

WORLD SERVE INTERNATIONAL
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2022

WORLD SERVE INTERNATIONAL

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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

Opinion

We have audited the accompanying financial statements of Worldserve International (a nonprofit organization), which comprise the statement of financial position as of December 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of Worldserve International as of December 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 Worldserve International 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.

Responsibilities 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 Worldserve International's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditor's Report
Continued

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, including omissions, 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 GAAS, 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 Worldserve International'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 Worldserve International'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

Felix and Gloekler, P.C.

Felix and Gloekler, P.C.

Erie, Pennsylvania
August 1, 2023

WORLD SERVE INTERNATIONAL
Statement of Financial Position
December 31, 2022

ASSETS	<u>2022</u>
Current Assets	
Cash and Cash Equivalents	4,916,433
Note Receivable	<u>239,705</u>
Total Current Assets	<u>5,156,138</u>
Total Assets	<u>\$ 5,156,138</u>
LIABILITIES & EQUITY	
Current Liabilities	
Accounts Payable	663,527
Payroll Liabilities	3,634
Line of Credit	<u>600,000</u>
Total Current Liabilities	<u>1,267,161</u>
Total Liabilities	<u>1,267,161</u>
Net Assets	
Net Assets Without Donor Restrictions	<u>3,888,977</u>
Total Liabilities and Equity	<u>\$ 5,156,138</u>

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

WORLD SERVE INTERNATIONAL

Statement of Activities

For the Year Ended December 31, 2022

Support and Other Revenue	2022
Public Support	
Fundraising Events	479,260
Fundraising Event Costs	(677,494)
Net Fundraising Event Income	(198,234)
Contribution Income - Other	10,595,244
Total Public Support	10,397,010
Expenses	
Program Service Expenses	6,564,703
Administrative Expenses	280,997
Fundraising Expenses	592,133
Total Expenses	7,437,833
Change in Net Assets from Operations	2,959,177
Non-Operating Revenues / (Expenses)	
Investment Income	7,924
Other	20
Total Non-Operating Revenues / (Expenses)	7,944
Change in Net Assets Without Donor Restrictions	2,967,121
Net Assets at Beginning of Year, restated	921,856
Net Assets at End of Year	\$ 3,888,977

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

WORLD SERVE INTERNATIONAL
Statement of Cash Flows
For the Year Ended December 31, 2022

	2022
Cash Flows From Operating Activities	
Net Income (Loss) from Operations	\$ 2,959,177
Adjustment to Reconcile Net Income to Net Cash Provided by Operating Activities	
(Increase) Decrease in Accounts Receivable	(239,705)
Increase (Decrease) in Accounts Payable	507,120
Increase (Decrease) in Accrued Expenses	(1,577)
Total Adjustments	265,838
Net Cash Flows Provided by Operating Activities	3,225,015
Cash Flows From Investing Activities	
Other Revenue	20
Investment Income	7,924
Net Cash From Investing Activities	7,944
Cash Flows From Financing Activities	
Borrowing on Line of Credit	925,000
Repayment on Line of Credit	(595,000)
Net Cash From (Used In) Financing Activities	330,000
Net Increase in Cash	3,562,959
Cash and Cash Equivalents, Beginning, restated	1,353,474
Cash and Cash Equivalents, End of Year	\$ 4,916,433

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

WORLD SERVE INTERNATIONAL**Statement of Functional Expenses****For the Year Ended December 31, 2022**

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Drilling and Other Program Costs	\$ 5,755,536	\$ -	\$ -	\$ 5,755,536
Office Expense	9,017	15,162	1,050	25,229
Payroll Expenses	-	50,125	112,179	162,304
Officer Payroll	106,000	30,000	24,000	160,000
Employee Benefits/Payroll Taxes	40,279	13,988	16,852	71,118
Travel	235,435	4,441	9,204	249,081
Meals and Entertainment	35,344	28	7,020	42,392
Telephone/Internet	8,446	9,331	1,397	19,173
Bank Fees	-	5,890	3,368	9,259
Professional Fees	-	12,619	752	13,371
Conferences and Trips	-	-	53,755	53,755
Consultants Fees and Costs	374,550	40,250	300,052	714,852
Advertising	-	-	11,812	11,812
Insurance	-	1,431	48	1,479
Interest Expense	-	1,069	-	1,069
Board Travel and Expenses	-	48,036	-	48,036
Miscellaneous	-	48,627	250	48,877
Website Administration	-	-	26,625	26,625
Donation Processing	-	-	11,014	11,014
Promotional Materials	96	-	12,755	12,851
Total Expense	<u>\$ 6,564,703</u>	<u>\$ 280,997</u>	<u>\$ 592,133</u>	<u>\$ 7,437,833</u>

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

WORLD SERVE INTERNATIONAL
Notes to the Financial Statements
December 31, 2022

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. 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 2022, 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, 2022. At December 31, 2022, bank balances included:

	<u>2022</u>
Domestic accounts - FDIC insured	\$ 750,000
Domestic accounts - in excess of FDIC insurance	<u>5,814,990</u>
	<u>\$ 6,564,990</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 2022, no restricted contributions were received. All amounts are considered to be collectible within one year of the Statement of Financial Position date.

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. The organization has no fixed assets required to be reported as of December 31, 2022.

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

L. Advertising Costs

Advertising costs are expensed as incurred, and approximated \$11,000 during the year ended December 31, 2022.

M. Receivables and Credit Policies

Note receivables consist of amounts from a signed agreement. Determination of any allowance is considered annually or if default on note payments occurs.

NOTE 2 – LINE OF CREDIT

The Organization has a \$600,000 line of credit with Central Bank of the Ozarks. The outstanding balance was \$600,000 as of December 31, 2022. 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 2023.

NOTE 3 – 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 expenses 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 4 – RELATED PARTY TRANSACTIONS

The Organization has two related party transactions that are considered to be arm's length transactions, these are as follows:

The son of the President is currently a consultant and acting as Director of Operations. Amounts paid to him during 2022 amounted to \$108,300.

The Treasurer owns an LLC that handles the website maintenance of the Organization. Payments to this company during 2022 amounted to \$24,000.

There are no amounts due to or from either of the above-mentioned parties.

NOTE 5 – MANAGEMENT OF FINANCIAL RESOURCES AND LIQUIDITY

The financial statements 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 \$5,156,138 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of cash and equivalents of \$4,916,433 and of Accounts Receivables of \$239,705. 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.

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 maximum amount of \$600,000, which it has drawn upon.

NOTE 6 – RESTATEMENT OF NET ASSETS

Net assets of the organization were restated as of January 1, 2022, as a result of the following:

	<u>Net Assets</u>
Beginning Balance at January 1, 2022	\$ 1,047,403
Restated for consolidated entity activity	(125,547)
Restated Balance at January 1, 2022	<u>\$ 921,856</u>

NOTE 7 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 1, 2023, the date at which the financial statements were available to be issued.