

**WORLD CONNECT, INC.**

Combined Financial Statements  
with Independent Auditor's Report

December 31, 2022 and 2021

**WORLD CONNECT, INC.**

**DECEMBER 31, 2022 AND 2021**

**TABLE OF CONTENTS**

**Page**

Independent Auditor's Report

1-2

**FINANCIAL STATEMENTS**

Combined Statements of Financial Position

3

Combined Statements of Activities

4

Combined Statements of Functional Expenses

5

Combined Statements of Cash Flows

6

Notes to Combined Financial Statements

7-16



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
World Connect, Inc.

### Opinion

We have audited the accompanying combined financial statements of World Connect, Inc. ("the Organization"), which comprise the combined statements of financial position as of December 31, 2022 and 2021, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's Responsibilities for the Audit of the Combined Financial Statements**

Our objectives are to obtain reasonable assurance about whether the combined 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. 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 combined 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 combined 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 combined 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 the Organization'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

**Galleras Robinson CPAs, LLP**

New York, New York  
November 7, 2023

**WORLD CONNECT, INC.****COMBINED STATEMENTS OF FINANCIAL POSITION****DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 619,386	\$ 415,298
Contributions receivable, net	621,012	189,144
Investments	460,471	500,000
Prepaid expenses	4,427	21,812
Other assets, net	123,317	144,418
Other current assets	<u>12,951</u>	<u>-</u>
 Total Assets	 <u>\$ 1,841,564</u>	 <u>\$ 1,270,672</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	<u>\$ 164,142</u>	<u>\$ 72,652</u>
 Total Liabilities	 <u>164,142</u>	 <u>72,652</u>
 <b>Net Assets</b>		
Without donor restrictions		
Board designated funds:		
Local Leaders Fund	111,151	111,289
Endowment	460,471	500,000
Operations	<u>393,294</u>	<u>379,231</u>
	964,916	990,520
With donor restrictions	<u>712,506</u>	<u>207,500</u>
 Total Net Assets	 <u>1,677,422</u>	 <u>1,198,020</u>
 Total Liabilities and Net Assets	 <u>\$ 1,841,564</u>	 <u>\$ 1,270,672</u>

WORLD CONNECT, INC.

COMBINED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, GAINS AND OTHER SUPPORT</b>						
Contributions and grants	\$ 905,994	\$ 1,227,672	\$ 2,133,666	\$ 1,568,282	\$ 345,950	\$ 1,914,232
Government grants	21,456	-	21,456	206,260	-	206,260
Special event revenues (net of direct benefits to donors of \$174,415 in 2022, nil in 2021)	290,413	-	290,413	-	-	-
In-kind services	84,736	-	84,736	78,701	-	78,701
(Loss) gain on foreign currency translation	(445)	-	(445)	2,678	-	2,678
Investment loss	(14,529)	-	(14,529)	-	-	-
Other income	17,934	-	17,934	2,218	-	2,218
Net assets released from restrictions	722,666	(722,666)	-	246,465	(246,465)	-
Total Revenue, Gains and Other Support	<u>2,028,225</u>	<u>505,006</u>	<u>2,533,231</u>	<u>2,104,604</u>	<u>99,485</u>	<u>2,204,089</u>
<b>EXPENSES</b>						
Program services	1,580,288	-	1,580,288	1,475,646	-	1,475,646
Management and general	249,505	-	249,505	212,626	-	212,626
Fundraising and development	224,036	-	224,036	215,031	-	215,031
Total Expenses	<u>2,053,829</u>	<u>-</u>	<u>2,053,829</u>	<u>1,903,303</u>	<u>-</u>	<u>1,903,303</u>
<b>CHANGE IN NET ASSETS</b>	(25,604)	505,006	479,402	201,301	99,485	300,786
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>990,520</u>	<u>207,500</u>	<u>1,198,020</u>	<u>789,219</u>	<u>108,015</u>	<u>897,234</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 964,916</u>	<u>\$ 712,506</u>	<u>\$ 1,677,422</u>	<u>\$ 990,520</u>	<u>\$ 207,500</u>	<u>\$ 1,198,020</u>

WORLD CONNECT, INC.

COMBINED STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022				2021			
	Program Services	Management and General	Fundraising and Development	Total	Program Services	Management and General	Fundraising and Development	Total
Salaries	\$ 631,347	\$ 92,582	\$ 121,198	\$ 845,127	\$ 463,425	\$ 91,938	\$ 106,199	\$ 661,562
Payroll taxes	32,489	11,162	8,082	51,733	26,364	8,080	7,589	42,033
Employee benefits	57,778	19,408	28,345	105,531	77,407	16,949	24,838	119,194
Total personnel services expenses	721,614	123,152	157,625	1,002,391	567,196	116,967	138,626	822,789
Grants	568,833	-	-	568,833	552,910	-	-	552,910
Professional fees	134,377	96,301	17,289	247,967	154,695	43,810	8,955	207,460
Travel and site visit costs	50,361	1,304	14,078	65,743	45,205	11,873	11,063	68,141
Information and technology	33,490	8,960	962	43,412	32,657	9,337	786	42,780
Office, occupancy and equipment expenses	38,658	4,296	1,919	44,873	56,181	6,363	1,012	63,556
Special events expenses	-	-	196,384	196,384	-	-	-	-
Dues and subscriptions	2,025	-	-	2,025	913	-	261	1,174
Insurance	10,425	4,900	-	15,325	10,224	3,481	-	13,705
Printing	128	39	109	276	2,174	88	7,594	9,856
Amortization expense	11,412	6,836	2,853	21,101	11,412	6,836	2,853	21,101
Miscellaneous	8,965	3,717	7,232	19,914	42,079	13,871	43,881	99,831
	1,580,288	249,505	398,451	2,228,244	1,475,646	212,626	215,031	1,903,303
Less: Expenses deducted directly from revenues								
Cost of direct benefits to donors of special events	-	-	(174,415)	(174,415)	-	-	-	-
Total Expenses	\$ 1,580,288	\$ 249,505	\$ 224,036	\$ 2,053,829	\$ 1,475,646	\$ 212,626	\$ 215,031	\$ 1,903,303

**WORLD CONNECT, INC.****COMBINED STATEMENTS OF CASH FLOWS****YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 479,402	\$ 300,786
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization expense	21,101	21,101
Forgiveness of PPP loan	-	(108,205)
Investment losses, net	23,755	-
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable, net	(431,868)	63,214
Prepaid expenses	17,385	61,143
Other assets, net	(12,951)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	<u>91,490</u>	<u>(9,406)</u>
Net cash provided by operating activities	<u>188,314</u>	<u>328,633</u>
<b>CASH FLOWS FROM INVESTING ACTIVITY:</b>		
Purchase of investments	(9,226)	(500,000)
Sale of investments	<u>25,000</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>15,774</u>	<u>(500,000)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	204,088	(171,367)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>415,298</u>	<u>586,665</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 619,386</u>	<u>\$ 415,298</u>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

No taxes or interest were paid during the years ended December 31, 2022 and 2021, respectively.



# WORLD CONNECT, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

### 1. ORGANIZATION AND NATURE OF ACTIVITIES

World Connect, Inc. (the "Organization") is a nonprofit corporation created to catalyze locally-led development through grassroots grantmaking. Investments made by the Organization drive community-led improvements in health, education, and economic development, significantly impacting women and girls in the Global South with greater opportunities for inclusion and leadership.

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization was incorporated in December 2005 under the laws of the Commonwealth of Massachusetts. The Organization registered in the State of New York in October 2014. The Organization is currently located in New York, New York. World Connect United Kingdom and World Connect Malawi are both separate organizations registered in the United Kingdom and Malawi, respectively.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***Change in Accounting Principle***

The Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)* for the year ended December 31, 2022. The ASU requires lessees to recognize the present value of the assets and liabilities for the rights and obligations arising from leases. The Organization adopted Topic 842 for the fiscal year ended December 31, 2022. The adoption of Topic 842 had no effect on the change in net assets for the year ended December 31, 2021 as previously reported.

#### ***Basis of Combination***

All of the above organizations have been combined in these financial statements due to financial interdependence, control through overlapping boards of directors and the mutual work done together to achieve the same overarching goal. Collectively the organizations are known as the "Organization" in the combined financial statements. All intercompany transactions have been eliminated.

#### ***Basis of Accounting***

The Organization prepares its combined financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

#### ***Use of Estimates***

The preparation of combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**WORLD CONNECT, INC.**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**DECEMBER 31, 2022 AND 2021**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Cash and Cash Equivalents***

The Organization considers all highly liquid investments with an original maturity of less than three months to be cash equivalents, except for cash held in investment accounts.

***Contributions Receivable***

Contributions are recognized when the donor makes a gift to the Organization that is, in substance, unconditional. Contributions receivable due in one year are recorded at their net realizable value. Contributions receivable due in more than one year are recorded at the present value of their net realizable value, using risk-free interest rates to discount the amounts applicable to the years in which the contributions are received.

***Allowance for Doubtful Accounts***

The Organization determines whether an allowance for doubtful accounts should be provided for contributions receivable. Such estimates are based on management's assessment of the aged basis of the receivables, current economic conditions and historical information. Contributions receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. Interest is not charged on outstanding receivables. Bad debt expense is charged based upon management's estimate of future write-offs and the adequacy of the allowance to cover them.

***Investments***

Investments are stated at the readily determinable fair market value in accordance with the Not-for-Profit Entities topic of the FASB Accounting Standards Codification ("ASC"). Investment income includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Dividends and interest income are recognized when earned and realized gains or losses are recognized upon the sale of the security using the trade-date basis. Investment income is reported in the combined statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

***Fair Value Measurements***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is used by the Organization as follows:

**WORLD CONNECT, INC.**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**DECEMBER 31, 2022 AND 2021**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***Fair Value Measurements – Continued***

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs reflecting the Organization's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

***Other Assets***

Other assets are stated at cost, less accumulated amortization. Amortization expense is provided on a straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred, and the costs of renewals and improvements are capitalized. The Organization capitalizes property and equipment with a useful life of two years or more and a cost of \$1,000 or more.

***Net Asset Classifications***

The Organization's net asset classifications are reported as follows:

*Without Donor Restrictions:* Net assets without donor restrictions represent those resources that have no donor restrictions as to their use.

*With Donor Restrictions:* Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor or grantor. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

***Contributions***

Contributions are provided to the Organization either with or without donor restrictions. Revenues and net assets are separately reported to reflect the nature of those gifts - with or without donor restrictions. The value recorded for each contribution or grant is recognized as follows:

**WORLD CONNECT, INC.**

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Contributions - Continued***

Nature of the Gift	Value Recognized
<i>Conditional gifts and grants, with or without restrictions</i>	
Gifts and grants that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, i.e., the donor-imposed barrier is met
<i>Unconditional gifts and grants, with or without restrictions</i>	
Received at date of gift - cash and other assets	Fair value
Received at date of gift - property, equipment and long-lived assets	Estimated fair value
Expected to be collected within a year	Net realizable value
Expected to be collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

Contributions received and unconditional promises to give are recorded as public support at fair value in the period received and are considered to be net assets without donor restrictions unless specifically restricted by the donor. Contributions are recorded net of estimated uncollectible amounts. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. The Organization records contributions as donor restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions.

When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions.

***Government Grants***

Government grants are recorded as revenues as milestones are achieved. To the extent that amounts received exceed milestones achieved, the Organization records deferred revenue.

## WORLD CONNECT, INC.

### NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### ***Special Events***

The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. All proceeds received are recorded as special event revenues in the accompanying combined financial statements. Revenue is recognized on the date of the event, which is the date the Organization expects to be entitled to consideration in exchange for attending the event.

##### ***Donated In-Kind Services and Costs***

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of services are recognized if the services (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations.

##### ***Functional Expenses***

The breakdown of functional expenses into program services, management and general and fundraising and development is provided by management using their best estimates as to the appropriate allocation. Grant expenses are directly charged to program expenses. Expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques including square footage and time and effort.

##### ***Foreign Currency Translation***

The Organization applies the current rate method of translation for its accounts in foreign financed institutions. All foreign assets and liabilities accounts are translated to U.S. Dollars (USD) using the exchange rate in effect at the date of the combined statement of financial position. Revenues, expenses, gains and losses are translated using the average exchange rate for the year. Gains or losses on foreign currency translation are recognized in the accompanying combined financial statements. The translation (loss) and gain for 2022 and 2021 of (\$445) and \$2,678, respectively, are reflected in the combined statement of activities.

##### ***Grant Expenses***

Grant expenses are recognized in the period the grant is approved, provided the grant is not subject to significant future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grant is approved by management.

**WORLD CONNECT, INC.**

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Accounting for Uncertainty in Income Taxes***

The Organization applies the provisions pertaining to uncertain tax provisions (FASB ASC Topic 740) and has determined that there are no material uncertain tax positions that require recognition or disclosure in the combined financial statements. The Organization is subject to routine audits by taxing jurisdictions for years ending after 2019; however, there are currently no audits for any tax periods in progress.

**3. CONTRIBUTIONS RECEIVABLE, NET**

Contributions receivable, net consist of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Less than a year	\$ 571,012	\$ 184,144
One to five years	<u>50,000</u>	<u>5,000</u>
Total	<u>\$ 621,012</u>	<u>\$ 189,144</u>

There is no allowance for uncollectible amounts based upon past experience, as well as estimates of management. In addition, contributions in excess of one year have not been discounted to net present value as management deems such discount to be immaterial to the combined financial statements.

**4. INVESTMENTS AND FAIR VALUE MEASUREMENTS**

The Organization measures its investments at fair value. Fair value is an exit price, representing the amount that would be received on the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants. As a basis for considering such assumptions, a three-tier fair value hierarchy is used which prioritizes the inputs in the valuation methodologies in measuring fair value.

***Items Measured at Fair Value on a Recurring Basis***

The following table presents the Organization's assets that are measured at fair value on a recurring basis at December 31, 2022 and 2021:

	<u>2022</u>	
	<u>Level 1</u>	<u>Total</u>
Assets		
Investments		
Money market	\$ 8,965	\$ 8,965
U.S. Treasury Securities	<u>451,506</u>	<u>451,506</u>
	<u>\$ 460,471</u>	<u>\$ 460,471</u>

**WORLD CONNECT, INC.****NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED****4. INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED*****Items Measured at Fair Value on a Recurring Basis - Continued***

	<b>2021</b>	
	<u>Level 1</u>	<u>Total</u>
Assets		
Investments		
Money market	\$ 500,000	\$ 500,000
U.S. Treasury Securities	<u>-</u>	<u>-</u>
	<u>\$ 500,000</u>	<u>\$ 500,000</u>

Net investment loss consists of the following for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 9,226	\$ -
Unrealized losses	(14,353)	-
Realized losses	<u>(9,402)</u>	<u>-</u>
Net investment loss	<u>\$ (14,529)</u>	<u>\$ -</u>

***Fair Value Hierarchy***

Investments categorized as Level 1 in the table below are valued using quoted prices for identical assets in active markets.

**5. OTHER ASSETS**

Other assets consist of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Website costs	\$ 142,633	\$ 142,633
Logo	<u>68,355</u>	<u>68,355</u>
	210,988	210,988
Less: Accumulated amortization	<u>(87,671)</u>	<u>(66,570)</u>
	<u>\$ 123,317</u>	<u>\$ 144,418</u>

The costs of other assets are amortized over 10 years. Amortization expense amounted to \$21,101 for the years ended December 31, 2022 and 2021.

## WORLD CONNECT, INC.

### NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

#### 6. DONATED IN-KIND SERVICES

Donated in-kind services for the years ended December 31, 2022 and 2021 of \$84,736 and \$78,701, respectively, consisted of professional fees.

#### 7. ENDOWMENT

##### General

The Organization's endowment consists of a board-designated fund established primarily to provide long-term support for its charitable programs. As required by U.S. GAAP, net assets associated with endowment funds are classified as with or without donor-imposed purpose restrictions (board designated).

##### Interpretation of Relevant Law

The Organization interprets the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. Currently, there are no provisions in donor gift instruments that provide for any other accumulations to the permanent endowments.

##### Return Objectives, Strategies Employed and Spending Policy

The Organization has considered the following factors in managing and investing its endowment funds:

1. Duration of the fund
2. General purposes of the organization and the donor restricted endowment funds
3. General economic conditions
4. Possible effect of inflation or deflation
5. Expected total return from income and appreciation of investments
6. Other resources of the organization
7. Investment policy of the organization

Annually, the Audit & Finance Committee will make a recommendation to the board of directors regarding the decision to take a distribution from the endowment, and for what purpose these funds shall be used. The Organization made an appropriation of \$25,000 and nil for years ended December 31, 2022 and 2021, respectively.



**WORLD CONNECT, INC.****NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED****7. ENDOWMENT - CONTINUED**

Endowment Net Asset Composition by Net Asset Class at December 31:

	<b>2022</b>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment</u>
Endowment net assets, beginning of year	\$ 500,000	\$ -	\$ 500,000
Appropriations	(25,000)	-	(25,000)
Investment loss, net	<u>(14,529)</u>	<u>-</u>	<u>(14,529)</u>
Endowment net assets, end of year	<u>\$ 460,471</u>	<u>\$ -</u>	<u>\$ 460,471</u>

  

	<b>2021</b>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ -
Additions	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Endowment net assets, end of year	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 500,000</u>

**8. COMMITMENTS**

The Organization is currently located at a donated space in New York, New York. There are co-working spaces for United Kingdom and Nigeria and it maintains an office in Lilongwe, Malawi. Rental expense amounted to \$11,105 and \$12,846 for the years ended December 31, 2022 and 2021, respectively.

**9. CONCENTRATIONS**

The Organization maintains several bank accounts at one financial institution, which accounts are insured by the Federal Deposit Insurance Corporation for up to \$250,000. From time to time, the total cash balance exceeds the insured amounts. Management believes that credit risk related to these accounts is minimal. The Organization also maintains a bank account in Malawi. The balance in the account amounted to \$39,266 and \$46,378 for the years ended December 31, 2022 and 2021, respectively.

The Organization received contributions from two donors that amounted to approximately 18% and from one donor that amounted to approximately 23% of its revenue for 2022 and 2021, respectively.

## WORLD CONNECT, INC.

### NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

#### 10. RETIREMENT PLAN

The Organization has established a qualified 401(k) retirement plan covering all employees. Employees may contribute a minimum of 1% and up to the maximum of the annual Internal Revenue Service allowed amount. The Organization may make annual discretionary contributions based on a percentage of the annual compensation of employees who are in the plan. The Organization made contributions to this plan in the amount of \$15,420 and \$12,199 for the years ended December 31, 2022 and 2021, respectively. The Organization also contributes to a mandatory national pension fund for its employees in Malawi and Rwanda. The Organization's contributions for the Malawi and Rwanda plan were \$15,757 and \$13,205 for the years ended December 31, 2022 and 2021, respectively.

#### 11. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2022 and 2021, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses and purchases of property and equipment, were as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 619,386	\$ 415,298
Investments	460,471	500,000
Contributions receivable, net	<u>621,012</u>	<u>189,144</u>
Total financial assets	1,700,869	1,104,442
Board designated funds:		
Local Leaders Fund	\$ (111,151)	\$ (111,289)
Endowment	(460,471)	(500,000)
With donor restrictions	<u>(712,506)</u>	<u>(207,500)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 416,741</u>	<u>\$ 285,653</u>

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization's expenditures are not subject to significant seasonal fluctuations.

#### 12. SUBSEQUENT EVENTS

Management has evaluated subsequent events for disclosure and/or recognition in the combined financial statements through November 7, 2023, which is the date that the combined financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosures.