



World Pediatric Project

Financial Statements

June 30, 2021 and 2020



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WORLD PEDIATRIC PROJECT

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
World Pediatric Project
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of World Pediatric Project (the "Organization"), which comprise the statements of financial position as of June 30, 2021 and 2020, 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; 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.

Auditor's 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. Those standards require that we plan and perform the audits 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 Pediatric Project as of June 30, 2021 and 2020, 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.

A handwritten signature in black ink, appearing to read "Keita", with a long, sweeping horizontal stroke extending to the right.

September 27, 2021
Glen Allen, Virginia

WORLD PEDIATRIC PROJECT

Statements of Financial Position June 30, 2021 and 2020

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 3,244,055	\$ 1,917,218
Pledges receivable, current	458,000	511,700
Other receivables	-	2,613
Prepaid expenses	<u>30,480</u>	<u>36,754</u>
Total current assets	<u>3,732,535</u>	<u>2,468,285</u>
Property and equipment:		
Furniture, equipment and website	1,580,805	1,682,920
Less: accumulated depreciation and amortization	<u>(1,192,668)</u>	<u>(1,133,366)</u>
Net property and equipment	<u>388,137</u>	<u>549,554</u>
Other assets:		
Pledges receivable - net, long-term	159,430	229,370
Investments	<u>483,485</u>	<u>387,561</u>
Total other assets	<u>642,915</u>	<u>616,931</u>
	<u>\$ 4,763,587</u>	<u>\$ 3,634,770</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 137,373	\$ 75,104
Accrued rent	9,069	8,722
Paycheck Protection Program loan (Note 7)	-	22,645
Funds held for others	<u>6,000</u>	<u>6,000</u>
Total current liabilities	<u>152,442</u>	<u>112,471</u>
Net assets:		
Without donor restrictions:		
Undesignated	2,872,409	1,878,356
Board-designated endowment	<u>163,450</u>	<u>141,408</u>
Total without donor restrictions	3,035,859	2,019,764
With donor restrictions	<u>1,575,286</u>	<u>1,502,535</u>
Total net assets	<u>4,611,145</u>	<u>3,522,299</u>
	<u>\$ 4,763,587</u>	<u>\$ 3,634,770</u>

See accompanying notes to financial statements.

WORLD PEDIATRIC PROJECT

Statements of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and gains:			
Auction and special events	\$ 1,958,043	\$ -	\$ 1,958,043
Contributions	1,336,048	700,785	2,036,833
In-kind contributions	9,176,959	-	9,176,959
Interest and dividend income	7,524	2,863	10,387
Unrealized investment gains, net	6,777	51,074	57,851
Realized investment gains	14,523	14,945	29,468
Paycheck Protection Program loan forgiveness (see Note 7)	390,597	-	390,597
Other revenue	80,844	-	80,844
Total revenues and gains	12,971,315	769,667	13,740,982
Net assets released from restrictions	696,916	(696,916)	-
Total revenues, gains, and other support	13,668,231	72,751	13,740,982
Expenses:			
Program services	10,508,474	-	10,508,474
Management and general	650,838	-	650,838
Fundraising	1,492,824	-	1,492,824
Total expenses	12,652,136	-	12,652,136
Change in net assets	1,016,095	72,751	1,088,846
Net assets, beginning of year	2,019,764	1,502,535	3,522,299
Net assets, end of year	\$ 3,035,859	\$ 1,575,286	\$ 4,611,145

See accompanying notes to financial statements.

WORLD PEDIATRIC PROJECT

Statements of Activities, Continued Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and gains (losses):			
Auction and special events	\$ 2,507,675	\$ -	\$ 2,507,675
Contributions	1,854,622	648,274	2,502,896
In-kind contributions	21,936,035	-	21,936,035
Interest and dividend income	16,814	11,975	28,789
Unrealized investment losses, net	(5,491)	(3,812)	(9,303)
Realized investment losses	(2,226)	(3,491)	(5,717)
Paycheck Protection Program loan forgiveness (see Note 7)	430,255	-	430,255
Other revenue	990	-	990
Total revenues and gains (losses)	26,738,674	652,946	27,391,620
Net assets released from restrictions	931,140	(931,140)	-
Total revenues, gains (losses), and other support	27,669,814	(278,194)	27,391,620
Expenses:			
Program services	24,960,158	-	24,960,158
Management and general	819,842	-	819,842
Fundraising	1,912,245	-	1,912,245
Total expenses	27,692,245	-	27,692,245
Change in net assets	(22,431)	(278,194)	(300,625)
Net assets, beginning of year	2,042,195	1,780,729	3,822,924
Net assets, end of year	\$ 2,019,764	\$ 1,502,535	\$ 3,522,299

See accompanying notes to financial statements.

WORLD PEDIATRIC PROJECT

Statements of Functional Expenses Year Ended June 30, 2021

	Program Services	Management and General	Fundraising	Total
Salaries and related expenses	\$ 645,008	\$ 404,812	\$ 522,427	\$ 1,572,247
Nonemployee compensation	2,315	3,123	1,238	6,676
Payroll processing	2,444	944	2,277	5,665
Recruitment expenses	-	74,250	953	75,203
Staff development	-	50	1,295	1,345
In-country personnel	336,748	-	-	336,748
Patient expenses	169,802	-	-	169,802
International sponsorships	128,218	-	-	128,218
Volunteer program	41	-	-	41
Capacity building programs	22,833	-	-	22,833
Medical missions	106,889	-	-	106,889
Special events expense	-	-	221,731	221,731
Professional fees	32,667	12,621	30,440	75,728
Advertising	143,879	21,683	389,019	554,581
Communications expense	9,117	2,883	6,665	18,665
Facility and equipment	75,875	34,332	70,216	180,423
Office expenses	2,384	2,142	34,947	39,473
Travel and related expenses	1,806	338	5,749	7,893
Other business expense	49,328	41,124	79,231	169,683
Depreciation and amortization	130,168	50,293	121,294	301,755
Medical fees - in-kind	8,648,952	-	-	8,648,952
Miscellaneous	-	2,243	5,342	7,585
	<u>\$ 10,508,474</u>	<u>\$ 650,838</u>	<u>\$ 1,492,824</u>	<u>\$ 12,652,136</u>

See accompanying notes to financial statements.

WORLD PEDIATRIC PROJECT

Statements of Functional Expenses, Continued Year Ended June 30, 2020

	Program Services	Management and General	Fundraising	Total
Salaries and related expenses	\$ 1,133,597	\$ 611,963	\$ 961,891	\$ 2,707,451
Nonemployee compensation	21,056	-	9,198	30,254
Payroll processing	3,392	1,057	2,169	6,618
Recruitment expenses	80	155	999	1,234
Staff development	188	436	338	962
In-country personnel	407,389	-	-	407,389
Patient expenses	596,487	-	-	596,487
International sponsorships	14,514	-	-	14,514
Volunteer program	1,876	-	-	1,876
Capacity building programs	47,792	-	-	47,792
Medical missions	372,231	-	-	372,231
Program development	15,672	22,328	3,722	41,722
Special events expense	-	-	521,932	521,932
Professional fees	69,533	18,955	38,909	127,397
Advertising	416	1,636	20,532	22,584
Communications expense	13,357	2,710	6,515	22,582
Facility and equipment	115,043	39,514	75,510	230,067
Office expenses	10,197	4,900	33,547	48,644
Travel and related expenses	22,079	23,942	45,131	91,152
Other business expense	52,466	44,000	88,497	184,963
Depreciation and amortization	144,562	45,176	92,610	282,348
Medical fees - in-kind	21,917,785	-	-	21,917,785
Miscellaneous	446	3,070	10,745	14,261
	<u>\$ 24,960,158</u>	<u>\$ 819,842</u>	<u>\$ 1,912,245</u>	<u>\$ 27,692,245</u>

See accompanying notes to financial statements.

WORLD PEDIATRIC PROJECT

Statements of Cash Flows Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 1,088,846	\$ (300,625)
Adjustments to reconcile the change in net assets to net cash from operations:		
Depreciation and amortization	301,755	282,348
Paycheck Protection Loan forgiveness	(390,597)	(430,255)
Loss on disposal of property and equipment	5,032	-
Reinvested interest and dividends	(3,605)	(19,072)
Realized (gain) loss on investments	(29,468)	5,717
Unrealized (gain) loss on investments	(57,851)	9,303
Changes in operating assets and liabilities:		
Pledges receivable - net	123,640	69,132
Other receivables	2,613	49,887
Prepaid expenses	6,274	23,784
Accounts payable and accrued expenses	62,269	48,107
Accrued rent	347	(12,901)
Net cash provided by (used in) operating activities	1,109,255	(274,575)
Cash flows from investing activities:		
Purchase of property and equipment	(145,370)	(69,686)
Purchase of investments	(5,000)	(5,000)
Net cash used in investing activities	(150,370)	(74,686)
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loans	400,000	452,900
Payments on Paycheck Protection Program loans	(32,048)	-
Net cash provided by financing activities	367,952	452,900
Net change in cash and cash equivalents	1,326,837	103,639
Cash and cash equivalents, beginning of year	1,917,218	1,813,579
Cash and cash equivalents, end of year	\$ 3,244,055	\$ 1,917,218

See accompanying notes to financial statements.

WORLD PEDIATRIC PROJECT

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Organization: World Pediatric Project (the “Organization”) is a nonprofit humanitarian organization linking worldwide pediatric surgical, diagnostic and preventative resources to heal critically ill children in developing countries. World Pediatric Project also helps build indigenous health care capacity – saving lives now while transforming pediatric health outcomes for years to come.

Basis of Accounting: The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States (“GAAP”), which require reporting information regarding its financial position and activities according to these two classes of net assets:

Net assets without donor restrictions are net assets that are not subject to donor-imposed stipulations. If the Board of Directors specifies a purpose where none has been stated by the original donor, such assets are classified as Board-designated within net assets without donor restrictions.

Net assets with donors restrictions are net assets which are stipulated by donors for specific purposes, use restrictions, or are restricted in perpetuity. For net assets restricted for specific actions or the passage of time, once a restriction expires, the net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. For net assets restricted in perpetuity, the original fair value of the gift will be maintained permanently by the Organization and use of all or part of the income earned on any related investments is for general or specific purposes.

Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Actual results could differ from those estimates.

Cash and Cash Equivalents: The Organization considers as cash equivalents all short term, highly liquid investments with maturities of three months or less at date of acquisition.

Pledges Receivable: Unconditional promises to give, which include pledges and grants receivable at their net present value in the year promised, are recognized as contributions with or without donor restrictions as appropriate. Conditional promises are recorded when donor stipulations are substantially met.

WORLD PEDIATRIC PROJECT

Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Property and Equipment: Property and equipment and website development costs are recorded at cost for purchased assets and at fair value for donated items. Major repairs and betterments are capitalized and normal maintenance and repairs are charged to expense as incurred. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the related assets, which range from three to seven years. Upon retirement or sale of an asset, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations.

Investments: The Organization's investments are reported at readily determinable fair value in the statements of financial position. The fair value of marketable equity and debt securities is determined using quoted market prices. Unrealized gains and losses are included in the statements of activities.

Credit Risk: The Organization maintains its cash and cash equivalent balances in multiple financial institutions. The balances in the financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. Funds held by brokerage houses are insured by the Securities Investors Protection Corporation up to a ceiling of \$500,000, including cash claims of up to \$250,000. The Organization periodically has balances in excess of insured limits.

Income Taxes: The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Income Tax Uncertainties: Management has evaluated the effects of accounting guidance related to uncertain income tax positions and concluded that the Organization had no significant financial statement exposure to uncertain income tax positions at June 30, 2021 and 2020. The Organization is not currently under audit by any tax jurisdiction.

Contributed Materials, Hospital Charges and Services: The value of contributed materials, the value of contributed services and hospital charges, and the value of marketing services that either (a) created or enhanced a nonfinancial asset or (b) required specialized skills, was provided by individuals possessing those skills, and are of the type that would have been purchased if not contributed, amounted to \$9,176,959 for 2021 and \$21,936,035 for 2020 and have been recognized at their fair value as determined either by the donor or estimated by management in the financial statements. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs, campaign solicitations and various committee assignments. The value of these services could not be estimated and is not recognized in the financial statements.

Advertising: The Organization expenses advertising costs as they are incurred. Advertising expense amounted to \$554,581 for 2021 and \$22,584 for 2020. The 2021 expense includes \$521,907 of costs provided for by in-kind contributions.

WORLD PEDIATRIC PROJECT

Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services based on recording organizational expenses in departmental categories that align with these functions. Program services expenses represents the various costs associated with providing medical services including salaries, patient expenses, medical missions, rent and other program related expenses. Fundraising expenses include the work of the Development team. Management and General expenses reflect a variety of business functions including human resources, professional services, rent, travel, and other business related expenses.

Subsequent Events: Management has evaluated subsequent events through September 27, 2021, the date the financial statements were available to be issued, and has determined that other than as described in Note 7, there are no additional subsequent events to be reported in the accompanying financial statements.

2. Net Assets with Donor Restrictions:

In 2021 and 2020, the Organization received donor-imposed restricted contributions for direct costs of program services for children needing critical care and time-restricted contributions. Accordingly, the Organization recorded restricted gifts of \$700,785 during 2021 and \$648,274 during 2020. The amounts released from restrictions and expended for children needing critical care were \$430,216 during 2021 and \$722,650 during 2020. The amounts released from time restrictions due to collecting of pledges receivable were \$266,700 during 2021 and \$208,490 during 2020.

3. Pledges Receivable:

The present value of estimated future cash flows of pledges receivable, discounted at the risk-free rate of 0.46% at June 30, 2021 and 0.29% at June 30, 2020, are expected to be received as follows at June 30:

	<u>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	\$ 458,000	\$ 511,700
One to five years	<u>160,833</u>	<u>230,833</u>
	618,833	742,533
Less:		
Discount on pledges receivable	<u>1,403</u>	<u>1,463</u>
	<u>\$ 617,430</u>	<u>\$ 741,070</u>

Four donors accounted for 88% of net pledges receivable at June 30, 2021 and three donors accounted for 84% of net pledges receivable at June 30, 2020.

WORLD PEDIATRIC PROJECT

Notes to Financial Statements, Continued

4. Investments:

The costs of investments and their related carrying values (market) by major investment type were as follows at June 30:

	2021		2020	
	Cost	Market	Cost	Market
Equities & Options	\$ 18,506	\$ 32,930	\$ 28,153	\$ 39,700
ETPs, Mutual, Closed-End, & Interval Funds	323,118	375,257	352,842	347,210
Cash & Cash Equivalents	75,298	75,298	651	651
	\$ 416,922	\$ 483,485	\$ 381,646	\$ 387,561

5. Endowment Funds:

The Organization's endowment consists of two endowed named funds established to support the cause of the Organization. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

In accordance with UPMIFA, the Organization considers the factors on the following page in making a determination to appropriate or accumulate funds in the endowment funds designated by the Board of Directors.

Interpretation of Relevant Law: The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") 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, (b) the original value of subsequent gifts given to the permanent endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

WORLD PEDIATRIC PROJECT

Notes to Financial Statements, Continued

5. Endowment Funds, Continued:

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate funds in the endowment fund designated by the Board:

- The duration and preservation of the fund
- The purposes of the Organization and a donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Return Objectives and Risk Parameters: The Organization has adopted investment and spending policies for endowment funds that attempt to provide a predictable stream of funding to the Organization's programs supported by endowments. In addition to providing a predictable stream of funding, the adopted investment and spending policies also seek to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Organization expects its endowment funds over time to provide an average rate of return of more than five percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Organization has a policy of limiting spending to generally five percent of the value of endowment funds. In establishing this policy, the Organization considered the long-term expected return on endowments. Accordingly, over the long term, the Organization expects the current spending policy to allow the endowment fund to grow consistent with the objective of maintaining the purchasing power of the endowment assets.

WORLD PEDIATRIC PROJECT

Notes to Financial Statements, Continued

5. Endowment Funds, Continued:

Endowment net asset composition by type of fund was as follows as of June 30, 2021 and 2020:

	2021		
	Without Donor	With Donor	Total
	Restrictions	Restrictions	
Donor-restricted endowment fund:			
Original donor-restricted gift	\$ -	\$ 196,499	\$ 196,499
Accumulated investment gains	-	138,536	138,536
Board-designated fund	163,450	-	163,450
Total funds	\$ 163,450	\$ 335,035	\$ 498,485
	2020		
	Without Donor	With Donor	Total
	Restrictions	Restrictions	
Donor-restricted endowment fund:			
Original donor-restricted gift	\$ -	\$ 196,499	\$ 196,499
Accumulated investment gains	-	69,654	69,654
Board-designated fund	141,408	-	141,408
Total funds	\$ 141,408	\$ 266,153	\$ 407,561

Changes in endowment funds were as follows for the years ended June 30, 2021 and 2020:

	Without Donor	With Donor	Total
	Restrictions	Restrictions	
Net assets, July 1, 2019	\$ 142,028	\$ 261,481	\$ 403,509
Investment income	7,097	11,975	19,072
Realized investment losses	(2,226)	(3,491)	(5,717)
Unrealized investment losses	(5,491)	(3,812)	(9,303)
Net assets, June 30, 2020	141,408	266,153	407,561
Investment income	742	2,863	3,605
Realized investment gains	14,523	14,945	29,468
Unrealized investment gains	6,777	51,074	57,851
Net assets, June 30, 2021	\$ 163,450	\$ 335,035	\$ 498,485

The 2021 balance of endowment funds with donor restrictions shown above includes \$15,000 of pledges receivable to be collected between 2022 and 2024.

WORLD PEDIATRIC PROJECT

Notes to Financial Statements, Continued

6. Fair Value Measurements:

The Organization follows FASB guidance, which provides a framework for measuring fair value under GAAP, for all financial assets and liabilities measured at fair value on a recurring basis.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of the three levels.

These levels are:

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 assets and liabilities include debt and equity securities traded in an active exchange market, as well as certain U.S. Treasury securities that are traded by dealers or brokers in active markets.

Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Valuation is determined using model-based techniques that use significant assumptions not observable in the market and significant to the fair value measurement.

The fair value of the Organization's investments in securities of \$483,485 at June 30, 2021 and \$387,561 at June 30, 2020 was determined based upon Level 1 valuation criteria.

7. Paycheck Protection Program Loan:

In response to the economic instability caused by COVID-19 (see Note 9), the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act ("Economic Aid Act") was passed by Congress and signed into law by the President on December 27, 2020. The Economic Aid Act extended the Paycheck Protection Program by providing for a second loan subject to certain eligibility criteria. The Paycheck Protection Program was a component of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") and provided for a loan ("PPP Loan") to provide a direct incentive for employers to keep employees on the payroll. PPP Loans are eligible for full or partial forgiveness if the funds are used for qualifying costs including payroll, rent, mortgage interest, or utilities, as further defined in the CARES Act.

WORLD PEDIATRIC PROJECT

Notes to Financial Statements, Continued

7. Paycheck Protection Program Loan, Continued:

In 2020, the Organization applied for and was approved for its first PPP Loan in the amount of \$452,900, which was funded on April 27, 2020. The loan accrued interest at 1.0%, but payments were not required to begin until ten months after funding. The Organization was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan was uncollateralized and was fully guaranteed by the Federal government.

As of June 30, 2020, based on the expenses incurred by the Organization, management believed \$430,255 of the first PPP Loan would be forgiven. Based on its facts and circumstances, the Organization elected to recognize the loan forgiveness as of June 30, 2020, shown as Paycheck Protection Program loan forgiveness in the accompanying 2020 statement of activities. The remaining \$22,645 not expected to be forgiven was included as a liability in the accompanying 2020 statement of financial position. In February 2021, the application for forgiveness was accepted with \$32,048 of the balance not forgiven. The additional \$9,403 of non-forgiveness over the accrued amount was recorded as a reduction in Paycheck Protection Program loan forgiveness for 2021.

In 2021, the Organization applied for and was approved for a second PPP Loan in the amount of \$400,000, which was funded on February 8, 2021. The loan accrues interest at 1.0%, but payments are not required to begin for ten months after funding. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

As of June 30, 2021, the Organization had used all of the loan proceeds for qualifying costs and as a result, management believed the second PPP loan would be fully forgiven. Based on its facts and circumstances, the Organization elected to recognize the loan forgiveness as of June 30, 2021, shown as Paycheck Protection Program loan forgiveness in the accompanying 2021 statement of activities.

Subsequent to June 30, 2021, the Organization received full forgiveness of the second PPP Loan.

8. Leases:

The Organization leases office space and equipment under operating lease agreements. Rental expense was \$178,531 for 2021 and \$248,333 for 2020. Rental expense is included in the accompanying statements of functional expenses within in-country personnel and facility and equipment.

As of June 30, 2021, the Organization leases office space in Richmond through December 31, 2023 and in St. Louis through June 30, 2023. These leases provide for certain rent holidays and annual rent escalations. The Organization recognizes rent expense on a straight-line basis over the life of the leases. This policy resulted in the recognition of accrued rent of \$9,069 at June 30, 2021 and \$8,722 at June 30, 2020.

WORLD PEDIATRIC PROJECT

Notes to Financial Statements, Continued

8. Leases, Continued:

Future minimum payments under operating lease obligations consist of the following at June 30, 2021:

Year Ending June 30,	Amount
2022	\$ 170,591
2023	173,517
2024	<u>60,918</u>
Total	<u>\$ 405,026</u>

9. Allocation of Joint Costs:

In 2021, the Organization provided to the public online information materials that included fundraising appeals. The cost of conducting this activity included a total of \$287,757 of joint costs, which are not specifically attributable to particular components of the activities. These joint costs are included in the 2021 Statement of Functional Expenses and were allocated \$143,879 to program and \$143,878 to fundraising.

10. Risks and Uncertainties:

From time to time, the Organization may be involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Organization's financial position, results of operations, or cash flows.

Pursuant to its Articles of Incorporation, the Organization has certain obligations to indemnify its officers and directors for certain events or occurrences while serving at the Organization's request in such capacities. The maximum liability under these obligations is limited by the Code of Virginia. The Organization's insurance policies serve to further limit its exposure. The Organization believes that the estimated fair value of these indemnification obligations is minimal.

In March 2020, COVID-19 was declared a worldwide health pandemic and has had a significant impact on the national and global economy. Due to the pandemic, the Organization was unable to send teams out of the country to perform its usual services, and has been forced to alter its usual fundraising events. Management implemented certain cost-cutting techniques and obtained Paycheck Protection Program Loans (see Note 7). The ultimate impact of COVID-19 on the Organization's financial statements is unknown and unable to be quantified at this time.

WORLD PEDIATRIC PROJECT

Notes to Financial Statements, Continued

11. Liquidity and Availability of Financial Assets:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,244,055	\$ 1,917,218
Pledges receivable, current	458,000	511,700
Other receivables	-	2,613
Investments	<u>483,485</u>	<u>387,561</u>
Total financial assets available within one year	4,185,540	2,819,092
Less:		
Donor-imposed restrictions	(963,204)	(687,634)
Board-designated endowment	<u>(163,450)</u>	<u>(141,408)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,058,886</u>	<u>\$ 1,990,050</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures become due. In addition, the Organization has board-designated net assets without donor restrictions that, while not intended to spend for purposes other than those identified, could be made available for current operations, if necessary.

12. Defined Contribution Retirement Plan:

The Organization sponsors a defined contribution retirement plan which covers all employees who meet eligibility requirements. The plan enables participants to make contributions, and the Organization may elect to match the employee's contribution. The Organization did not make any matching contributions to the plan during 2021 or 2020.

WORLD PEDIATRIC PROJECT

Notes to Financial Statements, Continued

13. New Accounting Guidance:

Leases: In February 2016, the FASB issued new guidance over leases which requires that all leasing activity with initial terms in excess of twelve months be recognized on the balance sheet with a right of use asset and a lease liability. The standard will require entities to classify leases as either a finance, or operating lease based upon the contractual terms. For finance leases, the right to use asset and lease liability will be calculated based upon the present value of the lease payments. The asset will then be amortized and the interest on the obligation will be recognized separately within the statement of operations. On the statement of cash flows, the principal portion of the finance lease payments will be classified as a financing activity. For operating leases, the right to use asset and lease liability will also be calculated based upon the present value of the lease payments. However, the cost of the lease will generally be allocated over the lease term on a straight-line basis and presented as a single expense on the statement of operations. On the statement of cash flows, all cash payments for operating leases will be classified as an operating activity. The new standard will be effective for periods beginning after December 15, 2021, and will require entities to use a modified retrospective approach to the earliest period presented. The Organization is currently evaluating the reporting and economic implications of the new standard.

WORLD PEDIATRIC PROJECT

Notes to Financial Statements, Continued

13. New Accounting Guidance, Continued:

Disclosures of In-Kind Contributions: In September 2020, the FASB issued ASU 2020-07: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which aims to increase transparency of contributed nonfinancial assets, commonly known as gifts in kind, through enhancements to presentation and disclosures and is effective for years beginning after June 15, 2021, with early adoption permitted. With the new ASU, organizations receiving contributions of nonfinancial assets are now required to present such contributions as a separate line item on the statement of activities. Previously these were allowed to be included in the contributions line item. This ASU also adds additional disclosure requirements for these gifts. The previous disclosure requirements were less detailed and primarily related only to contributed services. The new, more detailed requirements are for contributions of all nonfinancial assets, including both goods and services. Under the new guidance, organizations must disclose in their financial statements:

- a.) A disaggregation of the total amount of contributed nonfinancial assets recognized within the statement of activities by category.
- b.) For each such category disaggregated by Part (a):
 1. Qualitative information about whether the contributed nonfinancial assets were either “monetized” (sold or held for sale) or “utilized” (used) during the reporting period. If utilized, the organization is required to disclose a description of the programs or activities in which the contributed assets were used.
 2. The organization’s policy (if any) about monetizing rather than utilizing contributed nonfinancial assets.
 3. A description of any donor-imposed restrictions associated with the contributed nonfinancial assets.
 4. A description of the valuation techniques and inputs used to arrive at a fair value measurement, in accordance with Topic 820, Fair Value Measurement.
 5. The principal market used to arrive at a fair value measurement if it is a market in which the recipient organization is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial asset.

The Organization is currently evaluating the implications of this new standard.