

WORLD HELP

Financial Statements
With Independent Auditors' Report

December 31, 2013

WORLD HELP

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INDEPENDENT AUDITORS' REPORT

Board of Directors
World Help
Forest, Virginia

We have audited the accompanying financial statements of World Help (Organization) (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, cash flows, and functional expenses 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.

Auditors' 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.

Board of Directors
World Help
Forest, Virginia

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of World Help as of December 31, 2013, and the changes in its net assets, cash flows, and functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of an Error

As described in Note 11 to the financial statements, the Organization identified errors pertaining to gift-in-kind inventory, expenses, and liabilities. Our opinion is not modified with respect to that matter.

Capin Crouse LLP

Greenwood, Indiana
April 22, 2014

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Statement of Financial Position

December 31, 2013

ASSETS:	
Cash and cash equivalents	\$ 898,685
Investments	899,687
Prepaid expenses and other assets	233,370
Inventory	1,631,832
Property and equipment—net	758,921
Investments held for long term purposes	52,800
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Total Assets	<u>\$ 4,475,295</u>
LIABILITIES AND NET ASSETS:	
Accounts payable	\$ 249,675
Accrued payroll and payroll taxes	161,643
Grants payable	294,399
Deferred revenue	152,921
Notes payable	518,365
Total liabilities	<hr/> <u>1,377,003</u>
Net assets:	
Unrestricted:	
General	162,765
Board designated	10,000
Equity in property and equipment	758,921
	<hr/>
	931,686
Temporarily restricted	2,102,306
Permanently restricted	64,300
Total net assets	<hr/> <u>3,098,292</u>
Total Liabilities and Net Assets	<u>\$ 4,475,295</u>

See notes to financial statements

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Statement of Activities

Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:				
Contributions and grants:				
Cash	10,037,271	\$ 1,583,113	\$ -	\$ 11,620,384
Gifts-in-kind	9,414,680	-	-	9,414,680
Special events-net	441,973	-	-	441,973
Product sales	131,828	-	-	131,828
Investment income	103,235	-	-	103,235
Loss on sale of assets	(729)	-	-	(729)
Total support and revenue	20,128,258	1,583,113	-	21,711,371
RECLASSIFICATIONS:				
Satisfaction of program restrictions	1,441,420	(1,441,420)	-	-
EXPENSES:				
Program services:				
International ministries	16,539,638	-	-	16,539,638
Outreach ministries	1,249,246	-	-	1,249,246
Total program services	17,788,884	-	-	17,788,884
Supporting activities:				
Management and general	2,757,824	-	-	2,757,824
Fund-raising	1,206,357	-	-	1,206,357
Total supporting activities	3,964,181	-	-	3,964,181
Total expenses	21,753,065	-	-	21,753,065
CHANGE IN NET ASSETS	(183,387)	141,693	-	(41,694)
NET ASSETS, BEGINNING OF YEAR				
As previously reported	(642,655)	1,960,613	64,300	1,382,258
Prior period adjustment	1,757,728	-	-	1,757,728
As restated	1,115,073	1,960,613	64,300	3,139,986
NET ASSETS, END OF YEAR	\$ 931,686	\$ 2,102,306	\$ 64,300	\$ 3,098,292

See notes to financial statements

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Statement of Cash Flows

Year Ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (41,694)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:	
Depreciation	129,693
Net realized and unrealized gain on investments	(9,802)
Net loss on sale of equipment	729
Changes in:	
Grants receivable	555,847
Prepays	(121,800)
Inventory	90,187
Accounts and grants payable	(198,937)
Accruals	(2,172)
Deferred revenue	(505,471)
	<hr/>
Net Cash Used by Operating Activities	(103,420)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	(29,818)
Proceeds from sale of property and equipment	58,208
Purchase of investments	(1,241,941)
Proceeds from sale of investments	1,186,656
	<hr/>
Net Cash Used by Investing Activities	(26,895)

CASH FLOWS FROM FINANCING ACTIVITIES:

Borrowings on line of credit	389,412
Repayments on line of credit	(364,412)
Payments on debt	(149,336)
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Net Cash Used by Financing Activities	(124,336)

(continued)

See notes to financial statements

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Statement of Cash Flows (continued)

Year Ended December 31, 2013

CHANGE IN CASH AND CASH EQUIVALENTS	(254,651)
CASH AND CASH EQUIVALENTS:	
Beginning of year	<u>1,153,336</u>
End of year	<u>\$ 898,685</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid during the year for interest expense (none capitalized)	<u>\$ 23,721</u>
Noncash investing and financing activities:	
Donations of investments	<u>\$ 105,380</u>
Purchase of property and equipment with debt	<u>\$ 37,760</u>

See notes to financial statements

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Statement of Functional Expenses

Year Ended December 31, 2013

	Program Services			Supporting Activities			Total
	International Programs	Outreach Ministries	Total Program	Management and General	Fundraising	Total Supporting	
Humanitarian Aid	\$ 9,479,505	\$ -	\$ 9,479,505	\$ -	\$ -	\$ -	\$ 9,479,505
Ministry projects	6,193,999	37,295	6,231,294	-	244,996	244,996	6,476,290
Payroll and payroll tax	662,891	741,076	1,403,967	1,470,880	338,306	1,809,186	3,213,153
Travel	49,459	212,463	261,922	108,077	108,077	216,154	478,076
Professional fees	-	44,802	44,802	358,707	20,477	379,184	423,986
Postage and freight	124,582	6,835	131,417	854	190,448	191,302	322,719
Printing and mailing	-	10,306	10,306	1,288	215,591	216,879	227,185
Taxes and licenses	-	-	-	204,472	-	204,472	204,472
Employee benefits	29,202	27,182	56,384	64,112	14,220	78,332	134,716
Depreciation	-	62,611	62,611	59,256	7,826	67,082	129,693
Repairs and maintenance	-	55,966	55,966	49,685	6,996	56,681	112,647
Product costs	-	3,161	3,161	85,207	-	85,207	88,368
Rent	-	-	-	71,116	-	71,116	71,116
Telephone	-	5,439	5,439	59,176	680	59,856	65,295
Office supplies	-	14,845	14,845	47,654	1,856	49,510	64,355
Promotional items	-	15,373	15,373	21,735	55,398	77,133	92,506
Insurance	-	3,028	3,028	45,094	378	45,472	48,500
Dues and publications	-	-	-	31,560	-	31,560	31,560
Utilities	-	4,447	4,447	23,950	556	24,506	28,953
Accounting fees	-	-	-	28,020	-	28,020	28,020
Interest expense	-	4,417	4,417	18,752	552	19,304	23,721
Miscellaneous	-	-	-	8,229	-	8,229	8,229
Total	\$ 16,539,638	\$ 1,249,246	\$ 17,788,884	\$ 2,757,824	\$ 1,206,357	\$ 3,964,181	\$ 21,753,065

See notes to financial statements

WORLD HELP

Notes to Financial Statements

December 31, 2013

1. NATURE OF ORGANIZATION:

World Help (Organization) was established as an unincorporated not-for-profit association in 1991. World Help is a faith-based humanitarian organization that exists to serve the physical and spiritual needs of people in impoverished communities around the world. The Organization's primary activities are described below:

International Programs—The Organization works with partners to provide humanitarian, medical and educational assistance and ensuring clean water and people's spiritual needs by providing Bibles and establishing churches in as many communities as possible.

Outreach Ministries—The Organization's outreach ministries primarily consists of "Children of the World", which is a program designed to educate the perils of children in the developing world. Annually, the Organization forms a choir of children from its child sponsorship program and tours the United States to promote awareness of the needs of children to overcome malnutrition, obtain clean water, education, etc.

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

2. SIGNIFICANT ACCOUNTING POLICIES:

The Organization prepares its financial statements on the accrual basis of accounting. The Organization uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements. The more significant accounting policies are described below.

CASH, CASH EQUIVALENTS AND CREDIT RISK

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents unless held for reinvestment as part of the investment portfolio, pledged to secure loan agreements, or otherwise designated or restricted. The carrying amount approximates fair value because of the short maturity of those instruments. While the Organization's cash equivalents at times may exceed federally insured limits, the Organization has not experienced any losses on such accounts. The Organization believes it is not exposed to any significant credit risk on these accounts.

INVESTMENTS

The Organization's primary investment objective is to preserve and protect its assets by earning a total return for each account appropriate to each account's liquidity requirements, distribution requirements, and risk tolerance. Investments are stated at fair value, except for closely held stock which is reported at cost.

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Notes to Financial Statements

December 31, 2013

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

INVENTORY

Inventory procured by the Organization is stated at the lower of cost or fair value. The Organization receives donations of medical equipment, medical supplies, clothing and food for use in the Organization's humanitarian aid programs. Gift-in-kind contributions are valued at their estimated fair value on the date of donation. Fair value is determined using the market approach. This approach uses prices and other relevant information generated for market transactions involving comparable assets. In-kind contributions included in total contributions received were \$9,414,680 for the year ended December 31, 2013.

The Organization is a member of the Accord Network, a group of charities performing and providing regulation and oversight for those organizations doing relief and development work. In accordance with standards the group revised in December 2009 (the Interagency Gift-in-kind Standards), the Organization only recognizes amounts related to the value of gifts-in-kind when the Organization (i) is the original recipient of the gift, or (ii) is in partnership with another organization for distribution, or (iii) uses the gifts-in-kind in a program.

FIXED ASSETS AND DEPRECIATION

Property and equipment purchased by the Organization are recorded at cost. The Organization follows the practice of capitalizing all expenditures for property and equipment over \$2,000 with a useful life in excess of one year. The fair value of donated fixed assets are similarly capitalized. Depreciation is computed on the straight-line method based upon the following estimated useful lives of the assets:

Building	39 years
Office equipment and computers	3-5 years
Office furniture	7 years
Vehicles	5 years

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Notes to Financial Statements

December 31, 2013

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES

The Organization follows the provisions of the *Fair Value Measurements and Disclosure* topic of the Financial Accounting Standards Codification (FASB ASC). These standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Level 1

Quoted prices in active markets for identical assets or liabilities.

Level 2

Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in active markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3

Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Investments

Investments include equity securities, exchange traded funds, and mutual funds and are recorded at fair value based on readily determinable values which are considered Level 1 under the *Fair Value* topic of the FASB ASC. The fair value of the Level 1 securities are determined by reference to quoted market prices and other relevant information generated by market transactions.

NET ASSETS

The Organization classifies net assets into three categories: unrestricted, temporarily restricted, and permanently restricted. All net assets are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Temporarily restricted net assets include contributions with temporary, donor-imposed time or purpose restrictions. Temporarily restricted net assets become unrestricted and are reported in the statement of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose. Permanently restricted net assets include contributions with donor-imposed restrictions requiring resources to be maintained in perpetuity but permitting use of all or part of the investment income earned on the contributions. Management has elected to omit the reporting disclosures associated with the *Endowment* topic of the FASB ASC due to the lack of significance to its financial statements.

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Notes to Financial Statements

December 31, 2013

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CONTRIBUTIONS, REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS

Revenue is reported when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Organization.

Contributions and grants are recorded as temporarily restricted if they are received with donor stipulations that limit their use through purpose and/or time restrictions. When donor restrictions expire, that is, when the purpose restriction is fulfilled or the time restriction expires, the net assets are reclassified from temporarily restricted to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions, which have been fully expended for their intended purposes within the reporting period, are reported as unrestricted. Temporarily restricted contributions are subject to assessments ranging from 0% to 40%, which are used for general and administrative expenses.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

SPECIAL EVENTS

The Organization hosted an annual president council event and also benefited from golf tournaments and running races with the proceeds going to the Organization. For the year ended December 31, 2013, the Organization had contributions totaling \$657,492 which was offset by event expenses of \$215,519.

ALLOCATION OF FUNCTIONAL EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statement of activities. As of December 31, 2013, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

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Notes to Financial Statements

December 31, 2013

3. INVESTMENTS:

As of December 31, 2013, investments consist of:

Cash equivalents	\$ 25,493
Marketable equity securities:	
REITs	52,800
Basic materials	25,887
Industrials	21,693
Financial services	4,267
Consumer defensive	13,576
Technology	7,710
Exchange-traded funds:	
Short bond	129,005
Intermediate bond	7,529
High yield bond	13,827
Emerging markets bond	25,154
Small-cap core	8,663
Mid-cap core	41,080
Large-cap value	16,735
Large-cap core	50,388
Large-cap growth	25,738
International developed markets	13,118
Commodity	12,324
Alternative	129,678
Mutual funds:	
Short bond	25,288
Intermediate bond	21,602
International bond	28,241
REITs	8,107
Small-cap blend	79,486
Mid-cap value	22,192
Mid-cap core	30,020
Large-cap value	15,120
Large growth world	15,037
International emerging markets	15,387
International developed markets	23,272
Alternative	40,414
Closely held stock	3,656
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	\$ 952,487

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Notes to Financial Statements

December 31, 2013

3. INVESTMENTS, continued:

Investments	\$ 899,687
Investment held for long-term purposes	<u>52,800</u>
	<u>\$ 952,487</u>

For the year ended December 31, 2013, investment gains (losses) consist of:

Interest and dividends	\$ 23,378
Net realized and unrealized gains on investments	86,920
Management fees	<u>(7,063)</u>
	<u>\$ 103,235</u>

4. INVENTORY:

As of December 31, 2013, inventory consists of:

CDs, cassettes, books and t-shirts, at cost	\$ 93,652
Gifts-in-kind, at estimated fair value at date of donation	<u>1,538,180</u>
	<u>\$ 1,631,832</u>

5. PROPERTY AND EQUIPMENT:

As of December 31, 2013, property and equipment consist of:

	Cost	Accumulated Depreciation	Net
Land	\$ 144,406	\$ -	\$ 144,406
Buildings	622,994	231,051	391,943
Office equipment	518,090	430,928	87,162
Office furniture	74,504	72,226	2,278
Transportation equipment	<u>574,873</u>	<u>441,741</u>	<u>133,132</u>
	<u>\$ 1,934,867</u>	<u>\$ 1,175,946</u>	<u>\$ 758,921</u>

Depreciation expense for the year ended December 31, 2013, was \$129,693.

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Notes to Financial Statements

December 31, 2013

6. NOTES PAYABLE:

As of December 31, 2013, notes payable consisted of the following:

Note payable to financial institution. Interest rate of 3.46% at December 31, 2013. Payable in monthly installments of \$5,833. Due October 2017. Secured by a deed of trust on the land and building.	\$ 218,397
Line of credit with financial institution. Interest rate of 4% at December 31, 2013. Interest only payments due monthly with outstanding balance payable on demand or upon maturity in September 2017. Secured by a deed of trust on the land and building.	225,000
Note payable to financial institution. Interest rate of 4% at December 31, 2013. Payable in monthly installments of \$1,116. Due September 2016. Secured by vehicle.	34,752
Note payable to financial institution. Interest rate of 3.75% at December 31, 2013. Payable in monthly installments of \$2,503. Due August 2017. Secured by vehicle.	<u>40,216</u>
	<u><u>\$ 518,365</u></u>

Future estimated maturities of debt are as follows:

<u>Year Ending December 31,</u>	<u>Amounts</u>
2014	\$ 321,721
2015	86,345
2016	71,893
2017	<u>38,406</u>
	<u><u>\$ 518,365</u></u>

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Notes to Financial Statements

December 31, 2013

7. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets were released from donor restrictions because the purpose restrictions were accomplished as follows:

	Net Assets December 31, 2012	Temporarily Restricted Contributions	Amounts Released	Net Assets December 31, 2013
Ministry projects	\$ 1,730,104	\$ 1,395,302	\$ 1,385,058	\$ 1,740,348
Bibles	224,873	187,811	50,726	361,958
Church building	5,636	-	5,636	-
	<u>\$ 1,960,613</u>	<u>\$ 1,583,113</u>	<u>\$ 1,441,420</u>	<u>\$ 2,102,306</u>

8. OPERATING LEASES:

The Organization has several non-cancelable operating leases for housing and equipment that expire at various dates through 2017. Rental expenses for those leases consisted of approximately \$61,116 for the year ended December 31, 2013.

Future minimum lease payments under the operating leases are:

<u>Year Ending December 31,</u>	<u>Amounts</u>
2014	\$ 28,397
2015	28,397
2016	25,123
2017	18,576
2018	3,096
	<u>\$ 103,589</u>

9. RETIREMENT PLAN:

The Organization has established a SIMPLE IRA retirement plan covering all employees who are reasonably expected to receive at least \$5,000 in compensation for the calendar year. The plan allows for employee contributions to the plan up to the maximum allowed by the Internal Revenue Service. The Organization matches 100% of each employee's contributions up to a maximum of 3% of gross wages. The Organization contributed \$36,196 for the year ended December 31, 2013.

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Notes to Financial Statements

December 31, 2013

10. DONOR CONCENTRATION:

Two donors provided approximately 98% of donated inventory received by the Organization for the year ended December 31, 2013. The organizational implications of these concentrations are recognized by management and the board.

11. PRIOR PERIOD ADJUSTMENT:

Management of the Organization identified certain errors in accounting for gifts-in-kind (GIK), project expenses, and liabilities related to paid time off while preparing the financial statements for the year ending December 31, 2013. Prior to December 31, 2013, the Organization did not recognize the revenue associated with its GIK until they were distributed. A correction was made to recognize GIK as contributions and inventory when received. Further, the Organization elected to revalue its inventory based upon a revised valuation model to refine its estimate of the fair value for the GIK. The correction of GIK recognition based on when GIK has been received and revised valuation method resulted in an increase in previously reported net assets of \$1,613,004.

Certain project costs were expensed in the prior year that pertained to 2013. The correction to recognize these expenses in 2013 resulted in an increase in previously reported net assets of \$168,603.

Obligations for compensated paid time off not taken but earned was not previously recognized as a liability. The correction to recognize these liabilities resulted in a decrease in previously reported net assets of \$23,879.

The cumulative effect of these corrections resulted in an increase in previously reported net assets of \$1,757,728.

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.