

HELPING CHILDREN WORLDWIDE, INC.

**AUDITED
FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2018

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, 2018, 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.

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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, 2018, 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.

Aronson LLC

Rockville, Maryland
March 25, 2019

Helping Children Worldwide, Inc.

Statement of Financial Position

<i>December 31,</i>	2018
Assets	
Current assets	
Cash and cash equivalents	\$ 382,219
Prepaid expenses	9,195
Total current assets	391,414
Deposit	2,323
Property and equipment, net	1,446
Total assets	\$ 395,183
Liabilities and Net Assets	
Current liabilities	
Accounts payable and accrued expenses	\$ 19,052
Deferred revenue	17,309
Total current liabilities	36,361
Deferred rent	3,897
Total liabilities	40,258
Net assets	
Without donor restrictions	184,551
With donor restrictions	170,374
Total net assets	354,925
Total liabilities and net assets	\$ 395,183

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, 2018</i>	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions and foundation grants	\$ 129,829	\$ 565,686	\$ 695,515
Special events	129,604	53,335	182,939
Less: cost of direct donor benefit	(27,717)	-	(27,717)
UMVIM volunteer funds	66,960	-	66,960
Interest income	2,861	-	2,861
Net assets released from restrictions	739,924	(739,924)	-
Total support and revenue	1,041,461	(120,903)	920,558
Expenses			
Program services:			
African programs			
Child Rescue Centre	309,628	-	309,628
Mercy Hospital	430,296	-	430,296
UMVIM volunteer trips	91,942	-	91,942
Supporting services:			
Management and general	100,339	-	100,339
Fundraising	120,721	-	120,721
Total expenses	1,052,926	-	1,052,926
Change in net assets	(11,465)	(120,903)	(132,368)
Net assets, beginning of year	196,016	291,277	487,293
Net assets, end of year	\$ 184,551	\$ 170,374	\$ 354,925

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, 2018</i>	African Programs			Management and General	Fundraising	Total
	Child Rescue Centre	Mercy Hospital	UMVIM Volunteer Trips			
Administrative	\$ 4,411	\$ 4,525	\$ 735	\$ 18,525	\$ 10,597	\$ 38,793
Contributions	140,601	256,833	6,948	-	-	404,382
Depreciation and amortization	195	201	35	45	66	542
Equipment and computer software	289	297	52	6,055	9,697	16,390
Insurance	1,793	1,842	323	416	605	4,979
Legal and professional	2,061	2,061	2,061	39,728	20,000	65,911
Licenses	99	102	18	23	33	275
Rent	8,445	8,680	1,520	1,958	2,849	23,452
Salaries and benefits	144,322	148,328	25,972	33,465	48,693	400,780
Special events	-	-	-	-	21,917	21,917
Travel and meetings	7,412	7,427	54,278	124	6,264	75,505
Total	\$ 309,628	\$ 430,296	\$ 91,942	\$ 100,339	\$ 120,721	\$ 1,052,926

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>	2018
Cash flows from operating activities	
Change in net assets	\$ (132,368)
Adjustments to reconcile changes in net assets to net cash used by operating activities	
Depreciation and amortization	542
(Increase) decrease in:	
Prepaid expenses	6,393
Increase (decrease) in:	
Accounts payable and accrued expenses	(944)
Deferred revenue	2,300
Deferred rent	(375)
Net cash used by operating activities	(124,452)
Cash flows from investing activities	
Proceeds from maturities of certificates of deposit	202,195
Net cash provided by investing activities	202,195
Net change in cash and cash equivalents	77,743
Cash and cash equivalents, beginning of year	304,476
Cash and cash equivalents, end of year	\$ 382,219

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 our 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 and families in one of the most impoverished regions of the world. The programs offered by the CRC rescue children from poverty and hopelessness by providing support for education, health care and spiritual growth. Illiteracy hovers between 60% and 70% and poverty is the number one reason children do not go to school. Because of CRC programs, 590 children were able to attend school in 2018. The children in CRC programs receive free medical care through Mercy Hospital. During 2018, the CRC supported students in preschool through secondary education programs and offered youth graduating from post-secondary school additional opportunity for advancement through scholarships. Through the CRC incentive program, high-performing students were able to pursue education and technical training to better prepare them for a trade or profession. During 2018, the CRC promise scholarship program had 35 students enrolled in programs in a variety of universities and vocational technical institutions, including education in medical and technology fields. The CRC has produced 2 of the 250 doctors in the country. Families are provided additional support for food, and access to a microloan program with financial literacy and entrepreneurial training to increase family stability, so that children may attend school rather than work. CRC programming is family-centered and community based, with a professional case management staff. The Organization supports training teams to assist CRC case managers efforts to provide quality care that meets global standards, despite being located in an extreme low resource environment.

Helping Children Worldwide, Inc.

Notes to Financial Statements

Mercy Hospital - Mercy Hospital's (Mercy) mission is to improve infant and maternal mortality rates in Sierra Leone by providing holistic, community-focused care, regardless of ability to pay. Mercy provided services to approximately 17,000 people in and around the urban area of Bo, Sierra Leone, including the surrounding 55 villages. Mercy is a 50 bed facility with a trained and dedicated medical staff including a full-time doctor, a medical laboratory, a research laboratory, a fully stocked pharmacy on-site, a limb-fitting and rehabilitation center, an HIV/Aids clinic, and a surgical wing with two operating theatres that were opened in 2018. In 2018, Mercy established a goal of operating as a premiere medical facility, even though it is located in an extreme low resource environment. It is the first hospital to incorporate an electronic hospital management and patient records system in Sierra Leone, with thumbprint identification to compensate for the lack of literacy in patients.

Mercy's outreach into the surrounding villages includes: nutrition clinics, with treatment provided for malnourished infants, prenatal care and education, malaria testing and treatment, and HIV/AIDS testing and counseling.

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 2018, Helping Children Worldwide sent 26 volunteers in mission to serve the Child Rescue Centre and Mercy Hospital. Volunteers included doctors, nurses, physical therapists, psychologists, pastors, teachers, social workers, program development and 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 2018, \$65,199 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:

Net assets without donor restrictions - net assets that are not subject to donor-imposed stipulations.

Helping Children Worldwide, Inc.

Notes to Financial Statements

Net assets with donor restrictions – net assets 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, where by the donor has stipulated the funds be maintained in perpetuity. There were no donor restrictions that are perpetual in nature as of December 31, 2018.

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.

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. The Organization reports such gifts as with donor restricted support and revenues if they are subject to time or donor-imposed restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions when a stipulated time restriction ends, purpose restriction is accomplished, or both.

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

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. The expenses that are allocated include administrative, depreciation, equipment and computer software, insurance, licenses, rent, and salaries and benefits which are allocated on the basis of estimates of time and effort.

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, 2018, 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 2015 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.

Recently adopted accounting standards: On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of 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. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. The Organization has adopted ASU 2016-14 and have adjusted the presentation of these statements accordingly.

Helping Children Worldwide, Inc.

Notes to Financial Statements

Subsequent events: Management has evaluated subsequent events for disclosure in these financial statements through March 25, 2019, which is the date the financial statements were available to be issued.

2. Liquidity and the availability resources

The following represents the Organization's financial assets at December 31, 2018:

Financial assets at year end:	
Cash and cash equivalents	\$ 382,219
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Less amounts not available to be used within one year:	
Donor restrictions:	
Temporary purpose restrictions	(170,374)
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Financial assets available to meet general expenditures over the next twelve months	\$ 211,845
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The Organization's goal is to maintain financial assets to meet at least 90 days of general expenditures which are, on average, approximately, \$75,000. Additionally, it strives to maintain financial assets to also meet at least 90 days of programmatic expenditures which are, on average, approximately \$200,000. The Organization has a policy to structure its financial assets to be available as general and programmatic expenditures are incurred.

3. Property and equipment

Property and equipment consists of the following at December 31, 2018:

Equipment and furniture	\$ 9,878
Leasehold improvements	2,485
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Total	12,363
Less: Accumulated depreciation and amortization	(10,917)
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Property and equipment, net	\$ 1,446
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Depreciation and amortization expense for the year ended December 31, 2018 was \$542.

Helping Children Worldwide, Inc.

Notes to Financial Statements

- 4. Net assets with donor restrictions** Net assets with donor restrictions are available for the following purposes at December 31, 2018:

Temporary restrictions		
African programs:		
Child Rescue Centre	\$	79,644
Mercy Hospital		90,730
<hr/>		
Total	\$	170,374

Net assets with donor restrictions were released from restriction during the year ended December 31, 2018 as follows:

African programs:		
Child Rescue Centre	\$	309,629
Mercy Hospital		430,295
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Total	\$	739,924

5. 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.

The future minimum lease payments for the office lease as of December 31, 2018 are as follows:

Year Ending December 31		Amount
2019	\$	24,089
2020		24,692
2021		16,786
<hr/>		
Total	\$	65,567

Rent expense for the year ended December 31, 2018 was \$23,452.

6. Concentration

In 2018, the Organization received 21% of its total revenue from one entity.

Helping Children Worldwide, Inc.

Notes to Financial Statements

- 7. 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 \$70,982 for the year ended December 31, 2018.
- In 2018, contributions received from Floris UMC totaled \$190,966. As of December 31, 2018, the Organization did not owe any money to Floris UMC.
- 8. 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, 2018 were \$6,308, which were partially funded by plan forfeitures.