

CANOPY LIFE INTERNATIONAL, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2019

CANOPY LIFE INTERNATIONAL, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Canopy Life International, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Canopy Life International, Inc. (a nonprofit organization) (the Organization), which comprise the statement of financial position as of December 31, 2019, 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 of 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 Canopy Life International, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Atlanta, Georgia
October 15, 2020

Brooks, McGinnis & Company, LLC

CANOPY LIFE INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

Cash and cash equivalents	\$ 621,898
Pledges receivable	5,000
Prepaid expenses	10,523
Security deposits	<u>1,593</u>
Total assets	<u>\$ 639,014</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses	\$ 6,602
Deferred revenue	<u>300</u>
Total liabilities	<u>6,902</u>
Commitments and contingencies	
Net assets:	
Without donor restrictions	563,081
With donor restrictions	<u>69,031</u>
Total net assets	<u>632,112</u>
Total liabilities and net assets	<u>\$ 639,014</u>

The accompanying notes are an integral part of these financial statements.

CANOPY LIFE INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Changes in net assets:			
Revenues and support:			
Contributions	\$ 650,534	\$ 83,428	\$ 733,962
Ticket sales	4,170	-	4,170
Rental income	3,600	-	3,600
Other income	340	-	340
Interest income	29	-	29
Net assets released from donor restrictions	<u>168,569</u>	<u>(168,569)</u>	<u>-</u>
Total revenues and support without donor restrictions	<u>827,242</u>	<u>(85,141)</u>	<u>742,101</u>
Expenses:			
Program	486,382	-	486,382
Supporting services:			
General and administrative	90,167	-	90,167
Fundraising	<u>120,379</u>	<u>-</u>	<u>120,379</u>
Total supporting services	210,546		
Total expenses	<u>696,928</u>	<u>-</u>	<u>696,928</u>
 Increase (decrease) in net assets	 130,314	 (85,141)	 45,173
Net assets at beginning of year	<u>432,767</u>	<u>154,172</u>	<u>586,939</u>
Net assets at end of year	<u>\$ 563,081</u>	<u>\$ 69,031</u>	<u>\$ 632,112</u>

The accompanying notes are an integral part of these financial statements.

CANOPY LIFE INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program	General and Administrative	Fundraising	Total Expenses
Salaries, benefits and taxes	\$ 36,803	\$ 21,744	\$ 68,965	\$ 127,512
Assistance to foreign organization	365,061	-	-	365,061
Program travel	71,620	-	-	71,620
Contract labor	65	16,518	21,648	38,231
Occupancy	173	21,950	34	22,157
Donor and volunteer expenses	224	32	17,489	17,745
Bank and administrative fees	2,579	5,379	7,860	15,818
Supplies and materials	1,243	6,836	1,823	9,902
Meetings and travel	2,747	5,118	1,444	9,309
Advertising and promotion	-	6,874	1,100	7,974
Other expenses	112	5,716	16	5,844
Travel for capital project	5,755	-	-	5,755
Total expenses	\$ 486,382	\$ 90,167	\$ 120,379	\$ 696,928
Percentage of total	70%	13%	17%	

The accompanying notes are an integral part of these financial statements.

CANOPY LIFE INTERNATIONAL, INC.
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2019

Cash flows from operating activities:	
Increase in net assets	\$ <u>45,173</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Change in assets and liabilities:	
(Increase) decrease in assets:	
Pledges receivable	(4,659)
Prepays	(7,303)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(418)
Deferred revenue	<u>150</u>
Total adjustments	<u>(12,230)</u>
Net cash provided by operating activities	<u>32,943</u>
Net increase in cash and cash equivalents	32,943
Cash and cash equivalents, beginning of year	<u>588,955</u>
Cash and cash equivalents	\$ <u><u>621,898</u></u>

The accompanying notes are an integral part of these financial statements.

CANOPY LIFE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. Nature of Organization and Significant Accounting Policies

Organization

The accompanying financial statements include the accounts of Canopy Life International, Inc. (the Organization), a nonprofit Georgia USA corporation. The Organization is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. The mission is to adopt a curriculum that focuses on building a country's next generation of leaders. We do this through quality education, intentional relationships and environments that spark the imagination. Specifically, we are integrating design thinking (Stanford University), into the national Kenyan curriculum, adjusting the teaching model to promote critical thinking among the students and exposing them to the arts and other worldview experiences otherwise unreachable to students in their economic positions. We are also a Christian school, standing firmly on the values of faith, family and Jesus Christ to guide our students into strong character and purpose.

Method of Reporting

The Organization's accounts are maintained, and these statements are presented, on the accrual basis of accounting to present the results of activities and financial position in conformity with accounting principles generally accepted in the United States of America (GAAP).

Financial Statement Presentation

Under GAAP, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions based on stipulations made by the donor.

Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the various programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, benefits and taxes and contract labor, which are allocated on the basis of estimates of time and effort. Additionally, contributions, bank fees, insurance, travel, and other support are allocated between the program and/or supporting services benefited.

CANOPY LIFE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. Nature of Organization and Significant Accounting Policies – Continued

Contributions

Unconditional contributions received are recorded as with donor restrictions or without donor restrictions, depending on the existence and/or nature of donor restrictions. Contributions received with donor restrictions whose restriction is met in the same year are reported as contributions without donor restrictions. Conditional promises to give are recognized as contributions or grants without donor restrictions once the conditions of the promise or grant have been substantially met.

The Organization runs a child sponsorship program where donors can choose to give on a monthly basis \$45-\$55. The basic sponsorship covers school uniforms, health check-up, home visits, tutoring, school supplies, and school lunch. There are no specific terms for the sponsorship, which can be canceled at any time. There is no way to estimate the life of any sponsorship; therefore, the sponsorship revenue is recorded when the actual payment is received by the Organization.

The Organization records gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, as well as gifts of cash or other assets that must be used to acquire long-lived assets, are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Equipment, Material, Supplies and Services

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions 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 support with donor restrictions. 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 net assets with donor restrictions to net assets without donor restrictions at that time.

All non-cash gifts are recorded at their estimated fair value at date of receipt. Donated services are recognized at fair value if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. No amounts have been recognized in the financial statements for general volunteer services, since these services do not meet the criteria.

CANOPY LIFE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. Nature of Organization and Significant Accounting Policies – Continued

Cash and Cash Equivalents and Concentration of Credit Risk

Cash and cash equivalents consist of demand deposits with a single major financial institution. The balances in the Organization's bank accounts (as reflected in the bank's records) are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2019, cash balances at the bank exceeded the FDIC limits by \$343,117.

Property and Equipment

Property and equipment are recorded at cost if purchased or at the estimated fair value at the date of gift if received by donation. The Organization capitalizes property and equipment expenditures in excess of \$1,000. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Furniture, fixtures and equipment are depreciated over three to five years. The Organization's property and equipment was fully depreciated as of December 31, 2019.

Income Taxes

The Organization is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization had no activities subject to unrelated business income, and accordingly, has no unrelated business income tax. The Organization's IRS filings for the previous three years remain subject to examination.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising and Marketing

Advertising and marketing costs are expensed as incurred.

Deferred revenue

Deferred revenue represents prepaid rental income on a sublease agreement the Organization has with a lessee.

CANOPY LIFE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

2. Liquidity and Availability of Financial Assets

The Organization is substantially supported by unconditional contributions. The Organization also receives certain contributions with donor restrictions for various purposes. The Organization considers contributions with donor restrictions for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures may be incurred for program, administrative, or fundraising purposes, in accordance with the donors restrictions, if applicable.

The Organization's financial assets at December 31: (reduced by amounts not available for general use because of contractual, donor-imposed, or internal restrictions) available within one year after this date to satisfy liabilities at this date and for future general expenditures are as follows:

Financial assets at year end:	
Cash and cash equivalents	\$ 621,898
Pledges receivable	<u>5,000</u>
Financial assets available to meet general expenditures within one year	<u>\$ 626,898</u>

In addition to financial assets available to meet general expenditures over the next twelve months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

3. Net Assets With Donor Restrictions

Net assets with donor restrictions by purpose consist of the following as of December 31, 2019:

Purpose restriction:	
Time restricted for general operations, septic and salaries	\$ 21,469
Travel to Kenya in subsequent year	16,715
Classroom	6
Generator	573
Vehicle	<u>30,268</u>
	<u>\$ 69,031</u>

Net assets released from donor restrictions totaling \$168,569 for the year ended 2019 represent contributions with donor restrictions for specific purposes that were expended for the corresponding specific purpose during the year ended December 31, 2019.

CANOPY LIFE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

4. Related Party Transactions

The Organization raises funds in the United States, then grants the majority of such funds to Canopy Life International Kenya, a nongovernmental organization organized under the laws of Kenya. The Organization provided \$365,061 in support to Canopy Life International Kenya, Inc. for the year ended December 31, 2019.

5. Concentration of Support

For the year ended December 31, 2019, one donor represented approximately 45% of total contributions to the Organization.

6. Operating Lease

In September 2018, the Organization entered into a three-year lease agreement for office space. The total rent expense for the year ended December 31, 2019 was \$19,110. The minimum future rental payments are as follows:

<u>For the year ending December 31,</u>	
2020	\$ 19,784
2021	<u>16,905</u>
Total minimum lease payments	<u>\$ 36,689</u>

7. Subsequent Events

Management has evaluated events and transactions that occurred through October 15, 2020, which is the date the financial statements were available to be issued. Except as discussed below, there were no significant subsequent events requiring recognition or disclosure.

Subsequent to December 31, 2019, the global coronavirus pandemic threatened to deeply harm global growth. This has affected the U.S. and global equity markets, as well as consumer confidence, and the broad U.S. and global stocks market have experienced extreme volatility since December 31, 2019. It is uncertain how this volatility in the financial markets and consumer confidence may affect the operations, investments, funding and contribution income of nonprofit organizations in the near future.

CANOPY LIFE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

7. Subsequent Events – Continued

The Organization depends heavily on contributions to support its operations. The ability of contributors to continue giving may be dependent on current and future overall economic conditions. While the Organization believes it has the resources to continue its programs, its ability to do so, and the extent to which it continues, may be dependent on many interdependent factors.