



# WORLD NEIGHBORS

Inspiring People • Strengthening Communities

## AUDITED FINANCIAL STATEMENTS

**June 30, 2023 and 2022**

Audited Financial Statements  
WORLD NEIGHBORS, INC.  
JUNE 30, 2023 and 2022

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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, 2023 and 2022 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, 2023 and 2022, 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 schedule of expenditures of federal awards, 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 schedule of expenditures of federal awards 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, 2023, 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, 2023

# WORLD NEIGHBORS, INC.

## Statements of Financial Position

June 30, 2023 and 2022

	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 904,565	\$ 613,335
Accounts receivable:		
Grants, net	137,655	650,750
Government	23,638	4,447
Prepaid expenses and other assets	101,173	57,585
<b>Total current assets</b>	<b>1,167,031</b>	<b>1,326,117</b>
Non-current assets:		
Investments, at fair value	6,606,018	5,695,372
Assets held in trusts	732,679	776,107
Beneficial interest in remainder trusts	2,446,947	2,534,625
Beneficial interest in assets held by others	2,722,512	2,593,398
Oil, gas and mineral interests	55,470	-
Operating lease right-of-use assets	222,978	276,874
Property and equipment, net	235,072	171,525
<b>Total non-current assets</b>	<b>13,021,676</b>	<b>12,047,901</b>
<b>Total assets</b>	<b>\$ 14,188,707</b>	<b>\$ 13,374,018</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 8,329	\$ 4,891
Payroll and related accrued liabilities	75,713	88,210
Deferred revenue	113,777	44,967
Operating lease liabilities	72,929	67,616
<b>Total current liabilities</b>	<b>270,748</b>	<b>205,684</b>
Non-current liabilities:		
Operating lease liabilities	154,033	212,051
Actuarial liability - charitable gift annuities	55,921	68,402
Obligations - charitable remainder trusts	151,611	167,110
<b>Total non-current liabilities</b>	<b>361,565</b>	<b>447,563</b>
<b>Total liabilities</b>	<b>632,313</b>	<b>653,247</b>
Net assets:		
Without donor restrictions	4,503,242	3,807,397
With donor restrictions	9,053,152	8,913,374
<b>Total net assets</b>	<b>13,556,394</b>	<b>12,720,771</b>
<b>Total liabilities and net assets</b>	<b>\$ 14,188,707</b>	<b>\$ 13,374,018</b>

See accompanying notes.

# WORLD NEIGHBORS, INC.

## Statement of Activities

For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating activities:</b>			
<b>Revenues, gains and other support:</b>			
Contributions of cash and other financial assets	\$ 1,550,136	\$ 316,437	\$ 1,866,573
Contributions of nonfinancial assets	13,538	-	13,538
Government funds	1,532,224	-	1,532,224
Private grants	192,619	506,856	699,475
Investment income and gains utilized	455,459	(343,500)	111,959
Other sources	47,438	-	47,438
Net assets released from restrictions	788,819	(788,819)	-
<b>Total revenues, gains and other support</b>	4,580,233	(309,026)	4,271,207
<b>Expenses:</b>			
Program services:			
Field programs	3,602,422	-	3,602,422
Public education	238,166	-	238,166
Supporting activities:			
Management and general	253,602	-	253,602
Fundraising	304,897	-	304,897
<b>Total expenses</b>	4,399,087	-	4,399,087
<b>Change in net assets from operating activities</b>	181,146	(309,026)	(127,880)
<b>Non-operating activities:</b>			
Endowment contributions	-	48,951	48,951
Investment return, net	68,933	91,217	160,150
Net investment gains (losses)	296,155	268,041	564,196
Change in value of split-interest agreements	149,611	40,595	190,206
<b>Change in net assets from non-operating activities</b>	514,699	448,804	963,503
<b>Change in net assets</b>	695,845	139,778	835,623
<b>Net assets at beginning of year</b>	3,807,397	8,913,374	12,720,771
<b>Net assets at end of year</b>	\$ 4,503,242	\$ 9,053,152	\$ 13,556,394

See accompanying notes.

# WORLD NEIGHBORS, INC.

## Statement of Activities

For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating activities:</b>			
<b>Revenues, gains and other support:</b>			
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)	-
<b>Total revenues, gains and other support</b>	3,122,576	742,931	3,865,507
<b>Expenses:</b>			
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
<b>Total expenses</b>	3,247,813	-	3,247,813
<b>Change in net assets from operating activities</b>	(125,237)	742,931	617,694
<b>Non-operating activities:</b>			
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)
<b>Change in net assets from non-operating activities</b>	(555,874)	(1,389,202)	(1,945,076)
<b>Change in net assets</b>	(681,111)	(646,271)	(1,327,382)
<b>Net assets at beginning of year</b>	4,488,508	9,559,645	14,048,153
<b>Net assets at end of year</b>	\$ 3,807,397	\$ 8,913,374	\$ 12,720,771

See accompanying notes.

# WORLD NEIGHBORS, INC.

## Statement of Functional Expenses

For the Year Ended June 30, 2023

	Program Services			Supporting Activities			
	Field Programs	Public Education	Subtotal Program Services	Management and General	Fundraising	Subtotal Supporting Activities	Total
Salaries and related expenses:							
Salaries	\$ 947,486	\$ 106,807	\$ 1,054,293	\$ 136,628	\$ 134,260	\$ 270,888	\$ 1,325,181
Payroll taxes	47,810	5,135	52,945	9,089	9,164	18,253	71,198
Benefits	176,078	20,730	196,808	20,808	17,941	38,749	235,557
	1,171,374	132,672	1,304,046	166,525	161,365	327,890	1,631,936
Field programs	1,276,694	-	1,276,694	-	-	-	1,276,694
Grants	546,834	-	546,834	-	-	-	546,834
Contract services	77,755	14,377	92,132	12,156	65,738	77,894	170,026
Legal and accounting services	28,108	3,206	31,314	13,045	1,778	14,823	46,137
Travel	160,613	40,209	200,822	3,239	35,615	38,854	239,676
Office supplies	16,801	3,981	20,782	674	260	934	21,716
Telecommunications	20,960	3,932	24,892	3,643	1,194	4,837	29,729
Postage	2,408	304	2,712	785	2,038	2,823	5,535
Rent and occupancy	81,323	14,110	95,433	15,014	2,980	17,994	113,427
Office equipment and software	20,093	1,863	21,956	7,591	8,208	15,799	37,755
Advertising	195	-	195	-	5,036	5,036	5,231
Printing and publications	5,074	775	5,849	1,256	12,204	13,460	19,309
Depreciation and amortization	76,309	-	76,309	11,796	410	12,206	88,515
Dues	2,142	609	2,751	814	2,951	3,765	6,516
Training and meetings	72,818	18,205	91,023	-	-	-	91,023
Financial expenses	42,921	3,923	46,844	17,064	5,120	22,184	69,028
<b>Total expenses</b>	<b>\$ 3,602,422</b>	<b>\$ 238,166</b>	<b>\$ 3,840,588</b>	<b>\$ 253,602</b>	<b>\$ 304,897</b>	<b>\$ 558,499</b>	<b>\$ 4,399,087</b>

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	735,695	-	735,695	-	-	-	735,695
Grants	100,000	-	100,000	-	-	-	100,000
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
<b>Total expenses</b>	<b>\$ 2,507,068</b>	<b>\$ 215,114</b>	<b>\$ 2,722,182</b>	<b>\$ 249,532</b>	<b>\$ 276,099</b>	<b>\$ 525,631</b>	<b>\$ 3,247,813</b>

See accompanying notes.

# WORLD NEIGHBORS, INC.

## Statements of Cash Flows

For the Years Ended June 30, 2023 and 2022

	<b>2023</b>	<b>2022</b>
Cash flows from operating activities:		
Change in net assets	\$ 835,623	\$ (1,327,382)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization expense	88,515	90,628
Net realized and unrealized (gains) losses of investments	(597,652)	1,044,931
Contributions restricted for permanent investment	(48,951)	(3,100)
Distributions from remainder trusts for permanent investment	(207,520)	(137,360)
Contributions of oil, gas and mineral interests	(55,470)	-
Change in fair value of:		
Assets held in trusts	(50,598)	131,675
Beneficial interest in remainder trusts	295,198	707,140
Beneficial interest in assets held by others	(90,913)	402,453
Present value adjustments and actuarial liability for split-interest agreements	(27,980)	(64,384)
Changes in assets and liabilities that (use) provide cash:		
Accounts receivable	493,904	(605,430)
Prepaid expenses and other assets	(43,588)	4,150
Accounts payable and accrued liabilities	(9,059)	(1,355)
Deferred revenue	68,810	12,344
<b>Net cash provided by operating activities</b>	<b>650,319</b>	<b>254,310</b>
Cash flows from investing activities:		
Proceeds from sales of investments	6,134,458	4,407,436
Purchases of investments	(6,559,757)	(3,774,590)
Purchases of investments in cash and securities held in trust by others	(38,200)	(768,200)
Purchases of property and equipment	(152,061)	(22,609)
<b>Net cash used by investing activities</b>	<b>(615,560)</b>	<b>(157,963)</b>
Cash flows from financing activities:		
Proceeds from contributions restricted for endowment	48,951	3,100
Proceeds from remainder trusts for endowment and other funds	207,520	137,360
Payment of finance lease liability	-	(226)
SBA PPP loan forgiveness	-	(69,400)
<b>Net cash provided by financing activities</b>	<b>256,471</b>	<b>70,834</b>
Net increase (decrease) in cash and cash equivalents	291,230	167,181
Cash and cash equivalents at beginning of year	613,335	446,154
Cash and cash equivalents at end of year	<b>\$ 904,565</b>	<b>\$ 613,335</b>

See accompanying notes.

# WORLD NEIGHBORS, INC.

## Notes to the Financial Statements

For the Years Ended June 30, 2023 and 2022

### 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 14 countries:

<b>Latin America and the Caribbean</b>	<b>West Africa</b>	<b>East Africa</b>	<b>South Asia</b>	<b>Southeast Asia</b>
Bolivia	Burkina Faso*	Kenya*	India	Indonesia*
Guatemala*	Mali	Malawi	Nepal*	Timor-Leste*
Haiti*		Tanzania		
Peru*		Uganda		

### 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*, which 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.

# WORLD NEIGHBORS, INC.

## Notes to the Financial Statements

For the Years Ended June 30, 2023 and 2022

*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) to 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 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.

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

# WORLD NEIGHBORS, INC.

## Notes to the Financial Statements

For the Years Ended June 30, 2023 and 2022

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, which 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 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:

	2023	2022
Airline ticket	\$ 5,723	\$ -
Advertising	5,000	6,988
Rent	1,440	1,325
Catering	1,375	-
Software	-	2,592
	<u>\$ 13,538</u>	<u>\$ 10,905</u>

The airline ticket was fundraising related. The fair value was derived from the quoted price on the airline ticket.

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

Rent represented off-site storage for archived documents and was general and administrative. The fair value was derived from monthly statements from the third-party corporation.

Catering was support for a Board of Trustees dinner and was general and administrative. The fair value was derived from the benefactor's itemization.

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

# **WORLD NEIGHBORS, INC.**

## **Notes to the Financial Statements**

**For the Years Ended June 30, 2023 and 2022**

### **Contributed services**

For the years ended June 30, 2023 and 2022, unpaid volunteers totaling 3,139 and 2,875, 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 distributed investment funds. This measure of operations provides a presentation that depicts the way WN manages its financial activities. Investment returns, including interest and dividends; net realized and unrealized gains and losses; contributions to endowment funds; changes in the value of interests in- and investment returns on- assets held under split-interest agreements; and other nonrecurring items are recognized as non-operating activities.

### **Cash and cash equivalents**

For the 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, 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.

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

Certain payments reflect costs applicable to future periods. Prepaid expenses and other assets include software licenses and insurance premiums which are amortized over the applicable lives.

### **Marketable securities and investment income**

Marketable securities are recorded as contributions, on the date of the donation, at their fair value and are stated at fair value. Fair values are 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 a first-in, first-out basis.

The endowments' 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

# WORLD NEIGHBORS, INC.

## Notes to the Financial Statements

For the Years Ended June 30, 2023 and 2022

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.

### **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 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 eventually realize could differ materially, and significant fluctuations in fair values could occur from year to year. For the years ended June 30, 2023 and 2022, there were no new trusts.

### **Property and equipment**

Acquisitions of property and equipment and leasehold improvements, greater than \$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 the 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

# **WORLD NEIGHBORS, INC.**

## **Notes to the Financial Statements**

### **For the Years Ended June 30, 2023 and 2022**

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, 2023 and 2022.

#### **Other revenues**

Other revenues in the Statements of Activities primarily consist of gains on the disposal of assets, sublease rental income 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 notable 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 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 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, 2023 and 2022**

### **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, 2023 and 2022 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*, for the years ended June 30, 2020 and thereafter 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. 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. The Federal Deposit Insurance Corporation does not cover these bank accounts. The carrying amount of such cash was \$128,559 and \$145,113 as of June 30, 2023 and 2022, 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, 2023 and 2022**

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, 2023 and 2022. For the years ended June 30, 2023 and 2022, foreign field program expenses represented 68% and 79%, respectively, of the total field program expenses in the Statements of Functional Expenses.

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 receivable as of June 30, 2023 were due from a private foundation and a foreign institution. Seventeen donors provided 63% of individual contributions revenues for the year ended June 30, 2023.

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

#### **D. 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.

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. Board-designated funds of \$319,000 and zero, for the years ended June 30, 2023 and 2022, respectively, were required to achieve a balanced operating budget.

The following reflects WN's financial assets on 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:

# WORLD NEIGHBORS, INC.

## Notes to the Financial Statements

For the Years Ended June 30, 2023 and 2022

	2023	2022
Financial assets as of June 30	\$ 13,874,827	\$ 12,943,034
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(4,815,077)	(4,273,229)
Subject to appropriation and satisfaction of donor restrictions	(1,068,131)	(1,326,914)
Investments held in annuities and trusts	(3,242,953)	(3,372,805)
Board-designations:		
Amounts set aside for liquidity reserve	(3,805,322)	(3,149,964)
Financial assets available to meet cash needs for general expenditures within one year	\$ 943,344	\$ 820,122
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	\$ 42,237	\$ 66,077
Accounts receivable	24,451	-
Operating investments	405,160	398,195
Distributions - assets with restrictions	213,196	130,500
Distributions - board-designated assets	258,300	225,350
	\$ 943,344	\$ 820,122

In addition to the board-designated net assets that could be available for current operations upon approval from the Board of Trustees (Note P. Net Assets Without Donor Restrictions), WN maintains an undrawn line of credit of \$450,000 that is available to help manage seasonal liquidity needs (Note O. Line of Credit).

# WORLD NEIGHBORS, INC.

## Notes to the Financial Statements

For the Years Ended June 30, 2023 and 2022

### E. Cash and Cash Equivalents

Cash and cash equivalents of \$904,565 and \$613,335 as of June 30, 2023 and 2022, respectively, were held in support of the following:

	2023	2022
Restricted:		
Programs	\$ 833,789	\$ 522,965
Disaster relief	28,539	24,293
Subtotal - restricted cash	862,328	547,258
Unrestricted	42,237	66,077
	<u>\$ 904,565</u>	<u>\$ 613,335</u>

### F. Accounts Receivable

Accounts receivable as of June 30 consist of the following:

	2023	2022
Receivables in less than one year:		
Grants	\$ 125,729	\$ 250,000
Government funds	23,638	4,447
Receivables in less than one year	149,367	254,447
Receivables in one to five years	30,194	500,000
Gross accounts receivable	179,561	754,447
Less:		
Allowance for doubtful accounts	(15,592)	(75,000)
Discounts to net present value	(2,676)	(24,250)
	<u>\$ 161,293</u>	<u>\$ 655,197</u>

On June 30, 2023 and 2022, 100% of the grants receivable is restricted to programs.

# WORLD NEIGHBORS, INC.

## Notes to the Financial Statements

For the Years Ended June 30, 2023 and 2022

### G. Investments

The investment portfolio is managed by independent investment managers who are provided with an Investment Policy Statement (“IPS”) approved by WN’s Investment Committee. The IPS authorizes the managers to manage fixed income assets within a range of 30% to 50%. On June 30, the overall allocations of investments were:

	2023	2022
Cash and cash equivalents	6%	9%
Equities	57%	52%
Fixed income	30%	31%
Alternative funds	7%	8%
	100%	100%

Investments consisted of the following as of June 30:

	2023	2022
Cash and cash equivalents	\$ 388,319	\$ 495,227
Securities:		
Mutual funds - equities	3,739,518	2,963,404
Mutual funds - fixed income	1,970,833	1,797,202
Mutual funds - alternatives	507,348	439,539
	\$ 6,606,018	\$ 5,695,372

### H. 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, 2023 and 2022.

# WORLD NEIGHBORS, INC.

## Notes to the Financial Statements

For the Years Ended June 30, 2023 and 2022

Assets held in charitable remainder trusts totaled \$732,679 and \$776,107 for the years ended June 30, 2023 and 2022, 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 (\$151,611 and \$167,110 as of June 30, 2023 and 2022, 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 as of June 30:

	2023	2022
Cash and cash equivalents	\$ 38,438	\$ 60,913
Securities:		
Mutual funds - equities	376,070	358,722
Mutual funds - fixed income	268,595	303,240
Mutual funds - alternatives	49,576	53,232
	<u>\$ 732,679</u>	<u>\$ 776,107</u>

### (b) Charitable Gift Annuities

WN is 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 K. Fair Value Measurements, which amounted to \$88,627 and \$88,923 as of June 30, 2023 and 2022, respectively. There were no new contributions for the years ended June 30, 2023 and 2022.

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 (\$55,921 and \$68,402 as of June 30, 2023 and 2022, respectively) are calculated using discount rates ranging from 1.6% to 10.0% and applicable mortality tables.

### I. Beneficial Interest in Remainder Trusts

WN is the beneficiary of charitable remainder trusts in which WN is not the trustee. At the time of the donor's death, the trust terminates, and the remaining assets are distributed to the

# WORLD NEIGHBORS, INC.

## Notes to the Financial Statements

For the Years Ended June 30, 2023 and 2022

beneficiaries. During the years ended June 30, 2023 and 2022, WN received no new contributions. 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 \$2,446,947 and \$2,534,625 as of June 30, 2023 and 2022, respectively.

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

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

The Statements of Financial Position as of June 30, 2023 and 2022 include beneficial interest in assets held by the OCCF of \$2,722,512 and \$2,593,398, respectively, consisting of:

	2023	2022
Permanently restricted endowment funds	\$ 1,745,525	\$ 1,523,398
Board-designated reserve funds	976,987	1,006,218
Restricted grants	-	63,782
	<u>\$ 2,722,512</u>	<u>\$ 2,593,398</u>

- *Permanently restricted endowment funds*  
During the years ended June 30, 2023 and 2022, WN transferred \$113,200 and \$801,200, respectively, to its permanently restricted endowment fund. In 2023 and 2022, WN received distributions from the fund totaling \$29,578 and \$11,691, respectively.
- *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 years ended June 30, 2023 and 2022. WN is the sole beneficiary of this unrestricted reserve fund. WN received distributions of \$116,000 and zero for the years ended June 30, 2023 and 2022, 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. There were no transfers during the year ended June 30, 2023. During the years ended June 30, 2023 and 2022, WN distributed \$75,000 and \$208,000, respectively, to support restricted expenditures.

The Statements of Activities for the years ended June 30, 2023 and 2022 include related net investment activity of \$236,492 and (\$390,763), respectively.

# WORLD NEIGHBORS, INC.

## Notes to the Financial Statements

For the Years Ended June 30, 2023 and 2022

- *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, 2023 and 2022, the OCCF received \$70,100 and \$300,000, respectively, in additional donations to the endowments. The fair value of the endowments was \$1,667,180 and \$1,511,174 as of June 30, 2023 and 2022, 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, 2023 and 2022, WN received \$65,637 and \$54,046, 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, 2023 and 2022, the fair value of the fund was \$322,572 and \$310,417, respectively. The earnings from the fund are paid to WN each year. For the years ended June 30, 2023 and 2022, WN received \$16,139 and \$19,133, respectively. WN has no remainder interest in the corpus of the endowment and does not include it as an asset in its financial statements.

### **K. 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, 2023 and 2022

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 can 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, 2023:

	Level 1	Level 2	Level 3	Fair Value
Cash and cash equivalents	\$ 388,319	\$ -	\$ -	\$ 388,319
Mutual funds:				
Fixed income	1,970,833	-	-	1,970,833
Small cap	179,062	-	-	179,062
Large cap	2,632,873	-	-	2,632,873
International	782,400	-	-	782,400
Emerging markets	145,183	-	-	145,183
Alternatives	507,348	-	-	507,348
	<u>\$ 6,606,018</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,606,018</u>

# WORLD NEIGHBORS, INC.

## Notes to the Financial Statements

For the Years Ended June 30, 2023 and 2022

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>

Fair value for investments is 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 as of June 30, 2023 and 2022.

# WORLD NEIGHBORS, INC.

## Notes to the Financial Statements

For the Years Ended June 30, 2023 and 2022

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, 2023:

	Level 1	Level 2	Level 3	Fair Value
<b>Assets held in trusts:</b>				
Cash and cash equivalents	\$ 38,438	\$ -	\$ -	\$ 38,438
<b>Mutual funds:</b>				
Fixed income	268,595	-	-	268,595
Small cap	17,940	-	-	17,940
Large cap	270,438	-	-	270,438
International	73,142	-	-	73,142
Emerging markets	14,550	-	-	14,550
Alternatives	49,576	-	-	49,576
	<u>732,679</u>	<u>-</u>	<u>-</u>	<u>732,679</u>
<b>Beneficial interest in:</b>				
Remainder trusts	2,134,405	265,911	46,631	2,446,947
Assets held by others	-	-	2,722,512	2,722,512
	<u>\$ 2,867,084</u>	<u>\$ 265,911</u>	<u>\$ 2,769,143</u>	<u>\$ 5,902,138</u>

# WORLD NEIGHBORS, INC.

## Notes to the Financial Statements

For the Years Ended June 30, 2023 and 2022

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
<b>Assets held in trusts:</b>				
Cash and cash equivalents	\$ 60,913	\$ -	\$ -	\$ 60,913
<b>Mutual funds:</b>				
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
<b>Beneficial interest in:</b>				
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

Fair value for assets held in trust is 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 as of June 30, 2023 and 2022.

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, 2023 is attributed to net unrealized gains on investments held in remainder trusts of \$156,830, a present value discount of (\$13,073) and distributions of (\$231,435).

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).

# WORLD NEIGHBORS, INC.

## Notes to the Financial Statements

For the Years Ended June 30, 2023 and 2022

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 with unobservable inputs (Level 3 inputs):

	<b>Beneficial Interest in Remainder Trusts</b>	<b>Beneficial Interest in Assets Held by Others</b>	<b>Fair Value</b>
<b>Balance at June 30, 2021</b>	\$ 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)
Distributions	(153,461)	(219,691)	(373,152)
Change in value in beneficial interest	-	(390,763)	(390,763)
Net changes	(569,780)	365,746	(204,034)
<b>Balance at June 30, 2022</b>	2,534,625	2,593,398	5,128,023
Additions	-	113,200	113,200
Change in value in split-interest agreements	143,757	-	143,757
Distributions	(231,435)	(220,578)	(452,013)
Change in value in beneficial interest	-	236,492	236,492
Net changes	(87,678)	129,114	41,436
<b>Balance at June 30, 2023</b>	\$ 2,446,947	\$ 2,722,512	\$ 5,169,459

# WORLD NEIGHBORS, INC.

## Notes to the Financial Statements

For the Years Ended June 30, 2023 and 2022

### L. Oil, Gas and Mineral Interests

Historically, WN received donations of oil, gas and mineral interests. On June 30, 2023, the portfolio's estimated gross value was \$55,470, and recorded on the Statement of Financial Position. Prior to the year ended June 30, 2023, the estimated gross value was not available. Amortization will be straight-line over ten years, beginning in the year ending June 30, 2024.

<b>Year ending June 30,</b>	<b>Estimated Aggregate Amortization</b>
2024	\$ 5,547
2025	5,547
2026	5,547
2027	5,547
2028	5,547
Thereafter	27,735
	<u>\$ 55,470</u>

# WORLD NEIGHBORS, INC.

## Notes to the Financial Statements

For the Years Ended June 30, 2023 and 2022

### M. Leases – Operating Lease Right-of-Use Assets

As of June 30, 2023, WN has long-term rental agreements for its headquarters office in Oklahoma City and program offices in Burkina Faso, Indonesia, Kenya, Nepal and Timor-Leste. WN has short-term rental agreements in Haiti and Peru, which are not recorded as Operating Lease Right-of-Use Assets as of June 30, 2023. WN had short-term rental agreements in Haiti, Peru and Timor-Leste as of June 2022.

Country	Lease Term (MM/YY)	Years	Cost	Discount		Net Present Value	Balance	
				Rate	Amount		2023	2022
Burkina Faso	07/20 - 06/25	5	\$ 36,936	4.85%	\$ (850)	\$ 36,086	\$ 14,229	\$ 21,446
Indonesia	06/22 - 05/24	2	17,233	2.25%	(156)	17,077	7,858	16,508
Kenya	04/18 - 03/24	6	47,473	5.60%	(7,463)	40,010	4,119	9,941
Nepal	01/21 - 12/25	5	36,120	4.85%	(862)	35,258	17,395	24,489
Timor-Leste	12/22 - 12/25	3	18,792	2.72%	(235)	18,557	14,911	-
United States	08/16 - 07/22	6	210,084	5.60%	(32,130)	177,954	-	2,268
United States	08/22 - 07/27	5	202,222	2.25%	(4,418)	197,804	164,466	202,222
			<u>\$ 568,860</u>		<u>\$ (46,114)</u>	<u>\$ 522,746</u>	<u>\$ 222,978</u>	<u>\$ 276,874</u>

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

	2023	2022
Cash paid for amounts included in the measurement of long-term lease liabilities:		
Operating cash flows from operating leases	\$ 79,868	\$ 70,134
Finance cash flows from finance leases	-	238
	<u>\$ 79,868</u>	<u>\$ 70,372</u>
Cash paid for short-term lease liabilities	<u>\$ 1,078</u>	<u>\$ 6,944</u>
Sublease income	<u>\$ (3,447)</u>	<u>\$ -</u>

# WORLD NEIGHBORS, INC.

## Notes to the Financial Statements

For the Years Ended June 30, 2023 and 2022

Maturities of lease liabilities, at net present value:

<b>Year ending June 30,</b>	<b>Operating Leases</b>
2024	\$ 72,929
2025	61,057
2026	47,576
2027	41,916
2028	3,484
Thereafter	-
	<u>\$ 226,962</u>

Undiscounted cash flows due within:

<b>Year ending June 30,</b>	<b>Operating Leases</b>
2024	\$ 75,829
2025	62,595
2026	49,029
2027	43,529
2028	3,635
Thereafter	-
	<u>234,617</u>
Impact of present value discount	<u>(7,655)</u>
	<u>\$ 226,962</u>

<b>Weighted Average Remaining Lease Term</b>	<b>2023</b>	<b>2022</b>
Operating leases	3.5 years	4.5 years
<b>Weighted Average Discount Rate</b>	<b>2023</b>	<b>2022</b>
Operating leases	4.4%	4.5%



# WORLD NEIGHBORS, INC.

## Notes to the Financial Statements

For the Years Ended June 30, 2023 and 2022

### N. Property and Equipment

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

<b>Asset classification</b>	<b>Estimated useful life (years)</b>	<b>2023</b>	<b>2022</b>
Vehicles	3-5	\$ 446,284	\$ 356,535
Computers and software	2-5	133,754	150,800
Furniture and equipment	7	75,957	84,166
Leasehold improvements	3-10	25,202	31,104
		681,197	622,605
Less, accumulated depreciation and amortization		(446,125)	(451,080)
		<u>\$ 235,072</u>	<u>\$ 171,525</u>
		<b>2022</b>	<b>2022</b>
Total depreciation and amortization expense		\$ 88,515	\$ 90,628
Less, amortization of Right-of-Use Asset		-	(226)
Net depreciation related to non-leased, fixed assets		<u>\$ 88,515</u>	<u>\$ 90,402</u>

### O. Line of Credit

WN has a one-year, variable rate, revolving credit facility for \$450,000 with its investment custodial bank. 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 8.0% and 4.5% on June 30, 2023 and 2022, respectively. The credit facility expires on April 30, 2024.

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, 2023.

# WORLD NEIGHBORS, INC.

## Notes to the Financial Statements

For the Years Ended June 30, 2023 and 2022

### P. Net Assets Without Donor Restrictions

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

	2023	2022
Available for operations	\$ 249,148	\$ 355,408
Board-designated funds:		
John L. Peters funds - operating reserves	2,106,807	1,534,330
Ellison fund - operating reserve	1,912,215	1,746,134
Investment in property and equipment, net	235,072	171,525
	<u>\$ 4,503,242</u>	<u>\$ 3,807,397</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, 2023 and 2022

### **Q. Net Assets With Donor Restrictions**

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

	2023	2022
Temporarily restricted net assets with donor restrictions consist of the following as of June 30:		
Planned giving	\$ 2,486,122	\$ 2,624,069
Restricted grants	866,166	1,192,530
Russell Fund - facilities	111,823	105,212
Gary Wang Fund - Nepal programs	89,986	84,151
Loretta Shaver Fund - programs	268,538	82,692
Blackwood Fund - programs	70,148	62,678
Disaster Relief Fund	28,539	24,293
Other (the temporary portion of permanent endowments)	1,113,192	833,602
	<hr/>	<hr/>
Total temporarily restricted net assets with donor restrictions	5,034,514	5,009,227
	<hr/>	<hr/>
Permanently restricted net assets with donor restrictions consist of the following as of June 30:		
World Neighbors Endowment - general support	1,625,047	1,576,096
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	114,240	48,700
	<hr/>	<hr/>
Total endowment funds	3,620,110	3,505,619
	<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	4,018,638	3,904,147
	<hr/>	<hr/>
Total net assets with donor restrictions	\$ 9,053,152	\$ 8,913,374
	<hr/>	<hr/>

# **WORLD NEIGHBORS, INC.**

## **Notes to the Financial Statements**

**For the Years Ended June 30, 2023 and 2022**

### **R. 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, including equity and debt securities, which 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 distributing 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 (most 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, 2023 and 2022

### 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, 2023 and 2022:

2023	Corpus	Accumulated Gains (Losses)	Deficit	Total
Permanently restricted endowment funds:				
World Neighbors Endowment	\$ 1,625,047	\$ 321,986	\$ -	\$ 1,947,033
May Ayers Milburn Chair	711,213	109,035	-	820,248
Overseas Partnership Endowment	688,265	109,966	-	798,231
International Programs Charitable Endowment	268,834	75,544	-	344,378
Special Endowment	212,511	317,370	-	529,881
Loretta Shaver Endowment	114,240	3,220	-	117,460
Perpetual trusts:				
Munds Charitable Trust	395,249	159,029	-	554,278
Smith Charitable Trust	3,279	17,042	-	20,321
	<u>\$ 4,018,638</u>	<u>\$ 1,113,192</u>	<u>\$ -</u>	<u>\$ 5,131,830</u>

# WORLD NEIGHBORS, INC.

## Notes to the Financial Statements

For the Years Ended June 30, 2023 and 2022

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
Loretta 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>

# WORLD NEIGHBORS, INC.

## Notes to the Financial Statements

For the Years Ended June 30, 2023 and 2022

Endowment-defined net assets with donor restrictions composition, by type of fund, as of June 30, 2023 and 2022 are, as follows:

	Endowment-Defined Net Assets with Donor Restrictions		
	Temporarily Restricted	Permanently Restricted	Total
<b>Balance at June 30, 2021</b>	\$ 2,036,512	\$ 3,852,347	\$ 5,888,859
Contributions	164,076	3,100	167,176
Investment return, net	(798,553)	-	(798,553)
Transfers	(48,700)	48,700	-
Amounts appropriated for expenditures	(185,000)	-	(185,000)
Net changes	(868,177)	51,800	(816,377)
<b>Balance at June 30, 2022</b>	1,168,335	3,904,147	5,072,482
Contributions	232,425	48,951	281,376
Investment return, net	511,967	-	511,967
Transfers	(65,540)	65,540	-
Amounts appropriated for expenditures	(193,500)	-	(193,500)
Net changes	485,352	114,491	599,843
<b>Balance at June 30, 2023</b>	\$ 1,653,687	\$ 4,018,638	\$ 5,672,325

### 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. Pension expenses were \$41,489 and \$40,226 for the years ended June 30, 2023 and 2022, respectively.

### T. Commitments

In addition to the lease commitments disclosed in Note M. Leases – Operating Lease Right-of-Use Assets, WN has an employment agreement with its President and Chief Executive Officer, which extends through June 30, 2024. The commitment under this agreement was \$235,465 on June 30, 2023.

# **WORLD NEIGHBORS, INC.**

## **Notes to the Financial Statements**

**For the Years Ended June 30, 2023 and 2022**

### **U. Subsequent Events**

WN has evaluated subsequent events through October 20, 2023, the date on which the financial statements were available for issuance. There were no events noted that required adjustments to, or disclosure in, the financial statements.



## **SUPPLEMENTAL INFORMATION**

**WORLD NEIGHBORS, INC.**

Schedule of Expenditures of Federal Awards

Identification Number R3B8K25RWSL7

For the Year Ended June 30, 2023

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
<b>U.S. Agency for International Development ("USAID")</b>								
USAID Foreign Assistance for Programs Overseas:								
Indonesia	98.001	720BHA22GR00140	N/A	N/A	\$ 1,320,320	\$ 546,834	Catholic Relief Services - United States Conference of Catholic Bishops	RC7USPUUVJK3
Subtotal					1,320,320	546,834		
Subawards:								
Timor-Leste	98.001	720BHA22GR00106	Mercy Corps	P51TEEFDJ3E8	168,830	-	N/A	N/A
Total USAID					\$ 1,489,150	\$ 546,834		
<b>Total expenditures of federal awards</b>					<b>\$ 1,489,150</b>	<b>\$ 546,834</b>		

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule

# WORLD NEIGHBORS, INC.

## Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2023

### 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, 2023. 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 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. Indirect cost recovery amounts for the year ended June 30, 2023 were:

<b>Cooperative Agreement Identification Number</b>	<b>Country</b>	<b>Amount</b>
720BHA22GR00140	Indonesia	\$ 57,261
720BHA22GR00106	Timor-Leste	17,312
		<u>\$ 74,573</u>



**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, 2023 and 2022, 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, 2023.

**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, 2023