

Financial Statements
Year Ended
June 30, 2014



Orphan Helpers, Inc.

Orphan Helpers, Inc.

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Independent Auditors' Report

Board of Directors
Orphan Helpers, Inc.

We have audited the accompanying financial statements of *Orphan Helpers, Inc.* (nonprofit organization) which comprises the statement of financial position as of June 30, 2014, and the related statements of activities and 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 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, 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 *Orphan Helpers, Inc.* as of June 30, 2014, 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.

August 20, 2014

Orphan Helpers, Inc.

Statement of Financial Position

June 30, 2014

Assets

Current assets

Cash	\$ 218,096
Pledges receivable - net of allowance of \$7,553	11,085
Prepaid expense	103

Total current assets 229,284

Property and equipment - net 38,497

\$ 267,781

Liabilities and Net Assets

Current liabilities

Accounts payable and accrued expenses	\$ 66,365
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Net assets

Unrestricted	138,718
Temporarily restricted	62,698

Total net assets 201,416

\$ 267,781

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

Orphan Helpers, Inc.

Statements of Activities and Changes in Net Assets

Year Ended June 30, 2014

Changes in unrestricted net assets

Public support and revenue	
Public support	
Contributions	\$ 645,901
In-kind contributions	9,478
Total public support	<u>655,379</u>
Revenue	
Special events revenue	213,062
Less - direct costs of special events	(63,917)
Special events - net	<u>149,145</u>
Miscellaneous income	2,578
Mission and vision trips	92,242
Net assets released from restriction	177,328
Total revenue	<u>421,293</u>
Total public support and revenue	<u>1,076,672</u>
Expenses	
Program services	
Headquarters	287,968
Mission and vision trips	75,981
El Salvador	116,935
Honduras	277,454
	<u>758,338</u>
Supporting services	
Management and general	57,213
Fundraising	92,497
Total expenses	<u>908,048</u>
Change in unrestricted net assets	<u>168,624</u>
Change in temporarily restricted net assets	
Contributions	62,698
Net assets released from restriction	(177,328)
Change in temporarily restricted net assets	<u>(114,630)</u>
Change in net assets	<u>53,994</u>
Net assets - beginning of year	<u>147,422</u>
Net assets - end of year	<u>\$ 201,416</u>

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

Orphan Helpers, Inc.

Statement of Functional Expenses

Year Ended June 30, 2014

	Program Services						Total
	Mission and		Honduras	El Salvador	Program Services	Management and General	
	Headquarters	Vision Trips					
Salaries	\$ 115,720	\$ -	\$ 134,087	\$ 62,347	\$ 312,154	\$ 54,762	\$ 420,225
Payroll taxes	11,731	-	11,605	3,296	26,632	5,552	37,588
Total salaries and payroll taxes	127,451	-	145,692	65,643	338,786	60,314	457,813
Accounting fees	23,700	-	-	50	23,750	-	23,750
Airfare	9,676	13,448	499	-	23,623	-	28,800
Bank service charges	2,757	-	-	-	2,757	-	2,757
Bad debts	-	-	-	-	-	(6,956)	(6,956)
Conferences and meetings	2,743	-	1,892	150	4,785	-	4,785
Construction materials	-	784	5,114	1,585	7,483	-	7,483
Credit card fees	6,303	-	-	-	6,303	-	6,303
Direct mailings	2,233	-	-	-	2,233	229	6,871
Education and curricula	1,241	211	4,877	572	6,901	-	6,901
Employee benefits	18,777	-	12,119	7,184	38,080	-	40,471
Employee training	-	-	610	1,170	1,780	-	1,780
Equipment rental	3,047	1,710	316	-	5,073	219	5,555
Foster care	-	-	6,387	-	6,387	-	6,387
Information technology	24,144	-	2,169	-	26,313	2,018	30,318
Insurance	7,009	2,547	694	3,619	13,869	-	17,163
Interest	1,987	-	-	-	1,987	-	1,987
Late fees	158	-	-	-	158	-	158
Legal fees	-	-	121	1,000	1,121	-	1,121
Library	-	-	65	33	98	-	98
Licenses	-	-	1,775	-	1,775	-	1,775
Meals	1,917	12,090	200	-	14,207	-	14,464
Medical expenses	-	-	9,795	-	9,795	-	9,795
Miscellaneous	1,103	3,980	4,939	3,599	13,621	-	14,231
Subtotal	\$ 234,246	\$ 34,770	\$ 197,264	\$ 84,605	\$ 550,885	\$ 55,824	\$ 683,810

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

Orphan Helpers, Inc.

Statement of Functional Expenses (cont.)

	Year Ended June 30, 2014									
	Program Services					Total				
	Headquarters	Mission and Vision Trips	El Salvador	Honduras	Program Services	Management and General	Fundraising	Total		
Subtotal	\$ 234,246	\$ 34,770	\$ 84,605	\$ 197,264	\$ 550,885	\$ 55,824	\$ 77,101	\$ 683,810		
Occupancy	9,900	-	-	-	9,900	-	-	9,900		
Office supplies	2,925	-	1,111	3,255	7,291	-	575	7,866		
Other program expense	-	-	970	-	970	-	-	970		
Penalties	-	-	-	-	-	357	-	357		
Postage	1,179	83	-	-	1,262	106	1,479	2,847		
Printing and reproduction	10,050	-	-	-	10,050	373	5,001	15,424		
Professional fees	11,450	-	-	1,263	12,713	-	875	13,588		
Program materials	-	1,561	5,674	6,384	13,619	-	-	13,619		
Rent	-	-	4,800	12,242	17,042	-	-	17,042		
Repairs and maintenance	-	-	250	1,500	1,750	-	-	1,750		
Security	2,125	1,939	-	-	4,064	-	-	4,064		
Supplies	122	4,566	4,050	6,921	15,659	20	273	15,952		
Telephone and utilities	8,118	10	3,617	8,185	19,930	533	987	21,450		
Translators	-	2,835	-	-	2,835	-	-	2,835		
Transportation	-	-	1,184	14,563	15,747	-	-	15,747		
Travel	7,284	28,450	350	176	36,260	-	4,505	40,765		
Tree of life ministries	-	-	-	12,142	12,142	-	-	12,142		
Vehicles	569	1,767	5,206	8,440	15,982	-	1,701	17,683		
Total functional expenses before depreciation	287,968	75,981	111,817	272,335	748,101	57,213	92,497	897,811		
Depreciation	-	-	5,118	5,119	10,237	-	-	10,237		
Total functional expenses	\$ 287,968	\$ 75,981	\$ 116,935	\$ 277,454	\$ 758,338	\$ 57,213	\$ 92,497	\$ 908,048		

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

Orphan Helpers, Inc.

Statement of Cash Flows

Year Ended June 30, 2014

Cash flows from operating activities

Change in net assets	\$ 53,994
Adjustments to reconcile to net cash from operating activities:	
Bad debts	(6,956)
Depreciation	10,237
Change in:	
Pledges receivable	157,481
Accounts payable and accrued expenses	(79,445)
Deferred special event revenue	(48,300)

Net change in cash 87,011

Cash - beginning of year 131,085

Cash - end of year \$ 218,096

Supplemental disclosure of cash flow information

Cash paid for interest \$ 1,683

Supplemental disclosure of noncash activities

Donated services \$ 9,478

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

Orphan Helpers, Inc.

Notes to Financial Statements

June 30, 2014

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 as 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, 2014, 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.

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, 2014, the Organization did not have any cash balances that exceeded the FDIC coverage.

Pledges Receivable and Allowance for Doubtful Accounts

Pledges receivable are recognized by the Organization 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 doubtful accounts at June 30, 2014, of \$7,553. This allowance is based on management's estimate of the future collectability of these pledges. Management has determined that the remaining pledges receivable 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 of 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. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) 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, 2014. Fiscal years ending on or after June 30, 2011, 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. Volunteer hours of 3,144, provided by 70 volunteers, have not been recognized in the statement of activities and 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 \$9,478 have been reflected in special events revenue and donated fundraising venue costs of \$9,478 have been included in the direct costs of special events on the statement of activities and net assets.

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

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 August 20, 2014, the date the financial statements were available to be issued.

3. Pledges Receivable

Pledges receivable at June 30, 2014 consist of the following:

Receivables due in less than one year	\$	18,638
Less - allowance for doubtful accounts		(7,553)
	<u>\$</u>	<u>11,085</u>

4. Property and Equipment

Property and equipment at June 30, 2014 consist of the following:

Equipment	\$ 22,461
Vehicles	81,705
	<hr/>
	104,166
Less - accumulated depreciation	(65,669)
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	\$ 38,497
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5. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2014 consist of the following:

Accounts payable and accrued expenses	\$ 1,604
Accrued payroll and related taxes	21,797
Credit card liabilities	31,213
Trip deposits	11,751
	<hr/>
	\$ 66,365
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6. 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 \$62,698 in temporarily restricted net assets at June 30, 2014 as follows:

Teacher Sponsorship fund	\$ 24,485
Library fund	4,926
Central American Staff Medical fund	2,638
Executive Director fund	18,846
Children's Dental fund	500
Trips fund	8,632
Staff Support fund	2,671
	<hr/>
	\$ 62,698
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9. Operating Lease

The Organization leases office equipment under a noncancelable operating lease requiring monthly payments of \$130 through September 2018. Lease payments under such lease for 2014 was \$1,170.

Future minimum payments required under this lease are as follows:

2015	\$	1,560
2016		1,560
2017		1,560
2018		1,560
2019		390
	\$	<u>6,630</u>

The Organization leases office space on a month-to-month basis. Rent expense was \$9,000 for 2014.

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