

HELP THE HELPLESS

FINANCIAL STATEMENTS

December 31, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Help the Helpless
Minneapolis, Minnesota

We have audited the accompanying financial statements of Help the Helpless (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years 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 consolidated 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 audits. We conducted our audits 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Help the Helpless as of December 31, 2016 and 2015, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads "Simma Flottesch & Orenstein, P.C." in a cursive script.

Minneapolis, Minnesota
August 25, 2017

HELP THE HELPLESS

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

| | <u>ASSETS</u> | <u>2016</u> | <u>2015</u> |
|---|--|----------------------------|----------------------------|
| ASSETS | | | |
| Cash and cash equivalents | | \$ 2,118,630 | \$ 2,082,743 |
| Pledges receivable, less allowance for doubtful accounts of \$5,000 for both years | | 6,107 | 3,959 |
| Investments | | 11,699 | 17,030 |
| Prepaid expenses | | 212 | 212 |
| Property and equipment, net of accumulated depreciation | | <u>1,837</u> | <u>864</u> |
| TOTAL ASSETS | | <u><u>\$ 2,138,485</u></u> | <u><u>\$ 2,104,808</u></u> |
| | <u>LIABILITIES AND NET ASSETS</u> | | |
| ACCOUNTS PAYABLE | | \$ 4,832 | \$ 6,851 |
| NET ASSETS | | | |
| Unrestricted | | 1,832,915 | 2,045,540 |
| Temporarily restricted | | <u>300,738</u> | <u>52,417</u> |
| TOTAL NET ASSETS | | <u><u>2,133,653</u></u> | <u><u>2,097,957</u></u> |
| TOTAL LIABILITIES AND NET ASSETS | | <u><u>\$ 2,138,485</u></u> | <u><u>\$ 2,104,808</u></u> |

SEE NOTES TO FINANCIAL STATEMENTS

HELP THE HELPLESS

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2016 and 2015

| | <u>2016</u> | | | <u>2015</u> | | |
|--|-------------------------|-----------------------------------|-------------------------|-------------------------|-----------------------------------|-------------------------|
| | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>TOTAL</u> | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>TOTAL</u> |
| REVENUES, GAINS AND OTHER SUPPORT | | | | | | |
| Contributions | \$ 546,280 | \$ 437,181 | \$ 983,461 | \$ 839,192 | \$ 83,420 | \$ 922,612 |
| Investment income | 2,300 | - | 2,300 | 3,832 | - | 3,832 |
| Net assets released from restrictions | <u>188,860</u> | <u>(188,860)</u> | <u>-</u> | <u>33,350</u> | <u>(33,350)</u> | <u>-</u> |
| TOTAL REVENUES, GAINS AND OTHER SUPPORT | 737,440 | 248,321 | 985,761 | 876,374 | 50,070 | 926,444 |
| EXPENSES | | | | | | |
| Program services | 869,833 | - | 869,833 | 343,457 | - | 343,457 |
| Supporting services | | | | | | |
| Management and general | 62,097 | - | 62,097 | 55,747 | - | 55,747 |
| Fund raising | <u>18,135</u> | <u>-</u> | <u>18,135</u> | <u>28,843</u> | <u>-</u> | <u>28,843</u> |
| TOTAL EXPENSES | <u>950,065</u> | <u>-</u> | <u>950,065</u> | <u>428,047</u> | <u>-</u> | <u>428,047</u> |
| CHANGE IN NET ASSETS | (212,625) | 248,321 | 35,696 | 448,327 | 50,070 | 498,397 |
| NET ASSETS, BEGINNING OF YEAR | <u>2,045,540</u> | <u>52,417</u> | <u>2,097,957</u> | <u>1,597,213</u> | <u>2,347</u> | <u>1,599,560</u> |
| NET ASSETS, END OF YEAR | <u>\$ 1,832,915</u> | <u>\$ 300,738</u> | <u>\$ 2,133,653</u> | <u>\$ 2,045,540</u> | <u>\$ 52,417</u> | <u>\$ 2,097,957</u> |

SEE NOTES TO FINANCIAL STATEMENTS

HELP THE HELPLESS

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2016 and 2015

| | 2016 | | | | 2015 | | | |
|---|-----------------------------|-----------------------------------|-------------------------|-------------------|-----------------------------|-----------------------------------|-------------------------|-------------------|
| | Program Services | Management and General | Fund Raising | Total | Program Services | Management and General | Fund Raising | Total |
| Bank fees | \$ - | \$ 10,584 | \$ - | \$ 10,584 | \$ - | \$ 8,208 | \$ - | \$ 8,208 |
| Contributions and aid expense | 867,123 | - | - | 867,123 | 341,472 | - | - | 341,472 |
| Contract labor | - | 19,551 | - | 19,551 | - | 16,939 | - | 16,939 |
| Depreciation | - | 858 | - | 858 | - | 661 | - | 661 |
| Miscellaneous | - | 2,939 | - | 2,939 | - | 4,988 | - | 4,988 |
| Postage and delivery | - | 6,456 | 7,371 | 13,827 | - | 28 | 8,448 | 8,476 |
| Printing and publications | - | - | 10,764 | 10,764 | - | - | 20,395 | 20,395 |
| Professional fees | - | 13,510 | - | 13,510 | - | 18,200 | - | 18,200 |
| Pledges written off (net of change in allowance) | 2,710 | - | - | 2,710 | 1,985 | - | - | 1,985 |
| Supplies | - | 6,553 | - | 6,553 | - | 5,084 | - | 5,084 |
| Utilities | - | 1,646 | - | 1,646 | - | 1,639 | - | 1,639 |
| | <u>\$ 869,833</u> | <u>\$ 62,097</u> | <u>\$ 18,135</u> | <u>\$ 950,065</u> | <u>\$ 343,457</u> | <u>\$ 55,747</u> | <u>\$ 28,843</u> | <u>\$ 428,047</u> |

SEE NOTES TO FINANCIAL STATEMENTS

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STATEMENTS OF CASH FLOWS

December 31, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 35,696 | \$ 498,397 |
| Items not affecting cash | | |
| Depreciation | 858 | 661 |
| Fair market value of donated securities | (1,861) | (994) |
| Net (increase) decrease in fair market value of investments | (246) | 3,121 |
| Gain on sale of investments | (346) | (4,937) |
| Change in assets and liabilities | | |
| Pledges receivable | (2,148) | (2,620) |
| Accounts payable | (2,019) | 6,819 |
| Cash provided by operating activities | <u>29,934</u> | <u>500,447</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of investments | (494) | (703) |
| Proceeds from the sale of investments | 8,278 | 7,991 |
| Purchases of property and equipment | (1,831) | (549) |
| Cash provided by investing activities | <u>5,953</u> | <u>6,739</u> |
| INCREASE IN CASH AND CASH EQUIVALENTS | 35,887 | 507,186 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>2,082,743</u> | <u>1,575,557</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 2,118,630</u> | <u>\$ 2,082,743</u> |

SEE NOTES TO FINANCIAL STATEMENTS

HELP THE HELPLESS

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

(1) Nature of Organization

Help the Helpless (the Organization) is a Minnesota non-profit organization formed for the purpose of aiding St. Mary's School (St. Mary's) and Missionary Groups of the Home of the Mother (MGHM). The Organization solicits contributions from the general public to support the needs of St. Mary's and MGHM.

St. Mary's is a Catholic educational and orphanage facility located in India for the handicapped, deaf and poor. St. Mary's uses this aid to support its operations which include providing food, clothing, school supplies and other daily necessities for the children. St. Mary's also uses these funds for maintaining facilities and paying salaries to the personnel who work at the school.

MGHM is a Catholic missionary group of Sisters and Priests that channels financial and humanitarian aid for the needy people in Latin America, Asia and the Pacific. The focus of MGHM is at 3 locations within Ecuador. MGHM operates schools, feeds the poor and supports poor families and elderly with spiritual and temporal needs. The Missionary Sisters provide food, clothing, education and medical help to those in most need.

(2) Summary of Significant Accounting Policies

Significant accounting policies of the Organization are summarized below:

Cash and Cash Equivalents – Cash and cash equivalents consist of a cash account, a certificate of deposit and a money market account maintained at one financial institution, all of which are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 per depository institution.

Investments – Investments consist of stocks and mutual funds, all of which are stated at fair market value.

Contributions and Donations – Contributions received and unconditional promises to give are measured at their fair market value and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Donated materials and equipment are recorded as contributions at estimated fair market values as of the date received. No amounts have been reflected in the Organization's accompanying statements for volunteer services, as general volunteer labor does not meet the criteria for recognition of in-kind services under FASB Accounting Standards Codification 958, *Not-for-Profit Entities*. However, the Organization's overall success is in part attributable to those volunteers who have contributed approximately 2,200 hours of service for both the years ended December 31, 2016 and 2015.

Property and Equipment – The Organization capitalizes property and equipment over \$100, with lesser amounts expensed. Property and equipment are stated at cost and depreciation is computed using accelerated methods over an estimated useful life of 3-5 years.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

(2) Summary of Significant Accounting Policies, Continued

Functional Allocation of Expenses – The costs of providing program and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax – The Organization is tax exempt under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under section 509(a) of the Internal Revenue Code and charitable contributions by donors are tax deductible. The Organization's Federal income tax returns are subject to examination by the IRS, generally for three years after they were filed (and four years for State examination).

Use of 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 reported amounts and related disclosures. Actual results could differ from those estimates.

(3) Investments

Investments consist of the following at December 31:

| | <u>2016</u> | <u>2015</u> |
|--------------|------------------|------------------|
| Stocks | \$ 6,547 | \$ 6,386 |
| Mutual funds | <u>5,152</u> | <u>10,644</u> |
| | <u>\$ 11,699</u> | <u>\$ 17,030</u> |

Investment income is comprised of the following for the years ended December 31:

| | <u>2016</u> | <u>2015</u> |
|---|-----------------|-----------------|
| Dividend and interest income | \$ 1,708 | \$ 2,016 |
| Gain on sale of investments | 346 | 4,937 |
| Fair market value appreciation (depreciation) | <u>246</u> | <u>(3,121)</u> |
| | <u>\$ 2,300</u> | <u>\$ 3,832</u> |

(4) Property and Equipment

Property and equipment consist of the following at December 31:

| | <u>2016</u> | <u>2015</u> |
|--------------------------|-----------------|----------------|
| Computer equipment | \$ 6,163 | \$ 6,778 |
| Accumulated depreciation | <u>(4,326)</u> | <u>(5,914)</u> |
| | <u>\$ 1,837</u> | <u>\$ 864</u> |
| Depreciation expense | <u>\$ 858</u> | <u>\$ 661</u> |

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December 31, 2016 and 2015

(5) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31:

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|------------------|
| Pledges designated for the years 2016 and 2015 | \$ 11,107 | \$ 3,959 |
| Donor designated contributions restricted for aid to Father/Masses to Celebrate at St. Mary's | 3,567 | - |
| Aid to St. Mary's | 91,989 | 22,817 |
| Aid to MGHM | <u>194,075</u> | <u>25,641</u> |
| | <u>\$ 300,738</u> | <u>\$ 52,417</u> |

(6) Fair Value Measurements

Fair Value measures are classified into a three-tier fair value hierarchy based on the nature of the inputs used in determining fair value. The following is a description of each classification:

- Level 1 – Observable inputs such as quoted prices in active markets.
- Level 2 – Inputs, other than quoted prices in active markets, that are observable either directly or indirectly.
- Level 3 – Unobservable inputs in which there is little or no market data, which require management to develop its own assumptions for valuation and pricing techniques.

The fair value of all investments, referred to in Note 3, were level 1 under the fair value hierarchy as of December 31, 2016 and 2015.

(7) Contribution and Aid Expense

The Organization contributed aid totaling \$534,894 and \$261,472 for the years ended December 31, 2016 and 2015 to St. Mary's. These funds were used to support the day to day operations of the school and orphanage, as well as provide for the needs of the children.

The Organization also contributed aid totaling \$332,229 and \$80,000 for the years ended December 31, 2016 and 2015 to MGHM. These funds were used to support the construction of a multipurpose center that will be used to aid the handicapped and poor people of the impoverished country of Ecuador.

(8) Subsequent Events

In accordance with FASB Accounting Standards Codification 855, *Subsequent Events*, the Organization has evaluated those events and transactions that occurred from January 1, 2017 through August 25, 2017, the date the financial statements were available to be issued, for possible adjustment to or disclosure in the consolidated financial statements. No material events or transactions occurred during this period which would render these financial statements misleading.