

WORLD'S CHILDREN

Financial Statements

For the Year Ended December 31, 2022

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DOUGALL CONRADIE LLC
CERTIFIED PUBLIC ACCOUNTANTS

Geoffrey Dougall, CPA
Heather Jackson, CPA
Lee Owen, CPA
Richard Winkel, CPA
Members of AICPA & OSCP

Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of World's Children (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of World's Children as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of World's Children and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about World's Children ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness World's Children internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about World's Children' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Dougall Conradie LLC

Portland, Oregon
June 14, 2023

WORLD'S CHILDREN
STATEMENT OF FINANCIAL POSITION

December 31, 2022

	2022
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 591,554
Other assets	2,945
Total current assets	594,499
Investments	51,470
Restricted cash and cash equivalents	350,740
Office equipment, net of accumulated depreciation	2,518
Total assets	\$ 999,227
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accrued payroll	\$ 439
Accrued time off	28,713
Total liabilities	29,152
NET ASSETS	
With donor restrictions	818,874
Without donor restrictions	151,201
Total net assets	970,075
Total liabilities and net assets	\$ 999,227

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, 2022

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>2022 Total</u>
Revenues:			
Grants and contributions	\$ 189,136	\$ 887,868	\$ 1,077,004
Investment income	2,004	1,226	3,230
Net assets released from restriction	<u>583,697</u>	<u>(583,697)</u>	<u>-</u>
Total revenues	774,837	305,397	1,080,234
Expenditures:			
Program services	731,725	-	731,725
General and administration	49,017	-	49,017
Fundraising	<u>22,053</u>	<u>-</u>	<u>22,053</u>
Total expenditures	<u>802,795</u>	<u>-</u>	<u>802,795</u>
Change in net assets	(27,958)	305,397	277,439
Net assets, beginning of year	<u>179,159</u>	<u>513,477</u>	<u>692,636</u>
Net assets, end of year	<u>\$ 151,201</u>	<u>\$ 818,874</u>	<u>\$ 970,075</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, 2022

	2022			
	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 154,761	\$ 34,022	\$ 15,307	\$ 204,090
Payroll taxes and benefits	16,229	3,568	1,605	21,402
Contract labor	2,466	-	-	2,466
Grants and scholarships	472,795	-	-	472,795
Program expenses	33,500	-	-	33,500
Professional services	9,753	2,144	965	12,862
Occupancy	13,012	2,861	1,287	17,160
Telephone	1,771	389	175	2,335
Insurance	1,536	338	152	2,026
Office supplies	6,099	1,341	603	8,043
Postage and delivery	4,210	926	416	5,552
Printing and stationery	3,943	867	390	5,200
Bank services	9,081	1,996	898	11,975
Dues and subscriptions	1,020	224	101	1,345
Travel	107	24	11	142
Depreciation	1,442	317	143	1,902
Total expenses	<u>\$ 731,725</u>	<u>\$ 49,017</u>	<u>\$ 22,053</u>	<u>\$ 802,795</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, 2022

	<u>2022</u>
Cash flows from operating activities:	
Cash received from contributions	\$ 1,077,004
Cash received from interest revenue	1,274
Cash paid to employees and suppliers	(261,668)
Cash paid for grants	<u>(665,245)</u>
Net cash provided by operating activities	<u>151,365</u>
Cash flows from investing activities:	
Cash proceeds from restricted cash	10,000
Cash paid into restricted cash	(262,195)
Cash proceeds from sale of investment	12,517
Cash paid for purchase of investments	<u>(20,200)</u>
Net cash used in investing activities	<u>(259,878)</u>
Net change in cash and cash equivalents	(108,513)
Cash and cash equivalents, beginning of year	<u>700,067</u>
Cash and cash equivalents, end of year	<u><u>\$ 591,554</u></u>
Summary of non-cash investing and financing:	

The accompanying notes are an integral part of these financial statements

WORLD'S CHILDREN
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

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, 2022

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, 2022 the Organization received no in-kind contributions.

Office Equipment

Office equipment is 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, 2022

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

Concentrations of Economic Risk

The Organization is dependent upon donations for much of its income, which can be affected by economic downturns. The Organization also operates and provides funding to various parts of the World, including certain key countries. If political unrest was to occur in any or all of these key countries the Organization's ongoing operations could be severely impacted in those affected areas.

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.

WORLD'S CHILDREN
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

NOTE C – AVAILABILITY AND LIQUIDITY (Continued)

The following represents the Organization's financial assets at December 31, 2022:

Financial assets at year end:	
Cash and cash equivalents	\$ 942,294
Investments	<u>51,470</u>
Total financial assets	993,764
Less amounts not available to be used within one year:	
Net assets with donor restrictions for purpose	<u>(818,874)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 174,890</u>

NOTE D – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at December 31, 2022:

Petty Cash	\$ 46
Checking accounts	117,583
Money market and savings accounts	824,665
Less: restricted cash and cash equivalents	<u>(350,740)</u>
	<u>\$ 591,554</u>

NOTE E – OFFICE EQUIPMENT

Major classes of office furnishings and equipment consist of the following at December 31, 2022:

Office equipment	\$ 10,823
Less accumulated depreciation	<u>(8,305)</u>
	<u>\$ 2,518</u>

Depreciation expense was \$1,902 for the year ended December 31, 2022.

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.

WORLD'S CHILDREN
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

NOTE F – INVESTMENTS (Continued)

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, 2022:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Stock and bond investments	\$ <u>51,470</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>51,470</u>
	\$ <u>51,470</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>51,470</u>

The following table summarizes the change in Level I investments for the year ended December 31, 2022:

	<u>Total</u>
Balance, December 31, 2021	\$ <u>42,561</u>
Change in value	<u>1,226</u>
Net investment income	<u>1,226</u>
Deposits	20,200
Distributions	<u>(12,517)</u>
Balance, December 31, 2022	\$ <u>51,470</u>

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, 2022.

WORLD'S CHILDREN
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

NOTE G – RESTRICTED ENDOWMENT INVESTMENTS (Continued)

Changes in endowment net assets for the year ended December 31, 2022 are as follows:

Balance, December 31, 2021	\$	140,376
Interest and dividends		2,715
Unrealized gains (losses)		<u>(759)</u>
Investment income		1,956
Deposits		282,395
Distributions		<u>(22,517)</u>
Balance, December 31, 2022	\$	<u>402,210</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, 2022:

Money market	\$	350,740
Bonds		20,000
Stock investment		<u>31,470</u>
	\$	<u>402,210</u>

The endowment stock investment was originally valued at \$60,000 and based on the fair value of \$31,470 at December 31, 2022 is underwater by \$28,530.

NOTE H – RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Net assets with donor restrictions were as follows at December 31, 2022:

Specific purpose		
Child sponsorship	\$	416,664
Passage of time		
Endowment investment		<u>402,210</u>
	\$	<u>818,874</u>

WORLD'S CHILDREN
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

NOTE H – RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES (Continued)

The Organization released net assets from donor restrictions due to satisfaction of purpose restriction of \$583,697 during the year ended December 31, 2022.

NOTE I – CONTINGENCIES

In prior years the Organization held investments in two funds held by Professional Investors Security Fund. During the year ended December 31, 2020 the Organization was notified that irregularities had been discovered in the Professional Investors Security Fund 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 Fund 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.

As part of the bankruptcy proceedings at Professional Investors Security Fund, the Organization was notified there was an attempt to recover donations that had been made to the Organization by the owner of Professional Investors Security Fund. This matter has been turned over to the Organization's insurance company and the outcome cannot be determined at this time.

NOTE J – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 14, 2023, 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, 2022.

Subsequent to year end the Organization's operations in India have been impacted by political changes which has disrupted the Organization's ability to provide funding to locations in India. The Organization is expanding operations into other countries with children in need where this is not an issue.