

HELPING CHILDREN WORLDWIDE, INC.

**AUDITED
FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2016

Helping Children Worldwide, Inc.

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Audited Financial Statements	
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 - 13



Independent Auditor's Report

To the Board of Directors of
Helping Children Worldwide, Inc.
Chantilly, Virginia

We have audited the accompanying financial statements of **Helping Children Worldwide, Inc.** (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2016, 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

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.

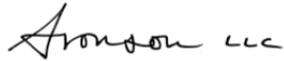
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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.

Independent Auditor's Report (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Helping Children Worldwide, Inc.** as of December 31, 2016, 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.



Rockville, Maryland
April 10, 2017

Helping Children Worldwide, Inc.

Statement of Financial Position

<i>December 31,</i>	2016
Assets	
Current assets	
Cash and cash equivalents	\$ 420,599
Receivables	1,531
Deposit	1,500
Total current assets	423,630
Investments	516,328
Deposit, net of current	2,323
Total assets	\$ 942,281
Liabilities and Net Assets	
Current liabilities	
Accounts payable and accrued expenses	\$ 40,156
Deferred revenue	30,924
Total current liabilities	71,080
Deferred rent	3,436
Total liabilities	74,516
Net assets	
Unrestricted	238,240
Temporarily restricted	629,525
Total net assets	867,765
Total liabilities and net assets	\$ 942,281

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Helping Children Worldwide, Inc.

Statement of Activities and Changes in Net Assets

<i>For the Year Ended December 31, 2016</i>	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Contributions and foundation grants	\$ 168,386	\$ 656,951	\$ 825,337
Special events	90,539	54,951	145,490
Less: cost of direct donor benefit	(15,058)	-	(15,058)
UMVIM volunteer funds	211,835	-	211,835
Miscellaneous	4,800	-	4,800
Investment income	6,982	-	6,982
Net assets released from restrictions	621,365	(621,365)	-
Total support and revenue	1,088,849	90,537	1,179,386
Expenses			
Program services:			
African programs			
Child Rescue Centre	346,152	-	346,152
Mercy Hospital	333,496	-	333,496
UMVIM volunteer trips	224,898	-	224,898
Supporting services:			
Management and general	190,606	-	190,606
Fundraising	79,088	-	79,088
Total expenses	1,174,240	-	1,174,240
Change in net assets	(85,391)	90,537	5,146
Net assets, beginning of year	323,631	538,988	862,619
Net assets, end of year	\$ 238,240	\$ 629,525	\$ 867,765

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Helping Children Worldwide, Inc.

Statement of Functional Expenses

<i>For the Year Ended</i> <i>December 31, 2016</i>	African Programs			Management and General	Fundraising	Total
	Child Rescue Centre	Mercy Hospital	UMVIM Volunteer Trips			
Administrative	\$ 4,189	\$ 3,445	\$ 1,116	\$ 15,169	\$ 6,148	\$ 30,067
Contributions	182,250	207,024	-	-	-	389,274
Equipment and computer software	549	529	30	4,129	46	5,283
Insurance	1,433	1,156	416	971	647	4,623
Legal and professional	1,400	1,400	1,400	98,264	-	102,464
Rent	7,254	5,850	2,106	4,914	3,276	23,400
Salaries and benefits	127,152	92,424	21,499	66,259	57,680	365,014
Special events - golf tournament	-	-	-	-	2,035	2,035
Special events - other	-	-	-	-	7,392	7,392
Licenses	86	69	25	58	39	277
Travel and meetings	21,839	21,599	198,306	842	1,825	244,411
Total	\$ 346,152	\$ 333,496	\$ 224,898	\$ 190,606	\$ 79,088	\$ 1,174,240

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Helping Children Worldwide, Inc.

Statement of Cash Flows

<i>For the Year Ended December 31,</i>	2016
Cash flows from operating activities	
Change in net assets	\$ 5,146
Adjustments to reconcile changes in net assets to net cash used by operating activities	
Unrealized and realized gain on investments	(2,147)
(Increase) decrease in:	
Receivables	(1,221)
Deposits	(1,500)
Increase (decrease) in:	
Accounts payable and accrued expenses	20,327
Deferred revenue	(48,885)
Deferred rent	2,497
Net cash used by operating activities	(25,783)
Cash flows from investing activities	
Proceeds from maturities of certificates of deposit	100,315
Purchases of certificates of deposit	(301,139)
Net cash used by investing activities	(200,824)
Net change in cash and cash equivalents	(226,607)
Cash and cash equivalents, beginning of year	647,206
Cash and cash equivalents, end of year	\$ 420,599

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Helping Children Worldwide, Inc.

Notes to Financial Statements

1. Organization and significant accounting policies

Programmatic and organizational information: Helping Children Worldwide, Inc. (the “Organization”) was incorporated on April 4, 2003, under the laws of the Commonwealth of Virginia, as a non-stock not-for-profit organization. Helping Children Worldwide, Inc. is a Christian organization whose mission is to transform communities by serving the world’s most vulnerable through education, health care, and spiritual growth.

Helping Children Worldwide, Inc. is the primary financial supporter of the Child Rescue Centre and Mercy Hospital in Sierra Leone, West Africa. The organization has built partnerships with other faith-based and secular organizations, including Floris United Methodist Church (Floris UMC) in Herndon, Virginia. The bylaws of the Organization require that a majority (greater than 50%) of the Board of Directors be affiliated with Floris UMC.

Helping Children Worldwide, Inc. ministers in Sierra Leone, West Africa through support of programs to protect children and families; working to realize its vision of strong, nurturing communities where all can fulfill their God-given potential through good health and education. Major programs supported include:

Child Rescue Centre - The Child Rescue Centre (CRC) offers services to children who have been victims of child labor, are at high risk of exploitation, or were orphaned by the Ebola crisis. The four primary programs offered by the CRC focus on rescuing and rehabilitating children who have been victims of child labor, as well as working alongside families in the community to prevent child labor by providing support for education and health care. The CRC also supports youth through post-secondary education scholarships. This program allows high-performing students to pursue education and technical training to better prepare them to meaningfully contribute to society in their trade or profession. In total, more than 450 children are currently enrolled in programs offered by the CRC.

Mercy Hospital - Mercy Hospital’s (Mercy) mission is to improve infant and maternal mortality rates in Sierra Leone by providing holistic and community-focused care, regardless of ability to pay. Mercy provided services to nearly 10,000 people in and around Bo, Sierra Leone, the second largest city in the country. Mercy boasts a trained and dedicated medical staff including a full-time doctor, a medical laboratory, and a fully stocked pharmacy on-site.

Mercy’s reach extends beyond the hospital and into the surrounding villages through community based outreach and education programs, including: nutrition clinics, prenatal care, malaria testing and treatment, and HIV/AIDS testing and counseling.

Helping Children Worldwide, Inc.

Notes to Financial Statements

UMVIM Volunteer Trips - United Methodist Volunteers in Mission (UMVIM) teams are comprised of individuals who travel to Sierra Leone to volunteer at CRC and Mercy Hospital. Over the years, teams have engaged in a wide variety of service projects to support the lives of children and their families, including medical and dental clinics, summer school programs, Vacation Bible School, counseling and construction projects. In 2016, Helping Children Worldwide sent 65 volunteers in mission to serve the Child Rescue Centre and Mercy Hospital. Volunteers included doctors, nurses, physical therapists, psychologists, pastors, teachers, financial managers, IT professionals, engineers, and students.

The Organization regularly collaborates with the General Board of Global Ministries of the United Methodist Church Advance (UMC Advance) to fundraise for the CRC and Mercy programs. In 2016, \$88,000 was donated through the UMC Advance to support the CRC and Mercy directly, which offset the Organization's total expenses for the year.

Basis of accounting: The accounts of the Organization are maintained on the accrual basis of accounting where support and revenue is recognized when earned, and expenses are recognized when incurred.

Basis of presentation: Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions and reported as follows:

Unrestricted net assets - net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - net assets subject to donor-imposed stipulations that will be maintained permanently by the Organization. The Organization may use all or part of the income earned on these assets for specific purposes. There were no permanently restricted net assets as of December 31, 2016.

Cash and cash equivalents: The Organization classifies all highly liquid investments, with original maturities of three months or less as cash equivalents. Cash and cash equivalents consist of demand deposit accounts, money market accounts, and certificates of deposit with original maturities of three months or less. The Organization maintains cash balances which may exceed federally insured limits. Management does not believe that this results in any significant credit risk.

Investments: Investments consist of certificates of deposit and indexed certificates of deposit which are stated at fair value. Investment income (including realized and unrealized gains and losses on investments, interest and dividends) is recorded as unrestricted income, unless restricted by donor or law.

Helping Children Worldwide, Inc.

Notes to Financial Statements

Receivables: The face amount of receivables is reduced by an allowance for doubtful accounts, if needed. The allowance for doubtful accounts reflects the best estimate of probable losses determined principally on the basis of historical experience. All accounts or portions thereof that are deemed to be uncollectible or that require an excessive collection cost are written off to the allowance for doubtful accounts. Management believes all receivables are collectible as of December 31, 2016; therefore, there is no provision for doubtful accounts in the accompanying financial statements.

Property and equipment: The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the assets, which is generally three to five years. Leasehold improvements are amortized using a straight-line basis over the shorter of their estimated useful life or the remaining lease term.

Deferred revenue: Deferred revenue is made up of volunteer mission trip funds received for trips in future periods.

Deferred rent: The Organization recognizes the minimum non-contingent rents required under operating leases as rent expense on a straight-line basis over the life of the lease, with differences between amounts recognized as expense and the amounts actually paid recorded as deferred rent on the accompanying Statement of Financial Position.

Revenue recognition:

Contributions and foundation grants - The Organization recognizes all contributions as revenue in the period received or unconditionally promised. Contributions are recorded as unrestricted or temporarily restricted depending on the absence or existence of donor stipulations that limit the use of the contributions. 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 and Changes in Net Assets as net assets released from restrictions.

Special events - Special events revenue is recognized when the event occurs less any direct donor benefit transferred to the donor.

UMVIM volunteer funds - UMVIM volunteer funds are received for short-term mission trips to aid the African Programs. The funds are recognized as revenue in the period the trip takes place. Funds received for trips taking place in a future period are recorded as deferred revenue and reported as a liability on the Statement of Financial Position.

Helping Children Worldwide, Inc.

Notes to Financial Statements

Functional allocation of expenses: The cost of providing the various programs and supporting services has been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes: The Organization is a Section 501(c)(3) not-for-profit corporation exempt from federal income taxes as provided under section 501(a) of the Internal Revenue Code and applicable regulations of the Commonwealth of Virginia. The Organization has no unrelated business income.

Uncertainty in income taxes: The Organization evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of December 31, 2016, there are no accruals for uncertain tax positions. If applicable, the Organization records interest and penalties as a component of income tax expense. Tax years from 2013 through the current year remain open for examination by tax authorities.

Use of accounting 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events: Management has evaluated subsequent events for disclosure in these financial statements through April 10, 2017, which is the date the financial statements were available to be issued.

- 2. Investments** Investments are presented in the financial statements at fair market value. The following is a summary of the investments as of December 31:

	<u>2016</u>
Certificates of deposit	\$ 301,139
Indexed certificates of deposit	215,189
Total	\$ 516,328

Helping Children Worldwide, Inc.

Notes to Financial Statements

Investment income for the year ended December 31, consisted of the following:

	2016
Interest and dividends	\$ 4,835
Unrealized and realized gain	2,147
Total	\$ 6,982

3. Fair value

The Organization values its investments at fair value in accordance with a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There have been no changes in the fair value methodologies used at December 31, 2016.

The fair value of investments as of December 31, is as follows:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	No Quoted Prices In Active Markets nor Observable Inputs (Level 3)
December 31, 2016	Total			
Certificates of deposit	\$ 301,139	\$ -	\$ 301,139	\$ -
Indexed certificates of deposit	215,189	-	215,189	-
Total	\$ 516,328	\$ -	\$ 516,328	\$ -

Helping Children Worldwide, Inc.

Notes to Financial Statements

- 4. Property and equipment** Property and equipment consists of the following at December 31:

	<u>2016</u>
Equipment and furniture	\$ 9,878
Less: Accumulated depreciation and amortization	<u>(9,878)</u>
Property and equipment, net	<u>\$ -</u>

Depreciation and amortization expense for the year ended December 31, 2016 was \$0.

- 5. Temporarily restricted net assets** Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2016</u>
African programs:	
Child Rescue Centre	\$ 436,161
Mercy Hospital	<u>193,364</u>
Total	<u>\$ 629,525</u>

Temporarily restricted net assets were released from restriction during the year ended December 31, 2016 as follows:

	<u>2016</u>
African programs:	
Child Rescue Centre	\$ 346,151
Mercy Hospital	<u>275,214</u>
Total	<u>\$ 621,365</u>

- 6. Commitments** In June 2013, the Organization signed a thirty-eight month lease agreement effective July 1, 2013 through August 31, 2016, calling for monthly installments of \$2,232. In addition, the lease requires the Organization to pay a proportionate share of the building's real estate taxes, operating expenses, and utilities expense. The lease included two months of rent abatement totaling \$4,464. Effective on June 1st, 2016, the lease agreement was extended to August 31, 2021.

Helping Children Worldwide, Inc.

Notes to Financial Statements

The future minimum lease payments for the office lease as of December 31, 2016 are as follows:

Year Ending December 31		Amount
2017	\$	22,929
2018		23,502
2019		24,089
2020		24,692
2021		16,786
Total	\$	111,997

Rent expense for the year ended December 31, 2016 was \$23,400.

- 7. Concentrations** In 2016, the Organization received 17% of its total revenue from one entity.
- 8. Related party transactions** The Organization is an affiliate of Floris UMC located in Herndon, Virginia. At all times a majority (greater than 50%) of the members of the Board of Directors of Helping Children Worldwide, Inc. shall be affiliated with Floris UMC, either as a member or participant of Floris UMC or as an employee of Floris UMC.
- The Organization's employees are provided with fringe benefits through Floris UMC. Payments for these services and the reimbursement of other expenses that were paid directly to Floris UMC totaled \$43,745 for the year ended December 31, 2016.
- In 2016, contributions received from Floris UMC totaled \$205,453. As of December 31, 2016, the Organization did not owe any money to Floris UMC.
- 9. Retirement plan** The Organization participates in a defined contribution retirement plan sponsored by Floris UMC. Total employer contributions from the Organization to the plan for the year ended December 31, 2016 were \$18,370, which were fully funded by plan forfeitures.
- 10. Risks and uncertainties** The Organization invests in various investment securities that are exposed to different risks such as interest rate, credit and market volatility risks. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the Organization's account balances and amounts reported in the Statement of Financial Position.