



WORLD NEIGHBORS

Inspiring People • Strengthening Communities

AUDITED FINANCIAL STATEMENTS

June 30, 2022 and 2021

Audited Financial Statements
WORLD NEIGHBORS, INC.
JUNE 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022 and 2021 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of World Neighbors, Inc. as of June 30, 2022 and 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of World Neighbors, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of 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, 2022, 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 solely 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 the effectiveness of World Neighbors, Inc.'s 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 CPA & Advisors

Oklahoma City, Oklahoma
October 20, 2022

WORLD NEIGHBORS, INC.

Statements of Financial Position

June 30, 2022 and 2021

Assets	2022	2021
Current assets:		
Cash and cash equivalents	\$ 613,335	\$ 446,154
Accounts receivable:		
Grants, net	650,750	49,767
Government	4,447	-
Prepaid expenses and other assets	57,585	61,735
Total current assets	1,326,117	557,656
Non-current assets:		
Investments, at fair value	5,695,372	7,497,146
Assets held in trusts	776,107	918,351
Beneficial interest in remainder trusts	2,534,625	3,104,405
Beneficial interest in assets held by others	2,593,398	2,227,652
Finance lease right-of-use assets, net	-	226
Operating lease right-of-use assets	276,874	109,970
Property and equipment, net	171,525	239,318
Total non-current assets	12,047,901	14,097,068
Total assets	\$ 13,374,018	\$ 14,654,724
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 4,891	\$ 2,514
Payroll and related accrued liabilities	88,210	91,942
Deferred revenue	44,967	32,623
Finance lease liabilities	-	226
Operating lease liabilities	67,616	51,302
SBA PPP loan payable	-	19,693
Total current liabilities	205,684	198,300
Non-current liabilities:		
Operating lease liabilities	212,051	58,668
SBA PPP loan payable	-	49,707
Actuarial liability - charitable gift annuities	68,402	109,221
Obligations - charitable remainder trusts	167,110	190,675
Total non-current liabilities	447,563	408,271
Total liabilities	653,247	606,571
Net assets:		
Without donor restrictions	3,807,397	4,488,508
With donor restrictions	8,913,374	9,559,645
Total net assets	12,720,771	14,048,153
Total liabilities and net assets	\$ 13,374,018	\$ 14,654,724

See accompanying notes

WORLD NEIGHBORS, INC.

Statement of Activities

For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities:			
Revenues, gains and other support:			
Contributions of cash and other financial assets	\$ 945,197	\$ 223,565	\$ 1,168,762
Contributions of nonfinancial assets	10,905	-	10,905
Government funds	536,942	20,000	556,942
Private grants	485,633	1,452,550	1,938,183
Investment income and gains utilized	272,465	(187,000)	85,465
SBA PPP loan forgiveness	69,735	-	69,735
IRS employee retention credit	19,181	-	19,181
Other sources	16,334	-	16,334
Net assets released from restrictions	766,184	(766,184)	-
Total revenues, gains and other support	3,122,576	742,931	3,865,507
Expenses:			
Program services:			
Field programs	2,507,068	-	2,507,068
Public education	215,114	-	215,114
Supporting activities:			
Management and general	249,532	-	249,532
Fundraising	276,099	-	276,099
Total expenses	3,247,813	-	3,247,813
Change in net assets from operating activities	(125,237)	742,931	617,694
Non-operating activities:			
Endowment contributions	-	3,100	3,100
Investment return, net	60,311	99,510	159,821
Net investment gains (losses)	(467,214)	(692,112)	(1,159,326)
Change in value of split-interest agreements	(148,971)	(799,700)	(948,671)
Change in net assets from non-operating activities	(555,874)	(1,389,202)	(1,945,076)
Change in net assets	(681,111)	(646,271)	(1,327,382)
Net assets at beginning of year	4,488,508	9,559,645	14,048,153
Net assets at end of year	\$ 3,807,397	\$ 8,913,374	\$ 12,720,771

See accompanying notes

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	801,884	(801,884)	-
Total revenues, gains and other support	3,402,188	(381,852)	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	263,513	(381,852)	(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	185,350	53,823	239,173
Assets transferred to endowment funds	(25,000)	25,000	-
Change in net assets from non-operating activities	710,693	2,561,160	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

See accompanying notes

WORLD NEIGHBORS, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2022

	Program Services			Supporting Activities			
	Field Programs	Public Education	Subtotal Program Services	Management and General	Fundraising	Subtotal Supporting Activities	Total
Salaries and related expenses:							
Salaries	\$ 1,007,037	\$ 112,226	\$ 1,119,263	\$ 135,574	\$ 131,577	\$ 267,151	\$ 1,386,414
Payroll taxes	58,039	5,923	63,962	10,651	10,754	21,405	85,367
Benefits	170,445	19,157	189,602	21,318	18,995	40,313	229,915
	1,235,521	137,306	1,372,827	167,543	161,326	328,869	1,701,696
Field programs	835,695	-	835,695	-	-	-	835,695
Contract services	24,732	5,518	30,250	2,810	62,948	65,758	96,008
Legal and accounting services	48,461	7,734	56,195	13,886	2,165	16,051	72,246
Travel	98,542	24,590	123,132	1,324	1,981	3,305	126,437
Office supplies	13,243	3,135	16,378	1,394	2,144	3,538	19,916
Telecommunications	24,407	4,761	29,168	3,626	1,275	4,901	34,069
Postage	3,423	458	3,881	996	2,016	3,012	6,893
Rent and occupancy	84,903	20,989	105,892	1,185	1,517	2,702	108,594
Office equipment and software	21,602	1,814	23,416	8,244	8,146	16,390	39,806
Advertising	-	-	-	-	7,237	7,237	7,237
Printing and publications	7,328	1,335	8,663	1,246	10,633	11,879	20,542
Depreciation and amortization	53,524	-	53,524	30,758	6,346	37,104	90,628
Dues	2,553	712	3,265	815	3,055	3,870	7,135
Training and meetings	10,649	2,663	13,312	5	7	12	13,324
Financial expenses	42,485	4,099	46,584	15,700	5,303	21,003	67,587
Total expenses	\$ 2,507,068	\$ 215,114	\$ 2,722,182	\$ 249,532	\$ 276,099	\$ 525,631	\$ 3,247,813

See accompanying notes

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

See accompanying notes

WORLD NEIGHBORS, INC.

Statements of Cash Flows

For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (1,327,382)	\$ 3,153,514
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization expense	90,628	89,024
Net realized and unrealized (gains) losses of investments	1,044,931	(1,346,101)
Contributions restricted for permanent investment	(3,100)	(29,145)
Contributions in remainder trusts held by others	-	(1,376,493)
Contributions of nonfinancial capitalized assets	-	(22,531)
Transfers to permanent endowments	(48,700)	(25,000)
Change in fair value of:		
Assets held in trusts	131,675	(137,808)
Beneficial interest in remainder trusts	569,780	34,026
Beneficial interest in assets held by others	402,453	(286,578)
Present value adjustments and actuarial liability for split-interest agreements	(64,384)	(24,531)
Changes in operating assets and liabilities:		
Accounts receivable	(605,430)	267,228
Prepaid expenses and other assets	4,150	5,141
Accounts payable and accrued liabilities	(1,355)	7,052
Deferred revenue	12,344	32,623
Net cash provided by operating activities	205,610	340,421
Cash flows from investing activities:		
Proceeds from sales of investments	4,544,796	7,261,818
Purchases of investments	(3,774,590)	(6,818,079)
Investments in cash and securities held in trust by others	(768,200)	(1,097,249)
Purchases of property and equipment	(22,609)	(116,483)
Net cash used in investing activities	(20,603)	(769,993)
Cash flows from financing activities:		
Proceeds from contributions restricted for endowment	3,100	29,145
Proceeds for investment in endowment	48,700	25,000
Payment of finance lease liability	(226)	(2,692)
Proceeds from SBA PPP loan	-	69,400
SBA PPP loan forgiveness	(69,400)	(70,300)
Net cash (used in) provided by financing activities	(17,826)	50,553
Net increase (decrease) in cash and cash equivalents	167,181	(379,019)
Cash and cash equivalents at beginning of year	446,154	825,173
Cash and cash equivalents at end of year	\$ 613,335	\$ 446,154

See accompanying notes

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2022 and 2021

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’s headquarters is 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 Guatemala* Haiti* Peru*	Burkina Faso* Mali	Kenya* Tanzania Uganda	India Nepal*	Indonesia* Timor-Leste*

During the year ending June 30, 2022, WN began exploratory work in Malawi in anticipation of commencing program activities during the year ending June 30, 2023.

B. Summary of Significant Accounting Policies

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”), 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.

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2022 and 2021

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.

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.

An 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.

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2022 and 2021

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, which included a vehicle, internet advertising, software and rent. 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:

	2022	2021
Vehicles	\$ -	\$ 22,531
Advertising	6,988	7,840
Software	2,592	-
Rent	1,325	1,260
	<u>\$ 10,905</u>	<u>\$ 31,631</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.

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

Contributed software related to donated Microsoft licenses used for general and administrative purposes. The fair value was the quoted gift value from the manufacturer.

Contributed rent represented off-site storage for WN's archived documents, and was general and administrative in nature. The fair value was derived from monthly statements from the third-party corporation.

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2022 and 2021

Contributed services

For the years ended June 30, 2022 and 2021, unpaid volunteers totaling 2,875 and 4,806, 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 a donor family, less an adjustment for net present valuation and an allowance for doubtful accounts.

Government receivables consist of amounts due from a USAID cooperative agreement. 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

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2022 and 2021

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.

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, 2022 and 2021.

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.

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2022 and 2021

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, 2022 and 2021, WN recorded interests in new remainder trusts of nil and \$1,376,493, 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.

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 (i) investments, (ii) assets held in trusts, (iii) beneficial interests in both remainder trusts and assets held by others and (iv) contributions receivables is based on consideration of all relevant available information and an analysis of the collectability of accounts receivable (which arise primarily from the U.S. federal government, private foundations and estates) at the financial statement date.

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2022 and 2021

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, 2022 and 2021 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, 2019 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.

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 are satisfied, and ensure the sustainability of WN. Board-designated assets include investments and beneficial interest in assets held by others. The Board of Trustees must approve the liquidation of these assets.

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2022 and 2021

The Board of Trustees meets annually to review and approve the annual operating budget prepared by management. Board-designated financial assets may be included 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, 2022 and 2021, no board-designated funds were required to achieve a balanced operating budget.

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:

	2022	2021
Financial assets at June 30	\$ 12,943,035	\$ 14,243,474
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(4,206,229)	(5,628,832)
Subject to appropriation and satisfaction of donor restrictions	(1,265,133)	(427,540)
Investments held in annuities and trusts	(3,371,855)	(3,496,494)
Board-designations:		
Amounts set aside for liquidity reserve	(3,280,464)	(3,740,089)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 819,354</u>	<u>\$ 950,519</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	\$ 66,077	\$ 130,708
Operating investments	398,195	509,811
Distributions from assets held under split-interest agreements	2,300	3,300
Distributions from beneficial interests in assets held by others	160,782	120,700
Endowment spending-rate distributions and appropriations	<u>192,000</u>	<u>186,000</u>
	<u>\$ 819,354</u>	<u>\$ 950,519</u>

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2022 and 2021

In addition to board-designated net assets that could be 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).

D. Cash and Cash Equivalents

Cash and cash equivalents of \$613,335 and \$446,154 as of June 30, 2022 and 2021, respectively, were held in support of the following:

	2022	2021
Restricted:		
Programs	\$ 522,965	\$ 293,820
Disaster relief	24,293	21,626
Subtotal - restricted cash	547,258	315,446
Unrestricted	66,077	130,708
	<u>\$ 613,335</u>	<u>\$ 446,154</u>

E. Accounts Receivable

Accounts receivable at June 30 consist of the following:

	2022	2021
Receivables in less than one year:		
Grants	\$ 250,000	\$ 55,297
Government funds	4,447	-
Receivables in less than one year	254,447	55,297
Receivables in one to five years	500,000	-
Gross accounts receivable	754,447	55,297
Less:		
Allowance for doubtful accounts	(75,000)	(5,530)
Discounts to net present value	(24,250)	-
	<u>\$ 655,197</u>	<u>\$ 49,767</u>

At June 30, 2022 and 2021, 100% of the grants receivable is restricted for the use of programs.

WORLD NEIGHBORS, INC.

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For the Years Ended June 30, 2022 and 2021

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:

	2022	2021
Cash and cash equivalents	9%	2%
Equities	52%	57%
Fixed income	31%	34%
Alternative funds	8%	7%
	100%	100%

Investments consist of the following at June 30:

	2022	2021
Cash and cash equivalents	\$ 495,227	\$ 114,509
Securities:		
Mutual funds - equities	2,963,404	4,309,508
Mutual funds - fixed income	1,797,202	2,533,363
Mutual funds - alternatives	439,539	539,766
	\$ 5,695,372	\$ 7,497,146

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, 2022 and 2021.

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2022 and 2021

Assets held in charitable remainder trusts totaled \$776,107 and \$918,351 for the years ended June 30, 2022 and 2021, 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 values of the estimated future payments (\$167,110 and \$190,675 at June 30, 2022 and 2021, respectively) were calculated using discount rates ranging from 3% 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:

	2022	2021
Cash and cash equivalents	\$ 60,913	\$ 12,867
Securities:		
Mutual funds - equities	358,722	485,412
Mutual funds - fixed income	303,240	360,237
Mutual funds - alternatives	53,232	59,835
	<u>\$ 776,107</u>	<u>\$ 918,351</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 Note J. "Fair Value Measurement," which amounted to \$88,923 and \$122,263 as of June 30, 2022 and 2021, respectively. There were no new contributions for the years ended June 30, 2022 and 2021.

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 (\$68,402 and \$109,221 as of June 30, 2022 and 2021, respectively) are calculated using discount rates ranging from 10.2% to 1.6% and applicable mortality tables.

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

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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, 2022, WN received no new contributions. During the year ended June 30, 2021, WN received one new contribution valued at \$1,376,493. 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 \$2,534,625 and \$3,104,405 at June 30, 2022 and 2021, 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, 2022 and 2021 include beneficial interest in assets held by the OCCF of \$2,593,398 and \$2,227,652, respectively, consisting of:

	2022	2021
Board-designated reserve funds	\$ 1,006,218	\$ 1,155,189
Permanently restricted endowment funds	1,523,398	964,462
Restricted grants	63,782	108,001
	<u>\$ 2,593,398</u>	<u>\$ 2,227,652</u>

- *Board-designated reserve funds*
During the year ended June 30, 2019, WN established 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. There were no transfers during the year ended June 30, 2022. WN is the sole beneficiary of this unrestricted reserve fund. There were no distributions for the years ended June 30, 2022 and 2021.
- *Permanently restricted endowment funds*
During the years ended June 30, 2022 and 2021, WN transferred \$801,200 and \$652,600, respectively, to its permanently restricted endowment fund. In 2022 and 2021, WN received distributions from the fund totaling \$11,691 and \$5,318, respectively.
- *Restricted grants*
WN transferred \$175,000 and \$100,000 of restricted grant funds to the spendable fund during the years ended June 30, 2022 and 2021, respectively. During the year ended June

WORLD NEIGHBORS, INC.

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30, 2022, WN distributed \$208,000 to support restricted expenditures. There were no distributions during the year ended June 30, 2021.

The Statements of Activities for the years ended June 30, 2022 and 2021 include related net investment activity of (\$402,453) and \$286,578, respectively.

- *OCCF endowment funds for the benefit of WN*

In addition to the above funds, 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, 2022 and 2021, the OCCF received \$300,000 and \$250,100, respectively, in additional donations to the endowments. The fair market value of the endowments were \$1,511,174 and \$1,499,528 as of June 30, 2022 and 2021, 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, 2022 and 2021, WN received \$54,046 and \$48,599, 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, 2022 and 2021, the fair market value of the fund was \$310,417 and \$395,665, respectively. The earnings from the fund are paid to WN each year. For the years ended June 30, 2022 and 2021, WN received \$19,133 and \$16,395, 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

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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.

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, 2022:

	Level 1	Level 2	Level 3	Fair Value
Cash and cash equivalents	\$ 495,227	\$ -	\$ -	\$ 495,227
Mutual funds:				
Fixed income	1,797,202	-	-	1,797,202
Small cap	155,223	-	-	155,223
Large cap	2,066,674	-	-	2,066,674
International	601,631	-	-	601,631
Emerging markets	139,876	-	-	139,876
Alternatives	439,539	-	-	439,539
	<u>\$ 5,695,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,695,372</u>

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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>

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, 2022 and 2021.

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The following table presents financial instruments in (a) assets held in trust, (b) beneficial interest in remainder trusts and (c) beneficial interest in assets held by others, measured on a recurring basis, as of June 30, 2022:

	Level 1	Level 2	Level 3	Fair Value
Assets held in trusts:				
Cash and cash equivalents	\$ 60,913	\$ -	\$ -	\$ 60,913
Mutual funds:				
Fixed income	303,240	-	-	303,240
Small cap	20,242	-	-	20,242
Large cap	249,223	-	-	249,223
International	71,993	-	-	71,993
Emerging markets	17,264	-	-	17,264
Alternatives	53,232	-	-	53,232
	776,107	-	-	776,107
Beneficial interest in:				
Remainder trusts	2,222,052	265,132	47,441	2,534,625
Assets held by others	-	-	2,593,398	2,593,398
	\$ 2,998,159	\$ 265,132	\$ 2,640,839	\$ 5,904,130

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For the Years Ended June 30, 2022 and 2021

The following table presents financial instruments in (a) assets held in trust, (b) beneficial interest in remainder trusts and (c) beneficial interest in 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
	<u>918,351</u>	<u>-</u>	<u>-</u>	<u>918,351</u>
Beneficial interest in:				
Remainder trusts	2,783,003	268,424	52,978	3,104,405
Assets held by others	-	-	2,227,652	2,227,652
	<u>\$ 3,701,354</u>	<u>\$ 268,424</u>	<u>\$ 2,280,630</u>	<u>\$ 6,250,408</u>

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, 2022 and 2021.

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, 2022 is attributed to net unrealized losses on investments held in remainder trusts of (\$240,907), a present value discount of (\$175,412) and distributions of (\$153,461).

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).

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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, 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
Additions	-	976,200	976,200
Change in value in split-interest agreements	(416,319)	-	(416,319)
Payments from remainder trust	(153,461)	-	(153,461)
Distributions	-	(219,691)	(219,691)
Change in value in beneficial interest	-	(390,763)	(390,763)
Net changes	(569,780)	365,746	(204,034)
Balance at June 30, 2022	\$ 2,534,625	\$ 2,593,398	\$ 5,128,023

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

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K. Leases – Operating Lease Right-of-Use Assets

WN has office rental agreements greater than one-year for its headquarters office in Oklahoma City and program offices in Burkina Faso, Indonesia, Kenya and Nepal:

Country	Lease Term (MM/YY)	Years	Cost	Discount		Net Present Value	Balance	
				Rate	Amount		2022	2021
Burkina Faso	07/20 - 06/25	5	\$ 36,936	4.85%	\$ (850)	\$ 36,086	\$ 21,446	\$ 28,731
Indonesia	10/16 - 09/21	5	13,073	4.71%	(1,401)	11,672	-	521
Indonesia	06/22 - 05/24	2	17,233	2.25%	(156)	17,077	16,508	-
Kenya	04/18 - 03/24	6	47,473	5.60%	(7,463)	40,010	9,941	18,538
Nepal	01/21 - 12/25	5	36,120	4.85%	(862)	35,258	24,489	31,926
United States	08/16 - 07/22	6	210,084	5.60%	(32,130)	177,954	2,268	30,254
United States	08/22 - 07/27	5	202,222	2.25%	(4,418)	197,804	202,222	-
			<u>\$563,141</u>		<u>\$(47,280)</u>	<u>\$515,861</u>	<u>\$276,874</u>	<u>\$109,970</u>

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

	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 77,078	\$ 71,940
Finance cash flows from finance leases	238	2,854
	<u>\$ 77,316</u>	<u>\$ 74,794</u>

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Maturities of lease liabilities, at net present value:

Year ending June 30,	Operating Leases
2023	\$ 67,616
2024	66,721
2025	54,903
2026	45,027
2027	41,916
Thereafter	3,484
	<u>\$ 279,667</u>

Undiscounted cash flows due within:

Year ending June 30,	Operating Leases
2023	\$ 71,067
2024	69,565
2025	56,331
2026	46,419
2027	43,529
Thereafter	3,635
	<u>290,546</u>
Impact of present value discount	<u>(10,879)</u>
	<u>\$ 279,667</u>

Weighted Average Remaining Lease Term	2022	2021
Operating leases	4.5 years	3 years
Weighted Average Discount Rate	2022	2021
Operating leases	4.5%	5.2%

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L. Property and Equipment

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

Asset classification	Estimated useful life (years)	2022		2021	
Vehicles	3-5	\$	356,535	\$	353,801
Computers and software	2-5		150,800		149,593
Furniture and equipment	7		84,166		78,109
Leasehold and building improvements	3-10		31,104		31,104
			622,605		612,607
Less, accumulated depreciation and amortization			(451,080)		(373,289)
		\$	171,525	\$	239,318

	2022		2021	
Total depreciation and amortization expense	\$	90,628	\$	89,024
Less, amortization of Right-of-Use Asset		(226)		(2,692)
Net depreciation related to non-leased, fixed assets	\$	90,402	\$	86,332

M. Notes Payable

In April 2020, 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, WN received a loan from its investment custodial bank for \$70,300. In December 2020, the U.S. Small Business Administration (“SBA”) forgave the PPP loan and associated accrued interest.

In January 2021, WN received a second PPP loan for \$69,400 from its investment custodial bank. In July 2021, the SBA forgave the \$69,400 PPP loan and associated accrued interest.

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For the Years Ended June 30, 2022 and 2021

N. Line of Credit

WN has 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 rates were 4.5% and 3% on June 30, 2022 and 2021, respectively.

Any advances under the facility are due upon demand and secured by unrestricted reserve funds held by the bank. There have been no advances under the line of credit from inception through June 30, 2022.

O. Net Assets Without Donor Restrictions

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

	2022	2021
Available for operations	\$ 355,408	\$ 509,101
Board-designated funds:		
John L. Peters funds - operating reserves	1,534,330	1,635,238
Ellison fund - operating reserve	1,746,134	2,104,851
Investment in property and equipment, net	171,525	239,318
	<u>\$ 3,807,397</u>	<u>\$ 4,488,508</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, 2022 and 2021

P. Net Assets With Donor Restrictions

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

	2022	2021
Temporarily restricted net assets with donor restrictions consist of the following at June 30:		
Planned giving	\$ 2,624,069	\$ 3,200,899
Restricted grants	1,192,530	469,887
Russell fund - facilities	105,212	125,936
Gary Wang fund - Nepali programs	84,151	100,624
Loretta Shaver fund - programs	82,692	-
Blackwood fund - programs	62,678	62,327
Disaster relief fund	24,293	-
Other (the temporary portion of permanent endowments)	833,602	1,747,625
Total temporarily restricted net assets with donor restrictions	5,009,227	5,707,298
Permanently restricted net assets with donor restrictions consist of the following at June 30:		
World Neighbors endowment - general support	1,576,096	1,572,996
May Ayers Milburn chair - executive chair	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
Loretta Shaver endowment - programs	48,700	-
Total endowment funds	3,505,619	3,453,819
Munds charitable trust - general support	395,249	395,249
Smith charitable trust - general support	3,279	3,279
Total perpetual trusts	398,528	398,528
Total permanently restricted net assets with donor restrictions	3,904,147	3,852,347
Total net assets with donor restrictions	\$ 8,913,374	\$ 9,559,645

WORLD NEIGHBORS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2022 and 2021

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 4.5%, 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 4.5% 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 4.5% adjusted for the Consumer Price Index, 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 the Financial Statements

For the Years Ended June 30, 2022 and 2021

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, 2022 and 2021:

2022	Corpus	Accumulated Gains (Losses)	Deficit	Total
Permanently restricted endowment funds:				
World Neighbors endowment	\$ 1,576,096	\$ 206,830	\$ -	\$ 1,782,926
May Ayers Milburn chair	711,213	75,543	-	786,756
Overseas partnership endowment	688,265	70,459	-	758,724
International programs charitable endowment	268,834	54,035	-	322,869
Special endowment	212,511	285,188	-	497,699
Shaver endowment	48,700	-	-	48,700
Perpetual trusts:				
Munds charitable trust	395,249	126,236	-	521,485
Smith charitable trust	3,279	15,311	-	18,590
	<u>\$ 3,904,147</u>	<u>\$ 833,602</u>	<u>\$ -</u>	<u>\$ 4,737,749</u>
2021				
Permanently restricted endowment funds:				
World Neighbors endowment	\$ 1,572,996	\$ 539,887	\$ -	\$ 2,112,883
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
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, 2022 and 2021

Endowment-defined net assets with donor restrictions composition, by type of fund, as of June 30, 2022 and 2021 are, as follows:

	Endowment-Defined Net Assets with Donor Restrictions		
	Temporarily Restricted	Permanently Restricted	Total
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 from unrestricted funds	-	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
Contributions	164,076	3,100	167,176
Investment return, net	(798,553)	-	(798,553)
Transfers from temporarily restricted funds	(48,700)	48,700	-
Amounts appropriated for expenditures	(185,000)	-	(185,000)
Net changes	(868,177)	51,800	(816,377)
Balance at June 30, 2022	\$ 1,168,335	\$ 3,904,147	\$ 5,072,482

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 \$145,113 and \$136,470 at June 30, 2022 and 2021, 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, 2022 and 2021

Concentrations of operations located outside the U.S. represent 8% of the carrying amount of net assets without donor restrictions (consisting primarily of cash, property and equipment) for the years ended June 30, 2022 and 2021. Foreign field program expenses represent 83% of the total field program expenses reported in the Statements of Functional Expenses for the years ended June 30, 2022 and 2021.

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, 2022 are primarily due from one donor family. Sixteen donors provided 57% of individual contributions revenues for the year ended June 30, 2022.

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.

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 \$40,226 and \$43,945 for the years ended June 30, 2022 and 2021, respectively.

T. Commitments

In addition to the lease commitments disclosed in Note K. "Leases," WN has an employment agreement with its President and Chief Executive Officer, which extends through June 30, 2024. The commitment under this agreement was \$470,930 at June 30, 2022.

U. Subsequent Events

Management has evaluated subsequent events through October 20, 2022, the date the financial statements were available for issuance. Due to continual financial market volatility subsequent to June 30, 2022, WN's investment portfolio decreased by approximately 3.8%. No other matters came to the attention of management.

SUPPLEMENTAL INFORMATION

WORLD NEIGHBORS, INC.

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2022

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Other Identification Number	Pass - Through Entity Name	Pass - Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients	Subrecipient Name	Subrecipient Identity Number
U.S. Agency for International Development ("USAID")								
USAID Foreign Assistance for Programs Overseas:								
Indonesia	98.001	720FDA18GR00225	N/A	N/A	\$ 330,505	\$ -	N/A	N/A
Indonesia	98.001	720BHA22GR00140	N/A	N/A	172,033	100,000	Catholic Relief Services - United States Conference of Catholic Bishops	RC7USPUUVJK3
Subtotal					502,537	100,000		
Subawards:								
Timor-Leste	98.001	720BHA22GR00106	Mercy Corps	P51TEEFDJ3E8	4,447	-	N/A	N/A
Total USAID					\$ 506,984	\$ 100,000		
Total expenditures of federal awards					\$ 506,984	\$ 100,000		



**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, 2022 and 2021, 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, 2022.

Report on 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) as a basis for designing 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.

Report on 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, 2022