

ORPHANetwork
FINANCIAL STATEMENTS
DECEMBER 31, 2024

ORPHANetwork

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finn gartman hart, certified public accountants, plc

INDEPENDENT AUDITORS' REPORT

The Board of Directors
ORPHANetwork
Virginia Beach, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ORPHANetwork, which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ORPHANetwork as of December 31, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ORPHANetwork and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ORPHANetwork's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with Generally Accepted Auditing Standards (GAAS) will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 ORPHANetwork's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ORPHANetwork's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control—related matters that we identified during the audit.

Finin Gartman Hart, PLC

Virginia Beach, Virginia
March 5, 2025

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THE ORPHANETWORK
STATEMENT OF FINANCIAL POSITION
December 31, 2024

ASSETS

CURRENT ASSETS	
Cash on hand and in bank	\$ 1,801,119
Prepaid expenses	<u>31,363</u>
TOTAL CURRENT ASSETS	1,832,482
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	29,162
SECURITY DEPOSITS	<u>2,918</u>
TOTAL ASSETS	<u><u>\$ 1,864,562</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 5,916
Accrued salaries and payroll taxes	47,553
Accrued employee benefits	<u>59,089</u>
TOTAL CURRENT LIABILITIES	<u>112,558</u>
NET ASSETS	
Without donor restrictions	
Board designated emergency and relief fund	500,000
Board designated reserve fund	60,000
Undesignated	909,694
With donor restrictions	<u>282,310</u>
TOTAL NET ASSETS	<u>1,752,004</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,864,562</u></u>

THE ORPHANETWORK
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>TOTAL</u>
SUPPORT AND REVENUE			
Contributions and grants	\$ 3,499,327	\$ 282,310	\$ 3,781,637
In-kind contributions	-	333,361	333,361
Interest earned	10,164	-	10,164
Investment gains	11,669	-	11,669
Net assets released from restriction	<u>1,014,086</u>	<u>(1,014,086)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>4,535,246</u>	<u>(398,415)</u>	<u>4,136,831</u>
EXPENSES			
Program services			
Health and Feeding	2,819,253	-	2,819,253
Training for a Better Future	705,394	-	705,394
Transition Students	<u>85,352</u>	<u>-</u>	<u>85,352</u>
Total program services	<u>3,609,999</u>	<u>-</u>	<u>3,609,999</u>
Support services			
Management and general	803,796	-	803,796
Fundraising	<u>379,969</u>	<u>-</u>	<u>379,969</u>
Total support services	<u>1,183,765</u>	<u>-</u>	<u>1,183,765</u>
TOTAL EXPENSES	<u>4,793,764</u>	<u>-</u>	<u>4,793,764</u>
NET DECREASE IN NET ASSETS	(258,518)	(398,415)	(656,933)
NET ASSETS, BEGINNING OF PERIOD	<u>1,728,212</u>	<u>680,725</u>	<u>2,408,937</u>
NET ASSETS, END OF PERIOD	<u>\$ 1,469,694</u>	<u>\$ 282,310</u>	<u>\$ 1,752,004</u>

THE ORPHANETWORK
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2024

	Program Services			Support Services			Total Expenses
	Health and Feeding	Training for a Better Future	Transition Students	Total Program Services	Management and General	Fundraising	
Activities	\$ 8,333	\$ 7,066	\$ 1,726	\$ 17,125	\$ -	\$ -	\$ 17,125
Bank and merchant account fees	314	121	15	450	24,150	-	24,600
Depreciation and amortization	-	-	-	-	23,202	2,146	25,348
Development and meetings	22,926	7,074	267	30,267	4,641	-	34,908
Education and trainings	4,522	89,826	63,008	157,356	-	-	157,356
Food and furnishings	986,053	-	-	986,053	-	-	986,053
Health care resources	657,739	208	25	657,972	-	-	657,972
In-country travel	53,349	33,122	745	87,216	2,773	-	89,989
In-program support	234,394	15,058	-	249,452	-	-	249,452
Insurance	3,332	-	-	3,332	58,961	-	62,293
Miscellaneous	7,324	2,818	341	10,483	1,351	1,698	13,532
Mission trips	-	-	-	-	-	94,938	94,938
Office and facility expenses	52,322	10,749	1,300	64,371	29,392	7,386	101,149
Professional fees	21,391	21,715	996	44,102	120,455	39,210	203,767
Promotional materials	963	370	45	1,378	6,820	5,622	13,820
Purchases	300	-	-	300	-	-	300
Repairs and maintenance	24,538	3,247	272	28,057	8,508	-	36,565
Salaries, benefits, and payroll taxes	304,723	484,682	14,802	804,207	508,997	203,108	1,516,312
Shipping, customs, and distribution	111,240	6	-	111,246	1,304	2,699	115,249
Special event costs	6,567	2,527	306	9,400	600	-	10,000
Special projects and cases	53,995	-	-	53,995	-	-	53,995
Supplies and materials	239,841	17,167	337	257,345	1,261	-	258,606
Telephone and utilities	20,673	7,939	961	29,573	5,613	-	35,186
Travel	4,414	1,699	206	6,319	5,768	23,162	35,249
	<u>\$ 2,819,253</u>	<u>\$ 705,394</u>	<u>\$ 85,352</u>	<u>\$ 3,609,999</u>	<u>\$ 803,796</u>	<u>\$ 379,969</u>	<u>\$ 4,793,764</u>

THE ORPHANETWORK
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Net decrease in net assets during period	\$ (656,933)
Adjustments to reconcile net decrease in net assets to net cash used by operating activities:	
Depreciation and amortization	25,348
Unrealized loss on investments	(216)
Net change in inventory obtained from in-kind contributions	409,715
Changes in:	
Prepaid expenses	135,617
Security deposits	1,448
Accounts payable	(8,076)
Accrued salaries and payroll taxes	(4,128)

NET CASH USED BY OPERATING ACTIVITIES

(97,225)

CASH FLOWS FROM INVESTING ACTIVITIES

Maturities of investments	480,000
Purchase of property and equipment	<u>(3,143)</u>

NET CASH USED BY INVESTING ACTIVITIES

476,857

NET DECREASE IN CASH FOR YEAR

379,632

CASH, BEGINNING OF YEAR

1,421,487

CASH, END OF YEAR

\$ 1,801,119

ORPHANetwork
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

Note A – Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

ORPHANetwork (the Organization) is a nonprofit organization focused on child transformation. We believe that Jesus Christ can and will redeem anyone who chooses His invitation to follow Him, and in so doing, experience a path toward whole transformation: physical, cognitive, relational, emotional and spiritual. The mission of ORPHANetwork is to partner with the local church to break cycles of poverty amongst highly vulnerable children. Together, we join with Jesus Christ in His transformative work to: Build up healthy minds, bodies, and self-worth, create thriving Christ followers, and equip for self-sufficiency and sound judgement.

Together we are impacting the lives of 15,000 children on a daily basis to reach our vision that each child - who is part of the ORPHANetwork community– would be raised to their God-given potential. Our impacts are accomplished mainly through our three major programs described below.

Health and Feeding

We believe when children have access to nutritious food and safe water (daily bread; Matt 6:11), activate personal hygiene, practice healthy habits, and are introduced to Jesus, they TRANSITION from despair to hope.

Our Local Church Initiative Program is a two-prong partnership strategy designed to recognize the spiritual stewardship responsibility regarding the Great Commission as well as the development of the body of Christ. The first prong is a Life-Saving group of interventions specifically designed to meet the basic Deficiency Needs of a child being raised in extreme poverty; and the second prong, is a Life-Changing group of interventions created to address both the Deficiency as well as Growth Needs of such a child. Our Local Church Initiative Program empowers the local Nicaraguan church to reach its community for Jesus Christ using the holistic tools of sustainable food, clean water, nutritional supplements, medical attention, education on pregnancies, well baby care, handwashing, dental care and more. The key outcome is to wipe out malnourishment in the community and establish a personal platform of healthy bodies, minds and souls.

Leadership, Relationship and Spiritual Development is allocated to all programs and includes, but is not limited to, quarterly training on leadership principles that are relevant to local pastors, gathering leaders together to learn best practices from each other, Global Leadership Summit attendance, leadership seminars, theological studies & worship. At our core, we believe that Nicaraguans must solve the problems of Nicaragua, Leadership and Relationship Development of our Nicaraguan partners is one of our key initiatives to bring children to Christ and break cycles of poverty.

Transition Students

ORPHANetwork's Transition Students will break cycles of poverty by developing skills and behaviors that allow them to succeed and have a sustainable way to support themselves with a spiritual dependence on God.

The Transition Program was established to assist the older children from our former orphanage partnerships and current local church initiative partnerships with preparations for an independent life– job skills, independent living skills, and university level studies when appropriate.

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ORPHANetwork
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

Note A – Nature of Organization and Summary of Significant Accounting Policies-continued

Students from the orphanages that we previously had relationships with have now all moved into our transition program. We committed to support these adolescents in the pursuit of their dreams of graduating from high school, becoming independent and ultimately breaking cycles of poverty. We are continuing to support these students through their college years with scholarship assistance with transportation and materials and beyond by providing funds for work internships.

Training for a Better Future

We believe when children are equipped with education, mentoring, life skills, and discipleship training, they TRANSFORM with confidence and courage.

The After School Education Program (ASEP) is an extension of our Local Church programming to help vulnerable, under-served and at-risk children grow core reading fluency and comprehension skills, and math skills to finish primary school. Ours is a supplemental program to public school education which is essentially a Montessori style education. Every child enrolled in our program must be registered and fully participating in the public school system. We deliberately require our teachers to engage parents to ensure they understand the value of supplemental education and their role in developing their child's learning.

We believe when children rise up to develop sustainable economic self-reliance, they THRIVE, realizing their God-given potential.

The Sewing Skills Job Training Program, in partnership with Mission 14, takes students from our Local Church Initiative partners located in mostly urban communities of abject poverty and fully trains them for employment in five weeks. The garment manufacturers appreciate our work because it lowers their training costs. In an analysis of our past classes, we determined that for every \$1 invested in the training program, \$5.26 is returned to the local economy. Life Skills training is a part of our classes to help our students learn good work habits, money management and budgeting skills. Around 90 to 95% would land formal jobs in the industry.

Summary of Significant Accounting Policies

Basis of Presentation—Our financial statements have been prepared on the accrual basis of accounting using accounting principles generally accepted in the United States of America. Revenues and expenses are recognized and recorded when earned or incurred.

Use of Estimates—Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires our management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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ORPHANetwork
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

Note A – Nature of Organization and Summary of Significant Accounting Policies-continued

Net Assets—Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets with Donor Restrictions – Net assets subject to donor- (or certain grantor-) 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 resources be maintained in perpetuity

Revenue— We recognize contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Concentrations of Revenue—Our major sources of funding are contributions from churches, foundations, and the general public. For the year ended December 31, 2024, approximately 34% of our support was obtained from our ten largest cash donors, with four churches, and six individuals accounting for approximately 18% and 16%, respectively. For the same year, we received approximately 6% of our support from another non-profit organization in the form of non-cash donations, primarily rice and formula for our feeding centers in Nicaragua.

Property and Equipment—Property and equipment is recorded at cost. Depreciation is provided over estimated useful lives of 3-7 years using the straight-line method. The cost and accumulated depreciation of property sold or retired is removed from the related asset and accumulated depreciation accounts, and any resulting gain or loss is recorded in the Statement of Activities. Maintenance and repairs are included as expenses when incurred.

Revenue Recognition for Contributions Received—We account for revenues from contributions received under the guidance provided in ASC 958-605 *Not-for-Profit Entities: Revenue Recognition*. The guidance provides clarification on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this guidance is the determination on whether two parties receive and sacrifice commensurate value to distinguish which guidance should be applied.

Income Taxes— We exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC”) and Section 58.1-401.5 of the Code of Virginia, except for taxes on unrelated business income as defined under IRC Sections 511 through 515 and is classified by the Internal Revenue Service as an organization that is not a private foundation. There was no unrelated business income for 2024; accordingly, no provisions for income taxes have been made in the financial statements.

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ORPHANetwork
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

Note A – Nature of Organization and Summary of Significant Accounting Policies-concluded

Income Taxes-continued—ASC Topic 740, “*Income Taxes*”, requires income tax benefits to be recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. As the Organization reports on the accrual basis of accounting, any adjustments made by tax authorities are recorded when assessed.

We have analyzed tax positions taken for filing with the Internal Revenue Service and the Virginia Department of Taxation. We believe that income tax filing positions will be sustained upon examination and do not anticipate any adjustments that would result in a material adverse effect on our financial statements.

Our income tax returns are subject to examination by federal and Virginia tax authorities. With few exceptions, we are no longer subject to U.S. federal tax examinations by tax authorities for years before 2021.

In-kind contributions—Contributed nonfinancial assets are comprised primarily of food and furnishings which are recorded at the respective fair values of the goods received. We do not sell donated gifts-in-kind, as all such gifts are used in our programs. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

Expense Allocation—The costs of providing various programs have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash and Cash Equivalents—We consider all cash and highly-liquid financial instruments with original maturities of three months or less to be cash and cash equivalents.

Use of Estimates—We use estimates and assumptions in preparing our financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Note B – Property and Equipment

Property and equipment were comprised of the following as of December 31, 2024:

Office furnishings and equipment	\$ 63,820
Leasehold improvements	31,889
Vehicles, tractors, trailers, and other equipment	<u>183,260</u>
Total cost	278,969
Accumulated depreciation	<u>(249,807)</u>
Net property and equipment	<u>\$ 29,162</u>

ORPHANetwork
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

Note C – Intangible Assets

Intangible assets were comprised of the following as of December 31, 2024:

Website development costs	\$ 21,203
Software development costs	<u>117,418</u>
Total cost	138,621
Accumulated amortization	<u>(138,621)</u>
Net intangible assets	<u>\$ 0</u>

Note D – Investments

We held two brokered certificates of deposit through our account with Charles Schwab as of December 31, 2023. Each certificate of deposit was \$250,000 or less, and thus were covered fully by the FDIC, but because they were brokered, they were subject to increases and decreases in market value based on the interest rate environment. This investment in brokered CDs was carried at fair value. The CDs earned and paid interest periodically and were cashed in for their full purchase price since they were held to maturity during 2024.

Note E – Net Assets with Donor Restrictions

Our net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2024:

Subject to the passage of time only	<u>\$ 282,310</u>
Total net assets with donor restrictions	<u>\$ 282,310</u>

Our net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the passage of time specified by the donors as follows for the year ended December 31, 2024:

Subject to the passage of time only	\$ 271,070
Subject to expenditure for a specified purpose	
Feeding Centers	<u>743,016</u>
Total net assets released from donor restrictions	<u>\$1,014,086</u>

ORPHANetwork
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

Note F – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise our cash and cash equivalents of \$1,801,119.

As part of our liquidity management, we structure our financial assets to be available as our general expenditures, liabilities, and other obligations come due for operations between four and six months in the future. Generally, the net assets without donor restrictions are adequate to fund these obligations coming due, but our board has placed an internal designation of \$560,000 on such net assets to ensure adequate funds are available. This internal designation of net assets without donor restrictions consists of a \$500,000 general reserves, and \$60,000 emergency and relief fund reserves. Although we do not intend to spend from our board designated reserves other than amounts appropriated for general expenditures as part of our annual budget approval and appropriation process, amounts from our board designated reserves would be made available if necessary.

The net assets with donor restrictions of \$282,310 as of December 31, 2024 are restricted only by the passage of time, specifically they are to be spent in 2025, thus this entire amount has been included in the financial assets balance noted above.

Note G – Consideration of Subsequent Events

Our management evaluated subsequent events through March 5, 2025, the date the financial statements were available to be issued, for purposes of determining whether such events required recordation or disclosure in the accompanying financial statements.