

THE SACRED PORTION CHILDREN'S OUTREACH, INC.

AUDITED FINANCIAL STATEMENTS

December 31, 2014



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, 2014, and the related statements 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 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 Sacred Portion Children's Outreach, Inc., as of December 31, 2014, 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 26, 2015



THE SACRED PORTION CHILDREN'S OUTREACH, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2014

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	222,095	
Accounts receivable		<u>6,783</u>	\$ 228,878

OTHER ASSETS

Adoption assistance loans net of allowance of \$4,113		<u>9,813</u>	
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Total assets		<u><u>238,691</u></u>	
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accrued payroll and payroll taxes payable	\$	12,039	
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NET ASSETS

Unrestricted	\$	72,784	
Temporarily restricted		<u>153,868</u>	<u>226,652</u>

Total liabilities and net assets	\$	<u><u>238,691</u></u>	
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See notes to financial statements.

THE SACRED PORTION CHILDREN'S OUTREACH, INC.
STATEMENT OF ACTIVITIES
Year ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
REVENUE AND SUPPORT				
Rehoboth Children's Home	\$ -	\$ 80,415	\$ -	\$ 80,415
Summer of Hope	-	79,819	-	79,819
Adoption assistance fund	-	31,592	-	31,592
Special events sales	21,392	-	-	21,392
In-kind donations	2,180	-	-	2,180
General contributions	17,873	-	-	17,873
Adoption agency fees	72,126	-	-	72,126
Interest income	19	-	-	19
Miscellaneous income	5,005	-	-	5,005
Mission support	-	1,000	-	1,000
Satisfaction of program restrictions	<u>179,415</u>	<u>(179,415)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>298,010</u>	<u>13,411</u>	<u>-</u>	<u>311,421</u>
EXPENSES				
Program expenses	200,568	-	-	200,568
General and administrative expenses	100,122	-	-	100,122
Fundraising expenses	<u>11,330</u>	<u>-</u>	<u>-</u>	<u>11,330</u>
Total expenses	<u>312,020</u>	<u>-</u>	<u>-</u>	<u>312,020</u>
CHANGE IN NET ASSETS				
	(14,010)	13,411	-	(599)
Net assets at beginning of year	<u>86,794</u>	<u>140,457</u>	<u>-</u>	<u>227,251</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 72,784</u></u>	<u><u>\$ 153,868</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 226,652</u></u>

See notes to financial statements.

THE SACRED PORTION CHILDREN'S OUTREACH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2014

	PROGRAM SERVICES					SUPPORT SERVICES		
	Orphanage Projects	Small Grants	Summer of Hope	Adoption	Total	Fundraising	General and Administrative	Total
Accreditation	\$ -	\$ 1,094	\$ -	\$ -	\$ 1,094	\$ -	\$ -	\$ 1,094
Activities and services	-	-	323	-	323	-	-	323
Adoption support	-	-	-	64,003	64,003	-	325	64,328
Advertising	263	2,471	-	452	3,186	105	1,203	4,494
Bank charges	421	-	62	-	483	188	142	813
Bad debt	-	-	-	-	-	-	3,523	3,523
Children's home operations	33,868	-	-	-	33,868	-	662	34,530
Contract services	83	20	1,775	1,220	3,098	-	1,416	4,514
Contribution	1,003	-	-	-	1,003	-	15	1,018
Dues and subscriptions	573	-	-	20	593	-	2,307	2,900
Finance charges	-	-	-	-	-	-	251	251
Fundraising	-	-	-	-	-	10,863	-	10,863
Insurance	-	-	-	-	-	-	6,035	6,035
Miscellaneous	43	-	152	6,877	7,072	-	824	7,896
Postage	54	-	186	360	600	35	1,066	1,701
Printing	-	-	-	-	-	-	4,940	4,940
Rehoboth expansion project	1,705	-	-	-	1,705	-	-	1,705
Rent	-	5,412	-	-	5,412	-	323	5,735
Salaries, wages and benefits	34	115	-	38,755	38,904	11	70,521	109,436
Sponsorships	10,014	-	300	-	10,314	-	-	10,314
Supplies	574	3,416	352	190	4,532	128	1,481	6,141
Taxes - payroll	-	-	-	3,167	3,167	-	3,656	6,823
Telephone	-	-	-	-	-	-	1,312	1,312
Travel	5,356	-	14,763	1,092	21,211	-	120	21,331
Total expenses	\$ 53,991	\$ 12,528	\$ 17,913	\$ 116,136	\$ 200,568	\$ 11,330	\$ 100,122	\$ 312,020

See notes to financial statements.

THE SACRED PORTION CHILDREN'S OUTREACH, INC.
STATEMENT OF CASH FLOWS
Year ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	(599)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in current assets:		
Receivables		(3,684)
Increase (decrease) in current liabilities:		
Payroll liabilities and accrued payroll		<u>6,387</u>

Net cash provided by operating activities	\$	2,104
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CASH FLOWS PROVIDED BY INVESTING ACTIVITIES

Repayment of adoption assistance loans		<u>12,114</u>
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NET INCREASE IN CASH AND CASH EQUIVALENTS		14,218
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Cash and cash equivalents at beginning of year		<u>207,877</u>
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CASH AND CASH EQUIVALENTS AT END OF YEAR	\$	<u><u>222,095</u></u>
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See notes to financial statements.

THE SACRED PORTION CHILDREN'S OUTREACH, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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 as normally as possible. 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 tuition.

Program Services:

Orphanage Projects include the operations and expansion of the Rehoboth Children's Home, an orphanage in the Philippines, and a child sponsorship program.

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.

As of December 31, 2014, The Sacred Portion Children's Outreach, Inc had no permanently restricted net assets.

THE SACRED PORTION CHILDREN'S OUTREACH, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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. This approximates management's best estimate of an allowance, which for 2014 is \$0.

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.

In accordance with FASB *Accounting Standards Codification 958-605, Not-for-Profit Entities, Revenue Recognition*, temporarily restricted contributions and grants received and expensed in the same fiscal year are recorded as unrestricted revenue.

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 2011 are generally no longer subject to examination.

Advertising:

Advertising costs are expensed as incurred.

THE SACRED PORTION CHILDREN'S OUTREACH, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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. Account 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, 2014 the Organization's cash and cash equivalents balances were as follows:

Checking accounts	\$	191,647	
Savings accounts		30,258	
Petty cash		<u>190</u>	
			<u>\$ 222,095</u>

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of December 31, 2014:

Rehoboth Children's Home	\$	58,836	
Child sponsorship		3,512	
Summer of Hope		33,739	
Adoption assistance		46,460	
Mission support		734	
Special projects		<u>10,587</u>	
			<u>\$ 153,868</u>

4. 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, 2014:

Advertising and promotion	\$	164	
Printing		1,116	
Accounting		<u>900</u>	
			<u>\$ 2,180</u>

THE SACRED PORTION CHILDREN'S OUTREACH, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

5. STATEMENT OF CASH FLOWS

Non-cash Transactions:

During the year ended December 31, 2014, the Organization received in-kind donations of \$2,180.

6. ADOPTION ASSISTANCE LOANS

Adoption assistance loans are granted to individuals with financial needs to assist them in paying for costs in connection with adopting their children. Currently, there are four individual loans outstanding. These loans are non-interest bearing and range in amounts up to \$10,000. Terms and repayment vary based on each individual's circumstances, but maximum term limit is five years. The Organization is no longer issuing new loans.

The Sacred Portion Children's Outreach, Inc. uses an allowance method to determine uncollectible loans receivable. Based on prior years' experience and management's analysis of specific outstanding loans, an allowance has been determined.

7. SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through June 26, 2015, the date on which the financial statements were available to be issued.