

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

FINANCIAL REPORT

JUNE 30, 2019

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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, 2019, 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, 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.

*A. Robm, Smith & Company*

Newport News, Virginia

December 18, 2019

## **FINANCIAL STATEMENTS**

**ORPHAN HELPERS, INC.**  
Statement of Financial Position  
June 30, 2019

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**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 195,537
Grants receivable	<u>22,500</u>

Total current assets 218,037

**PROPERTY AND EQUIPMENT, NET**

8,306

**NON-CURRENT ASSETS**

Other asset - rental security deposit	<u>750</u>
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Total assets \$ 227,093

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 13,185
Payroll taxes payable	<u>1,376</u>

Total current liabilities 14,561

**NET ASSETS**

Without donor restrictions	169,497
With donor restrictions	<u>43,035</u>

Total net assets 212,532

Total liabilities and net assets \$ 227,093

*See accompanying notes.*

**ORPHAN HELPERS, INC.**  
Statement of Activities and Changes in Net Assets  
Year Ended June 30, 2019

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>OPERATING ACTIVITIES</b>			
<b>Public Support</b>			
Grants	\$ 105,000	\$ 64,877	\$ 169,877
Contributions - cash	461,079	130,843	591,922
Contributions - in-kind	36,930	-	36,930
Net assets released from restriction	289,640	(289,640)	-
Total public support	<u>892,649</u>	<u>(93,920)</u>	<u>798,729</u>
<b>Revenue</b>			
Special events, net	11,004	-	11,004
Mission and vision trips	14,322	-	14,322
Other income	700	-	700
Investment income	60	-	60
Total revenue	<u>26,086</u>	<u>-</u>	<u>26,086</u>
Total public support and revenue	<u>918,735</u>	<u>(93,920)</u>	<u>824,815</u>
<b>Expenses</b>			
Program expenses	<u>757,234</u>	<u>-</u>	<u>757,234</u>
Supporting services:			
Management and general	43,356	-	43,356
Fundraising	70,698	-	70,698
Total support services	<u>114,054</u>	<u>-</u>	<u>114,054</u>
Total expenses	871,288	-	871,288
Change in net assets from operations	<u>47,447</u>	<u>(93,920)</u>	<u>(46,473)</u>
<b>NET ASSETS</b>			
Beginning of year	<u>122,050</u>	<u>136,955</u>	<u>259,005</u>
Ending of year	<u>\$ 169,497</u>	<u>\$ 43,035</u>	<u>\$ 212,532</u>

*See accompanying notes.*

**ORPHAN HELPERS, INC.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2019**

	Program Services						Total Program Expenses	Management		Total
	Mission and			Empleando		Proponte		and General	Fundraising	
	Headquarter:	Vision Trips	El Salvador	Honduras	Futuros	Mas				
<b>FUNCTIONAL EXPENSES</b>										
Salaries and related benefits	\$ 98,474	\$ -	\$ 96,940	\$ 116,605	\$ 39,554	\$ 58,541	\$ 410,114	\$ 43,356	\$ 65,389	\$ 518,859
In-kind donations out	36,930	-	-	-	-	-	36,930	-	-	36,930
Professional fees	35,054	-	6,000	131	-	-	41,185	-	-	41,185
Occupancy	11,180	-	8,804	8,221	-	1,527	29,732	-	-	29,732
Information technology	9,650	-	-	1,272	-	268	11,190	-	1,724	12,914
Education and curriculum	992	-	1,440	-	-	-	2,432	-	-	2,432
Program materials and other	124	-	15,013	8,868	19,188	-	43,193	-	-	43,193
Travel	13,729	22,512	2,766	1,580	4,914	27	45,528	-	-	45,528
Interest	2,363	-	-	247	-	-	2,610	-	-	2,610
Vehicle expense	496	-	7,516	4,643	-	-	12,655	-	-	12,655
Supplies	3,581	534	3,435	1,288	1,042	733	10,613	-	-	10,613
Depreciation	-	-	1,729	1,728	-	-	3,457	-	-	3,457
Direct mailings	5,002	-	-	-	-	-	5,002	-	-	5,002
Conferences and meetings	8,117	-	1,905	2,462	-	3,080	15,564	-	1,078	16,642
Service charges	3,030	-	2,424	200	-	185	5,839	-	-	5,839
Communications	1,042	-	3,708	974	-	996	6,720	-	-	6,720
Success Academy expenses	4,501	-	17,534	19,392	-	-	41,427	-	-	41,427
Insurance	1,007	-	1,080	99	-	-	2,186	-	-	2,186
Transportation-local	904	-	2,005	6,858	-	-	9,767	-	-	9,767
Miscellaneous	6,295	-	185	-	-	-	6,480	-	-	6,480
Equipment rental	1,092	-	-	-	-	-	1,092	-	-	1,092
Printing and reproduction	3,402	-	-	279	-	-	3,681	-	2,507	6,188
Organization memberships	3,342	-	-	-	-	-	3,342	-	-	3,342
Office expenses	1,958	-	-	-	-	-	1,958	-	-	1,958
Medical expenses	500	-	200	200	-	-	900	-	-	900
Taxes - other	1,103	-	-	2,534	-	-	3,637	-	-	3,637
<b>Total expenses</b>	<b>\$ 253,868</b>	<b>\$ 23,046</b>	<b>\$ 172,684</b>	<b>\$ 177,581</b>	<b>\$ 64,698</b>	<b>\$ 65,357</b>	<b>\$ 757,234</b>	<b>\$ 43,356</b>	<b>\$ 70,698</b>	<b>\$ 871,288</b>

*See accompanying notes.*



**ORPHAN HELPERS, INC.**  
Statement of Cash Flows  
Year Ended June 30, 2019

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (46,473)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	3,457
Net changes in assets and liabilities:	
Grants receivable	40,345
Accounts payable and accrued expenses	(19,598)
Payroll taxes payable	<u>184</u>
Net cash used in operating activities	(22,085)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of fixed assets	<u>(1,949)</u>
Net decrease in cash	(24,034)

**CASH**

Beginning	<u>219,571</u>
Ending	<u>\$ 195,537</u>

*See accompanying notes.*

**ORPHAN HELPERS, INC.**  
Notes to Financial Statements  
June 30, 2019

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**NOTE 1. DESCRIPTION OF THE ORGANIZATION**

*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.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Financial Statement Presentation*

The Organization reports information regarding its financial position according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The classes of net assets are described as follows:

- *Net assets without donor restrictions* are those that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of management and the Board of Directors
- *Net assets with donor restrictions* are amounts subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. At June 30, 2019, the Organization had no permanently restricted net assets.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

*New Accounting Pronouncement*

On August 18, 2016, FASB issued ASU 2016-14, Not for Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

**ORPHAN HELPERS, INC.**  
Notes to Financial Statements  
June 30, 2019

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

***Cash and Cash Equivalents***

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

***Concentrations of Credit Risk***

Financial instruments that potentially subject the Organization to concentrations of credit risk consist 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, 2019, 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 by management among the programs and supporting services benefited on an equitable basis. Most all expenses that are not directly attributable to a particular program are allocated based on estimates of time and effort.

***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.

**ORPHAN HELPERS, INC.**  
Notes to Financial Statements  
June 30, 2019

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

*Use of 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.

**NOTE 3. PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2019 consist of the following:

IT Components	\$ 26,758
Vehicles	81,703
Equipment	8,014
	<hr/> 116,475
Less Accumulated depreciation	108,169
	<hr/> <hr/> \$ 8,306

Depreciation expense was \$3,457 for the year ended June 30, 2019.

**NOTE 4. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

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

Accounts payable	\$ 9,876
Credit cards payable	891
Accrued salaries	2,418
Payroll taxes payable	1,376
	<hr/> \$ 14,561

**ORPHAN HELPERS, INC.**  
Notes to Financial Statements  
June 30, 2019

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**NOTE 5. NET ASSETS**

At June 30, 2019, net assets with donor restrictions are available for the following purposes:

Staff support	\$ 21,051
Central American staff medical fund	16,308
Library fund	4,676
Children's dental fund	1,000
	<u>43,035</u>
	<u>\$ 43,035</u>

**NOTE 6. LEASE COMMITMENTS**

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

Future minimum payments required under this lease are as follows:

Year Ended June 30:		
	2020	\$ 9,548
		<u>9,548</u>
		<u>\$ 9,548</u>

Rent expense was \$9,000 for the year ended June 30, 2019.

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:		
	2020	\$ 816
	2021	816
	2022	816
	2023	816
		<u>3,264</u>
		<u>\$ 3,264</u>

**ORPHAN HELPERS, INC.**  
Notes to Financial Statements  
June 30, 2019

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**NOTE 7. 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. As of June 30, 2019, the balance in the Reserve is \$64,008.

**NOTE 8. AVAILABILITY AND LIQUIDITY**

The following represents Orphan Helpers, Inc.’s financial assets at year-end:

Financial assets at year end:		
Cash and cash equivalents	\$	195,537
Grants receivable		22,500
Other assets		750
Total financial assets		<u>218,787</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions		43,035
Board designations:		
Reserve for contingencies		64,008
		<u>107,043</u>
Financial assets available to meet general expenditures over the next twelve months	\$	<u><u>111,744</u></u>

**NOTE 9. SUBSEQUENT EVENTS**

Management evaluated subsequent events through December 18, 2019, the date which these financial statements were available to be issued.