

*Consolidated Financial Statements*  
*Years Ended*  
*June 30, 2012 and 2011*

*Orphan Helpers, Inc.*  
*and*  
*Subsidiary*



***Orphan Helpers, Inc.  
and Subsidiary***

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**DIXON HUGHES GOODMAN** LLP  
Certified Public Accountants and Advisors

## ***Report of Independent Auditors***

Board of Directors  
***Orphan Helpers, Inc.***

We have audited the accompanying consolidated statements of financial position of ***Orphan Helpers, Inc. and Subsidiary*** as of June 30, 2012 and 2011, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of ***Orphan Helpers, Inc. and Subsidiary's*** management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of ***Orphan Helpers, Inc. and Subsidiary's*** internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ***Orphan Helpers, Inc. and Subsidiary*** as of June 30, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that ***Orphan Helpers, Inc. and Subsidiary*** will continue as a going concern. As discussed in Note 11 to the consolidated financial statements, ***Orphan Helpers, Inc. and Subsidiary*** has suffered recurring losses from operations and has a significant working capital deficit that raises substantial doubt about ***Orphan Helpers, Inc. and Subsidiary's*** ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 11. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

*Dixon Hughes Goodman LLP*

Newport News, Virginia  
September 26, 2013

*Orphan Helpers, Inc. and Subsidiary*

*Consolidated Statements of Financial Position*

<b>June 30,</b>	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 65,863	\$ 52,324
Accounts receivable	544	435
Unconditional promises to give - net of allowance of \$13,819	12,209	26,650
Inventory	1,453	1,453
Prepaid expense	100	-
<b>Total current assets</b>	<b>80,169</b>	<b>80,862</b>
<b>Property and equipment - net</b>	<b>11,263</b>	<b>22,201</b>
	<b>\$ 91,432</b>	<b>\$ 103,063</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 203,209	\$ 119,560
<b>Net assets</b>		
Unrestricted (deficit)	(123,986)	(43,147)
Temporarily restricted	12,209	26,650
<b>Total net deficit</b>	<b>(111,777)</b>	<b>(16,497)</b>
	<b>\$ 91,432</b>	<b>\$ 103,063</b>

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

*Orphan Helpers, Inc. and Subsidiary*

*Consolidated Statements of Activities and Changes in Net Assets*

<b>Years Ended June 30,</b>	<b>2012</b>	<b>2011</b>
<b>Changes in unrestricted net assets</b>		
Public support and revenue		
Public support		
Contributions	\$ 718,843	\$ 723,183
In-kind contribution	4,740	13,867
<b>Total public support</b>	<b>723,583</b>	<b>737,050</b>
Revenue		
Special events revenue	337,086	272,989
Less - costs of direct benefit to donors	(92,934)	(74,172)
<b>Special events - net</b>	<b>244,152</b>	<b>198,817</b>
Miscellaneous income (expense)	(5,735)	4,189
Missions	177,087	210,203
Orphan Helpers Coffee - net	(1,173)	(915)
Net assets released from restriction	14,441	118,725
<b>Total revenue</b>	<b>428,772</b>	<b>531,019</b>
<b>Total public support and revenue</b>	<b>1,152,355</b>	<b>1,268,069</b>
<b>Expenses</b>		
Program services		
Headquarters	337,281	303,434
Missions	166,741	236,758
El Salvador	135,722	242,423
Honduras	336,873	347,803
Panama	5,486	-
Supporting services		
Management and general	97,254	86,473
Fundraising	153,837	108,469
<b>Total expenses</b>	<b>1,233,194</b>	<b>1,325,360</b>
<b>Change in unrestricted net assets</b>	<b>(80,839)</b>	<b>(57,291)</b>
<b>Change in temporarily restricted net assets</b>		
Contributions	-	108,650
Net assets released from restriction	(14,441)	(118,725)
<b>Change in temporarily restricted net assets</b>	<b>(14,441)</b>	<b>(10,075)</b>
<b>Change in net assets</b>	<b>(95,280)</b>	<b>(67,366)</b>
<b>Net assets (deficit) - beginning of year</b>	<b>(16,497)</b>	<b>50,869</b>
<b>Net deficit - end of year</b>	<b>\$ (111,777)</b>	<b>\$ (16,497)</b>

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

*Orphan Helpers, Inc. and Subsidiary*

*Consolidated Statement of Functional Expenses*

**Year Ended June 30, 2012**

	Program Services					Total Program Services	Management and General	Fundraising	Total
	Headquarters	Missions	El Salvador	Honduras	Panama				
Salaries	\$ 186,020	\$ -	\$ 71,017	\$ 118,080	\$ -	\$ 375,117	\$ 66,103	\$ 65,716	\$ 506,936
Payroll taxes	28,011	-	2,896	3,335	-	34,242	9,954	9,895	54,091
<b>Total salaries and related expenses</b>	214,031	-	73,913	121,415	-	409,359	76,057	75,611	561,027
Accounting fees	27,110	50	970	340	-	28,470	1,344	3,138	32,952
Conferences and meetings	11,038	214	-	95	-	11,347	305	-	11,652
Education and curricula	-	648	873	2,446	-	3,967	-	-	3,967
Equipment rental	701	5,000	41	1,285	-	7,027	-	-	7,027
Information technology	11,209	-	-	251	-	11,460	179	239	11,878
Insurance	1,192	3,439	-	-	-	4,631	3,733	-	8,364
Interest	2,454	115	251	62	-	2,882	19	1,105	4,006
Late fees	766	-	-	-	-	766	-	-	766
Legal fees (see Note 10)	819	-	1,000	24,881	-	26,700	52	-	26,752
Materials (construction and teaching)	-	-	-	-	11	11	-	-	11
Meals	671	20,814	1,310	6,949	-	29,744	118	9,757	39,619
Miscellaneous	13,290	3,700	276	12,024	-	29,290	178	6,011	35,479
Occupancy	15,787	7,890	8,084	4,665	-	36,426	62	4,045	40,533
Outside labor	-	-	-	266	-	266	-	-	266
Postage	7,275	69	-	4,045	-	11,389	623	961	12,973
Printing and reproduction	479	-	-	-	5,455	5,934	55	29,028	35,017
Professional fees	1,358	6,098	-	-	-	7,456	-	8,344	15,800
Returned check	5,760	-	-	-	-	5,760	-	-	5,760
Security	244	-	-	-	-	244	-	-	244
Supplies	5,595	10,352	41,810	134,721	-	192,478	247	791	193,516
Telephone	7,336	66	3,010	2,669	-	13,081	3,504	332	16,917
Travel	8,912	102,738	470	11,088	20	123,228	-	11,050	134,278
Tree of life ministries	-	-	-	5,115	-	5,115	-	-	5,115
Vehicles	1,254	5,548	3,714	4,556	-	15,072	-	3,425	18,497
<b>Total functional expenses before depreciation</b>	337,281	166,741	135,722	336,873	5,486	982,103	86,476	153,837	1,222,416
Depreciation	-	-	-	-	-	-	10,778	-	10,778
<b>Total functional expenses</b>	\$ 337,281	\$ 166,741	\$ 135,722	\$ 336,873	\$ 5,486	\$ 982,103	\$ 97,254	\$ 153,837	\$ 1,233,194

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

*Orphan Helpers, Inc. and Subsidiary*

*Consolidated Statement of Functional Expenses*

**Year Ended June 30, 2011**

	Program Services					Total Program Services	Management and General	Fundraising	Total
	Headquarters	Missions	El Salvador	Honduras	Panama				
Salaries	\$ 130,550	\$ -	\$ 99,585	\$ 149,507	\$ -	\$ 379,642	\$ 54,009	\$ 37,374	\$ 471,025
Payroll taxes	14,011	-	12,066	7,065	-	33,142	5,797	4,011	42,950
<b>Total salaries and related expenses</b>	<b>144,561</b>	<b>-</b>	<b>111,651</b>	<b>156,572</b>	<b>-</b>	<b>412,784</b>	<b>59,806</b>	<b>41,385</b>	<b>513,975</b>
Administration fees	-	7,204	-	-	-	7,204	-	-	7,204
Accounting fees	34,840	-	-	-	-	34,840	3,439	2,074	40,353
Conferences and meetings	1,500	500	-	2,251	-	4,251	80	699	5,030
Education and curricula	25,740	75	8,897	5,561	-	40,273	-	-	40,273
Equipment rental	-	-	87	-	-	87	-	-	87
Information technology	11,575	-	324	533	-	12,432	3,559	7,990	23,981
Insurance	3,311	1,136	660	-	-	5,107	571	617	6,295
Interest	16,784	693	-	436	-	17,913	2,282	1,170	21,365
Legal fees	2,582	349	1,365	2,633	-	6,929	349	152	7,430
Materials (construction and teaching)	-	-	63,511	-	-	63,511	-	-	63,511
Meals	338	9,776	9,926	13,323	-	33,363	91	136	33,590
Miscellaneous	13,118	-	499	650	-	14,267	1,308	2,831	18,406
Occupancy	19,742	19,109	22,065	20,994	-	81,910	1,072	35	83,017
Outside labor	-	-	60	741	-	801	-	-	801
Postage	4,828	2,331	-	-	-	7,159	568	3,132	10,859
Printing and reproduction	4,232	-	50	2,980	-	7,262	491	37,800	45,553
Professional fees	-	2,275	-	2,061	-	4,336	-	5,410	9,746
Supplies	9,650	87,572	7,929	120,983	-	226,134	1,172	2,315	229,621
Telephone	8,727	301	4,279	3,117	-	16,424	1,206	1,362	18,992
Travel	1,258	97,030	4,742	5,546	-	108,576	-	666	109,242
Vehicles	648	8,407	6,378	9,422	-	24,855	14	695	25,564
<b>Total functional expenses before depreciation</b>	<b>303,434</b>	<b>236,758</b>	<b>242,423</b>	<b>347,803</b>	<b>-</b>	<b>1,130,418</b>	<b>76,008</b>	<b>108,469</b>	<b>1,314,895</b>
Depreciation	-	-	-	-	-	-	10,465	-	10,465
<b>Total functional expenses</b>	<b>\$ 303,434</b>	<b>\$ 236,758</b>	<b>\$ 242,423</b>	<b>\$ 347,803</b>	<b>\$ -</b>	<b>\$ 1,130,418</b>	<b>\$ 86,473</b>	<b>\$ 108,469</b>	<b>\$ 1,325,360</b>

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

*Orphan Helpers, Inc. and Subsidiary*

*Consolidated Statements of Cash Flows*

<b>Years Ended June 30,</b>	<b>2012</b>	<b>2011</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (95,280)	\$ (67,366)
Adjustments to reconcile to net cash from operating activities:		
Allowance for uncollectible promises to give	13,819	-
Depreciation	10,778	10,465
Donated property and equipment	-	(7,567)
Loss on disposal of property and equipment	160	-
Change in assets and liabilities:		
Unconditional promises to give	622	64,027
Accounts receivable	(109)	(3)
Prepaid expenses	(100)	-
Accounts payable and accrued expenses	83,649	24,494
<b>Net cash from operating activities</b>	<b>13,539</b>	<b>24,050</b>
<b>Cash - beginning of year</b>	<b>52,324</b>	<b>28,274</b>
<b>Cash - end of year</b>	<b>\$ 65,863</b>	<b>\$ 52,324</b>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$ 4,006	\$ 21,365
<b>Supplemental disclosure of noncash investing activities</b>		
Donated property and equipment	\$ -	\$ 7,567

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



## *Orphan Helpers, Inc. and Subsidiary*

### *Notes to Consolidated Financial Statements*

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**June 30, 2012 and 2011**

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#### **1. Organization and Nature of Activities**

*Orphan Helpers, Inc.* (Organization) is a publicly supported nonprofit corporation that assists orphaned, abused, and incarcerated children in El Salvador, Panama 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 model 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 to other Central and South American regions using the models and programs currently being developed and deployed in El Salvador and Honduras.

Orphan Helpers Coffee, Inc., a Virginia corporation was formed in February 2009. *Orphan Helpers, Inc.* is the sole stockholder. The primary purpose of Orphan Helpers Coffee, Inc. is to sell coffee and donate those profits to *Orphan Helpers, Inc.* As of June 30, 2012, Orphan Helpers Coffee, Inc. was officially terminated.

#### **2. Summary of Significant Accounting Policies**

##### **Principles of Consolidation**

The consolidated financial statements of *Orphan Helpers, Inc.* include the accounts of Orphan Helpers Coffee, Inc., which is a subsidiary requiring consolidation. All significant intercompany balances and transactions have been eliminated.

##### **Basis of Accounting**

The consolidated 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 as net assets released from restriction.
- ▶ *Permanently restricted* amounts are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation.

All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions. At June 30, 2012 and 2011, 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.

### **Accounts Receivable and Allowance for Doubtful Accounts**

The Organization extends uncollateralized credit to its customers in the ordinary course of business and actively pursues past due accounts. It is the policy of management to review the outstanding accounts receivable at year end, as well as the bad debt write offs experienced in the past, and establish an allowance for doubtful accounts. In management's opinion, no allowance for doubtful accounts is necessary as accounts receivable are considered fully collectible at June 30, 2012 and 2011.

### **Public Support and Revenue**

Contributions received from the public and not designated for a specific use are recognized as public support when received and are reported as current unrestricted funds.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

### **Credit Risk**

Financial instruments that subject the Organization to concentrations of credit risk consist principally of interest-bearing cash on deposit with a bank. The Organization places its cash on deposit with high credit quality financial institutions. These interest-bearing deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, the legal limit. At June 30, 2012 and 2011, the Organization did not have any cash balances that exceeded the FDIC coverage.

### **Unconditional Promises to Give and Allowance for Doubtful Accounts**

Unconditional promises to give are recognized by *Orphan Helpers, Inc.* when a donor makes a promise to give that is in substance, unconditional. Unconditional promises to give that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. Unconditional promises to give due beyond twelve months of the date of the consolidated statements of financial position are reflected as long-term promises to give and are recorded at their present net realizable value, using risk-adjusted interest rates applicable to the years in which the promises are to be received. Management has established an allowance for uncollectible accounts at June 30, 2012 and 2011, of \$13,819 and \$-0-, respectively. This allowance is based on management's estimate of the future collectability of these promises to give. Management has determined that the remaining unconditional promises to give are fully collectible.

## **Inventory**

Inventory, consisting primarily of bags of coffee, is stated at the lower of historical cost or market, using the first-in, first-out method to determine cost.

## **Property and Equipment**

Property and equipment are stated at cost. Donated property is recorded at fair market value at date of receipt. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$500. The costs of assets sold, retired, or otherwise disposed and the related accumulated depreciation is eliminated from the accounts and any resulting gain or loss is included in miscellaneous income (expense). Depreciation is calculated using the straight-line method based on the following estimated useful lives:

	<u>Years</u>
Equipment	5 - 7
Vehicles	5

## **Functional Expenses**

The Organization allocates its expenses, on a functional basis, among its various programs and supporting services. Expenses that relate to a specific program or supporting service are allocated directly. Other expenses that are common to several functions are allocated statistically.

## **Income Taxes**

The Organization has been recognized by the Internal Revenue Service as a qualified charitable organization exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has determined that it does not have any material unrecognized income tax benefits or obligations as of June 30, 2012. Fiscal years ending on or after June 30, 2009, remain subject to examination by federal and state tax authorities. Orphan Helpers Coffee, Inc. is a regular corporation and is taxed separately on its income. In 2012 and 2011, there was no taxable income.

## **Volunteer Services and In-Kind Contributions**

The Organization recognizes in-kind contributions as revenues and expenses in the period in which they are received. Donated materials are valued by the donor at fair market value on the date of the gift. No amounts have been reflected in the accompanying consolidated financial statements for volunteer services since they are not susceptible to objective measurement or valuation and have not met the following criteria:

- The services rendered either create or enhance nonfinancial assets.
- The services received required specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution.

The Organization receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. These volunteer hours have not been recognized in the consolidated statement of activities because the criteria for recognition under generally accepted accounting principles have not been satisfied.

## Estimates

The preparation of consolidated 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 consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

## Reclassification

Certain reclassifications have been made to the 2011 consolidated financial statement presentation to correspond to the 2012 format. Total net assets and changes in net assets are unchanged due to this reclassification.

## Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 26, 2013, the date the consolidated financial statements were available to be issued.

### 3. Unconditional Promises to Give

Unconditional promises to give are as follows:

	<u>2012</u>	<u>2011</u>
Receivable in less than one year	\$ 12,209	\$ 26,650

### 4. Property and Equipment

Property and equipment consist of the following:

	<u>2012</u>	<u>2011</u>
Equipment	\$ 3,732	\$ 11,069
Vehicles	57,552	81,415
	<u>61,284</u>	<u>92,484</u>
Less - accumulated depreciation	(50,021)	(70,283)
	<u>\$ 11,263</u>	<u>\$ 22,201</u>

### 5. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following:

	<u>2012</u>	<u>2011</u>
Accounts payable and accrued expenses	\$ 22,842	\$ 12,989
Accrued payroll and related taxes	40,441	19,816
Credit card liabilities*	89,588	72,298
Trip deposits	26,438	14,457
Accrued litigation settlement (see Note 10)	23,900	-
	<u>\$ 203,209</u>	<u>\$ 119,560</u>

\*At June 30, 2012 and 2011, \$28,744 and \$22,483, respectively, were liabilities of the Organization, due to a related party as the related party was the owner of the credit card account.

## 6. Temporarily Restricted Net Assets

Temporarily restricted net assets are designated as follows:

	<u>2012</u>	<u>2011</u>
Subsequent year's operations	\$ 12,209	\$ 26,650

## 7. Donated Facilities

In January 2004, the Organization began leasing warehouse space for storage of donated items to be sent overseas. Monthly rent for this space at June 30, 2012 and 2011, is \$695 and \$845, respectively, per month, of which \$395 and \$545, respectively, per month is donated to the Organization by the owner of the warehouse. This amounts to \$4,740 and \$6,300 of donated facilities, which is included in contributions and expenses in the consolidated statements of activities for 2012 and 2011, respectively.

## 8. Lease Arrangements

### Operating Leases

The Organization has leased several buildings in the United States and one in Honduras to use in accomplishing the Organization's missions and goals. Also, the Organization has leased office equipment under a noncancelable operating lease. These leases begin to expire in December 2012. Lease payments under these leases for 2012 and 2011 were \$14,651 and \$18,971, respectively.

Minimum future lease payments under these operating leases are as follows:

2013	\$ 3,300
2014	<u>1,000</u>
	<u>\$ 4,300</u>

## 9. Unpaid Payroll Tax Liability

In 2011, the Organization was delinquent in its submission of its payroll taxes and withholdings to the Internal Revenue Service and the Virginia Department of Taxation. The Organization did not submit its second quarter payroll tax withholdings, which should be submitted monthly. Total payroll tax withholding due at June 30, 2011, was \$19,816 and was included in accounts payable and accrued expenses on the consolidated statements of financial position. At June 30, 2012, the liability, which included penalties and interest assessed by the related taxing authorities, was \$14,073 and was included in accounts payable and accrued expenses on the consolidated statements of financial position.

## 10. Commitments and Contingencies

### Litigation

Subsequent to year-end, the Organization was named as a defendant in two suits in which the plaintiffs (former employees in Honduras) were seeking recovery for being wrongfully terminated in 2008. In May 2013, both of these cases were settled for a total of approximately \$23,900.

At June 30, 2012, this amount is included in accounts payable and accrued expenses on the consolidated statements of financial position and in legal fees for the Honduras program on the consolidated statement of functional expenses.

## **11. Going Concern Consideration**

For 2012, the Organization incurred a net loss from operations of \$95,280 and had a working capital deficit of \$123,040 and a total net deficit of \$111,777 at June 30, 2012. These factors create an uncertainty about the Organization's ability to continue as a going concern. Management is developing a plan to reduce its expenses in its domestic and overseas operations, which will increase cash flow and its ability to reduce its liabilities. The ability of the Organization to continue as a going concern is dependent on the plan's success. The consolidated financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern.

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