

WorldHarvest
Financial Statements
December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
WorldHarvest

I have audited the accompanying financial statements of WorldHarvest (a nonprofit corporation), 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WorldHarvest 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.



May 20, 2020

WORLDHARVEST
STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>		December 31,	
		<u>2019</u>	<u>2018</u>
Current assets:			
Cash		\$ 315,882	\$ 197,037
Accounts receivable - IFGF church		9,608	13,108
Employee advance		-	2,501
Prepaid rent		<u>12,452</u>	<u>11,729</u>
Total current assets		<u>337,942</u>	<u>224,375</u>
Office equipment:			
Office equipment		19,313	19,179
Less: accumulated depreciation		<u>(15,305)</u>	<u>(15,515)</u>
Net office equipment		<u>4,008</u>	<u>3,664</u>
Other Assets:			
Prepaid rent none current portion		<u>45,661</u>	<u>58,113</u>
Total other assets		<u>45,661</u>	<u>58,113</u>
Total assets		<u>\$ 387,611</u>	<u>\$ 286,152</u>
<u>LIABILITIES AND NET ASSETS</u>			
Current liabilities:			
Accounts payable & accrued expenses		<u>\$ 2,742</u>	<u>\$ 2,301</u>
Total current liabilities \ Total liabilities		<u>2,742</u>	<u>2,301</u>
Net assets:			
Without donor restrictions		367,674	241,666
With donor restrictions		<u>17,195</u>	<u>42,185</u>
Total net assets		<u>384,869</u>	<u>283,851</u>
Total liabilities and net assets		<u>\$ 387,611</u>	<u>\$ 286,152</u>

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

WORLDHARVEST
STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2019			Year Ended December 31, 2018		
	Without Donors Restrictions	With Donors Restrictions	Total	Without Donors Restrictions	With Donors Restrictions	Total
Support and revenue:						
Sponsor - A - Child donations	\$ -	\$ 215,750	\$ 215,750	\$ -	\$ 229,924	\$ 229,924
Contributions	377,574	-	377,574	50,565	155,949	206,514
IFGF church contributions	80,063	-	80,063	70,532	-	70,532
In-Kind donations	820	-	820	3,833	-	3,833
Special event (net of direct benefits)	-	-	-	(1,377)	-	(1,377)
Interest income	3,924	-	3,924	4,652	-	4,652
Total support and revenue	462,381	215,750	678,131	128,205	385,873	514,078
Net assets released from restrictions due to satisfaction of purpose	240,740	(240,740)	-	366,167	(366,167)	-
Total support and revenue	703,121	(24,990)	678,131	494,372	19,706	514,078
Expenses:						
Program services	441,535	-	441,535	360,137	-	360,137
Supporting activities:						
Management & general	99,470	-	99,470	93,838	-	93,838
Fundraising	36,108	-	36,108	35,532	-	35,532
Total expenses	577,113	-	577,113	489,507	-	489,507
Change in net assets	126,008	(24,990)	101,018	4,865	19,706	24,571
Net assets at beginning of year	241,666	42,185	283,851	236,801	22,479	259,280
Net assets at end of year	\$ 367,674	\$ 17,195	\$ 384,869	\$ 241,666	\$ 42,185	\$ 283,851

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

WORLDHARVEST
STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2019				Year Ended December 31, 2018			
	Program Services	Management & General	Fund- Raising	Total Expenses	Program Services	Management & General	Fund- Raising	Total Expenses
Salaries	\$ 50,258	\$ 49,090	\$ 17,532	\$ 116,880	\$ 45,910	\$ 44,843	\$ 16,015	\$ 106,768
Payroll taxes	2,991	2,921	1,043	6,955	2,655	2,593	926	6,174
Meals & entertainment	781	763	273	1,817	1,027	1,003	358	2,388
Merchant fees & bank charges	-	10,735	-	10,735	-	13,796	-	13,796
Miscellaneous expense	-	424	-	424	-	149	-	149
Fundraising	-	-	7,177	7,177	-	-	9,599	9,599
Gifts & hospitality	4,331	4,230	1,510	10,071	4,466	4,362	1,558	10,386
Insurance	1,262	1,232	440	2,934	1,316	1,286	459	3,061
Newsletter & other printing	2,540	2,481	885	5,906	1,116	1,090	389	2,595
Office supplies & expenses	5,347	5,222	1,865	12,434	3,061	2,990	1,068	7,119
Postage	442	432	155	1,029	566	553	198	1,317
Telephone	1,355	1,324	473	3,152	1,195	1,167	417	2,779
Grants	137,385	-	-	137,385	167,621	-	-	167,621
Travel	3,453	3,373	1,204	8,030	5,472	-	-	5,472
Rent	6,708	6,552	2,340	15,600	6,708	6,552	2,340	15,600
Accounting & legal	-	7,300	-	7,300	-	7,285	-	7,285
Harvest festival	-	-	-	-	2,138	-	-	2,138
Relief	661	-	-	661	80,043	-	-	80,043
Special projects	219,728	-	-	219,728	26,694	-	-	26,694
Website	729	712	255	1,696	109	106	38	253
Depreciation	1,096	1,070	382	2,548	2,467	2,410	861	5,738
Membership	1,648	1,609	574	3,831	3,740	3,653	1,306	8,699
In-Kind donations	820	-	-	820	3,833	-	-	3,833
Total expenses	\$ 441,535	\$ 99,470	\$ 36,108	\$ 577,113	\$ 360,137	\$ 93,838	\$ 35,532	\$ 489,507

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

WORLDHARVEST
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 101,018	\$ 24,571
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,548	5,738
Amortization of prepaid rent	11,728	11,047
Imputed interest income	(3,871)	(4,553)
Imputed rent expense	3,871	4,553
(Increase) decrease in:		
Accounts receivable - IFGF Church	3,500	(13,108)
Employee advance	2,501	(2,501)
Increase (decrease) in:		
Accounts payable	442	(851)
Net cash provided by operating activities	121,737	24,896
Cash flows from investing activities:		
Purchased equipment	(2,892)	-
Net cash used by investing activities	(2,892)	-
Net Increase in cash	118,845	24,896
Cash at beginning of year	197,037	172,141
Cash at end of year	\$ 315,882	\$ 197,037

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

WORLDHARVEST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

1. NATURE OF ORGANIZATION

Programs of WorldHarvest (a nonprofit corporation) began in December of 1989 as part of Indonesian Harvest Outreach (IHO). In 2001, WorldHarvest was chartered as a religious nonprofit corporation in California. Program activity of IHO was transferred to WorldHarvest with the intent of providing community, educational, and media services. WorldHarvest is affiliated with the International Full Gospel Fellowship (IFGF) of Monrovia, California and its member churches. Services are provided through WorldHarvest partners primarily in Indonesia, Uganda, Sierra Leone, Tanzania, India, Kyrgyzstan, Ecuador, Pakistan and Nepal.

The scope of these financial statements is limited to the Corporate Office of WorldHarvest. The financial activity of the IFGF of Los Angeles, California, the various IFGF churches and the associated overseas partners are not incorporated with WorldHarvest.

WorldHarvest is exempt from income tax under Internal Revenue Code Section 501(c)(3). In addition, WorldHarvest qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). WorldHarvest is also exempt from state income tax under section 23701d of the California Revenue and Taxation Code.

Individuals, churches, and other nonprofit corporations throughout the United States support WorldHarvest. A portion of WorldHarvest's support comes from 22-member church congregations and eight satellites of these churches of the IFGF in the United States. These churches generally remit 4% of their total receipts excluding capital funds, bequests, and restricted contributions to WorldHarvest.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

WorldHarvest uses accrual basis accounting and also follows the standards of Accord Network, formally known as Association of Evangelical Relief and Development Organizations (AERDO), in recording gifts-in-kind.

Promises receivable

Unconditional promises to give are recognized as revenue or gains in the period received as either assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There are no such receivables at December 31, 2019 or 2018.

WorldHarvest uses the allowance method to determine uncollectible unconditional promises receivable. The allowance method is based on prior years' experience and management's analysis of specific promises made.

WORLDHARVEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Office equipment

Equipment is capitalized at cost, or estimated fair market value at date of gift, and depreciated on a straight-line basis over the estimated useful lives of 3 to 5 years for equipment.

Absent donor directions regarding how long those donated assets must be maintained, WorldHarvest reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Functional allocation of expenses

The cost of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefits primarily on estimates of time and effort.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated on the basis estimates of time and effort.

Contributions, restricted contributions, and reclassifications

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

Classes of net assets

Net assets without restrictions include amounts available to be used at the discretion of the board of directors in the organization's programs and operations and those resources invested in equipment. Net assets with restrictions on a temporary basis are those that are restricted by donors for specific operating purposes. Net assets with permanent restrictions are those that represent endowments where it is stipulated by donors that the principal remain in perpetuity and only the income is available for use in unrestricted or temporarily restricted purposes in accordance with donor intentions. All donations are considered available for unrestricted use unless specifically restricted by the donor.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributed services and products

In 2019 and 2018, approximately \$820 and \$3,833 of school supplies were contributed to WorldHarvest respectively. There were no contributed services of a professional nature contributed in 2019 and 2018. Additionally, not reflected in these financial statements are many hours of service volunteered to WorldHarvest by persons assisting WorldHarvest's programs in capacities, which are not of a professional nature.

WORLDHARVEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Cash

Cash is cash in bank checking and savings accounts.

3. ACCOUNTS RECEIVABLE - IFGF CHURCH

The accounts receivable is due from the Los Angeles IFGF for ministry expense reimbursements. Management of WorldHarvest expected all amounts will be collected within a year so no allowance for uncollectible accounts is needed.

4. PREPAID RENT – IFGF CHURCH

An agreement, dated March 1, 2016, with the Los Angeles IFGF church modified a note receivable.

The agreement reclassified the note receivable from the Los Angeles IFGF church to prepaid rent to be utilized over the period of March 1, 2016 to March 1, 2024 for space occupied by WorldHarvest. WorldHarvest records monthly rent expense of \$1,300. The prepaid rent is amortized assuming a 6% interest rate. The equivalent of a principal payment reduces the asset. The interest element is recorded as interest income on a monthly basis.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes for the years ended December 31:

<u>Program</u>	<u>2019</u>	<u>2018</u>
Disaster relief	\$9,612	\$ 9,612
Sponsor a child	---	5,782
Special projects	---	14,294
Summer Missions	<u>7,583</u>	<u>5,782</u>
Total	<u>\$17,195</u>	<u>\$42,185</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors as follows for the years ended December 31:

<u>Program</u>	<u>2019</u>	<u>2018</u>
Ministry in South America	\$ ---	\$ 7,856
Disaster relief	300	30,254
Sponsor a child	221,532	224,824
Special projects	14,294	79,206
Summer Missions	4,614	19,978
Harvest International Curriculum	----	4,049
Total	<u>\$240,740</u>	<u>\$366,167</u>

6. OPERATING LEASE

The monthly rental rate is \$1,300 from March 1, 2016 to March 1, 2024. Rent is not paid in cash because the \$100,000 note receivable was converted to prepaid rent and will be amortized as monthly rent. Therefore, no future rent schedule is presented. Rent expense for the years ended December 31, 2019 and 2018 was \$15,600 and \$15,600 respectively.

WORLDHARVEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

7. SPECIAL EVENT

During the year ended December 31, 2018 WorldHarvest conducted a benefit dinner event. Support received from this event was \$5,241 of contributions less \$6,618 in direct benefits provided to participants. All costs related to publicity, travel, related salaries, and administration of these events have been included in fundraising expenses. There was no special event in 2019.

8. CONCENTRATIONS

WorldHarvest maintains cash in banks located in Southern California. The deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2019 \$40,425 was in excess of insurance limits based on bank balances for the year ended December 31, 2019. At December 31, 2018 there were no amounts in excess of insured limits based on actual bank balances. At times during the years ended December 31, 2019 and 2018 amounts did exceed insured limits. In addition, approximately 64% of 2019 and 63% of 2018 donations came from California sources. For the year ended December 31, 2019 one small business gave approximately 30% of total income. For the year ended December 31, 2018 one individual donor gave approximately 12% of total income.

9. LIQUIDITY AND AVAILABILITY

Financial assets are considered to be available for general expenditure if there are no donor or other restrictions that would preclude use for general expenditures. At December 31, 2019 and 2018 financial assets available for general expenditure within one year are comprised of the following:

	<u>2019</u>	<u>2018</u>
Cash	\$315,882	\$197,037
Account receivable	9,608	13,108
Employee advance	---	<u>2,501</u>
Total financial assets	325,490	212,646
Less: temporarily restricted net assets at year end	<u>(17,195)</u>	<u>(42,185)</u>
Total liquid assets available for general expenditures	<u>\$308,295</u>	<u>\$170,461</u>

To manage liquid assets WorldHarvest establishes an annual budget that plans to not spend any reserves. This maintains cash balance sufficient to provide cash for all general expenditures for the year.

10. EVALUATION OF SUBSEQUENT EVENTS

WorldHarvest has evaluated subsequent events through May 20, 2020, the date which the financial statements were available to be issued, and there is one subsequent event to report. WorldHarvest has been affected by the COVID-19 pandemic. Management believes WorldHarvest has sufficient reserves to survive the COVID-19 crisis. At the date of these financial statements donations to WorldHarvest have not dropped off in any significant way. A loan of \$25,000 was obtained from the U.S. Small Business Administration under the Paycheck Protection Program (PPP). The interest rate is 1% per annum. Management believes a significant portion of the loan will be forgiven under the PPP loan expenditure and forgiveness guidelines.