



# WORLD NEIGHBORS

Inspiring People • Strengthening Communities

AUDITED FINANCIAL STATEMENTS

June 30, 2014

Audited Financial Statements  
WORLD NEIGHBORS, INC.  
JUNE 30, 2014

|                                       |   |
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of World Neighbors, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of World Neighbors, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of World Neighbors, Inc. as of June 30, 2014, 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.

**Report on Summarized Comparative Information**

We have previously audited the World Neighbors, Inc.'s 2013 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated December 10, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Matters**

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2014, on our consideration of World Neighbors, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering World Neighbors, Inc.'s internal control over financial reporting and compliance.

*HBC CPAs + Advisors*

Yukon, Oklahoma  
October 20, 2014

WORLD NEIGHBORS, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014 (WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

| ASSETS  | 2014                | 2013                |
|---|---------------------|---------------------|
| Unrestricted cash and cash equivalents                | \$ 83,670           | \$ 172,434          |
| Restricted cash and cash equivalents                  | 278,614             | 593,670             |
| Contributions receivable, net                         | 246,463             | 459,677             |
| Grants receivable                                     | -                   | 227,184             |
| Federal funds receivable                              | 11,878              | 62,248              |
| Investments   | 4,360,130           | 3,699,656           |
| Investments held in trusts                            | 1,009,142           | 931,882             |
| Beneficial interest in remainder trusts               | 1,719,182           | 1,593,981           |
| Land, building and equipment, net                     | 486,014             | 641,108             |
| Beneficial interest in assets held by others          | 33,571              | 30,828              |
| Other assets  | 54,386              | 54,890              |
| TOTAL ASSETS  | <u>\$ 8,283,050</u> | <u>\$ 8,467,558</u> |
| <br>  |                     |                     |
| LIABILITIES AND NET ASSETS                            |                     |                     |
| LIABILITIES:  |                     |                     |
| Accounts payable                                      | \$ 16,919           | \$ 35,413           |
| Accrued liabilities                                   | 24,817              | 54,195              |
| Amounts payable under gift annuities                  | 967,310             | 1,019,506           |
| Amounts payable under split-interest trust agreements | 210,664             | 201,825             |
| Notes payable   | -                   | 500,000             |
| TOTAL LIABILITIES                                     | <u>1,219,710</u>    | <u>1,810,939</u>    |
| <br>  |                     |                     |
| NET ASSETS:   |                     |                     |
| Unrestricted  | 383,968             | 313,788             |
| Temporarily restricted                                | 3,882,808           | 3,546,267           |
| Permanently restricted                                | 2,796,564           | 2,796,564           |
| TOTAL NET ASSETS                                      | <u>7,063,340</u>    | <u>6,656,619</u>    |
| TOTAL LIABILITIES AND NET ASSETS                      | <u>\$ 8,283,050</u> | <u>\$ 8,467,558</u> |

See accompanying notes.

WORLD NEIGHBORS, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014 (WITH COMPARATIVE TOTALS FOR 2013)

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total<br/>2014</u> | <u>Total<br/>2013</u> |
|---|---------------------|-----------------------------------|-----------------------------------|-----------------------|-----------------------|
| <b>REVENUES, GAINS AND OTHER SUPPORT</b>            |                     |                                   |                                   |                       |                       |
| Contributions                                       | \$ 799,869          | \$ -                              | \$ -                              | \$ 799,869            | \$ 1,080,503          |
| Subsidy from parent, net                            | 1,055,301           | -                                 | -                                 | 1,055,301             | 556,730               |
| Federal funds                                       | 154,643             | -                                 | -                                 | 154,643               | 405,209               |
| Grants  | -                   | 264,842                           | -                                 | 264,842               | 808,386               |
| Special events, net                                 | -                   | -                                 | -                                 | -                     | 100,419               |
| Investment income (losses)                          | 222,459             | (52,753)                          | -                                 | 169,706               | 189,662               |
| Net investment (losses) gains                       | (828)               | 413,407                           | -                                 | 412,579               | 190,261               |
| Change in value of split-interest agreements        | -                   | 119,106                           | -                                 | 119,106               | 88,843                |
| Gain on sale of assets                              | 644,549             | -                                 | -                                 | 644,549               | -                     |
| Other income  | 77,462              | -                                 | -                                 | 77,462                | 52,934                |
| Gain on foreign exchange transactions               | 2,891               | -                                 | -                                 | 2,891                 | 1,122                 |
| Net assets released from restrictions and transfers | 408,061             | (408,061)                         | -                                 | -                     | -                     |
| <b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>      | <u>3,364,407</u>    | <u>336,541</u>                    | <u>-</u>                          | <u>3,700,948</u>      | <u>3,474,069</u>      |
| <b>EXPENSES</b>                                     |                     |                                   |                                   |                       |                       |
| Program services:                                   |                     |                                   |                                   |                       |                       |
| Field program                                       | 2,359,166           | -                                 | -                                 | 2,359,166             | 2,379,181             |
| Public education                                    | 232,137             | -                                 | -                                 | 232,137               | 411,508               |
| Supporting activities:                              |                     |                                   |                                   |                       |                       |
| Management and general                              | 284,013             | -                                 | -                                 | 284,013               | 634,668               |
| Fundraising   | 418,911             | -                                 | -                                 | 418,911               | 941,571               |
| <b>TOTAL EXPENSES</b>                               | <u>3,294,227</u>    | <u>-</u>                          | <u>-</u>                          | <u>3,294,227</u>      | <u>4,366,928</u>      |
| <b>CHANGE IN NET ASSETS</b>                         | <u>70,180</u>       | <u>336,541</u>                    | <u>-</u>                          | <u>406,721</u>        | <u>(892,859)</u>      |
| <b>NET ASSETS, BEGINNING OF YEAR</b>                | 313,788             | 3,546,267                         | 2,796,564                         | 6,656,619             | 7,549,478             |
| <b>NET ASSETS, END OF YEAR</b>                      | <u>\$ 383,968</u>   | <u>\$ 3,882,808</u>               | <u>\$ 2,796,564</u>               | <u>\$ 7,063,340</u>   | <u>\$ 6,656,619</u>   |

See accompanying notes.

WORLD NEIGHBORS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2014 (WITH COMPARATIVE TOTALS FOR 2013)

|                                | Program Services    |                     |                              | Supporting Activities     |                   |                                   | Total<br>FY2014    | Total<br>FY2013     |
|--------------------------------|---------------------|---------------------|------------------------------|---------------------------|-------------------|-----------------------------------|--------------------|---------------------|
|                                | Field<br>Program    | Public<br>Education | Total<br>Program<br>Services | Management<br>and General | Fundraising       | Total<br>Supporting<br>Activities |                    |                     |
| Salaries and related expenses: |                     |                     |                              |                           |                   |                                   |                    |                     |
| Salaries                       | \$ 933,249          | \$ 108,176          | \$ 1,041,425                 | \$ 129,186                | \$ 133,888        | \$ 263,074                        | \$1,304,499        | \$ 1,876,240        |
| Payroll taxes                  | 40,452              | 4,814               | 45,266                       | 5,577                     | 5,335             | 10,912                            | 56,178             | 88,660              |
| Benefits                       | 143,327             | 17,056              | 160,383                      | 19,759                    | 18,904            | 38,663                            | 199,046            | 314,903             |
|                                | <u>1,117,028</u>    | <u>130,046</u>      | <u>1,247,074</u>             | <u>154,522</u>            | <u>158,127</u>    | <u>312,649</u>                    | <u>1,559,723</u>   | <u>2,279,803</u>    |
| Field program                  | 545,399             | -                   | 545,399                      | -                         | -                 | -                                 | 545,399            | 541,395             |
| Contract services              | 36,373              | 4,064               | 40,437                       | 1,954                     | 88,382            | 90,336                            | 130,773            | 242,466             |
| Legal and accounting services  | 51,277              | 6,638               | 57,915                       | 23,734                    | 7,478             | 31,212                            | 89,127             | 123,588             |
| Recruitment                    | 48,815              | 6,319               | 55,134                       | 22,594                    | 7,119             | 29,713                            | 84,847             | -                   |
| Travel                         | 151,405             | 19,514              | 170,919                      | 24,783                    | 22,401            | 47,184                            | 218,103            | 279,161             |
| Office supplies                | 26,754              | 3,019               | 29,773                       | 948                       | 2,599             | 3,547                             | 33,320             | 43,557              |
| Telephone                      | 33,853              | 4,168               | 38,021                       | 4,095                     | 2,557             | 6,652                             | 44,673             | 73,692              |
| Postage                        | 3,137               | 341                 | 3,478                        | 195                       | 4,789             | 4,984                             | 8,462              | 13,825              |
| Rent and occupancy             | 164,700             | 18,093              | 182,793                      | 4,606                     | 10,572            | 15,178                            | 197,971            | 227,192             |
| Office equipment and software  | 14,563              | 1,116               | 15,679                       | 3,736                     | 17,256            | 20,992                            | 36,671             | 40,152              |
| In-kind advertising            | -                   | 24,211              | 24,211                       | 12,106                    | 84,740            | 96,846                            | 121,057            | 185,207             |
| Printing and publications      | 18,283              | 1,993               | 20,276                       | 276                       | 5,064             | 5,340                             | 25,616             | 82,733              |
| Depreciation                   | 34,660              | 1,714               | 36,374                       | 15,421                    | 1,714             | 17,135                            | 53,509             | 82,945              |
| Dues                           | 3,872               | 542                 | 4,414                        | 2,297                     | 4,098             | 6,395                             | 10,809             | 16,885              |
| Training and meetings          | 61,201              | 6,761               | 67,962                       | -                         | -                 | -                                 | 67,962             | 24,759              |
| Financial expenses             | 47,846              | 3,598               | 51,444                       | 12,746                    | 2,015             | 14,761                            | 66,205             | 109,568             |
| Total expenses                 | <u>\$ 2,359,166</u> | <u>\$ 232,137</u>   | <u>\$ 2,591,303</u>          | <u>\$ 284,013</u>         | <u>\$ 418,911</u> | <u>\$ 702,924</u>                 | <u>\$3,294,227</u> | <u>\$ 4,366,928</u> |

See accompanying notes.

WORLD NEIGHBORS, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014 (WITH COMPARATIVE TOTALS FOR 2013)

| OPERATING ACTIVITIES   | 2014              | 2013              |
|--|-------------------|-------------------|
| Changes in net assets  | \$ 406,721        | \$ (892,859)      |
| Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities: |                   |                   |
| Depreciation   | 53,509            | 82,945            |
| Net gain on disposition of assets  | (644,549)         | -                 |
| Net unrealized and realized gains/losses on investments  | (472,138)         | (166,103)         |
| Changes in operating assets and liabilities:   |                   |                   |
| Contributions receivable   | 213,214           | 708,617           |
| Grants receivable  | 227,184           | (13,749)          |
| Federal funds  | 50,370            | 4,289             |
| Investments held in trusts   | (77,260)          | (65,005)          |
| Beneficial interest in trusts  | (125,201)         | (140,217)         |
| Other assets   | 504               | 7,700             |
| Beneficial interest in assets held by others   | (2,743)           | (2,154)           |
| Accounts payable and accrued expenses  | (47,872)          | (180,383)         |
| Amounts payable under charitable gift annuities  | (52,196)          | (123,277)         |
| Obligations under split- interest agreements   | 8,839             | 85,897            |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES  | <u>(461,618)</u>  | <u>(694,299)</u>  |
| <br>INVESTING ACTIVITIES   |                   |                   |
| Purchases of investments   | (1,196,782)       | (3,604,859)       |
| Proceeds from sales of investments   | 922,548           | 5,576,563         |
| Proceeds from disposition of property  | 871,525           | -                 |
| Purchase of fixed assets   | (39,493)          | (23,425)          |
| NET CASH PROVIDED BY INVESTING ACTIVITIES  | <u>557,798</u>    | <u>1,948,279</u>  |
| <br>FINANCING ACTIVITIES   |                   |                   |
| Proceeds from notes payable  | -                 | 500,000           |
| Repayment of borrowings  | (500,000)         | (1,189,861)       |
| NET CASH PROVIDED BY FINANCING ACTIVITIES  | <u>(500,000)</u>  | <u>(689,861)</u>  |
| <br>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS   | (403,820)         | 564,119           |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR   | <u>766,104</u>    | <u>201,985</u>    |
| CASH AND CASH EQUIVALENTS, END OF YEAR   | <u>\$ 362,284</u> | <u>\$ 766,104</u> |
| <br>RECONCILIATION OF CASH:  |                   |                   |
| Unrestricted cash and cash equivalents   | \$ 83,670         | \$ 172,434        |
| Restricted cash and cash equivalents   | 278,614           | 593,670           |
|  | <u>\$ 362,284</u> | <u>\$ 766,104</u> |
| <br>SUPPLEMENTAL INFORMATION:  |                   |                   |
| Cash paid for interest   | <u>\$ -</u>       | <u>\$ 12,043</u>  |

See accompanying notes.



WORLD NEIGHBORS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

World Neighbors, Inc. (“World Neighbors” or the “Organization”) is an international development organization striving to eliminate hunger, poverty and disease in the most deprived rural villages in Latin America and the Caribbean, South Asia, Southeast Asia and Africa. World Neighbors invests in people and their communities by training and inspiring them to create their own life-changing solutions through programs that combine agriculture, literacy, water, health and environmental protection. Since 1951, more than 26 million people in 45 countries have transformed their lives with the support of World Neighbors. World Neighbors is headquartered in Oklahoma City, Oklahoma and has nine field offices, which oversee the Organization’s program work, located in Latin America and the Caribbean (Bolivia, Guatemala, Haiti and Peru), South Asia (India and Nepal), Southeast Asia (Indonesia and Timor Leste) and Africa (Burkina Faso, Kenya, Mali, Tanzania and Uganda).

Effective March 1, 2013, World Neighbors and Feed the Children, Inc. entered into an affiliation agreement with the goal of building on existing programs and organizations to enhance each organization’s charitable mission. In order to maximize administrative efficiencies, Feed the Children will provide support services to World Neighbors as Feed the Children deems necessary, including human resources, finance, information technology, resource development, marketing and communications and other administrative support; including office space in its Oklahoma facility. This agreement may be terminated at any time at the sole discretion of Feed the Children.

Both organizations remain stand-alone nonprofit organizations with separate boards of trustees, operations and staff; however, under the agreement, Feed the Children became the sole member of World Neighbors.

In its capacity as sole member of World Neighbors and pursuant to World Neighbors amended and restated bylaws (effective February 6, 2013), Feed the Children has the right to appoint or remove World Neighbors Board of Trustees. World Neighbors Board of Trustees may not do any of the following without first obtaining written approval from Feed the Children: a) approve the annual budget; b) amend, restate or repeal the Certificate of Incorporation or the bylaws; c) appoint members to the board of trustees; d) merge or consolidate with or into any other entity, sell substantially all of its assets, or approve the acquisition of World Neighbors by another entity; e) dissolve, liquidate, or terminate the business of World Neighbors; f) change the purpose of World Neighbors; and g) make a decision to file a voluntary petition under any law having for its purpose the adjudication of World Neighbors as bankrupt or insolvent or take any action with respect to the reorganization or liquidation of World Neighbors.

Basis of accounting: The financial statements of World Neighbors have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other assets and liabilities.

WORLD NEIGHBORS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of presentation: The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets; temporarily restricted net assets; and permanently restricted net assets.

Cash and cash equivalents: For the purpose of the Statement of Financial Position and the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, except for such instruments purchased with contributions with donor-imposed restrictions limiting their use to long-term purposes, which are classified as investments. The carrying amount approximates fair value. Restricted cash of \$278,614 and \$593,670 as of June 30, 2014 and 2013, respectively, were held by the Organization in support of the following:

|                  | 2014              | 2013              |
|------------------|-------------------|-------------------|
| Program support  | \$ 248,424        | \$ 563,515        |
| Disaster relief  | 10,159            | 10,147            |
| Public relations | 20,031            | 20,008            |
|                  | <u>\$ 278,614</u> | <u>\$ 593,670</u> |

Contributions: Contributions, including unconditional promises to give, are recognized as revenues in the period received by World Neighbors. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Transfers of assets under conditional promises which are received by World Neighbors prior to fulfilling these conditions are recorded as a liability until the conditions are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift.

Contributions to be received after one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using federal funds (risk-free) interest rates. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. Contributions which are received and whose restrictions are met in the same period are recognized as temporarily restricted contribution revenue. When the donor restriction on these contributions is met, and/or the implied time restriction has expired, the net assets are released from restriction in the Statement of Activities.

Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

John L. Peters Society Founders' pledges and bequest contributions are unrestricted for the operations of World Neighbors, unless specifically restricted by the donor. Grants for programs

WORLD NEIGHBORS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – Continued

are temporarily restricted for support of specific programs. Endowment pledges received are permanently restricted to be invested as part of the World Neighbors endowment.

Donated assets: Marketable securities and other noncash donations are recorded as contributions, on the date of the donation, at their fair values.

Expense allocation: The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Marketable securities and investment income: Marketable securities are stated at fair value. Fair values are generally determined based on quoted market prices or estimates provided by external investment managers. Realized gains and losses on sales of marketable securities are computed on the first-in, first-out basis.

The majority of marketable securities are combined in common investment pools and invested on the basis of a total return policy to provide income and improve opportunities to realize appreciation in investment values. Realized and unrealized gains and losses from securities in the investment pool are allocated monthly to the individual endowments based on the relationship of the market value of each endowment to the total market value of the investment pool, as adjusted for additions to or deductions from those accounts.

Income and gains on investments are reported as increases in permanently restricted net assets if the terms of the gift that gave rise to the investment, or applicable laws, require such amounts be added to permanent endowment principal. Income and gains are reported as increases in temporarily restricted net assets if the terms of the gift, or applicable law, impose restrictions on the use of the income and as increases in unrestricted net assets in all other cases.

Generally, losses on investments of restricted endowments reduce temporarily restricted net assets to the extent donor-imposed temporary restrictions on the net appreciation of investments have not been met before the loss occurs. Any remaining losses reduce unrestricted net assets. Subsequent investment gains are applied first to unrestricted net assets to the extent that losses have previously been recognized, and then to temporarily restricted net assets.

Property, plant and equipment: Acquisitions of property, plant and equipment in excess of \$1,000 are capitalized. Property, plant and equipment are stated at cost at acquisition. Donations of property, plant and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and

WORLD NEIGHBORS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – Continued

equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, World Neighbors reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. World Neighbors reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Depreciation is based on the estimated useful life of the asset using the straight-line method.

World Neighbors records impairments of its property, plant and equipment when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated lives. Impairments are recorded to reduce the carrying value of the assets to their net realizable value determined by management based on facts and circumstances at the time of the determination. No property, plant or equipment impairments were recorded in the current year.

Beneficial interest in trusts: Beneficial interest in trusts represent the amounts held under irrevocable charitable remainder trusts agreements between donors and third party trustees. World Neighbors interest in these trusts is recorded at fair value. Fair value is based on the expected future cash receipts from the trusts or, in some cases, the fair value of the assets contributed to the trust. The amounts World Neighbors will ultimately realize could differ materially and significant fluctuations in fair values could occur from year to year.

Advertising: All costs associated with advertising are expensed as incurred.

Split-interest agreements: World Neighbors split-interest agreements with donors consist of irrevocable charitable remainder trusts for which World Neighbors serves as trustee. Liabilities to the lead beneficiaries of these trusts are included in amounts payable under split-interest trust agreements in the Statement of Financial Position. World Neighbors also administers numerous charitable gift annuities. Liabilities to the lead beneficiaries of these agreements are included in amounts payable under gift annuities in the Statement of Financial Position.

Special events: Special event revenues primarily relate to income raised at World Neighbors annual WorldFest event through sponsorships and merchandise sales. Special event revenues were zero and \$125,649 for the years ended June 30, 2014 and 2013, respectively. Special event revenues are presented in the Statement of Activities net of related cost of goods sold of zero and \$25,230 for the years ended June 30, 2014 and 2013, respectively.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosed contingent assets and liabilities at the date of the financial statement. Actual results could differ from those estimates.

WORLD NEIGHBORS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Significant estimates: Estimates that are particularly susceptible to significant change include the valuation of investments, investments held in trusts, beneficial interest in remainder trusts and contributions receivable. Investments and beneficial interest, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of marketable securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Financial Position. Significant fluctuations in fair values could occur from year to year and the amounts World Neighbors will ultimately realize could differ materially. Management's estimate of investments, beneficial interest and contributions receivable is based on consideration of all relevant available information and an analysis of the collectability of contributions receivable, which arise primarily from pledges, trusts and estates at the financial statement date.

Concentrations of credit risk: World Neighbors maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. World Neighbors has not experienced any losses in such accounts. World Neighbors believes that it is not exposed to any significant credit risk on cash or cash equivalents maintained in U.S. financial institutions.

World Neighbors also maintains bank accounts in most countries in which it operates. The carrying amount of such cash was \$113,238 and \$212,798 at June 30, 2014 and 2013, respectively, and is included in unrestricted and restricted cash and cash equivalents in the accompanying Statement of Financial Position.

Concentrations of operations located outside the United States represent 46% of the carrying amount of net unrestricted assets; consisting primarily of cash and property and equipment. Foreign field program expenses represent 60% of the total field program expenses reported in the Statement of Functional Expenses.

The grants/federal funds to programs receivable at June 30, 2014 is due from a single donor. 51% of pledges receivable are due from two donors at June 30, 2014; 46% of total contribution revenues were provided by seven donors for the year ended June 30, 2014.

Prior Year Information: 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 World Neighbors financial statements for the year ended June 30, 2013, from which the summarized information was derived.

WORLD NEIGHBORS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE B - CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable are expected to be collected as follows at June 30, 2014:

|  |                          |
|--|--------------------------|
| Receivable in less than one year         | \$ 25,295                |
| Receivable in one to five years          | <u>317,241</u>           |
| Gross contributions receivable           | 342,536                  |
| Less discounts to net present value      | (30,522)                 |
| Less allowance for uncollectible pledges | <u>(65,551)</u>          |
| Net contributions receivable             | <u><u>\$ 246,463</u></u> |

Contributions receivable in more than one year are discounted at the applicable rate in effect at the time the pledge was made and range from 0.096% to 3.17% during 2014.

At June 30, 2014, all John L. Peters Society Founders' pledges, bequests and other gross contributions are unrestricted for the operations of World Neighbors.

NOTE C - GRANTS AND FEDERAL FUNDS RECEIVABLES

Grants and federal funds receivables are expected to be collected as follows at June 30, 2014:

|   |                         |
|---|-------------------------|
| Receivable in less than one year              |                         |
| Restricted grants                             | \$ -                    |
| Federal funds                                 | <u>11,878</u>           |
| Gross grants receivable in less than one year | 11,878                  |
| Less discounts to net present value           | -                       |
| Less allowance for doubtful accounts          | <u>-</u>                |
| Net grants and federal funds receivable       | <u><u>\$ 11,878</u></u> |

At June 30, 2014, 100% of the grants/federal funds receivables are restricted for the use of specific programs.

NOTE D – INVESTMENTS

World Neighbors investments are managed by investment managers who are authorized to manage within a range for fixed income of 30 percent to 50 percent. At the end of the year, the overall allocation of World Neighbors investments was 34 percent fixed income and 66 percent equities.

WORLD NEIGHBORS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE D – INVESTMENTS – Continued

Investments were comprised of the following at June 30:

|   | 2014<br>Carrying<br>Amount | 2013<br>Carrying<br>Amount |
|---|----------------------------|----------------------------|
| Cash equivalent funds                             | \$ 150,952                 | \$ 269,112                 |
| Securities:                                       |                            |                            |
| Common and preferred stocks                       | 349,075                    | 435,896                    |
| Equity mutual funds                               | 2,273,902                  | 1,701,159                  |
| Fixed income mutual funds                         | 1,478,487                  | 1,206,290                  |
| Real estate, futures and commodities mutual funds | 107,714                    | 87,199                     |
| Total investments                                 | <u>\$ 4,360,130</u>        | <u>\$ 3,699,656</u>        |

The following schedule summarizes the investment income (losses) and its classification in the Statement of Activities for the year ending June 30, 2014:

|  | Unrestricted      | Temporarily<br>Restricted | Permanently<br>Restricted | Total             |
|--|-------------------|---------------------------|---------------------------|-------------------|
| Dividends & interest                         | \$ 1,272          | \$ 145,480                | \$ -                      | \$ 146,752        |
| Investment fees                              | (2,479)           | (32,233)                  | -                         | (34,712)          |
| Investment income from<br>funds & endowments | 223,666           | (166,000)                 | -                         | 57,666            |
|  | <u>\$ 222,459</u> | <u>\$ (52,753)</u>        | <u>\$ -</u>               | <u>\$ 169,706</u> |

NOTE E - INVESTMENTS HELD IN TRUSTS

World Neighbors is the trustee of various trusts which are subject to the terms of trust agreements entered into with the donor. Investments held in trusts in cash equivalent funds and securities, at fair value, consist of the following at June 30:

|   | 2014                | 2013              |
|---|---------------------|-------------------|
| Cash equivalent funds                             | \$ 23,102           | \$ 102,719        |
| Securities:                                       |                     |                   |
| Equity mutual funds                               | 626,330             | 494,602           |
| Fixed income mutual funds                         | 318,868             | 319,361           |
| Real estate, futures and commodities mutual funds | 40,842              | 15,200            |
|   | <u>\$ 1,009,142</u> | <u>\$ 931,882</u> |

WORLD NEIGHBORS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE F – SPLIT-INTEREST AGREEMENTS

The Organization administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiaries' lifetime). At the end of the trust's term, the remaining assets are available for the Organization's use. The portion of the trust attributable to the present value of the future benefits to be received by the Organization is recorded in the Statement of Activities as a temporarily restricted contribution in the period the trust is established. There were no new contributions for the year ended June 30, 2014. Assets held in the charitable remainder trusts totaled \$1,009,142 and \$931,882 for the years ended June 30, 2014 and 2013, respectively, and are reported in the Organization's Statement of Financial Position. On an annual basis, the Organization revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments (\$210,664 at June 30, 2014 and \$201,825 at June 30, 2013) is calculated using discount rates ranging from 6.57% to 7% based on the date of the contributions and the mortality tables.

The Organization is also obligated to pay annuitants under charitable gift annuities. The assets held under these agreements are reported in the Statement of Financial Position as investments and a related liability is reported under the caption amounts payable under gift annuities. Assets held in trust under gift annuities are carried at fair value using the methods described in the fair value footnote for investments. Assets held in trust under these agreements amounted to \$912,737 and \$791,656 as of June 30, 2014 and 2013, respectively. There were no new contributions for the year ended June 30, 2014. On an annual basis, the Organization revalues the liability based on actuarial assumptions. The present value of the estimated future payments (\$967,310 and \$1,019,506 as of June 30, 2014 and 2013, respectively) are calculated using discount rates ranging from 4.5% to 10.5% and applicable mortality tables.

In addition to the above split-interest agreements, World Neighbors is also the beneficiary of several charitable remainder trusts in which it is not the trustee. At the time of the donors' death, the trusts will terminate and the remaining assets will be distributed to the beneficiaries. For the year ended June 30, 2014 no new contributions were received. Based on donor life expectancy, and the use of various discount rates ranging from 6.75% to 6.83%, the present value of future benefits expected to be received by the Organization was estimated to be \$1,719,182 and \$1,593,981 at June 30, 2014 and 2013, respectively.



WORLD NEIGHBORS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE G - FAIR VALUE MEASUREMENTS

Fair values of investments measured on a recurring basis at June 30, 2014:

|                              | Fair Value          | Quoted Prices in<br>Markets for Identical<br>Assets<br>(Level 1) |
|------------------------------|---------------------|--|
| Cash and cash equivalents    | \$ 150,952          | \$ 150,952   |
| Common and preferred stocks: |                     |  |
| Energy                       | 37,549              | 37,549   |
| Materials                    | 10,502              | 10,502   |
| Industrials                  | 30,893              | 30,893   |
| Consumer discretionary       | 43,490              | 43,490   |
| Consumer staples             | 29,532              | 29,532   |
| Healthcare                   | 53,938              | 53,938   |
| Financials                   | 61,431              | 61,431   |
| Information technology       | 70,499              | 70,499   |
| Telecommunication services   | 3,236               | 3,236  |
| Utilities                    | 8,007               | 8,007  |
| Mutual funds:                |                     |  |
| Fixed income                 | 1,478,487           | 1,478,487  |
| Small cap                    | 193,894             | 193,894  |
| Mid cap                      | 268,396             | 268,396  |
| Large cap                    | 1,244,908           | 1,244,908  |
| International                | 298,511             | 298,511  |
| Emerging markets             | 268,193             | 268,193  |
| Real estate                  | 31,910              | 31,910   |
| Futures                      | 31,994              | 31,994   |
| Commodities                  | 43,810              | 43,810   |
|                              | <u>\$ 4,360,130</u> | <u>\$ 4,360,130</u>  |

WORLD NEIGHBORS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE G - FAIR VALUE MEASUREMENT – Continued

Fair values of investments held in trusts measured on a recurring basis at June 30, 2014:

|  | Fair Value          | Quoted Prices in<br>Active Markets<br>For Identical<br>Assets<br>(Level 1) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|--|---------------------|--|--|
| Cash and cash equivalents                    | \$ 23,102           | \$ 23,102  | \$ -   |
| Mutual funds:                                |                     |  |  |
| Fixed Income                                 | 318,868             | 318,868  | -  |
| Small cap                                    | 27,385              | 27,385   | -  |
| Mid cap                                      | 44,510              | 44,510   | -  |
| Large cap                                    | 431,330             | 431,330  | -  |
| International                                | 56,421              | 56,421   | -  |
| Emerging markets                             | 66,684              | 66,684   | -  |
| Real estate                                  | 11,088              | 11,088   | -  |
| Futures                                      | 21,132              | 21,132   | -  |
| Commodities                                  | 8,622               | 8,622  | -  |
| Investments held in trusts                   | <u>1,009,142</u>    | <u>1,009,142</u>   | <u>-</u>   |
| Beneficial interest in remainder trusts      | 1,719,182           | -  | 1,719,182  |
| Beneficial interest in assets held by others | 33,571              | -  | 33,571   |
|  | <u>\$ 2,761,895</u> | <u>\$ 1,009,142</u>  | <u>\$ 1,752,753</u>                                |

Fair values for investments and investments held in trust are determined by reference to quoted market prices and other relevant information generated by market transactions. The change in value of the split-interest agreements is reflected in the change in temporarily restricted net assets on the Statement of Activities. The net change for the year ending June 30, 2014 is attributable to an unrealized gain on investments held in remainder trusts of \$184,372 and present value discount of (\$59,171).

The Organization reports transfers between levels of the fair value hierarchy, if any, at the end of the reporting period. There were no such transfers at June 30, 2014.

WORLD NEIGHBORS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE G - FAIR VALUE MEASUREMENTS – Continued

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

|  | Beneficial<br>Interest<br>in Remainder<br>Trusts | Assets<br>Held by<br>Others | Fair<br>Value               |
|--|--|-----------------------------|-----------------------------|
|  | <u>                    </u>                      | <u>                    </u> | <u>                    </u> |
| June 30, 2013                                | <u>\$ 1,593,981</u>                              | <u>\$ 30,828</u>            | <u>\$ 1,624,809</u>         |
| Additions                                    | -  | -                           | -                           |
| Change in value in split interest agreements | 125,201  | -                           | 125,201                     |
| Payments from remainder trust                | -  | -                           | -                           |
| Distributions                                | -  | (1,489)                     | (1,489)                     |
| Change in value in beneficial interest       | <u>-</u>   | <u>4,232</u>                | <u>4,232</u>                |
| June 30, 2014                                | <u>\$ 1,719,182</u>                              | <u>\$ 33,571</u>            | <u>\$ 1,752,753</u>         |

Fair value for the beneficial interest in remainder trusts is determined based on the fair value of trusts investments, less the present value of future payouts expected to be made and discounting to the present value of future benefit expected to be received. Fair value for assets held by others represents the present value of future distributions to be received.

WORLD NEIGHBORS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE H - PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at June 30, 2014:

|  | <u>Estimated<br/>useful life</u> |                   |
|--|----------------------------------|-------------------|
| Assets held for investment                     | 25                               | \$ 570,000        |
| Leasehold and building improvements            | 10                               | 4,939             |
| Furniture and equipment                        | 7                                | 32,944            |
| Computers and software                         | 2-5                              | 46,846            |
| Vehicles                                       | 3-5                              | <u>130,625</u>    |
|  |                                  | 785,354           |
| Less accumulated depreciation and amortization |                                  | <u>(299,340)</u>  |
|  |                                  | <u>\$ 486,014</u> |

Assets held for investment consist of two donated condominiums located in Indian Shores, Florida. On August 27, 2013, World Neighbors Oklahoma City headquarters' land and building were sold.

NOTE I - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

In previous years, World Neighbors transferred \$20,385 to the Oklahoma City Community Foundation, Inc. (the "Foundation") and specified itself as the beneficiary of the funds. The Statement of Financial Position as of June 30, 2014 and 2013 includes the beneficial interests in assets held by others of \$33,571 and \$30,828, respectively. The Statement of Activities for the years ended June 30, 2014 and 2013 include net investment activity of \$2,743 and \$2,154, respectively. World Neighbors received distributions in 2014 and 2013 related to these funds totaling \$1,489 and \$1,429, respectively.

Annually, distributions from the funds are paid to World Neighbors according to the Foundation's spending policy. The Foundation maintains variance power over these funds. Variance power assures donors that if the charitable purpose of their contribution becomes impractical or impossible, the distributions will be directed to similar purposes in the community.

In addition to the funds discussed above, the Foundation maintains other funds that have been contributed by various donors to the Foundation for the benefit of World Neighbors. These funds are not included as assets of World Neighbors. The earnings from these funds are paid to World Neighbors each year. For the years ended June 30, 2014 and 2013, World Neighbors received \$40,859 and \$39,254, respectively, from these funds. At June 30, 2014 and 2013, the

WORLD NEIGHBORS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

fair market value of the funds was approximately \$922,696 and \$846,925, respectively. World Neighbors has no remainder interest in the corpus of these funds.

NOTE J – OPERATING LEASES

The Organization has one non-cancelable operating lease for four office copiers that expire in June 2016. This lease requires that the Organization pay all executory costs such as taxes, maintenance and insurance. Rental expense for this lease was \$7,779 for the year ended June 30, 2014.

Future minimum lease payments, under operating leases that have remaining terms in excess of one year, as of June 30, 2014 are:

|                      |                  |
|----------------------|------------------|
| Year ending June 30: |                  |
| 2015                 | \$ 7,339         |
| 2016                 | <u>7,339</u>     |
|                      | <u>\$ 14,678</u> |

WORLD NEIGHBORS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE K - RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2014:

|  |                     |
|--|---------------------|
| Planned giving fund                                  | \$ 1,709,545        |
| Grants/federal funds restricted for various purposes | 518,560             |
| Russell fund for facilities                          | 106,013             |
| Executive chair                                      | 661,365             |
| MC Foundation  | 300,100             |
| Gary Wang fund for program work in Nepal             | 79,486              |
| Herlin   | 30,000              |
| Other (temporary portion of permanent endowments)    | 477,739             |
| Total Temporarily Restricted Net Assets              | <u>\$ 3,882,808</u> |

Permanently restricted net assets consist of the following at June 30, 2014:

|  |                     |
|--|---------------------|
| Special endowment - general support                        | \$ 448,939          |
| Overseas partnership - overseas programs                   | 688,265             |
| World Neighbors - general support                          | 971,613             |
| International programs charitable endowment                | 268,834             |
| Assets transferred to and held by others - general support | 20,385              |
| Total Endowment Funds                                      | <u>2,398,036</u>    |
| Munds charitable trust - general support                   | 395,249             |
| Smith charitable trust - general support                   | 3,279               |
| Total Perpetual Trusts                                     | <u>398,528</u>      |
| Total Permanently Restricted Net Assets                    | <u>\$ 2,796,564</u> |

NOTE L - DONOR DESIGNATED ENDOWMENTS

The Organization's endowment consists of seven individual funds established for a variety of purposes. Its endowments include donor-restricted funds to function as endowments. As required by Generally Accepted Accounting Principles of the United States of America ("GAAP"), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law:* The Organization has interpreted the Uniform Prudent Management of Institutional Fund Act (UPMIFA) as requiring the preservation of the purchasing power of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

WORLD NEIGHBORS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE L - DONOR DESIGNATED ENDOWMENTS – Continued

Therefore, the Organization classifies as permanently restricted net assets: 1) original value of endowed gifts, 2) any subsequent gifts and 3) any accumulations to the permanent endowment made in accordance with the direction of the donor gift instrument.

*Investment Return Objectives, Risk Parameters and Strategies:* The Organization has adopted investment and spending policies, approved by the board of trustees, 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, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds, if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

*Spending Policy:* The Organization has a policy of appropriating for distribution each year 5% of its endowment fund's average value of the prior 20 quarters through the calendar year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at a nominal average rate of at least 5% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth, though new gifts and investment return.

*Funds with Deficiencies:* From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were zero as of June 30, 2014 and \$10,644 endowment as of June 30, 2013. This deficiency resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of trustees.

WORLD NEIGHBORS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE L - DONOR DESIGNATED ENDOWMENTS – Continued

Endowment net asset composition, by type of fund, as of June 30, 2014 is as follows:

|                                  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u> |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|--------------|
| Donor-restricted endowment funds | \$ -                | \$1,624,703                       | \$ 2,796,564                      | \$ 4,421,266 |

Changes in endowment net assets as of June 30, 2014 are as follows:

|                                       | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>      |
|---------------------------------------|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Contributions                         | -                   | -                                 | -                                 | -                 |
| Investment income                     | -                   | 92,056                            | -                                 | 92,056            |
| Investment gain                       | 10,644              | 437,201                           | -                                 | 447,845           |
| Transfers                             | -                   | 48                                | -                                 | 48                |
| Amounts appropriated for expenditures | -                   | (190,190)                         | -                                 | (190,190)         |
| Net changes                           | <u>\$ 10,644</u>    | <u>\$ 339,115</u>                 | <u>\$ -</u>                       | <u>\$ 349,758</u> |

Endowment Net Asset Composition by Type of Fund as of June 30, 2013 is as follows:

|                                  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Donor-restricted endowment funds | <u>\$ (10,644)</u>  | <u>\$1,285,588</u>                | <u>\$ 2,796,564</u>               | <u>\$ 4,071,508</u> |

NOTE M - INCOME TAXES

World Neighbors is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code.

World Neighbors evaluates and accounts for its uncertain tax positions, if any, in accordance with current accounting guidance, including the Organization's tax position as a tax-exempt, not-for-profit entity. Through the Organization's evaluation of its uncertain tax positions, management has determined no uncertain tax positions exist as of June 30, 2014 and 2013 which would require the Organization to record a liability for the uncertain tax positions in its financial statements. The Organization's Forms 990, Return of Organization Exempt from Income Tax,



WORLD NEIGHBORS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE M - INCOME TAXES – Continued

for the years ended June 30, 2011, 2012, 2013 and 2014 are subject to examination by the Internal Revenue Service generally for three years after they were filed.

NOTE N - DEFINED CONTRIBUTION PENSION PLAN

World Neighbors has a defined contribution (money purchase) pension plan covering all U.S.-based employees. Employee contributions are matched by World Neighbors at the discretion of the board of trustees based on a percent of covered salary. Total pension expense was approximately \$12,773 and \$31,109 for the years ended June 30, 2014 and 2013, respectively.

NOTE O – RELATED PARTY TRANSACTIONS

As explained in Note A, “Organization and Signification Accounting Policies,” Feed the Children became the sole member of World Neighbors on March 1, 2013. World Neighbors received cash assistance and administrative support from Feed the Children during the year ended June 30, 2014 of \$1,055,301, which is included in the Statement of Activities as subsidy from parent.

NOTE P - SUBSEQUENT EVENTS

Subsequent events were evaluated through October 20, 2014 which is the date the financial statements were available to be issued. On August 15, 2014, the United States Agency for International Development’s Office of U.S. Foreign Disaster Assistance awarded World Neighbors a \$1,247,319 two-year, cost-reimbursement grant to support “Disaster Risk Reduction in Nusa Tenggara” in Indonesia.

On October 1, 2014, a private U.S. foundation awarded World Neighbors a \$479,944 three-year, cost-reimbursement grant for work in “community participation to improve nutrition, water and sanitation practices in rural populations of the Atitlan and Ch’orti areas of Guatemala.”

There were no other significant subsequent events.