# WORLD'S CHILDREN

Financial Statements

For the Year Ended December 31, 2015

**TABLE OF CONTENTS**

Independent Auditor's Report

**To the Board of Directors**
**World's Children**
Corvallis, Oregon

We have audited the accompanying financial statements of World's Children, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 consolidated 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, I 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.

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of World's Children as of December 31, 2015, 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.

Richard Winkel, CPA

March 23, 2016

WORLD'S CHILDREN

STATEMENT OF FINANCIAL POSITION

December 31, 2015

| | | 2015 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ | 464,388 |
| Other assets | | 1,653 |
| Total current assets | | 466,041 |
| Office equipment, net of accumulated depreciation | | 2,276 |
| Investments | | 280,831 |
| Total assets | $ | 749,148 |
| **LIABILITIES AND NET ASSETS** | | |
| Current liabilities: | | |
| Accounts payable | $ | 316 |
| Accrued payroll | | 397 |
| Accrued vacation | | 6,464 |
| Total current liabilities | | 7,177 |
| NET ASSETS | | |
| Permanently restricted | | 232,831 |
| Temporarily restricted | | 300,678 |
| Unrestricted | | 208,462 |
| Total net assets | | 741,971 |
| Total liabilities and net assets | $ | 749,148 |

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

WORLD'S CHILDREN

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2015

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2015 Total |
|---|---|---|---|---|
| Revenues: | | | | |
| Contributions | $ 225,159 | $ 541,298 | $ 2,000 | $ 768,457 |
| Other revenue | 333 | - | - | 333 |
| Interest and investment revenue | 13,744 | - | (4,608) | 9,136 |
| Net assets released from restriction | 478,983 | (478,983) | - | - |
| Total revenues | 718,219 | 62,315 | (2,608) | 777,926 |
| Expenditures: | | | | |
| Program services | 634,756 | - | - | 634,756 |
| General and administration | 29,515 | - | - | 29,515 |
| Fundraising | 20,126 | - | - | 20,126 |
| Total expenditures | 684,397 | - | - | 684,397 |
| Change in net assets | 33,822 | 62,315 | (2,608) | 93,529 |
| Net assets, beginning of year | 174,640 | 238,363 | 235,439 | 648,442 |
| Net assets, end of year | $ 208,462 | $ 300,678 | $ 232,831 | $ 741,971 |

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

WORLD’S CHILDREN

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015

| | 2015 | | | |
|---|---|---|---|---|
| | Program Services | Management and General | Fundraising | 2015 Total |
| Salaries and wages | $ 84,853 | $ 20,431 | $ 13,225 | $ 118,509 |
| Payroll taxes and benefits | 7,868 | 1,895 | 1,226 | 10,989 |
| Contract labor | 3,670 | 90 | 58 | 3,818 |
| Program expenses | 503,361 | - | - | 503,361 |
| Fundraising | - | - | 1,024 | 1,024 |
| Professional services | 1,446 | 348 | 225 | 2,019 |
| Occupancy | 7,195 | 1,732 | 1,121 | 10,048 |
| Telephone | 830 | 200 | 129 | 1,159 |
| Insurance | 705 | 170 | 110 | 985 |
| Office supplies | 3,690 | 889 | 575 | 5,154 |
| Postage and delivery | 5,263 | 1,267 | 820 | 7,350 |
| Printing and stationery | 3,776 | 909 | 589 | 5,274 |
| Bank services | 4,844 | 1,166 | 755 | 6,765 |
| Dues and subscriptions | 208 | 50 | 32 | 290 |
| Travel | 6,443 | 222 | 143 | 6,809 |
| Depreciation | 604 | 146 | 94 | 844 |
| Total expenses | $ 634,756 | $ 29,515 | $ 20,126 | $ 684,397 |

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

WORLD'S CHILDREN

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2015

| | 2015 |
|---|---|
| Cash flows from operating activities: | |
| Cash received from contributions | $ 768,457 |
| Cash received from other revenue sources | 333 |
| Cash received from interest revenue | 13,744 |
| Cash paid for expenditures | (686,407) |
| Net cash provided by operating activities | 96,127 |
| Cash flows from investing activities: | |
| Cash paid for investment | (50,000) |
| Cash paid for purchase of office equipment | (585) |
| Net cash used in investing activities | (50,585) |
| Net change in cash and cash equivalents | 45,542 |
| Cash and cash equivalents, beginning of year | 418,846 |
| Cash and cash equivalents, end of year | $ 464,388 |

The following presents a reconciliation of the decrease in net assets to net cash provided by (used in) operating activities for the year ended December 31, 2015

| | 2015 |
|---|---|
| Change in net assets | $ 93,529 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | |
| Depreciation expense | 844 |
| Unrealized loss | 4,608 |
| Changes in assets and liabilities: | |
| Prepaid expense | (963) |
| Accounts payable | 316 |
| Accrued payroll | (4,016) |
| Accrued vacation | 1,809 |
| Net cash provided by (used in) operating activities | $ 96,127 |

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

## NOTE A – ORGANIZATION

World's Children ("the Organization") is a nonprofit organization founded to provide humanitarian assistance to people living in poverty around the world. Because children are often helpless victims of poverty and disaster, World's Children focuses on helping orphans and vulnerable children. The Organization is funded through grants and contributions.

## NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies applied in the preparation of the accompanying financial statements follows.

### Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting and in accordance with Accounting Standards Codification (ASC) of the Financial Accounting Standards Board (FASB) Section 958. ASC 958 is the standard for external financial reporting for not-for-profit organizations.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted Net Assets* are net assets not subject to donor-imposed stipulations.

*Temporarily Restricted Net Assets* are net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

*Permanently Restricted Net Assets* are net assets subject to donor-imposed stipulations that will not be met by actions of the Organization or the passage of time.

Revenue is reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Temporary restrictions expire when the donor-stipulated purpose has been fulfilled and/or the donor-stipulated time period has elapsed. Expirations of temporary restrictions result in the reclassification of temporarily restricted net assets to unrestricted net assets and are reported in the statement of activities as net assets released from restriction.

### Cash and Cash Equivalents

Cash and cash equivalents include accounts with financial institutions covered by the Federal Deposit Insurance Corporation (FDIC) of $250,000. For purposes of the statement of cash flows, the Organization considers all short-term investments purchased with an original maturity of three months or less to be cash equivalents.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Donor restricted contributions are recorded as unrestricted if the restrictions are satisfied in the same reporting period in which the contributions are made. Contributions are recorded as increases in temporarily restricted net assets when the restrictions will be met in a future reporting period.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as unrestricted revenues. Contributions of services that create or enhance nonfinancial assets or 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 fair value in the period received.

Furnishings and Equipment

Furnishings and equipment are recorded at purchase cost. Acquisitions, renovations and repairs which increase the value of assets and have an estimated useful life in excess of one year are capitalized. All expenditures for repairs and maintenance which do not appreciably extend the useful life or increase the value of the assets are expensed in the period in which the cost is incurred. Contributed property is recorded at its fair market value on the date of contribution.

The Organization depreciates furnishings and equipment over its estimated useful life using the double declining balance method for financial reporting purposes, which is generally between 5 and 7 years.

Advertising Costs

Advertising is expensed as incurred.

Income Taxes

The Organization received a tax determination letter indicating that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under section 509(a)(1). Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Organization's federal and state information returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those returns. In general, the federal and state information returns have a three year statute of limitations.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

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

Fair Value of Financial Instruments

Due to the short-term nature of cash equivalents, prepaid expenses and other assets, accounts payable and accrued liabilities, their fair value approximates carrying value.

Use of Estimates

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

NOTE C – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at December 31, 2015:

| | | |
|---|---|---|
| Petty Cash | $ | 138 |
| Checking accounts | | 316,751 |
| Money market and savings accounts | | 147,499 |
| | $ | 464,388 |

At December 31, 2015 the balance in the bank accounts that exceeded FDIC insurance was $67,253.

NOTE D – FURNISHINGS AND EQUIPMENT

Major classes of furnishings and equipment consist of the following at December 31, 2015:

| | | |
|---|---|---|
| Furniture and equipment | $ | 8,793 |
| Less accumulated depreciation | | (6,517) |
| | $ | 2,276 |

Depreciation expense was $844 dollars for the year ended December 31, 2015.

NOTE E – INVESTMENTS

ASC 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, maximizes the use of observable inputs, and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent resources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level I: Observable inputs such as quoted prices in active markets for identical assets or liabilities.

Level II: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level III: Unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

The following table sets forth carrying amounts and estimated fair values for financial instruments at December 31, 2015:

| | Level I | Level II | Level III | Total |
|---|---|---|---|---|
| Bank certificate of deposit | $ 85,383 | $ - | $ - | $ 85,383 |
| Professional Investors Security Fund I | - | - | 110,000 | 110,000 |
| Professional Investors Security Fund II | - | - | 50,000 | 50,000 |
| RPAI Endowment - Inland Property | 35,448 | - | - | 35,448 |
| | $ 120,831 | $ - | $ 160,000 | $ 280,831 |

The following table summarizes the change in investments for the year ended December 31, 2015:

| | Level I | Level III | Total |
|---|---|---|---|
| Balance, December 31, 2014 | $ 125,439 | $ 110,000 | $ 235,439 |
| Interest and dividends | 1,589 | - | 1,589 |
| Depreciation in value | (6,197) | - | (6,197) |
| Net change in value | (4,608) | - | (4,608) |
| Contributions | 3,000 | 50,000 | 53,000 |
| Distributions | (3,000) | - | (3,000) |
| Balance, December 31, 2015 | $ 120,831 | $ 160,000 | $ 280,831 |

## NOTE F – PERMANENTLY RESTRICTED ENDOWMENT INVESTMENTS

The Organization follows the guidance in FASB ASC 958-205 in accounting for its endowment investments. The standard provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization. The ASC also requires classifying the portion of a donor restricted endowment that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure.

The Organization's endowment was established to provide funds for child sponsorship and scholarships. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions. All endowment investments are permanently restricted as of December 31, 2015.

Changes in endowment net assets as of December 31, 2015 are as follows:

| | | Permanently Restricted |
|---|---|---|
| Balance, December 31, 2014 | $ | 235,439 |
| Interest and dividends | | 1,589 |
| Depreciation in value | | (6,197) |
| Net change in value | | (4,608) |
| Contributions | | 2,000 |
| Distributions | | - |
| Balance, December 31, 2015 | $ | 232,831 |

Investment Return Objectives, Risk Parameters and Strategies

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation. All interest and dividends from the investments are available for use by the Organization.

The Organization's endowment is invested as follows at December 31, 2015:

| | | |
|---|---|---|
| Bank certificate of deposit | $ | 85,383 |
| Cash | | 2,000 |
| Professional Investors Security Fund I | | 110,000 |
| Stock investment | | 35,448 |
| | $ | 232,831 |

## NOTE G – LEASES

The Organization leases office space and extended their lease on Feb 1, 2015 for 18 months, terminating on July 31, 2016. Rent expense for the year ended December 31, 2015 was $8,610. Future obligations under the terms of the lease are:

| | | |
|---|---|---|
| 2016 | $ | 4,320 |
| | $ | 4,320 |

## NOTE H – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 23, 2016, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2015.