

WORLD'S CHILDREN

Financial Statements

For the Year Ended December 31, 2019

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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, which comprise the statement of financial position as of December 31, 2019, 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, 2018 financial statements, which were reviewed by us and in our report dated April 23, 2019. 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, 2018 for it to be consistent with the reviewed financial statements from which it has been derived.



May 5, 2020

Richard Winkel, CPA
15086 NW Oakmont Loop
Beaverton, OR 97006

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

WORLD'S CHILDREN

STATEMENT OF FINANCIAL POSITION

December 31, 2019
(With Comparative Totals for December 31, 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 471,236	\$ 468,163
Certificates of deposit	150,840	-
Other assets	<u>3,661</u>	<u>8,123</u>
Total current assets	625,737	476,286
Investments	194,460	188,340
Certificate of deposit	92,083	86,083
Office equipment, net of accumulated depreciation	<u>2,751</u>	<u>3,031</u>
Total assets	<u>\$ 915,031</u>	<u>\$ 753,740</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accrued payroll	\$ 7,552	\$ 4,585
Accrued vacation	<u>18,603</u>	<u>10,263</u>
Total current liabilities	<u>26,155</u>	<u>14,848</u>
NET ASSETS		
Without donor restrictions	278,810	273,334
With donor restrictions	<u>610,066</u>	<u>465,558</u>
Total net assets	<u>888,876</u>	<u>738,892</u>
Total liabilities and net assets	<u>\$ 915,031</u>	<u>\$ 753,740</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, 2019

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

	2019		2019	2018
	Without Restrictions	With Restrictions	Total	
Revenues:				
Contributions	\$ 148,821	\$ 774,864	\$ 923,685	\$ 746,981
Investment income	2,197	23,779	25,976	12,688
Net assets released from restriction	654,135	(654,135)	-	-
Total revenues	805,153	144,508	949,661	759,669
Expenditures:				
Program services	729,435	-	729,435	673,467
Management and general	42,926	-	42,926	37,513
Fundraising	27,316	-	27,316	23,871
Total expenditures	799,677	-	799,677	734,851
Change in net assets	5,476	144,508	149,984	24,818
Net assets, beginning of year	273,334	465,558	738,892	714,074
Net assets, end of year	<u>\$ 278,810</u>	<u>\$ 610,066</u>	<u>\$ 888,876</u>	<u>\$ 738,892</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, 2019
(With Comparative Totals For the Year Ended December 31, 2018)

	2019			Total	2018
	Program Services	Management and General	Fundraising		
Salaries and wages	\$ 133,336	\$ 30,058	\$ 19,127	\$ 182,521	\$ 154,961
Payroll taxes and benefits	15,764	3,554	2,261	21,579	13,552
Contract labor	475	-	-	475	2,202
Program expenses	510,114	-	-	510,114	493,456
Outreach	28,416	-	-	28,416	11,400
Professional services	8,438	1,902	1,210	11,550	10,211
Occupancy	11,168	2,517	1,602	15,287	15,786
Telephone	1,207	272	173	1,652	1,282
Insurance	919	207	133	1,259	1,972
Office supplies	4,839	1,090	694	6,623	6,117
Postage and delivery	4,207	948	603	5,758	7,026
Printing and stationery	3,510	791	504	4,805	6,997
Bank services	5,343	1,204	766	7,313	7,266
Dues and subscriptions	598	135	86	819	1,142
Travel	268	60	38	366	416
Depreciation	833	188	119	1,140	1,065
Total expenses	<u>\$ 729,435</u>	<u>\$ 42,926</u>	<u>\$ 27,316</u>	<u>\$ 799,677</u>	<u>\$ 734,851</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, 2019
(With Comparative Totals For the Year Ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from contributions	\$ 913,285	\$ 702,047
Cash received from interest revenue	2,003	1,057
Cash paid to employees and suppliers	(272,654)	(244,307)
Cash paid for grants	<u>(510,114)</u>	<u>(493,456)</u>
Net cash provided by (used in) operating activities	<u>132,520</u>	<u>(34,659)</u>
Cash flows from investing activities:		
Cash received from sale of investments	27,413	62,781
Cash paid for purchase of certificates of deposit	(156,000)	-
Cash paid for purchase of office equipment	<u>(860)</u>	<u>(2,464)</u>
Net cash (used in) provided by investing activities	<u>(129,447)</u>	<u>60,317</u>
Net change in cash and cash equivalents	3,073	25,658
Cash and cash equivalents, beginning of year	<u>468,163</u>	<u>442,505</u>
Cash and cash equivalents, end of year	<u>\$ 471,236</u>	<u>\$ 468,163</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, 2019

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, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Organization follows guidance in Accounting Standards Codification (ASC) 820 and 958. Investments are reflected on the statement of financial position at fair value with changes in unrealized gains and losses resulting from changes in fair value reflected in the statement of activities. Interest income is reported as earned.

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.

Office Equipment

Office 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, 2019

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.

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

Summarized Financial Information for 2018

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, 2018, from which the summarized information was derived. Certain 2018 amounts have been reclassified to conform with current year presentation.

WORLD'S CHILDREN
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE C – AVAILABILITY AND LIQUIDITY

The Organization manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. The Organization's cash needs are expected to be met on a monthly basis from regular revenue sources. In general, the Organization maintains sufficient financial assets on hand to meet normal operating expenditures and to reserve for future needs.

The following represents the Organization's financial assets at December 31, 2019:

Financial assets at year end:	
Cash and cash equivalents	\$ 471,236
Certificate of deposit	<u>150,840</u>
Total financial assets	622,076
Less amounts not available to be used within one year:	
Net assets with donor restrictions for purpose	<u>372,423</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 249,653</u>

NOTE D – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at December 31, 2019:

Petty Cash	\$ 128
Checking accounts	231,023
Money market and savings accounts	<u>240,085</u>
	<u>\$ 471,236</u>

NOTE E – CERTIFICATES OF DEPOSIT

The Organization has a six-month certificate of deposit with a bank that bears interest at 2.0% and matures in March 2020. The initial deposit was \$150,000 and the value at year end is \$150,840. The Organization has another two-year certificate of deposit that bears interest at 2.42% and matures in August 2021 with a value of \$92,083 at December 31, 2019.

NOTE F – OFFICE EQUIPMENT

Major classes of office furnishings and equipment consist of the following at December 31, 2019:

Office equipment	\$ 13,316
Less accumulated depreciation	<u>(10,565)</u>
	<u>\$ 2,751</u>

Depreciation expense was \$1,140 for the year ended December 31, 2019.

WORLD'S CHILDREN
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

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, 2019:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Professional Investors Security Fund I	\$ -	\$ -	\$ 112,300	\$ 112,300
Professional Investors Security Fund II	-	-	50,000	50,000
Stock investment	<u>32,160</u>	<u>-</u>	<u>-</u>	<u>32,160</u>
	<u>\$ 32,160</u>	<u>\$ -</u>	<u>\$ 162,300</u>	<u>\$ 194,460</u>

The Level III investments are carried at cost as the initial investment is returned after the investment term ends.

The following table summarizes the change in investments for the year ended December 31, 2019:

	<u>Level I</u>	<u>Level III</u>	<u>Total</u>
Balance, December 31, 2018	\$ 26,040	\$ 162,300	\$ 188,340
Interest and dividends	1,590	14,607	16,197
Change in value	<u>6,120</u>	<u>-</u>	<u>6,120</u>
Net investment income	<u>7,710</u>	<u>14,607</u>	<u>22,317</u>
Deposits	10,400	-	10,400
Distributions	<u>(11,990)</u>	<u>(14,607)</u>	<u>(26,597)</u>
Balance, December 31, 2019	<u>\$ 32,160</u>	<u>\$ 162,300</u>	<u>\$ 194,460</u>

WORLD'S CHILDREN
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

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, 2019.

Changes in endowment net assets for the year ended December 31, 2019 are as follows:

Balance, December 31, 2018	\$ 230,273
Interest and dividends	17,013
Unrealized gain on investments	<u>6,120</u>
Investment income	23,133
Deposits	1,250
Distributions	<u>(17,013)</u>
Balance, December 31, 2019	\$ <u><u>237,643</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, 2019:

Bank certificate of deposit	\$ 92,083
Checking account	1,100
Professional Investors Security Fund I	112,300
Stock investment	<u>32,160</u>
	\$ <u><u>237,643</u></u>

The endowment stock investment was originally valued at \$60,000 and based on the fair value of \$32,160 at December 31, 2019 is underwater by \$27,840. The investment in the Professional Investors Security Fund I had an initial value of \$112,300.

WORLD'S CHILDREN
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

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, 2019 was \$12,545. Future obligations under the terms of the lease are:

2020	\$	<u>6,365</u>
	\$	<u><u>6,365</u></u>

NOTE I – RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Net assets with donor restrictions were as follows at December 31, 2019

Specific purpose		
Child sponsorship	\$	372,423
Passage of time		
Endowment investment		<u>237,643</u>
	\$	<u><u>610,066</u></u>

The Organization released net assets from donor restrictions due to satisfaction of purpose restriction of \$654,135 during the year ended December 31, 2019.

NOTE J – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 5, 2020, 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, 2019.

Subsequent to year-end, the Organization has been negatively impacted by the effects of the world-wide coronavirus pandemic. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Organization's financial position is not known.

