



## **CHILD FOUNDATION**

Financial Statements  
As of and for the Year Ended  
May 31, 2022  
With Independent Auditor's Report

**CHILD FOUNDATION**  
**AS OF AND FOR THE YEAR ENDED MAY 31, 2022**  
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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Child Foundation  
Portland, Oregon

### Opinion

We have audited the accompanying financial statements of Child Foundation (a nonprofit organization), which comprise the statement of financial position as of May 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

### Basis for Opinion

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

### Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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



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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

*Perkins & Company, P.C.*

Portland, Oregon

May 31, 2023

**CHILD FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**MAY 31, 2022**

**ASSETS**

Cash and cash equivalents	\$ 2,282,540
Restricted cash	83,300
Investments	85,000
Contributions receivable	45,612
Other receivables	14,215
Prepaid expenses	15,128
Property and equipment, net	560,124
	<u>\$ 3,085,919</u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES:**

Accounts payable	24,515
Accrued payroll and benefits	78,191
Accrued direct program aid	881,497
Refundable advances	83,300
	<u>1,067,503</u>

**NET ASSETS:**

Net assets without donor restrictions:	
Available for programs and general expenditures	1,665,921
Board designated for creation of endowment	21,700
	<u>1,687,621</u>
Net assets with donor restrictions	330,795
	<u>2,018,416</u>
	<u>\$ 3,085,919</u>

See notes to financial statements.

**CHILD FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED MAY 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND NET ASSETS</b>			
<b>RELEASED FROM RESTRICTIONS:</b>			
Contributions	\$ 645,220	\$ 3,498,848	\$ 4,144,068
In-kind contributions	500,000	-	500,000
PPP Loan forgiveness	142,500	-	142,500
Interest income	3,697	-	3,697
Other income	750	-	750
Net assets released from restrictions	<u>3,484,179</u>	<u>(3,484,179)</u>	<u>-</u>
Total revenues and net assets released from restrictions	4,776,346	14,669	4,791,015
<b>EXPENSES:</b>			
Program services	3,943,611	-	3,943,611
Management and general	449,110	-	449,110
Fundraising	<u>249,272</u>	<u>-</u>	<u>249,272</u>
Total expenses	4,641,993	-	4,641,993
<b>INCREASE IN NET ASSETS</b>	<u>134,353</u>	<u>14,669</u>	<u>149,022</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,553,268</u>	<u>316,126</u>	<u>1,869,394</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 1,687,621</u></u>	<u><u>\$ 330,795</u></u>	<u><u>\$ 2,018,416</u></u>

See notes to financial statements.

**CHILD FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED MAY 31, 2022**

	Program Services	General and Administrative	Fundraising	Total
<b>EXPENSES:</b>				
Direct program aid	\$ 2,948,624	\$ -	\$ -	\$ 2,948,624
Payroll and related costs	687,266	236,547	204,005	1,127,818
Legal fees	67,812	33,139	-	100,951
Professional fees	55,343	37,362	1,128	93,833
Bank fees	62,857	7,222	16,366	86,445
Information technology	24,339	9,055	7,430	40,824
Printing	36,933	472	407	37,812
Audit and accounting	-	35,119	-	35,119
Depreciation and amortization	10,394	3,577	3,085	17,056
Repairs and maintenance	9,758	2,830	1,067	13,655
Internet and telephone	7,960	3,281	2,363	13,604
Small equipment	1,130	9,784	156	11,070
Outreach events	8,270	-	2,321	10,591
Advertising	3,810	3,380	2,686	9,876
Insurance	1,742	3,723	517	5,982
Postage	3,895	985	849	5,729
Compliance	-	-	5,595	5,595
Supplies	4,131	648	560	5,339
Utilities	3,424	804	674	4,902
Travel	3,485	-	-	3,485
Web design	1,712	73	63	1,848
Training	226	1,431	-	1,657
Licenses and fees	-	1,135	-	1,135
Miscellaneous	500	58,543	-	59,043
	<u>\$ 3,943,611</u>	<u>\$ 449,110</u>	<u>\$ 249,272</u>	<u>\$ 4,641,993</u>
Total expenses	<u>\$ 3,943,611</u>	<u>\$ 449,110</u>	<u>\$ 249,272</u>	<u>\$ 4,641,993</u>

See notes to financial statements.

**CHILD FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED MAY 31, 2022**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Increase in net assets	\$ 149,022
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Depreciation and amortization	17,056
In-kind contribution of land	(500,000)
Gain on sale of land	(11,000)
PPP Loan forgiveness	(142,500)
Changes in operating assets and liabilities that increased (decreased) cash:	
Contributions receivable	(23,962)
Other receivables	(14,075)
Prepaid expenses	4,002
Accounts payable	21,659
Accrued payroll and benefits	(21,380)
Accrued direct program aid	<u>(2,588,546)</u>
Net cash used in operating activities	<u>(3,109,724)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES-**

Proceeds from sale of land	511,000
Purchases of property and equipment	<u>(179,781)</u>
Net cash provided by investing activities	<u>331,219</u>

**NET DECREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH**

(2,778,505)

**CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR**

5,144,345

**CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR**

\$ 2,365,840

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION-**

Noncash financing transaction-	
In-kind contribution of land	<u><u>\$ 500,000</u></u>

The following provides a reconciliation of cash and cash equivalents and restricted cash reported as a combined total in the statement of cash flows:

Cash and cash equivalents	\$ 2,282,540
Restricted cash	83,300
	<u><u>\$ 2,365,840</u></u>

See notes to financial statements.



**CHILD FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2022**

**NOTE 1 – NATURE OF ORGANIZATION**

Child Foundation (the Foundation), an Oregon nonprofit corporation formed in 1994, has no political, religious, ethnic, or racial affiliations. The Foundation supports social service work primarily in five countries as follows:

**Iran** - The Foundation matches supporters from the United States of America (the U.S.) and other countries with disadvantaged children who need assistance in order to stay in school. The children and their families are identified by a non-governmental humanitarian organization in Iran, Bonyad-e Koodak (formerly Refah Koodak), and are then referred to the Foundation. As of May 31, 2022, there were 10,614 active sponsorships.

During the year ended May 31, 2020, the Foundation was informed by the Office of Foreign Assets Control (OFAC) that the license to send \$3,000,000 in cash per year to Iran for the purpose of providing financial and material support to sponsored children in Iran was not renewed. The Foundation's legal counsel believes the Foundation is not prohibited to deliver food to Iranian children because food exports to Iran for humanitarian purposes does not require an OFAC license. Therefore, the Foundation initiated a food package delivery program in lieu of cash disbursements to the sponsored children in Iran. The Foundation's legal counsel informed OFAC of the food package program for continued support of the sponsored children in Iran through a voluntary disclosure submittal.

In accordance with OFAC General License E, the Foundation is authorized by OFAC to send \$500,000 in cash annually to Iran for activities related to non-commercial reconstruction projects in response to natural disasters. Total cash amounts transferred to Iran in accordance with OFAC General License E during the year ended May 31, 2022, totaled \$258,742.

OFAC General License G authorizes the exportation of educational services to Iran to combat illiteracy, increase access to education, and assist in educational reform projects. During the year ended May 31, 2022, the Foundation established the Iran Education Fund to provide ongoing support to Iranian sponsored children. Through the Iran Education Fund, the Foundation provides children with laptops, tablets, backpacks, school supplies, and internet access. Total cash amounts transferred to Iran in accordance with OFAC General License G during the year ended May 31, 2022, totaled \$1,167,475.

In December 2022, the Foundation was notified by OFAC that its Iranian Transactions and Sanctions Regulations ("ITSR") License was reinstated. The Foundation is now authorized to send up to \$4,000,000 per year to Iran for the purposes described above, subject to certain conditions and quarterly reporting requirements.

**Afghanistan** - The Foundation matches supporters in the U.S. and other countries with disadvantaged children in Afghanistan who need assistance in order to stay in school. As of May 31, 2022, there were 1,030 active sponsorships. In addition to the sponsorship program in Afghanistan, the Foundation supports a thalassemia clinic.

**Indonesia** - The Foundation provides support to needy children, enabling them to continue their education. The Foundation supported 56 active sponsorships during the year ended May 31, 2022. This support has been through voluntary efforts of local social workers.

**Nepal** - The Foundation works with Empower Nepali Girls Foundation, a U.S. 501(c)(3) organization, in Nepal, matching supporters with children there. During the year ended May 31, 2022, the Foundation provided support for 46 girls in Nepal, regardless of whether sponsors were identified.

**Cambodia** - The Foundation works with Angkor Kids Center, a private non-profit organization that provides education to needy children in rural areas of Cambodia. There were 61 active sponsorships during the year ended May 31, 2022.

The Foundation also assists with medical expenses for surgeries and other medical treatment for individual children who are referred by its partner social service agencies. When earthquakes, mudslides, and other natural disasters occur, the Foundation organizes support and sends relief to the affected areas through its partner social service agencies. The Foundation also provided care packages to families impacted by the pandemic caused by the novel coronavirus (COVID-19).

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation** - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as defined by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). Under the accrual basis of accounting, revenue is recognized when earned regardless of when collected, and expenses are recognized when the obligation is incurred regardless of when paid.

**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 and disclosures. Accordingly, actual results could differ from those estimates.

**Subsequent Events** - The Foundation has evaluated subsequent events through May 31, 2023 (the date the financial statements were available to be issued).

**Net Asset Classifications** - Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Without donor restrictions* - These net assets are not subject to donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Net assets without donor restrictions are those currently available for use, or at the discretion of the Board of Directors (the “Board”) for the Foundation’s use.

*With donor restrictions* - These net assets are subject to donor-imposed stipulations, which limit their use to a specific purpose and/or the passage of time, or which require them to be maintained in perpetuity. As of May 31, 2022, net assets with donor restrictions were restricted for unsponsored children and other relief.

**Cash and Cash Equivalents and Restricted Cash** - The Foundation considers all highly liquid investments having initial maturities of three months or less to be cash equivalents. Restricted cash consists of donor contributions restricted for the creation of an endowment.

As of May 31, 2022, included within cash equivalents was \$403,523 held in a Coinbase account, a cryptocurrency exchange platform. The Foundation's Coinbase account is primarily comprised of fiat-collateralized stablecoins which maintain a stable exchange rate of one U.S. Digital Coin ("USDC") to one U.S. Dollar ("USD") and can be exchanged to USD at any point in time. The Foundation does not use the Coinbase account for any investment or trading purposes.

**Reclassifications** - The May 31, 2021 balance of cash and cash equivalents and restricted cash reported on the statement of cash flows includes an amount that has been reclassified for consistency with the current year presentation. The balance reclassified to cash equivalents as of May 31, 2021 was \$734,228 held in the Coinbase account, as discussed above. This reclassification had no effect on the reported amounts of net assets or results of operations as of and for the year ended May 31, 2021.

**Fair Value Measurements** - Fair value is 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. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

*Level 1* – Inputs based on quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

*Level 2* – Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability, developed based on market data obtained from sources independent from the entity.

*Level 3* – Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

**Contributions Receivable** - Contributions receivable are recorded at the amount the Foundation expects to receive from donors. All amounts are expected to be collected within one year from the date of the unconditional promise to give. The Foundation performs ongoing reviews of contributions receivable for collectability and records an allowance for uncollectable amounts if there are balances deemed to be at risk. As of May 31, 2022, no allowance was considered necessary.

**Property and Equipment** - Purchases of property and equipment greater than \$1,000 are capitalized at cost if purchased and at estimated fair value on the date of receipt if donated. Maintenance costs are charged to expense as incurred.

Depreciation and amortization is computed using the straight-line method over the following estimated useful lives:

Furniture and equipment	5 to 10 years
Buildings and improvements	10 to 25 years
Software and website	5 years

**Impairment of Long-Lived Assets** - Long-lived assets are reviewed for impairment at the asset group level whenever events or changes in circumstances indicate that the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which the carrying amount of the asset group exceeds fair value, if the carrying amount of the asset group is not recoverable.

**Investments** - Investments are comprised of annuities, recorded at contract value, which approximates fair value, provided by the insurance company based on level 2 inputs and a pricing model that incorporates available trade, bid, and other market information. Investment transactions are recorded on the trade date and investment income is recorded when earned. Realized gains and losses are recorded as the difference between historical cost and the proceeds received from the sale of the investment. Unrealized gains and losses are recorded for the change in fair value of investments between reporting periods. Realized and unrealized gains or losses, interest, and dividends are reported net of related fees, in the statement of activities.

**Accrued Direct Program Aid** - The Foundation records a liability and corresponding program expense for direct program aid at the point in time when the funds are committed to the partner organizations abroad.

**Contributions** - The Foundation recognizes contributions when cash, securities, other assets, or unconditional promises to give are received. All contributions are recorded at their fair value and are considered to be available for operations unless specifically restricted by the donor. Unconditional promises to give cash and other assets are reported as net assets with donor restrictions, if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or restricted purpose is accomplished, the related restricted net assets are reclassified to net assets without donor restrictions. This is reported in the statement of activities as net assets released from restrictions. Conditional promises to give, defined as those with a measurable performance or other barrier and a right to return, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Consequently, at May 31, 2022, contributions totaling \$83,300, respectively, have not been recognized as contributions in the accompanying statement of activities because the conditions on which they depend have not been met. These funds are conditioned on the Foundation formalizing a donor-restricted endowment, which has not been implemented as of May 31, 2022. These conditional contributions are reported as refundable advances in the accompanying statement of financial position.

**Donated Goods and Services** - The Foundation, at times, receives various forms of in-kind contributions, as long as such contributions are deemed appropriate and in accordance with the Foundation's gift acceptance policies. During the year ended May 31, 2022, the Foundation received one in-kind contribution, a donation of land, which was valued at the fair market value based upon an appraisal and subsequent sale of the land within a short period of time. The contributed land was received without donor-restrictions and was sold within the same fiscal year.

Contributions of services are recognized at their estimated fair value if the services received (a) create or enhance non-financial assets and (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the statement of activities are offset by equal amounts included in expenses or additions to property and equipment.

**Advertising Costs** - Advertising costs are expensed as incurred and totaled \$9,876 during the year ended May 31, 2022.

**Functional Allocation of Expenses** - The costs of providing the Foundation's various program services and other activities have been allocated among the programs and supporting services benefited. The statement of functional expenses presents the natural classification detail of expenses by function. The statement of functional expenses reports certain categories of expenses that are attributable to more than one program or supporting service function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll and related costs, which are allocated on the basis of estimated time and effort.

**Income Taxes** - The Foundation is a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except to the extent of any unrelated business income. The Foundation did not incur any significant tax liabilities due to unrelated business income during the year ended May 31, 2022. The Foundation files Form 990 returns in the U.S. federal jurisdiction, and is subject to routine examinations of its returns. The Foundation has not paid any interest or penalties related to its income tax positions, and there are no audits for any tax periods in progress. Interest or penalties assessed by taxing authorities, if any, would be included with general and administrative expenses. The Foundation is not classified as a private foundation.

**Foreign Currency Translation** - Certain cash balances held in foreign bank accounts are translated into U.S. dollars using year-end exchange rates. Management has determined that adjustments resulting from translating foreign currency are not significant to the financial statements and have not separately disclosed this cumulative translation adjustment.

**Recently Issued Accounting Pronouncement** - In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases* (Topic 842), which requires the recognition of lease assets and lease liabilities by lessees for all leases, including leases previously classified as operating leases, and modifies the classification criteria and accounting for sales-type and direct financing leases by lessors. Leases continue to be classified as finance or operating leases by lessees and both classifications require the recognition of a right-of-use asset and a lease liability, initially measured at the present value of the lease payments in the statement of financial position. Interest on the lease liability and amortization of the right-of-use asset are recognized separately in the statement of activities for finance leases and as a single lease cost recognized on the straight-line basis over the lease term for operating leases. The standard is effective using a modified retrospective approach for fiscal years beginning after December 15, 2021 and early adoption is permitted. The Foundation is currently evaluating the impact the standard will have on its financial statements.

**Recently Adopted Accounting Pronouncement** - In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new standard requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of assets received, as well as how management determined the value of such contributions. The standard was effective for fiscal years beginning after June 15, 2021, and early adoption is permitted. During the year ended May 31, 2022, the Foundation elected to early adopt this standard, the effect of which did not have a significant impact on the Foundation's financial statements.

### NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation's financial assets available for general expenditure within one year consisted of the following at May 31, 2022:

Cash and cash equivalents	\$ 2,282,540
Contributions receivable	45,612
Other receivables	<u>14,215</u>
Total financial assets available for general expenditure within one year	<u><u>\$ 2,342,367</u></u>

Donor-restricted net assets that are temporarily restricted as to purpose have not been removed from the balance disclosed as available for general expenditure within one year, as those restrictions can and will be met as part of general operations within the next year.

As part of the Foundation's liquidity management, the Foundation structures its financial assets to be available as general expenditures, liabilities, and other obligations become due. The Board ensures the Foundation's financial stability by approving an annual budget prior to the start of each fiscal year. The Foundation maintains financial policies to ensure funds are allocated in a manner consistent with the mission of the organization.

### NOTE 4 – PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at May 31, 2022:

Furniture and equipment	\$ 35,547
Buildings and improvements	<u>216,733</u>
	252,280
Less accumulated depreciation and amortization	(85,301)
Website and software in-process	198,801
Land	<u>194,344</u>
	<u><u>\$ 560,124</u></u>

#### **NOTE 5 – CONCENTRATIONS OF CREDIT RISK**

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist primarily of cash and cash equivalents, and restricted cash, and investments. The Foundation places its cash and cash equivalents with a limited number of high-quality financial institutions and may exceed the amount of insurance provided on such deposits. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near-term could materially affect the amount reported in the statement of financial position. The Foundation does not maintain collateral for its receivables.

The Foundation's sponsorship program provides humanitarian assistance for children in Iran, Afghanistan, Indonesia, Nepal, and Cambodia. Changes in the political environment in those countries could disrupt those program activities.

#### **NOTE 6 – AFFILIATE GROUPS**

International affiliates consist of small groups of local individuals who have come together to support the Foundation's work. They are organized as independent nonprofit groups and are responsible for their own expenses and licensing in their home countries. They operate under covenant agreements with the Foundation. Occasionally, the Foundation provides support to their efforts and solicits contributions on their behalf. Contributions they raise are sent to the U.S. and the Foundation forwards them to the beneficiary program. The accounts and activities of these affiliates are not included in the accompanying financial statements.

#### **NOTE 7 – PAYCHECK PROTECTION PROGRAM LOAN**

In May 2021, the Foundation received a \$142,500 loan under the Paycheck Protection Program which was created through the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") and is administered by the U.S. Small Business Administration's ("SBA") (the "PPP Loan"). The PPP Loan had a fixed interest rate of 1% and was eligible for forgiveness by the SBA for the portion of loan proceeds used for payroll costs and other designated operating expenses (as defined) for up to eight weeks or, at the discretion of the borrower, twenty-four weeks (the "Covered Period"), provided at least 60% of loan proceeds were used for payroll costs and the Foundation met all necessary criteria as defined by the SBA. Payments were deferred until the earlier of (i) the date the SBA remitted to the lender the amount of forgiveness granted to the Foundation, or (ii) ten months after the last day of the Covered Period if the Foundation did not apply for loan forgiveness. In July 2021, the SBA granted the Foundation forgiveness for the PPP Loan, at which time the Foundation recognized the full amount to income.

#### **NOTE 8 – RELATED PARTY TRANSACTIONS**

During the year ended May 31, 2022, the Foundation received contributions from Board members totaling approximately \$25,000.

**NOTE 9 – CONTINGENCIES**

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic, which continues to spread throughout the world. While the disruption is expected to be temporary, there is uncertainty around the severity and duration. Therefore, while this issue may negatively impact the Foundation's business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time. Management is actively managing the business to maintain the Foundation's cash flow and believes that the Foundation has adequate liquidity.