

WORLD'S CHILDREN

Financial Statements

For the Year Ended December 31, 2017

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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, 2017, which comprise the statement of financial position as of December 31, 2017, 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, 2016 financial statements, which were reviewed by us and in our report dated April 25, 2017. 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, 2016 for it to be consistent with the reviewed financial statements from which it has been derived.



April 19, 2018

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WORLD'S CHILDREN

STATEMENT OF FINANCIAL POSITION

December 31, 2017
(With Comparative Totals for December 31, 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 442,505	\$ 461,497
Other assets	<u>3,284</u>	<u>12,294</u>
 Total current assets	 445,789	 473,791
 Office equipment, net of accumulated depreciation	 1,632	 2,529
Investments	<u>280,639</u>	<u>285,175</u>
 Total assets	 <u>\$ 728,060</u>	 <u>\$ 761,495</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ -	\$ 486
Accrued payroll	4,760	4,097
Accrued vacation	<u>9,226</u>	<u>1,940</u>
 Total current liabilities	 <u>13,986</u>	 <u>6,523</u>
NET ASSETS		
Permanently restricted	230,639	235,675
Temporarily restricted	323,911	267,539
Unrestricted	<u>159,524</u>	<u>251,758</u>
 Total net assets	 <u>714,074</u>	 <u>754,972</u>
 Total liabilities and net assets	 <u>\$ 728,060</u>	 <u>\$ 761,495</u>

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, 2017

(With Comparative Totals For the Year Ended December 31, 2016)

	2017			2017 Total	2016 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenues:					
Contributions	\$ 154,662	\$ 563,457	\$ -	\$ 718,119	\$ 686,394
Investment income	815	4,500	8,355	13,670	20,081
Net assets released from restriction	524,976	(511,585)	(13,391)	-	-
Total revenues	680,453	56,372	(5,036)	731,789	706,475
Expenditures:					
Program services	710,665	-	-	710,665	629,014
General and administration	37,901	-	-	37,901	32,375
Fundraising	24,121	-	-	24,121	32,085
Total expenditures	772,687	-	-	772,687	693,474
Change in net assets	(92,234)	56,372	(5,036)	(40,898)	13,001
Net assets, beginning of year	251,758	267,539	235,675	754,972	741,971
Net assets, end of year	\$ 159,524	\$ 323,911	\$ 230,639	\$ 714,074	\$ 754,972

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

WORLD'S CHILDREN

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017
(With Comparative Totals For the Year Ended December 31, 2016)

	2017				2016
	Program Services	Management and General	Fundraising	Total	
Salaries and wages	\$ 114,175	\$ 25,738	\$ 16,378	\$ 156,291	\$ 138,023
Payroll taxes and benefits	12,355	2,785	1,772	16,912	12,976
Contract labor	1,985	-	-	1,985	2,601
Grants awarded	520,010	-	-	520,010	482,805
Program expenses	20,535	-	-	20,535	6,758
Professional services	8,767	1,976	1,258	12,001	12,172
Occupancy	9,578	2,159	1,374	13,111	10,250
Telephone	1,479	333	212	2,024	1,905
Insurance	1,957	441	281	2,679	1,748
Office supplies	2,612	589	375	3,576	1,997
Postage and delivery	4,005	903	575	5,483	5,494
Printing and stationery	4,355	982	625	5,962	7,435
Bank services	6,021	1,357	864	8,242	6,015
Dues and subscriptions	596	134	86	816	643
Travel	1,580	356	227	2,163	1,706
Depreciation	655	148	94	897	946
Total expenses	<u>\$ 710,665</u>	<u>\$ 37,901</u>	<u>\$ 24,121</u>	<u>\$ 772,687</u>	<u>\$ 693,474</u>

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

WORLD'S CHILDREN

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2017
(With Comparative Totals For the Year Ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash received from contributions	\$ 718,119	\$ 685,833
Cash received from interest revenue	18,206	18,737
Cash paid to employees and suppliers	(235,307)	(220,457)
Cash paid for grants	<u>(520,010)</u>	<u>(482,805)</u>
Net cash (used in) provided by operating activities	<u>(18,992)</u>	<u>1,308</u>
Cash flows from investing activities:		
Cash paid for investments	-	(3,000)
Cash paid for purchase of office equipment	<u>-</u>	<u>(1,199)</u>
Net cash provided by (used in) investing activities	<u>-</u>	<u>(4,199)</u>
Net change in cash and cash equivalents	(18,992)	(2,891)
Cash and cash equivalents, beginning of year	<u>461,497</u>	<u>464,388</u>
Cash and cash equivalents, end of year	<u>\$ 442,505</u>	<u>\$ 461,497</u>

The following presents a reconciliation of the decrease in net assets to net cash (used in) provided by operating activities for the year ended December 31, 2017 (with comparative totals for 2016)

	<u>2017</u>	<u>2016</u>
Change in net assets	\$ (40,898)	\$ 13,001
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation expense	897	946
Unrealized (gain)/loss	4,536	(1,344)
Changes in assets and liabilities:		
Prepaid expense	9,010	(10,641)
Accounts payable	(486)	170
Accrued payroll	663	3,700
Accrued vacation	<u>7,286</u>	<u>(4,524)</u>
Net cash (used in) provided by operating activities	<u>\$ (18,992)</u>	<u>\$ 1,308</u>

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

WORLD'S CHILDREN
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

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.

WORLD'S CHILDREN
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

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, 2017 the Organization received no in-kind contributions.

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.

WORLD'S CHILDREN
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

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, 2017:

Petty Cash	\$	71
Checking accounts		242,768
Money market and savings accounts		<u>199,666</u>
	\$	<u>442,505</u>

At December 31, 2017 the balances in the bank accounts did not exceed FDIC insurance limits.

NOTE D – FURNISHINGS AND EQUIPMENT

Major classes of furnishings and equipment consist of the following at December 31, 2017:

Furniture and equipment	\$	9,993
Less accumulated depreciation		<u>(8,361)</u>
	\$	<u>1,632</u>

Depreciation expense was \$897 for the year ended December 31, 2017.

WORLD'S CHILDREN
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

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, 2017:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
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
Stock investment	<u>32,256</u>	<u>-</u>	<u>-</u>	<u>32,256</u>
	<u>\$ 118,339</u>	<u>\$ -</u>	<u>\$ 162,300</u>	<u>\$ 280,639</u>

The following table summarizes the change in investments for the year ended December 31, 2017:

	<u>Level I</u>	<u>Level III</u>	<u>Total</u>
Balance, December 31, 2016	\$ 122,875	\$ 162,300	\$ 285,175
Interest and dividends	2,784	14,607	17,391
Depreciation in value	<u>(4,536)</u>	<u>-</u>	<u>(4,536)</u>
Net change in value	<u>(1,752)</u>	<u>14,607</u>	<u>12,855</u>
Distributions	<u>(2,784)</u>	<u>(14,607)</u>	<u>(22,391)</u>
Balance, December 31, 2017	<u>\$ 118,339</u>	<u>\$ 162,300</u>	<u>\$ 280,639</u>

WORLD'S CHILDREN
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

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, 2017.

Changes in endowment net assets as of December 31, 2017 are as follows:

	Permanently Restricted
Balance, December 31, 2016	\$ 235,675
Interest and dividends	12,891
Unrealized loss on investments	(4,536)
Investment income	8,355
Distributions	(13,391)
Balance, December 31, 2017	\$ 230,639

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, 2017:

Bank certificate of deposit	\$ 86,083
Professional Investors Security Fund I	112,300
Stock investment	32,256
	\$ 230,639

WORLD'S CHILDREN
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

NOTE G – LEASES

The Organization leased a new office space and extended that lease on July 1, 2017 for 36 months, terminating on June 30, 2020. Rent expense for the year ended December 31, 2017 was \$10,820. Future obligations under the terms of the lease are:

2018	\$	12,180
2019		12,545
2020		<u>6,365</u>
	\$	<u><u>31,090</u></u>

NOTE H – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 19, 2018, 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, 2017.