

**THE SACRED PORTION CHILDREN'S OUTREACH, INC.**

**AUDITED FINANCIAL STATEMENTS**

**December 31, 2017**



**AMATICS**  
**CPA GROUP**

**THE SACRED PORTION CHILDREN'S OUTREACH, INC.**

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## INDEPENDENT AUDITORS' REPORT

**To the Board of Directors  
The Sacred Portion Children's Outreach, Inc.  
Bozeman, MT**

We have audited the accompanying financial statements of The Sacred Portion Children's Outreach, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **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 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 The Sacred Portion Children's Outreach, Inc. as of December 31, 2017, 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.

***Amatics CPA Group***

Bozeman, Montana  
June 27, 2018



**THE SACRED PORTION CHILDREN'S OUTREACH, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2017

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$	119,999	
Investments		<u>1,056</u>	
			\$ 121,055

**OTHER ASSETS**

Adoption assistance receivable		<u>5,013</u>	
Total assets			\$ <u><u>126,068</u></u>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accrued payroll and payroll taxes payable	\$	12,411	
Accounts payable		<u>16,993</u>	
			\$ 29,404

**NET ASSETS**

Unrestricted		17,191	
Temporarily restricted		<u>79,473</u>	
			<u>96,664</u>
Total liabilities and net assets			\$ <u><u>126,068</u></u>

See the accompanying notes to financial statements.

**THE SACRED PORTION CHILDREN'S OUTREACH, INC.**  
**STATEMENT OF ACTIVITIES**  
Year ended December 31, 2017

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Totals</b>
<b>REVENUE AND SUPPORT</b>				
Special events revenue	\$ 41,250	\$ 16,929	\$ -	\$ 58,179
In-kind donations	2,795	-	-	2,795
General contributions	64,221	84,038	-	148,259
Grants	-	4,000	-	4,000
Adoption agency fees	67,785	-	-	67,785
Interest income	16	-	-	16
Miscellaneous income	2,128	-	-	2,128
Satisfaction of program restrictions	189,050	(189,050)	-	-
Total revenue and support	367,245	(84,083)	-	283,162
<b>EXPENSES</b>				
Program	265,903	-	-	265,903
Fundraising	14,544	-	-	14,544
General and administrative	98,779	-	-	98,779
Total expenses	379,226	-	-	379,226
<b>CHANGE IN NET ASSETS</b>				
	(11,981)	(84,083)	-	(96,064)
Net assets at beginning of year	29,172	163,556	-	192,728
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 17,191</b>	<b>\$ 79,473</b>	<b>\$ -</b>	<b>\$ 96,664</b>

See the accompanying notes to financial statements.

**THE SACRED PORTION CHILDREN'S OUTREACH, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year ended December 31, 2017

	<b>PROGRAM SERVICES</b>					<b>SUPPORT SERVICES</b>		
	<b>Orphanage Projects</b>	<b>General Program</b>	<b>Summer of Hope</b>	<b>Adoption</b>	<b>Total</b>	<b>Fundraising</b>	<b>General and Administrative</b>	<b>Total</b>
Foreign grants	\$ 144,922	\$ -	\$ -	\$ 15,020	\$ 159,942	\$ -	\$ -	\$ 159,942
Salaries, wages and benefits	-	-	-	51,920	51,920	-	61,560	113,480
Travel	4,657	3,091	19,716	4,499	31,963	-	234	32,197
Fundraising	-	-	-	-	-	14,544	-	14,544
Taxes - payroll	-	-	-	3,943	3,943	-	4,480	8,423
Insurance	-	-	-	-	-	-	7,493	7,493
Printing	-	1,550	-	-	1,550	-	4,645	6,195
Rent	-	-	-	-	-	-	5,925	5,925
Staff and client support	-	370	692	1,514	2,576	-	2,447	5,023
Dues and subscriptions	611	875	30	129	1,645	-	3,164	4,809
Contract services	-	3,860	-	400	4,260	-	-	4,260
Professional fees	-	2,480	-	-	2,480	-	1,450	3,930
Supplies and equipment	-	42	50	19	111	-	2,945	3,056
Miscellaneous	-	307	25	1,191	1,523	-	1,438	2,961
Postage	-	513	171	334	1,018	-	1,334	2,352
Marketing and advertising	-	-	206	586	792	-	1,138	1,930
Bank charges	1,074	150	32	204	1,460	-	87	1,547
Sponsorships	-	-	710	10	720	-	-	720
Bad debts	-	-	-	-	-	-	439	439
<b>Total expenses</b>	<b>\$ 151,264</b>	<b>\$ 13,238</b>	<b>\$ 21,632</b>	<b>\$ 79,769</b>	<b>\$ 265,903</b>	<b>\$ 14,544</b>	<b>\$ 98,779</b>	<b>\$ 379,226</b>

See the accompanying notes to financial statements.

**THE SACRED PORTION CHILDREN'S OUTREACH, INC.**  
**STATEMENT OF CASH FLOWS**  
Year ended December 31, 2017

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$	(96,064)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
(Increase) decrease in current assets:		
Receivables		9,749
Increase (decrease) in current liabilities:		
Accounts payable		16,993
Payroll liabilities		608
Client deposits		<u>(8,479)</u>
Net cash used by operating activities		\$ <u>(77,193)</u>

**NET DECREASE IN CASH AND CASH EQUIVALENTS** (77,193)

Cash and cash equivalents at beginning of year 197,192

**CASH AND CASH EQUIVALENTS AT END OF YEAR** \$ 119,999

See the accompanying notes to financial statements.

**THE SACRED PORTION CHILDREN'S OUTREACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization:**

The Sacred Portion Children's Outreach, Inc., was established in 1981 and originally incorporated under the name of Pooh Corner Daycare School as a 501(c)(3). In 1995 it changed its name to Southwood Child and Family Education Center which it operated under until 1998, when it again changed its name to its current name, The Sacred Portion Children's Outreach, Inc.

The Organization's purpose is dedicated to caring for the needy children of the world who are without families. Its mission is to help facilities that care for orphaned and abandoned children in providing healthy secure environments in which these children can grow and develop. It also seeks to unite children and families by providing information and assistance regarding adoption. The Organization's support comes primarily from various organizations, individual grants, individual donors' contributions, and adoption agency fees.

**Program Services:**

Orphanage Projects include the operations and expansion of the Rehoboth Children's Home, an orphanage in the Philippines. Orphanage Projects also include financial assistance to the Bonnie's Heart Baby Home, a infant and toddler home for twenty-four children, an early intervention program and child sponsorship.

Summer of Hope provides children without families who reside in orphanages across the world the opportunity to travel to the United States and spend four weeks experiencing life with a host family. This program also provides prospective families with an opportunity to see and evaluate first-hand what the challenges and rewards of adopting an older child would be.

The Adoption Program provides assistance to persons considering adoption through services such as the completion of a home study, post adoption support, and financial assistance.

**Basis of Accounting:**

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America, as codified by the Financial Accounting Standards Board. 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 that are not subject to donor-imposed stipulations.

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.

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 income earned on related investments for general or specific purposes.

**THE SACRED PORTION CHILDREN'S OUTREACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Accounts receivable:**

Accounts receivable consists of the amounts billed for services provided, such as home study services, post-placement services, and Summer of Hope agency fees. The direct write-off method is used when management determines the receivable will not be collected. Based on managements' analysis it believes all accounts at yearend are collectible, therefore no allowance has been recorded.

**Restricted and Unrestricted Revenue and Support:**

Contributions and support received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires or is met through expenditure, temporarily restricted net assets are reclassified to unrestricted net assets.

**Functional Allocation of Expenses:**

Expenses by function have been allocated among program and supporting services classifications on the basis of time records and on estimates made by The Sacred Portion Children's Outreach, Inc.'s management.

**Income Taxes:**

The Sacred Portion Children's Outreach, Inc. is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization's tax returns for the years prior to 2014 are generally no longer subject to examination.

**THE SACRED PORTION CHILDREN'S OUTREACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**2. CASH AND CASH EQUIVALENTS**

For the purposes of the statement of cash flows, The Sacred Portion Children's Outreach, Inc. considers all unrestricted and temporarily restricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Balances held in financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank, per depositor.

At December 31, 2017, the Organization's cash and cash equivalents balances were as follows:

Checking accounts	\$ 89,834
Savings accounts	5
Money market account	<u>30,160</u>
	\$ <u><u>119,999</u></u>

**3. FAIR VALUE MEASUREMENTS**

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted market prices for similar assets or liabilities; quoted prices in 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 for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that the observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Level 1: the fair value of stocks is based on quoted market prices for those funds

**THE SACRED PORTION CHILDREN'S OUTREACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**3. FAIR VALUE MEASUREMENTS (cont.)**

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although The Sacred Portion Children's Outreach, Inc. believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments consist of the following as of December 31, 2017

Level 1	\$ <u>1,056</u>
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**4. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes as of December 31, 2017:

Rehoboth Children's Home	\$	12,930
Child sponsorship		5,830
Summer of Hope		23,415
Adoption assistance		35,487
Special projects		<u>1,811</u>
		\$ <u>79,473</u>

**5. DONATED SERVICES AND MATERIALS**

The Organization records various types of in-kind support, including services, property and equipment. Contributed professional services are recognized if the services received (a) create or enhance long lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The following in-kind donations were recognized as expenses for the year ended December 31, 2017:

	<u>Summer of Hope</u>	<u>Adoption</u>	<u>General and Administrative</u>
Marketing and advertising	\$ 206	\$ 586	\$ 1,053
Accounting	<u>-</u>	<u>-</u>	<u>950</u>
	<u>\$ 206</u>	<u>\$ 586</u>	<u>\$ 2,003</u>

**7. LEASE AGREEMENT**

The Organization leased office space with monthly payments of \$475. In January 2018 The Organization entered into an annual lease for office space with monthly payments of \$475. Total lease payments paid during the year ended December 31, 2017 was \$5,700.

**THE SACRED PORTION CHILDREN'S OUTREACH, INC.**  
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**8. DECREASE IN NET ASSETS**

During the year ended December 31, 2017, the Organization spent \$159,942 on foreign grants as temporarily restricted net assets met stipulations be be released to unrestricted net assets and expended. These foreign grants contributed to the current year decrease in net assets of \$96,064.

**9. SUBSEQUENT EVENTS**

Date of Management Evaluation

Management has evaluated subsequent events through June 27, 2018, the date on which the financial statements were available to be issued.