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

## REPORT ON AUDIT OF FINANCIAL STATEMENTS

## YEAR ENDED SEPTEMBER 30, 2019

**HEALY AND ASSOCIATES**
CERTIFIED PUBLIC ACCOUNTANT

CONTENTS

# INDEPENDENT AUDITOR'S REPORT

March 19, 2020

Board of Directors
One World Children's Fund
San Francisco, California

I have audited the financial statements of One World Children's Fund (a nonprofit organization), which comprise the statement of financial position as of September 30, 2019, 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.



1200 CONCORD AVENUE, SUITE 250, CONCORD, CA 94520 • (925) 603-0800 • (925) 603-0804 FAX

***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, 2019, 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, 2019

| | |
|---|---|
| ASSETS | |
| CURRENT ASSETS | |
| Cash and cash equivalents | $ 945,076 |
| Grants and accounts receivable | 942,946 |
| Prepaid expenses | 7,993 |
| Total Assets | $ 1,896,015 |
| | |
| LIABILITIES AND NET ASSETS | |
| CURRENT LIABILITIES | |
| Accounts payable and accrued expenses | $ 7,250 |
| Total Liabilities | 7,250 |
| COMMITMENTS AND CONTINGENCIES | |
| NET ASSETS | |
| Without donor restrictions | 180,047 |
| With donor restrictions | 1,708,718 |
| Total Net Assets | 1,888,765 |
| Total Liabilities and Net Assets | $ 1,896,015 |

**ONE WORLD CHILDREN'S FUND**
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| REVENUE AND SUPPORT | | | |
| Contributions: | | | |
| Foundation | $ 307,661 | $ 1,806,878 | $ 2,114,539 |
| Individual | 234,949 | 1,069,719 | 1,304,668 |
| Corporate | 19,093 | 178,917 | 198,010 |
| Special events | 750 | - | 750 |
| Other income | 920 | - | 920 |
| | 563,373 | 3,055,514 | 3,618,887 |
| Net assets released from restriction | 2,703,978 | (2,703,978) | - |
| TOTAL REVENUE AND SUPPORT | 3,267,351 | 351,536 | 3,618,887 |
| EXPENDITURES | | | |
| Program services | 2,923,681 | - | 2,923,681 |
| Administrative services | 166,492 | - | 166,492 |
| Fundraising expenses | 112,959 | - | 112,959 |
| TOTAL EXPENSES | 3,203,132 | - | 3,203,132 |
| CHANGE IN NET ASSETS | 64,219 | 351,536 | 415,755 |
| NET ASSETS, beginning of year | 115,828 | 1,357,182 | 1,473,010 |
| NET ASSETS, end of year | $ 180,047 | $ 1,708,718 | $ 1,888,765 |

**ONE WORLD CHILDREN'S FUND**
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019

| | Program Services | Administrative Services | Fundraising Expenses | Total |
|---|---|---|---|---|
| Wages | $ 48,653 | $ 91,160 | $ 79,380 | $ 219,193 |
| Payroll taxes | 3,829 | 7,173 | 6,249 | 17,251 |
| Employee benefits | 278 | 1,514 | 453 | 2,245 |
| Total Personnel Expenses | 52,760 | 99,847 | 86,082 | 238,689 |
| Grants paid | 2,844,236 | - | - | 2,844,236 |
| Professional services | 3,096 | 25,213 | 5,117 | 33,426 |
| Accounting fees | - | 22,187 | - | 22,187 |
| Transaction fees | 18,074 | - | - | 18,074 |
| Events | - | - | 11,800 | 11,800 |
| IT services | 127 | 9,655 | 212 | 9,994 |
| Dues and memberships | 2,094 | 4,428 | 3,325 | 9,847 |
| Interest and bank charges | 18 | 368 | 3,735 | 4,121 |
| Insurance | 615 | 1,303 | 1,004 | 2,922 |
| Travel | 1,468 | 992 | 210 | 2,670 |
| Printing and postage | - | 1,150 | 1,114 | 2,264 |
| Meetings | 879 | 339 | - | 1,218 |
| Other | 314 | 672 | 187 | 1,173 |
| Office supplies | - | 338 | 173 | 511 |
| TOTAL EXPENSES | $ 2,923,681 | $ 166,492 | $ 112,959 | $ 3,203,132 |

**ONE WORLD CHILDREN'S FUND**
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2019

| | |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Change in net assets | $ 415,755 |
| CHANGES IN ASSETS AND LIABILITIES: | |
| Accounts receivable | (192,215) |
| Prepaid expenses | 5,114 |
| Accounts payable and accrued expenses | 4,272 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 232,926 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 232,926 |
| CASH AND CASH EQUIVALENTS, beginning of year | 712,150 |
| CASH AND CASH EQUIVALENTS, end of year | $ 945,076 |

## 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 San Francisco. 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 we 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, where by 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 of the related assets, which range from three to five years. 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.

### 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. The carrying amount of these financial instruments has been estimated by management to approximate fair value. The Organization's financial instruments include cash and cash equivalents measured using Level 1 inputs. 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 and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- **Level 1**— Quoted prices for identical assets and liabilities in active markets.
- **Level 2**—Observable inputs other than Level 1, which include quoted prices for similar assets or liabilities 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.

## NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue Recognition

The Organization is supported primarily through foundation grants and individual contributions. In accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities,* contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), 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. As permitted by ASC 958, donor-restricted contributions whose restrictions are met in the same year may be reported as unrestricted support.

### 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 or on the space used.

### 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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principles
During the year ended December 31, 2018, the Organization adopted the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"), required for annual reporting periods beginning after December 15, 2017. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity and availability has also been added.

Recent Accounting Pronouncements
In May 2014, as part of its ongoing efforts to assist in the convergence of U.S. GAAP and International Financial Reporting Standards ("IFRS"), the FASB issued 2014-09, *Revenue from Contracts with Customers* (Topic 606). The new guidance sets forth a new five-step revenue recognition model which replaces the prior revenue recognition guidance in its entirety and is intended to eliminate numerous industry-specific pieces of revenue recognition guidance that have historically existed in U.S. GAAP. The underlying principle of the new standard is that a business or other organization will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not addressed completely in the prior accounting guidance. The ASU provides alternative methods of initial adoption and will become effective for private companies for annual periods beginning after December 15, 2018. The FASB has issued several updates to the standard which i) defer the original effective date from January 1, 2018 to January 1, 2019, while allowing for early adoption as of January 1, 2018 (ASU 2015-14); ii) clarify the application of the principal versus agent guidance (ASU 2016-08); and iii) clarify the guidance on inconsequential and perfunctory promises and licensing (ASU 2016-10). In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers* (Topic 606) *Narrow-Scope Improvements and Practical Expedients*, to address certain narrow aspects of the guidance including collectability criterion, collection of sales taxes from customers, noncash consideration, contract modifications and completed contracts. This issuance does not change the core principle of the guidance in the initial topic issued in May 2014. The Organization is currently evaluating the impact of adopting this new guidance on its financial statements.

## NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Recent Accounting Pronouncements (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 establishes a comprehensive new lease accounting model. The new standard clarifies the definition of a lease and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than one year. ASU 2016-02 is effective for financial statements issued for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted. The new 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 impact of adopting this new guidance on its financial statements.

## NOTE C – CONCENTRATION OF CREDIT

At September 30, 2019, the Organization had $695,060 in accounts in financial institutions exceeding insured limits. 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, 2019, the Organization received funding from two funders, which represented approximately 30% (15% and 15%) of total revenue and support.

## NOTE D – GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable as of September 30, 2019, are due primarily from two funders (58% and 38%). Management continually monitors receivables for collectability, and no allowance for doubtful accounts is considered necessary.

## NOTE E – COMMITMENTS AND CONTIGENCIES

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.

## NOTE F – 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 | $ 945,076 |
| Grants and accounts receivable | 942,946 |
| Total financial assets | 1,888,022 |
| Less: | |
| Net assets with purpose restrictions to be met in one year | (1,708,718) |
| Financial assets available to meet cash needs for general expenditures within one year | $ 179,304 |

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. In addition, the Organization invests cash in excess of daily requirements, if available, in short-term investments.

## NOTE G –NET ASSETS WITH DONOR RESTRICTIONS

Activity for net assets with donor restrictions for the year ended September 30, 2019 are as follows:

| Restricted Purpose | Beginning Balance | Income and Contributions | Released from Restriction | Ending Balance |
|---|---|---|---|---|
| Members abroad | $ 1,347,282 | $ 3,055,514 | $(2,694,078) | $1,708,718 |
| Non-Member | 9,900 | - | (9,900) | - |
| Total | $ 1,357,182 | $ 3,055,514 | $(2,703,978) | $1,708,718 |

## 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, 2019 is $4,705 and is reflected in accrued expenses in the accompanying statement of financial position.

## NOTE I – SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition and disclosure through March 19, 2020, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since September 30, 2019, that required recognition or disclosure in the financial statements.