



# WORLD NEIGHBORS

Inspiring People • Strengthening Communities

## AUDITED FINANCIAL STATEMENTS

**June 30, 2020 and 2019**

Audited Financial Statements  
WORLD NEIGHBORS, INC.  
JUNE 30, 2020 and 2019

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of World Neighbors, Inc.  
Oklahoma City, Oklahoma

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

We have audited the accompanying financial statements of World Neighbors, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and related notes, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2021, 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*

Oklahoma City, Oklahoma  
April 21, 2021

# WORLD NEIGHBORS, INC.

## Statements of Financial Position

June 30, 2020 and 2019

	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 825,173	\$ 872,551
Accounts receivable:		
Bequests, net	209,700	2,000,300
Grants, net	80,908	211,235
U.S. Government	26,387	73,502
Prepaid expenses and other assets	66,876	76,841
<b>Total current assets</b>	<b>1,209,044</b>	<b>3,234,429</b>
Non-current assets:		
Investments, at fair value	6,568,679	4,891,991
Assets held in trusts	806,646	811,498
Beneficial interest in remainder trusts	1,761,938	1,744,686
Beneficial interest in assets held by others	843,825	285,431
Finance lease right-of-use assets, net	2,918	5,609
Operating lease right-of-use assets	122,228	138,898
Property and equipment, net	186,638	136,183
<b>Total non-current assets</b>	<b>10,292,872</b>	<b>8,014,296</b>
<b>Total assets</b>	<b>\$ 11,501,916</b>	<b>\$ 11,248,725</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 13,934	\$ 38,646
Accrued liabilities	73,470	47,592
Finance lease liabilities	2,693	2,691
Operating lease liabilities	46,665	51,237
Notes payable	42,709	-
<b>Total current liabilities</b>	<b>179,471</b>	<b>140,166</b>
Non-current liabilities:		
Finance lease liabilities	225	2,918
Operating lease liabilities	75,563	87,661
Notes payable	27,591	-
Actuarial liability - charitable gift annuities	147,132	203,527
Obligations - charitable remainder trusts	177,295	174,377
<b>Total non-current liabilities</b>	<b>427,806</b>	<b>468,483</b>
<b>Total liabilities</b>	<b>607,277</b>	<b>608,649</b>
Net assets:		
Without donor restrictions	3,514,302	3,416,545
With donor restrictions	7,380,337	7,223,531
<b>Total net assets</b>	<b>10,894,639</b>	<b>10,640,076</b>
<b>Total liabilities and net assets</b>	<b>\$ 11,501,916</b>	<b>\$ 11,248,725</b>

# WORLD NEIGHBORS, INC.

## Statement of Activities

For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating activities:</b>			
<b>Revenues, gains and other support:</b>			
Contributions	\$ 1,165,814	\$ 74,358	\$ 1,240,172
U.S. Government funds	979,721	-	979,721
Private grants	-	692,381	692,381
Investment income and gains utilized	286,316	(219,500)	66,816
Other sources	15,103	-	15,103
Net assets released from restrictions	741,853	(741,853)	-
<b>Total revenues, gains and other support</b>	<b>3,188,807</b>	<b>(194,614)</b>	<b>2,994,193</b>
<b>Expenses:</b>			
Program services:			
Field programs	2,378,634	-	2,378,634
Public education	206,846	-	206,846
Supporting activities:			
Management and general	188,253	-	188,253
Fundraising	296,256	-	296,256
<b>Total expenses</b>	<b>3,069,989</b>	<b>-</b>	<b>3,069,989</b>
<b>Change in net assets from operating activities</b>	<b>118,818</b>	<b>(194,614)</b>	<b>(75,796)</b>
<b>Non-operating activities:</b>			
Endowment gifts	-	155,103	155,103
Investment return, net	74,221	154,950	229,171
Net investment gains (losses)	(40,932)	(25,711)	(66,643)
Change in value of split-interest agreements	-	12,728	12,728
Assets transferred to endowment funds	(54,350)	54,350	-
<b>Change in net assets from non-operating activities</b>	<b>(21,061)</b>	<b>351,420</b>	<b>330,359</b>
<b>Change in net assets</b>	<b>97,757</b>	<b>156,806</b>	<b>254,563</b>
<b>Net assets at beginning of year</b>	<b>3,416,545</b>	<b>7,223,531</b>	<b>10,640,076</b>
<b>Net assets at end of year</b>	<b>\$ 3,514,302</b>	<b>\$ 7,380,337</b>	<b>\$ 10,894,639</b>

# WORLD NEIGHBORS, INC.

## Statement of Activities

For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating activities:</b>			
<b>Revenues, gains and other support:</b>			
Contributions	\$ 3,362,594	\$ 38,867	\$ 3,401,461
U.S. Government funds	1,087,490	-	1,087,490
Private grants	-	447,171	447,171
Investment income and gains utilized	232,569	(168,000)	64,569
Other sources	41,103	-	41,103
Net assets released from restrictions	552,862	(552,862)	-
<b>Total revenues, gains and other support</b>	<b>5,276,618</b>	<b>(234,824)</b>	<b>5,041,794</b>
<b>Expenses:</b>			
Program services:			
Field programs	2,316,934	-	2,316,934
Public education	213,005	-	213,005
Supporting activities:			
Management and general	174,261	-	174,261
Fundraising	355,426	-	355,426
<b>Total expenses</b>	<b>3,059,626</b>	<b>-</b>	<b>3,059,626</b>
<b>Change in net assets from operating activities</b>	<b>2,216,992</b>	<b>(234,824)</b>	<b>1,982,168</b>
<b>Non-operating activities:</b>			
Endowment gifts	-	201,300	201,300
Investment return, net	43,021	168,781	211,802
Net investment gains (losses)	(12,698)	34,745	22,047
Change in value of split-interest agreements	-	35,486	35,486
Assets transferred to endowment funds	(60,000)	60,000	-
<b>Change in net assets from non-operating activities</b>	<b>(29,677)</b>	<b>500,312</b>	<b>470,635</b>
<b>Change in net assets</b>	<b>2,187,315</b>	<b>265,488</b>	<b>2,452,803</b>
<b>Net assets at beginning of year</b>	<b>1,229,230</b>	<b>6,958,043</b>	<b>8,187,273</b>
<b>Net assets at end of year</b>	<b>\$ 3,416,545</b>	<b>\$ 7,223,531</b>	<b>\$ 10,640,076</b>

# WORLD NEIGHBORS, INC.

## Statement of Functional Expenses

For the Year Ended June 30, 2020

	Program Services			Supporting Activities			
	Field Programs	Public Education	Subtotal Program Services	Management and General	Fundraising	Subtotal Supporting Activities	Total
Salaries and related expenses:							
Salaries	\$ 890,292	\$ 98,319	\$ 988,611	\$ 105,139	\$ 120,070	\$ 225,209	\$ 1,213,820
Payroll taxes	63,691	6,759	70,450	7,556	8,546	16,102	86,552
Benefits	151,240	16,594	167,834	16,300	19,532	35,832	203,666
	1,105,223	121,672	1,226,895	128,995	148,148	277,143	1,504,038
Field programs	808,010	-	808,010	-	-	-	808,010
Contract services	33,553	6,204	39,757	3,267	63,892	67,159	106,916
Legal and accounting services	51,598	7,752	59,350	11,214	2,079	13,293	72,643
Travel	116,228	28,575	144,803	6,506	39,779	46,285	191,088
Office supplies	16,184	3,583	19,767	1,105	758	1,863	21,630
Telecommunications	24,006	4,600	28,606	2,983	1,668	4,651	33,257
Postage	3,885	528	4,413	755	1,908	2,663	7,076
Rent and occupancy	84,363	20,844	105,207	617	1,190	1,807	107,014
Office equipment and software	15,936	1,478	17,414	3,747	7,436	11,183	28,597
Advertising	-	-	-	-	4,235	4,235	4,235
Printing and publications	4,104	661	4,765	717	12,646	13,363	18,128
Depreciation and amortization	44,600	-	44,600	16,673	4,168	20,841	65,441
Dues	2,899	781	3,680	776	2,332	3,108	6,788
Training and meetings	23,233	5,809	29,042	-	-	-	29,042
Financial expenses	44,812	4,359	49,171	10,898	6,017	16,915	66,086
<b>Total expenses</b>	<b>\$ 2,378,634</b>	<b>\$ 206,846</b>	<b>\$ 2,585,480</b>	<b>\$ 188,253</b>	<b>\$ 296,256</b>	<b>\$ 484,509</b>	<b>\$ 3,069,989</b>



# WORLD NEIGHBORS, INC.

## Statement of Functional Expenses

For the Year Ended June 30, 2019

	Program Services			Supporting Activities			
	Field Programs	Public Education	Subtotal Program Services	Management and General	Fundraising	Subtotal Supporting Activities	Total
Salaries and related expenses:							
Salaries	\$ 876,526	\$ 97,423	\$ 973,949	\$ 97,334	\$ 164,232	\$ 261,566	\$ 1,235,515
Payroll taxes	56,837	6,036	62,873	6,809	10,944	17,753	80,626
Benefits	144,363	17,099	161,462	11,002	28,091	39,093	200,555
	1,077,726	120,558	1,198,284	115,145	203,267	318,412	1,516,696
Field programs	757,540	-	757,540	-	-	-	757,540
Contract services	44,544	9,456	54,000	2,598	57,653	60,251	114,251
Legal and accounting services	53,844	8,167	62,011	12,047	3,097	15,144	77,155
Travel	133,164	33,427	166,591	9,601	31,956	41,557	208,148
Office supplies	12,858	2,823	15,681	1,071	1,021	2,092	17,773
Telecommunications	24,142	4,995	29,137	2,253	1,321	3,574	32,711
Postage	2,044	313	2,357	368	4,149	4,517	6,874
Rent and occupancy	84,244	20,809	105,053	807	2,333	3,140	108,193
Office equipment and software	14,329	1,238	15,567	3,533	8,387	11,920	27,487
Advertising	-	-	-	-	9,547	9,547	9,547
Printing and publications	4,048	701	4,749	770	16,145	16,915	21,664
Depreciation and amortization	38,567	-	38,567	14,417	3,604	18,021	56,588
Dues	3,153	838	3,991	518	4,158	4,676	8,667
Training and meetings	22,518	5,628	28,146	-	-	-	28,146
Financial expenses	44,213	4,052	48,265	11,133	8,788	19,921	68,186
<b>Total expenses</b>	<b>\$ 2,316,934</b>	<b>\$ 213,005</b>	<b>\$ 2,529,939</b>	<b>\$ 174,261</b>	<b>\$ 355,426</b>	<b>\$ 529,687</b>	<b>\$ 3,059,626</b>

# WORLD NEIGHBORS, INC.

## Statements of Cash Flows

For the Years Ended June 30, 2020 and 2019

	<b>2020</b>	<b>2019</b>
Cash flows from operating activities:		
Change in net assets	\$ 254,563	\$ 2,452,803
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	65,441	56,588
Gain on disposals of property and equipment	-	(25,500)
Net realized and unrealized (gains) losses on investments	70,529	(40,361)
Contributions restricted for permanent investments	(155,103)	(201,300)
Change in fair value of:		
Assets held in trusts	4,852	(1,658)
Beneficial interest in remainder trusts	(17,252)	(31,671)
Beneficial interest in assets held by others	(558,394)	(190,288)
Present value adjustments and actuarial liability for split-interest agreements	(53,477)	(39,654)
Changes in operating assets and liabilities:		
Accounts receivable	1,968,042	(1,872,173)
Prepaid expenses and other assets	9,965	(17,555)
Accounts payable and accrued liabilities	1,166	12,596
<b>Net cash provided by operating activities</b>	<b>1,590,332</b>	<b>101,827</b>
Cash flows from investing activities:		
Proceeds from sales of investments	4,678,823	1,709,117
Purchases of investments	(6,480,390)	(1,772,334)
Purchases of property and equipment	(113,205)	(71,142)
<b>Net cash used in investing activities</b>	<b>(1,914,772)</b>	<b>(134,359)</b>
Cash flows from financing activities:		
Reduction of finance lease liability	(2,691)	(2,688)
Proceeds for investment in assets held in trusts	54,350	60,000
Proceeds for investment in endowment	155,103	201,300
Proceeds from notes payable	70,300	-
<b>Net cash provided by financing activities</b>	<b>277,062</b>	<b>258,612</b>
Net (decrease) increase in cash and cash equivalents	(47,378)	226,080
Cash and cash equivalents at beginning of year	872,551	646,471
Cash and cash equivalents at end of year	<b>\$ 825,173</b>	<b>\$ 872,551</b>

# WORLD NEIGHBORS, INC.

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

### A. Organization

World Neighbors, Inc. (“WN”) is an international, non-governmental, development organization striving to eliminate hunger, poverty and disease in the most deprived rural villages on four continents. WN 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 28 million people in 45 countries have transformed their lives with the support of WN.

WN is headquartered in Oklahoma City, Oklahoma and has eight international field offices (\*), which oversee its program work in 13 countries:

Latin America and the Caribbean	Africa	South Asia	Southeast Asia
Bolivia	Burkina Faso*	India	Indonesia*
Guatemala*	Kenya*	Nepal*	Timor-Leste*
Haiti*	Mali		
Peru*	Tanzania		
	Uganda		

### B. Summary of Significant Accounting Policies

#### Adoption of accounting pronouncement

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Under the new guidance, at commencement date, lessees will be required to recognize a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discount basis; and a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. The new guidance is not applicable for leases with terms of less than twelve months. As deferred by ASU 2020-05, the standard is effective for WN for the fiscal year beginning July 1, 2020, with early adoption permitted.

WN retrospectively adopted ASU 2016-02 as of July 1, 2018. The adoption of this accounting pronouncement resulted in an increase to WN’s total assets and total liabilities without restrictions of \$282,130, as of July 1, 2018. Refer to Note K for additional information.

#### Accounting pronouncements not yet adopted

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The update increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure regarding the measurement of contributed

# WORLD NEIGHBORS, INC.

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

nonfinancial assets; as well as, the amount of those contributions used in the entity's programs and other activities. The ASU should be applied on a retrospective basis and is effective for WN for the fiscal year beginning July 1, 2021, with early adoption permitted. Management believes the adoption of the standard will have an immaterial impact on its financial statements and related disclosures.

### **Basis of accounting**

The financial statements of WN have been prepared on an accrual basis.

### **Basis of presentation**

WN maintains its accounts in accordance with the principles of fund accounting. Under this method of accounting, resources for various purposes are classified into funds that are consistent with activities or objectives specified by donors. Separate accounts are maintained for each fund.

### **Net asset classifications**

For reporting purposes, WN prepares its financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") that require resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two categories of net assets – net assets without donor restrictions and net assets with donor restrictions. Descriptions of the two net asset categories, and the type of transactions affecting each category, follow.

*Net assets without donor restrictions* are not subject to donor-imposed restrictions. This category includes all resources that are expendable at the discretion of WN's Board of Trustees.

*Net assets with donor restrictions* may be temporarily or permanently restricted.

- Temporarily restricted assets are limited by donor-imposed restrictions that expire with either the passage of time or the occurrence of specified events or actions. When a restriction has been fulfilled, the associated amount is reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.
- Permanently restricted assets are limited by donor-imposed restrictions that require the principle (corpus) be maintained in perpetuity but permit the income therefrom to be utilized for operating or other donor-imposed purposes.

### **Revenue recognition**

WN applies the guidance of FASB ASU 2013-06, Subtopic 958-605, *Not-for-Profit Entities - Revenue Recognition*, to recognize cash and gift-in-kind contributions from individuals and organizations. These contributions, including unconditional promises to give (pledges), are recognized as revenue when the donor's unconditional commitment is received. All contributions

# **WORLD NEIGHBORS, INC.**

## **Notes to Financial Statements**

### **For the Years Ended June 30, 2020 and 2019**

are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions.

When a temporary restriction expires, the 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 with restrictions that are fulfilled in the period in which the contributions are received are recorded as contributions without donor restrictions in the financial statements. Conditional promises to give are recognized only when the conditions on which they depend are substantially met.

Pledges that are 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 United States of America ("U.S.") 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.

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

Pledges and bequest contributions are unrestricted for the operations of WN, unless specifically restricted by the donor. Grants for programs are temporarily restricted for support of specific programs. Endowment pledges received are permanently restricted and are to be invested as part of WN's endowment portfolio.

Certain programs of WN are funded by cooperative agreements from the United States Agency for International Development ("USAID"). Revenues from these cooperative agreements are deemed earned and recognized in the Statements of Activities when expenditures are made for the purposes specified. Cooperative agreement funds that have been received, but have not yet been expended for the purposes specified, are reported as deferred revenue.

#### **Contributed services**

Unpaid volunteers make significant contributions of their time in WN's programs. The value of these services is not recognized in the financial statements, as they do not meet certain applicable criteria specified under guidance issued under FASB Statement of Financial Accounting Standard No. 116, *Accounting for Contributions Received and Contributions Made*.

#### **Measure of operations**

WN includes in its definition of operating activities all revenues and expenses that are an integral part of its programs and supporting activities, including an authorized investment income spending allocation and other investment funds distributed. This measure of operations provides a

# **WORLD NEIGHBORS, INC.**

## **Notes to Financial Statements**

**For the Years Ended June 30, 2020 and 2019**

presentation that depicts the manner in which WN manages its financial activities. Investment returns, including interest and dividends, net realized and unrealized gains and losses earned, contributions to endowment funds, changes in the value of interests in- and investment returns on- assets held under split-interest agreements and other nonrecurring items are recognized as non-operating activities.

### **Cash and cash equivalents**

For the purpose of the Statements of Financial Position and Cash Flows, WN 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.

### **Accounts receivable**

Grant receivables consist of amounts due over multiple years from private foundations and other organizations, less an adjustment for net present valuation; as well as, an allowance for doubtful accounts.

Federal funds receivables consist of amounts due from cooperative agreements awarded by the USAID. No allowance for doubtful accounts adjustment is made for government receivables.

### **Donated assets**

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

### **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 based on 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 net assets with donor restrictions if (a) the terms of the gift (that gave rise to the investment) or applicable laws require such amounts be added to the permanent endowment principal or (b) if the terms of the gift, or applicable laws, impose restrictions on the use of the income. Losses on investments of permanent endowments reduce net assets with donor restrictions.

# WORLD NEIGHBORS, INC.

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

In all other cases, income and gains on investments are reported as increases in net assets without donor restrictions.

### **Prepaid expenses and other assets**

Certain payments reflect costs applicable to future periods. Prepaid expenses and other assets include insurance premiums, which are expensed over the life of the policies.

### **Property and equipment**

Acquisitions of property and equipment and leasehold improvements, in excess of \$1,000, are capitalized. Property and equipment are stated at cost, at acquisition. Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions 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 equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, WN reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. WN reclassifies these temporarily restricted assets with donor restrictions to net assets without restrictions, at that time.

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

WN records impairments of its property 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 or equipment impairments were recorded in the years ended June 30, 2020 and 2019.

### **Split-interest agreements**

Split-interest agreements with donors consist of irrevocable charitable remainder trusts for which WN serves as trustee. Liabilities to the lead beneficiaries of these trusts are recorded as *obligations – charitable remainder trusts* in the Statements of Financial Position.

WN also administers numerous charitable gift annuities. Liabilities to the lead beneficiaries of these annuity contracts are recorded as *actuarial liability – charitable gift annuities* in the Statements of Financial Position.

### **Beneficial interest in remainder trusts**

Beneficial interest in remainder trusts represents the amounts held under irrevocable charitable remainder trust agreements between donors and third-party trustees. WN's 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 that WN will

# **WORLD NEIGHBORS, INC.**

## **Notes to Financial Statements**

**For the Years Ended June 30, 2020 and 2019**

ultimately realize could differ materially, and significant fluctuations in fair values could occur from year to year.

### **Other revenues**

Other revenues in the Statements of Activities primarily consist of gains on the disposal of assets, currency exchange gains and royalty income.

### **Advertising**

All costs associated with advertising are expensed as incurred.

### **Use of estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclose contingent assets and liabilities at the date of the financial statement. Actual results could differ from those estimates.

Estimates that are particularly susceptible to significant change include the valuation of investments, assets held in trusts, beneficial interests in remainder trusts and contributions receivable. Investments, assets held in trusts and beneficial interests in remainder trusts, 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 Statements of Financial Position. Significant fluctuations in fair values could occur from year to year and the amounts WN will ultimately realize could differ materially.

Management's estimate of investments, assets held in trusts, beneficial interests in remainder trusts and other receivables is based on consideration of all relevant available information and an analysis of the collectability of accounts receivable (which arise primarily from the USAID, private foundations and donor agencies, trusts and estates) at the financial statement date.

### **Foreign currency translation**

The functional currency of WN is the U.S. Dollar. The financial statements and transactions of WN's foreign offices are generally maintained in the relevant local currency. Where local currencies are used, assets and liabilities are re-measured using the spot rates at the end of the reporting period. For revenue and expense items, translation is performed using the monthly average rates of exchange in effect.

### **Income taxes**

WN is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. WN evaluates and accounts for its uncertain tax positions, if any, in accordance with current accounting guidance, including WN's tax position as a tax-exempt, not-for-profit entity. Through WN's



# WORLD NEIGHBORS, INC.

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

evaluation of its uncertain tax positions, management has determined no uncertain tax positions exist as of June 30, 2020 and 2019 that would require WN to record a liability for the uncertain tax positions in its financial statements. WN's Form 990, *Return of Organization Exempt from Income Tax*, from the year ended June 30, 2017 forward are subject to examination by the Internal Revenue Service generally for three years after filing.

### **Functional allocation of expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in detail in the Statements of Functional Expenses.

Costs are directly allocated to functional categories where a clear relationship exists. WN's field offices exist for the direct mission purpose of international development project implementation and management. Accordingly, all costs incurred by field offices are considered program services (field programs or public education) for purposes of functional allocation classification as reported in the Statements of Activities and Functional Expenses.

Other costs incurred at the WN headquarters level are allocated among program, management and general and fundraising categories. Expenses have been allocated based on direct cost allocations, employee functional time distribution and indirect cost allocation estimates.

### **Reclassifications and additions**

Certain amounts in the June 30, 2019 financial statements have been reclassified or added to conform to the June 30, 2020 presentation in accordance with ASU 2016-02. Such reclassifications and additions include (a) the addition of finance and operating lease right-of-use assets and liabilities in the Statements of Financial Position, (b) nominal changes to the presentation of depreciation in the Statement of Functional Expenses and (c) the addition of the finance lease liability in the Statements of Cash Flows. These reclassifications and additions had no impact on the previously reported change in net assets.

### **Subsequent events**

Management has evaluated subsequent events through April 21, 2021, the date the financial statements were available for issuance.

On December 4, 2020, the U.S. Small Business Administration ("SBA") forgave WN's Paycheck Protection Program loan of \$70,300 and accrued interest of \$383. Refer to Note M for additional information.

On January 29, 2021, WN received a second Paycheck Protection Program loan of \$69,400. Management believes the SBA will forgive this loan in the first quarter of fiscal year 2022.

No other matters came to the attention of management.

# WORLD NEIGHBORS, INC.

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

### C. Liquidity

The following reflects WN's financial assets at June 30, 2020, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions and board-designated liquidity reserves.

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Financial assets, at June 30, 2020	\$ 11,123,256
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(4,618,072)
Subject to appropriation and satisfaction of donor restrictions	(555,753)
Investments held in annuities and trusts	(2,259,526)
Board-designations:	
Amounts set aside for liquidity reserve	<u>(2,397,896)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,292,009</u>

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 299,171
Accounts receivable	324,550
Operating investments	492,488
Distributions from assets held under split-interest agreements	3,300
Distributions from beneficial interests in assets held by others	5,000
Endowment spending-rate distributions and appropriations	<u>167,500</u>
	<u>\$ 1,292,009</u>

As part of its liquidity management, WN structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, WN invests cash in excess of daily requirements in short-term investments.

# WORLD NEIGHBORS, INC.

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

### D. Cash and Cash Equivalents

Cash and cash equivalents of \$825,173 and \$872,551 as of June 30, 2020 and 2019, respectively, were held in support of the following:

	2020	2019
Restricted:		
Programs	\$ 499,122	\$ 380,481
Disaster relief	26,880	7,000
Endowment	-	1,300
Subtotal - restricted cash	526,002	388,781
Unrestricted	299,171	483,770
	<u>\$ 825,173</u>	<u>\$ 872,551</u>

### E. Accounts Receivable

Accounts receivable at June 30 consisted of the following:

	2020	2019
Receivables in less than one year:		
Bequests	\$ 233,000	\$ 2,024,000
Grants	65,163	206,306
U.S. federal funds	26,387	73,502
Receivables in less than one year	324,550	2,303,808
Receivables in one to five years	25,297	30,000
Gross accounts receivable	349,847	2,333,808
Less:		
Allowance for doubtful accounts	(32,346)	(47,331)
Discounts to net present value	(506)	(1,440)
	<u>\$ 316,995</u>	<u>\$ 2,285,037</u>

# WORLD NEIGHBORS, INC.

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

At June 30, 2020, 100% of the grants receivable is restricted for the use of specific programs, while 100% of the bequest receivable is unrestricted for the operations of WN.

### F. Investments

The investment portfolio is managed by independent investment managers who are provided with broad investment guidelines approved by WN's Investment Committee. The guidelines authorize the managers to manage fixed income assets within a range of 30% to 50%. At June 30, the overall allocation of investments was:

	2020	2019
Equities	56%	51%
Fixed income	35%	36%
Cash and cash equivalents	5%	3%
Alternative funds	3%	7%
Total return strategies	1%	-
Asset allocation strategies	-	3%
	100%	100%

Investments consist of the following at June 30:

	2020 Carrying Amount	2019 Carrying Amount
Cash and cash equivalents	\$ 343,724	\$ 166,992
Securities:		
Common and preferred stocks	490,971	213,147
Mutual funds - equities	3,175,374	2,280,904
Mutual funds - fixed income	2,269,873	1,765,559
Mutual funds - alternatives	204,872	333,305
Mutual funds - total return strategies	83,865	-
Mutual funds - asset allocation strategies	-	132,084
	\$ 6,568,679	\$ 4,891,991

# WORLD NEIGHBORS, INC.

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

### G. Split-Interest Agreements

#### (a) Charitable Remainder Trusts

WN is the trustee of various charitable remainder trusts, which are subject to the terms of trust agreements entered into with the donor. 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 WN's use. The portion of the trust attributable to the present value of the future benefits to be received by WN is recorded in the Statements of Activities as a contribution with donor restrictions in the period the trust is established. There were no new contributions for the years ended June 30, 2020 and 2019.

Assets held in the charitable remainder trusts totaled \$806,646 and \$811,498 for the years ended June 30, 2020 and 2019, respectively, and reported in the Statements of Financial Position as *assets held in trusts*. On an annual basis, WN revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments (\$177,295 and \$174,377 at June 30, 2020 and 2019, respectively) is calculated using discount rates ranging from 3.66% to 7% based on the date of the contributions, the mortality tables and the U.S. Treasury Bond rate.

Assets held in trusts, which include cash equivalent funds and securities, at fair value, consist of the following at June 30:

	2020	2019
Cash and cash equivalents	\$ 32,541	\$ 36,806
Securities:		
Mutual funds - equities	426,912	408,452
Mutual funds - fixed income	326,899	291,495
Mutual funds - total return strategies	20,294	-
Mutual funds - asset allocation strategies	-	42,701
Mutual funds - alternatives	-	32,044
	<u>\$ 806,646</u>	<u>\$ 811,498</u>

#### (b) Charitable Gift Annuities

WN is also obligated to pay annuitants under charitable gift annuities. The assets held under these agreements are reported in the Statements of Financial Position as a component of investments. Assets held in trust under gift annuities are carried at fair value using the methods

# WORLD NEIGHBORS, INC.

## Notes to Financial Statements

### For the Years Ended June 30, 2020 and 2019

described in the fair value footnote for investments, and amounted to \$202,696 and \$251,846 as of June 30, 2020 and 2019, respectively. There were no new contributions for the years ended June 30, 2020 and 2019.

On an annual basis, WN revalues the related liability based on actuarial assumptions. The liability is reported as *actuarial liability - charitable gift annuities* in the Statements of Financial Position. The present value of the estimated future payments (\$147,132 and \$203,527 as of June 30, 2020 and 2019, respectively) are calculated using discount rates ranging from 4.6% to 8.6% and applicable mortality tables.

#### H. Beneficial Interest in Remainder Trusts

WN is also the beneficiary of several charitable remainder trusts in which it is not the trustee. At the time of the donor's death, the trusts terminate and the remaining assets distributed to the beneficiaries. During the year-ended June 30, 2020, WN received one new contribution valued at \$47,021. No new contributions were received for the year ended June 30, 2019. Based on donor life expectancy, and the use of various discount rates ranging from 6.75% to 9.89%, the present value of future benefits expected by WN was estimated to be \$1,761,938 and \$1,744,686 at June 30, 2020 and 2019, respectively.

#### I. Beneficial Interest in Assets Held by Others

##### (a) Oklahoma City Community Foundation, Inc. ("OCCF")

The Statements of Financial Position as of June 30, 2020 and 2019 include beneficial interest in assets held by the OCCF of \$843,825 and \$285,431, respectively, consisting of:

	2020	2019
Permanently restricted endowment fund	\$ 218,635	\$ 160,493
Board-designated reserve funds	625,190	124,938
	<u>\$ 843,825</u>	<u>\$ 285,431</u>

- *Permanently restricted endowment fund*  
During both years ended June 30, 2020 and 2019, WN transferred \$60,000 to its permanently restricted endowment fund. In 2020 and 2019, WN received distributions from the fund totaling \$3,215 and \$1,912, respectively.
- *Board-designated reserve funds*  
During the year ended June 30, 2019, WN created an unrestricted, spendable fund at the OCCF by transferring \$125,000 of board-designated funds. WN transferred an additional

# WORLD NEIGHBORS, INC.

## Notes to Financial Statements

### For the Years Ended June 30, 2020 and 2019

\$500,000 during the year ended June 30, 2020. WN is the sole beneficiary of this unrestricted reserve fund. There were no distributions in 2020 and 2019.

The Statements of Activities for the years ended June 30, 2020 and 2019 include net investment activity of \$1,609 and \$7,200, respectively.

In addition to the funds discussed above, the OCCF maintains the World Neighbors Fund (the “WN Fund”) that has been contributed to by various donors to the OCCF for the benefit of WN. The WN Fund is an endowment fund. For the years ended June 30, 2020 and 2019, the OCCF received \$30,600 and \$20,250, respectively, in additional donations to the WN Fund. The fair market value of the WN Fund was approximately \$1,004,519 and \$959,386 as of June 30, 2020 and 2019, respectively.

- The OCCF maintains variance power over the WN Fund. 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. WN has no remainder interest in the corpus of the WN Fund and does not include it as an asset in its financial statements.
- Annual distributions from the WN Fund are paid to WN according to the OCCF’s spending policy. For the years ended June 30, 2020 and 2019, WN received \$47,139 and \$45,870, respectively.

#### **(b) Oklahoma Methodist Foundation (“OMF”)**

The OMF maintains an endowment fund that has been contributed by a family to the OMF for the benefit of WN. As of June 30, 2020 and 2019, the fair market value of the fund was approximately \$324,071 and \$328,526, respectively. The earnings from the fund are paid to WN each year. For the years ended June 30, 2020 and 2019, WN received \$16,086 and \$16,099, respectively. WN has no remainder interest in the corpus of the fund and; therefore, does not include it as an asset in its financial statements.

#### **J. Fair Value Measurements**

WN values its investments in accordance with GAAP and consistent with the FASB’s official pronouncement on *Fair Value Measurements* for financial assets and liabilities. The pronouncement defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation

# WORLD NEIGHBORS, INC.

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

techniques used to measure fair value utilize relevant observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy are as follows:

**Level 1** Inputs are quoted prices, or published net asset values (unadjusted), in active markets for identical assets or liabilities that WN has the ability to access at the measurement date.

**Level 2** Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3** Inputs are unobservable inputs for the asset or liability.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, WN utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible; as well as, considers nonperformance risk in its assessment of fair value.



# WORLD NEIGHBORS, INC.

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Investments at fair value, measured on a recurring basis, as of June 30, 2020:

	Level 1	Level 2	Level 3	Fair Value
Cash and cash equivalents	\$ 343,724	\$ -	\$ -	\$ 343,724
Common and preferred stocks:				
Energy	13,084	-	-	13,084
Materials	8,663	-	-	8,663
Industrials	36,213	-	-	36,213
Consumer discretionary	52,004	-	-	52,004
Consumer staples	27,121	-	-	27,121
Healthcare	69,201	-	-	69,201
Financials	50,357	-	-	50,357
Information technology	156,875	-	-	156,875
Communication services	54,777	-	-	54,777
Utilities	11,961	-	-	11,961
Real estate	10,716	-	-	10,716
Mutual funds:				
Fixed income	2,269,873	-	-	2,269,873
Small cap	241,239	-	-	241,239
Mid cap	238,966	-	-	238,966
Large cap	1,787,785	-	-	1,787,785
International	621,521	-	-	621,521
Emerging markets	202,531	-	-	202,531
Real estate	83,331	-	-	83,331
Alternatives	204,872	-	-	204,872
Total return strategies	83,865	-	-	83,865
	<u>\$ 6,568,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,568,679</u>

# WORLD NEIGHBORS, INC.

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Investments at fair value, measured on a recurring basis, as of June 30, 2019:

	Level 1	Level 2	Level 3	Fair Value
Cash and cash equivalents	\$ 166,992	\$ -	\$ -	\$ 166,992
Common and preferred stocks:				
Energy	12,607	-	-	12,607
Materials	7,064	-	-	7,064
Industrials	18,021	-	-	18,021
Consumer discretionary	25,042	-	-	25,042
Consumer staples	16,479	-	-	16,479
Healthcare	23,830	-	-	23,830
Financials	28,970	-	-	28,970
Information technology	47,405	-	-	47,405
Communication services	23,442	-	-	23,442
Utilities	6,606	-	-	6,606
Real estate	3,680	-	-	3,680
Mutual funds:				
Fixed income	1,765,559	-	-	1,765,559
Small cap	160,893	-	-	160,893
Mid cap	107,909	-	-	107,909
Large cap	1,236,280	-	-	1,236,280
International	476,451	-	-	476,451
Emerging markets	218,544	-	-	218,544
Real estate	80,828	-	-	80,828
Asset allocation strategies	132,084	-	-	132,084
Alternatives	333,305	-	-	333,305
	<u>\$ 4,891,991</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,891,991</u>

Fair value for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

# WORLD NEIGHBORS, INC.

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

The following table presents financial instruments in (a) assets held in trust, (b) beneficial interest in remainder trusts and (c) assets held by others, measured on a recurring basis, as of June 30, 2020:

	Level 1	Level 2	Level 3	Fair Value
<b>Assets held in trusts:</b>				
Cash and cash equivalents	\$ 32,541	\$ -	\$ -	\$ 32,541
<b>Mutual funds:</b>				
Fixed income	326,899	-	-	326,899
Small cap	27,966	-	-	27,966
Mid cap	59,293	-	-	59,293
Large cap	243,951	-	-	243,951
International	65,733	-	-	65,733
Emerging markets	19,691	-	-	19,691
Real estate	10,278	-	-	10,278
Total return strategies	20,294	-	-	20,294
	806,646	-	-	806,646
<b>Beneficial interest in:</b>				
Remainder trusts	-	-	1,761,938	1,761,938
Assets held by others	-	-	843,825	843,825
	\$ 806,646	\$ -	\$ 2,605,763	\$ 3,412,409

# WORLD NEIGHBORS, INC.

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

The following table presents financial instruments in (a) assets held in trust, (b) beneficial interest in remainder trusts and (c) assets held by others, measured on a recurring basis, as of June 30, 2019:

	Level 1	Level 2	Level 3	Fair Value
<b>Assets held in trusts:</b>				
Cash and cash equivalents	\$ 36,806	\$ -	\$ -	\$ 36,806
<b>Mutual funds:</b>				
Fixed income	291,495	-	-	291,495
Small cap	37,867	-	-	37,867
Mid cap	69,818	-	-	69,818
Large cap	187,456	-	-	187,456
International	85,628	-	-	85,628
Emerging markets	27,683	-	-	27,683
Asset allocation strategies	42,701	-	-	42,701
Alternatives	32,044	-	-	32,044
	811,498	-	-	811,498
<b>Beneficial interest in:</b>				
Remainder trusts	-	-	1,744,686	1,744,686
Assets held by others	-	-	285,431	285,431
	\$ 811,498	\$ -	\$ 2,030,117	\$ 2,841,615

Fair value for assets held in trust are determined by reference to quoted market prices and other relevant information generated by market transactions. WN 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, 2020 and 2019.

The change in value of the beneficial interest in remainder trusts is a component of the “change in value of split-interest agreements” in net assets with donor restrictions on the Statements of Activities. The net change for the year ending June 30, 2020 is attributed to a new trust of \$47,021, net unrealized gains on investments held in remainder trusts of \$21,689, a present value discount of (\$50,383) and a distribution of (\$1,075).

The net change for the year ending June 30, 2019 is attributed to net unrealized gains on investments held in remainder trusts of \$51,923, a present value discount of (\$19,366) and a distribution of (\$886).

# WORLD NEIGHBORS, INC.

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Fair value for the beneficial interest in remainder trusts is determined based on the fair value of the trusts' investments, less the present value of the expected future payouts and discounting to the present value of expected future benefit. Fair value for assets held by others represents the present value of future distributions to be received. Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

	<b>Beneficial Interest in Remainder Trusts</b>	<b>Beneficial Interest in Assets Held by Others</b>	<b>Fair Value</b>
<b>Balance at June 30, 2018</b>	\$ 1,713,015	\$ 95,143	\$ 1,808,158
Additions	-	185,000	185,000
Change in value in split-interest agreements	32,557	-	32,557
Payments from remainder trust	(886)	-	(886)
Distributions	-	(1,912)	(1,912)
Change in value in beneficial interest	-	7,200	7,200
Net changes	31,671	190,288	221,959
<b>Balance at June 30, 2019</b>	1,744,686	285,431	2,030,117
Additions	47,021	560,000	607,021
Change in value in split-interest agreements	(28,694)	-	(28,694)
Payments from remainder trust	(1,075)	-	(1,075)
Distributions	-	(3,215)	(3,215)
Change in value in beneficial interest	-	1,609	1,609
Net changes	17,252	558,394	575,646
<b>Balance at June 30, 2020</b>	\$ 1,761,938	\$ 843,825	\$ 2,605,763



# WORLD NEIGHBORS, INC.

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

The following table presents supplemental cash flow information related to WN's leases for the years ending June 30:

	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 65,275	\$ 70,221
Finance cash flows from finance leases	2,691	2,688
	<u>\$ 67,966</u>	<u>\$ 72,909</u>

Maturities of lease liabilities, at net present value:

Year ending June 30,	Finance Lease	Operating Leases
2021	\$ 2,693	\$ 46,665
2022	225	43,255
2023	-	17,724
2024	-	12,557
2025	-	2,027
	<u>\$ 2,918</u>	<u>\$ 122,228</u>

Undiscounted cash flows due within:

Year ending June 30,	Finance Lease	Operating Leases
2021	\$ 2,693	\$ 56,691
2022	225	55,586
2023	-	21,396
2024	-	16,667
2025	-	2,528
	<u>2,918</u>	<u>152,868</u>
Impact of present value discount	<u>-</u>	<u>(30,640)</u>
	<u>\$ 2,918</u>	<u>\$ 122,228</u>

# WORLD NEIGHBORS, INC.

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

<b>Weighted Average Remaining Lease Term</b>	<b>2020</b>	<b>2019</b>
Finance lease	1 year	2 years
Operating leases	3 years	3.5 years
<b>Weighted Average Discount Rate</b>	<b>2020</b>	<b>2019</b>
Finance lease	4.9%	4.9%
Operating leases	5.3%	5.5%

### Significant Leases That Have Not Yet Commenced

Effective July 2020, WN entered into a five-year operating lease for its office in Ouagadougou, Burkina Faso with estimated aggregated future lease payments of approximately \$37,000.

## L. Property and Equipment

Investments in property and equipment consist of the following at June 30:

<b>Asset classification</b>	<b>Estimated useful life (years)</b>	<b>2020</b>	<b>2019</b>
Vehicles	3-5	\$ 300,936	\$ 234,752
Computers and software	2-5	124,380	100,357
Furniture and equipment	7	72,283	82,183
Leasehold and building improvements	3-10	32,229	32,625
		529,828	449,917
Less accumulated depreciation and amortization		(343,190)	(313,734)
		<u>\$ 186,638</u>	<u>\$ 136,183</u>
		<b>2020</b>	<b>2019</b>
Total depreciation and amortization expense		\$ 65,441	\$ 56,588
Less, amortization of Right-of-Use Asset		(2,691)	(2,688)
Net depreciation related to non-leased, fixed assets		<u>\$ 62,750</u>	<u>\$ 53,900</u>



# **WORLD NEIGHBORS, INC.**

## **Notes to Financial Statements**

**For the Years Ended June 30, 2020 and 2019**

### **M. Notes Payable**

On April 12, 2020, WN received a loan (the “loan”) from its investment custodial bank for \$70,300, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the Coronavirus Aid, Relief and Economic Securities Act, enacted on March 27, 2020.

The PPP provides for loans to qualifying businesses for amounts up to 2.5 times of the average, U.S. (domestic), monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, employee benefits, rent and utilities; and maintains its payroll levels, including headcount. WN used the proceeds for purposes consistent with the PPP.

WN owed \$70,300 of principle and \$147 of accrued interest on June 30, 2020.

On September 15, 2020, the lender submitted WN’s PPP loan forgiveness application to the SBA. The SBA has 90 days from that date to reach a final decision regarding forgiveness of the loan. Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments (principle and interest) for the first six months.

### **N. Line of Credit**

On May 5, 2020, WN secured a one-year, variable rate, revolving credit facility with its investment custodial bank for \$450,000. The line of credit has an interest rate based on the bank’s National Prime Rate, minus 1%, with a floor of 3%. The interest rate was 3% on June 30, 2020.

Any borrowings under the facility are due upon demand and are secured by unrestricted reserve funds held by the bank. Borrowings against the line of credit from inception through June 30, 2020 were zero.

# WORLD NEIGHBORS, INC.

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

### O. Net Assets Without Donor Restrictions

Net assets without donor restrictions consist of the following at June 30:

	2020	2019
Available for operations	\$ 332,778	\$ 2,281,927
Palmer fund - unrestricted investments	396,292	393,504
Board-designated funds:		
John L. Peters funds - operating reserves	957,576	604,931
Ellison fund - operating reserve	1,641,018	-
Investment in property and equipment, net	186,638	136,183
	<u>\$ 3,514,302</u>	<u>\$ 3,416,545</u>

WN's Board of Trustees has established operating reserves with the objective of setting funds aside to draw in the event of financial distress or an immediate liquidity need.

### P. Net Assets With Donor Restrictions

Net assets with donor restrictions are comprised of temporarily restricted and permanently restricted net assets.

# WORLD NEIGHBORS, INC.

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

	2020	2019
Temporarily restricted net assets with donor restrictions consist of the following at June 30:		
Planned giving	\$ 1,832,894	\$ 1,806,072
Restricted grants	698,107	811,730
Russell fund - facilities	105,586	105,580
Gary Wang fund - program work in Nepal	83,477	73,504
Blackwood fund - program	42,306	-
Other (the temporary portion of permanent endowments)	819,765	837,896
	<hr/>	<hr/>
Total temporarily restricted net assets with donor restrictions	3,582,135	3,634,782
	<hr/>	<hr/>
Permanently restricted net assets with donor restrictions consist of the following at June 30:		
World Neighbors - general support	1,318,466	1,171,613
Overseas partnership - overseas programs	688,265	688,265
May Ayers Milburn chair - support for the CEO position	711,213	711,213
Special endowment - general support	212,511	209,911
International programs charitable endowment - overseas support	268,834	268,834
Assets transferred to and held by others - general support	200,385	140,385
	<hr/>	<hr/>
Total endowment funds	3,399,674	3,190,221
	<hr/>	<hr/>
Munds charitable trust - general support	395,249	395,249
Smith charitable trust - general support	3,279	3,279
	<hr/>	<hr/>
Total perpetual trusts	398,528	398,528
	<hr/>	<hr/>
Total permanently restricted net assets with donor restrictions	3,798,202	3,588,749
	<hr/>	<hr/>
Total net assets with donor restrictions	\$ 7,380,337	\$ 7,223,531
	<hr/>	<hr/>

### Q. Donor Designated Endowments

WN's endowment consists of eight individual funds established for a variety of purposes. Its endowments include donor-restricted funds to function as endowments. As required by GAAP,

# **WORLD NEIGHBORS, INC.**

## **Notes to Financial Statements**

**For the Years Ended June 30, 2020 and 2019**

net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

### **Interpretation of relevant law**

WN has interpreted the Uniform Prudent Management of Institutional Fund Act as requiring the preservation of the purchasing power of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

Therefore, WN classifies as permanently restricted net assets with donor restrictions: 1) the 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**

WN 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 not to expose the fund to unacceptable levels of risk.

### **Spending policy**

WN has a policy of appropriating for distribution each year 5% of its endowment funds' 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, WN 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. WN 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 WN's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth, through new gifts and investment return.

# WORLD NEIGHBORS, INC.

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

### 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 WN to retain as a fund of perpetual duration. In accordance with GAAP, there were no deficiencies of this nature reported in permanently restricted net assets with donor restrictions as of June 30, 2020 and 2019:

2020	Corpus	Accumulated Gains (Losses)	Deficit	Total
Permanently restricted endowment funds:				
World Neighbors endowment	\$ 1,318,466	\$ 165,935	\$ -	\$ 1,484,401
May Ayers Milburn chair	711,213	89,328	-	800,541
Overseas partnership endowment	688,265	80,097	-	768,362
International programs charitable endowment	268,834	54,188	-	323,022
Special endowment	212,511	285,584	-	498,095
Assets transferred to and held by others	200,385	18,250	-	218,635
Perpetual trusts:				
Munds charitable trust	395,249	112,205	-	507,454
Smith charitable trust	3,279	14,178	-	17,457
	<u>\$ 3,798,202</u>	<u>\$ 819,765</u>	<u>\$ -</u>	<u>\$ 4,617,967</u>

# WORLD NEIGHBORS, INC.

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

2019	Corpus	Accumulated Gains (Losses)	Deficit	Total
Permanently restricted endowment funds:				
World Neighbors endowment	\$ 1,171,613	\$ 166,312	\$ -	\$ 1,337,925
May Ayers Milburn chair	711,213	91,862	-	803,075
Overseas partnership endowment	688,265	83,678	-	771,943
International programs charitable endowment	268,834	54,689	-	323,523
Special endowment	209,911	284,430	-	494,341
Assets transferred to and held by others	140,385	20,108	-	160,493
Perpetual trusts:				
Munds charitable trust	395,249	123,207	-	518,456
Smith charitable trust	3,279	13,610	-	16,889
	<u>\$ 3,588,749</u>	<u>\$ 837,896</u>	<u>\$ -</u>	<u>\$ 4,426,645</u>

# WORLD NEIGHBORS, INC.

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Endowment-defined net assets with donor restrictions composition, by type of fund, as of June 30, 2020 and 2019 are, as follows:

	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions		
		Temporarily Restricted	Permanently Restricted	Total
<b>Balance at June 30, 2018</b>	\$ -	\$ 1,453,861	\$ 2,858,814	\$4,312,675
Contributions	-	-	201,300	201,300
Investment return, net	-	196,754	-	196,754
Reclassification	-	(468,635)	468,635	-
Transfers	-	-	60,000	60,000
Amounts appropriated for expenditures	-	(165,000)	-	(165,000)
Net changes	-	(436,881)	729,935	293,054
<b>Balance at June 30, 2019</b>	-	1,016,980	3,588,749	4,605,729
Contributions	-	52,287	155,103	207,390
Investment return, net	-	149,367	-	149,367
Transfers	-	-	54,350	54,350
Amounts appropriated for expenditures	-	(167,500)	-	(167,500)
Net changes	-	34,154	209,453	243,607
<b>Balance at June 30, 2020</b>	\$ -	\$ 1,051,134	\$ 3,798,202	\$4,849,336

### R. Concentrations of Credit Risk

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

WN also maintains bank accounts in most countries in which it operates. These bank accounts are not covered by the Federal Deposit Insurance Corporation. The carrying amount of such cash was \$143,344 and \$179,947 at June 30, 2020 and 2019, respectively, and is included in cash and cash equivalents in the Statements of Financial Position.

Concentrations of operations located outside the U.S. represent 8% and 9% of the carrying amount of net unrestricted assets; consisting primarily of cash, property and equipment for the years ending

# **WORLD NEIGHBORS, INC.**

## **Notes to Financial Statements**

### **For the Years Ended June 30, 2020 and 2019**

June 30, 2020 and 2019, respectively. Foreign field program expenses represent 80% and 79% of the total field program expenses reported in the Statements of Functional Expenses for the years ended June 30, 2020 and 2019, respectively.

WN's operations in Latin America and the Caribbean (Bolivia, Guatemala, Haiti and Peru), Africa (Burkina Faso, Kenya, Mali, Tanzania and Uganda), South Asia (India and Nepal) and Southeast Asia (Indonesia and Timor-Leste) are subject to risks inherent in operating in the sovereign states that are not typically associated with operations in the U.S. Accordingly, WN's financial condition and activities may be influenced by the political, economic and legal environments in these sovereign states. As a result, WN's activities in these states are subject to a variety of risks, including (a) social, political and economic instability, (b) inflation, (c) unexpected changes in regulatory requirements and (d) fluctuations in foreign exchange rates. Any of these developments, or others, could adversely affect WN's financial condition and activities.

Grants and U.S. federal funds receivables at June 30, 2020 are due from two private institutions and the USAID. One donor family provided 12% of individual contributions revenues for the year ended June 30, 2020.

Grants and U.S. federal funds receivables at June 30, 2019 are due from three private institutions and the USAID. One donor family provided 43% of individual contributions revenues for the year ended June 30, 2020.

#### **S. Defined Contribution Pension Plan**

WN has a defined contribution (money purchase) pension plan covering all U.S.-based employees. Employee contributions are matched in accordance with the provision of the plan. Total pension expense was approximately \$40,221 and \$18,746 for the years ended June 30, 2020 and 2019, respectively.

#### **T. Commitments**

WN has an employment agreement with its President and Chief Executive Officer, which extends through June 30, 2021. The commitment under this agreement was \$224,667 at June 30, 2020.

#### **U. Risks and Uncertainties**

WN invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. In March 2020, the pandemic outbreak of a novel coronavirus known as COVID-19 began to spread through the U.S., resulting in emergency declarations by national, state and local governments and municipalities. The pandemic in the U.S. and throughout the world has resulted in substantial volatility in financial markets. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that



# **WORLD NEIGHBORS, INC.**

## **Notes to Financial Statements**

### **For the Years Ended June 30, 2020 and 2019**

changes in the values of investment securities will occur in the near term, and that such changes could materially affect WN's investments and the amounts reported in the statements of financial position. Additionally, WN acknowledges the continued spread of COVID-19 could potentially negatively affect contributions and other support; however, WN cannot estimate, at this time, any related negative financial impact. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

## **SUPPLEMENTAL INFORMATION**

**WORLD NEIGHBORS, INC.**

**Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2020**

<b>Federal Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Other Identification Number</b>	<b>Federal Expenditures</b>
<b><u>Agency for International Development</u></b>			
USAID Foreign Assistance for Programs Overseas	98.001	720FDA18GR00225	\$ 533,070.90
USAID Foreign Assistance for Programs Overseas	98.001	AID-472-A-15-00001	<u>446,649.67</u>
<b>Total Federal Awards Expended</b>			<b><u>\$ 979,720.57</u></b>

# WORLD NEIGHBORS, INC.

## Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2020

### A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of World Neighbors, Inc. ("World Neighbors") under programs of the United States federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of World Neighbors, it is not intended to and does not present the financial position, changes in net assets or cash flows of World Neighbors.

### B. Basis of Accounting

Expenditures under the United States Agency for International Development's ("USAID") cooperative agreements are reported on the Schedule on the accrual basis of accounting, consistent with World Neighbors' basic financial statements.

### C. Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of World Neighbors' program costs. Total program costs, including World Neighbors' portion, are more than shown.

### D. Indirect Cost Rate

The amounts expended include an indirect cost recovery using the *de minimis* rate of 10% of modified total direct costs. Indirect cost recovery amounts for the year ended June 30, 2020 were:

<b>Cooperative Agreement Identification Number</b>	<b>2020</b>
AID-472-A-15-00001	\$ 24,695.81
720FDA18GR00225	<u>19,017.01</u>
	<u>\$ 43,712.82</u>

## **WORLD NEIGHBORS, INC.**

### **Notes to the Schedule of Expenditures of Federal Awards**

**For the Year Ended June 30, 2020**

#### **E. Payroll Protection Program Loan Under the Coronavirus Aid, Relief and Economic Securities Act**

On April 12, 2020, World Neighbors received a loan (the “Loan”) from its investment custodial bank for \$70,300, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the Coronavirus Aid, Relief and Economic Securities Act, which was enacted on March 27, 2020.

The PPP provides for loans to qualifying businesses for amounts up to 2.5 times of the average, US (domestic), monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, employee benefits, rent and utilities, and maintains its payroll levels, including headcount.

- Consistent with US Federal guidance, the Loan is not included in the Schedule.
- World Neighbors did not include any salaries or benefits reimbursed under the aforementioned USAID cooperative agreements in determining the requested loan amount.
- World Neighbors used the proceeds of the loan for purposes consistent with the PPP.
- On December 4, 2020, the U.S. Small Business Administration forgave World Neighbors’ PPP loan of \$70,300 and accrued interest of \$383.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of World Neighbors, Inc.  
Oklahoma City, Oklahoma

We have audited, in accordance with the 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, the financial statements of World Neighbors, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated April 21, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered World Neighbors, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of World Neighbors, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of World Neighbors, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether World Neighbors, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*HBC CPAs & Advisors*

Oklahoma City, Oklahoma  
April 21, 2021