

**WORLD CONNECT, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

WORLD CONNECT, INC.

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## INDEPENDENT AUDITORS' REPORT

To The Board of Directors  
World Connect, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of World Connect, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2019 and 2018 and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of World Connect, Inc. as of December 31, 2019 and 2018, 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.

## Emphasis of Matters

As discussed in Note 2 to the financial statements, the Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-09 and No. 2018-08. As discussed in Note 13 to the financial statements, the 2018 financial statements were restated to correct a misstatement. Our opinion is not modified with respect to these matters.

*Grassi & Co., CPAs, P.C.*

GRASSI & CO., CPAs, P.C.

White Plains, New York  
August 14, 2020

WORLD CONNECT, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u> (Restated)
<u>ASSETS</u>		
Cash and cash equivalents	\$ 248,333	\$ 323,610
Contributions receivable	326,240	370,439
Government grant receivable	-	127,584
Prepaid expenses	45,413	19,583
Other assets, net	<u>186,620</u>	<u>204,155</u>
 TOTAL ASSETS	 <u>\$ 806,606</u>	 <u>\$ 1,045,371</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 20,110	\$ 19,965
Grants payable	19,506	239,539
Deferred revenue	-	23,188
Loans payable	<u>-</u>	<u>50,000</u>
 TOTAL LIABILITIES	 <u>39,616</u>	 <u>332,692</u>
COMMITMENTS		
NET ASSETS:		
Without donor restrictions	563,080	373,056
With donor restrictions	<u>203,910</u>	<u>339,623</u>
 TOTAL NET ASSETS	 <u>766,990</u>	 <u>712,679</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 806,606</u>	 <u>\$ 1,045,371</u>

The accompanying notes are an integral part of these financial statements.

WORLD CONNECT, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018 (Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support:						
Contributions and grants	\$ 823,884	\$ 167,592	\$ 991,476	\$ 983,492	\$ 281,162	\$ 1,264,654
Government grants	518,392	-	518,392	356,008	-	356,008
Special event revenues (net of direct benefits of \$140,647 in 2019 and \$106,309 in 2018)	454,947	-	454,947	254,159	-	254,159
Donated in-kind services and costs	92,011	-	92,011	134,358	-	134,358
Gain on foreign currency translation	4,379	-	4,379	-	-	-
Other income	28,427	-	28,427	26	-	26
Net assets released from restrictions	303,305	(303,305)	-	184,540	(184,540)	-
Total Revenue, Gains and Other Support	2,225,345	(135,713)	2,089,632	1,912,583	96,622	2,009,205
Expenses:						
Program services	1,564,675	-	1,564,675	1,145,516	-	1,145,516
Management and general	181,093	-	181,093	244,940	-	244,940
Fundraising and development	289,553	-	289,553	229,469	-	229,469
Total Expenses	2,035,321	-	2,035,321	1,619,925	-	1,619,925
Change in Net Assets	190,024	(135,713)	54,311	292,658	96,622	389,280
Net Assets, Beginning of Year	373,056	339,623	712,679	80,398	243,001	323,399
Net Assets, End of Year	\$ 563,080	\$ 203,910	\$ 766,990	\$ 373,056	\$ 339,623	\$ 712,679

The accompanying notes are an integral part of these financial statements.

WORLD CONNECT, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019				2018			
	Program Services	Management and General	Fundraising and Development	Total	Program Services	Management and General	Fundraising and Development	Total
Salaries	\$ 526,180	\$ 70,258	\$ 126,526	\$ 722,964	\$ 318,198	\$ 144,433	\$ 77,579	\$ 540,210
Payroll taxes	36,043	5,444	10,345	51,832	21,658	10,866	5,184	37,708
Employee benefits	44,947	5,804	13,500	64,251	6,619	7,523	1,935	16,077
Total personnel services expenses	607,170	81,506	150,371	839,047	346,475	162,822	84,698	593,995
Grants	658,710	-	-	658,710	606,361	-	-	606,361
Professional fees	64,079	68,572	104,007	236,658	99,179	13,660	90,666	203,505
Travel and site visit costs	125,105	3,072	7,909	136,086	66,445	10,938	4,888	82,271
Information and technology	32,206	10,573	3,619	46,398	8,701	21,170	395	30,266
Occupancy	25,355	1,188	-	26,543	9,029	1,584	-	10,613
Office expenses	22,348	2,234	2,812	27,394	1,945	6,489	239	8,673
Advertising	-	404	-	404	-	731	50	781
Cost of direct benefits to donors	-	-	140,647	140,647	-	-	106,309	106,309
Dues and subscriptions	2,567	-	-	2,567	350	2,100	-	2,450
Insurance	7,908	1,728	461	10,097	-	9,098	-	9,098
Other event costs	-	-	-	-	-	-	14,806	14,806
Printing	2,458	533	4,763	7,754	52	1,714	7,476	9,242
Bad debt expense	-	-	-	-	-	-	7,090	7,090
Amortization expense	6,186	7,785	3,564	17,535	-	-	6,834	6,834
Miscellaneous	10,583	3,498	12,047	26,128	6,979	14,634	12,327	33,940
	1,564,675	181,093	430,200	2,175,968	1,145,516	244,940	335,778	1,726,234
Less: Expenses deducted directly from revenues								
Cost of direct benefits of special events	-	-	(140,647)	(140,647)	-	-	(106,309)	(106,309)
	<u>\$ 1,564,675</u>	<u>\$ 181,093</u>	<u>\$ 289,553</u>	<u>\$ 2,035,321</u>	<u>\$ 1,145,516</u>	<u>\$ 244,940</u>	<u>\$ 229,469</u>	<u>\$ 1,619,925</u>

The accompanying notes are an integral part of these financial statements.

WORLD CONNECT, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u> (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 54,311	\$ 389,280
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Amortization expense	17,535	6,834
Bad debt expense	-	7,090
Conversion of loan payable to contribution income	(50,000)	-
Changes in assets (increase) decrease:		
Contributions receivable	44,199	(114,175)
Government grant receivable	127,584	(127,584)
Prepaid expenses	(25,830)	(1,901)
Other assets	-	(60,036)
Changes in liabilities increase (decrease):		
Accounts payable and accrued expenses	145	(11,508)
Grants payable	(220,033)	78,514
Deferred revenue	(23,188)	23,188
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(75,277)</u>	<u>189,702</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(75,277)	189,702
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>323,610</u>	<u>133,908</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 248,333</u></u>	<u><u>\$ 323,610</u></u>

The accompanying notes are an integral part of these financial statements.



WORLD CONNECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

Note 1 - Organization and Nature of Activities

World Connect, Inc. (the “Organization”) is a nonprofit corporation created to improve the health and well-being of women and children in underserved and under-resourced communities worldwide. The Organization works to empower local leaders to drive change in their communities, impacting health, education, economic opportunity and the environment, and in the process inspire young Americans to think and act globally and philanthropically by engaging them in partnership with the Organization’s projects. The Organization primarily receives funding from foundations, individuals and one government grant.

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 Manhattan, New York.

Note 2 - Summary of Significant Accounting Policies

Changes in Accounting Principles

ASU No. 2014-09

Effective January 1, 2019, the Organization adopted the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”), using a modified retrospective method of adoption to all contracts with customers at January 1, 2019. ASU 2014-09 requires the Organization to recognize revenue to depict the provision of services to members in amounts that reflect the consideration to which the Organization expects to be entitled in exchange for those services. The amount to which the Organization to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing the services. Because contracts are generally complete within one year, the Organization used the actual transaction price rather than estimating variable consideration amounts for contracts completed during the year ended December 31, 2019.

ASU No. 2018-08

Effective January 1, 2019, the Organization adopted the provisions of FASB ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (“ASU 2018-08”), on a modified prospective basis. This ASU provides for guidance to assist the Organization in evaluating the transfer of assets and the nature of the related transactions. The Organization considers whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets. The presence of both indicates that the recipient is not entitled to the transferred assets or a future transfer of assets until it has overcome any barriers in the agreement.

The adoption of these ASUs did not result in changes in the presentation of the financial statements.

WORLD CONNECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Basis of Accounting

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

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.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

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.

WORLD CONNECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Fair Value Measurements

Fair value measurements are based on 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 as follows:

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.

At December 31, 2019 and 2018, the fair value of the Organization's financial instruments, including cash and cash equivalents, contributions receivable, government grants receivable, accounts payable and accrued expenses, and grants payable, approximated book value due to the short maturity of these instruments.

At December 31, 2019 and 2018, the Organization does not have assets or liabilities required to be measured at fair value in accordance with FASB Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement*.

Property and Equipment and Other Assets

Property and equipment and 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.

Net assets without donor restrictions include a board-designated reserve fund, the Local Leaders Fund ("LLF"), established in 2018 to ensure the stability of ongoing operations. The board designated \$260,000 for LLF in 2018, and the balance at December 31, 2018 was \$260,000. In 2019, the Organization drew down \$200,000, and the balance was \$60,000 at December 31, 2019.

WORLD CONNECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Net Asset Classifications (cont'd.)

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.

Revenue Recognition

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:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restrictions</i>	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor-imposed barrier is met
<i>Unconditional gifts, 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 one year	Net realizable value
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.

WORLD CONNECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Revenue Recognition (cont'd.)

Contributions (cont'd.)

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 statement of activities as net assets released from restrictions. Restricted contributions received and expended in the same fiscal year are reflected as without donor restrictions.

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 events revenues in the accompanying 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.

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.

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's assets and liabilities are recorded in Malawian Kwacha (MWK) and are translated to U.S. Dollars (USD) using the exchange rate in effect at the date of the 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 financial statements. The average exchange rate utilized to translate revenues, expenses, gains and losses was 1.00 USD to 732.778 MWK for 2019 and 1.00 USD to 726.844 MWK for 2018.

WORLD CONNECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
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Note 2 - Summary of Significant Accounting Policies (cont'd.)

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.

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 financial statements. The Organization is subject to routine audits by taxing jurisdictions for years ending after 2016; however, there are currently no audits for any tax periods in progress.

New Accounting Pronouncements

ASU No. 2016-02

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU is the result of a joint project of the FASB and the International Accounting Standards Board ("IASB") to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements for U.S. GAAP and International Financial Reporting Standards ("IFRS"). The guidance in this ASU affects any entity that enters into a lease (as that term is defined in this ASU), with some specified scope exemptions. The guidance in this ASU will supersede FASB ASC Topic 840, *Leases*.

The ASU provides that lessees should recognize lease assets and lease liabilities on the balance sheet for leases previously classified as operating leases that exceed 12 months, including leases existing prior to the effective date of this ASU. It also calls for enhanced leasing arrangement disclosures.

For not-for-profit entities that are not conduit bond obligors, the amendments of ASU No. 2016-02 are effective for annual reporting periods beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022.

The Organization has not yet determined if this ASU will have a material effect on its financial statements.

WORLD CONNECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

**Note 3 - Financial Assets and Liquidity Resources**

As of December 31, 2019 and 2018, 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>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 248,333	\$ 323,610
Contributions receivable	326,240	370,439
Government grant receivable	<u>-</u>	<u>127,584</u>
Total financial assets	574,573	821,633
Contractual or donor-imposed restrictions:		
Donor restrictions	<u>(203,910)</u>	<u>(339,623)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 370,663</u>	<u>\$ 482,010</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.

**Note 4 - Contributions Receivable**

Contributions receivable consist of the following as of December 31, 2019 and 2018:

	<u>2019</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Less than one year	\$ 146,240	\$ 85,000	\$ 231,240
One to five years	<u>-</u>	<u>95,000</u>	<u>95,000</u>
Total	<u>\$ 146,240</u>	<u>\$ 180,000</u>	<u>\$ 326,240</u>

  

	<u>2018</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Less than one year	\$ 85,439	\$ 125,000	\$ 210,439
One to five years	<u>-</u>	<u>160,000</u>	<u>160,000</u>
Total	<u>\$ 85,439</u>	<u>\$ 285,000</u>	<u>\$ 370,439</u>

WORLD CONNECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
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Note 4 - Contributions Receivable (cont'd.)

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 financial statements.

Note 5 - Government Grant Receivable

Government grant receivable consists of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
USAID grant receivable	\$ -	\$ 127,584

Note 6 - Other Assets

Other assets consist of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Website costs	\$ 142,633	\$ 142,633
Logo	68,355	68,355
	210,988	210,988
Less: Accumulated amortization	(24,368)	(6,833)
	<u>\$ 186,620</u>	<u>\$ 204,155</u>

Amortization expense for the years ending December 31, 2020 through 2025 is projected to be approximately \$14,265 annually.

Note 7 - In-Kind Contributions

Donated in-kind services and costs consisted of the following for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Professional fees - legal	\$ 92,011	\$ 74,323
Website costs	-	60,035
	<u>\$ 92,011</u>	<u>\$ 134,358</u>



WORLD CONNECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
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Note 8 - Net Assets With Donor Restrictions and Net Assets Released From Restrictions

Net assets with donor restrictions as of December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Women's empowerment and grassroots development	\$ 23,910	\$ 54,623
Time restrictions	<u>180,000</u>	<u>285,000</u>
	<u>\$ 203,910</u>	<u>\$ 339,623</u>

Net assets with donor restrictions released from restrictions for the years ended December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Women's empowerment and grassroots development	\$ 173,305	\$ 184,540
Time restrictions	<u>130,000</u>	<u>-</u>
	<u>\$ 303,305</u>	<u>\$ 184,540</u>

Note 9 - Commitments

The Organization is currently located at donated space in Manhattan, New York. Rental expense amounted to \$1,584 and \$2,273 for the years ended December 31, 2019 and 2018, respectively.

Note 10 - Concentrations

The Organization maintains several bank accounts at one financial institution, which accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") 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.

Revenue from one government grant amounted to approximately 25% and 18% of the Organization's revenue for the years ended December 31, 2019 and 2018, respectively.

Note 11 - 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's contributions to the plan were \$9,447 and \$12,585 for the years ended December 31, 2019 and 2018 respectively.

WORLD CONNECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

Note 12 - Related Party Transactions

In September 2017, a member of the Board of Directors loaned the Organization \$50,000 for working capital purposes. The loan bore no interest and was due in December 2018. The loan was subsequently converted to a contribution in February 2019 by the donor.

The discounts relating to this below-market-rate loan were deemed to be immaterial by management.

Note 13 - Restatement

In prior years, the Organization recognized grant income from one of its grants based off expenses incurred. After discussions with the grantor and reviewing the grant agreement, it was determined that the grant income should have been recognized as milestones were achieved. As a result, the Organization restated the following line items as of and for the year ended December 31, 2018:

	<u>As Previously Reported</u>	<u>As Restated</u>	<u>Effect of Change</u>
Deferred revenue	\$ 108,678	\$ 23,188	\$ (85,490)
Net assets without donor restrictions	287,566	373,056	85,490
Government grants	270,518	356,008	85,490

Note 14 - Subsequent Events

Management has evaluated all events or transactions that occurred after December 31, 2019 through August 14, 2020, the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure except as follows:

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the recognition of contribution and grant income. Other financial impact could occur, though such potential impact is unknown at this time.