

Remember Nhu

Financial Statements and
Independent Auditor's Report

June 30, 2021 and 2020

Remember Nhu

Financial Statements June 30, 2021 and 2020

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Independent Auditor's Report

To the Board of Trustees of
Remember Nhu
Akron, Ohio

We have audited the accompanying financial statements of Remember Nhu (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, 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, 2021 and 2020, 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.

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Remember Nhu
Statements of Financial Position

	June 30,	
	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 337,592	\$ 177,060
Restricted cash	325,492	243,324
Pledges receivable - current, net of allowance	280,454	-
	943,538	420,384
Prepaid expenses	-	20,000
Total current assets	943,538	440,384
Property and equipment, net	782,329	775,339
	\$ 1,725,867	\$ 1,215,723
LIABILITIES		
Current liabilities		
Payroll Protection Plan loan - current portion	\$ -	\$ 33,643
Accounts payable	1,825	4,800
Accruals and other current liabilities	75,211	39,296
	77,036	77,739
Long term liabilities		
Payroll Protection Plan loan - long term portion	-	41,457
	-	41,457
	\$ 77,036	\$ 119,196
NET ASSETS		
Without donor restrictions	1,323,339	853,203
With donor restrictions	325,492	243,324
	1,648,831	1,096,527
	\$ 1,725,867	\$ 1,215,723

Remember Nhu
Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
Contributions, general	\$ 1,204,284	\$ -	\$ 1,204,284
Child sponsorship donations	1,360,967	-	1,360,967
Staff support donations	-	683,664	683,664
Service projects	-	279,355	279,355
Interest income	52	-	52
Other income	75,100	-	75,100
	<u>2,640,403</u>	<u>963,019</u>	<u>3,603,422</u>
Net assets released from restrictions	870,851	(870,851)	-
Expenses			
Child support	1,623,205	-	1,623,205
Transitional	643,628	-	643,628
Service projects	151,136	-	151,136
Fundraising	217,103	-	217,103
General and administrative	406,046	-	406,046
Other	-	10,000	10,000
	<u>3,041,118</u>	<u>10,000</u>	<u>3,051,118</u>
Change in net assets	470,136	82,168	552,304
Net assets, beginning of year	<u>853,203</u>	<u>243,324</u>	<u>1,096,527</u>
Net assets, end of year	<u>\$ 1,323,339</u>	<u>\$ 325,492</u>	<u>\$ 1,648,831</u>

Remember Nhu
Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2020

	Without Donor Restrictions	With 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
Interest income	192	-	192
	<u>2,176,586</u>	<u>968,258</u>	<u>3,144,844</u>
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	285,164	-	285,164
	<u>3,210,126</u>	<u>-</u>	<u>3,210,126</u>
Change in net assets	83,296	(148,578)	(65,282)
Net assets, beginning of year	<u>769,907</u>	<u>391,902</u>	<u>1,161,809</u>
Net assets, end of year	<u>\$ 853,203</u>	<u>\$ 243,324</u>	<u>\$ 1,096,527</u>

Remember Nhu
Statement of Functional Expenses

	For the Year Ended June 30, 2021			
	Program service expenses	Management and general expenses	Fundraising expenses	Total
Sponsorship expense	\$ 1,623,205	\$ -	\$ -	\$ 1,623,205
Transitional expense	643,628	2,444	-	646,072
Special project expense	151,136	-	-	151,136
Child sponsoring	-	-	162,933	162,933
General & administrative	-	8,687	-	8,687
Technology expense	-	33,443	-	33,443
Wages	-	262,437	-	262,437
Professional fees	-	99,035	-	99,035
Child sponsoring fees	-	-	54,170	54,170
Other	10,000	-	-	10,000
	\$ 2,427,969	\$ 406,046	\$ 217,103	\$ 3,051,118

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	-	13,421	-	13,421
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>\$ 285,164</u>	<u>\$ 170,154</u>	<u>\$ 3,210,126</u>

Remember Nhu Statements of Cash Flows

	For the Years Ended June 30,	
	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 552,304	\$ (65,282)
Adjustments to reconcile change in net assets:		
Depreciation expense	18,210	19,799
Forgiveness of PPP loan	(75,100)	-
Bad debt expense	10,000	-
Changes in operating assets and liabilities:		
Pledges receivable	(290,454)	-
Prepaid expenses	20,000	(10,622)
Accounts payable	(2,975)	(9,160)
Accruals and other current liabilities	35,915	(4,118)
Cash provided by (used for) operating activities	267,900	(69,383)
Cash flows from investing activities:		
Purchases of property and equipment	-	(57,950)
Additions to construction in progress	(25,200)	-
Cash used for investing activities	(25,200)	(57,950)
Cash flows from financing activities:		
Proceeds from PPP Loan	-	75,100
Cash provided by financing activities	-	75,100
Net change in cash and cash equivalents and restricted cash	242,700	(52,233)
Cash and cash equivalents and restricted cash at beginning of period	420,384	472,617
Cash and cash equivalents and restricted cash at end of period	\$ 663,084	\$ 420,384

Remember Nhu
Notes to the Financial Statements
June 30, 2021 and 2020

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, Kenya, Uganda, India, Philippines, Guinea Bissau, Tanzania, Bolivia, Romania, Moldova 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, 2021 and 2020, 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, 2021 and 2020

Revenue Recognition - Contributions are recognized as earned or when pledged to the Organization.

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.

Pledges Receivable - Pledges receivable consists primarily of pledges from individuals and organizations to be received within one year.

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 Financial Accounting Standards Board (“FASB”) and are adopted by the Organization as of the specified effective date. Unless otherwise discussed, the Organization believes the impact of recently issued accounting pronouncements either do not apply to the Organization’s operations or will not have a material impact on the statements of financial position, statements of activities, changes in net assets and functional expenses, and the statements of cash flows.

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. In June 2020, in conjunction with the global pandemic, the FASB extended the original effective date for those entities who have not yet adopted this standard. The Organization has yet to adopt and thus would be subject to the revised adoption date of annual reporting periods and interim periods within those annual reporting periods beginning after December 15, 2021, the Organization’s fiscal year 2022. The Organization continues to evaluate the impact of the adoption of this guidance.

FASB has issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) - Presentation of Disclosures for Not-for-Profit Entities for Contributed Nonfinancial Assets*. This guidance requires contributed non-financial assets as a separate line item in the statement of activities from contributions of cash and other financial

Remember Nhu
Notes to the Financial Statements
June 30, 2021 and 2020

assets. The standard also requires disclosure of disaggregation of the amount of contributed nonfinancial assets by category, qualitative information about whether the contributed nonfinancial assets were either monetized or used in the reporting period, with a description of the program or other activity used. Disclosure is also required for any policy about monetizing vs. using contributed nonfinancial assets, any donor-imposed restrictions and valuation techniques and inputs used for fair value measurements, including the principal or most advantageous market if it is a market from which the entity is prohibited from accessing by donor-imposed restriction. The standard is effective for fiscal years beginning after June 15, 2021, and interim periods in the year thereafter. Early adoption is permitted. Transition should reflect a cumulative-effect adjustment to the earliest period presented.

Subsequent Events - The Organization has evaluated subsequent events through December 20, 2021, the date that the Organization's annual financial statements were available to be issued.

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, 2021 and 2020:

Financial assets at June 30,	2021	2020
Cash and cash equivalents	\$ 663,084	\$ 420,384
Less financial assets not available		
Net assets with donor restrictions	325,492	243,324
Net financial assets available to meet general expenditures within one year	\$ 337,592	\$ 177,060

C. RESTRICTED CASH

The Organization received funds during the years ended June 30, 2021 and 2020, 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, 2021 and 2020, totaled \$325,492 and \$243,324, 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.

D. PLEDGES RECEIVABLE

At the Champions Club fundraising event held in May 2021, there were pledges made for various projects of the Organization in the amount of \$290,454. These promises to give are primarily from individuals and organizations to be received within one year. The allowance for uncollectible pledges was \$10,000 as of June 30, 2021. No pledges were made, and no allowance was recorded as of June 30, 2020.

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Notes to the Financial Statements
June 30, 2021 and 2020

E. PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Land	\$ 527,334	\$ 527,334
Vehicles	179,070	179,070
Buildings	236,119	237,419
Construction in progress	<u>25,200</u>	<u>-</u>
	967,723	943,823
Less accumulated depreciation	<u>(185,394)</u>	<u>(168,484)</u>
	<u>\$ 782,329</u>	<u>\$ 775,339</u>

Depreciation of property and equipment totaled \$18,210 and \$19,799 for the years ended June 30, 2021 and 2020, 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.

F. PPP LOAN

On April 23, 2020, the Organization received loan proceeds in the amount of \$75,100 under the Paycheck Protection Program ("PPP"), which was established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). The PPP loan and related accrued interest can be forgiven, as long as the borrower uses the loan proceeds for eligible purposes. The Organization filed its loan forgiveness application and received formal approval from both the financial institution through which it applied and received the loan proceeds and the Small Business Administration ("SBA") on March 16, 2021 and, accordingly, the gain on forgiveness of the loan has been recorded in the 2021 Statement of Activities.

G. 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 \$126,000 and \$137,000 for 2021 and 2020, respectively.

H. SCHOLARSHIPS

During the year ended June 30, 2021 and 2020, 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 \$24,983 and \$58,478 in total scholarships during the years ended June 30, 2021 and 2020, respectively.

Remember Nhu
Notes to the Financial Statements
June 30, 2021 and 2020

I. 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.

J. RISKS AND UNCERTAINTIES

During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus ("COVID-19"). The pandemic has significantly impacted the economic conditions in the U.S., accelerating during the first half of March 2020, as federal, state and local government reacted to the public health crisis, creating significant uncertainties in the U.S. economy. Further acceleration of the virus has occurred creating further economic uncertainty. As of the date of this report, no health mandates have been issued that would drastically affect the Organization's operations. This situation remains ever changing and additional impacts to the business may arise including uncertainties related to worker availability, ability to operate facilities, and shifts in demand between sales channels and market volatility in the Organization's supply chain. While the disruption is currently expected to be temporary, there is uncertainty around the duration. The ultimate impact of the pandemic's affect from the date of this report moving forward on the Organization's results of operations, financial position, liquidity, or capital resources cannot be reasonably estimate at this time.