



Malawi Orphan Care Project, Inc.

**Financial Statements and
Independent Accountant's Review Report**

December 31, 2016





Malawi Orphan Care Project, Inc.

Financial Statements

December 31, 2016

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1005 Lexington Avenue
Mansfield, Ohio 44907
Ph: 419-522-2727
Fax: 419-522-2729

Wilging, Roush & Parsons CPAs
Accountants and Advisors
www.wrpcpas.com

1684 Venture Drive Suite B
Mount Vernon, Ohio 43050
Ph: 740-397-0779
Fax: 740-397-0472

Independent Accountant's Review Report

To the Board of Trustees of
Malawi Orphan Care Project, Inc.

We have reviewed the accompanying financial statements of Malawi Orphan Care Project, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities and net assets - cash basis as of December 31, 2016, and the related statement of revenues, expenses, and other changes in net assets - cash basis for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting; this includes determining that the cash basis of accounting is an acceptable basis for preparation of financial statements in the circumstances. Management is also responsible for 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the cash basis of accounting.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Wilging, Roush & Parsons CPAs

Wilging, Roush & Parsons CPAs
Mansfield, Ohio
September 1, 2017

Malawi Orphan Care Project, Inc.
Statement of Assets, Liabilities and Net Assets—Cash Basis
December 31, 2016

Assets:

Cash and Cash Equivalents	\$ 20,942
Total Assets	<u>\$ 20,942</u>

Liabilities:

None	\$ 0
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Net Assets:

Unrestricted	10,098
Temporarily Restricted	10,845
Permanently Restricted	<u>0</u>
Total Net Assets	<u>20,942</u>
Total Liabilities and Net Assets	<u>\$ 20,942</u>

See accompanying notes and independent accountant's review report

Malawi Orphan Care Project, Inc.
Statement of Revenues, Expenses, and Other Changes in Net Assets—Cash Basis
For the Year Ended December 31, 2016

Changes in Unrestricted Net Assets:

Support and Revenue:

Contributions	\$ 67,348
Net Assets Released from Restrictions	50,500
	117,848
Total Public Support and Revenue	117,848

Expenses:

Ministry Support	55,101
Scholarships	21,000
Maize Project	30,720
Mission Trips	11,878
Capital Projects	455
Enterprise Exchange	1,424
Days for Girls	1,876
LUCI Lanterns	1,900
Office Supplies	1,002
Bank and Merchant Fees	239
Travel and Meals	160
Corporation Related Fees	4,413
	130,169
Total Expenses	130,169

Decrease in Unrestricted Net Assets	(12,321)
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Changes in Temporarily Restricted Net Assets:

Contributions	58,982
Special Events	5,195
Less Cost of Special Events	(2,832)
	2,363
Net Assets Released from Restrictions	(50,500)

Increase in Temporarily Restricted Net Assets	10,845
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Changes in Permanently Restricted Net Assets:

None	0
	0

Decrease in Net Assets	(1,477)
Net Assets at Beginning of Year	22,419
	22,419
Net Assets at End of Year	\$ 20,942
	20,942

See accompanying notes and independent accountant's review report

Malawi Orphan Care Project, Inc.
Notes to Financial Statements
December 31, 2016

Note 1 – Summary of Significant Accounting Policies

Nature of Organization

Malawi Orphan Care Project, Inc. (the Organization) is a not-for-profit organization incorporated under the laws of Ohio under section 501(c)(3) of the Internal Revenue Code. The Organization exists to improve the lives of orphaned children and their caregivers by working in partnership with community leaders in Malawi, Africa to address the physical, spiritual, economic, and relational needs of the orphans and their caregivers. The date of formation for the organization is February 1, 2012.

The Organization is funded primarily by contributions (96% of total support and revenue).

Cash and Cash Equivalents

For financial reporting purposes, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Temporarily non-invested cash in investment accounts are considered to be a cash equivalent.

Method of Accounting

The policy of the Organization is to prepare its financial statements on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, support and other revenues are recorded when received rather than when earned and certain expenses are recognized when paid rather than when the obligations are incurred. Consequently, receivables due from contributors and amounts due vendors and suppliers at year-end are not included in the financial statements. In addition, the accounts of the Organization are reported in the following net asset categories:

Unrestricted Net Assets - Unrestricted net assets represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Trustees.

Temporarily Restricted Net Assets - Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or time of expenditure and also include accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure.

Permanently Restricted Net Assets - Permanently restricted net assets represent resources that have donor-imposed restrictions requiring that the principal be maintained in perpetuity but permit the nonprofit organization (NPO) to expend the income earned thereon.

Use of Estimates

The preparation of financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Malawi Orphan Care Project, Inc.
Notes to Financial Statements
December 31, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Revenues, Expenses, and Other Changes in Net Assets-Cash Basis as assets released from restrictions.

Donated Materials and Services

Noncash donations are recorded as contributions at their fair market value at their date of donation. The Organization reports the donations as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used.

Donated services that do not require specialized skills or enhance nonfinancial assets are not recorded in the accompanying financial statements because no objective basis is available to measure the value of such services.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization is classified as a public charity. The Organization is also exempt from state income tax. The Organization currently has no unrelated business income.

The Organization assesses whether it is more likely than not that a tax position will be sustained upon examination of the technical merits or the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of the tax position is not recognized in the financial statements. The Organization recorded no assets or liabilities for uncertain tax positions or unrecognized tax benefits. Federal returns for the years ended 2013 and thereafter remain subject to examination by the Internal Revenue Service.

Allocation of Expenses

The Organization reports its expenses by natural expense related categories in the Statement of Revenues, Expenses, and Other Changes in Net Assets-Cash Basis and by function. Accordingly, certain costs have been allocated among the program and supporting services in reasonable ratios determined by management.

Malawi Orphan Care Project, Inc.
Notes to Financial Statements
December 31, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

New accounting standards are now issued by the Financial Accounting Standards Board (FASB) through Accounting Standards Updates (ASUs) to the FASB Accounting Standards Codification (ASC). The FASB does not consider the updates authoritative on a standalone basis; they become authoritative when incorporated into the ASC. The ASUs will be in a six-digit, two-segment format (20YY-XX) where YY is the year issued and XX is the sequential number of each update. So, ASU 2014-01 would be the first update issued in 2014, and so forth.

Note 2 – Cash and Cash Equivalents

At December 31, 2016, cash and cash equivalents were comprised of the following:

US Bank - Checking	\$ 20,942
	<u>\$ 20,942</u>

Note 3 – Net Assets and Restrictions

Temporarily restricted net assets are available for the following purposes at December 31, 2016:

Scholarships	\$ 5,283
Blankets	45
Maise	958
Team Funds	5
Enterprise	970
5K Run	535
Bibles	254
Days for Girls	1,151
Shoes for Malawi	333
Luci Lanterns	808
Water Back Packs	502
	<u>\$ 10,845</u>

Malawi Orphan Care Project, Inc.
Notes to Financial Statements
December 31, 2016

Note 4 – Program and Supporting Service Expenses

Expenses by function have been allocated among program and supporting services classifications on the basis of actual expenses incurred by the program and supporting services, time records, and estimates made by the Organization's management. The Organization's expenses are reported in the accompanying Statement of Revenues, Expenses, and Other Changes in Net Assets-Cash Basis based on natural expense related categories. Program and supporting services expenses for the year ended December 31, 2016 are as follows:

Program	\$ 122,614
Management and General	5,655
Fundraising	<u>1,900</u>
	<u>\$ 130,169</u>

Note 5 – Evaluation of Subsequent Events

These financial statements considered subsequent events through September 1, 2017, the date the financial statements were available to be issued.