

**ORPHANS AFRICA**  
(A Nonprofit Corporation)

Financial Statements

December 31, 2012

# FULLAWAY LAMPHEAR & SAUVE PLLC

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

February 10, 2014

To the Board of Directors of  
Orphans Africa

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Orphans Africa (a Washington nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities 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.

To the Board of Directors of  
Orphans Africa  
February 10, 2014  
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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, financial position of Orphans Africa as of December 31, 2012, 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.

*Fullaway Campbell : Same, PLLC*

Fife, WA  
February 10, 2014

**ORPHANS AFRICA**  
 STATEMENT OF FINANCIAL POSITION  
 DECEMBER 31, 2012

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**ASSETS**

**Assets:**

Cash	\$	13,452
Furniture and equipment		1,100
Accumulated depreciation		(150)
Prepaid expenses		500
		500
<b>Total Assets</b>	<b>\$</b>	<b>14,902</b>
		14,902

**LIABILITIES AND NET ASSETS**

<b>Liabilities:</b>	<b>\$</b>	<b>792</b>
		792
<b>Net assets:</b>		
Unrestricted		11,493
Temporarily restricted		2,617
Permanently restricted		-
Total net assets		14,110
		14,110
<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b>14,902</b>
		14,902

*See accompanying notes*

**ORPHANS AFRICA**  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<i>Unrestricted Net Assets</i>	<i>Temporarily Restricted Net Assets</i>	<i>Permanently Restricted Net Assets</i>	<i>Total</i>
<b>Support and Revenue:</b>				
Contributions and gifts				
Contributions	\$ 67,248	\$ 8,664	\$ -	\$ 75,912
Grants	-	12,500	-	12,500
Special event revenue				
Contributions	33,466	1,350	-	34,816
Tickets	7,050	-	-	7,050
Less: Costs of direct benefits to donors	(7,580)	-	-	(7,580)
	<u>100,184</u>	<u>22,514</u>	<u>-</u>	<u>122,698</u>
Net assets released from restriction	<u>21,016</u>	<u>(21,016)</u>	<u>-</u>	<u>-</u>
<b>Total Support and Revenue</b>	<u>121,200</u>	<u>1,498</u>	<u>-</u>	<u>122,698</u>
<b>Expenses:</b>				
Program services				
Marilynn Primary/Nursery School	24,255	-	-	24,255
Mwaji Secondary School	73,677	-	-	73,677
Isandula Center	18,238	-	-	18,238
Orphan scholarships	1,040	-	-	1,040
Business development for widows	650	-	-	650
Supporting services				
Management and general	29,358	-	-	29,358
Fundraising	1,081	-	-	1,081
	<u>148,299</u>	<u>-</u>	<u>-</u>	<u>148,299</u>
<b>Total Expenses</b>	<u>148,299</u>	<u>-</u>	<u>-</u>	<u>148,299</u>
<b>Change in Net Assets</b>	<u>(27,099)</u>	<u>1,498</u>	<u>-</u>	<u>(25,601)</u>
<b>Net Assets, Beginning of Year</b>	<u>38,592</u>	<u>1,119</u>	<u>-</u>	<u>39,711</u>
<b>Net Assets, End of Year</b>	<u>\$ 11,493</u>	<u>\$ 2,617</u>	<u>\$ -</u>	<u>\$ 14,110</u>

*See accompanying notes*

**ORPHANS AFRICA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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<b>Cash Flows from Operating Activities:</b>	
Decrease in net assets	\$ (25,601)
Adjustments to reconcile change in net assets to net cash provided by operations:	
Depreciation	150
Donated assets included in contribution revenue	(690)
(Increase) decrease in:	
Prepaid expenses	(500)
Increase (decrease) in:	
Accounts payable	792
	<hr/>
<b>Net Cash Used by Operating Activities</b>	(25,849)
<b>Cash Flows from Investing Activities</b>	<hr/> -
<b>Cash Flows from Financing Activities</b>	<hr/> -
<b>Net Decrease in Cash</b>	(25,849)
<b>Cash, Beginning of Year</b>	<hr/> 39,301
<b>Cash, End of Year</b>	<hr/> <hr/> \$ 13,452

*See accompanying notes*

**ORPHANS AFRICA**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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**NOTE 1: Nature of Activities and Significant Accounting Policies**

***Nature of activities:***

Orphans Africa (the Organization) is a Washington nonprofit corporation founded in 2007 in Tacoma, Washington. The Organization assists with the education of orphans and the empowerment of widows in Africa by constructing schools and residences for orphans, providing tuition fees and supplies for orphans, providing teacher training, providing preventative health education, providing microloans for widows, and assisting widows with occupational training. This is accomplished by coordinating international volunteers, Non-Governmental Organizations (NGO's) in Africa, and international nonprofit charitable organizations. The Organization is supported primarily through donor contributions, grants, and an annual auction fundraiser.

***Basis of accounting:***

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

***Basis of presentation:***

The Organization reports information regarding its financial position and activities according to three classes of net assets, based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be further classified as either undesignated or designated for a specific purpose by the Organization's board of directors.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenues, expenses, and other changes in net assets as net assets released from restriction.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that are to be maintained permanently by the Organization.

***Property and equipment:***

Donated assets are recorded as support at their estimated fair market values at the date of donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Purchases of property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from five to seven years. Expenditures determined to represent additions and betterments are capitalized. Depreciation expense for the year ended December 31, 2012 totaled \$150.

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**ORPHANS AFRICA**

NOTES TO FINANCIAL STATEMENTS (continued)  
 DECEMBER 31, 2012

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**NOTE 1: Nature of Activities and Significant Accounting Policies (continued)*****Contributions:***

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

***Contributed services and facilities:***

The contribution of services is recognized in the statement of activities if the services received by the Organization create or enhance non-financial assets or require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased by the Organization if they were not provided by donation. The Organization receives a significant amount of contributed services from unpaid volunteers who assist in the office, help coordinate and run the annual auction, and travel to Tanzania to assist with building projects there. These are not recognized as contributions in the financial statements since the recognition criteria were not met. During 2012, volunteers provided to the Organization approximately 7,100 hours in service, as follows:

- International volunteers/travel to Tanzania – 1,850 hours
- Office – 4,050 hours
- Auction – 1,200 hours

The fair value of these services is estimated to be approximately \$105,000.

The Organization maintains its administrative office in Tacoma, Washington. Beginning in May of 2012, the lease payment of \$1,000 per month has been waived by the owner of the building, who is a board member of the Organization, as described in Note 6. Contributed services related to this rental allowance are valued at approximately \$8,000 for the year ended December 31, 2012, recognized as contributions and management and general expenses on the Statement of Activities.

***Income taxes:***

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private Organization under Section 509(a)(2) of the Code.

The Organization's Forms 990-EZ, *Short Form Return of Organization Exempt from Income Tax*, for the years ending 2010, 2011, and 2012 are subject to examination by the IRS, generally for three years after they were filed.

***Functional expenses:***

Directly identifiable expenses are charged to programs and supporting services. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

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**ORPHANS AFRICA**

NOTES TO FINANCIAL STATEMENTS (continued)  
 DECEMBER 31, 2012

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**NOTE 1: Nature of Activities and Significant Accounting Policies (continued)*****Fundraising costs:***

The Organization expenses fundraising costs as incurred. Direct fundraising costs from annual fundraising activities of the Organization are presented in the expense section of the Organization's statement of activities. Direct fundraising costs include rental of facilities and equipment and other direct auction expenses. Total fundraising costs related to the annual auction incurred during 2012 were \$1,081, or 3% of the annual auction revenue. The ratio of expenses to amounts raised is computed using actual expenses and related contributions on an accrual basis.

***Use of estimates:***

The preparation of financial statements requires the Organization's management to make estimates and assumptions that affect certain reported amounts and disclosures in these financial statements. Accordingly, actual results could differ from those estimates.

***Subsequent events:***

The Organization has evaluated events subsequent to the date of the balance sheet through February 10, 2014, the date on which the financial statements were available to be issued.

**NOTE 2: Temporarily Restricted Net Assets**

As of December 31, 2012, the Organization has net assets temporarily restricted due to usage restrictions as follows:

Community health programs	\$ 1,610
Business development for widows	<u>1,007</u>
	<u>\$ 2,617</u>

**NOTE 3: Concentration of Public Support and Revenue**

The Organization receives support primarily from donations and grants. For the year ended December 31, 2012, the Organization received approximately 56% of its revenue from public support.

For the year ended December 31, 2012, the Organization received approximately 16% of its revenue from individuals who are board members of the Organization.

The Organization also raises revenue through its annual auction fundraiser. For the year ended December 31, 2012, the Organization received approximately 28% of its revenue from this fundraising activity.

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**ORPHANS AFRICA**

NOTES TO FINANCIAL STATEMENTS (continued)  
 DECEMBER 31, 2012

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**NOTE 4: Description of Program and Supporting Services*****Marilynn School:***

The Organization has contributed to the completion of the building of the Marilynn Primary and Nursery School in Tanzania, which includes building four classrooms, lavatories, and three dormitories, and installing electricity, septic tanks, and a water well and tower. Construction is in process on a kitchen and dining hall. Once this is complete, the dormitories will house 72 orphans. In addition, the Organization continues to provide support by providing school supplies and textbooks. The school offers one of the highest levels of primary education available in Tanzania. It has a library, a computer laboratory, and provides all-English instruction. More than half of the students pay tuition, and it is considered self-sustainable for day-to-day operations.

***Mwaji Secondary School:***

The Organization has contributed to the building of the Mwaji Secondary School in the village of Bujela, located in a small remote mountainous area in Western Tanzania. To date, the Organization has completed construction of four brick classrooms, lavatories, a water well, and a girls' dormitory with an adjacent toilet/shower house, a kitchen, an administration hall, and a teacher's office. In addition, the Organization continues to provide support by providing school supplies and teacher support for the school. A boys' dormitory is planned for the future, as well as additional classrooms. The Organization is working on implementing a self-sustainable farming project.

Subsequent to December 31, 2012, the school has become registered with the local government and is now able to accept applications for tuition-paying students, which will help offset operational costs. The school now has 156 students, of which 111 are orphans.

***Isandula Center:***

The Organization is in the initial stages of development of donated land located in the Mbozi District of Western Tanzania. Once completed, the Isandula Center will be a vocational/technical training center for students ages thirteen to adult (free for orphans), offering courses in auto mechanics, carpentry, and tailoring. The Organization to date has planted 1,000 trees, dug a water well, constructed a caretaker's cottage, toilet facilities, and three classrooms, and is nearing completion of a large administration hall. Currently, a nursery school for 55 area children, including 11 orphans, is operating on campus. These children are some of the poorest children in the region. In addition to providing early education, the Organization also provides medical insurance and a lunch program for these children.

***Business development for widows:***

The Organization assists widows to become self-sufficient by providing start-up funds for a micro-lending project so that the widows can develop a business and repay their microloans. In addition, the Organization provides small grants to widows in the remote Mbeya District so that they can purchase livestock to be able to sell milk, eggs, and meat at the market and to sustain their families.

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**ORPHANS AFRICA**

NOTES TO FINANCIAL STATEMENTS (continued)  
DECEMBER 31, 2012

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**NOTE 4: Description of Program and Supporting Services (continued)*****Orphan scholarships:***

The Organization provides scholarships for tuition, room, and board for orphans.

***Community health worker program:***

The Organization is implementing a program that provides a volunteer registered nurse who travels to Tanzania to teach a week-long training class to community health workers on providing basic health care, including water sanitation, prenatal care, and well-baby and well-child checkups. In addition, the Organization provides smocks and first aid kits for the students/health care workers.

**NOTE 5: Concentration of Credit Risk**

The Organization maintains its cash balances in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2012, the Organization has no uninsured cash balances. The Organization has not experienced any losses in such accounts.

**NOTE 6: Related-Party Transactions**

During the year ended December 31, 2012, the Organization received a donation of office space from a board member of the Organization. Beginning May 1, 2012, the monthly rent, as well as utilities, phone, internet, property taxes and insurance, and building maintenance of \$1,000 per month has been waived for a six-month term, renewable every six months, beginning each January 1<sup>st</sup> and July 1<sup>st</sup>.

In addition, a board member of the Organization purchased a Land Rover and had it shipped to Tanzania for use by the Organization. The Land Rover is owned by the board member of the Organization, and it is available for use by the Organization as necessary.

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