

THEO'S WORK, INC.  
FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007



Theo's Work, Inc.  
June 30, 2008 and 2007  
Index to Financial Statements

	<u>Page</u>
Independent Auditor's Report	1
Statements of Financial Position at June 30, 2008 and 2007	2
Statements of Activities and Changes in Net Assets for the years ended June 30, 2008 and 2007	3
Statements of Functional Expenses for the years ended June 30, 2008 and 2007	4
Statements of Cash Flows for the years ended June 30, 2008 and 2007	5
Notes to the Financial Statements	6-9



BECHER  
DELLA TORRE  
GITTO & COMPANY

Certified Public Accountants  
A PROFESSIONAL CORPORATION

76 North Walnut Street  
Ridgewood, New Jersey 07450  
201-652-4040  
fax: 201-652-0401  
www.bdgcpa.com

March 5, 2009

To the Board of Directors of  
Theo's Work, Inc.  
Greensboro, NC

Independent Auditor's Report

We have audited the accompanying statements of financial position of Theo's Work, Inc. (a nonprofit organization) as of June 30, 2008 and 2007 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Theo's Work, Inc. management. 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 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 accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Theo's Work, Inc. as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Becher, Della Torre, Gitto & Company*

Ridgewood, New Jersey

Theo's Work, Inc.  
 Statements of Financial Position  
 June 30,

Assets

	2008	2007
Current assets		
Cash and cash equivalents	\$ 618,225	\$ 405,812
Securities owned, at market	-	1,973
Total assets	\$ 618,225	\$ 407,785

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 1,324	\$ 2,135
Due to Rotary International	56,000	-
Total current liabilities	57,324	2,135
Total liabilities	57,324	2,135
Net assets		
Unrestricted	546,901	405,650
Temporarily restricted	14,000	-
Total net assets	560,901	405,650
Total liabilities and net assets	\$ 618,225	\$ 407,785

The accompanying notes are an integral part of the financial statements.

Theo's Work, Inc.  
 Statements of Activities and Changes in Net Assets  
 For the Years Ended June 30, 2008 and 2007

	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Contributions	\$ 1,762,144	\$ 14,000	\$ 1,776,144	\$ 1,564,001	\$ -	\$ 1,564,001
Interest and dividends	7,015	-	7,015	7,041	-	7,041
Total support and revenue	<u>1,769,159</u>	<u>14,000</u>	<u>1,783,159</u>	<u>1,571,042</u>	<u>-</u>	<u>1,571,042</u>
Expenses						
Program services	1,539,176	-	1,539,176	1,217,488	-	1,217,488
General and administrative	24,217	-	24,217	18,328	-	18,328
Fundraising	64,515	-	64,515	109,587	-	109,587
Total expenses	<u>1,627,908</u>	<u>-</u>	<u>1,627,908</u>	<u>1,345,403</u>	<u>-</u>	<u>1,345,403</u>
Change in net assets	141,251	14,000	155,251	225,639	-	225,639
Net assets at beginning of period	<u>405,650</u>	<u>-</u>	<u>405,650</u>	<u>180,011</u>	<u>-</u>	<u>180,011</u>
Net assets at end of period	<u>\$ 546,901</u>	<u>\$ 14,000</u>	<u>\$ 560,901</u>	<u>\$ 405,650</u>	<u>\$ -</u>	<u>\$ 405,650</u>

The accompanying notes are an integral part of the financial statements.

Theo's Work, Inc.  
 Statements of Functional Expenses  
 For the Years Ended June 30, 2008 and 2007

	2008			2007				
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Donations to Pwoje Espwa:								
Orphanage operations	\$ 1,513,566	\$ -	\$ -	\$ 1,513,566	\$ 1,197,299	\$ -	\$ -	\$ 1,197,299
Assistance to individuals	25,610	-	-	25,610	20,189	-	-	20,189
Travel	-	-	39,538	39,538	-	-	51,705	51,705
Fundraising fees	-	-	18,833	18,833	-	-	44,907	44,907
Professional fees	-	12,590	-	12,590	-	8,500	-	8,500
Publications	-	-	4,617	4,617	-	-	8,989	8,989
Other expenses	-	11,627	1,527	13,154	-	9,828	3,986	13,814
Total expenses	<u>\$ 1,539,176</u>	<u>\$ 24,217</u>	<u>\$ 64,515</u>	<u>\$ 1,627,908</u>	<u>\$ 1,217,488</u>	<u>\$ 18,328</u>	<u>\$ 109,587</u>	<u>\$ 1,345,403</u>

The accompanying notes are an integral part of the financial statements.

Theo's Work, Inc.  
 Statements of Cash Flows  
 For the years ended June 30,

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Increase in net assets	\$ 155,251	\$ 225,639
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Donated marketable securities included in contributions	1,973	(1,973)
Increase (decrease) in liabilities		
Accounts payable	(811)	(2,269)
Due to Rotary International	<u>56,000</u>	<u>-</u>
Net cash provided by operating activities	<u>212,413</u>	<u>221,397</u>
Increase in cash and equivalents	212,413	221,397
Cash and equivalents at beginning of period	<u>405,812</u>	<u>184,415</u>
Cash and equivalents at end of period	<u>\$ 618,225</u>	<u>\$ 405,812</u>
Cash paid during the period for:		
Income taxes	\$ -	\$ -
Interest	-	-

The accompanying notes are an integral part of the financial statements.

Theo's Work, Inc.  
Notes to the Financial Statements  
June 30, 2008 and 2007

**Note 1 – Nature of Activities and Significant Accounting Policies**

Nature of Activities: Theo's Work, Inc. ("TWI") is a humanitarian, nonprofit corporation that was founded in 1997 by Father Marc Boisvert, OMI ("Father Marc"), a former U.S. Navy chaplain who had been assigned to work with Haitian refugees being held in Cuba. TWI's overall mission is to support the humanitarian efforts of Pwoje Espwa in southern Haiti. Pwoje Espwa is a multi-faceted program serving the needs of over 1,000 children in Haiti through (1) basic shelter, food, medical care and treatment through the operation of an orphanage (approximately 25%), (2) educational and religious instruction (approximately 20%), (3) construction of additional orphanage facilities (approximately 20%), (4) transportation, energy, and administrative services (approximately 15%), and (5) staff and employee salaries (20%). Father Marc, who resides in Haiti, is responsible for managing the orphanage and providing the above services to the children.

TWI is primarily supported by contributions, gifts, and grants. The majority of these contributions, gifts, and grants are donated by TWI to Pwoje Espwa. In addition, all assets donated by TWI to Pwoje Espwa are owned by Pwoje Espwa. TWI does not retain ownership of these assets.

Contributed Goods and Services: Jack Reynolds began providing general management services to TWI on a full-time basis on December 1, 2002. These services include fundraising, operational oversight, and financial administration. Conservatively, this service was valued at \$60,000 and \$60,000 during the years ended June 30, 2008 and 2007. The value for the fiscal years ended June 30, 2008 and 2007 is prorated based on a minimum service valuation of \$60,000 per annum. This amount represents contributed services not recognized in the financial statements.

USAID funds with Catholic Relief Services (CRS) as their agent provides approximately 10% of the food necessary for the orphanage operations of Pwoje Espwa in Haiti. CRS contributes directly to Haiti and provides oversight as to the utilization of the food donations. As the CRS contributions are sent directly to Pwoje Espwa in Haiti, the amount of goods contributed is not recognized in the TWI financial statements.

Basis of Accounting: The financial statements of TWI have been prepared on the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses and costs are recognized when incurred.

Financial Statement Presentation: Financial statement presentation follows the recommendations of the Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, TWI is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, and, if applicable, temporarily restricted net assets and permanently restricted net assets.

Theo's Work, Inc.  
Notes to the Financial Statements  
June 30, 2008 and 2007

**Note 1 – Nature of Activities and Significant Accounting Policies (continued)**

Contributions: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

Fundraising Program: All contributions, gifts, and grants result from oral and mail solicitations from individuals, clubs, and churches. TWI uses volunteers for its solicitation. No professional fundraisers are used or employed.

Financial Accountability: Father Marc is a member of a religious order who must obtain permission from the missionary oblates of Mary Immaculate prior to incurring expenses for Pwoje Espwa. The approval process is informal.

Beneficiaries of Services: TWI limits its benefits, services, and products to Pwoje Espwa. Recipients or beneficiaries are selected by Pwoje Espwa based upon the child's need for food, shelter, and medical assistance.

Pwoje Espwa's orphanage and village are home to approximately 575 children, at a cost of \$45 to \$60 per month per child depending on age for shelter, food, and clothing. Pwoje Espwa houses approximately 30 additional children in separate quarters at the original orphanage in the city. Pwoje Espwa provides approximately 3,000 meals per day, 700-800 of which are provided for children who do not reside in the orphanage. In addition, there are 1,600 students in the Pwoje Espwa school system.

Cash and Equivalents: For the purpose of the statement of cash flows, cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

Cash at financial banking institutions fluctuates greatly during the year and can exceed the federally insured limit of \$250,000. Management monitors regularly the financial condition of the banking institutions, along with their balances in cash and tries to keep this potential risk to a minimum.

Federal Income Taxes: TWI is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying financial statements do not reflect provisions for federal and state income taxes.

Theo's Work, Inc.  
Notes to the Financial Statements  
June 30, 2008 and 2007

**Note 1 – Nature of Activities and Significant Accounting Policies (continued)**

Functional Expenses: The expenses have been allocated among programs based on an analysis of personnel time and expenses utilized for the related activities. During the fiscal years ended June 30, 2008 and 2007, TWI donated \$1,539,176 and \$1,217,488 to Pwoje Espwa. TWI also donated assets to Pwoje Espwa during the fiscal years ended June 30, 2008 and 2007. Ownership of these assets was transferred to Pwoje Espwa for the sole benefit of the orphanage, and accordingly no assets have been capitalized.

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 a donor, if applicable, 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.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note 2 – Securities Owned, at Market**

Marketable securities owned are considered trading securities by management. At June 30, 2007, marketable securities consisted of equity securities in the amount of \$1,973. There are no marketable securities at June 30, 2008.

**Note 3 – Temporarily Restricted Net Assets**

Temporarily restricted net assets in the amount of \$14,000 were received from Rotary International during the fiscal year ended June 30, 2008 (See Note 5). TWI received these funds with the understanding that they would be available to Pwoje Espwa to perform sanitation work upon the satisfaction of Rotary International documentation requirements from Pwoje Espwa. Of the temporarily restricted funds, none were fully released from donor-imposed restriction for the year ended June 30, 2008. At June 30, 2007, there were no temporarily restricted net assets.

Theo's Work, Inc.  
Notes to the Financial Statements  
June 30, 2008 and 2007

**Note 4 – Unrestricted Net Assets**

Unrestricted net assets in the amounts of \$1,762,144 and \$1,564,001 were received during the years ended June 30, 2008 and 2007, respectively. Of the amount received during the year ended June 30, 2008, the largest donor contributed approximately \$390,000, or approximately 22%, while various churches, community organizations and individuals contributed the balance of approximately \$1,372,000. Of the amount received during the year ended June 30, 2007, the largest donor contributed \$385,284, or approximately 25%, while various churches, community organizations and individuals contributed the balance of \$1,178,717.

In addition, a support group known as Theo's Work – West, led by TWI board member Dee Orleowski, and with John Larner serving as treasurer, was formed during the year ended June 30, 2004 for the purpose of constructing and equipping a vocational training school at the Pwoje Espwa location near Les Cayes. Effective January 1, 2006, the group lifted the restriction on contributions received by Theo's Work – West and all contributions received after January 1, 2006 are included in unrestricted net assets.

**Note 5 – Rotary International Grant**

During the fiscal year ended June 30, 2008, a grant from Rotary International was approved in the amount of approximately \$70,000. During the fiscal year ended June 30, 2008, TWI received \$14,000 related to this grant award. As of June 30, 2008, this award is still pending satisfaction of Rotary International documentation requirements from Pwoje Espwa.