

HELPING CHILDREN WORLDWIDE, INC.
INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

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Fritz & Company, P.C.

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Helping Children Worldwide, Inc., (a not-for-profit corporation) as of December 31, 2008 and 2007 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Organization, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2008 and 2007 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Fritz & Company, P.C.

February 9, 2009

HELPING CHILDREN WORLDWIDE, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2008 AND 2007

	<u>ASSETS</u>	
	<u>2008</u>	<u>2007</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 853,218	\$ 463,076
Interest receivable	1,384	1,209
Prepaid expenses	21,036	473
Donations receivable	<u>13,094</u>	<u>17,350</u>
 Total Current Assets	 <u>888,732</u>	 <u>482,108</u>
 Total Assets	 \$ 888,732	 \$ 482,108
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 4,951	\$ 21,856
Accrued expenses	488	25,000
Deferred revenue	<u>8,250</u>	<u>-</u>
 Total Current Liabilities	 <u>13,689</u>	 <u>46,856</u>
NET ASSETS		
Unrestricted	10,387	25,697
Temporarily restricted	864,656	409,555
Permanently restricted	<u>-</u>	<u>-</u>
 Total Net Assets	 <u>875,043</u>	 <u>435,252</u>
 Total Liabilities And Net Assets	 \$ 888,732	 \$ 482,108

See accompanying independent auditors' report and notes to financial statements.

HELPING CHILDREN WORLDWIDE, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2008 Total</u>	<u>2007 Total</u>
SUPPORT AND REVENUE					
Contributions	\$ 12,530	\$ 587,966	\$ -	\$ 600,496	\$ 175,922
Grant revenue	-	25,000	-	25,000	-
Special events:					
Golf tournament	-	85,184	-	85,184	119,509
Bluegrass concert	-	11,541	-	11,541	-
10K Race	-	17,025	-	17,025	10,826
Investment income	20,877	-	-	20,877	21,393
In-kind contributions	9,900	551	-	10,451	21,050
Miscellaneous	-	2,030	-	2,030	2,410
Net assets released from restrictions:					
Expiration of use restrictions	<u>274,196</u>	<u>(274,196)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>317,503</u>	<u>455,101</u>	<u>-</u>	<u>772,604</u>	<u>351,110</u>
EXPENSES					
Program expenses:					
Child Rescue Centre	101,897	-	-	101,897	160,683
Mercy Hospital	137,458	-	-	137,458	181,352
Connections for Hope	3,145	-	-	3,145	3,036
Support services:					
Management and general	54,040	-	-	54,040	33,349
Fundraising	<u>36,273</u>	<u>-</u>	<u>-</u>	<u>36,273</u>	<u>61,323</u>
Total Expenses	<u>332,813</u>	<u>-</u>	<u>-</u>	<u>332,813</u>	<u>439,743</u>
CHANGES IN NET ASSETS	(15,310)	455,101	-	439,791	(88,633)
NET ASSETS, BEGINNING OF YEAR	<u>25,697</u>	<u>409,555</u>	<u>-</u>	<u>435,252</u>	<u>523,885</u>
NET ASSETS, END OF YEAR	\$ 10,387	\$ 864,656	\$ -	\$ 875,043	\$ 435,252

See accompanying independent auditors' report and notes to financial statements.

HELPING CHILDREN WORLDWIDE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in net assets	\$ 439,791	\$ (88,633)
Adjustments to reconcile increase (decrease) in assets to net cash provided by (used in) operating activities:		
(Increase) in interest receivable	(175)	(37)
Decrease (Increase) in donations receivable .	4,256	(17,350)
(Increase) Decrease in prepaid expenses	(20,563)	8,333
(Decrease) Increase in accounts payable	(16,905)	20,638
(Decrease) Increase in accrued expenses	(24,512)	25,000
Increase (Decrease) in deferred revenue	<u>8,250</u>	<u>(2,500)</u>
Net Cash Provided By (Used In) Operating Activities	<u>390,142</u>	<u>(54,549)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET CHANGE IN CASH	390,142	(54,549)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>463,076</u>	<u>517,625</u>
CASH AND CASH EQUIVALENTS END OF YEAR	\$ <u>853,218</u>	\$ <u>463,076</u>
SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

See accompanying independent auditors' report and notes to financial statements.

HELPING CHILDREN WORLDWIDE, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2008 AND 2007****NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Nature of Activities**

Helping Children Worldwide, Inc. (the Organization) was incorporated on March 31, 2003, under the laws of the Commonwealth of Virginia, as a non-stock not-for-profit organization. The Organization was established to provide hope to impoverished children by alleviating their suffering, meeting their physical, emotional and spiritual needs, improving their living environment, general community, and providing the opportunity for the children and their families to grow into contributing members of society. The Organization has identified both international and local programs that support this mission. The Organization works collaboratively with several organizations, including Floris United Methodist Church, to further its mission. The bylaws of the Organization require that 51% of the Organization's Board of Directors be affiliated with Floris United Methodist Church.

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Non-Profit Organizations*. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulation that limit use of the donated assets, or if they are designated as support for future periods. 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 activity as net assets released from restriction.

Contributions

The Organization also follows the requirements of SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Accordingly, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted, depending upon the existence and/or nature of any donor restrictions.

HELPING CHILDREN WORLDWIDE, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2008 AND 2007****NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)****Contributed Services and Facilities**

The Organization receives donated services from a variety of unpaid volunteers. For the years ended December 31, 2008 and 2007, the donated services received by the Organization that met SFAS 116's criteria for recognition were web-design services valued at \$7,500 and Executive Director services valued at \$16,000, respectively. This amount has been included in contributions and expenses in the statement of activities. The Organization occupies part of the administrative offices located in Floris United Methodist Church. No rent is paid by the Organization. The annual rent has been estimated at \$2,400 and is included in contributions and expenses in the statement of activities, for the years ended December 31, 2008 and 2007.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Furniture and Equipment

The cost of additions and betterments over \$1,000 are capitalized and expenditures for repairs and maintenance are expensed when paid. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the asset to a specific purpose. At December 31, 2008, the Organization did not have any fixed assets recorded on the financial statements as all purchases and donations were below the capitalization threshold of \$1,000.

Cash and Cash Equivalent

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of twelve months or less to be cash equivalents.

Income Taxes

The Organization is a not-for-profit organization, exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code and classified as other than a private foundation. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income. At December 31, 2008, the Organization does not have any unrelated business income or income tax expense.

HELPING CHILDREN WORLDWIDE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**Fair Value of Financial Instruments**

The Organization's financial instruments include cash, certificates of deposit, and accounts payable. The carrying amounts of these financial instruments have been estimated by management to approximate fair value.

Donations Receivable

The receivables at December 31, 2008 and 2007 consist of individual contributions and employer matches to contributions made by individuals during the year. The Organization expects to collect these receivables in full and within a year. Therefore no allowance for uncollectible receivable has been recorded.

Deferred Revenue

Deferred revenue at December 31, 2008 consists of prepaid special event sponsorships.

Functional Classification of Expenses

The costs of providing various program services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated principally on a direct cost basis, among the programs and supporting services.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at two financial institutions. At December 31, 2008, the balances are secured by the Federal Deposit Insurance Corporation up to \$250,000. Cash balances were insured up to \$100,000 at December 31, 2007. Funds in excess of Federal insurance limits totaled \$424,436 and \$236,272 for the years ended December 31, 2008 and 2007 respectively.

NOTE 3 - SUBSEQUENT EVENTS

Subsequent to year end, the Organization was notified by Floris United Methodist Church that it would receive a \$62,500 contribution from the Church in 2009. This contribution will be restricted to support Mercy Hospital.

HELPING CHILDREN WORLDWIDE, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2008 AND 2007****NOTE 4 - GRANT REVENUE**

During the year ended December 31, 2008, the Organization was awarded a grant from the Department of Health and Human Services, Administration for Children and Families. The federal award totals \$238,755 and covers the period from July 20, 2008 through December 29, 2009. This grant is to be used for expenses related to the personnel costs and related fringe benefits, equipment and supply purchases and contractual services associated with the start up and operation of Connections for Hope. Revenues on cost reimbursement contracts are recognized when allowable and reimbursable expenses are incurred, and upon meeting the legal and contractual requirements of the funding source. At December 31, 2008, the Organization had neither expended nor received any funds related to this grant.

During 2008, the Organization was also awarded two \$10,000 grants from the United Methodist Church. The grants are to be used to promote Malaria and HIV/AIDS awareness and prevention. At December 31, 2008, no expenses have been incurred related to these projects.

The Organization received a \$5,000 grant from the Wheeler Foundation. The proceeds from this grant are to be used to provide school supplies and uniforms, and cover tuition and health care costs for 50 children living in the Bo, Sierra Leone area, as well as fund the construction of a Palavhi Hut. At December 31, 2008, no expenses have been incurred related to these projects.

HELPING CHILDREN WORLDWIDE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

PROGRAM SERVICES

	<u>Child Rescue Centre</u>	<u>Mercy Hospital</u>	<u>Connections For Hope</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>2008 Total</u>	<u>2007 Total</u>
Hospital - operations and management	\$ -	\$ 86,524	\$ -	\$ -	\$ -	\$ 86,524	\$ 40,560
Hospital - construction and set-up expenses	-	23,804	-	-	-	23,804	116,955
Hospital - supplies and medication	-	27,130	-	-	-	27,130	23,837
CRC - operation and management	100,402	-	-	-	-	100,402	75,157
CRC - administrative	1,185	-	-	-	-	1,185	-
CRC - medical	(2,148)	-	-	-	-	(2,148)	77,645
Educational materials and tutoring	1,708	-	-	-	-	1,708	5,731
Equipment	-	-	-	315	-	315	2,740
Insurance	-	-	-	1,470	-	1,470	1,470
Legal and professional	-	-	-	44,875	3,750	48,625	43,673
Office expense and supplies	-	-	3,131	4,755	3,338	11,224	13,615
Rent	-	-	-	2,400	-	2,400	2,400
Secondary and post-secondary education	750	-	-	-	-	750	2,150
Special events - bluegrass concert	-	-	-	-	7,839	7,839	-
Special events - golf tournament	-	-	-	-	18,327	18,327	32,058
Special events - 10K race	-	-	-	-	3,019	3,019	1,327
Taxes and licenses	-	-	14	225	-	239	425
	<u>\$ 101,897</u>	<u>\$ 137,458</u>	<u>\$ 3,145</u>	<u>\$ 54,040</u>	<u>\$ 36,273</u>	<u>\$ 332,813</u>	<u>\$ 439,743</u>

See accompanying independent auditors' report and notes to financial statements.