

THE WORLD ORPHAN FUND, INC.

FINANCIAL STATEMENTS

December 31, 2017 (Audited) and 2016 (Reviewed)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The World Orphan Fund, Inc.
Randolph, Wisconsin

We have audited the accompanying financial statements of The World Orphan Fund, Inc., which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, 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 The World Orphan Fund, Inc., Inc. as of December 31, 2017, 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.

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Prior Period Financial Statements

The 2016 financial statements were reviewed by other accountants, and their report thereon, dated June 27, 2017, stated they were not aware of any material modifications that should be made to those statements for them to be in accordance accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
December 20, 2018

THE WORLD ORPHAN FUND, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 (Audited) and 2016 (Reviewed)

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 494,273	\$ 275,028
Receivable from nonprofit foundation	23,000	24,000
Investments	<u>1,191</u>	<u>1,146</u>
Total current assets	518,464	300,174
OTHER ASSETS		
Receivable from nonprofit foundation	-	23,000
Organization costs, net of \$1,587 and \$1,362 of accumulated amortization	<u>1,789</u>	<u>2,014</u>
Total other assets	<u>1,789</u>	<u>25,014</u>
Total assets	<u><u>\$ 520,253</u></u>	<u><u>\$ 325,188</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES	\$ -	\$ -
NET ASSETS		
Unrestricted	\$ 458,478	\$ 325,188
Temporarily restricted	<u>61,775</u>	<u>-</u>
Total net assets	<u>520,253</u>	<u>325,188</u>
Total liabilities and net assets	<u><u>\$ 520,253</u></u>	<u><u>\$ 325,188</u></u>

See accompanying notes.

THE WORLD ORPHAN FUND, INC.
STATEMENTS OF ACTIVITIES
Years ended December 31, 2017 (Audited) and 2016 (Reviewed)

	2017	2016
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contributions	\$ 463,253	\$ 357,003
In-kind contributions	21,625	36,293
Investment return	45	184
Other income	-	12,500
Total unrestricted revenue	484,923	405,980
EXPENSES		
Program services	325,091	343,626
Management and general	11,409	9,652
Fundraising	15,133	21,054
Total expenses	351,633	374,332
Net assets released from restrictions	-	650
Change in unrestricted net assets	133,290	32,298
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	61,775	-
Net assets released from restrictions	-	(650)
Change in temporarily restricted net assets	61,775	(650)
Change in net assets	195,065	31,648
Net assets - beginning of year	325,188	293,540
Net assets - end of year	\$ 520,253	\$ 325,188

See accompanying notes.

THE WORLD ORPHAN FUND, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended December 31, 2017 (Audited) and 2016 (Reviewed)

	2017			
	Program Services	Management and General	Fundraising	Total
Grants	\$ 300,960	\$ -	\$ -	\$ 300,960
Travel	14,238	-	-	14,238
Bank fees	-	8,619	-	8,619
Accounting fees	-	2,790	-	2,790
Supplies	3,991	-	-	3,991
Gala expenses	-	-	9,742	9,742
Walker Center	-	-	5,391	5,391
Website	600	-	-	600
Conference and seminars	825	-	-	825
Postage	4,252	-	-	4,252
Amortization	225	-	-	225
Total expenses	\$ 325,091	\$ 11,409	\$ 15,133	\$ 351,633

	2016			
	Program Services	Management and General	Fundraising	Total
Grants	\$ 322,137	\$ -	\$ -	\$ 322,137
Travel	13,372	-	-	13,372
Bank fees	-	6,373	-	6,373
Accounting fees	-	2,980	-	2,980
Supplies	2,098	-	-	2,098
Advertising	-	299	-	299
Gala expenses	-	-	19,958	19,958
Pancake breakfast	-	-	1,096	1,096
Website	1,306	-	-	1,306
Conference and seminars	3,548	-	-	3,548
Postage	635	-	-	635
Printing	305	-	-	305
Amortization	225	-	-	225
Total expenses	\$ 343,626	\$ 9,652	\$ 21,054	\$ 374,332

See accompanying notes.

THE WORLD ORPHAN FUND, INC.
STATEMENTS OF CASH FLOWS
Year ended December 31, 2017 (Audited) and 2016 (Reviewed)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 195,065	\$ 31,648
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Amortization	225	225
Unrealized gain on investments	<u>(45)</u>	<u>(184)</u>
Net cash flows from operating activities	195,245	31,689
CASH FLOWS FROM INVESTING ACTIVITIES		
Collections on receivable from nonprofit foundation	24,000	8,000
Issuance of funds to nonprofit foundation	<u>-</u>	<u>(55,000)</u>
Net cash flows from investing activities	<u>24,000</u>	<u>(47,000)</u>
Net change in cash	219,245	(15,311)
Cash - beginning of year	<u>275,028</u>	<u>290,339</u>
Cash - end of year	<u><u>\$ 494,273</u></u>	<u><u>\$ 275,028</u></u>

See accompanying notes.

THE WORLD ORPHAN FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 (Audited) and 2016 (Reviewed)

The World Orphan Fund, Inc. (the Fund) was formed in 2011 for the purposes of supporting orphanages around the world and raising awareness of the need to support orphanages and creating a system to assist orphanages in accessing supplies and resources. All contributions are directed to providing food, shelter, medical assistance, education and a loving environment to orphaned children.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Fund is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily restricted net assets—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

Permanently restricted net assets—Net assets that have been restricted by donors to be maintained by the Fund in perpetuity.

Investments

Investments in marketable securities with readily determinable fair values are stated at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Contributions

Contributions are recorded as received. All contributions are available for unrestricted use unless specifically restricted by the donor. Donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Expense Allocation

The costs of providing the various program and other activities have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Donated Materials and Services

Donated materials are recorded at their estimated fair values in the period received. Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received.

THE WORLD ORPHAN FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 (Audited) and 2016 (Reviewed)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

The Fund is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Fund's federal exempt organization returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$0 and \$299 for the years ended December 31, 2017 and 2016.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through December 20, 2018, the date which the financial statements were available to be issued.

Reclassification

Certain reclassifications have been made to the prior year financial statements to conform to the current presentation.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

The Fund maintains cash balances in one financial institution located in Wisconsin. The balance is insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2017 and 2016, the Fund's uninsured cash balance was \$233,972 and \$25,139.

NOTE 3 – RECEIVABLE FROM NONPROFIT FOUNDATION

In 2016, the Fund advanced funds in the amount of \$55,000 for the Urukundo Foundation to acquire land for a school in Rwanda. The advance is interest free and the balance is due by December 2018. The Foundation is repaying \$2,000 per month.

NOTE 4 – INVESTMENTS

Investments at December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Equity securities	<u>\$ 1,191</u>	<u>\$ 1,146</u>

THE WORLD ORPHAN FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 (Audited) and 2016 (Reviewed)

NOTE 4 – INVESTMENTS (continued)

Investment return for 2017 and 2016 consisted of the following:

	2017	2016
Unrealized gain	\$ 45	\$ 184

NOTE 5 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2017 and 2016 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities - 2017	\$ 1,191	\$ 1,191	\$ -	\$ -
Equity securities - 2016	\$ 1,146	\$ 1,146	\$ -	\$ -

Fair values for equity securities are determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE 6 – NET ASSETS

Temporarily restricted net assets at December 31, 2017 totaled \$61,775. These temporarily restricted net assets are restricted for the purpose of the development of the Walker Center in Guatemala. There were no temporarily restricted net assets at December 31, 2016.

NOTE 7 – DONATED MATERIALS AND SERVICES

The fair value of in-kind contributions and the related expenses included in the statements of activities for the years ended December 31, 2017 and 2016 are as follows:

	2017			
	Program Services	Management and General	Fundraising	Total
Travel	\$ 14,238	\$ -	\$ -	\$ 14,238
Supplies	3,986	-	-	3,986
Gala expenses	-	-	2,576	2,576
Conference and seminars	825	-	-	825
In-kind contributions	\$ 19,049	\$ -	\$ 2,576	\$ 21,625

THE WORLD ORPHAN FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 (Audited) and 2016 (Reviewed)

NOTE 7 – DONATED MATERIALS AND SERVICES (continued)

	2016			
	Program Services	Management and General	Fundraising	Total
Grants	\$ 4,163	\$ -	\$ -	\$ 4,163
Travel	13,097	-	-	13,097
Supplies	2,098	-	-	2,098
Advertising	-	299	-	299
Gala expenses	-	-	12,136	12,136
Website	256	-	-	256
Conference and seminars	3,304	-	-	3,304
Postage	635	-	-	635
Printing	305	-	-	305
	<u>\$ 23,858</u>	<u>\$ 299</u>	<u>\$ 12,136</u>	<u>\$ 36,293</u>
In-kind contributions	<u>\$ 23,858</u>	<u>\$ 299</u>	<u>\$ 12,136</u>	<u>\$ 36,293</u>