11,337
Medical supplies	123,480	-	-	123,480
Occupancy	182,495	20,497	18,566	221,558
Office supplies	25,695	25,828	6,015	57,538
Professional fees	1,234	16,950	-	18,184
Salaries and benefits	1,085,678	359,914	265,300	1,710,892
Travel	204,192	17,446	13,660	235,298
Total expenses	\$ 4,678,431	\$ 625,078	\$ 364,591	\$ 5,668,100
Percentage of total expenses	83%	11%	6%	100%

The accompanying notes and independent auditor's report
should be read with these financial statements.

CHILDREN'S HOPECHEST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021

	Program Services	General and Administrative	Fundraising	Total
Bank and credit card fees	\$ 1,527	\$ 83,383	\$ -	\$ 84,910
Depreciation	26,296	8,524	-	34,820
Education and materials	169,377	-	-	169,377
Equipment and maintenance	275,790	-	-	275,790
Food and clothing	160,293	-	-	160,293
Grants	2,631,108	-	-	2,631,108
Information technology	240,776	69,308	18,078	328,162
Marketing and promotion	-	-	14,524	14,524
Medical supplies	83,917	-	-	83,917
Occupancy	146,872	26,695	28,290	201,857
Office supplies	25,912	27,002	7,432	60,346
Professional fees	1,603	26,810	-	28,413
Salaries and benefits	1,153,139	397,329	378,602	1,929,070
Travel	76,302	11,405	10,549	98,256
Total expenses	\$ 4,992,912	\$ 650,456	\$ 457,475	\$ 6,100,843
Percentage of total expenses	82%	11%	7%	100%

The accompanying notes and independent auditor's report
should be read with these financial statements.

CHILDREN'S HOPECHEST, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 82,640	\$ (71,819)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	33,873	34,820
Noncash operating lease expense	10,789	-
Changes in operating assets and liabilities:		
Contributions receivable	(14,449)	(26,046)
Prepaid expenses and other current assets	(2,186)	13,833
Accounts payable and accrued expenses	(25,326)	(11,033)
Operating lease liability	(9,378)	-
Net cash flows from operating activities	75,963	(60,245)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(2,699)	(7,432)
Net cash flows from investing activities	(2,699)	(7,432)
Net change in cash and equivalents	73,264	(67,677)
Cash and equivalents in the U.S. and overseas, beginning of year	797,092	864,769
Cash and equivalents in the U.S. and overseas, end of year	<u>\$ 870,356</u>	<u>\$ 797,092</u>
<u>CASH AND EQUIVALENTS IN THE U.S. AND OVERSEAS</u>		
Cash and equivalents in the U.S.	\$ 660,663	\$ 545,614
Cash held overseas	209,693	251,478
Total cash and equivalents in the U.S. and overseas	<u>\$ 870,356</u>	<u>\$ 797,092</u>
<u>SUPPLEMENTARY INFORMATION</u>		
Noncash purchase of right-of-use asset	<u>\$ 178,751</u>	<u>\$ -</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

CHILDREN'S HOPECHEST, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Children's HopeChest, Inc. ("Organization") is a nonprofit organization that helps highly vulnerable children overcome abandonment, poverty and violence. The Organization partners with churches, businesses, schools, and Christian communities. These sponsoring communities provide help, training and discipleship to vulnerable children, their families and their communities in highly impoverished areas. The Organization has active partnerships in Ethiopia, Guatemala, Kenya, Russia, Uganda and the United States.

Funding for these partnerships comes, in part, from a monthly child sponsorship program. Individual child sponsors provide a \$45/month donation during the year ended September 30, 2022, write letters, and pray for their sponsored child. This funding provides for direct survival needs such as food, water, clothing, and basic medical care. It also helps fund educational and vocational support, voluntary Christian discipleship, income-generating activities for the child's household, the establishment of Village Savings and Loan Associations (VSLA's), child rights advocacy, grief, and trauma assistance, as well as emotional guidance. These efforts are delivered through staffed "CarePoints" which are physical locations the children come to for assembly and program delivery.

The Organization is registered to do business in Ethiopia as Children's HopeChest Ethiopia, which is a field office of the Organization. It is not a separate legal entity and operation activities are controlled by the same board of directors as the Organization. The Organization also provides both capital project development and ongoing program support to help children and members of the community develop opportunity, life skills, and independent adult life. Those programs include:

- **Transitional Living & Life Skills Programs:** Family Center & Independent Living Programs (Russia), Emotional Health & Wellness Programing (Russia, Ethiopia, Uganda & Guatemala)
- **Community Programs:** CarePoints (all countries), Young Mothers Program (Russia), VSLA's/Self Help Groups (all countries except Russia), Community Leadership Programs (Uganda, Ethiopia, Guatemala)
- **Education:** Uganda Leadership Development Program (Uganda), Guatemala Leadership Academy (Guatemala), Ethiopia Youth Leadership Program (Ethiopia)
- **Vocational Training:** Tailoring, Textiles, Baking, Carpentry, Masonry, Brickmaking, Soapmaking, Perfumery, Hair Styling, Petty Trade (various activities in all countries)
- **Animal Husbandry:** Chickens, Cows, Goats, Pigs, Sheep, Turkey (various activities in all countries except Russia)
- **Agricultural Programs:** Community Gardens, Household Gardens, Farming Co-Ops (all countries except Russia)

See independent auditor's report.

CHILDREN'S HOPECHEST, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting pronouncements adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASC Topic 842"), which replaces numerous requirements in US GAAP, and requires organizations to recognize lease assets and lease liabilities on the statement of financial position. On October 1, 2021, the Organization adopted the requirements of ASC Topic 842 and the amendments related thereto and applied the new requirements to all contracts using the modified retrospective method. Upon implementation assessment of ASC Topic 842, management concluded that the adjustment required to the opening balance of net assets at the date of initial application was not material. Additional disclosures required by ASC Topic 842 are presented within the notes to the financial statements.

Basis of accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid instruments with an initial maturity of three months or less to be cash and equivalents.

The Organization maintains its cash and equivalents in financial institutions that, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At times during the year, cash may exceed the federally insured amount. This risk is managed by maintaining deposits with high-quality financial institutions. The Organization does not anticipate nonperformance by these institutions.

See independent auditor's report.

CHILDREN'S HOPECHEST, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions receivable

Contributions receivable, all of which are due within one year, are unconditional and recognized as assets and support in the period made. As of September 30, 2022 and 2021, management considers contributions receivable to be fully collectable and, accordingly, no allowance for uncollectable contributions has been recorded.

Property and equipment

All acquisitions of property and equipment in excess of \$2,000 with estimated lives exceeding one year are capitalized and recorded at cost, or fair value, if donated. Property and equipment are expensed using the straight-line method over estimated useful lives ranging from three to seven years.

Leases

Management determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use assets and lease liabilities in the accompanying statements of financial position.

Operating lease right-of-use assets represent the Organization's right to use an underlying asset for the lease term, and operating lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease right-of-use assets and operating lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of the Organization's leases do not provide an implicit rate, management estimates the incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of lease payments at the commencement date. The operating lease right-of-use assets also include any lease payments made and exclude lease incentives. The Organization's lease terms may include options to extend or terminate the lease when management determines that it is reasonably certain that the option will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization has made an accounting policy election to account for leases with an original term of 12 months or fewer as short-term leases. Payments for short-term leases are recognized on a straight-line basis over the lease term.

See independent auditor's report.

CHILDREN'S HOPECHEST, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net assets

The financial statements present amounts by class of net assets as follows:

Net assets without donor restrictions consist of resources currently available for use in operations and those resources invested in property and equipment.

Net assets with donor restrictions consist of donor-restricted contributions for the support of various projects and sponsorships or by the passage of time.

Support and revenue

Contributions, grants, and other income is recorded when cash is received, when unconditional promises are made, or when ownership of contributed assets is transferred to the Organization. In accordance with US GAAP, contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of donor restrictions.

Donated services and materials

Donated services and materials are recorded as both contributions and expenditures in the accompanying statements of activities at their estimated fair values. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations.

Foreign operations

As part of its ministry, the Organization maintains a field office outside of the United States. Management has reviewed the relationship with Children's HopeChest Ethiopia and has determined they are under the control and ownership of the Organization. The foreign financial statements are converted to United States dollars in accordance with US GAAP. The exchange rate at the statement of financial position date is used to translate assets and current year property and equipment additions. Property and equipment are shown at historical cost and translated in the year of purchase using the exchange rate at the statement of financial position date. The average rate for the year is used to translate the foreign statement of activities. The cumulative difference resulting from the foreign currency translation adjustment is reported in the accompanying statements of activities.

See independent auditor's report.

CHILDREN'S HOPECHEST, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign operations (continued)

For the years ended September 30, 2022 and 2021, change in net assets attributable to Children's HopeChest Ethiopia operations totaled to a deficit of \$179,916 and \$24,907, respectively.

As of September 30, 2022 and 2021, assets maintained by Children's HopeChest Ethiopia, which consist of cash and fixed assets, totaled \$213,204 and \$257,467, respectively.

The political climate in Ethiopia is subject to rapid change, therefore, subsequent changes could occur that would adversely affect the carrying value of the assets in Ethiopia may not be representative of the amount that would be realized. Management believes the assets and activities are properly stated as of and for years ended September 30, 2022 and 2021.

Expense allocation

Expenses are recognized when incurred in accordance with the accrual basis of accounting. The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities and functional expenses. These expenses require allocation on a reasonable basis that is consistently applied. Any costs that could be directly assigned to a specific function are allocated to that function. Salaries and benefits were allocated based on time and effort, occupancy and depreciation were allocated on a square footage basis, and all remaining expenses were allocated based on the purpose of the expense.

Marketing and promotion

The Organization expenses marketing and promotion costs as incurred. Marketing and promotional expenses for the years ended September 30, 2022 and 2021 totaled \$11,337 and \$14,524, respectively.

See independent auditor's report.

CHILDREN'S HOPECHEST, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax status

The Organization is exempt from income taxes under Internal Revenue Code ("Code") Section 501(c)(3) and is not a private foundation under Section 509(a)(2) of the Code. The Organization evaluates the effect of uncertain tax positions, if any, and provides for those positions in accordance with the provisions of FASB ASC 450, *Contingencies*. No tax accrual for uncertain tax positions has been recorded as management believes there are no uncertain tax positions for the Organization.

Reclassification

Certain prior period amounts have been reclassified to conform with the current year presentation.

Subsequent events

Management evaluated subsequent events through the date of the attached independent auditor's report, the date on which the financial statements were available to be issued.

See independent auditor's report.

CHILDREN'S HOPECHEST, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date consist of the following as of September 30,:

	2022	2021
Cash and equivalents	\$ 660,663	\$ 545,614
Cash held overseas	209,693	251,478
Contributions receivable	40,495	26,046
Total financial assets	910,851	823,138
Less amounts not available for use within one year due to donor restrictions	(900,250)	(1,046,787)
Financial assets available within one year	<u>\$ 10,601</u>	<u>\$ (223,649)</u>

The Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. Management monitors cash flows closely through board meetings and detailed financial analysis. The Organization also has a line of credit in the amount of \$200,000, which it could draw upon in the event of an unanticipated liquidity (see Note 4).

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of September 30,:

	2022	2021
Computers and equipment	\$ 632,993	\$ 630,294
Furniture and fixtures	7,995	7,995
Foreign vehicles	56,117	56,117
Accumulated depreciation	697,105 (617,340)	694,406 (583,467)
Property and equipment, net	<u>\$ 79,765</u>	<u>\$ 110,939</u>

See independent auditor's report.

CHILDREN'S HOPECHEST, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

4. LINE OF CREDIT

The Organization has a line of credit with a financial institution in the amount of \$200,000. The line of credit bears interest at the Wall Street Journal Prime Rate plus 1% per annum, and matures March 2023. As of September 30, 2022, there was no outstanding balance on the line of credit and there were no borrowings during the years ended September 30, 2022 and 2021.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of September 30,:

	2022	2021
Projects	\$ 278,421	\$ 711,946
Sponsorship	621,829	334,841
	<u>\$ 900,250</u>	<u>\$ 1,046,787</u>

6. RETIREMENT PLAN

The Organization sponsors a 401(k) retirement plan and makes contributions to the plan on behalf of eligible U.S. employees. During the years ended September 30, 2022 and 2021, the Organization matched employee contributions 100% up to 3% of the employee's gross salary and 50% of the next 2% of the employee's gross salary. Employer contributions to the plan for the years ended September 30, 2022 and 2021, totaled \$54,711 and \$60,421, respectively.

7. LEASES

Operating lease

Effective April 2022, the Organization leases office space under a noncancelable operating lease, expiring in March 2027. The terms of the lease offer a one-year renewal option at the option of the Organization for which management is uncertain whether the option will be exercised, and therefore, is not recognized as part of the Organization's right-of-use asset and lease liability. The lease agreement requires monthly payments ranging from \$3,126 to \$4,080. The Organization uses a discount rate of 5% per annum, which approximated market interest rates on the date of the lease. Under this agreement, rent expense for the year ended September 30, 2022, totaled \$14,205.

See independent auditor's report.

CHILDREN'S HOPECHEST, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

7. LEASES (CONTINUED)

Operating lease (continued)

The weighted average remaining lease term and discount rate for the operating lease is as follows as of September 30, 2022:

<u>Weighted Average Remaining Lease Term</u>	<u>Weighted Average Discount Rate</u>
<u>54 months</u>	<u>5.00%</u>

Future maturities of lease liability are as follows as of September 30,:

<u>Years Ending September 30,</u>	
2023	\$ 38,550
2024	41,108
2025	44,153
2026	47,319
2027	<u>24,482</u>
Total minimum lease payments	195,611
Less interest	<u>(21,762)</u>
Total	<u>\$ 173,849</u>

See independent auditor's report.

CHILDREN'S HOPECHEST, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

8. COMMITMENTS

The Organization also has various short-term and immaterial agreements. Management has concluded these agreements were not subject to the requirements of ASC Topic 842 due to the duration of the agreement, the value of the underlying asset, and lack of rights and obligations for the Organization. The Organization has made the accounting policy election to account for these agreements by recognizing the lease payments in the change in net assets on a straight-line basis over the term of the lease and variable lease payments in the period in which the obligation for the payments is incurred. Under these agreements, rent expense for the years ended September 30, 2022 and 2021, totaled \$133,587 and \$130,790, respectively. Future minimum payments are as follows for the years ending September 30,:

<u>Years Ending</u> <u>September 30,</u>	
2023	\$ 61,345
2024	9,778
2025	983
2026	491
	<hr/>
	\$ 72,597
	<hr/>

9. PAYCHECK PROTECTION PROGRAM LOAN

During the year ended September 30, 2020, the Organization applied for and received a \$333,687 forgivable loan from the Small Business Administration ("SBA") as part of the Paycheck Protection Program ("PPP"), which is part of the federal government's Coronavirus Aid, Relief, and Economic Security ("CARES") Act. This loan was forgiven during the year ended September 30, 2021, and the proceeds were included in contributions and grants in the accompanying statement of activities.

* * * * *

See independent auditor's report.