

# ***ORPHAN HELPERS, INC.***

FINANCIAL REPORT

JUNE 30, 2018

## **TABLE OF CONTENTS**

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	1 – 2
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 11



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Orphan Helpers Inc.  
Newport News, Virginia

### ***Report on Financial Statements***

We have audited the accompanying financial statements of Orphan Helpers, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, 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.

### ***Auditors' 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 includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 principles used and the reasonableness of significant 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 Orphan Helpers Inc. as of June 30, 2018, 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.

*A. Robm, Smith & Company*

Newport News, Virginia

October 26, 2018

## **FINANCIAL STATEMENTS**

**ORPHAN HELPERS, INC.**  
Statement of Financial Position  
June 30, 2018

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**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 219,571
Grants receivable	<u>62,845</u>
Total current assets	<u>282,416</u>

**NON-CURRENT ASSETS**

Property and equipment, net	9,814
Other asset - rental security deposit	<u>750</u>
Total non-current assets	<u>10,564</u>
Total assets	<u><u>\$ 292,980</u></u>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 31,741
Payroll taxes payable	<u>2,234</u>
Total current liabilities	33,975
Total liabilities	<u>33,975</u>

**NET ASSETS**

Unrestricted	71,048
Unrestricted - Board designated	51,002
Temporarily restricted	<u>136,955</u>
Total net assets	<u>259,005</u>
Total liabilities and net assets	<u><u>\$ 292,980</u></u>

**ORPHAN HELPERS, INC.**  
Statement of Activities and Changes in Net Assets  
Year Ended June 30, 2018

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>CHANGES IN NET ASSETS</b>			
<b>Public Support</b>			
Grants	\$ 105,096	\$ 100,000	\$ 205,096
Contributions	444,939	131,214	576,153
Net assets released from restriction	<u>146,323</u>	<u>(146,323)</u>	<u>-</u>
Total public support	<u>696,358</u>	<u>84,891</u>	<u>781,249</u>
<b>Revenue</b>			
Special events, net	23,862	-	23,862
Mission and vision trips	2,656	-	2,656
Investment income	<u>47</u>	<u>-</u>	<u>47</u>
Total revenue	<u>26,565</u>	<u>-</u>	<u>26,565</u>
Total public support and revenue	<u>722,923</u>	<u>84,891</u>	<u>807,814</u>
<b>Expenses</b>			
Program expenses	516,154	-	516,154
Management and general	37,958	-	37,958
Fundraising	<u>96,086</u>	<u>-</u>	<u>96,086</u>
Total expenses	<u>650,198</u>	<u>-</u>	<u>650,198</u>
Changes in net assets	72,725	84,891	157,616
<b>NET ASSETS</b>			
Beginning, as previously reported	81,860	25,382	107,242
Prior period adjustments	<u>(32,535)</u>	<u>26,682</u>	<u>(5,853)</u>
Beginning, restated	<u>49,325</u>	<u>52,064</u>	<u>101,389</u>
Ending	<u>\$ 122,050</u>	<u>\$ 136,955</u>	<u>\$ 259,005</u>

**ORPHAN HELPERS, INC.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2018**

	<b>Program Services</b>					<b>Total</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
	<b>Headquarters</b>	<b>Mission and Vision Trips</b>	<b>El Salvador</b>	<b>Honduras</b>	<b>USAID Grant</b>	<b>Program Expenses</b>			
<b>FUNCTIONAL EXPENSES</b>									
Salaries and related benefits	\$ 127,889	\$ -	\$ 72,483	\$ 91,178	\$ 24,975	\$ 316,525	\$ 37,958	\$ 86,041	\$ 440,524
Professional fees	16,652	-	1,200	6,987	-	24,839	-	1,000	25,839
Occupancy	10,324	-	8,285	5,681	628	24,918	-	-	24,918
Information technology	13,563	-	75	1,356	6,316	21,310	-	1,541	22,851
Other program expense	534	-	8,667	12,382	-	21,583	-	-	21,583
Travel	9,809	2,988	191	1,276	73	14,337	-	1,445	15,782
Vehicle expense	331	-	6,112	4,776	-	11,219	-	34	11,253
Supplies	2,264	-	1,859	2,910	2,646	9,679	-	528	10,207
Depreciation expense	-	-	4,668	4,667	-	9,335	-	-	9,335
Direct mailings	5,583	-	-	-	-	5,583	-	3,017	8,600
Conferences and meetings	1,177	-	5,177	720	773	7,847	-	-	7,847
Service charges	6,634	23	243	319	87	7,306	-	-	7,306
Communications	289	-	2,469	2,231	742	5,731	-	175	5,906
Success Academy expenses	-	-	2,556	3,046	-	5,602	-	-	5,602
Insurance	3,660	-	1,474	78	-	5,212	-	-	5,212
Transportation-local	27	-	1,372	3,745	-	5,144	-	-	5,144
Miscellaneous	3,701	-	583	857	-	5,141	-	-	5,141
Equipment rental	4,165	-	-	-	37	4,202	-	256	4,458
Printing and reproduction	994	-	-	-	-	994	-	1,931	2,925
Organization memberships	2,490	-	-	-	-	2,490	-	-	2,490
Trips	1,707	585	-	-	-	2,292	-	-	2,292
Postage	1,455	-	-	-	-	1,455	-	118	1,573
Office expenses	1,483	-	-	-	-	1,483	-	-	1,483
Medical expenses	-	-	385	737	-	1,122	-	-	1,122
Taxes - other	635	-	90	80	-	805	-	-	805
Total expenses	<u>\$ 215,366</u>	<u>\$ 3,596</u>	<u>\$ 117,889</u>	<u>\$ 143,026</u>	<u>\$ 36,277</u>	<u>\$ 516,154</u>	<u>\$ 37,958</u>	<u>\$ 96,086</u>	<u>\$ 650,198</u>



**ORPHAN HELPERS, INC.**  
Statement of Cash Flows  
Year Ended June 30, 2018

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 157,616
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	9,335
Prior period adjustments	(5,853)
Net changes in assets and liabilities:	
Accounts receivable	1,830
Grants receivable	(62,845)
Other assets	(750)
Accounts payable and accrued expenses	29,600
Payroll taxes payable	<u>2,234</u>
Net cash provided by operating activities	131,167

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of fixed assets	<u>(10,361)</u>
Net increase in cash	120,806

**CASH**

Beginning	<u>98,765</u>
Ending	<u><u>\$ 219,571</u></u>

**ORPHAN HELPERS, INC.**  
Notes to Financial Statements  
June 30, 2018

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**NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Activities***

Orphan Helpers, Inc. (the “Organization”) is a publicly supported nonprofit corporation that assists orphaned, abused, and incarcerated children living in El Salvador and Honduras. The Organization defines, develops, implements, and operates need-specific programs that address the spiritual, educational, emotional, and physical deficiencies of the target population. The Organization employs a highly-leveraged partnership between central and North American churches, organizations, governments, individuals, and businesses to maximize the impact of each donor’s contribution. It is the intent of the Organization to expand their services to other Central and South American regions using the models and programs currently being developed and deployed in El Salvador and Honduras.

***Basis of Accounting***

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

***Financial Statement Presentation***

The Organization reports information regarding its financial position according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The classes of net assets are described as follows:

- ***Unrestricted*** amounts are those currently available, at the discretion of the Board of Directors, for use in the Organization’s operations.
- ***Temporarily restricted*** amounts are those that are stipulated by donors for specific purposes. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and net assets as net assets released from restrictions.
- ***Permanently restricted*** amounts are restricted to investments in perpetuity, the income from which is expendable in accordance with the condition of each specific donation.

All contributions are considered available for unrestricted use unless specifically restricted by the donor subject to other legal restrictions. At June 30, 2018, the Organization had no permanently restricted net assets.

***Cash and Cash Equivalents***

Cash and cash equivalents consist of highly liquid investments with a purchased original maturity of three months or less.

**ORPHAN HELPERS, INC.**  
Notes to Financial Statements  
June 30, 2018

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**NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

***Concentrations of Credit Risk***

The financial instrument, which potentially subjects the entity to a concentration of credit risk, consists of interest-bearing cash on deposit with a bank. The Organization places its cash on deposit with a high credit quality financial institution. These interest-bearing deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2018, the Organization's cash balances did not exceed this limit.

***Property and Equipment***

The Organization's policy is to capitalize property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donated property and equipment are recorded and capitalized at their estimated fair value.

Computers, equipment and vehicles are depreciated using the straight-line method over the estimated useful lives ranging from 3 to 7 years.

***Functional Allocation of Expenses***

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

***Income Taxes***

The Organization is a nonprofit entity exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Organization has adopted the provisions of Financial Accounting Standards Board Accounting Standards Codification 740-10-25, which require that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The Organization does not believe its financial statements include any uncertain tax positions.

***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 reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

**ORPHAN HELPERS, INC.**  
Notes to Financial Statements  
June 30, 2018

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**NOTE 2. PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2018 consist of the following:

IT Components	\$ 24,809
Vehicles	8,014
Equipment	<u>81,703</u>
	114,526
Less Accumulated depreciation	<u>(104,712)</u>
	<u><u>\$ 9,814</u></u>

Depreciation expense was \$9,335 for the year ended June 30, 2018.

**NOTE 3. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses at June 30, 2018 consist of the following:

Accounts payable	\$ 25,044
Accrued wages	<u>6,697</u>
	<u><u>\$ 31,741</u></u>

**NOTE 4. NET ASSETS**

***Temporarily Restricted Net Assets***

At June 30, 2018, temporarily restricted net assets are available for the following purposes:

USAID grant	\$ 61,592
Staff support	34,429
Central American staff medical fund	16,001
Success coach	13,157
Youth sponsorship	6,100
Library fund	4,676
Children's dental fund	<u>1,000</u>
	<u><u>\$ 136,955</u></u>

**ORPHAN HELPERS, INC.**  
Notes to Financial Statements  
June 30, 2018

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**NOTE 5. LEASE COMMITMENTS**

The Organization leases office space under a non-cancelable operating lease requiring monthly payments of \$773 through June 2019 and \$796 through June 2020.

Future minimum payments required under this lease are as follows:

Year Ended June 30:		
	2019	\$ 9,270
	2020	9,548
		<u>\$ 18,818</u>

Rent expense was \$8,295 for the year ended June 30, 2018.

The Organization also leases office equipment under an operating lease requiring monthly payments of \$68 plus taxes through June 2023.

Future minimum payments required under this lease are as follows:

Year Ended June 30:		
	2019	\$ 816
	2020	816
	2021	816
	2022	816
	2023	816
		<u>\$ 4,080</u>

**NOTE 6. BOARD-DESIGNATED NET ASSETS**

The Board has approved an Operating Reserve Fund whose purpose is to “build and maintain an adequate level of unrestricted net assets to support the organization’s day-to-day operations in the event of unforeseen shortfalls.” This Reserve is funded with surplus unrestricted operating funds, with an approved policy of setting aside at least \$1,000 per month and a goal of \$150,000.

**ORPHAN HELPERS, INC.**  
Notes to Financial Statements  
June 30, 2018

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**NOTE 7. PRIOR PERIOD ADJUSTMENTS**

At June 30, 2017 temporarily restricted net assets was understated by \$26,682 and unrestricted net assets was overstated.

At June 30, 2017 to correct the beginning balance in undeposited funds totaling \$9,665 cash and unrestricted net assets was reduced.

At June 30, 2017 accounts payable was understated by \$7,774. Net assets was decreased by this amount.

At June 30, 2017 grants receivable and unrestricted net assets were understated by \$11,586.

**NOTE 8. SUBSEQUENT EVENTS**

Management evaluated subsequent events through October 26, 2018 the date which these financial statements were available to be issued.