

WORLDWIDE ORPHANS FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014



SOBEL & CO. LLC

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

WORLDWIDE ORPHANS FOUNDATION

DECEMBER 31, 2015 AND 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Worldwide Orphans Foundation
Maplewood, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of Worldwide Orphans Foundation, a New Jersey and New York nonprofit organization (“Organization”), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses, 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 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 audits 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 auditors consider internal control relevant to the Organization’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 Organization’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 the Organization as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


Certified Public Accountants

Livingston, New Jersey
October 13, 2016

WORLDWIDE ORPHANS FOUNDATION
STATEMENTS OF FINANCIAL POSITION

| | December 31, | |
|--|---------------------|---------------------|
| | 2015 | 2014 |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash | \$ 1,154,524 | \$ 1,332,030 |
| Contributions and grants receivable, net | 268,525 | 695,764 |
| Overseas deposits | 133,456 | 108,455 |
| Prepaid expenses | 90,627 | 110,673 |
| Investments, at fair value | 825,843 | 819,875 |
| Total Current Assets | <u>2,472,975</u> | <u>3,066,797</u> |
| PROPERTY AND EQUIPMENT, NET | <u>53,213</u> | <u>279,915</u> |
| OTHER ASSETS: | | |
| Security deposits | 12,866 | 12,866 |
| Contributions and grants receivable, long-term | 193,142 | 383,197 |
| Total Other Assets | <u>206,008</u> | <u>396,063</u> |
| | <u>\$ 2,732,196</u> | <u>\$ 3,742,775</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES: | | |
| Accounts payable and accrued expenses | \$ 58,335 | \$ 123,633 |
| Total Liabilities | <u>58,335</u> | <u>123,633</u> |
| NET ASSETS: | | |
| Unrestricted | 1,766,547 | 2,235,388 |
| Temporarily restricted | 907,314 | 1,383,754 |
| Total Net Assets | <u>2,673,861</u> | <u>3,619,142</u> |
| | <u>\$ 2,732,196</u> | <u>\$ 3,742,775</u> |

WORLDWIDE ORPHANS FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2015 AND 2014

| | 2015 | | | 2014 | | |
|---------------------------------------|--------------|------------------------|--------------|--------------|------------------------|--------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| REVENUE AND SUPPORT: | | | | | | |
| Contributions and gifts in-kind | \$ 965,924 | \$ 437,603 | \$ 1,403,527 | \$ 1,306,477 | \$ 914,543 | \$ 2,221,020 |
| Special events | 1,594,612 | - | 1,594,612 | 1,832,886 | - | 1,832,886 |
| Less: Direct cost of special events | (397,625) | - | (397,625) | (492,871) | - | (492,871) |
| Interest and dividend income | 17,042 | - | 17,042 | 21,639 | - | 21,639 |
| Foreign currency losses | (14,262) | - | (14,262) | (33,250) | - | (33,250) |
| Realized gains on investments | - | - | - | 4,051 | - | 4,051 |
| Unrealized losses on investments | (10,587) | - | (10,587) | (14,348) | - | (14,348) |
| Net assets released from restrictions | 914,043 | (914,043) | - | 1,332,035 | (1,332,035) | - |
| Total Revenue and Support | 3,069,147 | (476,440) | 2,592,707 | 3,956,619 | (417,492) | 3,539,127 |
| EXPENSES: | | | | | | |
| Program services: | | | | | | |
| Ethiopia | 1,263,378 | - | 1,263,378 | 1,729,155 | - | 1,729,155 |
| Vietnam | 814,199 | - | 814,199 | 765,782 | - | 765,782 |
| Bulgaria | 213,278 | - | 213,278 | 274,679 | - | 274,679 |
| Haiti | 491,860 | - | 491,860 | 494,765 | - | 494,765 |
| Serbia | 27,339 | - | 27,339 | 26,369 | - | 26,369 |
| US | 60,353 | - | 60,353 | - | - | - |
| Supporting services: | | | | | | |
| Management and general | 219,233 | - | 219,233 | 392,316 | - | 392,316 |
| Fundraising | 448,348 | - | 448,348 | 501,664 | - | 501,664 |
| Total Expenses | 3,537,988 | - | 3,537,988 | 4,184,730 | - | 4,184,730 |
| CHANGES IN NET ASSETS | (468,841) | (476,440) | (945,281) | (228,111) | (417,492) | (645,603) |
| NET ASSETS - Beginning of year | 2,235,388 | 1,383,754 | 3,619,142 | 2,463,499 | 1,801,246 | 4,264,745 |
| NET ASSETS - End of year | \$ 1,766,547 | \$ 907,314 | \$ 2,673,861 | \$ 2,235,388 | \$ 1,383,754 | \$ 3,619,142 |

The accompanying notes are an integral part of these financial statements.

WORLDWIDE ORPHANS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

| | Program Services | | | | | | Total Program Services | Management and General | Fundraising | Direct Cost of Special Events | Total | |
|-------------------------------------|------------------|------------|------------|------------|-----------|-----------|------------------------------|---------------------------|-------------|-------------------------------------|-------------------------------------|--------------|
| | Ethiopia | Vietnam | Bulgaria | Haiti | Serbia | US | | | | | | |
| Salaries | \$ 502,257 | \$ 354,595 | \$ 127,256 | \$ 180,411 | \$ 7,146 | \$ 9,063 | \$ 1,180,728 | \$ 123,117 | \$ 255,398 | \$ - | \$ 1,559,243 | |
| Payroll taxes and employee benefits | 88,471 | 55,078 | 6,778 | 35,969 | 712 | 1,573 | 188,581 | 27,651 | 56,167 | - | 272,399 | |
| Supplies | 155,728 | 60,199 | 11,485 | 67,997 | 2,050 | 2,647 | 300,106 | 764 | 2,003 | - | 302,873 | |
| Taxes and fees | 2,383 | 40,178 | - | 5,328 | 1,375 | - | 49,264 | 287 | - | - | 49,551 | |
| Telecommunication | 13,481 | 5,713 | 604 | 5,919 | 750 | 81 | 26,548 | 1,424 | 2,891 | - | 30,863 | |
| Postage and shipping | 537 | 661 | 1,207 | 208 | 11 | 25 | 2,649 | 445 | 2,076 | - | 5,170 | |
| Advertising, marketing, website | 191 | - | - | - | - | - | 191 | - | - | - | 191 | |
| Development/Dues and subscriptions | 1,295 | 547 | 1,388 | 334 | 18 | 65 | 3,647 | 712 | 5,346 | - | 9,705 | |
| Occupancy | 141,662 | 42,611 | 5,613 | 26,813 | 311 | 687 | 217,697 | 12,074 | 24,526 | - | 254,297 | |
| Equipment rental | 5,595 | 1,194 | 197 | 474 | 26 | 646 | 8,132 | 1,012 | 2,055 | - | 11,199 | |
| Facilities | 49,108 | 2,557 | 6,126 | 17,617 | - | - | 75,408 | - | - | - | 75,408 | |
| Printing and publication | 1,891 | 1,546 | 1,500 | 2,015 | 5 | 9 | 6,966 | 162 | 8,939 | - | 16,067 | |
| Stipends | 11,586 | 20,283 | 2,919 | 51,294 | - | - | 86,082 | 330 | - | - | 86,412 | |
| Travel | 78,609 | 34,962 | 13,776 | 61,394 | 112 | 1,876 | 190,729 | 2,332 | 1,590 | - | 194,651 | |
| Meetings and conferences | 539 | 6,942 | 1,196 | 271 | - | 1,333 | 10,281 | - | 100 | - | 10,381 | |
| Nonprofit advisor fees | 189 | 20,992 | 4,462 | 82 | 2,149 | 39,488 | 67,362 | 175 | 31,897 | - | 99,434 | |
| Professional fees | 31,341 | 13,918 | 9,539 | 6,908 | 396 | 1,009 | 63,111 | 7,801 | 5,317 | - | 76,229 | |
| Meals and entertainment | 3,033 | 14,510 | 4,281 | 930 | - | - | 22,754 | - | - | - | 22,754 | |
| Staff development | 247 | 1,931 | - | 4,212 | - | - | 6,390 | - | 1,675 | - | 8,065 | |
| School supplies and resources | 27,908 | 78,002 | - | - | 923 | - | 106,833 | - | - | - | 106,833 | |
| Bank merchant fees | 6,251 | 4,850 | 1,693 | 3,702 | 240 | 326 | 17,062 | 3,077 | 2,098 | - | 22,237 | |
| Insurance | 4,089 | 2,913 | 739 | 1,777 | 98 | 216 | 9,832 | 2,037 | 1,389 | - | 13,258 | |
| Miscellaneous | 1,630 | 19,022 | 2,258 | 9,627 | 10,453 | 63 | 43,053 | 13,939 | 408 | - | 57,400 | |
| Training and mentoring | 130 | 14,167 | - | 4,308 | - | - | 18,605 | - | - | - | 18,605 | |
| Depreciation | 23,620 | 16,828 | 10,261 | 4,270 | 564 | 1,246 | 56,789 | 21,894 | 44,473 | - | 123,156 | |
| Catering and facility rental | - | - | - | - | - | - | - | - | - | 397,625 | 397,625 | |
| Donation of equipment (see Note 5) | 111,607 | - | - | - | - | - | 111,607 | - | - | - | 111,607 | |
| Total Expenses | \$ 1,263,378 | \$ 814,199 | \$ 213,278 | \$ 491,860 | \$ 27,339 | \$ 60,353 | \$ 2,870,407 | \$ 219,233 | \$ 448,348 | \$ 397,625 | 3,935,613 | |
| | | | | | | | | | | | Less: Direct cost of special events | (397,625) |
| | | | | | | | | | | | Total Functional Expenses | \$ 3,537,988 |

WORLDWIDE ORPHANS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014

| | <u>Program Services</u> | | | | | | | | <u>Direct Cost</u> | |
|-------------------------------------|-------------------------|-------------------|-------------------|-------------------|------------------|---------------------|--------------------|--------------------|-------------------------------------|---------------------|
| | <u>Ethiopia</u> | <u>Vietnam</u> | <u>Bulgaria</u> | <u>Haiti</u> | <u>Serbia</u> | <u>Total</u> | <u>Management</u> | <u>Fundraising</u> | <u>of Special</u> | <u>Total</u> |
| | | | | | | <u>Program</u> | <u>and General</u> | | <u>Events</u> | |
| | | | | | | <u>Services</u> | | | | |
| Salaries | \$ 569,340 | \$ 361,425 | \$ 151,133 | \$ 186,230 | \$ 6,733 | \$ 1,274,861 | \$ 213,025 | \$ 246,095 | \$ - | \$ 1,733,981 |
| Payroll taxes and employee benefits | 125,957 | 49,759 | 30,208 | 5,496 | 549 | 211,969 | 47,454 | 74,892 | - | 334,315 |
| Supplies | 491,429 | 45,966 | 4,506 | 29,653 | 1,903 | 573,457 | 2,189 | 1,821 | - | 577,467 |
| Taxes and fees | 81,931 | 40,944 | 11,362 | 13,347 | 2,284 | 149,868 | 194 | 302 | - | 150,364 |
| Telecommunication | 8,970 | 5,624 | 1,578 | 4,275 | 909 | 21,356 | 4,524 | 1,559 | - | 27,439 |
| Postage and shipping | 816 | 645 | 931 | 139 | 9 | 2,540 | 878 | 1,959 | - | 5,377 |
| Advertising, marketing, website | 622 | - | - | - | - | 622 | - | - | - | 622 |
| Development/Dues and subscriptions | 327 | - | 408 | - | - | 735 | 1,226 | 5,414 | - | 7,375 |
| Occupancy | 150,786 | 28,864 | 5,935 | 24,902 | 187 | 210,674 | 16,120 | 25,076 | - | 251,870 |
| Equipment rental | 11,715 | 426 | 281 | 147 | 15 | 12,584 | 1,268 | 1,972 | - | 15,824 |
| Facilities | 60,489 | 4,306 | 568 | 20,824 | 5 | 86,192 | 448 | 697 | - | 87,337 |
| Printing and publication | 3,904 | 1,252 | 1,707 | 1,719 | 3 | 8,585 | 226 | 7,275 | - | 16,086 |
| Stipends | 24,456 | 21,841 | 4,185 | 45,241 | - | 95,723 | 330 | - | - | 96,053 |
| Travel | 67,754 | 25,091 | 31,573 | 71,865 | 299 | 196,582 | 7,661 | 8,980 | - | 213,223 |
| Meetings and conferences | - | - | - | 6,935 | - | 6,935 | 771 | - | - | 7,706 |
| Nonprofit advisor fees | 31,017 | 24,517 | 11,290 | 34,320 | 3,037 | 104,181 | 32,119 | 49,963 | - | 186,263 |
| Professional fees | 26,390 | 4,909 | 8,573 | 5,595 | 149 | 45,616 | 19,692 | 21,510 | - | 86,818 |
| Meals and entertainment | - | 24,399 | - | - | - | 24,399 | - | - | - | 24,399 |
| Staff development | 2,189 | 866 | 3,416 | - | - | 6,471 | - | - | - | 6,471 |
| School supplies and resources | 27,278 | 71,028 | - | - | 2,066 | 100,372 | - | - | - | 100,372 |
| Bank merchant fees | 8,660 | 3,617 | 1,883 | 3,221 | 223 | 17,604 | 3,342 | 2,026 | - | 22,972 |
| Insurance | 6,466 | 2,864 | 987 | 1,891 | 99 | 12,307 | 2,936 | 1,763 | - | 17,006 |
| Miscellaneous | 4,210 | 21,249 | 345 | 27,770 | 7,529 | 61,103 | 5,963 | 617 | - | 67,683 |
| Training and mentoring | 179 | 15,441 | 106 | 4,098 | - | 19,824 | - | - | - | 19,824 |
| Depreciation | 24,270 | 10,749 | 3,704 | 7,097 | 370 | 46,190 | 31,950 | 49,743 | - | 127,883 |
| Catering and facility rental | - | - | - | - | - | - | - | - | 492,871 | 492,871 |
| Total Expenses | <u>\$ 1,729,155</u> | <u>\$ 765,782</u> | <u>\$ 274,679</u> | <u>\$ 494,765</u> | <u>\$ 26,369</u> | <u>\$ 3,290,750</u> | <u>\$ 392,316</u> | <u>\$ 501,664</u> | <u>\$ 492,871</u> | 4,677,601 |
| | | | | | | | | | Less: Direct cost of special events | (492,871) |
| | | | | | | | | | Total Functional Expenses | <u>\$ 4,184,730</u> |

WORLDWIDE ORPHANS FOUNDATION
STATEMENTS OF CASH FLOWS

| | Year Ended December 31, | |
|---|--------------------------------|----------------------------|
| | 2015 | 2014 |
| CASH FLOWS (USED FOR) PROVIDED BY: | | |
| <u>OPERATING ACTIVITIES:</u> | | |
| Changes in net assets | \$ (945,281) | \$ (645,603) |
| Adjustments to reconcile changes in net assets to net cash used for operating activities: | | |
| Depreciation | 123,156 | 127,883 |
| Net unrealized losses on investments | 10,587 | 14,348 |
| Net realized gains on investments | - | (4,051) |
| Changes in assets and liabilities: | | |
| Contributions and grants receivable | 617,294 | 651,462 |
| Overseas deposits | (25,001) | (56,821) |
| Prepaid expenses | 20,046 | (44,739) |
| Accounts payable and accrued expenses | (65,298) | 81,316 |
| Net Cash (Used for) Provided by Operating Activities | <u>(264,497)</u> | <u>123,795</u> |
| <u>INVESTING ACTIVITIES:</u> | | |
| Acquisition of property and equipment | 103,546 | - |
| Purchase of investments | (16,555) | (247,710) |
| Proceeds from sale of investments | - | 466,535 |
| Net Cash Provided by Investing Activities | <u>86,991</u> | <u>218,825</u> |
| NET (DECREASE) INCREASE IN CASH | (177,506) | 342,620 |
| CASH: | | |
| Beginning of year | <u>1,332,030</u> | <u>989,410</u> |
| End of year | <u><u>\$ 1,154,524</u></u> | <u><u>\$ 1,332,030</u></u> |

WORLDWIDE ORPHANS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 - NATURE OF ORGANIZATION:

Worldwide Orphans Foundation (“Organization”) is a not-for-profit organization founded and registered under the laws of the state of New York on September 11, 1997. In 2007, the Organization also registered under the laws of the state of New Jersey. The Organization was organized exclusively for charitable and education purposes. The mission of the Organization is to transform the lives of orphaned children and help them to become healthy, independent, productive members of their communities and the world. The Organization believes that institutionalized children must be integrated into their own communities and cultures, and to that end, all of the Organization’s programs include orphans and children from the local areas.

The Organization served over 8,000 children and adults across six countries in 2015, including Bulgaria, Ethiopia, Haiti, Serbia, Vietnam and the United States. In Bulgaria, programs focus on early intervention for children living in government-run orphanages and community-based programs to support early childhood development. The Organization’s programs in Ethiopia focus on the psychosocial care of orphans and at-risk children. The WWO Academy, for kindergarten through 8th grade students, offers an enhanced curriculum that meets government standards, and includes remedial programs, programs for children with special needs, arts, sport, and capacity-building for teachers. Approximately 650 students (K-8th grade) access services annually. In Haiti, programs focus on integrating children who live in orphanages and those in the community through play programming. Early intervention programs for children from birth to age 5 (and their caregivers) and afterschool programming for children from 6 to 16 years of age, combine to create opportunities for play, social connections, and educational support through tutoring. In Serbia, the Organization supports a College Assistance Project for four young people to finish their schooling. Programs in Vietnam play a leading role in working with children living with, and affected by, HIV/AIDS in residential care facilities through pediatric HIV/AIDS care and psychosocial support projects. The Organization also works in the community to provide psychosocial support projects for children and caregivers utilizing a case management approach and the establishment of Family Resource Centers. The Organization is also supported through the Orphan Ranger program, giving an opportunity for those interested to volunteer by donating their time and talent to support each of the country programs. During 2015, the Organization also began work in Orange, New Jersey, by opening a toy library at the Orange Public Library and working with partners to bring play programming to young children throughout the community.

The Organization’s primary sources of revenue are contributions and special events.

WORLDWIDE ORPHANS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation:

Net assets and revenues, expenses, gains, and losses are classified 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 not subject to donor-imposed stipulations and available for use 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 activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period as the donation are reported as temporarily restricted net assets.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

The Organization currently does not have any permanently restricted net assets.

Contributions Receivable:

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until conditions are substantially met. The Organization does not accrue interest on past-due receivables.

WORLDWIDE ORPHANS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Allowance for Doubtful Accounts:

The Organization determines whether an allowance for uncollectible accounts should be provided for contributions receivable and grants receivable. Such estimates are based on management's assessment of the aged basis of its contributions and other sources, current economic conditions and historical information. Contributions receivable and grants receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. At December 31, 2015 and 2014, management has determined that no allowance for doubtful accounts is necessary.

Fair Value:

Fair value measurements are defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three defined hierarchical levels based on the quality of inputs used that directly relate to the amount of subjectivity associated with the determination of fair value. The fair value hierarchy defines the three levels as follows:

- Level 1:** Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2:** Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from, or corroborated by, observable market data.
- Level 3:** Valuations based on unobservable inputs that are used when little or no market is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

The fair value of investments is summarized as follows:

Mutual funds – valued at the net asset value of shares held by the Organization at period-end.

The Organization accounts for its investments in certificates of deposit as having readily determinable market value, which are presented based on the three hierarchical levels as defined above. The Organization considers all investments maturing within one year of the date of the statements of financial position to be short-term.

Property and Equipment:

Purchased property and equipment is capitalized at cost. The costs of additions and betterments are capitalized when they exceed \$1,000 and have a useful life of over one year, and expenditures for repairs and maintenance are expensed in the period incurred. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income. Gifts-in-kind are recorded at estimated fair value at the time of the donation.

WORLDWIDE ORPHANS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Property and Equipment: (Continued)

Leasehold improvements are amortized over the shorter of the remaining term of the lease or the useful life of the improvement utilizing the straight-line method.

Depreciation of equipment, furniture, vehicle and leasehold improvements is provided utilizing the straight-line method over the estimated useful lives of the assets ranging from 5 to 7 years.

Contributions of Donated Services:

Contributions of donated services are reported as revenue and expenses at estimated fair value if such services create or enhance nonfinancial assets, or require special skills and are provided by individuals possessing such special skills and would typically need to be purchased by the Organization if they had not been donated.

Program Service Revenue and Accounts Receivable:

Revenues and accounts receivable from program service fees are recognized when earned.

Income Taxes:

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not liable for federal and state income taxes.

The Organization follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken, or expected to be taken, in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. The Organization's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during 2015 and 2014. The tax years subject to audit by federal and state jurisdictions are the years 2012 and forward. At December 31, 2015 and 2014, there are no significant income tax uncertainties.

Functional Allocation of Expenses:

The costs of providing the Organization's services have been summarized on a functional basis. Accordingly, certain costs have been allocated among programs and supporting services benefited based on both a direct-costing method for those expenses directly attributable to a particular program or special event, or allocated based on the percentage of total costs incurred by programs and supporting services prior to joint costs attributable to all functions.

WORLDWIDE ORPHANS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Use of Estimates:

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events:

The Organization has evaluated its subsequent events and transactions occurring after December 31, 2015 through October 13, 2016, the date that the financial statements were available to be issued.

NOTE 3 - INVESTMENTS:

Investments are valued as follows:

| <u>FAIR VALUE MEASUREMENTS</u> | | | | |
|---------------------------------------|-----------------------|-----------------------|-----------------------|---------------------|
| <u>AS OF DECEMBER 31, 2015</u> | | | | |
| | <u>LEVEL 1</u> | <u>LEVEL 2</u> | <u>LEVEL 3</u> | <u>TOTAL</u> |
| Mutual funds: | | | | |
| Short-term bond fund | \$ 825,843 | \$ - | \$ - | \$ 825,843 |
| | <u>\$ 825,843</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 825,843</u> |

| <u>FAIR VALUE MEASUREMENTS</u> | | | | |
|---------------------------------------|-----------------------|-----------------------|-----------------------|---------------------|
| <u>AS OF DECEMBER 31, 2014</u> | | | | |
| | <u>LEVEL 1</u> | <u>LEVEL 2</u> | <u>LEVEL 3</u> | <u>TOTAL</u> |
| Mutual funds: | | | | |
| Short-term bond fund | \$ 819,875 | \$ - | \$ - | \$ 819,875 |
| | <u>\$ 819,875</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 819,875</u> |

The following schedule summarizes the mutual funds by strategy as of December 31, 2015 and 2014:

| | |
|--------------------|-------------|
| Mutual Funds: | |
| Short-term bonds | <u>100%</u> |
| Total Mutual Funds | <u>100%</u> |

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NOTE 4 - CONTRIBUTIONS AND GRANTS RECEIVABLE:

Future contributions and grants receivable are expected to be collected as follows:

| | 2015 | 2014 |
|--------------------------------|-------------------|---------------------|
| Gross contributions receivable | \$ 468,525 | \$ 1,095,764 |
| Less: Unamortized discount | (6,858) | (16,803) |
| Net Contributions Receivable | <u>\$ 461,667</u> | <u>\$ 1,078,961</u> |
| Amounts due in: | | |
| Less than one year | \$ 268,525 | \$ 695,764 |
| One to five years | 193,142 | 383,197 |
| Total Pledges Receivable | <u>\$ 461,667</u> | <u>\$ 1,078,961</u> |

Pledges receivable with due dates extending beyond one year are discounted using the U.S. Treasury bill 3-year rate for similar investments. The applicable rate at December 31, 2015, was 1.76%.

NOTE 5 - PROPERTY AND EQUIPMENT:

Property and equipment are as follows:

| | December 31, | |
|----------------------------------|---------------------|-------------------|
| | 2015 | 2014 |
| Equipment, furniture and vehicle | \$ 86,146 | \$ 509,231 |
| Leasehold improvements | 269,518 | 269,518 |
| | <u>355,664</u> | <u>778,749</u> |
| Less: Accumulated depreciation | (302,451) | (498,834) |
| Property and Equipment, Net | <u>\$ 53,213</u> | <u>\$ 279,915</u> |

In 2006, WWO established the Organization's Family Health Clinic ("Clinic") in Addis Ababa in partnership with AIDS Healthcare Foundation ("AHF"), another 501(c)(3) non-profit organization. The Clinic was officially transferred to AHF in November 2015. At that time, the Organization donated various assets to AHF, which included the HIV testing mobile unit, valued at \$111,607.

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NOTE 6 - DONATED MATERIALS:

Included in grants and contributions are donated materials in the amounts of \$72,050 and \$411,622 for the years ended December 31, 2015 and 2014, respectively.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS:

The following temporarily restricted net assets were available to support the Organization's specific programs in:

| | December 31, | |
|---|---------------------|--------------------|
| | 2015 | 2014 |
| Ethiopia | \$ 787,839 | \$1,247,118 |
| Haiti | 27,946 | 46,978 |
| Bulgaria | 4,854 | 38,328 |
| Serbia | - | 5,440 |
| Vietnam | 56,076 | 41,729 |
| Other | 30,599 | 4,161 |
| Total Temporarily Restricted Net Assets | <u>\$ 907,314</u> | <u>\$1,383,754</u> |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors:

| | December 31, | |
|---|---------------------|--------------------|
| | 2015 | 2014 |
| Ethiopia | \$ 638,814 | \$ 914,446 |
| Haiti | 99,778 | 248,992 |
| Bulgaria | 45,606 | 83,544 |
| Serbia | 5,440 | 24,397 |
| Vietnam | 75,843 | 40,587 |
| Other | 48,562 | 20,069 |
| Total Temporarily Restricted Net Assets | <u>\$ 914,043</u> | <u>\$1,332,035</u> |

NOTE 8 - CONCENTRATION OF CREDIT RISK:

The Organization maintains cash balances in several federally-insured financial institutions. From time to time, the Organization's balances may exceed insured limits.

Market risk is the potential change in an instrument's value caused by fluctuations in interest and

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NOTE 8 - CONCENTRATION OF CREDIT RISK: (Continued)

currency exchange rates, equity and commodity prices, credit spreads, or other risks. The level of market risk is influenced by the volatility and the liquidity in the markets in which financial instruments are traded. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the statements of financial position.

NOTE 9 - PENSION PLAN:

The Organization entered into a Safe Harbor 401(k) plan for all eligible employees in January 2011. The Organization matches contributions at 3% to 5% based on employee contributions to the plan. Pension expense for the years ended December 31, 2015 and 2014, was \$21,157 and \$23,779, respectively.

NOTE 10 - COMMITMENTS:

Leases:

The Organization leases space for its New Jersey office under a 5-year noncancellable lease which expires on June 30, 2021. The Organization leases space in Vietnam under a 3-year lease which expires on September 30, 2018. The Organization leases a space in Ethiopia under a 3-year noncancellable lease agreement which expires July 30, 2017.

At December 31, 2015, future minimum lease payments on these leases are as follows:

| <u>Year Ending</u> <u>December 31:</u> | |
|---|-------------------|
| 2016 | \$ 166,571 |
| 2017 | 143,203 |
| 2018 | 99,853 |
| 2019 | 67,377 |
| 2020 | 68,575 |
| Thereafter | 34,590 |
| Total | <u>\$ 580,169</u> |

Occupancy expense, including utilities and miscellaneous charges, was \$234,328 and \$227,024 for the years ended December 31, 2015 and 2014, respectively.