

NEPAL ORPHANS HOME

Annual Report 2007

Nepal Orphans Home (NOH) is primarily a children's home, Papa's House. NOH also supports a school, Papa's Trinity Academy. Both are located in the Kathmandu Valley of Nepal. Founded in 2005 by Michael Hess, Papa's House is a home for orphans and children whose parents have abandoned them or are unable to provide for them. For children born into poverty and caught in the political turmoil and social upheaval of contemporary Nepal, Papa's House offers a haven. Attending to the total welfare of the children, providing for their basic needs of food, shelter, and clothing, as well as schooling and health care, but also administering to their emotional needs with love and compassion, Papa's House allows the children to grow up in a nurturing environment. The mission of Papa's House is not just to rescue these children from abject poverty, but to enable the children to develop and realize their potentials.

Papa's Trinity Academy began in 2005 as a school for the children of Papa's House. Other children from the local village were also invited to attend this free school.

In August of 2007, Nepal Orphans Home was incorporated in North Carolina. Prior to 2007, NOH was largely funded by Michael Hess. Additional support has been received from family and friends in the United States and from individuals across the world who have discovered the web site (www.nepalorphanshome.org) and been inspired by this mission.

A Review of 2007

2007 was an eventful and good year for Nepal Orphans Home. Over the year Papa's House grew to 36 children living in the yellow, four-story building leased in Dhapasi. The children of Papa's House continue to thrive. Dawn Kumari, the resident cook, began offering cooking lessons to the older children, both girls and boys, who readily embraced the opportunity to learn this vital skill. Not only were the children learning to prepare the meals, but they were helping with the cleaning up and maintaining a clean kitchen. Also sewing classes were started, made possible by the donation of funds to purchase three sewing machines and the guidance of a local seamstress. The sewing classes have been a big hit among the children. The older children are learning how to make clothes, again developing an important life skill and helping to defray some of the costs of outfitting the younger children. Moreover, the children of Papa's House attend Papa's Trinity Academy, working hard in school and diligently doing their homework after school, aided by a resident tutor. Often the children of Papa's House are found at the top of their classes at Papa's Trinity Academy.

In October, a nearby orphanage with twelve neglected children was taken over by NOH after a personal appeal by an influential citizen, a site visit and careful consideration by Michael Hess, and approval by the Board of Directors. The children have since been moved to a new home, Papa's House II, in a four-story building leased by NOH near Papa's House I. The children are now being properly cared for by a full-time manager, assisted by a resident didi. School is being conducted in the new home with teachers, including a young volunteer from the U.S. The children may eventually attend Papa's Trinity Academy. The assumption of this additional responsibility, justified by the need of these children, may also generate local support and protection for NOH.

Two children were added to Papa's House II in late 2007, bringing the total to 14 by the end of the year.

Over 340 children attended Papa's Trinity Academy in 2007. Roughly 80% of these children attended for free. NOH can't escape the political turmoil, corruption, and social unrest that have plagued Nepal. In particular, Papa's Trinity Academy has been threatened with eviction from its leased building and closure of the school. Challenged by the success of Papa's Trinity Academy, a number of other schools in the area have lobbied the Department of Education, claiming Papa's Trinity Academy is drawing students from them. Entering 2008, the situation remained uncertain. Moreover, while fees collected from students from families able to pay have increased, the total costs of Papa's Trinity Academy are far short of being covered by collected fees.

Options for Papa's Trinity Academy include selling the school. The children of Papa's House would continue to attend school there, with after-school enrichment programs held at the home. Another option is to pare back the enrollment. In particular, students from those families, who are deemed able to pay their tuition fees, but haven't, would not be allowed to return to Papa's Trinity Academy. The school would continue to have a large number of students attending for free. A third option is to convert the building under lease to a boarding school for Dalit girls. There may be some outside support for this venture. In any case, the children of Papa's House would continue their schooling under any scenario.

In August of 2007 Nepal Orphans Home (NOH) successfully incorporated in North Carolina as a nonprofit. A bank account was established in Davidson to centralize the collection of donations and transfer of funds to NOH. The Board of Directors (BoD) and Board of Advisers (BoA) were officially formed and the By-Laws of NOH were adopted. The Annual Report for 2006, with financial statements for 2005 and 2006, and articles of incorporation were distributed to members of BoD and BoA in September. The detailed application to the IRS for 501(c)3 status was completed and submitted in early October and still pending at the close of 2007.

Papa's House has received much interest from across the world from potential volunteers. In fact, NOH can be selective in accepting volunteers. A volunteer coordinator, Prakesh Poudel, with a Masters in English, was hired to assist Michael in running the program. In 2007 over two dozen volunteers came to Nepal to work with NOH. The volunteers came from all over the world, including Australia, Canada, England, South Africa, and the United States. Seven of the volunteers are members of NOH Boards. The NOH volunteer program is strong and growing.

In December of 2007, two benefits were held for Papa's House. In London, Karen Billing organized and hosted a benefit evening at a local school to honor Shiva Charity and Papa's House, with actor Jeremy Irons as the guest of honor. Across the Atlantic in Toronto, Toni Thomson hosted an evening in an art gallery featuring some of Toni's beautiful photos. Toni returned to Nepal soon after to continue work on her documentary film featuring Papa's House, expected to debut in 2008. These good works and the steadfast efforts of Marcie Westphalen, and Tom and Fiona Gilbert, who like Karen and Toni visited Papa's House in 2007 and continue back home generating support for Nepal Orphans Home, as well as the generous contributions from the members of the NOH boards, lead the way and inspire others to join our efforts.

Underlying all of our work and galvanizing our mission is the founder of Nepal Orphans Home, Michael Hess. As a volunteer in Nepal several years ago, seeing the poverty, despair, and abuse of young children, Michael acted. His commitment to these young children has made all the difference in the world.

The attached Financial Statements for 2007 show an encouraging trend of increasing donations. Volunteer fees help to augment the income. In the proposed budget for 2008, line items for a capital fund (for major capital expenditures), a project fund (for future mission projects), and a contingency fund (for unexpected expenses) are added. Moreover, including a line item in the budget for a salary for the Director of Operations is being proposed.

In sum, 2007 was a successful year. NOH is providing for fifty wonderful children, giving them the love, nourishment, education, and hope for fulfilling lives. NOH enters 2008 aware of the continuing challenges, but with renewed commitment to the mission of Papa's House: rescuing children from abject poverty and enabling the children to develop and realize their potentials. For a more eloquent account of this mission, please see the review of the year by Michael Hess (posted Thursday, January 31, 2008) at <http://www.nepalorphanshome.org/news.asp>.

Beyond 2007

Recent developments for NOH include the application to the IRS for 501(c)3 status, expansion of our volunteer program, and consideration of additional projects.

First, in February of 2008, NOH received a notice from the IRS, requesting a few additional items as our application for 501(c)3 status is being reviewed. It is necessary for our Board of Directors to increase by two individuals, so that the close relatives of Michael Hess will be in the minority. This is a welcome development. Consequently, Toni Thomson moved from our Board of Advisers to our Board of Directors, and Brenda Barger, a leading citizen of Davidson, North Carolina and supporter of NOH from the beginning, accepted our invitation to join the Board of Directors. Please see the attached current list of the NOH boards. Also, the IRS requires copies of the leases for the buildings in Nepal, which now have been submitted. Another issue involves the school, Papa's Trinity Academy. Barbara Hess, Secretary of NOH, will have a conversation with the IRS to clearly define that situation.

Second, with the assistant to run the program and the room to house the volunteers in the upper two floors of the new orphanage, NOH's volunteer program may well expand to help with the mission. In February, the Boards of Directors and Advisers approved a proposed contract for volunteers and a new fee structure. Subsequently, the fees for volunteers will be reviewed annually.

Third, the Board of Directors and Advisers considered additional worthwhile projects for NOH. Cognizant of the overwhelming needs in Nepal, as evidenced by the list of worthy projects, but mindful of the primary mission of NOH, the clear consensus of the board members was not to expand our efforts until sustainable funding for Papa's House I and II and Papa's Trinity Academy could be secured. If Papa's Trinity Academy is closed in April of 2008, as suggested, then perhaps converting this building, with a secure lease, to a boarding school for Dalit girls, which could also serve as a school for the children of Papa's House, may make sense. There was also interest in the project of

establishing a hostel for Kamlari girls, who are homeless and at risk of exploitation. If there is an outside funding source for this rescue project, then perhaps NOH could help, on a limited basis at first...as long as the primary mission of Papa's House is maintained.

In fact, a friend of Papa's House has recently generously contributed to this project. Michael Hess has also received donations from others designated for this and related projects to help poor Nepali children. In the proposed budget for 2008, under the line item for project fund, will be the designated external projects. The donations received and the expenses incurred for the projects will be clearly identified. As with any proposed policy, the above consideration will come before the NOH Boards for review.

Financial Statements

The statement of expenses and income for NOH for 2007 shows an improving financial condition. With the increased support we are experiencing, reflecting in large part the dedication and hard work of the members of our boards, NOH hopes to generate a surplus in the future, which will become an endowment to fund future needs.

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Statement of Expenditures and Income Jan.- Dec. 2007

Figures are expressed in U.S. dollars, converted from the actual expenditures in Nepalese rupees (nrs) using the exchange rate: 65 nrs = \$1 Jan-Sept, and 63 nrs = \$1 Oct-Dec.

Papa's House Expenditures:

\$10,498.....Grounds and Buildings
 \$4,615.....Building Lease House #1
 \$ 930.....Land lease (playground) #1
 \$ 377.....Repairs & Improvements at #1
 \$ 825.....Utilities at #1
 \$ 840.....Cost of furniture at #1

 \$2,540.....Building Lease House #2
 \$ 0.....Repairs & Improvements at #2
 \$ 181.....Utilities at #2
 \$ 190.....Cost of furniture at #2

\$ 2,172.....Communications
 \$ 856.....On-line service
 \$1,156.....Web site maintenance
 \$ 160.....Volunteers' office internet

\$ 3,379.....Wages
 \$3,263.....Didis
 \$ 116.....Other

\$24,340.....Childcare
 \$6,472.....Food at #1
 \$1,536.....Clothing at #1
 \$1,836.....Supplies for children at #1
 \$2,772.....Supplies for home at #1
 \$12,616

 \$1,066.....Food at #2
 \$ 397.....Clothing at #2
 \$ 353.....Supplies for children at #2
 \$ 730.....Supplies for home at #2
 \$2,546

 \$4,076.....Entertainment & Enrichment
 \$2,585.....Transportation
 \$1,275.....Medical Services & Medicine
 \$1,242.....Tuition & Fees
 \$9,178

\$ 3,340.....Volunteer Program extra expenses

\$ 3,610.....Local charity

\$ 2,584.....Business fees

\$ 1,924.....Banking fees

\$51,847.....Total Expenses for Papa's House #1 and #2 in 2007

\$18,021Total Support for Papa's Trinity Academy in 2007

\$ 3,231.....Building Lease

\$14,790.....Teachers & School Employees Wages

\$69,868Total Expenses for Nepal Orphans Home in 2007

\$84,636Total Income for Nepal Orphans Home in 2007

\$67,561.....Donations

\$17,075.....Volunteer Fees

\$14,768Net Income for Nepal Orphans Home in 2007

Proposed Budget for 2008

The budget proposed for 2008 reflects the expenses incurred and incomes received in 2007. In addition, included in our budget is a capital fund (for needed investments, e.g., upgrades in the facilities and furniture and equipment), a contingency fund (for unexpected expenses and developments, e.g., the new orphanage), and a project fund (for additional projects of NOH, e.g., the Kamlari project). The intention of the budget is to guide expenditures, while exercising fiscal discipline. The assumptions underlying the proposed budget are:

1. Expenditures and income in 2008 will increase from 2007, with adjustments upwards for inflation, for the growth of Papa's House over 2007, and for continued support for Papa's Trinity Academy.
2. Budget line items have been added for a Capital Fund, Contingency Fund, and Special Project Fund. The project fund will be further delineated with separate income and expense statements for each project. As donations are received, those not designated for particular projects, will be used to cover the operating expenses of NOH, as outlined in the budget. In addition, a portion of the donations received will be placed in the Capital and Contingency Funds to earn interest and build endowments for the future.
3. A line item has been added to cover the living expenses of the Director of Operations.

Papa's House Expenditures:

\$ 12,000Grounds and Buildings
 \$5,000.....Building Lease House #1
 \$1,000.....Land lease (playground) #1
 \$ 400.....Repairs & Improvements at #1
 \$ 900.....Utilities at #1
 \$ 900.....Cost of furniture at #1

 \$3,000.....Building Lease House #2
 \$ 400.....Repairs & Improvements at #2
 \$ 200.....Utilities at #2
 \$ 200.....Cost of furniture at #2

\$ 2,400.....Communications
 \$1,000.....On-line service
 \$1,200.....Web site maintenance
 \$ 200.....Volunteers' office internet

\$ 4,400.....Wages
 \$4,000.....Didis
 \$ 400.....Other

\$25,200.....Childcare

\$7,000.....Food at #1
\$1,800.....Clothing at #1
\$2,000.....Supplies for children at #1
\$3,000.....Supplies for home at #1
\$13,800

\$2,000.....Food at #2
\$ 500.....Clothing at #2
\$ 500.....Supplies for children at #2
\$ 800.....Supplies for home at #2
\$3,800

\$1,500.....Entertainment & Enrichment
\$3,000.....Transportation
\$1,600.....Medical Services & Medicine
\$1,500.....Tuition & Fees
\$7,600

\$ 3,000.....Volunteer Program extra expenses
\$ 4,000.....Local charity
\$ 3,000.....Business fees
\$ 2,000.....Banking fees
\$ 2,000.....Living Expenses for Director of Operations

\$58,000.....Total Expenses for Papa's House #1 and #2 for 2008

\$20,000Total Support for Papa's Trinity Academy for 2008

\$ 4,000.....Building Lease
\$16,000.....Teachers & School Employees Wages

\$78,000Current Expenses Budgeted for NOH in 2008

\$ 5,000.....Capital Fund
\$ 2,000.....Contingency Fund
\$ 5,000.....Project Fund

\$90,000.....Total Expenses Budgeted for NOH in 2008

\$90,000.....Total Income Projected for NOH in 2008

\$70,000.....Donations
\$20,000.....Volunteer Fees

\$ 0.....Expected Net Income for NOH in 2008

NOH Board of Directors and Board of Advisers

NOH is fortunate to have such talented and compassionate individuals serve on the boards. Below are listed the members with their occupations and hometowns. Once 501(c)3 status is obtained, a link on the website www.nepalorphanshome.org will include this roster, as well as the NOH mission statement.

BOARD OF DIRECTORS:

Brenda Barger
News Reporter
Davidson, North Carolina

Karen Billing
Managing Director, Homespun Americana Ltd
Hertfordshire, England

Carola Drosdeck
Elementary Teacher
Cleveland Heights, Ohio

Chauncey K Gregory
South Carolina Senate, President of Builders Supply Co
Lancaster, South Carolina

Aaron Hess, Treasurer of NOH
Mainframe operator
South Daytona, Florida

Barbara Hess, Secretary of NOH
Davidson, North Carolina

Michael Hess, Founder of NOH
Director of Operations
Dhapasi, Nepal

Peter Hess, President of NOH
Professor
Davidson, North Carolina

George N. McNeil
Physician
Steep Falls, Maine

Antonia (Toni) Thomson
Senior Video Editor / Documentary Filmmaker
Toronto, Ontario

Marcie Westphalen
Teacher
Raleigh, North Carolina

BOARD OF ADVISERS:

Fiona S. Gilbert
Migration Agent
Mountain View, California

Thomas D. Gilbert
Business Manager
Mountain View, CA 94043

Milan Godar
Principal
Dhapasi, Nepal

Benjamin Hess
Director of Communications
Rockville, Maryland

Jerry Hess
Attorney
Brooklyn, New York

Mamta Singh
Medical Doctor
Kathmandu, Nepal.

