

*Financial Statements*  
*Year Ended*  
*June 30, 2013*

*Orphan Helpers, Inc.*

***Orphan Helpers, Inc.***

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## ***Independent Auditor's Report***

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

I have audited the accompanying financial statements of ***Orphan Helpers, Inc.*** (nonprofit organization) which comprises the statement of financial position as of June 30, 2013, 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.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***Orphan Helpers, Inc.*** as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads "Beth W. Moore, CPA, PLLC". The signature is written in a cursive, flowing style.

January 14, 2014

*Orphan Helpers, Inc.*

*Statement of Financial Position*

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June 30, 2013

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**Assets**

**Current assets**

|   |            |
|---|------------|
| Cash  | \$ 131,085 |
| Unconditional promises to give - net of allowance of \$14,509 | 161,610    |
| Prepaid expense   | 103        |

**Total current assets** 292,798

**Property and equipment - net** 48,734

**\$ 341,532**

**Liabilities and Net Assets**

**Current liabilities**

|                                       |            |
|---------------------------------------|------------|
| Accounts payable and accrued expenses | \$ 145,810 |
| Deferred sponsorship revenue          | 48,300     |

**Total current liabilities** 194,110

**Net assets**

|                        |          |
|------------------------|----------|
| Unrestricted           | (29,906) |
| Board designated       | 94,314   |
| Temporarily restricted | 83,014   |

**Total net assets** 147,422

**\$ 341,532**

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

*Orphan Helpers, Inc.*

*Statements of Activities and Changes in Net Assets*

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**Year Ended June 30, 2013**

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**Changes in unrestricted net assets**

Public support and revenue

Public support

Contributions

\$ 747,683

In-kind contributions

14,218

**Total public support**

761,901

Revenue

Special events revenue

261,995

Less - direct costs of special events

(50,725)

**Special events - net**

211,270

Miscellaneous income

3,978

Gain on disposal of property and equipment

440

Missions

143,965

Net assets released from restriction

46,288

**Total revenue**

405,941

**Total public support and revenue**

1,167,842

**Expenses**

Program services

Headquarters

258,577

Missions

111,327

El Salvador

126,778

Honduras

256,604

753,286

Supporting services

Management and general

39,252

Fundraising

157,033

**Total expenses**

949,571

**Change in unrestricted net assets**

218,271

**Change in temporarily restricted net assets**

Contributions

83,014

Net assets released from restriction

(46,288)

**Change in temporarily restricted net assets**

36,726

**Change in net assets**

254,997

**Net assets (deficit) - beginning of year, as previously reported**

(111,777)

Prior period adjustment

4,202

**Net assets (deficit) - beginning of year, as restated**

(107,575)

**Net assets - end of year**

\$ 147,422

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

**Orphan Helpers, Inc.**

**Statement of Functional Expenses**

Year Ended June 30, 2013

|  | Program Services  |                   |                   |                   |                   | Total             |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | Headquarters      | Missions          | El Salvador       | Honduras          | Program Services  |                   |
| Salaries   | \$ 94,073         | \$ -              | \$ 79,179         | \$ 159,486        | \$ 332,738        | \$ 444,283        |
| Payroll taxes  | 10,370            | -                 | -                 | 3,444             | 13,814            | 26,104            |
| <b>Total salaries and payroll taxes</b>              | <b>104,443</b>    | <b>-</b>          | <b>79,179</b>     | <b>162,930</b>    | <b>346,552</b>    | <b>470,387</b>    |
| Accounting fees                                      | 39,154            | -                 | -                 | -                 | 39,154            | 39,451            |
| Bank service charges                                 | -                 | -                 | -                 | -                 | -                 | 2,714             |
| Bad debts  | 7,085             | -                 | -                 | -                 | 7,085             | 7,085             |
| Conferences and meetings                             | -                 | -                 | -                 | 105               | 105               | 105               |
| Credit card fees                                     | -                 | -                 | -                 | -                 | -                 | 4,333             |
| Dues and memberships                                 | 1,075             | -                 | -                 | -                 | 1,075             | 4,333             |
| Education and curricula                              | -                 | 140               | 1,000             | 3,429             | 4,569             | 1,075             |
| Employee benefits                                    | 25,754            | -                 | 14,827            | -                 | 40,581            | 4,957             |
| Equipment rental                                     | 2,733             | -                 | -                 | -                 | 2,733             | 2,733             |
| Information technology                               | 10,109            | -                 | -                 | 3,499             | 13,608            | 14,698            |
| Insurance  | 1,586             | 1,250             | 1,438             | 434               | 4,708             | 8,965             |
| Interest   | 1,373             | -                 | -                 | -                 | 1,373             | 3,821             |
| Late fees  | 998               | -                 | -                 | -                 | 998               | 998               |
| Legal fees   | -                 | -                 | 824               | 12,193            | 13,017            | 13,017            |
| Licenses   | 37                | -                 | -                 | -                 | 37                | 37                |
| Meals  | 7,505             | 21,863            | 249               | 4,236             | 33,853            | 34,777            |
| Miscellaneous  | 2,526             | 3,582             | 606               | 2,634             | 9,348             | 12,186            |
| Occupancy  | 18,464            | 10,484            | 5,860             | 6,857             | 41,665            | 42,961            |
| Outside labor  | -                 | 153               | -                 | -                 | 153               | 153               |
| Postage  | 2,815             | 218               | -                 | -                 | 3,033             | 4,121             |
| Printing and reproduction                            | 5,574             | -                 | -                 | -                 | 5,574             | 30,586            |
| Professional fees                                    | -                 | 4,403             | -                 | -                 | 4,403             | 9,837             |
| Security   | 469               | 3,554             | 200               | -                 | 4,223             | 4,223             |
| Supplies   | 6,999             | 7,383             | 10,801            | 26,146            | 51,329            | 55,192            |
| Telephone  | 6,948             | 139               | 2,549             | 7,134             | 16,770            | 17,833            |
| Travel   | 11,589            | 48,906            | 2,022             | 6,544             | 69,061            | 78,531            |
| Tree of life ministries                              | -                 | -                 | -                 | 4,875             | 4,875             | 4,875             |
| Vehicles   | 1,341             | 9,252             | 3,509             | 11,874            | 25,976            | 29,186            |
| <b>Total functional expenses before depreciation</b> | <b>258,577</b>    | <b>111,327</b>    | <b>123,064</b>    | <b>252,890</b>    | <b>745,858</b>    | <b>942,143</b>    |
| Depreciation   | -                 | -                 | 3,714             | 3,714             | 7,428             | 7,428             |
| <b>Total functional expenses</b>                     | <b>\$ 258,577</b> | <b>\$ 111,327</b> | <b>\$ 126,778</b> | <b>\$ 256,604</b> | <b>\$ 753,286</b> | <b>\$ 949,571</b> |

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

***Orphan Helpers, Inc.***

***Statement of Cash Flows***

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**Year Ended June 30, 2013**

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**Cash flows from operating activities**

|   |                |
|---|----------------|
| Change in net assets  | \$ 254,997     |
| Adjustments to reconcile to net cash from operating activities: |                |
| Bad debts   | 7,085          |
| Depreciation  | 7,428          |
| Gain on disposal of property and equipment                      | (440)          |
| Change in assets and liabilities:                               |                |
| Unconditional promises to give                                  | (156,486)      |
| Prepaid expenses  | (3)            |
| Accounts payable and accrued expenses                           | (51,166)       |
| Deferred special event revenue                                  | 48,300         |
| <b>Net cash from operating activities</b>                       | <u>109,715</u> |

**Cash flows from investing activities**

|  |                 |
|--|-----------------|
| Purchases of property and equipment          | (50,448)        |
| Proceeds from sale of property and equipment | 5,989           |
| <b>Net cash from investing activities</b>    | <u>(44,459)</u> |

**Net change in cash** 65,256

**Cash - beginning of year, after prior period adjustment** 65,829

**Cash - end of year** \$ 131,085

**Supplemental disclosure of cash flow information**

Cash paid for interest \$ 3,821

**Supplemental disclosure of noncash activities**

Donated services \$ 14,218

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

## ***Orphan Helpers, Inc.***

### ***Notes to Financial Statements***

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**June 30, 2013**

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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 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.

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

##### **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 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, 2013, 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.



## 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 statement 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, 2013, 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 statement 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, 2013, of \$14,509. This allowance is based on management's estimate of the future collectibility of these promises to give. Management has determined that the remaining unconditional promises to give are fully collectible.

## 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, 2013. Fiscal years ending on or after June 30, 2010, remain subject to examination by federal and state tax authorities.

## **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 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 require 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 statement of activities and changes in net assets because the criteria for recognition under accounting principles generally accepted in the United States of America have not been satisfied.

In-kind contributions of \$14,218 have been reflected on the statement of activities and changes in net assets. Donated warehouse rent of \$4,740 has been included in occupancy costs. Donated fundraising venue costs of \$9,478 have been included in the direct costs of special events.

## **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.

## **Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 14, 2014, the date the financial statements were available to be issued.

**3. Unconditional Promises to Give**

Unconditional promises to give at June 30, 2013 consist of the following:

|  |                   |
|--|-------------------|
| Receivables due in less than one year: |                   |
| Michigan gala                          | \$ 143,171        |
| Other                                  | <u>32,948</u>     |
|  | 176,119           |
| Less allowance for doubtful accounts   | <u>(14,509)</u>   |
|  | <u>\$ 161,610</u> |

**4. Property and Equipment**

Property and equipment at June 30, 2013 consist of the following:

|                                 |                  |
|---------------------------------|------------------|
| Equipment                       | \$ 22,461        |
| Vehicles                        | <u>81,705</u>    |
|                                 | 104,166          |
| Less - accumulated depreciation | <u>(55,432)</u>  |
|                                 | <u>\$ 48,734</u> |

**5. Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses at June 30, 2013 consist of the following:

|                                       |                   |
|---------------------------------------|-------------------|
| Accounts payable and accrued expenses | \$ 72,326         |
| Accrued payroll and related taxes     | 32,072            |
| Credit card liabilities               | 33,767            |
| Trip deposits                         | <u>7,645</u>      |
|                                       | <u>\$ 145,810</u> |

**6. Unrestricted Net Assets – Board Designated**

In June 2013, the Board decided to designate 85% of the Michigan gala net proceeds to support the Teacher Fund.

**7. Temporarily Restricted Net Assets**

Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that temporarily limit the use of the donated assets. When a donor restriction is satisfied, by either passage of time or action, temporarily restricted net assets are reclassified to unrestricted net assets. When restrictions are met in the same fiscal year restricted support is received, the gift is classified as unrestricted support. The Organization had \$83,014 in temporarily restricted net assets at June 30, 2013. A reclassification adjustment of \$34,079 was made to increase beginning temporarily restricted net assets to \$46,288 to account for funds received but for which the restriction was not met at June 30, 2012.

**8. Prior Period Adjustment**

A prior period adjustment was recorded to reflect the termination of Orphan Helpers Coffee, Inc. at June 30, 2012. Previously reported consolidated net assets were increased by \$4,202. Certain assets and liabilities of the subsidiary were adjusted to \$-0-. Cash was reduced by \$34.

**9. 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, 2013, is \$695 per month, of which \$395 per month is donated to the Organization by the owner of the warehouse. Lease expense for 2013 was \$3,600. This amounts to \$4,740 of donated facilities, which is included in contributions and expenses on the statement of activities and changes in net assets for 2013. Future minimum payments of \$1,800 are due in 2014.

**10. Operating Lease**

The Organization has leased office equipment and office space under noncancelable operating leases with various expirations. Lease payments under such leases for 2013 were \$11,051. The minimum future office equipment lease payments due in 2014 total \$1,000.

**11. Unpaid Payroll Tax Liability**

In 2011, the Organization was delinquent in its submission of its payroll taxes and withholdings to the Internal Revenue Service. The Organization did not submit its payroll tax withholdings for several quarters in 2009, 2010, and 2011. In August 2013, the Organization entered into an installment agreement of \$615 a month with the Internal Revenue Service. At June 30, 2013, the liability, which included penalties and interest assessed by the related taxing authority, was \$14,073 and is included in accounts payable and accrued expenses on the statement of financial position.

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