

WORLD SERVE INTERNATIONAL
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2018

WORLD SERVE INTERNATIONAL
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For the Year Ended December 31, 2018

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FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

Independent Auditor's Report

To the Board of Directors
Worldserve International

We have audited the accompanying financial statements of Worldserve International (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the 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. 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.

Basis for Adverse Opinion

As described in Note 7 to the financial statements, Worldserve International does not fully consolidate its two foreign subsidiaries. Instead, investments in these companies are recorded as “Investment in Majitech.” Accounting principles generally accepted in the United States of America (“GAAP”) require that wholly-owned subsidiaries be fully consolidated into the parent organization’s financial statements but because the subsidiaries’ financial statements are prepared under International Financial Reporting Standards (“IFRS”), which is a financial reporting framework other than GAAP, they are not consolidated. The effects on the financial statements of these departures from GAAP are not reasonably determinable.

Adverse Opinion

In our opinion, because of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements referred to above do not present fairly the financial position of Worldserve International as of December 31, 2018, or the changes in its net assets or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Felix and Gloekler, P.C.

Felix and Gloekler, P.C.
Erie, Pennsylvania

November 8, 2019

WORLD SERVE INTERNATIONAL
STATEMENT OF FINANCIAL POSITION

December 31, 2018

ASSETS	<u>2018</u>
Current Assets	
Cash and Cash Equivalents	\$ 581,326
Accounts Receivable	748,733
Prepaid Expenses	<u>1,193</u>
Total Current Assets	<u>1,331,252</u>
Property and Equipment, net	23,139
Investment in Majitech	596,467
Investment in Carpenter Fund	<u>5,000</u>
Total Assets	<u><u>\$ 1,955,858</u></u>
 LIABILITIES & EQUITY	
Current Liabilities	
Accounts Payable	\$ 168,716
Accrued Liabilities	42,034
Line of Credit	<u>120,000</u>
Total Current Liabilities	<u>330,750</u>
Total Liabilities	<u>330,750</u>
Net Assets	
Net Assets Without Donor Restrictions	<u>1,625,108</u>
Total Liabilities & Equity	<u><u>\$ 1,955,858</u></u>

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

WORLD SERVE INTERNATIONAL
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

	2018
Support and Other Revenue	
Public Support	
Fundraising Events	\$ 307,350
Fundraising Event Costs	(467,728)
	(160,378)
Net Fundraising Event Income	(160,378)
Contribution Income - Other	3,178,394
	3,018,016
Total Public Support	
 Expenses	
Program Service Expenses	2,510,876
Support and Administrative Expenses	126,657
Marketing and Fundraising Expenses	443,290
	3,080,823
Total Expenses	
 Change in Net Assets Without Donor Restrictions	(62,807)
 Net Assets at Beginning of Year	1,687,915
	\$ 1,625,108
Net Assets at End of Year	

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

WORLD SERVE INTERNATIONAL
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

	2018
Cash Flows From Operating Activities	
Net Income (Loss) from Operations	\$ (62,807)
Adjustment to Reconcile Net Income to Net Cash Provided by Operating Activities	
Depreciation	15,427
Loss on Subsidiary	101,370
(Increase) Decrease in Accounts Receivable	(86,192)
Increase in Accounts Payable	27,876
Increase in Accrued Expenses	27,617
Total Adjustments	86,098
Net Cash Flows provided by Operating Activities	23,291
Cash Flows From Investing Activities	
Changes in Investments in Majitech, net	299,398
Net Cash From Investing Activities	299,398
Cash Flows From Financing Activities	
Borrowing on Line of Credit	120,000
Repayment on Line of Credit	(169,000)
Payments on Notes Payable	(139,313)
Net Cash From (Used In) Financing Activities	(188,313)
Net Increase in Cash	134,376
Cash and Cash Equivalents, Beginning of Year	446,950
Cash and Cash Equivalents, End of Year	\$ 581,326
<u>Supplemental Disclosures</u>	
Cash Paid During the Year for:	
Interest	\$ 5,299

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

WORLD SERVE INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Drilling and Other Program Costs	\$ 2,019,254	\$ -	\$ -	\$2,019,254
Loss on Subsidiary	101,370	-	-	101,370
Office Expense	2,713	283	176	3,172
Payroll Expenses	-	-	71,008	71,008
Officer Payroll	119,851	7,050	14,100	141,001
Employee Benefits/payroll taxes	36,413	1,624	11,948	49,985
Travel	99,364	4,206	8,459	112,029
Meals and Entertainment	15,247	802	2,092	18,141
Telephone/Internet	13,176	546	1,515	15,237
Bank Fees	-	2,644	-	2,644
Professional Fees - Legal	-	300	-	300
Professional Fees - Accounting	-	29,496	-	29,496
Conferences and Trips	-	-	121,487	121,487
Consultants Fees and Costs	102,888	31,915	128,153	262,956
Advertising	-	-	4,027	4,027
Insurance	-	1,431	36	1,467
Depreciation	-	15,427	-	15,427
Interest Expense	-	5,299	-	5,299
Board Travel and Expenses	-	23,061	-	23,061
Miscellaneous	600	2,573	168	3,341
Website Administration	-	-	14,416	14,416
Donation Processing	-	-	11,110	11,110
Promotional Materials	-	-	54,595	54,595
Total Expense	<u>\$ 2,510,876</u>	<u>\$ 126,657</u>	<u>\$ 443,290</u>	<u>\$3,080,823</u>

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

WORLD SERVE INTERNATIONAL
Notes to the Financial Statements
December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Organization are described below to enhance the usefulness of the financial statements to the reader.

A. Organization

These financial statements include the financial position and activity of Worldserve International. Its wholly-owned subsidiaries, MajiTech Engineering Limited (a Tanzanian company), and Majitech Kenya (a Kenyan company) are not consolidated. The Organization provides clean water, economic and agricultural assistance to the third world, primarily in East Africa, in the hopes of alleviating poverty and suffering. Its activities are primarily funded by donor contributions. Many of the Organization’s fundraising activities are conducted under the d/b/a Africa6000.

B. Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting, which generally recognizes revenue when earned and expenses when incurred.

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. During 2018, the Company had no net assets with donor restrictions. In addition, the Organization presents a statement of cash flows.

C. Cash Balances, Cash Equivalents and Concentration of Risk

The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Bank accounts were insured by the Federal Deposit Insurance Corporation up to \$250,000, per financial institution, at December 31, 2018. At December 31, 2018, bank balances included:

	<u>2018</u>
Domestic accounts - FDIC insured	\$ 454,375
Domestic accounts - in excess of FDIC insurance	94,333
Deposits in transit - not FDIC insured	24,206
Credit cards in process - not FDIC insured	<u>8,412</u>
	<u>\$ 581,326</u>

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. During 2018, no restricted contributions were received.

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

E. Concentration of Credit Risk

The Organization grants credit to its customers for drilling-related fees in the course of business, conducts periodic evaluations and generally requires no collateral. The Subsidiaries' cash receipts come generally from well-drilling in Tanzania and Kenya. Customers include government-type entities and not-for-profit organizations.

The maximum amount of loss due to credit risk, based on the gross fair value of the accounts receivable balance the Organization would incur if parties failed to perform according to the terms of the contracts, is limited to the balance in the accounts receivable account.

F. Property and Equipment

The Organization generally capitalizes property and equipment at cost. Expenditures for renewals and betterments greater than \$1,000 are generally capitalized; repairs and maintenance are expensed. Donated equipment is capitalized at its estimated fair value upon receipt. Depreciation of depreciable fixed assets is computed using the straight-line method over estimated useful lives beginning when the assets are placed in service.

G. Contributions

Contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence or nature of any donor restrictions. Contributions with donor restrictions are required to be reported as restricted support and are then reclassified to net assets without donor restrictions upon expiration of the donor restrictions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Contributed Services

Many individuals volunteer their time and perform a variety of tasks that assist the Organization in its administrative and fundraising activities. Since the value of these services is not determinable, and since similar services are typically provided to similar organizations, these services are not recognized in the financial statements.

I. Estimates

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

J. Income Tax Status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is determined to be other than a private foundation.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS, generally for three years after they were filed.

MajiTech Engineering Limited and Majitech Kenya Limited, the subsidiaries, are organized in foreign countries and are subject to income taxes in their home countries.

K. Sequencing on the Statement of Financial Position

Assets are sequenced according to the nearness of conversion to cash, and liabilities are sequenced according to the nearness of their maturity and resulting use of cash.

NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2018 consists entirely of pledges receivable, none of which are due from related parties. The Organization believes all of its pledges receivable will be collected within one year; therefore, a provision for uncollectible pledges is not included in the financial statements.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2018 consists of:

	<u>2018</u>
Office Equipment	\$ 4,394
Equipment	77,133
Less: Accumulated Depreciation	<u>(58,388)</u>
Net Property, Plant, and Equipment	<u>\$ 23,139</u>

Estimated useful lives are as follows:

Equipment	4 years
Office Furniture and Equipment	3-8 years

NOTE 4 – NOTE PAYABLE

The Organization has a \$300,000 line of credit with Central Bank of the Ozarks. The outstanding balance was \$120,000 as of December 31, 2018. The note is secured by the assets of the Organization. The current interest rate is 4.5%, and the entire outstanding balance is due in 2019.

NOTE 5 – ALLOCATION OF EXPENSES

Expenses are summarized and categorized based upon their functional classification as either program or supporting services. Specific expenses that are readily identifiable to the Organization's program are charged directly to that function. Certain other expense related to management and general administration or to fundraising are classified as supporting services.

Joint costs have been incurred in activities that include program activities, administration and fundraising. Certain expenses have been allocated between these functions based on management's estimate of percentage of time spent and other factors.

NOTE 6 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 8, 2019, the date which the financial statements were available to be issued.

NOTE 7 – INVESTMENT IN MAJITECH ENTITIES

Accounting principles generally accepted in the United States of America, require entities which have wholly owned subsidiaries to present consolidated financial statements. Because the Entity's subsidiaries are located in Tanzania and Kenya, and because the audited financial statements of the subsidiaries are prepared using International Financial Reporting Standards ("IFRS") which differ from accounting principles generally accepted in the United States of America, for the year ending December 31, 2018, Worldserve International did not present consolidated financial statements that include their two wholly owned subsidiaries. Rather, the Organization showed the investment at cost, adjusted for prior periods' net income and losses.

NOTE 8 – RELATED PARTY TRANSACTIONS

During 2018, Worldserve International paid its wholly owned subsidiaries \$168,656 for services. At the end of the year, Worldserve International owed their subsidiaries \$0.

NOTE 9 – IMPLEMENTATION OF NEW ACCOUNTING STANDARD

The financial statements presented above are presented in accordance with the adoption of FASB's Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The following information is required to be disclosed in accordance with this standard:

Availability of Financial Assets

The Organization has \$1,331,252 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of cash of \$581,326, receivables of \$748,733, and prepaid expenses of \$1,193. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the date of the statement of financial position.

Total Assets as of December 31, 2018:	\$ 1,955,858
Less those unavailable for general expenditure within one year:	
Investments in other entities	(601,467)
Fixed assets, net accumulated depreciation	<u>(23,139)</u>
Financial Assets available for use within one year	<u>\$ 1,331,252</u>

NOTE 9 – IMPLEMENTATION OF NEW ACCOUNTING STANDARD (CONTINUED)

Management and Liquidity of Financial Resources

The Organization has a goal to maintain unrestricted cash on hand to meet 30 days of normal operating expenses and maintains all excess cash in checking and money market accounts. To help manage unanticipated liquidity needs, the Organization has a committed line of credit in the amount of \$300,000, which it has drawn upon.