



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

FINANCIAL STATEMENTS

DECEMBER 31, 2021

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

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Asian Relief, Inc. d/b/a World Villages for Children (WVC) (a nonprofit organization), which comprise the statement of financial position as of December 31, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WVC as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of WVC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about WVC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about WVC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
January 13, 2023

Certified Public Accountants

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

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 2,883,670
Accounts Receivable	413,290
Promises to Give	48,765
Prepaid Expenses	<u>130,838</u>
Total Current Assets	3,476,563
Investments	19,598,512
Property and Equipment, Net	7,270
Right-of-Use Asset	144,045
Deposit	<u>23,566</u>
Total Assets	<u><u>\$ 23,249,956</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 40,799
Accrued Wages and Leave Payable	15,181
Lease Liabilities, Current	50,173
Retiree Obligations, Current	<u>54,551</u>
Total Current Liabilities	160,704
Lease Liabilities	94,124
Retiree Obligations, Noncurrent	<u>425,512</u>
Total Liabilities	<u>680,340</u>
Net Assets	
Without Donor Restrictions	19,120,020
With Donor Restrictions	<u>3,449,596</u>
Total Net Assets	<u>22,569,616</u>
Total Liabilities and Net Assets	<u><u>\$ 23,249,956</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support from the Public			
Active Contributions	\$ 2,183,235	\$ 2,704,358	\$ 4,887,593
Donor Development Contributions	241,995	-	241,995
Legacies, Bequests, and Pledges	99,112	-	99,112
Total Support from the Public	<u>2,524,342</u>	<u>2,704,358</u>	<u>5,228,700</u>
Other Revenue			
Affiliate Management Fees	5,891	-	5,891
Mailing List Rentals	78,827	-	78,827
Interest and Dividends	406,739	46,224	452,963
Net Investment Income	2,371,135	269,470	2,640,605
Other Income	166,235	-	166,235
Paycheck Protection Program Loan Forgiveness	127,300	-	127,300
Total Other Revenue	<u>3,156,127</u>	<u>315,694</u>	<u>3,471,821</u>
Net Assets Released from Restrictions	<u>2,949,251</u>	<u>(2,949,251)</u>	<u>-</u>
Total Support and Revenue	<u>8,629,720</u>	<u>70,801</u>	<u>8,700,521</u>
Expenses			
Program Services			
Sisters of Mary	3,871,172	-	3,871,172
Information Services	1,163,134	-	1,163,134
Total Program Services	<u>5,034,306</u>	<u>-</u>	<u>5,034,306</u>
Supporting Services			
Fundraising - Active	366,717	-	366,717
Fundraising - Donor Development	220,098	-	220,098
Total Fundraising	586,815	-	586,815
Management and General	513,670	-	513,670
Total Supporting Services	<u>1,100,485</u>	<u>-</u>	<u>1,100,485</u>
Total Expenses	<u>6,134,791</u>	<u>-</u>	<u>6,134,791</u>
Change in Net Assets	2,494,929	70,801	2,565,730
Net Assets, Beginning of Year	<u>16,625,091</u>	<u>3,378,795</u>	<u>20,003,886</u>
Net Assets, End of Year	<u>\$ 19,120,020</u>	<u>\$ 3,449,596</u>	<u>\$ 22,569,616</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, 2021

	Program Services		Supporting Services			Total
	Sisters of Mary	Information Services	Fundraising - Active	Fundraising - Donor Development	Management and General	
Grants to Sisters of Mary	\$ 3,871,172	\$ -	\$ -	\$ -	\$ -	\$ 3,871,172
Salaries and Employee Benefits	-	581,380	95,450	17,355	173,546	867,731
Printing, Envelopes, and Premiums	-	180,676	68,969	42,776	22,546	314,967
Postage	-	149,921	54,967	51,980	20,764	277,632
Rent Expense	-	32,974	7,842	2,610	58,946	102,372
Professional Fees	-	177,530	80,696	-	64,556	322,782
Travel, Meetings, and Dues	-	4,112	10,837	3,574	26,772	45,295
Donor File Maintenance	-	12,261	16,348	-	12,261	40,870
Mail Opening Fees	-	-	27,064	96,835	-	123,899
Bank Charges and Miscellaneous	-	5,850	650	1,922	49,659	58,081
List Rental and Exchange Fees	-	2,055	-	1,750	-	3,805
Office Supplies	-	-	-	-	55,347	55,347
Utilities	-	1,937	461	153	3,463	6,015
Repairs and Maintenance	-	8,432	2,005	668	15,073	26,178
Depreciation Expense	-	4,878	1,160	386	8,720	15,145
Insurance	-	1,127	268	89	2,015	3,500
Total Expenses	\$ 3,871,172	\$ 1,163,134	\$ 366,717	\$ 220,098	\$ 513,670	\$ 6,134,791

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, 2021

Cash Flows from Operating Activities	
Change in Net Assets	\$ 2,565,730
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities	
Depreciation	15,145
Loss on Disposal of Assets	886
Net Investment Income	(2,640,605)
<u>(Increase) Decrease in Assets</u>	
Accounts Receivable	(321,954)
Pledges Receivable	200,000
Prepaid Expenses	(9,993)
Right-of-Use Asset	(144,045)
Deposit	(4,160)
<u>Increase (Decrease) in Liabilities</u>	
Accounts Payable	11,586
Accrued Wages and Leave Payable	5,897
Retiree Obligations	(157,614)
PPP Refundable Advance	(127,300)
Grant Payable to Sisters of Mary	(1,090,035)
Deferred Rent	(25,920)
Lease Liabilities	<u>144,297</u>
Net Cash Used in Operating Activities	<u>(1,578,085)</u>
Cash Flows from Investing Activities	
Sales of Investments	968,848
Purchases of Investments	<u>(206,681)</u>
Net Cash Provided by Investing Activities	<u>762,167</u>
Net Decrease in Cash and Cash Equivalents	(815,918)
Cash and Cash Equivalents, Beginning of Year	<u>3,699,588</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,883,670</u></u>

See accompanying Notes to Financial Statements.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, Tanzania, and Honduras.

These programs include fourteen 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 certain reported amounts and disclosures. Accordingly, 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 without restriction or is to be used for purposes specified by the donor. WVC has one gift with permanent donor restrictions 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.

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.

ASIAN RELIEF, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments in debt and equity securities are carried at fair value. Equity securities and mutual funds are valued based on quoted prices on national exchanges. Debt securities include corporate bonds and are valued using interest rates and maturities of similar instruments. Alternative investments are valued based on the fair market value of the underlying assets of the funds as determined by the fund managers. The changes in net unrealized appreciation or depreciation of debt and equity securities for the year are reported as investment gains or losses. Gains (losses) on the sale of investments are reported on the first-in first-out basis (FIFO). Realized and unrealized gains and losses and investment fees are reported as net investment income on the statement of activities.

Property and Equipment

WVC capitalizes all major purchases of buildings, improvements, furniture, fixtures, and equipment at or above \$2,500 at cost, if purchased, or fair market value at date of donation. 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.

Accounts Receivable

Receivables as listed in the statement of financial position at December 31, 2021, are comprised primarily of interest and dividends due on WVC's investments 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, 2021, 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. Unconditional promises to give are included in legacies, bequests, and pledges on the statement of activities. Amounts due over multiple years are discounted to their net present value using the applicable risk-adjusted interest rates if such discount would be material. Conditional promises to give are not included as support until the conditions are substantially met.

Amounts received for conditional promises to give are recorded as refundable advances until the conditions are 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

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NOTES TO FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give (Continued)

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.

Right-of-Use Assets and Lease Liabilities

Right-of-use (ROU) assets and lease liabilities are initially measured at the present value of minimum lease payments using a risk-free rate that approximates the remaining term of the lease. Management considers the likelihood of exercising renewal or termination clauses (if any) in measuring WVC's ROU assets and lease liabilities. Lease costs are allocated over the remaining lease term on a straight-line basis.

WVC considers leases with initial terms of twelve months or less, and no option to purchase the underlying asset, to be short-term leases. Accordingly, short-term lease costs are expensed over the remaining lease term, with no corresponding ROU asset or lease liability. In addition, WVC does not separate non-lease components from lease components (if any) when determining the payments for leases of office equipment.

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. Contributions are included in active contributions or donor development contributions on the statement of activities.

Contracts with Customers - Fees and Rentals

Affiliate management fees are recognized as revenue for management services, such as marketing and accounting, at the point in time when the services are performed for affiliates.

Mailing list rental revenue is recognized over the period of time that WVC rents out its mailing lists to other organizations.

Revenue from contracts with customers has been earned as follows:

Revenue	For the Year Ended December 31, 2021		
	Point in Time	Over Time	Total
Affiliate Management Fees	\$ 5,891	\$ -	\$ 5,891
Mailing List Rentals	-	78,827	78,827

The beginning balance of accounts receivable as of January 1, 2021, was \$91,336.

ASIAN RELIEF, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 - Active
- Fundraising - Donor Development

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

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 WVC (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 WVC. 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.

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

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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, 2021.

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, 2021.

WVC's Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the Internal Revenue Service, generally for three years after filing.

3. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-02

During the year ended December 31, 2021, WVC early adopted the Financial Accounting Standards Board's (FASB) Accounting Standard Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes the leasing guidance in *Topic 840*. This guidance is intended to increase transparency and comparability among lessees by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. Under the new guidance, lessees are required to recognize lease right-of-use (ROU) assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. In addition, leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities.

Management has elected to apply all practical expedients available under the new guidance, which allows WVC to: (1) not reassess whether any expired or existing contracts previously assessed as not containing leases are, or contain, leases; (2) not reassess the lease classification for any expired or existing leases; (3) not reassess initial direct costs for any existing leases, and (4) use the risk-free rate as the discount rate for applicable leases. WVC also elected to apply the practical expedient to use hindsight in determining the lease term.

Management believes that the adoption of this ASU enhances the transparency and comparability of financial information among nonprofit entities. The change in accounting principle was on a modified retrospective basis to existing leases with the cumulative effect of transition recognized at the beginning of the period of adoption. The impact of the adoption resulted in recognition of ROU assets and lease liabilities totaling approximately \$144,045 and \$144,297, respectively, as of December 31, 2021. In addition, the presentation and disclosure of leasing arrangements has been enhanced.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021, reduced by amounts not available for general operating expenditure within one year:

Total Assets	\$ 23,249,956
<i>Less Amounts Not Available for General Operating Expenditure</i>	
Prepaid Expenses	(130,838)
Investment Designated for Endowment Fund	(2,000,000)
Property and Equipment, Net	(7,270)
Right-of-Use Asset	(144,045)
Deposit	<u>(23,566)</u>
Financial Assets and Liquidity Resources Available to Meet Cash Needs for General Expenditures within One Year	<u><u>\$ 20,944,237</u></u>

5. FINANCIAL RISK

WVC maintains its cash and certificates of deposits accounts in banks that are insured by the Federal Deposit Insurance Corporation (FDIC) up to the maximum amount allowed by law. While the amounts, at times, exceed the amount insured by federal agencies and, therefore, bear some risk, WVC has not experienced, nor does it anticipate, any loss of funds.

WVC invests in professionally managed portfolios that contain equity securities, mutual funds, corporate bonds, and alternative investments. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amount reported in the financial statements.

6. CONCENTRATIONS

One contributor accounted for 100% of the promises to give as of December 31, 2021, and one contributor comprised 32% of total support from the public.

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.

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.

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NOTES TO FINANCIAL STATEMENTS
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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 (examples include equity securities and mutual funds).

Level 2 - values are based on quoted prices for similar assets in active or inactive markets (examples include corporate bonds).

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 (examples include certain private equity securities).

The preceding methods described may provide a fair value estimate that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although WVC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Management determines the fair value measurement valuation policies and procedures, including those for Level 3 recurring and nonrecurring measurements. WVC's Board of Directors assesses and approves these policies and procedures. At least annually, WVC's Board of Directors: (1) determines if the current valuation techniques used in fair value measurements are still appropriate, and (2) evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

Fair values of assets measured on a recurring basis at December 31, 2021, are as follows:

	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Equity Securities	\$ 13,018,758	\$ 13,018,758	\$ -	\$ -
Mutual Funds	4,250,291	4,250,291	-	-
Corporate Bonds	1,527,218	-	1,527,218	-
Alternative Investments	802,245	-	-	802,245
Total	<u>\$ 19,598,512</u>	<u>\$ 17,269,049</u>	<u>\$ 1,527,218</u>	<u>\$ 802,245</u>

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

9. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are as follows:

Beginning Balance, December 31, 2020	\$ 793,603
Purchases of Investments	8,210
Total Net Unrealized Gain Included in Changes in Net Assets, in Investment Income, Attributable to Assets Held at Year End	432
Ending Balance, December 31, 2021	<u>\$ 802,245</u>

WVC recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels during the year ended December 31, 2021.

Investment return and its classification in the statement of activities for the year ended December 31, 2021, is as follows:

Interest and Dividends	\$ 452,963
Realized Gains on Investments	522,405
Unrealized Gains on Investments	2,216,515
Investments Fees	(98,315)
	<u>\$ 3,093,568</u>

10. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2021, consisted of the following:

Leasehold Improvements	\$ 20,876
Furniture and Equipment	82,450
Total Property and Equipment	103,326
Less Accumulated Depreciation	(96,056)
Property and Equipment, Net	<u>\$ 7,270</u>

11. NET ASSETS WITH DONOR RESTRICTIONS

For the year ended December 31, 2021, the purposes and changes in amounts of net assets with donor restrictions were as follows:

	Beginning Balance	Contributions	Released from Restrictions	Ending Balance
Donor-Restricted Endowment Fund	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000
Gains (Losses) on Endowment	489,624	315,694	-	805,318
Sisters of Mary - Tanzania	379,911	444,246	(626,326)	197,831
Sisters of Mary - Guatemala	5,520	45,819	(48,089)	3,250
Sisters of Mary - Chalco, Mexico	497,250	563,675	(931,606)	129,319
Sisters of Mary - Honduras	6,040	18,271	(24,311)	-
Sisters of Mary - Philippines	450	530,062	(391,929)	138,583
Sisters of Mary - Brazil	-	45,210	(45,210)	-
International	-	145,920	(45,920)	100,000
Other	-	911,155	(835,860)	75,295
	<u>\$ 3,378,795</u>	<u>\$ 3,020,052</u>	<u>\$ (2,949,251)</u>	<u>\$ 3,449,596</u>

**ASIAN RELIEF, INC.
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**NOTES TO FINANCIAL STATEMENTS
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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 net assets without donor restrictions. 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 stipulations to the contrary. As a result of this interpretation, WVC classifies as net assets with permanent donor restrictions: (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 net assets with permanent donor restrictions is classified as net assets with temporary donor restrictions 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, 2021, was as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Temporary	In Perpetuity	
Donor-Restricted Endowment Fund	\$ -	\$ 805,318	\$ 2,000,000	\$ 2,805,318

ASIAN RELIEF, INC.
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NOTES TO FINANCIAL STATEMENTS
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12. ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

Changes in endowment net assets for the year ended December 31, 2021, were as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Temporary	Permanent	
Endowment Net Assets, Beginning of Year	\$ -	\$ 489,624	\$ 2,000,000	\$ 2,489,624
Investment Gain	-	315,694	-	315,694
Contributions	-	-	-	-
Appropriation of Endowment Assets for Expenditure	-	-	-	-
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 805,318</u>	<u>\$ 2,000,000</u>	<u>\$ 2,805,318</u>

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. For the year ended December 31, 2021, WVC contributed \$19,969 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's beneficiary. 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 the eligible retiree. Benefits paid to the retiree's beneficiary were \$63,160 for the year ended December 31, 2021. As of the measurement date, December 31, 2021, the retirement plan had an unfunded liability of \$480,063. The liability decreased from the prior year by \$157,614 primarily due to death of the retiree, 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 Benefit - Retirement Benefits	<u>\$ (93,810)</u>
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The following weighted-average assumptions are used in accounting for the Plan:

Discount Rate	2.23%
Rate of Compensation Change (Active Participant)	2.71%

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

ASIAN RELIEF, INC.
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NOTES TO FINANCIAL STATEMENTS
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14. RETIREE OBLIGATIONS (CONTINUED)

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

For the Years Ending December 31,

2022	\$ 66,887
2023	70,833
2024	75,012
2025	79,438
2026	84,125
Thereafter	<u>151,984</u>
Total Amounts Owed	528,279
Less Amount Representing Interest	<u>(48,216)</u>
Net	<u><u>\$ 480,063</u></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, Brazil, Tanzania, and Honduras.
- Fundraising to raise funds to carry out the mission of WVC, and to fund overhead costs.

The joint costs for the year ended December 31, 2021, amounted to \$553,094, of which \$332,652 was charged to program services and \$220,442 was charged to fundraising and donor development for the year ended December 31, 2021, respectively.

16. LEASES

WVC is obligated under a non-cancelable operating lease for office space through October 2024. The lease includes a 3% annual rent escalation. The lease contains an option to extend the lease term for an agreed-upon period or continue on a month-to-month tenancy unless terminated. Neither option is considered reasonably certain for the calculation of the related right-of-use asset and lease liability, which are presented in the statement of financial position as of December 31, 2021.

Operating lease expense totaled \$102,372 for the year ended December 31, 2021. WVC had no variable or short-term lease expense in 2021.

Maturity of the operating lease liability as of December 31, 2021, is as follows:

For the Years Ending December 31,

2022	\$ 50,173
2023	51,678
2024	<u>44,136</u>
Total Undiscounted Minimum Lease Payments	145,987
Less Discount to Present Value	<u>(1,690)</u>
Total Operating Lease Liability	<u><u>\$ 144,297</u></u>

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16. LEASES (CONTINUED)

Operating leases supplementary qualitative information is as follows as of December 31, 2021:

<u>Supplementary Qualitative Operating Lease Information</u>	<u>Amount</u>
Cash Paid for Amounts Included in the Measurement of Operating Lease Liabilities - Operating Cash Flows	\$ 4,160
Right-of-Use Assets Obtained in Exchange for Lease Obligations	148,360
Weighted-Average Remaining Lease Term	2.83
Weighted-Average Discount Rate	0.79%

17. COMMITMENTS

WVC contracts with a vendor to license accounting software and a fundraising database through March 2023. The minimum payments required under the agreements at December 31, 2021, are as follows:

For the Years Ending December 31,

2022	\$ 42,935
2023	10,734
Total Future Minimum Lease Payments	<u>\$ 53,669</u>

18. TRANSACTIONS WITH RELATED PARTIES

Contributions from Board Members represented 32% of total contributions during 2021.

19. CONDITIONAL CONTRIBUTION AND PPP REFUNDABLE ADVANCE

During 2020, WVC received a Small Business Administration (SBA) loan under the Paycheck Protection Program (PPP) in the amount of \$127,300. If WVC meets certain requirements, up to 100% of the loan may be forgiven by the SBA. The loan was forgiven in 2021 and as such is included as an unconditional contribution on the statement of activities.

20. SUBSEQUENT EVENTS

WVC has evaluated subsequent events through January 13, 2023, which is the date the financial statements were available to be issued.