

Remember Nhu

Financial Statements and
Independent Auditor's Report

June 30, 2020 and 2019

Remember Nhu

Financial Statements June 30, 2020 and 2019

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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 statements of financial position as of June 30, 2020 and 2019, 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.

Auditor's 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 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, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As discussed in Note A to the financial statements, the Organization adopted changes in accounting principles related to restricted cash presentation on the statement of cash flows during the year ended June 30, 2020. Our opinion is not modified with respect to those matters.

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Remember Nhu
Statements of Financial Position

	June 30,	
	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 177,060	\$ 80,715
Restricted cash	243,324	391,902
	420,384	472,617
Prepaid expenses	20,000	9,378
Total current assets	440,384	481,995
Property and equipment, net	775,339	737,188
	\$ 1,215,723	\$ 1,219,183
LIABILITIES		
Current liabilities		
Payroll Protection Plan loan - current portion	\$ 33,643	\$ -
Accounts payable	4,800	13,960
Accruals and other current liabilities	39,296	43,414
	77,739	57,374
Long term liabilities		
Payroll Protection Plan loan - long term portion	41,457	-
	\$ 119,196	\$ 57,374
NET ASSETS		
Without donor restrictions	853,203	769,907
With donor restrictions	243,324	391,902
	1,096,527	1,161,809
	\$ 1,215,723	\$ 1,219,183

Remember Nhu
Statement of Activities and Changes in Net Assets

	For the Year Ended June 30, 2020		
	Without	With	
	Donor Restrictions	Donor Restrictions	Total
Public support and revenue			
Contributions, general	\$ 833,853	\$ -	\$ 833,853
Child sponsorship donations	1,341,311	-	1,341,311
Staff support donations	-	707,551	707,551
Service projects	-	249,393	249,393
Vision trips	-	11,314	11,314
Vocational program	1,230	-	1,230
Loss on sale of investment	(1,654)	-	(1,654)
Interest income	192	-	192
	2,174,932	968,258	3,143,190
Net assets released from restrictions	1,116,836	(1,116,836)	-
Expenses			
Child support	1,643,264	-	1,643,264
Transitional	762,925	-	762,925
Service projects	326,050	-	326,050
Vision trips	22,569	-	22,569
Fundraising	170,154	-	170,154
General and administrative	283,510	-	283,510
	3,208,472	-	3,208,472
Change in net assets	83,296	(148,578)	(65,282)
Net assets, beginning of year	769,907	391,902	1,161,809
Net assets, end of year	\$ 853,203	\$ 243,324	\$ 1,096,527

Remember Nhu
Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
Contributions, general	\$ 771,973	\$ -	\$ 771,973
Child sponsorship donations	1,286,602	-	1,286,602
Staff support donations	-	807,691	807,691
Service projects	-	542,264	542,264
Vision trips	-	72,997	72,997
Vocational program	1,200	-	1,200
Interest income	84	-	84
	<u>2,059,859</u>	<u>1,422,952</u>	<u>3,482,811</u>
Net assets released from restrictions	1,341,046	(1,341,046)	-
Expenses			
Child support	1,745,770	-	1,745,770
Transitional	926,383	-	926,383
Service projects	311,329	-	311,329
Vision trips	90,568	-	90,568
Fundraising	235,802	-	235,802
General and administrative	230,748	-	230,748
	<u>3,540,600</u>	<u>-</u>	<u>3,540,600</u>
Change in net assets	(139,695)	81,906	(57,789)
Net assets, beginning of year	<u>909,602</u>	<u>309,996</u>	<u>1,219,598</u>
Net assets, end of year	<u>\$ 769,907</u>	<u>\$ 391,902</u>	<u>\$ 1,161,809</u>

Remember Nhu Statement of Functional Expenses

For the Year Ended June 30, 2020

	Program service expenses	Management and general expenses	Fundraising expenses	Total
Sponsorship expense	\$ 1,643,264	\$ -	\$ -	\$ 1,643,264
Transitional expense	762,925	7,455	-	770,380
Vision trip expense	22,569	-	-	22,569
Special project expense	326,050	-	-	326,050
Child sponsoring	-	-	41,004	41,004
General & administrative	-	11,767	-	11,767
Technology expense	-	32,208	-	32,208
Wages	-	130,471	84,000	214,471
Professional fees	-	101,609	-	101,609
Child sponsoring fees	-	-	45,150	45,150
	<u>\$ 2,754,808</u>	<u>\$ 283,510</u>	<u>\$ 170,154</u>	<u>\$ 3,208,472</u>

Remember Nhu Statement of Functional Expenses

For the Year Ended June 30, 2019

	Program service expenses	Management and general expenses	Fundraising expenses	Total
Sponsorship expense	\$ 1,745,770	\$ -	\$ -	\$ 1,745,770
Transitional expense	926,383	9,264	678	936,325
Vision trip expense	90,568	-	-	90,568
Special project expense	291,691	-	-	291,691
Child sponsoring	-	-	105,035	105,035
New home start up expense	19,638	-	-	19,638
General & administrative	-	26,687	-	26,687
Technology expense	-	12,238	-	12,238
Wages	-	89,632	82,500	172,132
Professional fees	-	92,927	-	92,927
Child sponsoring fees	-	-	47,589	47,589
	<u>\$ 3,074,050</u>	<u>\$ 230,748</u>	<u>\$ 235,802</u>	<u>\$ 3,540,600</u>

Remember Nhu Statements of Cash Flows

	For the Years Ended June 30,	
	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (65,282)	\$ (57,789)
Adjustments to reconcile change in net assets:		
Depreciation expense	19,799	17,877
Changes in operating assets and liabilities:		
Prepaid expenses	(10,622)	16,649
Accounts payable	(9,160)	(1,575)
Accruals and other current liabilities	(4,118)	5,311
Cash used for operating activities	(69,383)	(19,527)
Cash flows from investing activities:		
Purchases of property and equipment	(57,950)	(196,461)
Cash used for investing activities	(57,950)	(196,461)
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program Loan	75,100	-
Cash provided by financing activities	75,100	-
Net change in cash and cash equivalents and restricted cash	(52,233)	(215,988)
Cash and cash equivalents and restricted cash at beginning of period	472,617	688,605
Cash and cash equivalents at end of period	\$ 420,384	\$ 472,617

Remember Nhu
Notes to the Financial Statements
June 30, 2020 and 2019

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 sponsorship donations and other program donation.

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 financial statements are presented in accordance with the Standards of Accounting and Financial Reporting for Certain Nonprofit Organizations issued by the American Institute of Certified Public Accountants. All accounting is on the accrual basis. The Foundation has adopted the Statement of Financial Accounting Standard for Financial Statements of Not-for-Profit Organizations. Under this standard, the Association is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets for the general operations and not subject to donor restrictions. These are used to account for revenues and expenditures that are free from donor-imposed restrictions and donor-restricted contributions whose restrictions are met during the current year.

Net Assets With Donor Restrictions - Net assets are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. We report contributions restricted by donors as increase in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue was recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Functional Allocation of Expenses - The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the programs and supporting services benefited.

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, 2020 and 2019, there are no uncertain positions taken or expected to be taken, that would require recognition of a liability or disclosure in the financial statements.

Remember Nhu
Notes to the Financial Statements
June 30, 2020 and 2019

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 \$5,000. 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
Buildings	25 Years

Recently Issued Accounting Pronouncements - From time to time, new accounting pronouncements are issued by the 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 financial position, statements of activities and changes in net assets, functional expenses, and cash flows, or do not apply to the Organization's operations.

In February 2016, the FASB issued guidance which created new accounting and reporting guidelines for leasing arrangements. The guidance requires lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Recognition, measurement and presentation of expenses and cash flows arising from a lease will depend on classification as a finance or operating lease. The guidance also requires qualitative and quantitative disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. The guidance was amended during 2020 to delay the effective date until annual reporting periods and interim periods within those annual reporting periods beginning after December 15, 2020, the Organization's year ending December 31, 2021. Early adoption is permitted and the modified retrospective method should be applied. The Organization is still evaluating the impact this guidance will have on the financial statements and related disclosures.

Change in Accounting Principle - During 2020 the Organization elected to adopt a change in accounting principle related to the presentation of restricted cash on the cash flow statement in accordance with FASB ASU 2016-08. In previous periods, the Organization did not report the restricted cash as a cash or cash equivalent on the cash flow statement. Due to this change in accounting principle being required to be implemented retrospectively, effective July 1, 2018, the restricted cash was reported as cash and cash equivalent on the statement of cash flows.

Remember Nhu
Notes to the Financial Statements
June 30, 2020 and 2019

B. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of June 30, 2020 and 2019:

Financial assets at June 30,	2020	2019
Cash and cash equivalents	\$ 420,384	\$ 472,617
	420,384	472,617
Less financial assets not available		
Net assets with donor restrictions	243,324	391,902
Net financial assets available to meet general expenditures within one year	\$ 177,060	\$ 80,715

C. PROPERTY AND EQUIPMENT

The components of land, buildings and equipment are as follows:

	2020	2019
Land	\$ 527,334	\$ 527,334
Vehicles	179,070	179,070
Buildings	237,419	100,469
Construction in progress	-	79,000
	943,823	885,873
Less accumulated depreciation	(168,484)	(148,685)
	\$ 775,339	\$ 737,188

Depreciation of property and equipment totaled \$19,799 and \$17,877 for the years ended June 30, 2020 and 2019, respectively.

Land was paid for by Remember Nhu and is titled in the names of certain citizens of the 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.

D. RESTRICTED CASH

The Organization received funds during the year ended June 30, 2020 and 2019, 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, 2020 and 2019, totaled \$243,324 and \$391,902, respectively, and are included in net assets with donor restrictions. These amounts are also included as a component of cash in the statement of cash flows.

Remember Nhu
Notes to the Financial Statements
June 30, 2020 and 2019

E. PPP LOAN

Effective April 23, 2020, The Organization received a payroll protection loan for \$75,100. The Organization believes that this loan will be fully forgivable during the year ended June 30, 2021.

	2020
Promissory note payable to a bank in 18 monthly principal and interest payments of \$4,205, with interest at 1.00% due April 2022. Some or all of this note is eligible for forgiveness under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) subject to the satisfaction of certain conditions.	\$ 75,100
Less: Current portion	33,643
Long-term debt, net	\$ 41,457

The Organization, as of June 30, 2020, has not applied for any forgiveness of the above debt. The following maturities are based on the original loan agreement with the bank excluding the consideration of any potential forgiveness.

Year ending June 30, 2021	\$	33,643
Year ending June 30, 2022		41,457
		\$ 75,100

F. LEASES

The Organization leases several facilities under operating leases which are predominantly renewed on an annual basis. Building rental expense under these leases was approximately \$137,000 and \$144,000 for 2020 and 2019, respectively.

G. SCHOLARSHIPS

During the year ended June 30, 2020 and 2019, 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 \$58,478 and \$58,829 in total scholarships during the years ended June 30, 2020 and 2019, respectively.

H. 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.

I. SUBSEQUENT EVENTS

Due to the current global coronavirus pandemic, it should be noted that nonprofit organizations potentially could have been adversely affected by the pandemic, with an uncertain economic climate that could lead to a potential decrease in giving. With these events, the Organization expects a decrease in giving and a related reduction in expenses. The reduction of expenses may not be enough to offset the decreased revenue. As a result, the current pandemic may severely affect the profitability, financial condition, and results of operations of the Organization for the year ending June 30, 2021.