



WORLD NEIGHBORS

Inspiring People • Strengthening Communities

AUDITED FINANCIAL STATEMENTS

June 30, 2021 and 2020

Audited Financial Statements
WORLD NEIGHBORS, INC.
JUNE 30, 2021 and 2020

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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, 2021 and 2020 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, 2021 and 2020, 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 October 20, 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
October 20, 2021

WORLD NEIGHBORS, INC.

Statements of Financial Position

June 30, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 446,154	\$ 825,173
Accounts receivable:		
Bequests, net	-	209,700
Grants, net	49,767	80,908
Government	-	26,387
Prepaid expenses and other assets	61,735	66,876
Total current assets	557,656	1,209,044
Non-current assets:		
Investments, at fair value	7,497,146	6,568,679
Assets held in trusts	918,351	806,646
Beneficial interest in remainder trusts	3,104,405	1,761,938
Beneficial interest in assets held by others	2,227,652	843,825
Finance lease right-of-use assets, net	226	2,918
Operating lease right-of-use assets	109,970	122,228
Property and equipment, net	239,318	186,638
Total non-current assets	14,097,068	10,292,872
Total assets	\$ 14,654,724	\$ 11,501,916
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 2,514	\$ 13,934
Accrued liabilities	91,942	73,470
Deferred revenue	32,623	-
Finance lease liabilities	226	2,693
Operating lease liabilities	51,302	46,665
Notes payable	19,693	42,709
Total current liabilities	198,300	179,471
Non-current liabilities:		
Finance lease liabilities	-	225
Operating lease liabilities	58,668	75,563
Notes payable	49,707	27,591
Actuarial liability - charitable gift annuities	109,221	147,132
Obligations - charitable remainder trusts	190,675	177,295
Total non-current liabilities	408,271	427,806
Total liabilities	606,571	607,277
Net assets:		
Without donor restrictions	4,488,508	3,514,302
With donor restrictions	9,559,645	7,380,337
Total net assets	14,048,153	10,894,639
Total liabilities and net assets	\$ 14,654,724	\$ 11,501,916

WORLD NEIGHBORS, INC.

Statement of Activities

For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities:			
Revenues, gains and other support:			
Contributions of cash and other financial assets	\$ 1,222,631	\$ 64,518	\$ 1,287,149
Contributions of nonfinancial assets	9,100	22,531	31,631
Government funds	757,500	49,621	807,121
Private grants	284,250	444,362	728,612
Investment income and gains utilized	231,915	(161,000)	70,915
SBA PPP loan forgiveness	70,759	-	70,759
Other sources	24,149	-	24,149
Net assets released from restrictions	987,234	(987,234)	-
Total revenues, gains and other support	3,587,538	(567,202)	3,020,336
Expenses:			
Program services:			
Field programs	2,432,949	-	2,432,949
Public education	204,230	-	204,230
Supporting activities:			
Management and general	231,775	-	231,775
Fundraising	269,721	-	269,721
Total expenses	3,138,675	-	3,138,675
Change in net assets from operating activities	448,863	(567,202)	(118,339)
Non-operating activities:			
Endowment contributions	-	29,145	29,145
Remainder trust contributions	-	1,376,493	1,376,493
Investment return, net	54,642	121,661	176,303
Net investment gains (losses)	495,701	955,038	1,450,739
Change in value of split-interest agreements	-	239,173	239,173
Assets transferred to endowment funds	(25,000)	25,000	-
Change in net assets from non-operating activities	525,343	2,746,510	3,271,853
Change in net assets	974,206	2,179,308	3,153,514
Net assets at beginning of year	3,514,302	7,380,337	10,894,639
Net assets at end of year	\$ 4,488,508	\$ 9,559,645	\$ 14,048,153

WORLD NEIGHBORS, INC.

Statement of Activities

For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities:			
Revenues, gains and other support:			
Contributions of cash and other financial assets	\$ 1,157,401	\$ 74,358	\$ 1,231,759
Contributions of nonfinancial assets	8,413	-	8,413
Government funds	979,721	-	979,721
Private grants	171,570	520,811	692,381
Investment income and gains utilized	286,316	(219,500)	66,816
Other sources	15,103	-	15,103
Net assets released from restrictions	570,283	(570,283)	-
Total revenues, gains and other support	3,188,807	(194,614)	2,994,193
Expenses:			
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
Total expenses	3,069,989	-	3,069,989
Change in net assets from operating activities	118,818	(194,614)	(75,796)
Non-operating activities:			
Endowment contributions	-	155,103	155,103
Remainder trust contributions	-	47,021	47,021
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	-	(34,293)	(34,293)
Assets transferred to endowment funds	(54,350)	54,350	-
Change in net assets from non-operating activities	(21,061)	351,420	330,359
Change in net assets	97,757	156,806	254,563
Net assets at beginning of year	3,416,545	7,223,531	10,640,076
Net assets at end of year	\$ 3,514,302	\$ 7,380,337	\$ 10,894,639

WORLD NEIGHBORS, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2021

	Program Services			Supporting Activities			
	Field Programs	Public Education	Subtotal Program Services	Management and General	Fundraising	Subtotal Supporting Activities	Total
Salaries and related expenses:							
Salaries	\$ 937,382	\$ 106,705	\$ 1,044,087	\$ 120,884	\$ 128,431	\$ 249,315	\$ 1,293,402
Payroll taxes	55,810	5,919	61,729	9,604	9,286	18,890	80,619
Benefits	162,824	18,226	181,050	20,057	22,101	42,158	223,208
	1,156,016	130,850	1,286,866	150,545	159,818	310,363	1,597,229
Field programs	851,197	-	851,197	-	-	-	851,197
Contract services	23,703	4,134	27,837	4,227	55,368	59,595	87,432
Legal and accounting services	43,914	6,320	50,234	10,991	2,048	13,039	63,273
Travel	87,003	21,711	108,714	581	758	1,339	110,053
Office supplies	15,193	3,398	18,591	1,182	1,933	3,115	21,706
Telecommunications	20,716	4,092	24,808	3,133	1,140	4,273	29,081
Postage	3,246	455	3,701	895	1,872	2,767	6,468
Rent and occupancy	86,334	21,397	107,731	866	1,331	2,197	109,928
Office equipment and software	24,235	1,525	25,760	10,697	8,439	19,136	44,896
Advertising	248	-	248	-	8,130	8,130	8,378
Printing and publications	2,839	382	3,221	773	14,277	15,050	18,271
Depreciation and amortization	52,375	-	52,375	30,892	5,757	36,649	89,024
Dues	2,778	762	3,540	747	2,773	3,520	7,060
Training and meetings	18,479	4,591	23,070	68	13	81	23,151
Financial expenses	44,673	4,613	49,286	16,178	6,064	22,242	71,528
Total expenses	\$ 2,432,949	\$ 204,230	\$ 2,637,179	\$ 231,775	\$ 269,721	\$ 501,496	\$ 3,138,675

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
Total expenses	\$ 2,378,634	\$ 206,846	\$ 2,585,480	\$ 188,253	\$ 296,256	\$ 484,509	\$ 3,069,989

WORLD NEIGHBORS, INC.

Statements of Cash Flows

For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 3,153,514	\$ 254,563
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization expense	89,024	65,441
Net realized and unrealized (gains) losses of investments	(1,346,101)	70,529
Contributions restricted for permanent investment	(29,145)	(155,103)
Contributions in remainder trusts held by others	(1,376,493)	(47,021)
Contributions of nonfinancial capitalized assets	(22,531)	-
Change in fair value of:		
Assets held in trusts	(137,808)	4,852
Beneficial interest in remainder trusts	34,026	29,769
Beneficial interest in assets held by others	(286,578)	1,606
Present value adjustments and actuarial liability for split-interest agreements	(24,531)	(53,477)
Changes in operating assets and liabilities:		
Accounts receivable	267,228	1,968,042
Prepaid expenses and other assets	5,141	9,965
Accounts payable and accrued liabilities	7,052	1,166
Deferred revenue	32,623	-
Net cash provided by operating activities	365,421	2,150,332
Cash flows from investing activities:		
Proceeds from sales of investments	7,261,818	4,678,823
Purchases of investments	(6,818,079)	(6,426,040)
Investments in cash and securities held in trust by others	(1,097,249)	(560,000)
Purchases of property and equipment	(116,483)	(113,205)
Net cash used in investing activities	(769,993)	(2,420,422)
Cash flows from financing activities:		
Proceeds from contributions restricted for endowment	29,145	155,103
Payment of finance lease liability	(2,692)	(2,691)
Proceeds from notes payable	69,400	70,300
SBA PPP loan forgiveness	(70,300)	-
Net cash provided by financing activities	25,553	222,712
Net decrease in cash and cash equivalents	(379,019)	(47,378)
Cash and cash equivalents at beginning of year	825,173	872,551
Cash and cash equivalents at end of year	\$ 446,154	\$ 825,173

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

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, gender equality 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	West Africa	East Africa	South Asia	Southeast Asia
Bolivia	Burkina Faso*	Kenya*	India	Indonesia*
Guatemala*	Mali	Tanzania	Nepal*	Timor-Leste*
Haiti*		Uganda		
Peru*				

B. Summary of Significant Accounting Policies

Adoption of accounting pronouncement

In September 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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 nonfinancial assets, as well as the amount of those contributions used in the entity’s programs and other activities. ASU No. 2020-07 should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021. Early adoption is permitted. WN adopted the pronouncement effective July 1, 2019. See “Revenue recognition - contributed nonfinancial assets” within this footnote.

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.

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

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”), including the provision of FASB Accounting Standards Codification, *Topic 958 Not-for-Profit Entities*, that requires resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by the 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 principal (corpus) be maintained in perpetuity but permit the income therefrom to be utilized for operating or other donor-imposed purposes.

Revenue recognition – contributed financial assets

WN applies the guidance of FASB ASU 2013-06, *Subtopic 958-605, Not-for-Profit Entities - Revenue Recognition*, to recognize cash 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 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.

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

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 in the Statements of Financial Position.

Revenue recognition – contributed nonfinancial assets

WN recognized contributed nonfinancial assets within revenue, including a vehicle, internet advertising, rent and the residuum value of assigned split-interest agreements. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. For the years ended June 30, contributed nonfinancial assets recognized within the Statements of Activities included:

	2021	2020
Vehicles	\$ 22,531	\$ -
Advertising	7,840	4,045
Rent	1,260	1,260
Residuum value of assigned split-interest agreements	-	3,108
	<u>\$ 31,631</u>	<u>\$ 8,413</u>

The contributed vehicle was restricted to program support in Timor-Leste. The estimated fair value was the average, published price of six similar trucks.

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

Contributed internet advertising was fundraising related. The fair value was derived from monthly statements from the third-party corporation.

Contributed rent represents off-site storage for WN's archived documents, and was general and administrative in nature. The fair value was based on the monthly rental of a similar unit.

Two annuitants assigned their charitable gift annuity contracts to WN. The residuum contract values, on the date of assignment, were nonfinancial contributions. External planned-giving software derived the residuum values. These contributions were deemed general and administrative in nature.

Contributed services

For the years ended June 30, 2021 and 2020, unpaid volunteers totaling 4,806 and 4,531, respectively, made 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 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 and remainder trusts; 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.

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

Government receivables consist of amounts due from cooperative agreements awarded by the USAID and a grant from New Zealand. No allowance for doubtful accounts adjustment is made for government receivables.

Marketable securities and investment income

Marketable securities are recorded as contributions, on the date of the donation, at their fair values and 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. In all other cases, income and gains on investments are reported as increases in net assets without donor restrictions.

WN records purchases and sales of securities on a trade-date basis. Dividend income is recorded on the ex-dividend date, and interest income is recorded on an accrual basis.

Prepaid expenses and other assets

Certain payments reflect costs applicable to future periods. Prepaid expenses and other assets include software licenses, which are amortized over the life of the subscriptions.

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 contributions with donor restrictions. 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.

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

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, 2021 and 2020.

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 ultimately realize could differ materially, and significant fluctuations in fair values could occur from year to year. For the years ended June 30, 2021 and 2020, WN recorded interests in new remainder trusts of \$1,376,493 and \$47,021, respectively.

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.

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

Estimates that are particularly susceptible to significant change include the valuation of (i) investments, (ii) assets held in trusts, (iii) beneficial interests in both remainder trusts and assets held by others and (iv) contributions receivable. Investments, assets held in trusts and beneficial interests in remainder trusts and assets held by others, in general, are exposed to various risks such as interest rates, 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 both remainder trusts and assets held by others 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 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 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 evaluation of its uncertain tax positions, management has determined no uncertain tax positions exist as of June 30, 2021 and 2020 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, 2018 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.

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

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

Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 financial statement presentation. These reclassifications had no effect on the change in net assets at June 30, 2020.

C. Liquidity and Availability of Financial Assets

WN regularly monitors liquidity required to meet its general operating needs while also striving to maintain sufficient reserves to meet operating needs during periods of uncertainty and to assure longer-term commitments will continue to be met. WN's strategy is to operate within a balanced budget that anticipates collecting sufficient revenue to cover general expenditures.

The Board of Trustees has designated certain assets to provide assurance that long-term commitments and obligations will continue to be met and ensure sustainability of WN. Board-designated assets include investments and beneficial interest in assets held by others. Liquidation of these assets may only be approved and spent at the discretion of the Board of Trustees.

The Board of Trustees meets annually to review and approve the annual operating budget prepared by management. Board-designated financial assets may be earmarked for inclusion in the annual operating budget when deemed necessary, at the discretion of, and approved by, the Board of Trustees. For the years ended June 30, 2021 and 2020, no board-designated funds were required to achieve a balanced operating budget.

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

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

	2021	2020
Financial Assets at June 30	\$ 14,243,475	\$ 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	(5,628,832)	(4,618,072)
Subject to appropriation and satisfaction of donor restrictions	(427,540)	(670,603)
Investments held in annuities and trusts	(3,496,494)	(2,259,526)
Board-designations:		
Amounts set aside for liquidity reserve	(3,740,090)	(2,607,596)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 950,519</u>	<u>\$ 967,459</u>

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

Cash and cash equivalents	\$ 130,708	299,171
Operating investments	509,811	492,488
Distributions from assets held under split-interest agreements	3,300	3,300
Distributions from beneficial interests in assets held by others	120,700	5,000
Endowment spending-rate distributions and appropriations	<u>186,000</u>	<u>167,500</u>
	<u>\$ 950,519</u>	<u>\$ 967,459</u>

In addition to board-designated net assets that could be made available for current operations upon approval from the Board of Trustees (see Note O), WN maintains a line of credit of \$450,000 that is available to help manage seasonal liquidity needs (see Note N).

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

D. Cash and Cash Equivalents

Cash and cash equivalents of \$446,154 and \$825,173 as of June 30, 2021 and 2020, respectively, were held in support of the following:

	2021	2020
Restricted:		
Programs	\$ 293,820	\$ 499,122
Disaster relief	21,626	26,880
Subtotal - restricted cash	315,446	526,002
Unrestricted	130,708	299,171
	<u>\$ 446,154</u>	<u>\$ 825,173</u>

E. Accounts Receivable

Accounts receivable at June 30 consist of the following:

	2021	2020
Receivables in less than one year:		
Bequests	\$ -	\$ 233,000
Grants	55,297	65,163
Government funds	-	26,387
Receivables in less than one year	55,297	324,550
Receivables in one to five years	-	25,297
Gross accounts receivable	55,297	349,847
Less:		
Allowance for doubtful accounts	(5,530)	(32,346)
Discounts to net present value	-	(506)
	<u>\$ 49,767</u>	<u>\$ 316,995</u>

At June 30, 2021 and 2020, 100% of the grants receivable is restricted for the use of specific programs.

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

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:

	2021	2020
Cash and cash equivalents	2%	5%
Equities	57%	56%
Fixed income	34%	35%
Alternative funds	7%	3%
Total return strategies	-	1%
	98%	95%

Investments consist of the following at June 30:

	2021	2020
Cash and cash equivalents	\$ 114,509	\$ 343,724
Securities:		
Common and preferred stocks	-	490,972
Mutual funds - equities	4,309,508	3,175,373
Mutual funds - fixed income	2,533,363	2,269,873
Mutual funds - alternatives	539,766	204,872
Mutual funds - total return strategies	-	83,865
	\$ 7,497,146	\$ 6,568,679

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

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

donor restrictions in the period the trust is established. There were no new contributions for the years ended June 30, 2021 and 2020.

Assets held in the charitable remainder trusts totaled \$918,351 and \$806,646 for the years ended June 30, 2021 and 2020, 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 (\$190,675 and \$177,295 at June 30, 2021 and 2020, respectively) is calculated using discount rates ranging from 3.208% 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:

	2021	2020
Cash and cash equivalents	\$ 12,867	\$ 32,541
Securities:		
Mutual funds - equities	485,412	426,912
Mutual funds - fixed income	360,237	326,899
Mutual funds - alternatives	59,835	-
Mutual funds - total return strategies	-	20,294
	<u>\$ 918,351</u>	<u>\$ 806,646</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 described in the fair value footnote for investments, and amounted to \$122,263 and \$202,696 as of June 30, 2021 and 2020, respectively. There were no new contributions for the years ended June 30, 2021 and 2020.

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 (\$109,221 and \$147,132 as of June 30, 2021 and 2020, respectively) are calculated using discount rates ranging from 4.6% to 7.4% and applicable mortality tables.

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

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 are distributed to the beneficiaries. During the year ended June 30, 2021, WN received one new contribution valued at \$1,376,493. During the year ended June 30, 2020, WN received one new contribution valued at \$47,021. Based on donor life expectancy, and the use of discount rates ranging from 6.75% to 9.89%, the present value of future benefits expected by WN was estimated to be \$3,104,405 and \$1,761,938 at June 30, 2021 and 2020, 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, 2021 and 2020 include beneficial interest in assets held by the OCCF of \$2,227,652 and \$843,825, respectively, consisting of:

	2021	2020
Board-designated reserve funds	\$ 1,155,189	\$ 625,190
Permanently restricted endowment funds	964,462	218,635
Restricted grants	108,001	-
	<u>\$ 2,227,652</u>	<u>\$ 843,825</u>

- *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 \$344,649 and \$500,000 during the years ended June 30, 2021 and 2020, respectively. WN is the sole beneficiary of this unrestricted reserve fund. There were no distributions in 2021 and 2020.
- *Permanently restricted endowment funds*
During the years ended June 30, 2021 and 2020, WN transferred \$652,600 and \$60,000, respectively, to its permanently restricted endowment fund. In 2021 and 2020, WN received distributions from the fund totaling \$5,318 and \$3,215, respectively.
- *Restricted grants*
Based on cash flow projections and a strong financial market, WN transferred \$100,000 of restricted grant funds to the spendable fund during the year ended June 30, 2021.

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

The Statements of Activities for the years ended June 30, 2021 and 2020 include net investment activity of \$286,578 and (\$1,606), respectively.

- *OCCF endowment funds for the benefit of WN*

In addition to the funds discussed above, the OCCF maintains permanently restricted endowment funds, which have been contributed to by various donors to the OCCF, for the benefit of WN. For the years ended June 30, 2021 and 2020, the OCCF received \$250,100 and \$30,600, respectively, in additional donations to the endowments. The fair market value of the endowments were \$1,499,528 and \$1,004,519 as of June 30, 2021 and 2020, respectively.

The OCCF maintains variance power over these endowments. 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 these endowments and does not include them as assets in its financial statements.

Annual distributions from these endowments to WN are remitted according to the OCCF's spending policy. For the years ended June 30, 2021 and 2020, WN received \$48,599 and \$47,139, 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, 2021 and 2020, the fair market value of the fund was \$395,665 and \$324,071, respectively. The earnings from the fund are paid to WN each year. For the years ended June 30, 2021 and 2020, WN received \$16,395 and \$16,086, respectively. WN has no remainder interest in the corpus of the endowment, and 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 techniques used to measure fair value utilize relevant observable inputs and minimize the use of unobservable inputs.

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

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, and considers nonperformance risk in its assessment of fair value.

Investments at fair value, measured on a recurring basis, as of June 30, 2021:

	Level 1	Level 2	Level 3	Fair Value
Cash and cash equivalents	\$ 114,509	\$ -	\$ -	\$ 114,509
Mutual funds:				
Fixed income	2,533,363	-	-	2,533,363
Small cap	170,921	-	-	170,921
Mid cap	87,402	-	-	87,402
Large cap	2,913,442	-	-	2,913,442
International	881,546	-	-	881,546
Emerging markets	256,197	-	-	256,197
Alternatives	539,766	-	-	539,766
	<u>\$ 7,497,146</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,497,146</u>

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Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

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>

Fair value for investments 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, 2021 and 2020.

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

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, 2021:

	Level 1	Level 2	Level 3	Fair Value
Assets held in trusts:				
Cash and cash equivalents	\$ 12,867	\$ -	\$ -	\$ 12,867
Mutual funds:				
Fixed income	360,237	-	-	360,237
Small cap	22,954	-	-	22,954
Mid cap	10,703	-	-	10,703
Large cap	332,495	-	-	332,495
International	93,558	-	-	93,558
Emerging markets	25,702	-	-	25,702
Alternatives	59,835	-	-	59,835
	918,351	-	-	918,351
Beneficial interest in:				
Remainder trusts	-	-	3,104,405	3,104,405
Assets held by others	-	-	2,227,652	2,227,652
	\$ 918,351	\$ -	\$ 5,332,057	\$ 6,250,408

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Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

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
Assets held in trusts:				
Cash and cash equivalents	\$ 32,541	\$ -	\$ -	\$ 32,541
Mutual funds:				
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
Beneficial interest in:				
Remainder trusts	-	-	1,761,938	1,761,938
Assets held by others	-	-	843,825	843,825
	\$ 806,646	\$ -	\$ 2,605,763	\$ 3,412,409

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, 2021 and 2020.

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, 2021 is attributed to a new trust of \$1,376,493, net unrealized gains on investments held in remainder trusts of \$182,633, a present value discount of (\$215,694) and a distribution of (\$965).

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).

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

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):

	Beneficial Interest in Remainder Trusts	Beneficial Interest in Assets Held by Others	Fair Value
Balance at June 30, 2019	\$ 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
Balance at June 30, 2020	1,761,938	843,825	2,605,763
Additions	1,376,493	1,097,249	2,473,742
Change in value in split-interest agreements	(33,061)	-	(33,061)
Payments from remainder trust	(965)	-	(965)
Distributions	-	(5,318)	(5,318)
Change in value in beneficial interest	-	291,896	291,896
Net changes	1,342,467	1,383,827	2,726,294
Balance at June 30, 2021	\$ 3,104,405	\$ 2,227,652	\$ 5,332,057

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

K. Leases

Finance Lease Right-of-Use Assets

In July 2016, WN entered into a five-year, non-cancelable, no-interest, finance lease (for office equipment) that will expire in July 2021. This lease requires that WN pay all executory costs such as taxes, maintenance and insurance. The components of the lease are as follows:

	As of July 1, 2019	June 30	
		2020	2021
Finance lease, at cost	\$ 13,442		
Balance forward	-	\$ 5,609	\$ 2,918
Amortization of right-of-use assets	(7,833)	(2,691)	(2,692)
Finance lease, net	\$ 5,609	\$ 2,918	\$ 226

Operating Lease Right-of-Use Assets

WN has office rental agreements for its headquarters office in Oklahoma City and program offices in Burkina Faso, Guatemala, Indonesia, Kenya, Nepal and Peru, as follows:

Country	Lease Term (MM/YY)	Years	Cost	Discount		Net Present Value	Balance	
				Rate	Amount		2021	2020
Burkina Faso	07/20 - 06/25	5	\$ 36,936	4.85%	\$ (850)	\$ 36,086	\$ 28,731	\$ -
Guatemala	02/18 - 12/20	3	4,711	2.88%	(187)	4,524	-	749
Indonesia	10/16 - 09/21	5	13,073	4.71%	(1,401)	11,672	521	2,666
Kenya	04/18 - 03/24	6	47,473	5.60%	(7,463)	40,010	18,538	25,296
Nepal	01/21 - 12/25	5	36,120	4.85%	(862)	35,258	31,926	34,162
Peru	01/20 - 12/20	1	810	-	-	810	-	405
United States	08/16 - 07/22	6	210,084	5.60%	(32,130)	177,954	30,254	58,950
			<u>\$ 349,207</u>		<u>\$(42,893)</u>	<u>\$ 306,314</u>	<u>\$ 109,970</u>	<u>\$ 122,228</u>

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

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

	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 71,940	\$ 70,221
Finance cash flows from finance leases	2,854	2,616

Maturities of lease liabilities, at net present value:

Year ending June 30,	Finance Lease	Operating Leases
2022	\$ 226	\$ 49,034
2023	-	23,315
2024	-	19,252
2025	-	14,507
2026	-	3,862
	\$ 226	\$ 109,970

Undiscounted cash flows due within:

Year ending June 30,	Finance Lease	Operating Leases
2022	\$ 226	\$ 60,662
2023	-	26,594
2024	-	21,511
2025	-	15,098
2026	-	4,039
	226	127,904
Impact of present value discount	-	(17,934)
	\$ 226	\$ 109,970

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

Weighted Average Remaining Lease Term	2021	2020
Finance lease	< 1 year	1 year
Operating leases	3 years	3 years
Weighted Average Discount Rate	2021	2020
Finance lease	4.9%	4.9%
Operating leases	5.2%	5.3%

L. Property and Equipment

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

Asset classification	Estimated useful life (years)	2021	2020
Vehicles	3-5	\$ 353,801	\$ 300,936
Computers and software	2-5	149,593	124,380
Furniture and equipment	7	78,109	72,283
Leasehold and building improvements	3-10	31,104	32,229
		612,607	529,828
Less accumulated depreciation and amortization		(373,289)	(343,190)
		<u>\$ 239,318</u>	<u>\$ 186,638</u>

	2021	2020
Total depreciation and amortization expense	\$ 89,024	\$ 65,441
Less, amortization of Right-of-Use Asset	(2,692)	(2,691)
Net depreciation related to non-leased, fixed assets	<u>\$ 86,332</u>	<u>\$ 62,750</u>

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

M. Notes Payable

In April 2020, WN received a 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. In December 2020, the U.S. Small Business Administration (“SBA”) forgave WN’s \$70,300 PPP loan and accrued interest.

In January 2021, WN received a second PPP loan for \$69,400. In July 2021, 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 five years at an interest rate of 1%, with a deferral of payments (principal and interest) for the first ten months.

In July 2021, the SBA forgave WN’s \$69,400 PPP loan and accrued interest.

N. Line of Credit

In May 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.

In May 2021, the \$450,000, variable rate, revolving credit facility was renewed for an additional year. 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, 2021.

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, 2021 were zero.

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

O. Net Assets Without Donor Restrictions

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

	2021	2020
Available for operations	\$ 28,587	\$ 323,776
Palmer fund - unrestricted investments	480,514	396,292
Board-designated funds:		
John L. Peters funds - operating reserves	1,635,238	957,576
Ellison fund - operating reserve	2,104,851	1,650,020
Investment in property and equipment, net	239,318	186,638
	<u>\$ 4,488,508</u>	<u>\$ 3,514,302</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.

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

P. Net Assets With Donor Restrictions

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

	2021	2020
Temporarily restricted net assets with donor restrictions consist of the following at June 30:		
Planned giving	\$ 3,200,899	\$ 1,832,894
Restricted grants	469,887	698,107
Russell fund - facilities	125,936	105,586
Gary Wang fund - program work in Nepal	100,624	83,477
Blackwood fund - program	62,327	42,306
Other (the temporary portion of permanent endowments)	1,747,625	819,765
	<hr/>	<hr/>
Total temporarily restricted net assets with donor restrictions	5,707,298	3,582,135
	<hr/>	<hr/>
Permanently restricted net assets with donor restrictions consist of the following at June 30:		
World Neighbors endowment - general support	720,011	1,318,466
May Ayers Milburn chair - support for the CEO position	711,213	711,213
Overseas partnership endowment - overseas programs	688,265	688,265
International programs charitable endowment - overseas support	268,834	268,834
Special endowment - general support	212,511	212,511
Assets transferred to and held by others:		
World Neighbors endowment - general support	852,985	200,385
	<hr/>	<hr/>
Total endowment funds	3,453,819	3,399,674
	<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	3,852,347	3,798,202
	<hr/>	<hr/>
Total net assets with donor restrictions	\$ 9,559,645	\$ 7,380,337
	<hr/>	<hr/>

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

During the year ended June 30, 2021, WN transferred, from its investment custodial institution to the OCCF, \$600,000 of corpus from the World Neighbors endowment. The \$600,000 of corpus remains intact.

Q. Donor Designated Endowments

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

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.

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

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.

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, 2021 and 2020:

2021	Corpus	Accumulated Gains (Losses)	Deficit	Total
Permanently restricted endowment funds:				
World Neighbors endowment	\$ 720,011	\$ 458,914	\$ -	\$ 1,178,925
May Ayers Milburn chair	711,213	239,631	-	950,844
Overseas partnership endowment	688,265	224,238	-	912,503
International programs charitable endowment	268,834	116,307	-	385,141
Special endowment	212,511	381,865	-	594,376
Assets transferred to and held by others:				
World Neighbors endowment	852,985	80,973	-	933,958
Perpetual trusts:				
Munds charitable trust	395,249	227,663	-	622,912
Smith charitable trust	3,279	18,034	-	21,313
	<u>\$ 3,852,347</u>	<u>\$ 1,747,625</u>	<u>\$ -</u>	<u>\$ 5,599,972</u>

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

2020

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:				
World Neighbors endowment	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 the Financial Statements

For the Years Ended June 30, 2021 and 2020

Endowment-defined net assets with donor restrictions composition, by type of fund, as of June 30, 2021 and 2020 are, as follows:

	Net Assets Without Donor Restrictions	Endowment Net Assets with Donor Restrictions		Total
		Temporarily Restricted	Permanently Restricted	
Balance at June 30, 2019	\$ -	\$ 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
Balance at June 30, 2020	-	1,051,134	3,798,202	4,849,336
Contributions	-	18,525	29,145	47,670
Investment return, net	-	1,127,853	-	1,127,853
Transfers	-	-	25,000	25,000
Amounts appropriated for expenditures	-	(161,000)	-	(161,000)
Net changes	-	985,378	54,145	1,039,523
Balance at June 30, 2021	\$ -	\$ 2,036,512	\$ 3,852,347	\$5,888,859

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 \$136,470 and \$141,613 at June 30, 2021 and 2020, respectively, and is included in cash and cash equivalents in the Statements of Financial Position.

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

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 June 30, 2021 and 2020, respectively. Foreign field program expenses represent 83% and 80% of the total field program expenses reported in the Statements of Functional Expenses for the years ended June 30, 2021 and 2020, respectively.

WN's overseas operations are subject to risks inherent in operating in the sovereign states that are not typically associated with operations in the U.S. Accordingly, the political, economic and legal environments in these sovereign states may influence WN's financial condition and activities. 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 receivables at June 30, 2021 are due from two foreign institutions. Seventeen donors provided 52% of individual contributions revenues for the year ended June 30, 2021.

Grants and government funds receivables at June 30, 2020 are from due two foreign institutions and the USAID. Twenty-one donors provided 62% 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 \$43,945 and \$40,221 for the years ended June 30, 2021 and 2020, respectively.

T. Commitments

WN has an employment agreement with its President and Chief Executive Officer, which extends through June 30, 2024. The commitment under this agreement was \$689,166 at June 30, 2021.

U. Subsequent events

Management has evaluated subsequent events through October 20, 2021, the date the financial statements were available for issuance.

In July 2021, the SBA forgave WN's Paycheck Protection Program loan of \$69,400 and accrued interest.

No other matters came to the attention of management.

SUPPLEMENTAL INFORMATION

WORLD NEIGHBORS, INC.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Other Identification Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>Agency for International Development</u>					
USAID Foreign Assistance for Programs Overseas	98.001	720FDA18GR00225	N/A	N/A	\$ 542,006.63
USAID Foreign Assistance for Programs Overseas	98.001	AID-472-A-15-00001	N/A	N/A	<u>215,493.53</u>
Total Federal Awards Expended					<u>\$ 757,500.16</u>

WORLD NEIGHBORS, INC.

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “SEFA”) includes the federal award activity of World Neighbors, Inc. (“WN”) under programs of the United States of America (“U.S.”) federal government for the year ended June 30, 2021. The information in the SEFA 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 SEFA presents only a selected portion of the operations of WN, it is not intended to and does not present the financial position, changes in net assets or cash flows of WN.

B. Basis of Accounting

Expenditures under the United States Agency for International Development’s (“USAID”) cooperative agreements are reported on the SEFA on the accrual basis of accounting, consistent with WN’s basic financial statements.

C. Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of WN’s program costs. Total program costs, including WN’s 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. WN did not take the full indirect cost recovery allowable. Indirect cost recovery amounts for the year ended June 30, 2021 were:

Cooperative Agreement Identification Number	2021
720FDA18GR00225	\$ 6,510.86
AID-472-A-15-00001	-
	<u>\$ 6,510.86</u>

WORLD NEIGHBORS, INC.

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

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

In April 2020, WN received a 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. In December 2020, the U.S. Small Business Administration (“SBA”) forgave WN’s \$70,300 PPP loan and accrued interest.

In January 2021, WN received a second PPP loan for \$69,400. In July 2021, the lender submitted WN’s PPP loan forgiveness application to the SBA, and the SBA forgave WN’s \$69,400 PPP loan and accrued interest.

Consistent with U.S. Federal guidance, the loans are not included in the SEFA. WN did not include any salaries or benefits reimbursed under the aforementioned USAID cooperative agreements in determining the requested loan amounts. WN used the proceeds of the loans for purposes consistent with the PPP.



**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, 2021 and 2020, 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 October 20, 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
October 20, 2021