WORLD'S CHILDREN

Financial Statements

For the Year Ended December 31, 2016

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WINKEL | CPA

ACCOUNTING AND ADVISORY SERVICES

Independent Accountant's Review Report

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

We have reviewed the accompanying financial statements of World's Children as of December 31, 2016, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, statement of functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility
Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion
Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Prior Year Summarized Information
The prior year summarized comparative information has been derived from the Organization's December 31, 2015 financial statements, which were audited by us and we expressed an unmodified opinion on them in our report dated March 23, 2016. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2015 for it to be consistent with the audited financial statements from which it has been derived.

Richard Winkel, CPA

April 25, 2017

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WORLD'S CHILDREN

STATEMENT OF FINANCIAL POSITION

December 31, 2016
(With Comparative Totals for December 31, 2015)

	2016 (Reviewed)	2015 (Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 461,497	$ 464,388
Other assets	12,294	1,653
Total current assets	473,791	466,041
Office equipment, net of accumulated depreciation	2,529	2,276
Investments	285,175	280,831
Total assets	$ 761,495	$ 749,148
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 486	$ 316
Accrued payroll	4,097	397
Accrued vacation	1,940	6,464
Total current liabilities	6,523	7,177
NET ASSETS		
Permanently restricted	235,675	232,831
Temporarily restricted	267,539	300,678
Unrestricted	251,758	208,462
Total net assets	754,972	741,971
Total liabilities and net assets	$ 761,495	$ 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, 2016
(With Comparative Totals For the Year Ended December 31, 2015)

	2016 (Reviewed)				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2015 (Audited)
Revenues:					
Contributions	$ 126,106	$ 558,788	$ 1,500	$ 686,394	$ 768,457
Other revenue	-	-	-	-	333
Investment income	752	4,702	14,627	20,081	9,136
Net assets released from restriction	609,912	(596,629)	(13,283)	-	-
Total revenues	736,770	(33,139)	2,844	706,475	777,926
Expenditures:					
Program services	629,014	-	-	629,014	634,756
General and administration	32,375	-	-	32,375	29,515
Fundraising	32,085	-	-	32,085	20,126
Total expenditures	693,474	-	-	693,474	684,397
Change in net assets	43,296	(33,139)	2,844	13,001	93,529
Net assets, beginning of year	208,462	300,678	232,831	741,971	648,442
Net assets, end of year	$ 251,758	$ 267,539	$ 235,675	$ 754,972	$ 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, 2016
(With Comparative Totals For the Year Ended December 31, 2015)

	2016 (Reviewed)				
	Program Services	Management and General	Fundraising	Total	2015 (Audited)
Salaries and wages	$ 100,829	$ 22,730	$ 14,464	$ 138,023	$ 118,509
Payroll taxes and benefits	9,479	2,137	1,360	12,976	10,989
Contract labor	2,601	-	-	2,601	3,818
Program expenses	482,805	-	-	482,805	503,361
Fundraising	-	-	11,485	11,485	1,024
Professional services	5,439	1,226	780	7,445	2,019
Occupancy	7,488	1,688	1,074	10,250	10,048
Telephone	1,391	314	200	1,905	1,159
Insurance	1,277	288	183	1,748	985
Office supplies	1,459	329	209	1,997	5,154
Postage and delivery	4,013	905	576	5,494	7,350
Printing and stationery	5,432	1,224	779	7,435	5,274
Bank services	4,394	991	630	6,015	6,765
Dues and subscriptions	470	106	67	643	290
Travel	1,246	281	179	1,706	6,808
Depreciation	691	156	99	946	844
Total expenses	$ 629,014	$ 32,375	$ 32,085	$ 693,474	$ 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, 2016
(With Comparative Totals For the Year Ended December 31, 2015)

	2016 (Reviewed)	2015 (Audited)
Cash flows from operating activities:		
Cash received from contributions	$ 685,833	$ 768,457
Cash received from other revenue sources	-	333
Cash received from interest revenue	18,737	13,744
Cash paid to employees and suppliers	(703,262)	(686,407)
Net cash provided by operating activities	1,308	96,127
Cash flows from investing activities:		
Cash paid for investments	(3,000)	(50,000)
Cash paid for purchase of office equipment	(1,199)	(585)
Net cash used in investing activities	(4,199)	(50,585)
Net change in cash and cash equivalents	(2,891)	45,542
Cash and cash equivalents, beginning of year	464,388	418,846
Cash and cash equivalents, end of year	$ 461,497	$ 464,388

The following presents a reconciliation of the decrease in net assets to net cash provided by operating activities for the year ended December 31, 2016 (with comparative totals for 2015)

	2016	2015
Change in net assets	$ 13,001	$ 93,529
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation expense	946	844
Unrealized (gain)/loss	(1,344)	4,608
Changes in assets and liabilities:		
Prepaid expense	(10,641)	(963)
Accounts payable	170	316
Accrued payroll	3,700	(4,016)
Accrued vacation	(4,524)	1,809
Net cash provided by operating activities	$ 1,308	$ 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. During the year ended December 31, 2016 the Organization received contributions of office supplies valued at $561.

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, 2016:

Petty Cash	$	123
Checking accounts		263,738
Money market and savings accounts		197,551
	$	461,412

At December 31, 2016 the balance in the bank accounts that exceeded FDIC insurance was $13,841.

NOTE D – FURNISHINGS AND EQUIPMENT

Major classes of furnishings and equipment consist of the following at December 31, 2016:

Furniture and equipment	$	9,993
Less accumulated depreciation		(7,464)
	$	2,529

Depreciation expense was $946 dollars for the year ended December 31, 2016.

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, 2016:

	Level I	Level II	Level III	Total
Bank certificate of deposit	$ 86,083	$ -	$ -	$ 86,083
Professional Investors Security Fund I	-	-	112,300	112,300
Professional Investors Security Fund II	-	-	50,000	50,000
RPAI Endowment - Inland Property	36,792	-	-	36,792
	$ 122,875	$ -	$ 162,300	$ 285,175

The following table summarizes the change in investments for the year ended December 31, 2016:

	Level I	Level III	Total
Balance, December 31, 2015	$ 120,831	$ 160,000	$ 280,831
Interest and dividends	2,290	-	2,290
Depreciation in value	(246)	-	(246)
Net change in value	2,044	-	2,044
Contributions	-	2,300	2,300
Distributions	-	-	-
Balance, December 31, 2016	$ 122,875	$ 162,300	$ 285,175

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, 2016.

Changes in endowment net assets as of December 31, 2016 are as follows:

		Permanently Restricted
Balance, December 31, 2015	$	232,831
Interest and dividends		2,290
Depreciation in value		(246)
Net change in value		2,044
Contributions		800
Balance, December 31, 2016	$	235,675

<u>Investment Return Objectives, Risk Parameters and Strategies</u>

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, 2016:

Bank certificate of deposit	$	86,083
Cash		500
Professional Investors Security Fund I		112,300
Stock investment		36,792
	$	235,675

NOTE G – LEASES

The Organization leases office space and extended their lease on August 1, 2016 for 12 months, terminating on July 31, 2017. Rent expense for the year ended December 31, 2016 was $8,840. Future obligations under the terms of the lease are:

2017	$	5,320
	$	5,320

NOTE H – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 25, 2017, 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, 2016.