

HELPING CHILDREN WORLDWIDE, INC.

**AUDITED
FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2013

Helping Children Worldwide, Inc.

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Independent Auditor's Report

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

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, 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

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.

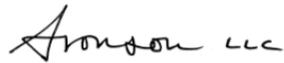
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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



Rockville, Maryland
April 11, 2014

Helping Children Worldwide, Inc.

Statement of Financial Position

<i>December 31,</i>	2013
Assets	
Current assets	
Cash and cash equivalents	\$ 333,834
Certificates of deposit	300,330
Prepaid expenses	9,536
Total current assets	643,700
Deposits	2,323
Property and equipment, net	1,496
Total assets	\$ 647,519
Liabilities and Net Assets	
Current liabilities	
Accounts payable and accrued expenses	\$ 16,833
Deferred revenue	41,941
Total current liabilities	58,774
Deferred rent	3,759
Total liabilities	62,533
Net assets	
Unrestricted	172,241
Temporarily restricted	412,745
Total net assets	584,986
Total liabilities and net assets	\$ 647,519

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, 2013</i>	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Contributions and foundation grants	\$ 107,213	\$ 326,508	\$ 433,721
Contributed services	51,573	-	51,573
Special events	103,296	16,465	119,761
Less: cost of direct donor benefit	(13,705)	-	(13,705)
UMVIM volunteer funds	179,109	-	179,109
Miscellaneous	1,938	-	1,938
Interest income	956	-	956
Net assets released from restrictions	617,484	(617,484)	-
Total support and revenue	1,047,864	(274,511)	773,353
Expenses			
Program services:			
African programs			
Child Rescue Centre	357,826	-	357,826
Mercy Hospital	345,114	-	345,114
UMVIM volunteer trips	158,428	-	158,428
Supporting services:			
Management and general	73,934	-	73,934
Fundraising	99,660	-	99,660
Total expenses	1,034,962	-	1,034,962
Changes in net assets before effects of discontinued operations	12,902	(274,511)	(261,609)
Discontinued operations - loss on disposal of Connections for Hope activities	(103,431)	-	(103,431)
Change in net assets after effects of discontinued operations	(90,529)	(274,511)	(365,040)
Net assets, beginning of year	262,770	687,256	950,026
Net assets, end of year	\$ 172,241	\$ 412,745	\$ 584,986

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, 2013</i>	African Programs			Management and General	Fundraising	Discontinued Operations	Total
	Child Rescue Centre	Mercy Hospital	UMVIM Volunteer Trips				
Administrative	\$ 8,289	\$ 8,289	\$ -	\$ 11,447	\$ 18,355	\$ 4,735	\$ 51,115
CRC - operations and management	238,726	-	-	-	-	-	238,726
Depreciation and amortization	647	647	-	144	-	5,142	6,580
Donated facilities expense	-	-	-	-	-	5,633	5,633
Facility maintenance	313	313	-	70	-	2,720	3,416
Hospital - operations and management	-	227,629	-	-	-	-	227,629
Insurance	2,017	2,017	-	448	-	-	4,482
Legal and professional	16,033	16,033	-	3,563	34,080	-	69,709
Licenses	156	156	-	34	-	20	366
Rent	9,226	9,226	-	2,050	-	107,325	127,827
Salaries and benefits	77,151	75,536	-	55,602	39,916	41	248,246
Special events - golf tournament	-	-	-	-	2,584	-	2,584
Special events - other	-	-	-	-	3,887	-	3,887
Travel and meetings	5,268	5,268	158,428	576	838	-	170,378
Total	\$ 357,826	\$ 345,114	\$ 158,428	\$ 73,934	\$ 99,660	\$ 125,616	\$ 1,160,578

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>	2013
Cash flows from operating activities	
Changes in net assets	\$ (365,040)
Adjustments to reconcile changes in net assets to net cash used in operating activities	
Depreciation and amortization	6,580
Proceeds from disposal of property and equipment	399
(Increase) decrease in:	
Prepaid expenses	(2,248)
Deposits	15,061
Increase (decrease) in:	
Accounts payable and accrued expenses	(3,268)
Deferred revenue	23,928
Deferred rent	3,759
Net cash used in operating activities	(320,829)
Cash flows from investing activities	
Proceeds from maturities of certificates of deposit	3,349,962
Purchases of certificates of deposit	(3,048,403)
Net cash provided by investing activities	301,559
Net change in cash and cash equivalents	(19,270)
Cash and cash equivalents, beginning of year	353,104
Cash and cash equivalents, end of year	\$ 333,834

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

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 is a Christian organization committed to saving vulnerable children from disease, malnutrition, exploitation, illiteracy, and despair. The Organization uses a multi-faceted approach to impact the lives of children and families through health care and education – two of the most critical factors in poverty reduction. Helping Children Worldwide has built effective 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 51% of the Board of Directors be affiliated with Floris UMC.

In 2013, the Organization collaborated with the General Board of Global Ministries United Methodist Church Advance (UMC Advance) to fundraise for the Child Rescue Centre and Mercy Hospital so that donors who have supported these programs through Helping Children Worldwide in past years could participate in a matching grant contest offered by the UMC Advance. As a result of this collaboration, donations were directed away from the Organization and to the UMC Advance.

Helping Children Worldwide is transforming lives in Sierra Leone, West Africa through support of programs to protect children, alleviate suffering, and break the crushing cycle of poverty. Major programs supported include:

African Programs: Provide support to two programs of the Sierra Leone Conference of the United Methodist Church in Sierra Leone, Africa. Those programs are:

Child Rescue Centre - The Child Rescue Centre (CRC) offers programs to children who struggle to survive in desperate situations of abject poverty and neglect. Without the protection of family or caring adults, these children are survivors of child labor or at great risk of becoming victims. The four primary programs offered by the Child Rescue Centre 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 school fees and healthcare. The Child Rescue Centre also supports more than 20 youth through Post-Secondary 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. More than 400 children are currently enrolled in programs offered by the Child Rescue Centre.

Helping Children Worldwide, Inc.

Notes to Financial Statements

Mercy Hospital - Mercy Hospital's mission is to achieve a measurable and sustainable decrease in the infant and maternal mortality rates in Sierra Leone by providing holistic, community focused care, regardless of ability to pay. The hospital serves the second largest city in Sierra Leone with a trained and dedicated medical staff, a research laboratory, and a fully stocked pharmacy, providing care to thousands of patients each year.

Mercy's reach extends beyond the hospital and into the surrounding villages through community based outreach and education programs. There is little access to medical care in many of the villages near Mercy Hospital. Mercy offers community-based primary health care programs including Nutrition clinics, Prenatal Care, Malaria testing and treatment, and HIV/AIDS testing and counseling.

UMVIM Volunteer Trips - United Methodist Volunteers in Mission (UMVIM) teams are comprised of individuals (not solely United Methodists) visiting Sierra Leone to volunteer at the CRC and Mercy Hospital. These teams engage in a wide variety of service projects to improve the lives of children and support to their families, including medical and dental clinics, summer school programs, Vacation Bible School, counseling and construction projects. In 2013, Helping Children Worldwide sent more than 50 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.

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.

Cash and cash equivalents: The Organization considers all money market funds to be cash equivalents. The Organization occasionally maintains cash balances which may exceed federally insured limits. Management does not believe that this results in any significant credit risk.

Helping Children Worldwide, Inc.

Notes to Financial Statements

Certificates of deposit: Certificates of deposit are carried at cost plus accrued interest which approximates fair value. The certificates bear interest rates of .10% to .15% and have maturities of 1 to 6 months.

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.

Contributed services - Contributed services are reported in the accompanying financial statements at the fair value of the services received and primarily relate to medical services received in the support of Mercy Hospital. The contribution of services is recognized if the services received either (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills that would typically need to be purchased if not provided by donation.

Special events - Special events revenue is recognized when received unless conditional upon a future event taking place.

Helping Children Worldwide, Inc.

Notes to Financial Statements

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.

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, 2013, 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 2010 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 11, 2014, which is the date the financial statements were available to be issued.

2. Property and equipment

Property and equipment consists of the following at December 31:

	<u>2013</u>
Equipment and furniture	\$ 9,878
Less: Accumulated depreciation and amortization	<u>(8,382)</u>
Property and equipment, net	\$ 1,496

Helping Children Worldwide, Inc.

Notes to Financial Statements

Depreciation and amortization expense for the year ended December 31, 2013 was \$6,580

3. Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2013</u>
African programs:	
Child Rescue Centre	\$ 397,745
Mercy Hospital	15,000
Total	\$ 412,745

Temporarily restricted net assets released from restriction for the year ended December 31, 2013, were:

	<u>2013</u>
African programs:	
Child Rescue Centre	\$ 357,826
Mercy Hospital	259,658
Total	\$ 617,484

4. 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.

The following is a schedule by years of future minimum rental payments required under the operating lease as of December 31, 2013:

Year Ending December 31	Total
2014	\$ 26,784
2015	26,784
2016	17,856
Total	\$ 71,424

Rent expense for the year ended December 31, 2013 was \$127,827.

Helping Children Worldwide, Inc.

Notes to Financial Statements

- 5. Concentrations** In 2013, the Organization received 23% of its total revenue from one entity.
- 6. Related party transactions** The Organization is an affiliate of Floris United Methodist Church (the “Church”) 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 United Methodist Church, either as a member or participant of the Church or as an employee of the Church.
- The Organization’s employees are provided with fringe benefits through the Church. Payments for these services and the reimbursement of other expenses were paid directly to the Church and totaled \$40,494 for the year ended December 31, 2013.
- In 2013, contributions received from the Church totaled \$186,205. As of December 31, 2013, the Organization did not owe any amount to the Church.
- 7. Retirement plan** The Organization participates in a defined contribution retirement plan sponsored by Floris United Methodist Church. Employer contributions paid by the Organization directly to the plan for the year ended December 31, 2013, totaled \$1,042.
- 8. Discontinued operations** On June 30, 2013, the Organization terminated operations of the Connections for Hope (C4H) program. During the year ended December 31, 2013, total revenue received from the C4H program totaled \$22,185 and directly related expenses totaled \$125,616, and are shown net on the accompanying Statement of Activities and Changes in Net Assets. There was no gain or loss on the disposal of property and equipment as a result of the program being discontinued.