# Remember Nhu

Financial Statements and Independent
Auditor's Report

**June 30, 2018**

# Remember Nhu

## Financial Statements
June 30, 2018

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# Independent Auditor's Report

To the Board of Trustees of
Remember Nhu

We have audited the accompanying financial statements of Remember Nhu (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, 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.

**Auditor's 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 auditor's 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 Remember Nhu as of June 30, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Akron
1540 West Market St.
Akron, OH 44313
P 330.867.7350
F 330.867.8866

Canton
4740 Belpar St. NW, Ste. B
Canton, OH 44718
P 330.867.7350
F 330.867.8866

Cleveland
25550 Chagrin Blvd., Ste. 401
Beachwood, OH 44122
P 216.674.3800
F 216.674.3801

Kent
2275 OH-59
Kent, OH 44240
P 330.678.5203
F 330.678.3593

applegrowth.com

**Prior Period Adjustment**

During our beginning balance sheet audit procedures, we were not able to verify some of the items capitalized as property and equipment, therefore the proper adjustments were made to the beginning unrestricted net assets as discussed in Note G.

*Apple Growth Partners*
Akron, Ohio
August 30, 2019

# Remember Nhu
## Statement of Financial Position
## June 30, 2018

| | | |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | $ | 378,609 |
| Restricted cash | | 309,996 |
| | | 688,605 |
| Prepaid expenses | | 26,027 |
| Total current assets | | 714,632 |
| Property and equipment, net | | 558,604 |
| | | 1,273,236 |
| **LIABILITIES** | | |
| Current liabilities | | |
| Accounts payable | $ | 15,535 |
| Accruals and other current liabilities | | 38,103 |
| | | 53,638 |
| **NET ASSETS** | | |
| Unrestricted | | 909,602 |
| Temporarily restricted | | 309,996 |
| | | 1,219,598 |
| | $ | 1,273,236 |

See accompanying notes and independent auditor's report.

# Remember Nhu

## Statement of Activities and Changes in Net Assets

## For the Year Ended June 30, 2018

| | Unrestricted | Temporarily Restricted | Total |
|---|---|---|---|
| Public support and revenue | | | |
| Contributions, general | $ 1,093,378 | $ - | $ 1,093,378 |
| Child sponsorship donations | 1,169,777 | - | 1,169,777 |
| Staff support donations | - | 976,836 | 976,836 |
| Service projects | - | 410,565 | 410,565 |
| Vision trips | - | 94,089 | 94,089 |
| Vocational program | 1,645 | - | 1,645 |
| Interest income | 115 | - | 115 |
| | 2,264,915 | 1,481,490 | 3,746,405 |
| Net assets released from restrictions | 1,615,709 | (1,615,709) | - |
| Expenses | | | |
| Child support | 1,722,224 | - | 1,722,224 |
| Transitional | 1,083,307 | - | 1,083,307 |
| Service projects | 298,358 | - | 298,358 |
| Vision trips | 103,173 | - | 103,173 |
| Fundraising | 230,433 | - | 230,433 |
| General and administrative | 227,846 | - | 227,846 |
| | 3,665,341 | - | 3,665,341 |
| Change in net assets | 215,283 | (134,219) | 81,064 |
| Net assets, beginning of year, restated | 694,319 | 444,215 | 1,138,534 |
| Net assets, end of year | $ 909,602 | $ 309,996 | $ 1,219,598 |

See accompanying notes and independent auditor's report.

# Remember Nhu
## Statement of Cash Flows
## For the Year Ended June 30, 2018

| | | |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | $ | 81,064 |
| Adjustments to reconcile change in net assets: | | |
| Depreciation expense | | 18,056 |
| Changes in operating assets and liabilities: | | |
| Restricted cash | | 134,219 |
| Prepaid expenses | | 66,543 |
| Accounts payable | | (5,270) |
| Accruals and other current liabilities | | 24,777 |
| Cash provided by operating activities | | 319,389 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | | (40,900) |
| Cash used for investing activities | | (40,900) |
| Net increase in cash and cash equivalents | | 278,489 |
| Cash and cash equivalents at beginning of period | | 100,120 |
| Cash and cash equivalents at end of period | $ | 378,609 |

# Remember Nhu
## Notes to the Financial Statements
June 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Organization* **-** Remember Nhu (the "Organization") is a non-profit corporation that exists to prevent the exploitation of children in the sex trade industry throughout the world. The Organization exists to meet the physical, educational, emotional and spiritual needs of high risk children through homes it currently operates in Thailand, Cambodia, Myanmar, Gambia, Senegal, Kenya, Uganda, India, Philippines, Guinea Bissau, Tanzania, Bolivia, and El Salvador. The Organization also supports children in homes operated by other non-profit organizations in the Philippines and India. The primary sources of revenues are from child sponsorships and donation revenues.

*Use of Estimates* **-** The preparation of financial statements in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect certain 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 support, revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

*Financial Statement Presentation* **-** The Organization has adopted Financial Accounting Standards Board ("FASB") Accounting Standards Not-for-Profit Entities–Revenue Recognition and Not-for-Profit Entities–Presentation of Financial Statements**.** The revenue recognition standard establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes according to externally (donor) imposed restrictions into three net asset categories: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The financial statement presentation standard requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. A description of the net asset categories follows:

> *Unrestricted net assets* - Unrestricted net assets include all revenues and expenditures which are free of donor-imposed restrictions and donor-restricted contributions whose restrictions are met during the current year. The land, building and equipment category accounts for all unrestricted acquisitions and disposals of land, building and equipment and related depreciation.
>
> *Temporarily restricted net assets* **-** Temporarily restricted net assets represent amounts received that have been restricted by the donor, grantor or other outside party for a specific use. Restrictions may either expire by the passage of time or can be fulfilled and removed by the Organization. When a restriction expires, that is, when a stipulated time restriction expires or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.
>
> *Permanently restricted net assets* **-** Permanently restricted net assets represent contributions to the Organization that can only be used for the characteristic social, athletic, recreational, educational and religious activities being conducted by Remember Nhu.

*Tax Status* **-** The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accounting principles generally accepted in the United States of America, require the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability if the organization has taken an uncertain position that more likely than not would be sustained upon examination by the IRS. The Organization's management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2018, there are no uncertain positions taken or expected to be taken, that would require recognition of a liability or disclosure in the financial statements.

*Revenue Recognition* **-** Program income and contributions are recognized as earned or when pledged to the Organization. All other income is generally recognized in the month earned.

*Contributed Services* **-** A substantial number of unpaid volunteers make significant contributions of time to the Organization. The value of this contributed time is not reflected in the financial statements since it is not susceptible to objective measurement or valuation nor do the donated services meet the requirements of being recorded in the financial statements as described under Accounting Standards.

*Cash and Cash Equivalents* **-** Cash and cash equivalents are all highly liquid deposits with a maturity of three months or less when purchased or deposited. From time to time, the cash balances in the accounts may exceed the Federal Deposit Insurance Corporation insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash.

*Fixed Assets* **-** Additions to land, buildings and equipment are capitalized at cost when purchased and at estimated fair market value for all donated property. The Organization follows the practice of capitalizing all expenditures for property, furniture, fixtures, vehicles, and equipment in excess of $2,000. Upon disposal, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in current operations. Expenditures for routine maintenance, repairs, and renewals are charged to expense as incurred, whereas betterments and improvements which useful lives are greater than one year are capitalized. Depreciation is provided by the straight-line method based on the estimated useful lives of the related assets as follows:

| | |
|---|---|
| Vehicles | 5 years |

*Recent Accounting Pronouncements* – From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") and are adopted by the Organization as of the specified effective date. Unless otherwise discussed, the Organization believes that the impact of other recently issued accounting pronouncements will not have a material impact on the statements of financial position, activities, changes in net assets, cash flows, and functional expenses, or do not apply to the Organization's operations.

In May 2014, the FASB issued an amendment to the accounting guidance for revenue recognition. The guidance is effective prospectively for private organizations for fiscal years beginning after December 15, 2017 (the Organization's fiscal year ended June 30, 2018). Management is evaluating the impact of the adoption of this guidance on the Organization's financial statements.

In 2016, the FASB issued an accounting standard on the Presentation of Not-for-Profit Entities. This standard decreases net assets from three to two, enhances disclosures for underwater endowments, changes functional expense reporting, requires disclosure of qualitative information on how it manages its liquid availability and liquidation risks, and eliminates the requirement for those who use the direct method cash flow statement to perform a reconciliation with the indirect method. The standard will take effect for annual financial statements issued for fiscal years beginning after December 15, 2017 (FY2019) and early application of the standard is permitted. Management is evaluating the impact of this standard on the organization's financial statements.

The FASB issued ASU 2016-18, "*Statement of Cash Flow (Topic 230).*" This ASU requires that a statement of cash flow explain the change during a period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The ASU is effective for the Organization's fiscal years beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. Early adoption is permitted. Management is evaluating the impact of the adoption of this guidance on the Organization's financial statements.

*Subsequent Events* **-** The Organization has evaluated subsequent events through August 30, 2019, the date that the Organization's annual financial statements were available to be issued and no significant event was noted.

## B. PROPERTY AND EQUIPMENT

The components of land, buildings and equipment are as follows (also see Note G):

| | 2018 |
|---|---|
| Land | $ 510,342 |
| Vehicles | 179,070 |
| | 689,412 |
| Less accumulated depreciation | (130,808) |
| | $ 558,604 |

Depreciation of property and equipment totaled $18,056 for the year ended June 30, 2018.

Land was paid for by Remember Nhu and is titled in the names of citizens of that country due to respective countries' land ownership requirements. In order for the Organization to purchase this land and have title in local citizens' names, each of these citizens have signed legally binding contracts that any benefit derived from the land will be for the benefit of Remember Nhu. Nationals are not allowed to personally benefit from the ownership of the land.

## C. RESTRICTED CASH

The Organization received funds during the year ended June 30, 2018 from donors to be used for specific projects of the Organization. Donors identify international and United States based workers, interns, or projects they wish to support specifically, and Remember Nhu uses this money to pay the expenses associated with these international and United States based workers, interns, or projects. Unexpended amounts at June 30, 2018 totaled $309,996 and are included in temporary restricted funds.

## D. LEASES

The Organization leases several facilities under operating leases which are prominently renewed on an annual basis. Building rental expense under these leases was approximately $150,000 and for 2018.

## E. SCHOLARSHIPS

During the year ended June 30, 2018, the Organization provided scholarships to qualifying children that qualified to move on to their college education, helping to subsidize their college education costs. The Organization has provided $57,780 in total scholarships during the period ended June 30, 2018.

F. FOREIGN OPERATIONS

The Organization mainly receives contributions from the United States but occasionally will receive contributions from foreign countries. The Organization's operations are subject to various political, economic, and other risks and uncertainties inherent in the countries in which the Organization operates. Among other risks, the Organization's operations are subject to the risks of restrictions on transfer of funds; export duties, quotas, and embargoes; domestic and international customs and tariffs; changing taxation policies; foreign exchange restrictions; and political conditions and governmental regulations.

G. PRIOR PERIOD ADJUSTMENT

The Company has restated its beginning unrestricted net assets as certain expenditures that had been capitalized were not sufficiently supported by documentation, therefore the following adjustments were made:

| | As previously reported | Adjustment | As restated |
|---|---|---|---|
| Property and Equipment, net | $ 1,485,907 | $ (950,147) | $ 535,760 |
| Unrestricted Net assets | 1,644,466 | (950,147) | 694,319 |