

ORPHANS OF RWANDA, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2009

ORPHANS OF RWANDA, INC.

DECEMBER 31, 2009

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To the Board of Directors
Orphans of Rwanda, Inc.
Cambridge, Massachusetts

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of Orphans of Rwanda, Inc. (a nonprofit organization) as of December 31, 2009 and the related statement of activities, and statement of cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the overall accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Orphans of Rwanda, Inc. as of December 31, 2009 and its changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Abrams Little-Gill Loberfeld PC

Chestnut Hill, Massachusetts
August 20, 2010

ORPHANS OF RWANDA, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2009

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 583,250
Investments	4,769
Contributions receivable	21,042
Promises to give, current	230,000
Prepaid expenses	109,775
TOTAL CURRENT ASSETS	<u>948,836</u>

PROPERTY AND EQUIPMENT

Equipment	23,694
Accumulated depreciation	7,642
NET PROPERTY AND EQUIPMENT	<u>16,052</u>

OTHER ASSETS

Promises to give, long term	<u>309,751</u>
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TOTAL ASSETS

<u>\$ 1,274,639</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 10,383
TOTAL CURRENT LIABILITIES	<u>10,383</u>

NET ASSETS

Unrestricted	724,505
Temporarily restricted	539,751
TOTAL NET ASSETS	<u>1,264,256</u>

TOTAL LIABILITIES AND NET ASSETS

<u>\$ 1,274,639</u>

See accompanying auditor's report and notes.

ORPHANS OF RWANDA, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2009

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 902,256	\$ 539,751	\$ 1,442,007
Investment return	934	0	934
Total support and revenue	<u>903,190</u>	<u>539,751</u>	<u>1,442,941</u>
EXPENSES			
Program services	623,867	0	623,867
Management and general	62,890	0	62,890
Fundraising	92,206	0	92,206
Total expenses	<u>778,963</u>	<u>0</u>	<u>778,963</u>
CHANGE IN NET ASSETS BEFORE OTHER INCOME (EXPENSE)	124,227	539,751	663,978
OTHER INCOME (EXPENSE)			
Foreign currency translation gain(loss)	<u>(4,895)</u>	<u>0</u>	<u>(4,895)</u>
CHANGE IN NET ASSETS	119,332	539,751	659,083
NET ASSETS AT BEGINNING OF YEAR	<u>605,173</u>	<u>0</u>	<u>605,173</u>
NET ASSETS AT END OF YEAR	<u>\$ 724,505</u>	<u>\$ 539,751</u>	<u>\$ 1,264,256</u>

See accompanying auditor's report and notes.

ORPHANS OF RWANDA, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 659,083
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	5,675
Unrealized gain on investments	85
Change in operating assets and liabilities:	
Increase in contributions receivable	(543,253)
Increase in prepaid expenses	(30,236)
Increase in accounts payable	(7,921)
Net cash provided by operating activities	<u>83,433</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Capital expenditures	<u>(11,384)</u>
Net cash used in investing activities	<u>(11,384)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	72,049
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>511,201</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 583,250</u>

See accompanying auditor's report and notes.

ORPHANS OF RWANDA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 1 – NATURE OF ACTIVITIES

Orphans of Rwanda, Inc. (the Organization) is a United States of America based non-profit organization dedicated to funding the education of orphans and vulnerable children in Rwanda through university programs, with the hope of receiving university degrees and ultimately becoming leaders in their communities. The Organization began operations in 2004 and has administrative offices in New York City and Cambridge, Massachusetts. The Organization also has a facility located in Rwanda, from which it conducts administrative and program services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Public Support and Revenue

Unrestricted net assets are comprised of funds related to activities that are not restricted in nature.

Temporarily restricted net assets are program and grant activities and resources received that include a restriction as to purpose or time. Release of restrictions occurs upon the expenditure of the funds for its intended purpose or the expiration of time requirements as stipulated by the donor. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets are restricted and can only be used for the specific purpose intended by the donor. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets.

Contributions of donated noncash assets are recorded at their fair-market-value in the period received.

ORPHANS OF RWANDA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Promises to Give

Unconditional promises to give are recognized as contribution revenue in the period the promise is received, and as an asset, decrease in liability, or an expense depending on the form of the benefit received. Promises to give are recorded at net realizable value if expected to be collected in one year, and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management analysis of specific promises made.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

ORPHANS OF RWANDA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized and are recorded at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

Contributed Services

Members of the Organization provide volunteer services in connection with fundraising events and other activities. Professional standards require that donated services be recognized in the financial statements only if they create or enhance nonfinancial assets, or require specialized skills, and the Organization would need to purchase such services if they were not donated. Because the volunteer services provided to the Organization do not meet these criteria, no income or expense has been recognized.

Income Tax Status

The Organization obtained from the Internal Revenue Service a determination letter dated March 31, 2004 stating that as of such date, the Organization qualified for treatment under Section 501(c)(3) of the Internal Revenue Code. As such, the Organization has not provided for federal income taxes in the accompanying financial statements.

Functional Expenses

The Organization allocates its expenses among program, management and general, and fundraising. Payroll expense is allocated among these categories based on the nature of the employees' duties. Payroll for employees who perform services in two or more categories are allocated based on estimates of the amount of time spent in each function. Expenses which relate to only one category are charged to that category directly.

NOTE 3 – INVESTMENTS

Investments are presented in the financial statements at fair value using Level 1 fair value measures (quoted prices in active markets). As of December 31, 2009, investments consisted of the following:

ORPHANS OF RWANDA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 3 – INVESTMENTS (Continued)

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
SPDR S&P 500	\$4,984	\$3,678	\$3,678
Other Equity Securities	<u>2,435</u>	<u>1,091</u>	<u>1,091</u>
	<u>\$7,419</u>	<u>\$4,769</u>	<u>\$4,769</u>

The following schedule summarizes the investment return on the funds listed above plus interest earned on money market funds and its classification in the statement of activities for the year ended December 31, 2009:

Interest and dividends	\$ 645
Realized and unrealized gains	<u>289</u>
Total Investment returns	<u>\$ 934</u>

NOTE 4 - PROMISES TO GIVE

Promises to give are both time restricted. The Organization believes that all promises to give are collectible, and as such, no allowance for uncollectible amounts have been recorded in the Financial Statements.

As of December 31, 2009, promises to give are as follows:

Receivable within one year	\$ 230,000
Receivable in more than one year	<u>330,000</u>
Total promises to give	560,000
Less: Unamortized discount at 5%	<u>(20,249)</u>
Net promises to give at December 31, 2009	<u>\$ 539,751</u>

Promises to give are classified in the accompanying balance sheet as follows:

Current	\$ 230,000
Noncurrent	309,751

ORPHANS OF RWANDA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 5 – COMMITMENTS

The Organization leases its New York City premises under an operating lease agreement which expires on January 31, 2010. The lease requires monthly payments of \$775. Rental expense for the year ended December 31, 2009 was \$8,525. Future lease payments as of December 31, 2009 are \$775 for the year 2010.

NOTE 6 – CONCENTRATIONS

Two donors accounted for 47% of total contributions and grant revenue in 2009 and receivables from these two donors accounted for 86% of total receivables (including promises to give).

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are funds which have stipulated time restrictions by donors and are receivable by the Organization at various times through 2012.

NOTE 8 – SUBSEQUENT EVENTS

The Company has evaluated all subsequent events through August 20, 2010, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

To the Board of Directors
Orphans of Rwanda, Inc
Cambridge, Massachusetts

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Our report on our audit of the basic financial statements of Orphans of Rwanda, Inc. for the year ended December 31, 2009 appears on page 1. The audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 11 is presented for purposes of additional analysis, and is not a required part of the basic financial statements, and we did not audit and do not express an opinion on such information.

Abrams Little-Gill Loberfeld PC

Chestnut Hill, Massachusetts
August 20, 2010

ORPHANS OF RWANDA, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Personnel related costs	\$ 120,220	\$ 17,151	\$ 75,116	\$ 212,487
Living and other allowance	259,400			259,400
Health care, partner support and eye care	19,684			19,684
Bank charges		3,377		3,377
Dues and subscriptions		728		728
Internet processing fees		307		307
Payroll processing fees	482	43	608	1,133
Outside database services		1,713		1,713
Rent, parking and utilities	19,845	321	4,576	24,742
Postage	826	73	1,042	1,941
Printing and copying		3,459	3,459	6,918
Office expense	379	34	478	891
Furniture, books and other supplies	526			526
Supplies	3,593	1,038	827	5,458
Job post advertising		75		75
Website expenses		278		278
Travel	11,597	1,269		12,866
Academic support programs	123,873			123,873
Tutoring and training	15,252			15,252
Other program activities	23,916			23,916
Vehicle expense	1,886			1,886
Worker's compensation insurance	354	31	447	832
Telephone and internet	8,150	2,654	325	11,129
Rwanda volunteer stipend	5,557			5,557
Depreciation	4,742	933		5,675
Fundraising			5,174	5,174
State registration fees		390		390
Professional fees		27,091		27,091
Meetings	770	531		1,301
Business meals		485		485
Repairs and maintenance	2,694	898		3,592
Staff development	121	11	154	286
	<u>\$ 623,867</u>	<u>\$ 62,890</u>	<u>\$ 92,206</u>	<u>\$ 778,963</u>

See accompanying auditor's report on supplementary information.