

TERESA CHARITIES, INC.

**ANNUAL FINANCIAL STATEMENTS
AND
ACCOUNTANT'S AUDIT REPORT**

DECEMBER 31, 2012

Haase & Associates, Inc.
A Certified Public Accountancy Firm

TERESA CHARITIES, INC.

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Haase & Associates, Inc.

**PO Box 758
Moss Beach, CA 94038**

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Teresa Charities, Inc.
Portland, Oregon

I have audited the accompanying statement of financial position of Teresa Charities, Inc. US (a Virginia nonprofit corporation) as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Teresa Charities, Inc. US. as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Susan M. Haase, CPA

August 20, 2013

Teresa Charities, Inc.
Statement of Financial Position
As of December 31, 2012

ASSETS	
Current Assets	
Cash & Cash Equivalents	\$227,940
Rents Receivable	0
Inventory	81,775
Prepaid Expenses	7,525
Total Current Assets	\$317,240
Fixed Assets	
Equipment	5,721
Vehicles	25,116
Building and Improvements	523,808
Accumulated Depreciation	(49,471)
Total Fixed Assets	\$505,174
Other Assets	
Land	125,000
Total Other Assets	\$125,000
TOTAL ASSETS	\$947,414
LIABILITIES AND NET ASSETS	
Liabilities	
Current Liabilities	
Payroll Liabilities	\$2,643
Total Current Liabilities	\$2,080
Long Term Liabilities	
Note Payable	14,158
Total Long Term Liabilities	\$14,158
Total Liabilities	\$16,801
Net Assets	
Unrestricted Net Assets	930,613
Total Net Assets	\$930,613
TOTAL LIABILITIES AND NET ASSETS	\$947,414

Teresa Charities, Inc.
Statement of Activities
January - December 2012

SUPPORT & REVENUE	Unrestricted	Temporarily Restricted	Totals
Cash Contribution	\$782,299		\$782,299
Non Cash Contributions	0		0
Interest Income	0		0
Rent Income	13,324		13,324
Sales	746,618		746,618
Total Support & Revenue	\$1,542,241	0	\$1,542,241
 EXPENSES			
Program Services	\$1,398,417		\$1,398,417
Management & General	34,771		34,771
Development	66,732		66,732
Total Expenses	\$1,499,921	0	\$1,499,921
 Increase (Decrease) in Net Assets	 \$42,320		 \$42,320
 Net Assets at Beginning of Year	 \$888,293		 \$888,293
 Net Assets and End of Year	 \$930,613		 \$930,613

Teresa Charities, Inc.
Statement of Functional Expenses
Year Ended December 31, 2012

	PROGRAM SERVICES	SUPPORTING SERVICES		Total
		Management and General	Development	
Grants and Allocations	637,800			637,800
Products	554,066			554,066
Advertising	62,615		41,743	104,358
Bank and merchant fees	6,787	1,831	3,651	12,269
Insurance	2,176	837	335	3,347
Commissions	5,070			5,070
Licenses		1,560		1,560
Postage	22,721	852	7,668	31,241
Professional fees	7,465	2688		10,153
Salaries and wages	41,417	15,930	6,372	63,719
Supplies	8,754	1,417	2,411	12,582
Taxes	11,604	4,381	647	16,632
Telephone	8,415	1,202	2,404	12,021
Travel	4,673			4,673
Utilities	10,280	556	278	11,114
Depreciation	14,574	3,059	1,224	18,857
Miscellaneous		457		457
	\$1,398,417	\$34,771	\$66,732	\$1,499,921

Teresa Charities, Inc.
Statement of Cash Flows
January - December 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$42,320
Adjustments to reconcile Net Income to Net Cash provided by operations:	
Rents Receivable	520
Inventory Asset	20,463
Prepaid Insurance	-1798
Prepaid Property Tax	-363
Payroll Liabilities	563
Net cash provided by operating activities	61,705

CASH FLOWS FROM INVESTING ACTIVITIES

Buildings and Improvements	-60,360
Accumulated Depreciation	18,857
Net cash provided by investing activities	-41,503

CASH FLOWS FROM FINANCING ACTIVITIES

Note Payable	-9,957
Net cash provided by financing activities	-9,957

Net cash increase for period 10,245

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 217,696

CASH AND CASH EQUIVALENTS AT END OF YEAR \$227,940

Teresa Charities, Inc.
Notes to Financial Statements
December 31, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Teresa Charities, Inc. (a non-profit organization) was established and incorporated under the laws of the State of Virginia. It operates as a religious organization whose mission is to provide human and social support services and sponsorship to underprivileged elderly in Vietnam, Tanzania, Philippines, and Bangladesh and within the United States.

PROGRAMS

Teresa Charities provides the following programs:

Rise for the Elderly

Teresa Charities receives donations from businesses, churches, and individuals in the United States. The funds are used to provide the basic food and clothing needs of the elderly in Vietnam, Tanzania, Philippines, and Bangladesh. All funds are distributed through local Catholic, Buddhist or Protestant churches in those countries.

BASIS OF ACCOUNTING

Teresa Charities, Inc. prepares financial statements on the accrual basis method of accounting in accordance with generally accepted accounting principles.

CASH & CASH EQUIVALENTS

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value of the short maturities of those financial instruments.

USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PROPERTY & EQUIPMENT

It is Teresa Charities' policy to capitalize acquisitions of property, furniture and equipment in excess of \$2000. Purchased property, furniture and equipment are recorded at cost; or, if donated, at fair market value at the date of donation. Furniture and equipment are depreciated over five years, rental properties over 27 ½ years, and buildings and improvements over 39 years.

BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

In accordance with accounting principles generally accepted in the United States of America, Teresa Charities reports information regarding its financial position and activities according to the existence and nature of donor restrictions in three classes of net assets: Unrestricted, Temporarily Restricted, and Permanently Restricted.

FASB ASC 958-210-45-9 (formerly SFAS No 117, paragraph 13) requires providing information about the three classes of net assets. The amount for each of the three classes of net assets and total net assets are required to be reported on the face of the Statement of Financial Position.

Additional information is required to be reported for temporarily and permanently restricted net assets. That information includes a description and dollar amount of the different types of permanent restrictions and temporary restrictions.

Accounting principles generally accepted in the United States of America allow Teresa Charities to treat as unrestricted any restricted revenue where the restrictions are met in the same year. Teresa Charities has elected to follow that reporting method. As a result, all activities in which restrictions are met during the year are recorded as unrestricted net assets in the Statement of Activities

RESTRICTED & UNRESTRICTED SUPPORT

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporary restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as “net assets released from restrictions”. Teresa Charities had no Temporary or Permanent restricted net assets for the year ended December 31, 2012.

INCOME TAXES

Teresa Charities is exempt from income taxes as a non-profit organization under Internal Revenue Code Sec. 501(c)(3) and accordingly the financial statements do not reflect a provision for income taxes. In addition, Teresa Charities has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi) of the Internal Revenue Code. There was no unrelated business income during the year ended December 31, 2012.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the programs and activities have been summarized on a functional basis in the statement of activities. Some expenses have been allocated among the programs and management and general classifications on the basis of time records, actual expenses, and estimates made by the organization’s management.

NOTE 2 - CONCENTRATION OF CREDIT RISK

For the year ended December 31, 2012, Teresa Charities had \$227,940 on deposit with three banks. The Doss-Frank Act amended the Federal Deposit Insurance Corporation. (FDIC) to provide temporary unlimited coverage of noninterest-bearing accounts at all FDIC –insured depository institutions. Therefore, all such deposits will be fully insured through December 31, 2012. As a result of the above amendment, for the year ended December 31, 2012, Teresa Charities did not have a potential credit risk.

NOTE 3 – INVENTORY

Inventory represents herbal supplements purchased for resale and is reported at cost based on a physical t year end.

NOTE 4 – PRODUCT SALES

Teresa Charities purchases for resale herbal products for the purpose of enhancing the well – being of people of all ages and uses the net proceeds to provide program services.

NOTE 5 – PROPERTY & EQUIPMENT

Property & equipment consists of the following:

Land	\$	125,000
Buildings and Improvements		523,808
Equipment and Furnishing		5,721
Vehicles		<u>25,116</u>
		619,285
Less Accumulated Depreciation		<u>(49,471)</u>
	\$	505,174

NOTE 6 – OMB CIRCULAR A-133 AUDIT REQUIREMENTS

Teresa Charities expended \$0 federal funds for the year ended December 31, 2011 which is below the threshold of \$500,000 which determines when an audit under OMB Circular A-133 is required.