



ASIAN RELIEF, INC.
D/B/A WORLD VILLAGES FOR CHILDREN

FINANCIAL STATEMENTS

DECEMBER 31, 2018

ASIAN RELIEF, INC.
D/B/A WORLD VILLAGES FOR CHILDREN

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DECEMBER 31, 2018

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Independent Auditors' Report

To the Board of Directors
Asian Relief, Inc. d/b/a World Villages for Children
Annapolis, Maryland

We have audited the accompanying financial statements of Asian Relief, Inc. d/b/a World Villages for Children (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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 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 auditors' 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 auditors consider 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 Asian Relief, Inc. d/b/a World Villages for Children, as of December 31, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Asian Relief, Inc. d/b/a World Villages for Children

Emphasis of Matter

As discussed in Note 3 of the financial statements, Asian Relief, Inc. d/b/a World Villages for Children adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
May 22, 2019

Certified Public Accountants

ASIAN RELIEF, INC.
D/B/A WORLD VILLAGES FOR CHILDREN

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 1,207,180
Accounts Receivable	54,098
Due from Affiliates	615,303
Promises to Give, Current Portion	50,000
Prepaid Expenses	<u>168,301</u>
Total Current Assets	2,094,882
Investments	14,308,064
Promises to Give, Long-Term	148,148
Property and Equipment, Net	43,559
Deposit	<u>19,406</u>
Total Assets	<u><u>\$ 16,614,059</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 65,300
Accrued Wages and Leave Payable	22,473
Retiree Obligations, Current	36,766
Deferred Rent, Current	<u>15,596</u>
Total Current Liabilities	140,135
Retiree Obligations, Noncurrent	638,505
Deferred Rent, Noncurrent	<u>49,645</u>
Total Liabilities	<u>828,285</u>
Net Assets	
Without Donor Restrictions	13,731,030
With Donor Restrictions	<u>2,054,744</u>
Total Net Assets	<u>15,785,774</u>
Total Liabilities and Net Assets	<u><u>\$ 16,614,059</u></u>

See accompanying Notes to Financial Statements.

ASIAN RELIEF, INC.
D/B/A WORLD VILLAGES FOR CHILDREN

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support from the Public			
Active Contributions	\$ 2,070,113	\$ 469,298	\$ 2,539,411
Donor Development Contributions	491,695	-	491,695
Legacies, Bequests, and Pledges	1,454,621	200,000	1,654,621
Total Support from the Public	<u>4,016,429</u>	<u>669,298</u>	<u>4,685,727</u>
Other Revenue (Expense)			
Affiliate Management Fees	301,167	-	301,167
Mailing List Rentals	163,576	-	163,576
Interest and Dividends	423,568	68,828	492,396
Investments Losses	(1,423,360)	(224,909)	(1,648,269)
Miscellaneous Gain (Loss)	(6,980)	-	(6,980)
Total Other Revenue (Expense)	<u>(542,029)</u>	<u>(156,081)</u>	<u>(698,110)</u>
Net Assets Released from Restriction	<u>673,052</u>	<u>(673,052)</u>	<u>-</u>
Total Support and Revenue	<u>4,147,452</u>	<u>(159,835)</u>	<u>3,987,617</u>
Expenses			
Program Services			
Sisters of Mary	5,224,938	-	5,224,938
Information Services	1,294,811	-	1,294,811
Total Program Services	<u>6,519,749</u>	<u>-</u>	<u>6,519,749</u>
Supporting Services			
Fundraising - Active	567,645	-	567,645
Fundraising - Donor Development	499,342	-	499,342
Total Fundraising	1,066,986	-	1,066,986
Management and General	974,986	-	974,986
Total Supporting Services	<u>2,041,972</u>	<u>-</u>	<u>2,041,972</u>
Total Expenses	<u>8,561,721</u>	<u>-</u>	<u>8,561,721</u>
Change in Net Assets	(4,414,269)	(159,835)	(4,574,104)
Net Assets, Beginning of Year	<u>18,145,299</u>	<u>2,214,579</u>	<u>20,359,878</u>
Net Assets, End of Year	<u><u>\$ 13,731,030</u></u>	<u><u>\$ 2,054,744</u></u>	<u><u>\$ 15,785,774</u></u>

See accompanying Notes to Financial Statements.

ASIAN RELIEF, INC.
D/B/A WORLD VILLAGES FOR CHILDREN

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services		Supporting Services			Total
	Sisters of Mary	Information Services	Fundraising - Active	Fundraising - Donor Development	Management and General	
Grants to Sisters of Mary	\$ 5,224,938	\$ -	\$ -	\$ -	\$ -	\$ 5,224,938
Salaries and Employee Benefits	-	550,083	95,380	52,713	272,652	970,828
Printing, Envelopes, and Premiums	-	326,918	179,623	271,318	58,289	836,148
Postage	-	166,888	92,418	109,388	92,659	461,353
Rent Expense	-	83,599	19,881	6,618	149,446	259,544
Professional Fees	-	107,682	48,946	-	36,916	193,544
Travel, Meetings, and Dues	-	3,662	9,072	44,461	28,061	85,256
Donor File Maintenance	-	-	111,147	-	-	111,147
Mail Opening Fees	-	-	-	-	81,745	81,745
Bank Charges and Miscellaneous	-	-	-	-	32,177	32,177
List Rental and Exchange Fees	-	19,484	-	12,990	-	32,474
Office Supplies	-	-	-	-	20,843	20,843
Utilities	-	2,915	693	231	5,211	9,050
Repairs and Maintenance	-	7,557	1,797	599	13,508	23,461
Depreciation Expense	-	5,998	1,426	475	10,722	18,621
Insurance	-	6,935	1,650	549	12,397	21,530
Bad Debt	-	-	-	-	160,361	160,361
Website Maintenance	-	13,090	5,611	-	-	18,701
Total Expenses	\$ 5,224,938	\$ 1,294,811	\$ 567,645	\$ 499,342	\$ 974,986	\$ 8,561,721

See accompanying Notes to Financial Statements.

ASIAN RELIEF, INC.
D/B/A WORLD VILLAGES FOR CHILDREN

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash Flows from Operating Activities	
Change in Net Assets	\$ (4,574,104)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities	
Depreciation	18,621
Net Realized and Unrealized Loss on Investments	1,638,749
<u>(Increase) Decrease in Assets</u>	
Accounts Receivables	1,422
Due from Affiliates	35,325
Pledges Receivable	(198,148)
Prepaid Expenses	23,866
<u>Increase (Decrease) in Liabilities</u>	
Accounts Payable	(223,859)
Accrued Wages and Leave Payable	(52,382)
Retiree Obligations	(39,051)
Deferred Rent	(7,703)
	<hr/>
Net Cash Used in Operating Activities	<u>(3,377,264)</u>
 Cash Flows from Investing Activities	
Sales of Investments	6,231,979
Purchases of Investments	(3,285,545)
Purchases of Property and Equipment	(1,537)
	<hr/>
Net Cash Provided by Investing Activities	<u>2,944,897</u>
 Net Decrease in Cash and Cash Equivalents	(432,367)
Cash and Cash Equivalents, Beginning of Year	<u>1,639,547</u>
	<hr/>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,207,180</u></u>

See accompanying Notes to Financial Statements.

ASIAN RELIEF, INC.
D/B/A WORLD VILLAGES FOR CHILDREN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. ORGANIZATION

Asian Relief, Inc. d/b/a World Villages for Children (WVC), is a charitable organization, founded in 1961 by Monsignor Aloysius Schwartz, which provides financial support for the charitable programs of the Sisters of Mary in Korea, the Philippines, Mexico, Guatemala, Brazil, and Honduras.

These programs include twelve Boystowns and Girlstowns, which provide more than 20,000 poor and orphan children with food, clothing, shelter, and education. Older children also receive vocational training. This training helps them obtain higher quality jobs when they graduate in order to break free from a life of poverty and despair.

Additional programs include two full service hospitals for the poor, a live-in facility for destitute, homeless, and handicapped men, and a special education program for mentally challenged and handicapped children.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of accounting policies followed in the preparation of WVC's financial statements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of 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.

Financial Statement Presentation

WVC reports information regarding its financial position and activities according to the two net asset classes:

Net Assets Without Donor Restrictions - resources that are available for general operations and resources designated by WVC's board of directors for approved expenditures.

Net Assets With Donor Restrictions - resources that are subject to donor-imposed restrictions; temporary or permanent. Temporary restrictions are those that either expire by passage of time or can be fulfilled and removed by actions of WVC, pursuant to those stipulations. Permanent restrictions are gifts to WVC, whereby principal may not be used and income or capital gains from these funds is either unrestricted or is to be used for purposes specified by the donor. WVC has one permanently restricted gift from a donor in the amount of \$2,000,000. The gift is required to be invested in perpetuity and income and growth are to be used for general operations.

ASIAN RELIEF, INC.
D/B/A WORLD VILLAGES FOR CHILDREN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid deposit and money market accounts, including those in brokerage accounts, with an original term to maturity of three months or less.

Investments

Investments in debt and equity securities are carried at fair value. Accordingly, the changes in net unrealized appreciation or depreciation of debt and equity securities for the year are reported in the statement of activities as investment gains or losses. Gains (losses) on the sale of investments are reported on the first-in first-out basis (FIFO).

Accounts Receivable and Due from Affiliates

Receivables as listed in the statement of financial position at December 31, 2018, are comprised primarily of interest and dividends due on WVC's investments, amounts due from affiliates, and amounts due on other operating activities.

Outstanding balances are reduced by an allowance for doubtful accounts. Management annually evaluates the adequacy of the allowance for doubtful accounts by considering WVC's past receivables loss experience and known and inherent risks in the accounts receivable population. As of December 31, 2018, there was no allowance for doubtful accounts.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met.

The allowance method is used to determine the uncollectible amounts. The allowance is based upon prior years' experience and management's analysis of subsequent collections. Promises to give are considered past due and allowances on promises to give are recorded when circumstances indicate collection is doubtful for particular promises to give or as a general reserve for all promises to give. Promises to give are written off if reasonable collection efforts prove unsuccessful.

Bequests Receivable

Bequests receivable are reflected as support in the financial statements in the year in which WVC becomes aware of the donor's death and an amount can be reasonably estimated by the decedent's estate.

ASIAN RELIEF, INC.
D/B/A WORLD VILLAGES FOR CHILDREN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

WVC capitalizes all major purchases of buildings, improvements, furniture, fixtures, and equipment at or above \$1,000. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets (generally five years for furniture, fixtures, and equipment and minor improvements). When assets are retired or sold, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in the statement of activities.

Contributions

Contributions are recorded in the period in which they are received or promised and are reported without donor restriction or with donor restriction support depending on the existence and nature of any donor restrictions.

Direct Mail Fundraising

WVC derives its public support primarily from direct mail solicitations. Direct mail fundraising involves two distinct functions that are reported separately in the financial statements. The functions are:

- Fundraising
- Donor Development

The fundraising function includes the costs of developing, producing and processing mail appeals to current donors on the house file of the organization.

The donor development function includes the costs of new donor acquisition or prospecting, including, but not limited to, sending an initial mailing to persons who have not previously contributed, or are no longer actively participating in the house mailings of the organization (former donors).

WVC's management believes that a single functional reporting classification is not adequate to portray the activity relating to the public solicitation programs of the organization. Segregation between the fund raising and donor development programs is necessary so that the performance of the two programs can be more accurately evaluated. This is due to the fact that different criteria and relationships are used in the financial evaluation of the aforementioned programs.

WVC believes it is appropriate to report public support and the related costs to obtain such, separately in these financial statements.

Functional Allocation of Expenses

The costs of providing the various 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. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation, benefits, and general expenses, which are allocated on the basis of estimates of time and effort by employees.

ASIAN RELIEF, INC.
D/B/A WORLD VILLAGES FOR CHILDREN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses (Continued)

Program Services, as presented in the statement of functional expenses, include the expenses directly related to the various projects of WVC Information services promote and educate donors and potential donors of the socio-economic plight of the poor, handicapped, sick, and homeless children and adults in Korea, the Philippines, Mexico, Guatemala, Brazil, and Honduras.

Supporting services include expenses indirectly related to the various projects and are of an administrative nature.

Income Taxes

WVC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, WVC may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of WVC, and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended December 31, 2018.

WVC's policy would be to recognize interest and penalties, if any, on tax positions related to its unrecognized tax benefits in income tax expense in the financial statements. No interest and penalties were assessed or recorded during the calendar year ended December 31, 2018.

WVC's Forms 990, *Return of Organization Exempt from Income Tax*, that have been filed for the fiscal years 2017, 2016, and 2015 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

3. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

For the year ended December 31, 2018, WVC adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification and provides information about liquidity and availability of resources. The changes required by the update have been applied retrospectively to all periods presented. A key change under ASU 2016-14 is the terminology of net asset classes used in these financial statements. Amounts previously reported as temporarily restricted and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions. Additionally, ASU 2016-14 requires a presentation of expenses on a functional basis.

ASIAN RELIEF, INC.
D/B/A WORLD VILLAGES FOR CHILDREN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

4. LIQUIDITY AND AVAILABILITY OF RESOURCES

WVC's cash flows have seasonal variations due to the timing of grants, contributions, program revenues, and vendor payments. WVC manages its liquidity to meet general expenditures, liabilities, and other obligations as they become due. Excess cash flows not needed for day-to-day operations are invested in various investments. WVC holds donor endowments that are restricted for specific purposes and, therefore, not available for general expenditure, except for amounts appropriated for general expenditure in line with donor restrictions.

The following reflects WVC's financial assets as of December 31, 2018, reduced by amounts not available for general operating expenditure within one year:

Total Assets	\$ 16,614,059
<i>Less Amounts Not Available for General Operating Expenditure</i>	
Prepaid Expenses	(168,301)
Pledges Receivable in Greater than One Year	(148,148)
Investment Designated for Endowment Fund	(2,000,000)
Fixed Assets (Net)	(43,559)
Deposit	<u>(19,406)</u>
Total Financial Assets and Liquidity Resources Available Within One Year	<u>\$ 14,234,645</u>

5. CONCENTRATION OF CREDIT RISK

WVC maintains its non-brokerage cash accounts in banks that are insured by the Federal Deposit Insurance Corporation (FDIC) up to the maximum amount allowed by law. At December 31, 2018, WVC's balances exceeded the \$250,000 FDIC-insured limit by approximately \$2,052,000.

6. PROMISES TO GIVE

Promises to give, net of allowance for doubtful promises and discount to present value, at December 31, 2018, are summarized as follows:

Gross Promises to Give Expected to be	
Collected in Less than One Year	\$ 50,000
One to Five Years	<u>150,000</u>
Total	200,000
Less Allowance for Uncollectible Promises	-
Discount to Present Value	<u>(1,852)</u>
Net Promises to Give	<u>\$ 198,148</u>

7. AFFILIATED ORGANIZATIONS

Affiliated foreign organizations are autonomous organizations in the Netherlands, Belgium, United Kingdom, and France that share some common board members. Due to their autonomy, these organizations' net assets, liabilities, revenues, and expenses are not reflected in the accompanying financial statements.

ASIAN RELIEF, INC.
D/B/A WORLD VILLAGES FOR CHILDREN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

7. AFFILIATED ORGANIZATIONS (CONTINUED)

WVC charges a management fee to the affiliated foreign organizations for the accounting and other management functions WVC performs on the affiliate's behalf. The revenue is recorded in the statement of activities as Affiliate Management Fees.

8. PREPAID EXPENSES

Prepaid solicitation expenses represent costs incurred for appeals, which will be mailed subsequent to the date of the statement of financial position.

9. INVESTMENTS AND FAIR VALUE MEASUREMENTS

WVC has categorized its financial instruments based on a three-level fair value hierarchy as follows:

Level 1 - values are based on quoted prices for identical assets in active markets.

Level 2 - values are based on quoted prices for similar assets in active or inactive markets.

Level 3 - values are based on unobservable inputs to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. The fair value measurement objective is to determine an exit price from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs reflect WVC's judgment about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances, which might include WVC's own data.

Fair values of assets measured on a recurring basis at December 31, 2018, are as follows:

	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Equity Securities	\$ 7,919,393	\$ 7,919,393	\$ -	\$ -
Mutual Funds	4,142,735	4,142,735	-	-
Equities - Exchange Traded and Closed End Funds	319,914	319,914	-	-
Corporate Bonds	1,926,022	-	1,926,022	-
Total	<u>\$ 14,308,064</u>	<u>\$ 12,382,042</u>	<u>\$ 1,926,022</u>	<u>\$ -</u>

Investment return and its classification in the statement of activities for the year ended December 31, 2018, is as follows:

Interest and Dividends	\$ 492,396
Realized Gains on Investments	454,746
Unrealized Losses on Investments	(2,063,750)
Investments Fees	(39,265)
	<u>\$ (1,155,873)</u>

**ASIAN RELIEF, INC.
D/B/A WORLD VILLAGES FOR CHILDREN**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

10. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2018, consisted of the following:

Leasehold Improvements	\$ 69,902
Furniture and Equipment	218,445
	288,347
Total Property and Equipment	288,347
Less Accumulated Depreciation	(244,788)
	\$ 43,559

Depreciation expense amounted to \$18,621 in 2018.

11. NET ASSETS WITH DONOR RESTRICTIONS

For the year ended December 31, 2018, the purposes and changes in amounts of temporarily restricted net assets were as follows:

	Beginning Balance	Contributions	Released from Restrictions	Ending Balance
Gains (Losses) on Endowment	\$ -	\$ (156,081)	\$ -	\$ (156,081)
Restricted for Time	-	200,000	-	200,000
Sisters of Mary - Tanzania	10,000	95,440	(105,440)	-
Caregiving Course	25,877	-	(25,877)	-
Sisters of Mary - Chalco, Mexico	139,702	282,498	(411,375)	10,825
Sisters of Mary - Philippines	39,000	91,360	(130,360)	-
	\$ 214,579	\$ 513,217	\$ (673,052)	\$ 54,744

12. ENDOWMENT

WVC's endowment consists of a single gift established as a donor-restricted endowment fund. Net assets associated with this endowment fund are classified and reported based on the existence of donor-imposed restrictions.

Investment Policy

WVC invests the endowment with the objective of prudently managing the investments to protect the principal from decrease in actual terms. Recognizing the impact of inflation, the asset portfolio manager shall make every effort to protect the purchasing power of these assets. The general philosophy for the management of these funds is to maximize returns while minimizing risk.

Investment return earned by the endowment fund is recorded as increase or decrease to unrestricted net assets. Investment income is allocated to the endowment fund proportionally to the investments as a whole.

Interpretation of Relevant Law

The Board of WVC, has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor

**ASIAN RELIEF, INC.
D/B/A WORLD VILLAGES FOR CHILDREN**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

12. ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

stipulations to the contrary. As a result of this interpretation, WVC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by WVC, in a manner consistent with the standard of prudence prescribed by MUPMIFA.

In accordance with MUPMIFA, WVC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The long- and short-term needs of WVC in carrying out its purpose
- (2) WVC's present and anticipated financial requirements
- (3) Expected total return on investments
- (4) Price level trends
- (5) General economic conditions

Endowment net asset composition by type of fund as of December 31, 2018, was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Fund	\$ -	\$ (156,081)	\$ 2,000,000	\$ 1,843,919

Changes in endowment net assets for the year ended December 31, 2018, were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	\$ -	\$ -	\$ 2,000,000	\$ 2,000,000
Investment Loss	-	(156,081)	-	(156,081)
Contributions	-	-	-	-
Appropriation of Endowment Assets for Expenditure	-	-	-	-
Endowment Net Assets, End of Year	\$ -	\$ (156,081)	\$ 2,000,000	\$ 1,843,919

13. RETIREMENT PLAN

Asian Relief, Inc. d/b/a World Villages for Children, maintains a tax-deferred annuity [Section 403(b)] plan for its employees. All employees are eligible to participate in the Plan provided that the various stipulations have been met, in regard to age and length of service, employee contributions are eligible for employer matching and discretionary contributions in accordance with stated vesting policies.

ASIAN RELIEF, INC.
D/B/A WORLD VILLAGES FOR CHILDREN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

13. RETIREMENT PLAN (CONTINUED)

For the year ended December 31, 2018, WVC contributed \$67,633 to the Plan.

14. RETIREE OBLIGATIONS

In addition to the above qualified plan, WVC maintains a second, non-qualified, non-funded plan that provides monthly payments to a retired employee. The monthly benefit is determined by a formula that includes salary history, length of service, and benefits under the qualified plan. This benefit for the retiree is unfunded and the benefits will be adjusted each year in accordance with the adjustments made by the United States Social Security Administration.

The assets of WVC are used to pay the benefits of an eligible retiree. Benefits paid to the retiree were \$59,696 for the year ended December 31, 2018. As of the measurement date, December 31, 2018, the retirement plan had an unfunded liability of \$675,271. The liability decreased from the prior year by \$39,051 primarily due to the net effect of payments made during 2018, minor changes in the projected benefits to be paid in the future, and a change in the life expectancy of the retiree.

Amounts recognized in the statement of activities consisted of:

Net Periodic Pension Cost - Retirement Benefits	<u>\$ 59,137</u>
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The following weighted-average assumptions are used in accounting for the Plan:

Discount Rate	4.00%
Rate of Compensation Change (Active Participant)	2.80%

The assumptions for life expectancy and discount rates were determined based on the IRS tables.

Compensation and insurance benefits expected to be paid in future fiscal years are as follows:

For the Years Ending December 31,

2019	\$ 60,890
2020	62,108
2021	63,350
2022	64,617
2023	65,910
Thereafter	<u>551,273</u>
Total Amounts Owed	868,148
Less Amount Representing Interest	<u>(192,877)</u>
Net	<u>\$ 675,271</u>

15. JOINT COST ALLOCATION

The direct mail solicitations of WVC have two distinct purposes:

- Information services to promote and educate its donors and potential donors of the socio-economic plight of the poor, handicapped, sick and homeless children and adults in Korea, the Philippines, Mexico, Guatemala, Tanzania, and Brazil.
- Fundraising to raise funds to carry out the mission of WVC, and to fund overhead costs.

ASIAN RELIEF, INC.
D/B/A WORLD VILLAGES FOR CHILDREN

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15. JOINT COST ALLOCATION (CONTINUED)

The joint costs for the year ended December 31, 2018, amounted to \$292,196, of which \$175,318 was charged to program services and \$116,878 was charged to fundraising and donor development for the year ended December 31, 2018, respectively.

16. COMMITMENTS

In 2015, WVC entered into a seventy-five month lease for office space in Annapolis, Maryland, effective August 1, 2015. Base monthly rent of \$20,410 is to increase approximately 3% annually.

Total rent expense for the year ended December 31, 2018, was \$259,544.

The minimum rental commitments under the above operating lease at December 31, 2018, is as follows:

For the Years Ending December 31,

2019	\$ 270,971
2020	279,100
2021	<u>238,732</u>
Total Future Minimum Lease Payments	<u><u>\$ 788,803</u></u>

17. SUBSEQUENT EVENTS

WVC has evaluated subsequent events through May 22, 2019, which is the date the financial statements were available to be issued.