

HELPING CHILDREN WORLDWIDE, INC.

**AUDITED
FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2014

Helping Children Worldwide, Inc.

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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, 2014, 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.

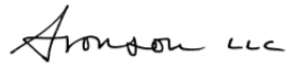
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2014, 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 9, 2015

Helping Children Worldwide, Inc.

Statement of Financial Position

<i>December 31,</i>	2014
Assets	
Current assets	
Cash and cash equivalents	\$ 512,560
Certificates of deposit	450,640
Receivables	1,922
Prepaid expenses	3,473
Total current assets	968,595
Deposits	2,323
Property and equipment, net	58
Total assets	\$ 970,976
Liabilities and Net Assets	
Current liabilities	
Accounts payable and accrued expenses	\$ 12,737
Deferred revenue	82,787
Total current liabilities	95,524
Deferred rent	2,349
Total liabilities	97,873
Net assets	
Unrestricted	256,333
Temporarily restricted	616,770
Total net assets	873,103
Total liabilities and net assets	\$ 970,976

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, 2014</i>	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Contributions and foundation grants	\$ 183,997	\$ 610,980	\$ 794,977
Special events	91,657	30,280	121,937
Less: cost of direct donor benefit	(14,253)	-	(14,253)
UMVIM volunteer funds	68,133	-	68,133
Miscellaneous	3,023	-	3,023
Interest income	935	-	935
Net assets released from restrictions	437,235	(437,235)	-
Total support and revenue	770,727	204,025	974,752
Expenses			
Program services:			
African programs			
Child Rescue Centre	205,152	-	205,152
Mercy Hospital	236,412	-	236,412
UMVIM volunteer trips	70,666	-	70,666
Supporting services:			
Management and general	88,971	-	88,971
Fundraising	85,434	-	85,434
Total expenses	686,635	-	686,635
Change in net assets	84,092	204,025	288,117
Net assets, beginning of year	172,241	412,745	584,986
Net assets, end of year	\$ 256,333	\$ 616,770	\$ 873,103

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, 2014</i>	African Programs			Management and General	Fundraising	Total
	Child Rescue Centre	Mercy Hospital	UMVIM Volunteer Trips			
Administrative	\$ 6,076	\$ 6,076	\$ -	\$ 15,072	\$ 10,906	\$ 38,130
Contributions	111,920	146,719	-	-	-	258,639
Depreciation and amortization	431	431	-	216	360	1,438
Equipment	437	128	-	64	107	736
Insurance	1,250	1,250	-	625	1,040	4,165
Legal and professional	2,092	2,092	-	30,025	-	34,209
Licenses	83	83	-	41	69	276
Rent	7,612	7,612	-	3,806	6,344	25,374
Salaries and benefits	74,076	70,846	-	38,921	57,968	241,811
Special events - golf tournament	-	-	-	-	2,165	2,165
Special events - other	-	-	-	-	5,697	5,697
Travel and meetings	1,175	1,175	70,666	201	778	73,995
Total	\$ 205,152	\$ 236,412	\$ 70,666	\$ 88,971	\$ 85,434	\$ 686,635

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>	2014
Cash flows from operating activities	
Change in net assets	\$ 288,117
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation and amortization	1,438
(Increase) decrease in:	
Receivables	(1,922)
Prepaid expenses	6,063
Increase (decrease) in:	
Accounts payable and accrued expenses	(4,096)
Deferred revenue	40,846
Deferred rent	(1,410)
Net cash provided by operating activities	329,036
Cash flows from investing activities	
Proceeds from maturities of certificates of deposit	1,751,450
Purchases of certificates of deposit	(1,901,760)
Net cash used by investing activities	(150,310)
Net change in cash and cash equivalents	178,726
Cash and cash equivalents, beginning of year	333,834
Cash and cash equivalents, end of year	\$ 512,560

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 and operational 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 who have been victims of child labor or are at high risk of exploitation. 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 400 children are currently enrolled in programs offered by the CRC.

When schools in Sierra Leone did not reopen for the 2014-2015 academic year due to the Ebola crisis, the CRC continued its mission to provide education to the children in its care, using online learning platforms as well as instructor-led training. Additionally, the CRC launched a new program to offer education, encouragement and entertainment to children and their families on the radio three times each week.

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 2014 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.

Helping Children Worldwide, Inc.

Notes to Financial Statements

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.

During the Ebola crisis in Sierra Leone in 2014, Mercy remained open providing non-Ebola related care. Helping Children Worldwide provided direct financial support and operational guidance to Mercy. The Organization worked with the Mercy medical staff and management team to develop protocols, send quantities of personal protective equipment, and provide funding for the purchase of an Ebola-dedicated ambulance to provide transport to patients who needed to be treated at Ebola Treatment Centers.

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 past nine 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 2014, the outbreak of the deadly Ebola virus led Helping Children Worldwide to postpone the substantial majority of its planned mission teams.

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. Donors who have supported these programs through donations to Helping Children Worldwide in past years were encouraged to take advantage of a matching grant contest offered by the UMC Advance and make their donation for the CRC and Mercy to the UMC Advance instead of to Helping Children Worldwide. \$210,000 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.

Helping Children Worldwide, Inc.

Notes to Financial Statements

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.

Certificates of deposit: Certificates of deposit are carried at cost plus accrued interest. Certificates of deposit totaling \$450,640 bear interest ranging from .05% to .10% and have maturities ranging from one to six months, with penalties for early withdrawal. Penalties for early withdrawal are not expected to have a material effect on the financial statements.

Receivable: 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 receivable are collectible as of December 31, 2014; 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.

Helping Children Worldwide, Inc.

Notes to Financial Statements

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. 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 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.

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, 2014, 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 2011 through the current year remain open for examination by tax authorities.

Helping Children Worldwide, Inc.

Notes to Financial Statements

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 9, 2015, which is the date the financial statements were available to be issued.

New accounting standard adopted during 2014: In October 2012 the Financial Accounting Standards Board issued Accounting Standards Update 2012-05 (“ASU 2012-05”) Statement of Cash Flows (Topic 230): *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*. ASU 2012-05 requires a not-for-profit entity to classify cash receipts from the sale of donated financial assets that upon receipt were converted nearly immediately into cash consistently with cash donations in the Statement of Cash Flows. Accordingly, cash receipts from the sale of donated securities with no donor-imposed restrictions should be included in the operating section of the Statement of Cash Flows, while cash receipts from the sale of donated securities with donor-imposed long-term restrictions should be classified as financing activities. Otherwise, receipts from the sale of donated financial assets should be classified as cash flows from investing activities. This ASU is effective prospectively for fiscal years beginning after June 15, 2013. Retrospective application and early application are permitted, but not required.

The Organization has elected to adopt ASU 2012-05 prospectively for the year ended December 31, 2014. There was no impact on the financial statements upon adoption of this standard.

2. Property and equipment

Property and equipment consists of the following at December 31:

	<u>2014</u>
Equipment and furniture	\$ 9,878
Less: Accumulated depreciation and amortization	<u>(9,820)</u>
Property and equipment, net	<u>\$ 58</u>

Depreciation and amortization expense for the year ended December 31, 2014 was \$1,438.

Helping Children Worldwide, Inc.

Notes to Financial Statements

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

	<u>2014</u>
African programs:	
Child Rescue Centre	\$ 482,631
Mercy Hospital	134,139
Total	\$ 616,770

Temporarily restricted net assets were released from restriction during the year ended December 31, 2014 as follows:

	<u>2014</u>
African programs:	
Child Rescue Centre	\$ 205,152
Mercy Hospital	232,083
Total	\$ 437,235

- 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, 2014:

Year Ending December 31	Total
2015	\$ 26,784
2016	17,856
Total	\$ 44,640

Rent expense for the year ended December 31, 2014 was \$25,374.

- 5. Concentrations** In 2014, the Organization received 16% of its total revenue from one entity.

Helping Children Worldwide, Inc.

Notes to Financial Statements

6. Related party transactions The Organization is an affiliate of Floris United Methodist Church (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 United Methodist Church, 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 were paid directly to Floris UMC and totaled \$26,265 for the year ended December 31, 2014.

In 2014, contributions received from Floris UMC totaled \$156,188. As of December 31, 2014, the Organization owed Floris UMC \$ 2,320.

7. 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, 2014 were \$3,235, which were fully funded by plan forfeitures.