

WORLD'S CHILDREN

Financial Statements

For the Year Ended December 31, 2021

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



DOUGALL CONRADIE LLC
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Accountant's Review Report

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

We have reviewed the accompanying financial statements of World's Children, which comprise the statement of financial position as of December 31, 2021, 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, 2020 financial statements, which were reviewed by us and in our report dated March 16, 2021 we stated that we were not aware of any material modifications that should be made to those financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. 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, 2020 for it to be consistent with the reviewed financial statements from which it has been derived.

Dougall Conradie LLC

March 28, 2022

WORLD'S CHILDREN

STATEMENT OF FINANCIAL POSITION

December 31, 2021
(With Comparative Totals for December 31, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 797,882	\$ 550,445
Certificate of deposit	-	152,527
Other assets	<u>1,230</u>	<u>1,200</u>
Total current assets	799,112	704,172
Investments	42,561	21,804
Certificate of deposit	-	92,083
Office equipment, net of accumulated depreciation	<u>4,420</u>	<u>2,610</u>
Total assets	<u>\$ 846,093</u>	<u>\$ 820,669</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accrued scholarships	\$ 64,150	\$ 45,550
Accrued payroll	507	5,492
Accrued time off	<u>24,650</u>	<u>31,583</u>
Total liabilities	<u>89,307</u>	<u>82,625</u>
Net assets:		
With restrictions	577,627	285,125
Without restrictions	<u>179,159</u>	<u>452,919</u>
Total net assets	<u>756,786</u>	<u>738,044</u>
Total liabilities and net assets	<u>\$ 846,093</u>	<u>\$ 820,669</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, 2021
(With Comparative Totals For the Year Ended December 31, 2020)

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>2021 Total</u>	<u>2020</u>
Revenues:				
Grants and contributions	\$ 212,157	\$ 663,462	\$ 875,619	\$ 860,479
Forgiveness of PPP loan	37,280	-	37,280	38,477
Investment income	13,005	-	13,005	(4,748)
Impairment loss	-	-	-	(156,214)
Net assets released from restriction	<u>538,754</u>	<u>(538,754)</u>	<u>-</u>	<u>-</u>
Total revenues	801,196	124,708	925,904	737,994
Expenditures:				
Program services	836,806	-	836,806	824,229
Management and general	48,525	-	48,525	44,552
Fundraising	<u>21,831</u>	<u>-</u>	<u>21,831</u>	<u>20,045</u>
Total expenditures	<u>907,162</u>	<u>-</u>	<u>907,162</u>	<u>888,826</u>
Change in net assets	(105,966)	124,708	18,742	(150,832)
Net assets, beginning of year	<u>285,125</u>	<u>452,919</u>	<u>738,044</u>	<u>888,876</u>
Net assets, end of year	<u>\$ 179,159</u>	<u>\$ 577,627</u>	<u>\$ 756,786</u>	<u>\$ 738,044</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, 2021
(With Comparative Totals For the Year Ended December 31, 2020)

	2021			Total	2020
	Program Services	Management and General	Fundraising		
Salaries and wages	\$ 153,652	\$ 33,778	\$ 15,197	\$ 202,627	\$ 187,037
Payroll taxes and benefits	20,000	4,397	1,978	26,375	18,411
Contract labor	3,660	-	-	3,660	-
Program expenses	584,218	-	-	584,218	601,803
Fundraising	28,200	-	-	28,200	19,772
Professional services	8,865	1,949	877	11,691	14,151
Occupancy	12,412	2,729	1,228	16,369	14,192
Telephone	1,666	366	165	2,197	1,648
Insurance	1,395	307	138	1,840	3,001
Office supplies	4,808	1,057	475	6,340	5,904
Postage and delivery	3,676	808	364	4,848	6,430
Printing and stationery	4,340	954	429	5,723	4,797
Bank services	8,284	1,821	819	10,924	9,679
Dues and subscriptions	650	143	64	857	807
Travel	190	42	19	251	155
Depreciation	790	174	78	1,042	1,039
Total expenses	<u>\$ 836,806</u>	<u>\$ 48,525</u>	<u>\$ 21,831</u>	<u>\$ 907,162</u>	<u>\$ 888,826</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, 2021
(With Comparative Totals For the Year Ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from contributions	\$ 863,839	\$ 798,733
Cash received from interest revenue	748	812
Cash paid to employees and suppliers	(333,954)	(272,603)
Cash paid for grants	<u>(565,618)</u>	<u>(556,253)</u>
Net cash used in operating activities	<u>(34,985)</u>	<u>(29,311)</u>
Cash flows from investing activities:		
Cash proceeds from sale of investment	13,280	70,941
Distribution from certificate of deposit	244,610	-
Cash paid for purchase of investments	(10,000)	-
Cash paid for purchase of office equipment	<u>(2,748)</u>	<u>(898)</u>
Net cash provided by investing activities	<u>245,142</u>	<u>70,043</u>
Cash flows from financing activities:		
Cash proceeds from issuance of loan	37,280	43,477
Payment on loan	<u>-</u>	<u>(5,000)</u>
Net cash provided by financing activities	<u>37,280</u>	<u>38,477</u>
Net change in cash and cash equivalents	247,437	79,209
Cash and cash equivalents, beginning of year	<u>550,445</u>	<u>471,236</u>
Cash and cash equivalents, end of year	<u><u>\$ 797,882</u></u>	<u><u>\$ 550,445</u></u>
Supplemental schedule of non-cash activities:		
	<u>2021</u>	<u>2020</u>
Donation of stock investments	<u>\$ 11,780</u>	<u>\$ 61,746</u>
Forgiveness of PPP loan	<u><u>\$ 37,280</u></u>	<u><u>\$ 38,477</u></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, 2021

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, whereby 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, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

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.

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.

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, 2021 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.

Advertising Costs

Advertising is expensed as incurred.

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.

WORLD'S CHILDREN
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

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.

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 2020

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, 2020, from which the summarized information was derived. Certain 2020 amounts have been reclassified to conform with current year presentation.

WORLD'S CHILDREN
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

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, 2021:

Financial assets at year end:	
Cash and cash equivalents	\$ <u>797,882</u>
Total financial assets	797,882
Less amounts not available to be used within one year:	
Net assets with donor restrictions for purpose	<u>(577,627)</u>
Financial assets available to meet general expenditures over the next twelve months	\$ <u><u>220,255</u></u>

NOTE D – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at December 31, 2021:

Petty Cash	\$ 56
Checking accounts	163,981
Money market and savings accounts	<u>633,845</u>
	\$ <u><u>797,882</u></u>

NOTE E – CERTIFICATES OF DEPOSIT

The Organization had a six-month certificate of deposit with a bank that bears interest at 2.0% and matured March 2021. The initial deposit was \$150,000 and the value at December 31, 2020 was \$152,527. The Organization had another two-year certificate of deposit that bears interest at 2.42% and matured August 2021 with a value of \$92,083 at December 31, 2020. During the year-ended December 31, 2021, all certificates of deposit matured and were fully liquidated.

NOTE F – OFFICE EQUIPMENT

Major classes of office furnishings and equipment consist of the following at December 31, 2021:

Office equipment	\$ 10,187
Less accumulated depreciation	<u>(5,767)</u>
	\$ <u><u>4,420</u></u>

Depreciation expense was \$1,042 for the year ended December 31, 2021.

WORLD'S CHILDREN
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

NOTE G – 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, 2021:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Stock and bond investments	\$ 42,561	\$ -	\$ -	\$ 42,561
	<u>\$ 42,561</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,561</u>

The following table summarizes the change in Level I investments for the year ended December 31, 2021:

	<u>Total</u>
Balance, December 31, 2020	\$ 21,804
Realized gain	120
Change in value	<u>12,137</u>
Net investment income	<u>12,137</u>
Deposits	21,780
Distributions	<u>(13,280)</u>
Balance, December 31, 2021	<u>\$ 42,561</u>

WORLD'S CHILDREN
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

NOTE G – INVESTMENTS (Continued)

During the year ended December 31, 2020 the Organization was notified that irregularities had been discovered in the Professional Investors Security Funds and an investigation was initiated by the U.S. Securities and Exchange Commission. Professional Investors Security Fund declared bankruptcy in July 2020 while the investigation is ongoing. The Organization has evaluated the investments in the Professional Investors Security Funds for impairment and has determined the investments are impaired and that the impairment is other-than-temporary based on the near-term prospects of Professional Investors Security Funds. As of December 31, 2020, the Organization had written off the investments in Professional Investors Security Fund for a net impairment loss of \$156,214.

NOTE H – 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, 2021.

Changes in endowment net assets for the year ended December 31, 2021 are as follows:

Balance, December 31, 2020	\$ 113,727
Realized gain	120
Unrealized gain	<u>12,137</u>
Investment income	12,257
Deposits	129,595
Distributions	<u>(115,363)</u>
Balance, December 31, 2021	\$ <u>140,376</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.

WORLD'S CHILDREN
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

NOTE H – RESTRICTED ENDOWMENT INVESTMENTS (Continued)

The Organization's endowment is invested as follows at December 31, 2021:

Money market	\$	97,815
Bonds		10,000
Stock investment		<u>32,561</u>
	\$	<u><u>140,376</u></u>

The endowment stock investment was originally valued at \$60,000 and based on the fair value of \$32,561 at December 31, 2021 is underwater by \$27,439.

NOTE I – LEASES

The Organization leased a new office space and extended that lease on July 1, 2020 for 36 months, terminating on June 30, 2023. Rent expense for the year ended December 31, 2021 was \$16,369. Future obligations under the terms of the lease are:

2022	\$	15,054
2023		<u>7,638</u>
	\$	<u><u>22,692</u></u>

NOTE J – RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Net assets with donor restrictions were as follows at December 31, 2021:

Specific purpose		
Child sponsorship	\$	437,251
Passage of time		
Endowment investment		<u>140,376</u>
	\$	<u><u>577,627</u></u>

The Organization released net assets from donor restrictions due to satisfaction of purpose restriction of \$538,754 during the year ended December 31, 2021.

WORLD'S CHILDREN
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

NOTE K – GOVERNMENT PAYCHECK PROTECTION PROGRAM LOANS

During the year ended December 31, 2021 the Organization was granted a loan in the amount of \$37,280 under the Paycheck Protection Program (“PPP”) under Division A, Title I of the CARES Act administered by TIAA Bank and the Small Business Administration (SBA). Under the terms of the CARES Act, each borrower can apply for forgiveness for all or a portion of the PPP Loan.

The proceeds of the PPP Loans have been used for payroll costs and other permitted purposes under the CARES Act, including rent or utility costs. Under the terms of the CARES Act, each borrower can apply for forgiveness for all or a portion of the PPP Loan and, as described below, the Organization did apply for forgiveness during the year ended December 31, 2021. Such forgiveness was determined, subject to limitations, based on the use of loan proceeds in accordance with the terms of the CARES Act during the 24-week period after the loan origination and the maintenance or achievement of certain employee levels.

The Organization was notified by TIAA Bank that the loan was forgiven in full for the \$37,280 and recorded it as a government grant for the year ended December 31, 2021.

NOTE L – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 28, 2022, 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, 2021.