

ONE WORLD CHILDREN'S FUND
(A NONPROFIT PUBLIC BENEFIT CORPORATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021

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INDEPENDENT AUDITOR'S REPORT

March 2, 2022

Board of Directors
One World Children's Fund
Los Angeles, California

I have audited the accompanying financial statements of One World Children's Fund (a nonprofit public benefit corporation), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Board of Directors
One World Children's Fund
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Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of One World Children's Fund as of September 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Healy and Associates

Healy and Associates
Concord, California

ONE WORLD CHILDREN'S FUND
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2021

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,661,353
Grants receivable	870,038
Prepaid expenses	<u>7,526</u>

Total Assets \$ 2,538,917

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	<u>\$ 18,273</u>
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Total Liabilities 18,273

CONTINGENCIES

NET ASSETS

Without donor restrictions	774,710
With donor restrictions	<u>1,745,934</u>

Total Net Assets 2,520,644

Total Liabilities and Net Assets \$ 2,538,917

ONE WORLD CHILDREN'S FUND
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions:			
Individual	\$ 577,701	\$ 3,580,697	\$ 4,158,398
Foundation	196,110	1,182,882	1,378,992
Corporate	23,439	135,237	158,676
PPP forgiveness	30,769	-	30,769
Special events	17,606	-	17,606
Other income	1,956	-	1,956
	<u>847,581</u>	<u>4,898,816</u>	<u>5,746,397</u>
Net assets released from restriction	<u>4,990,194</u>	<u>(4,990,194)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>5,837,775</u>	<u>(91,378)</u>	<u>5,746,397</u>
EXPENSES			
Program services	5,087,022	-	5,087,022
Administrative services	186,535	-	186,535
Fundraising expenses	116,805	-	116,805
	<u>5,390,362</u>	<u>-</u>	<u>5,390,362</u>
CHANGE IN NET ASSETS	447,413	(91,378)	356,035
NET ASSETS, beginning of year	<u>327,297</u>	<u>1,837,312</u>	<u>2,164,609</u>
NET ASSETS, end of year	<u>\$ 774,710</u>	<u>\$ 1,745,934</u>	<u>\$ 2,520,644</u>

See Notes to Financial Statements

ONE WORLD CHILDREN'S FUND
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021

	Program Services	Administrative Services	Fundraising Expenses	Total
Wages	\$ 106,252	\$ 118,604	\$ 98,160	\$ 323,016
Payroll taxes	8,702	9,675	8,029	26,406
Employee benefits	898	984	1,322	3,204
Total Personnel Expenses	115,852	129,263	107,511	352,626
Grants paid	4,937,157	-	-	4,937,157
Professional services	6,000	20,037	-	26,037
Accounting fees	-	22,779	-	22,779
Transaction fees	18,114	-	-	18,114
IT services	2,554	5,945	220	8,719
Dues and memberships	2,505	2,669	2,300	7,474
Other	3,287	1,759	1,110	6,156
Interest and bank charges	-	1,707	3,595	5,302
Insurance	1,303	1,384	1,194	3,881
Printing and postage	-	470	875	1,345
Office supplies	-	522	-	522
Meetings	250	-	-	250
TOTAL EXPENSES	\$ 5,087,022	\$ 186,535	\$ 116,805	\$ 5,390,362

ONE WORLD CHILDREN'S FUND
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 356,035
Adjustments to reconcile to net cash provided by operating activities:	
Gain on forgiveness of PPP loan	(30,769)
CHANGES IN ASSETS AND LIABILITIES:	
Grants receivable	151,861
Prepaid expenses	(291)
Accounts payable and accrued expenses	<u>2,325</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>479,161</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
PPP funding repaid	<u>(11,068)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(11,068)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	468,093
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,193,260</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,661,353</u>

ONE WORLD CHILDREN'S FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021

NOTE A – NATURE OF ACTIVITIES

One World Children's Fund (Organization or One World) is a California nonprofit public benefit corporation, with its principle office in Los Angeles. One World's predecessor organization was founded in 1998. The Organization began operating in its current form in 2000. The Organization's mission is uniting people to improve the lives of children affected by poverty, with a vision of a world where people act together as a global community to ensure children have access to education, healthcare, and a safe home.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method and Basis of Presentation

The accounting records of the Organization are maintained on the accrual basis of accounting. The financial statements of the Organization have been prepared in accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months, which are neither held for nor restricted by donors for long term purposes. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost. Major furniture and equipment purchases of \$5,000 or greater are capitalized and depreciated over their respective useful lives. Depreciation is computed on the straight-line method over the estimated useful lives. Maintenance and repairs that do not extend the useful lives of the respective assets are expensed as incurred.

Foreign Operations

The Organization partners with global nonprofits and similar organizations to provide resources to affect change. During the year ended September 30, 2021, the Organization sent \$4,937,157 to partners and similar organizations.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Fair Value Measurements

The Organization's financial instruments include cash and cash equivalents (measured using Level 1 inputs). The carrying amount of these financial instruments has been estimated by management to approximate fair value. Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. These levels are:

- **Level 1**— Quoted prices for identical assets in active markets.
- **Level 2**—Observable inputs other than Level 1, which include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.
- **Level 3**— Unobservable inputs that cannot be corroborated by observable market data.

ONE WORLD CHILDREN'S FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Organization is supported primarily through foundation grants, corporate donations, and individual contributions.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Consequently, at September 30, 2021, contributions of approximating \$104,000, have not been recognized in the accompanying statement of activities because the condition(s) on which they depend have not yet been met.

Functional Allocation of Expenses

The costs of program activities and supporting services have been summarized on a functional basis in the statement of functional expenses. The statement presents the natural classification of detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Indirect costs such as general and administrative expenses include costs that are not directly identifiable with any specific program, but which provide the overall support and direction of the Organization. Such expenses which are common to multiple functions have been allocated among the various functions benefited based on time and effort spent in the area.

Tax Exemption Status

The Organization has received exempt status under section 501(c)(3) of the Internal Revenue Code, and Section 23701(d) of the State of California Revenue and Taxation Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS along with related state filings. The related tax returns are subject to examination by federal and state taxing authorities generally for three years after they are filed. The Organization has no unrelated business income, and management has analyzed tax positions taken and has concluded that there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Newly Adopted Accounting Principles

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which requires organizations to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the organization expects to be entitled to in exchange for those goods and services. The Organization adopted the standard on October 1, 2020. The adoption of this standard did not materially affect changes in net assets, financial position, or cash flows.

ONE WORLD CHILDREN'S FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Relevant Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The new standard establishes a comprehensive new lease accounting model. It clarifies the definition of a lease and causes lessees to recognize leases on the statement of financial position as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than one year. It is effective for financial statements issued for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted. The standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial application. The Organization is currently evaluating the impact of adopting this new guidance on its financial statements.

NOTE C – CONCENTRATION OF CREDIT

At September 30, 2021, the Organization had \$1,411,335 in accounts in financial institutions exceeding insured limits and in PayPal (\$1,407,064 and \$4,271, respectively). To date, the Organization has not experienced losses in any of these accounts, and the liquidity of the financial institution is monitored by management.

During the fiscal year ended September 30, 2021, the Organization received funding from one funder, which represented approximately 35% of total revenue and support.

NOTE D – GRANTS RECEIVABLE

Grants receivable as of September 30, 2021, are due primarily from two funders (41% and 33%). Management continually monitors receivables for collectability, and no allowance for doubtful accounts is considered necessary.

NOTE E – NET ASSETS WITH DONOR RESTRICTIONS

Activity for net assets with donor restrictions for the year ended September 30, 2021 are as follows:

<u>Restricted Purpose</u>	<u>Beginning Balance</u>	<u>Income and Contributions</u>	<u>Released from Restriction</u>	<u>Ending Balance</u>
Members abroad	<u>\$1,837,312</u>	<u>\$4,898,816</u>	<u>(\$4,990,194)</u>	<u>\$1,745,934</u>
Total	<u>\$1,837,312</u>	<u>\$4,898,816</u>	<u>(\$4,990,194)</u>	<u>\$1,745,934</u>

ONE WORLD CHILDREN'S FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021

NOTE F – CONTINGENCIES

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management believes the Organization has complied with the terms of all grants.

The Organization works with members abroad to fulfill their mission. In doing so, the Organization sends funds abroad and works with the members to manage the funds directly or indirectly.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of non-essential businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. While the Organization has revised operations in light of COVID-19, it remains uncertain as to how this matter will continue to impact its operating results. The related financial impact and duration cannot be reasonably estimated at this time.

NOTE G – LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	\$ 1,661,353
Grants receivable	<u>870,038</u>
Total financial assets	2,531,391
Less:	
Net assets with purpose restrictions to be met in one year	<u>(1,745,934)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 785,457</u></u>

As part of the Organization's liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

ONE WORLD CHILDREN'S FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021

NOTE H – EMPLOYEE ACCRUED VACATION

Accumulated unpaid benefits for paid time off are recognized as liabilities of the Organization, when accrued. Accumulated paid time off payable at September 30, 2021 is \$12,757 and is reflected in accrued expenses in the accompanying statement of financial position.

NOTE I – PPP LOAN PAYABLE

In May 2020, the Organization received \$41,667 from the Payroll Protection Program, offered through the Small Business Administration, in response to COVID-19. The PPP carries an interest rate of 1% and becomes payable two years after issuance.

In March 2021, The Organization received partial forgiveness of \$30,769 and repaid \$10,898, plus \$170 in interest, on the small business loan in the fiscal year ended September 30, 2021. At September 30, 2021, the Organization has no balance due on the PPP loan.

NOTE J – SUBSEQUENT EVENTS

Subsequent to year end, the Organization changed its vacation policy to an unlimited plan and paid out all accrued vacation.

Management has evaluated subsequent events for recognition and disclosure through March 2, 2022, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since September 30, 2021, that required recognition or disclosure in the financial statements.