
WORLD OF CHILDREN, INC.

FINANCIAL STATEMENTS

March 31, 2017

(WITH COMPARATIVE TOTALS AS OF MARCH 31, 2016)

CROSBY & KANEDA
Certified Public Accountants

Dedicated to Nonprofit Organizations

WORLD OF CHILDREN, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
World of Children, Inc.
Dublin, California

Report on the Financial Statements

We have audited the accompanying financial statements of World of Children, Inc., which comprise the statement of financial position as of March 31, 2017, and the related statements of activities, cash flows and functional expenses 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of World of Children, Inc. as of March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the World of Children Inc.'s March 31, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 4, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Croody & Lameda CPAs LLP

Certified Public Accountants
Oakland, California
September 12, 2017

WORLD OF CHILDREN, INC.

Statement of Financial Position
March 31, 2017
(With Comparative Totals as of March 31, 2016)

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets		
Cash	\$ 746,054	\$ 1,023,540
Certificates of deposit	104,191	104,149
Pledges receivable	41,000	24,517
Inventory	51,010	10,750
Prepaid expenses	141,384	120,285
Total Current Assets	<u>1,083,639</u>	<u>1,283,241</u>
Property and equipment, net (Note 3)	10,288	20,577
Deposits	2,325	8,954
Total Assets	<u>\$ 1,096,252</u>	<u>\$ 1,312,772</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 35,967	\$ 18,705
Grants payable	500,063	498,207
Accrued vacation	1,095	4,439
Deferred revenue	156,806	196,566
Total Liabilities	<u>693,931</u>	<u>717,917</u>
Contingencies (Note 4)		
Net Assets		
Unrestricted (Note 5)	392,321	584,855
Temporarily restricted (Note 6)	10,000	10,000
Total Net Assets	<u>402,321</u>	<u>594,855</u>
Total Liabilities and Net Assets	<u>\$ 1,096,252</u>	<u>\$ 1,312,772</u>

See Notes to the Financial Statements

WORLD OF CHILDREN, INC.

Statement of Activities
For the Year Ended March 31, 2017
(With Comparative Totals for the Year Ended March 31, 2016)

	Unrestricted	Temporarily Restricted	Total	
			2017	2016
Support and Revenue				
Contribution and grants	\$ 280,992	\$ 98,276	\$ 379,268	\$ 358,862
Special events, net (Note 7)	973,393	68,143	1,041,536	970,777
In-kind contributions (Note 9)	209,181		209,181	79,708
Interest	292		292	363
Miscellaneous	5,057		5,057	-
Net assets released from donor restrictions (Note 6)	166,419	(166,419)	-	-
Total Support and Revenue	1,635,334	-	1,635,334	1,409,710
Expenses				
Program	1,530,555		1,530,555	1,229,232
Management and general	94,408		94,408	103,868
Fundraising	202,905		202,905	166,951
Total Expenses	1,827,868	-	1,827,868	1,500,051
Change in Net Assets	(192,534)	-	(192,534)	(90,341)
Net Assets, beginning of year				
As previously stated	155,255	123,107	278,362	278,346
Reclassification of net assets (Note 11)	113,107	(113,107)	-	-
Prior period grant expense adjustment (Note 10)	316,493		316,493	90,357
Net Assets, beginning of year as restated	584,855	10,000	594,855	368,703
Net Assets, end of year	\$ 392,321	\$ 10,000	\$ 402,321	\$ 278,362

See Notes to the Financial Statements

WORLD OF CHILDREN, INC.

Statement of Cash Flows
For the Year Ended March 31, 2017
(With Comparative Totals for the Year Ended March 31, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ (192,534)	\$ (90,341)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	10,289	10,289
Change in assets and liabilities:		
Pledges receivable	(16,483)	(22,517)
Inventory	(40,260)	(10,750)
Prepaid expenses	(21,099)	(21,804)
Deposits	6,629	(4,931)
Accounts payable	17,262	15,287
Grants payable	1,856	61,757
Accrued vacation	(3,344)	3,047
Deferred revenue	(39,760)	133,438
Net cash provided (used) by operating activities	<u>(277,444)</u>	<u>73,475</u>
Cash flows from investing activities		
Purchases and redemptions of certificates of deposit, net	(42)	(44)
Net cash provided (used) by investing activities	<u>(42)</u>	<u>(44)</u>
Net change in cash	(277,486)	73,431
Cash, beginning of year	<u>1,023,540</u>	<u>950,109</u>
Cash, end of year	<u>\$ 746,054</u>	<u>\$ 1,023,540</u>

See Notes to the Financial Statements

WORLD OF CHILDREN, INC.

**Statement of Functional Expenses
For the Year Ended March 31, 2017
(With Comparative Totals for the Year Ended March 31, 2016)**

	Program	Management and General	Fundraising	Total	
				2017	2016
Salaries	\$ 297,930	\$ 37,241	\$ 37,241	\$ 372,412	\$ 387,365
Employee benefits	2,987	373	373	3,733	6,837
Payroll taxes	25,066	3,133	3,133	31,332	27,949
Total Personnel	<u>325,983</u>	<u>40,747</u>	<u>40,747</u>	<u>407,477</u>	<u>422,151</u>
Grants	522,800	-	-	522,800	445,412
Legal	9,664	1,208	1,208	12,080	422
Accounting	-	10,900	-	10,900	10,400
Professional fees	82,979	5,532	5,532	94,043	76,148
Promotion and production	168,649	-	71,308	239,957	223,400
Rent	35,352	4,419	4,419	44,190	37,267
Informational technology	83,491	9,499	9,499	102,489	40,597
Travel and meals	88,571	-	8,623	97,194	89,633
Telephone	328	41	41	410	316
Supplies	3,216	401	402	4,019	4,560
Postage	6,959	818	996	8,773	7,317
Dues, licenses, service fees	26,320	3,959	3,299	33,578	30,020
Insurance	5,943	6,768	721	13,432	9,460
Honoree workshops	12,256	-	-	12,256	12,951
Depreciation	8,231	1,029	1,029	10,289	10,289
In-kind expenses	146,025	8,659	54,497	209,181	79,708
Professional development	3,424	428	428	4,280	-
Bad debt	364	-	156	520	-
Total Expenses	<u>\$ 1,530,555</u>	<u>\$ 94,408</u>	<u>\$ 202,905</u>	<u>\$ 1,827,868</u>	<u>\$ 1,500,051</u>

See Notes to the Financial Statements

WORLD OF CHILDREN, INC.

**Notes to the Financial Statements
For the Year Ended March 31, 2017
(With Comparative Totals for the Year Ended March 31, 2016)**

NOTE 1: NATURE OF ACTIVITIES

World of Children, Inc. (the Organization) is a non-profit corporation originally organized in Ohio and since 2007 headquartered and qualified to do business in California. It is dedicated to improving children's lives by identifying and recognizing individuals whom we determine to be doing extraordinary work on behalf of children in need. We are committed to search the world for those who meet our criteria for selfless change makers, and we endeavor to leverage and advance their work by providing visibility and grant funds.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

The Organization presents information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes are differentiated by donor restrictions.

Unrestricted net assets – consist of resources which have not been specifically restricted by a donor. Unrestricted net assets may be designated for specific purposes by the Organization or may be limited by contractual agreements with outside parties.

It is the policy of the Board of Directors (the Board) to use 100% of public contributions to promote and advance programs of honorees which may include cash grants issued directly to honorees. As a result, the Board designates all unrestricted public contributions for the purpose of honoree programs and awards.

In addition, the Board makes contributions to cover 100% of management and general, and fundraising expenses (overhead expenses). Amounts contributed by the Board in excess of overhead expenses remain as unrestricted – board designated net assets.

Temporarily restricted net assets – represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets – represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, other asset enhancements and diminishments subject to the same kinds of stipulations or reclassifications from or to other classes of net assets as a consequence of donor-imposed stipulations. There were no permanently restricted net assets as of March 31, 2017.

WORLD OF CHILDREN, INC.

**Notes to the Financial Statements
For the Year Ended March 31, 2017
(With Comparative Totals for the Year Ended March 31, 2016)**

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Unrestricted contributions and grants are recorded as unrestricted revenue when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Pledges Receivable

The Organization considers all pledges receivable to be fully collectible at March 31, 2017. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d). The Organization has evaluated its current tax positions as of March 31, 2017 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively after they are filed.

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

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 disclosures of contingent assets and liabilities at the date of the financial

WORLD OF CHILDREN, INC.

**Notes to the Financial Statements
For the Year Ended March 31, 2017
(With Comparative Totals for the Year Ended March 31, 2016)**

statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Fair Value Measurements

Fair value is defined 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. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the assets or liability.

The Organization had no assets or liabilities recorded at fair value on March 31, 2017.

Concentration of Credit Risk

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

Inventory

The Organization reports inventory at cost, computed on the first-in, first-out basis.

Property and Equipment

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs and maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment.

Website	6 years
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Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable.

Deferred Revenue

Deferred revenue represents sponsorships received for the 2017 Hero Awards and Annual Golf Events which took place after year end.

WORLD OF CHILDREN, INC.

**Notes to the Financial Statements
For the Year Ended March 31, 2017
(With Comparative Totals for the Year Ended March 31, 2016)**

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended March 31, 2016, from which the summarized information was derived.

Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of September 12, 2017, the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31:

	<u>2017</u>	<u>2016</u>
Website	\$ 61,733	\$ 61,733
Less accumulated depreciation	<u>(51,445)</u>	<u>(41,156)</u>
Total	<u>\$ 10,288</u>	<u>\$ 20,577</u>

NOTE 4: CONTINGENCIES

Contributions and grants require the fulfillment of certain conditions as set forth in the instrument of gift. Failure to fulfill the conditions could result in the return of the funds to the funders. The Organization deems this contingency remote since by accepting the contribution and grants and their terms, it has accommodated the objectives of the Organization to the provisions of the gifts. The Organization's management is of the opinion that the Organization has complied with the terms of all contributions and grants.

NOTE 5: UNRESTRICTED NET ASSETS

Unrestricted net assets were available as follows at March 31:

	<u>2017</u>	<u>2016</u>
Board Designated		
Overhead expenses	\$ 163,124	\$ 113,107

WORLD OF CHILDREN, INC.

**Notes to the Financial Statements
For the Year Ended March 31, 2017
(With Comparative Totals for the Year Ended March 31, 2016)**

Honoree programs and future awards	<u>229,197</u>	<u>471,748</u>
Total	<u>\$ 392,321</u>	<u>\$ 584,855</u>

During the years ended March 31, 2017 and 2016, 100% of overhead expenses were paid for by contributions made by the Organization's Board of Directors. Overhead expenses consisted of the following for the years ended March 31:

	<u>2017</u>	<u>2016</u>
Management and general expenses	\$ 94,408	\$ 103,868
Fundraising expenses	202,905	166,951
Event cost of direct donor benefit netted against event revenue - fundraising portion	84,300	80,746
In-kind expense - fundraising portion	<u>(63,156)</u>	<u>(23,912)</u>
Total	<u>\$ 318,457</u>	<u>\$ 327,653</u>

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

As of March 31, 2017 and 2016, the Organization had \$10,000 in temporarily restricted net assets available for future overhead expenses, respectively.

During the years ended March 31, 2017 and 2016, the Organization released \$166,419 and \$20,000 in temporarily restricted net assets for honorees and awards, respectively.

NOTE 7: SPECIAL EVENT

The Organization held three special events during the year. Activity related to the events was as follows during the year ended March 31:

	<u>2017</u>	<u>2016</u>
Admission	\$ 210,375	\$ 172,075
Donations and sponsorships	1,017,161	1,010,054
Merchandise sales	60,100	35,200
Auction proceeds	22,700	19,600
Raffle	<u>12,200</u>	<u>3,000</u>
Total event proceeds	1,322,536	1,239,929
Less: Costs of direct donor benefit	<u>(281,000)</u>	<u>(269,152)</u>
Net event proceeds	<u>\$ 1,041,536</u>	<u>\$ 970,777</u>

NOTE 8: JOINT COSTS OF ACTIVITIES THAT INCLUDED FUNDRAISING APPEALS

The Organization engaged in various activities that included both program related activities as well as a fundraising appeal. The costs of these activities were allocated between program and fundraising expense as follows for the year ended March 31, 2017:

	<u>Program</u>	<u>Fundraising</u>	<u>Total</u>
Honoree media	\$ 33,434	\$ 14,329	\$ 47,763
Honoree hosting	43,427	18,612	62,039
Marketing programs	64,483	27,636	92,119
Event costs:			

WORLD OF CHILDREN, INC.

**Notes to the Financial Statements
For the Year Ended March 31, 2017
(With Comparative Totals for the Year Ended March 31, 2016)**

Cost of direct donor benefit	196,700	84,300	281,001
Other event production costs	<u>147,109</u>	<u>63,047</u>	<u>210,155</u>
Total	<u>\$ 485,153</u>	<u>\$ 207,924</u>	<u>\$ 693,077</u>

NOTE 9: IN-KIND CONTRIBUTIONS

In-kind contributions include the following for the years ended March 31:

	<u>2017</u>	<u>2016</u>
Professional services	\$ 84,341	\$ 16,880
Rent	8,075	9,934
Materials and supplies	<u>116,765</u>	<u>52,894</u>
Total	<u>\$ 209,181</u>	<u>\$ 79,708</u>

NOTE 10: PRIOR PERIOD ADJUSTMENT

Net assets as of March 31, 2016 have been restated for an overstatement of grants payable of \$316,493 due to a change in the way the Organization recognizes grant expenses. The Organization now recognizes grant expenses when specific awardees have been identified. The correction has no effect on the results of the current year's activities.

NOTE 11: RECLASSIFICATION OF PRIOR PERIOD NET ASSETS

Net assets previously classified as temporarily restricted which resulted from board contributions in excess of prior period overhead expenses was reclassified to unrestricted-board designated. The purpose of the reclassification was to reflect the board's desire to make available excess funds to support honoree programs and awards at their discretion. Total net assets reclassified as of March 31, 2016 was \$113,107.