

WORLD'S CHILDREN

Financial Statements

For the Year Ended December 31, 2018

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT ACCOUNTANT'S REVIEW REPORT	1
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	3
STATEMENT OF FUNCTIONAL EXPENSES	4
STATEMENT OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6

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, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, 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, 2017 financial statements, which were reviewed by us and in our report dated April 19, 2018. 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, 2017 for it to be consistent with the reviewed financial statements from which it has been derived.



April 23, 2019

Richard Winkel, CPA
PO Box 91637
Portland, OR 97291

tel: (503) 332-6750
fax: (888) 739-8185
email: rwinkel@winkelcpa.com

WORLD'S CHILDREN

STATEMENT OF FINANCIAL POSITION

December 31, 2018
(With Comparative Totals for December 31, 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 468,163	\$ 442,505
Other assets	<u>8,123</u>	<u>3,284</u>
Total current assets	476,286	445,789
Office equipment, net of accumulated depreciation	<u>3,031</u>	<u>1,632</u>
Investments	<u>274,423</u>	<u>280,639</u>
Total assets	<u>\$ 753,740</u>	<u>\$ 728,060</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ -	\$ -
Accrued payroll	4,585	4,760
Accrued vacation	<u>10,263</u>	<u>9,226</u>
Total current liabilities	<u>14,848</u>	<u>13,986</u>
NET ASSETS		
Without restrictions	273,334	159,524
With restrictions	<u>465,558</u>	<u>554,550</u>
Total net assets	<u>738,892</u>	<u>714,074</u>
Total liabilities and net assets	<u>\$ 753,740</u>	<u>\$ 728,060</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, 2018

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

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>2018 Total</u>	<u>2017</u>
Revenues:				
Contributions	\$ 110,586	\$ 636,395	\$ 746,981	\$ 718,119
Investment income	1,056	11,632	12,688	13,670
Net assets released from restriction	<u>737,019</u>	<u>(737,019)</u>	<u>-</u>	<u>-</u>
Total revenues	848,661	(88,992)	759,669	731,789
Expenditures:				
Program services	673,467	-	673,467	710,665
Management and general	37,513	-	37,513	37,901
Fundraising	<u>23,871</u>	<u>-</u>	<u>23,871</u>	<u>24,121</u>
Total expenditures	<u>734,851</u>	<u>-</u>	<u>734,851</u>	<u>772,687</u>
Change in net assets	113,810	(88,992)	24,818	(40,898)
Net assets, beginning of year	<u>159,524</u>	<u>554,550</u>	<u>714,074</u>	<u>754,972</u>
Net assets, end of year	<u>\$ 273,334</u>	<u>\$ 465,558</u>	<u>\$ 738,892</u>	<u>\$ 714,074</u>

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

WORLD'S CHILDREN

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018
(With Comparative Totals For the Year Ended December 31, 2017)

	2018				2017
	Program Services	Management and General	Fundraising	Total	
Salaries and wages	\$ 113,203	\$ 25,519	\$ 16,239	\$ 154,961	\$ 156,291
Payroll taxes and benefits	9,900	2,232	1,420	13,552	16,912
Contract labor	2,202	-	-	2,202	1,985
Program expenses	493,456	-	-	493,456	520,010
Fundraising	11,400	-	-	11,400	25,953
Professional services	7,459	1,682	1,070	10,211	6,583
Occupancy	11,532	2,600	1,654	15,786	13,111
Telephone	937	211	134	1,282	2,024
Insurance	1,440	325	207	1,972	2,679
Office supplies	4,469	1,007	641	6,117	3,576
Postage and delivery	5,133	1,157	736	7,026	5,483
Printing and stationery	5,112	1,152	733	6,997	5,962
Bank services	5,308	1,197	761	7,266	8,242
Dues and subscriptions	834	188	120	1,142	816
Travel	304	68	44	416	2,163
Depreciation	778	175	112	1,065	897
Total expenses	<u>\$ 673,467</u>	<u>\$ 37,513</u>	<u>\$ 23,871</u>	<u>\$ 734,851</u>	<u>\$ 772,687</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, 2018
(With Comparative Totals For the Year Ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from contributions	\$ 702,047	\$ 718,119
Cash received from interest revenue	1,057	18,206
Cash paid to employees and suppliers	(244,307)	(235,307)
Cash paid for grants	<u>(493,456)</u>	<u>(520,010)</u>
Net cash (used in) provided by operating activities	<u>(34,659)</u>	<u>(18,992)</u>
Cash flows from investing activities:		
Cash received from sale of investments	62,781	-
Cash paid for purchase of office equipment	<u>(2,464)</u>	<u>-</u>
Net cash provided by investing activities	<u>60,317</u>	<u>-</u>
Net change in cash and cash equivalents	25,658	(18,992)
Cash and cash equivalents, beginning of year	<u>442,505</u>	<u>461,497</u>
Cash and cash equivalents, end of year	<u>\$ 468,163</u>	<u>\$ 442,505</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, 2018 (with comparative totals for 2017)

	<u>2018</u>	<u>2017</u>
Change in net assets	\$ 24,818	\$ (40,898)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation expense	1,065	897
(Gain) loss on investments	(11,631)	4,536
Stock donations	(44,934)	-
Changes in assets and liabilities:		
Prepaid expense	(4,839)	9,010
Accounts payable	-	(486)
Accrued payroll	(175)	663
Accrued vacation	<u>1,037</u>	<u>7,286</u>
Net cash (used in) provided by operating activities	<u>\$ (34,659)</u>	<u>\$ (18,992)</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, 2018

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 in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization 's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Organization cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

WORLD'S CHILDREN
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions are recorded 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 net assets with restrictions 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, 2018 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.

Grants and Contributions

Grants and contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Advertising Costs

Advertising is expensed as incurred.

WORLD'S CHILDREN
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

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.

Functional Expenses

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. Such allocations are determined by management on an equitable basis.

The expenses that were allocated include the following:

Salaries, taxes and benefits	Time and effort
Occupancy	Square footage
Professional services	Time and effort
Office expenses	Time and effort
Insurance	Time and effort

WORLD'S CHILDREN
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summarized Financial Information for 2017

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

NOTE C – AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2018:

Financial assets at year end:	
Cash and cash equivalents	\$ 468,163
Investments	<u>274,423</u>
Total financial assets	742,586
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>465,558</u>
Financial assets available to meet general expenditures over the next twelve months	\$ <u><u>277,028</u></u>

NOTE D – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at December 31, 2018:

Petty Cash	\$ 98
Checking accounts	213,226
Money market and savings accounts	<u>254,839</u>
	\$ <u><u>468,163</u></u>

NOTE E – FURNISHINGS AND EQUIPMENT

Major classes of furnishings and equipment consist of the following at December 31, 2018:

Furniture and equipment	\$ 12,457
Less accumulated depreciation	<u>(9,426)</u>
	\$ <u><u>3,031</u></u>

Depreciation expense was \$1,065 for the year ended December 31, 2018.

WORLD'S CHILDREN
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

NOTE F – 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, 2018:

	<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>26,040</u>	<u>-</u>	<u>-</u>	<u>26,040</u>
	<u>\$ 112,123</u>	<u>\$ -</u>	<u>\$ 162,300</u>	<u>\$ 274,423</u>

The following table summarizes the change in investments for the year ended December 31, 2018:

	<u>Level I</u>	<u>Level III</u>	<u>Total</u>
Balance, December 31, 2017	\$ 118,339	\$ 162,300	\$ 280,639
Interest and dividends	2,794	14,607	17,401
Change in value	<u>(5,770)</u>	<u>-</u>	<u>(5,770)</u>
Net investment income	<u>(2,976)</u>	<u>14,607</u>	<u>11,631</u>
Deposits	44,934	-	44,934
Distributions	<u>(48,174)</u>	<u>(14,607)</u>	<u>(62,781)</u>
Balance, December 31, 2018	<u>\$ 112,123</u>	<u>\$ 162,300</u>	<u>\$ 274,423</u>

WORLD'S CHILDREN
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

NOTE G – 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 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 restricted as of December 31, 2018.

Changes in endowment net assets for the year ended December 31, 2018 are as follows:

Balance, December 31, 2017	\$	230,639
Interest and dividends		12,901
Unrealized loss on investments		<u>(5,770)</u>
Investment income		7,131
Deposits		44,934
Distributions		<u>(58,281)</u>
Balance, December 31, 2018	\$	<u><u>224,423</u></u>

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, 2018:

Bank certificate of deposit	\$	86,083
Professional Investors Security Fund I		112,300
Stock investment		<u>26,040</u>
	\$	<u><u>224,423</u></u>

WORLD'S CHILDREN
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

NOTE H – 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, 2018 was \$13,180. Future obligations under the terms of the lease are:

2019	\$	12,545
2020		<u>6,365</u>
	\$	<u><u>18,910</u></u>

NOTE I – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 23, 2019, 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, 2018.