

SOS Children's Villages USA, Inc.

Audited Financial Statements

*Years ended December 31, 2019 and 2018  
with Report of Independent Auditors*

SOS Children's Villages USA, Inc.

Audited Financial Statements

Years ended December 31, 2019 and 2018

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## Report of Independent Auditors

Board of Directors  
SOS Children's Villages USA, Inc.  
Washington, DC

We have audited the accompanying financial statements of SOS Children's Villages USA, Inc. ("the Organization") which comprise the statement of financial position as of December 31, 2019 and the related statement of activities and changes in net assets, functional expenses and cash flows for year 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***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 over financial reporting. 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 the Organization as of December 31, 2019 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.

***Emphasis of Matter- Going Concern***

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 11 to the financial statements, the Organization has suffered recurring losses from operations, and has stated that substantial doubt exists about the Organization's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

***Other Matter-2018 Audited Financial Statements***

The Financial Statements of the Organization for the year ended December 31, 2018, we audited by another auditor who expressed an unmodified opinion on those statements on September 30, 2019.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Park Ridge, Illinois  
November 30, 2020

SOS Children's Villages USA, Inc.

Statements of Financial Position

	December 31,	
	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 4,189,744	\$ 1,582,423
Short term investments	62,427	794,181
Contributions receivable, net	188,064	445,307
Prepaid expenses and other assets	<u>123,764</u>	<u>132,904</u>
Total current assets	4,563,999	2,954,815
<b>Non-current assets</b>		
Fixed assets		
Property and equipment	807,845	801,183
Less: accumulated depreciation	<u>(649,543)</u>	<u>(583,923)</u>
	158,302	217,260
Investments	501,646	2,531,466
Contributions receivable, net	-	149,041
Deposits	50,888	50,888
Cash surrender value of life insurance	<u>62,162</u>	<u>61,028</u>
Total assets	<u>\$ 5,336,997</u>	<u>\$ 5,964,498</u>
<b>Liabilities and net assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 893,081	\$ 669,192
Deferred lease benefit	170,071	226,531
Grants payable	<u>3,926,843</u>	<u>4,032,207</u>
Total liabilities	4,989,995	4,927,930
<b>Net assets</b>		
Without donor restriction	(410,934)	337,989
With donor restriction	<u>757,936</u>	<u>698,579</u>
Total net assets	<u>347,002</u>	<u>1,036,568</u>
Total liabilities and net assets	<u>\$ 5,336,997</u>	<u>\$ 5,964,498</u>

See accompanying notes to the financial statements.

SOS Children's Villages USA, Inc.

Statements of Activities and Changes in Net Assets

Year ended December 31, 2019

	Without donor restrictions	With donor restrictions	Total
<b>Revenue</b>			
Contributions	\$ 4,963,894	\$ 5,254,931	\$ 10,218,825
Special events income, net	26,042	-	26,042
Recoverable grants	533,234	-	533,234
Investment income	124,096	-	124,096
Other income	89,647	-	89,647
Net assets released from restrictions	<u>5,195,574</u>	<u>(5,195,574)</u>	<u>-</u>
Total revenue	10,932,487	59,357	10,991,844
<b>Expenses</b>			
Program expenses			
Children's villages & programs	7,549,329	-	7,549,329
Education and advocacy	<u>1,774,568</u>	<u>-</u>	<u>1,774,568</u>
Total program expenses	9,323,897	-	9,323,897
Supporting expense			
Management and general	1,173,590	-	1,173,590
Fundraising	<u>1,183,923</u>	<u>-</u>	<u>1,183,923</u>
Total supporting expenses	<u>2,357,513</u>	<u>-</u>	<u>2,357,513</u>
Total expenses	<u>11,681,410</u>	<u>-</u>	<u>11,681,410</u>
Change in net assets	(748,923)	59,357	(689,566)
Net assets, beginning of the year	<u>337,989</u>	<u>698,579</u>	<u>1,036,568</u>
Net assets, end of the year	<u>\$ (410,934)</u>	<u>\$ 757,936</u>	<u>\$ 347,002</u>

See accompanying notes to the financial statements.

SOS Children's Villages USA, Inc.

Statements of Activities and Changes in Net Assets

Year ended December 31, 2018

	Without donor restrictions	With donor restrictions	Total
<b>Revenue</b>			
Contributions	\$ 5,150,527	\$ 5,252,593	\$ 10,403,120
Special event income, net	93,773	-	93,773
Investment income	28,000	-	28,000
Other income	210,002	-	210,002
Net assets released from restrictions	<u>5,539,022</u>	<u>(5,539,022)</u>	<u>-</u>
Total revenue	11,021,324	(286,429)	10,734,895
<b>Expenses</b>			
Program expenses			
Children's villages & programs	8,293,871	-	8,293,871
Education and advocacy	<u>1,963,902</u>	<u>-</u>	<u>1,963,902</u>
Total program expenses	10,257,773	-	10,257,773
Supporting expenses			
Management and general	800,222	-	800,222
Fundraising	<u>1,224,399</u>	<u>-</u>	<u>1,224,399</u>
Total supporting expenses	<u>2,024,621</u>	<u>-</u>	<u>2,024,621</u>
Total expenses	<u>12,282,394</u>	<u>-</u>	<u>12,282,394</u>
Change in net assets	(1,261,070)	(286,429)	(1,547,499)
Net assets, beginning of year	<u>1,599,059</u>	<u>985,008</u>	<u>2,584,067</u>
Net assets, end of year	<u>\$ 337,989</u>	<u>\$ 698,579</u>	<u>\$ 1,036,568</u>

See accompanying notes to the financial statements.

SOS Children's Villages USA, Inc.

Statement of Functional Expenses

Year ended December 31, 2019

	<u>Children's Villages and Programs</u>	<u>Education and Advocacy</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
Salaries	\$ 601,858	\$ 259,038	\$ 860,896	\$ 343,271	\$ 391,273	\$ 734,544	\$ 1,595,440
Benefits	132,511	57,032	189,543	75,578	86,147	161,725	351,268
Staff travel	11,722	37,652	49,374	6,686	8,634	15,320	64,694
Board of director's meetings	1,303	561	1,864	743	847	1,590	3,454
Office expense	10,498	5,991	16,489	5,988	35,051	41,039	57,528
Postage and delivery	8,133	3,515	11,648	4,638	5,287	9,925	21,573
Professional fees and services	93,123	89,567	182,690	53,113	177,347	230,460	413,150
Insurance	16,449	7,080	23,529	9,382	10,694	20,076	43,605
Office rent and storage	98,816	42,530	141,346	56,360	64,241	120,601	261,947
Telephone	12,646	6,100	18,746	7,213	8,221	15,434	34,180
Equipment lease	13,684	5,890	19,574	7,805	8,896	16,701	36,275
Information technology and software	43,089	18,546	61,635	24,576	110,472	135,048	196,683
Depreciation	25,156	10,827	35,983	14,348	16,354	30,702	66,685
Membership fees	779,395	-	779,395	637	50	687	780,082
Direct marketing appeals	-	1,744	1,744	-	210,024	210,024	211,768
Public relations promotion	-	1,206,275	1,206,275	-	-	-	1,206,275
Village and other support grants	5,659,652	-	5,659,652	-	-	-	5,659,652
Bad debt	-	-	-	444,938	-	444,938	444,938
Miscellaneous	41,294	22,220	63,514	118,314	50,385	168,699	232,213
Total functional expenses	<u>\$ 7,549,329</u>	<u>\$ 1,774,568</u>	<u>\$ 9,323,897</u>	<u>\$ 1,173,590</u>	<u>\$ 1,183,923</u>	<u>\$ 2,357,513</u>	<u>\$ 11,681,410</u>

See accompanying notes to the financial statements.



SOS Children's Villages USA, Inc.

Statement of Functional Expenses

Year ended December 31, 2018

	<u>Children's Villages and Programs</u>	<u>Education and Advocacy</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
Salaries	\$ 645,325	\$ 590,682	\$ 1,236,007	\$ 481,814	\$ 432,393	\$ 914,207	\$ 2,150,214
Benefits	135,668	124,181	259,849	101,294	90,903	192,197	452,046
Staff travel	15,919	48,127	64,046	11,886	14,234	26,120	90,166
Board of director's meetings	1,380	1,263	2,643	1,031	924	1,955	4,598
Office expense	7,546	9,591	17,137	5,634	48,261	53,895	71,032
Postage and delivery	8,446	5,980	14,426	6,306	5,659	11,965	26,391
Professional fees and services	70,979	63,173	134,152	43,438	110,004	153,442	287,594
Insurance	13,315	12,188	25,503	9,941	8,922	18,863	44,366
Office rent and storage	78,941	72,256	151,197	58,939	52,893	111,832	263,029
Telephone	9,722	9,822	19,544	7,259	7,055	14,314	33,858
Equipment lease	11,580	10,600	22,180	8,646	7,759	16,405	38,585
Information technology and software	37,070	33,932	71,002	27,678	103,048	130,726	201,728
Depreciation	22,833	20,899	43,732	17,047	15,299	32,346	76,078
Membership fees	752,400	148	752,548	-	2,305	2,305	754,853
Direct marketing appeals	-	9,109	9,109	-	274,917	274,917	284,026
Public relations promotion	-	932,427	932,427	-	-	-	932,427
Village and other support grants	6,305,107	-	6,305,107	-	-	-	6,305,107
Miscellaneous	177,640	19,524	197,164	19,309	49,823	69,132	266,296
Total functional expenses	<u>\$ 8,293,871</u>	<u>\$ 1,963,902</u>	<u>\$ 10,257,773</u>	<u>\$ 800,222</u>	<u>\$ 1,224,399</u>	<u>\$ 2,024,621</u>	<u>\$ 12,282,394</u>

See accompanying notes to the financial statements.

SOS Children's Villages USA, Inc.

Statements of Cash Flows

	Years ended December 31,	
	<u>2019</u>	<u>2018</u>
<b>Cash flow from operating activities</b>		
Net change in net assets	\$ (689,566)	\$ (1,547,499)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	65,621	76,078
Change in fair value of investments	(76,628)	22,837
Bad debt	444,938	-
Changes in operating assets and liabilities:		
Contributions receivable	(38,654)	393,125
Notes receivable	-	244,128
Prepaid expenses and other assets	9,140	139,856
Cash surrender value of life insurance	(1,134)	(1,215)
Deposits	-	1,410
Accounts payable and accrued expenses	223,889	186,246
Deferred lease benefit	(56,460)	(54,367)
Grants payable	(105,364)	1,182,923
Net cash (used in) provided by operating activities	<u>(224,218)</u>	<u>643,522</u>
<b>Cash flow from investing activities</b>		
Purchases of investments and reinvested earnings	(76,869)	(11,000,387)
Proceeds from sale of investments	2,915,071	11,132,372
Net change in short-term investments	-	(457,018)
Purchase of equipment	<u>(6,663)</u>	<u>(24,172)</u>
Net cash provided by (used in) investing activities	2,831,539	(349,205)
<b>Cash flows from financing activities</b>		
Proceeds from loan repayment	<u>-</u>	<u>274,948</u>
Net cash flows provided by financing activities	<u>-</u>	<u>274,948</u>
Net change in cash and cash equivalents	2,607,321	569,265
Cash and cash equivalents, beginning of year	<u>1,582,423</u>	<u>1,013,158</u>
Cash and cash equivalents, end of year	<u>\$ 4,189,744</u>	<u>\$ 1,582,423</u>

See accompanying notes to the financial statements.

SOS Children's Villages USA, Inc.

Notes to Financial Statements

Years ended December 31, 2019 and 2018

**Note 1 - Organization and Nature of Activities**

*Organization*

SOS Children's Villages USA, Inc. (the Organization) supports the effort of SOS Children's Village International both in the USA and around the globe. SOS Children's Village International, a global federation, builds families for orphaned, abandoned and other vulnerable children in 135 countries. In the United States, villages are currently located in Florida and Illinois. Founded in 1949, we are the largest nonprofit federation in the world dedicated to the care of orphaned, abandoned and other vulnerable children. Through our family support and care programs, medical centers, schools and emergency relief efforts, SOS Children's Village impacts the lives of millions of children and families.

**Note 2 - Significant Accounting Policies**

*Basis of Accounting*

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") promulgated by the Financial Accounting Standards Board Accounting Standards Codification (ASC or the guidance).

*Adoption of Accounting Principle*

The Organization adopted the provisions of ASU 2018-08, *Clarifying the Scope and Accounting for Contributions Received and Contributions Made* (Topic 958). This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. There was no impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

*Use of Estimates*

Preparation of financial statements in accordance 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, and those differences could be material.

*Net Assets*

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose has been fulfilled, or both. The Organization does not have amounts that have been restricted by a donor in perpetuity as of December 31, December 31, 2019 and 2018.

SOS Children's Villages USA, Inc.

Notes to Financial Statements (Continued)

**Note 2 - Significant Accounting Policies (Continued)**

*Grants Payable*

The Organization records grants as liabilities upon approval by the Board of Directors. Grants payable are generally to affiliates of SOS-Kinderdorf International (KDI) and disbursed subsequent to board approval and the upon request of affiliates.

*Cash and Cash Equivalents*

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. At various times throughout the year cash and cash equivalents may exceed the federally insured limit; however, the Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

*Functional Allocation of Expenses*

The costs of program and supporting services activities have been summarized in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain categories of expenses are attributed to more than one program or supporting function, and therefore, require allocation on a reasonable basis that is consistently applied. Depreciation and amortization, salaries and wages, employee benefits, payroll taxes, office and educational expenses are allocated on the basis of estimates of time and effort.

*Subsequent Events*

The Organization has evaluated subsequent events for disclosure and recognition through November 30, 2020, the date on which these financial statements were available to be issued as further discussed in note 12.

*Fair Value Measurement and Disclosure*

Financial assets and liabilities are reported at fair value in the financial statements based on the framework established in the fair value measurement and disclosure accounting guidance. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under market conditions regardless of whether that price is directly observable or estimated using another valuation technique. The framework is based on input in the valuation and requires that observable inputs be used in the valuation when available. The disclosure of fair value estimates in the fair value accounting guidance includes a hierarchy based on whether significant valuation inputs are observable. In determining the level of the hierarchy, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect our significant assumptions. The three levels of the hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices including within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market corroborated inputs.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

SOS Children's Villages USA, Inc.

Notes to Financial Statements (Continued)

**Note 2 - Significant Accounting Policies (Continued)**

*Fair Value Measurement and Disclosure (continued)*

In some cases, the inputs used to measure the fair value of an asset or liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability.

Fair values are based on quoted market prices when available (Level 1). When market prices are not available, fair value is generally estimated using current market inputs for similar financial instruments with comparable terms and credit quality, commonly referred to as matrix pricing (Level 2). In instances where there is little or no market activity for the same or similar instruments, estimates fair value using methods, models and assumptions that management believes are relevant to the particular asset or liability. This may include discounted cash flow analysis or other income based approaches (Level 3). These valuation techniques involve some level of management estimation and judgment. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model or input used and are reflective of the assumptions that market participants would use in valuing assets or liabilities.

*Investments*

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Subsequent to initial recording investments are reported at their fair values in the statements of financial position. Net investment return or loss is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

*Contributions Receivable*

Contributions, including unconditional promises to give, are recorded when received. Contributions are considered to be available for unrestricted use unless specifically restricted by donors. Unconditional promises to give due in the next year are recorded at their net realizable value which approximates fair value. Unconditional promises to give due in more than one year are reported at fair value, on a nonrecurring basis, using the present value technique and are determined to be level 2 within the fair value hierarchy. The Organization selects a risk-adjusted discount interest rate designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discount is included in contribution revenue in the statement of activities and changes in net assets.

The Organization establishes an allowance for doubtful accounts for receivables based on a review by management of the likelihood of collectibility. Management records adjustments as necessary to bad debt expense for uncollectible receivables. These adjustments are reflected in the statements of activities and changes in net assets in the period written off. For the years ended December 31, 2019 and 2018, \$444,938 and \$0, respectively has been recorded as bad debt expense.

SOS Children's Villages USA, Inc.

Notes to Financial Statements (Continued)

**Note 2 - Significant Accounting Policies (Continued)**

*Contributions*

Contributions received are recorded as revenues without donor restriction or with donor restriction based on the existence or nature of any donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and are reported in the statements of activities and changes in net assets as net assets released from restrictions. Grants awarded for which all requirements for payment have not been met are recorded as recoverable grants in the statement of activities and changes in net assets in the year management determines no further obligation exist.

*In-Kind Contributions*

Contributed goods are recorded at fair value at the date of donation and primarily consists of radio and billboard advertisements directed towards educating the general public about orphaned children and the role parents play in their development.

*Income Taxes*

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation. The Organization is subject to income tax on any unrelated business income less applicable deductions. The Organization determined that it was not required to record a liability related to uncertain tax positions.

*Property and Equipment*

Property and equipment are recorded at cost and depreciated on a straight line basis over the estimated useful lives of the assets (3-10 years). The Organization capitalizes all property and equipment purchases in excess of \$2,000 with a useful life greater than one year.

**Note 3 - Liquidity and Availability of Resources**

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

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 4,189,744	\$ 1,582,423
Short-term investments	62,427	794,181
Long-term investments	501,646	2,531,466
Contributions receivable	<u>188,064</u>	<u>445,307</u>
Total financial assets available within one year	4,941,881	5,353,377
Less amounts restricted by donor	<u>(104,231)</u>	<u>(549,538)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 4,837,650</u>	<u>\$ 4,803,839</u>

As part of our liquidity management plan, it structures its financial assets to be available as its obligations come due.

SOS Children's Villages USA, Inc.

Notes to Financial Statements (Continued)

**Note 4 - Investments and Fair Value Measurements**

The following table shows assets and liabilities measured at fair value on a recurring basis at December 31,

Fair Value Measurements at, December 31, 2019:

<u>Asset</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total</u>
Money market funds	\$ 14,531	\$ -	\$ -	\$ 14,531
Certificates of deposit	-	9,123	-	9,123
Corporate bonds	-	540,419	-	540,419
Total investments	<u>\$ 14,531</u>	<u>\$ 549,542</u>	<u>\$ -</u>	<u>\$ 564,073</u>

Fair Value Measurements at, December 31, 2018:

<u>Asset</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total</u>
Money market funds	\$ 833,605	\$ -	\$ -	833,605
Certificates of deposit	-	1,484,999	-	1,484,999
Corporate bonds	-	1,007,043	-	1,007,043
Total investments	<u>\$ 833,605</u>	<u>\$ 2,492,042</u>	<u>\$ -</u>	<u>\$ 3,325,647</u>

**Note 5 - Contributions Receivable**

Contributions receivable are estimated to be collected as follows as of December 31:

	<u>2019</u>	<u>2018</u>
Due within one year	\$ 543,002	\$ 445,307
Due within 1-5 years	-	151,657
	543,002	596,964
Less allowance for doubtful accounts	(354,938)	-
Less discount to present value	-	(2,616)
Contributions receivable, net	<u>\$ 188,064</u>	<u>\$ 594,348</u>

SOS Children's Villages USA, Inc.

Notes to Financial Statements (Continued)

**Note 6 - Property and Equipment**

Property and equipment consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 74,936	\$ 74,936
Leasehold improvements	363,427	363,427
Computer equipment	305,357	298,695
Website	<u>64,125</u>	<u>64,125</u>
	807,845	801,183
Less accumulated depreciation and amortization	<u>(649,543)</u>	<u>(583,923)</u>
	<u>\$ 158,302</u>	<u>\$ 217,260</u>

**Note 7 - Commitments**

**Lease**

The Organization leases office space under a non-cancelable lease agreement. The lease is subject to adjustments for escalations and certain operating expenses. Rent expense, including operating charges and real estate expense, amount to approximately \$260,000 and \$259,000, respectively for the years ended December 31, 2019 and 2018.

In May 2020, the Organization amended its lease agreement to occupy a reduced number of square footage in the same building. The amended lease requires the Organization to pay its proportionate share of operating expenses and real estate taxes and expires in 2031.

Future minimum lease payments are as follows:

<u>Years Ending December 31,</u>	
2020	\$ 235,148
2021	182,400
2022	186,048
2023	189,768
2024	193,560
Thereafter	<u>1,318,572</u>
<b>Total</b>	<u>\$ 2,305,496</u>

**Shared Treasury Services**

Effective December 31, 2016, the Organization entered into an arrangement with SOS-KDI Shared Treasury Services (STS) to manage grant funds transferred with the objective of mitigating financial risks to safeguard SOS-KDI funding obligations. Under the terms of this arrangement, the Organization commits to an annual budget of fund transfers that include sponsorships and other child money gifts. Such transfers are invested in trust with funds of other affiliated entities and remain the property of the Organization until it is disbursed to the intended recipient. Each participant of the trust is allocated its share of foreign exchange gains and losses, interest, and bank charges. During the years ended December 31, 2019 and 2018, the Organization earned approximately \$76,000 and \$184,000, respectively on the invested balance.



SOS Children's Villages USA, Inc.

Notes to Financial Statements (Continued)

**Note 8 - Retirement Plan**

The Organization maintains a 403(b) Defined Contribution Plan for all employees who have obtained a minimum of six months of service. The Organization contributes 5% of compensation for eligible employees. For the years ending December 31, 2019 and 2018, the Organization recorded contributions to the Plan of approximately \$80,000 and \$86,000, respectively.

**Note 9 - Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods:

	Balance December 31, 2018	Additions	Released	Balance December 31, 2019
Purpose restricted:				
International Sponsors	\$ -	\$ 1,126,870	\$ (1,126,870)	\$ -
International Grants	594,348	3,999,232	(3,939,875)	653,705
SOS Florida	-	40,521	(40,521)	-
SOS Illinois	-	88,308	(88,308)	-
Perpetual in nature	104,231	-	-	104,231
	<u>\$ 698,579</u>	<u>\$ 5,254,931</u>	<u>\$ (5,195,574)</u>	<u>\$ 757,936</u>
	Balance December 31, 2017	Additions	Released	Balance December 31, 2018
Purpose restricted:				
International Sponsors	\$ -	\$ 1,249,332	\$ (1,249,332)	\$ -
International Grants	880,777	3,997,096	(4,283,525)	594,348
SOS Florida	-	2,581	(2,581)	-
SOS Illinois	-	3,584	(3,584)	-
Perpetual in nature	104,231	-	-	104,231
	<u>\$ 985,008</u>	<u>\$ 5,252,593</u>	<u>\$ (5,539,022)</u>	<u>\$ 698,579</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the passage of time.

**Note 10 - Related Parties**

The Organization has \$62,600 and \$221,000 in pledges receivable from members of the board of directors as of December 31, 2019 and 2018, respectively.

SOS Children's Villages USA, Inc.

Notes to Financial Statements (Continued)

**Note 11 - Going Concern**

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. In accordance with GAAP, the Organization's management has evaluated and determined that there are conditions and events that raise substantial doubt about its ability to continue as a going concern within one year after the financial statements' issuance date. The Organization has suffered recurring losses from operations which raises doubt about the Organization's ability to continue as a going concern for one year from the date these financial statements were available to be issued. Management along with the Board of Directors have evaluated the financial condition of the Organization and have implemented the following plan:

- Reduction of operating expenses
- Negotiations to reduce or forgive significant obligations

However, there can be no assurance that the Organization will be successful in achieving its plan.

**Note 12 - Subsequent Events**

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. Because this event is early in development, there is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies.

In April 2020, the Organization applied for and received a loan in the amount of \$340,500 under the Paycheck Protection Program offered under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) signed into law on March 27, 2020. Per the interim Department of Treasury regulations for the CARES Act, the portions of this loan utilized by the Organization for Program authorized business purposes may be eligible for forgiveness.