

World Orphans and Subsidiary
(a nonprofit California corporation)
Colorado Springs, Colorado

Consolidated Financial Statements

December 31, 2025 and 2024



World Orphans and Subsidiary

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Independent Auditor's Report

To the Board of Directors
World Orphans and Subsidiary
Colorado Springs, Colorado

Opinion

I have audited the accompanying consolidated financial statements of World Orphans and Subsidiary (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, and the related consolidated statements of activities, functional expenses, and cash flow for the years then ended, and the related notes to the consolidated financial

In my opinion, the consolidated financial statements referred to above present fairly, in all material aspects, the financial position of World Orphans and Subsidiary as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section in my report. I am required to be independent of World Orphans and Subsidiary and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated 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 my 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 consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 World Orphans and Subsidiary'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about World Orphans and Subsidiary's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that I identified during the audits.

Independent Auditor's Report (continued)

Other Matters

Report on Supplementary Information

My audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Mountain West Advisors, LLC

Certified Public Accountant

Denver, Colorado
April 14, 2026

World Orphans and Subsidiary

Consolidated Statements of Financial Position

December 31	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,385,653	\$ 1,640,831
Investments	-	8,014
Accounts receivable	8,885	19,726
Pledge receivables, net	17,935	12,567
Inventory	50,199	23,004
Prepaid expenses	52,587	16,398
Total current assets	<u>1,515,259</u>	<u>1,720,540</u>
Property and Equipment		
Furniture and equipment	22,742	17,123
Website	24,272	24,272
Vehicles	9,295	4,695
	<u>56,309</u>	<u>46,090</u>
Less accumulated depreciation	(34,177)	(24,346)
	<u>22,132</u>	<u>21,744</u>
Total assets	<u>\$ 1,537,391</u>	<u>\$ 1,742,284</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 18,425	\$ 37,813
Accrued compensation and benefits	42,008	19,815
Total current liabilities	<u>60,433</u>	<u>57,628</u>
Net Assets		
Without donor restrictions	862,373	974,729
With donor restrictions	614,585	709,927
Total net assets	<u>1,476,958</u>	<u>1,684,656</u>
Total liabilities and net assets	<u>\$ 1,537,391</u>	<u>\$ 1,742,284</u>

World Orphans and Subsidiary

Consolidated Statement of Activities

Year ended December 31, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Support and Revenue			
Operating Support			
Grants and contributions	\$ 1,856,219	\$ 614,585	\$ 2,470,804
Non-cash donated securities	18,522	-	18,522
Donations from special events	847,455	-	847,455
Special events expenses	(136,671)	-	(136,671)
In-kind donations - goods	20,464	-	20,464
Net assets released from restrictions			
Satisfaction of purpose restrictions	697,360	(697,360)	-
Expiration of time restrictions	12,567	(12,567)	-
Total operating support	<u>3,315,916</u>	<u>(95,342)</u>	<u>3,220,574</u>
Operating Revenue			
Merchandise loss, net of costs of goods sold totaling \$56,279 for 2025	1,793	-	1,793
Total operating revenue	<u>1,793</u>	<u>-</u>	<u>1,793</u>
 Total operating support and revenue	<u>3,317,709</u>	<u>(95,342)</u>	<u>3,222,367</u>
Operating Expenses			
Program services	2,944,917	-	2,944,917
Supporting services			
General and administrative	312,490	-	312,490
Fundraising	216,756	-	216,756
Total operating expenses	<u>3,474,163</u>	<u>-</u>	<u>3,474,163</u>
 Total operating support and revenue in deficit of operating expenses	<u>(156,454)</u>	<u>(95,342)</u>	<u>(251,796)</u>
Other Changes			
Interest and dividends	42,317	-	42,317
Other income	1,832	-	1,832
Realized and unrealized loss on investments	(51)	-	(51)
Total other changes	<u>44,098</u>	<u>-</u>	<u>44,098</u>
 Change in Net Assets	(112,356)	(95,342)	(207,698)
 Net Assets, Beginning of Year	<u>974,729</u>	<u>709,927</u>	<u>1,684,656</u>
 Net Assets, End of Year	<u>\$ 862,373</u>	<u>\$ 614,585</u>	<u>\$ 1,476,958</u>

The accompanying Notes are an integral part of these consolidated financial statements

World Orphans and Subsidiary

Consolidated Statement of Activities

Year ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Operating Support			
Grants and contributions	\$ 2,440,225	\$ 709,927	\$ 3,150,152
Donations from special events	503,364	-	503,364
Special events expenses	(116,923)	-	(116,923)
In-kind donations - goods	18,683	-	18,683
Net assets released from restrictions			
Satisfaction of purpose restrictions	719,746	(719,746)	-
Expiration of time restrictions	14,158	(14,158)	-
Total operating support	<u>3,579,253</u>	<u>(23,977)</u>	<u>3,555,276</u>
Operating Revenue			
Merchandise loss, net of costs of goods sold totaling \$79,475 for 2024	(10,869)	-	(10,869)
Total operating revenue	<u>(10,869)</u>	<u>-</u>	<u>(10,869)</u>
Total operating support and revenue	<u>3,568,384</u>	<u>(23,977)</u>	<u>3,544,407</u>
Operating Expenses			
Program services	2,651,866	-	2,651,866
Supporting services			
General and administrative	284,597	-	284,597
Fundraising	<u>166,722</u>	<u>-</u>	<u>166,722</u>
Total operating expenses	<u>3,103,185</u>	<u>-</u>	<u>3,103,185</u>
Total operating support and revenue in excess (deficit) of operating expenses	<u>465,199</u>	<u>(23,977)</u>	<u>441,222</u>
Other Changes			
Interest and dividends	49,684	-	49,684
Other income	250	-	250
Unrealized loss on investments	(195)	-	(195)
Total other changes	<u>49,739</u>	<u>-</u>	<u>49,739</u>
Change in Net Assets	514,938	(23,977)	490,961
Net Assets, Beginning of Year	<u>459,791</u>	<u>733,904</u>	<u>1,193,695</u>
Net Assets, End of Year	<u>\$ 974,729</u>	<u>\$ 709,927</u>	<u>\$ 1,684,656</u>

The accompanying Notes are an integral
part of these consolidated financial statements

World Orphans and Subsidiary

Consolidated Statement of Functional Expenses

Year ended December 31, 2025

	Program Services	Supporting Services		Total	Total Expenses
		General and Administrative	Fundraising		
Salaries	\$ 1,352,457	\$ 84,954	\$ 150,882	\$ 235,836	\$ 1,588,293
Payroll taxes	96,911	5,889	10,155	16,044	112,955
Employee benefits	105,126	5,767	10,371	16,138	121,264
Total personnel costs	<u>1,554,494</u>	<u>96,610</u>	<u>171,408</u>	<u>268,018</u>	<u>1,822,512</u>
Grants	534,994	-	-	-	534,994
Travel	308,526	-	2,925	2,925	311,451
Program expenses	174,164	-	-	-	174,164
Professional fees	15,159	108,100	15,159	123,259	138,418
International contractors	125,457	-	-	-	125,457
Printing and postage	32,150	15,440	10,012	25,452	57,602
Bank and service charges	-	53,407	-	53,407	53,407
Insurance	27,383	21,211	1,956	23,167	50,550
Occupancy	42,741	1,034	1,821	2,855	45,596
Dues and fees	36,827	2,901	4,209	7,110	43,937
Office expenses	32,846	7,521	784	8,305	41,151
Professional development	34,287	2,118	3,797	5,915	40,202
Advertising and promotion expenses	4,600	3,440	3,440	6,880	11,480
Information technology	9,941	276	485	761	10,702
Depreciation	8,630	432	760	1,192	9,822
Miscellaneous expenses	2,718	-	-	-	2,718
Total expenses	<u>\$ 2,944,917</u>	<u>\$ 312,490</u>	<u>\$ 216,756</u>	<u>\$ 529,246</u>	<u>\$ 3,474,163</u>

The accompanying Notes are an integral part of these consolidated financial statements

World Orphans and Subsidiary

Consolidated Statement of Functional Expenses

Year ended December 31, 2024

	Program Services	Supporting Services		Total	Total Expenses
		General and Administrative	Fundraising		
Salaries and wages	\$ 1,153,470	\$ 96,717	\$ 122,078	\$ 218,795	\$ 1,372,265
Employee benefits	83,644	6,524	8,089	14,613	98,257
Payroll taxes	76,620	6,331	7,850	14,181	90,801
Total personnel costs	1,313,734	109,572	138,017	247,589	1,561,323
Grants	627,397	-	-	-	627,397
Travel	229,116	-	2,260	2,260	231,376
Program expenses	162,367	-	-	-	162,367
International contractors	141,947	-	-	-	141,947
Professional fees	-	74,238	6,300	80,538	80,538
Bank and service charges	-	59,442	-	59,442	59,442
Printing and postage	28,306	14,103	8,332	22,435	50,741
Insurance	29,702	11,682	1,518	13,200	42,902
Occupancy	36,278	1,445	1,792	3,237	39,515
Office expenses	22,148	7,208	593	7,801	29,949
Dues and fees	23,983	2,236	2,736	4,972	28,955
Professional development	14,822	1,181	1,464	2,645	17,467
Advertising and promotion expenses	9,988	2,687	2,687	5,374	15,362
Depreciation	6,699	511	633	1,144	7,843
Information technology	4,217	292	390	682	4,899
Miscellaneous expenses	1,162	-	-	-	1,162
Total expenses	\$ 2,651,866	\$ 284,597	\$ 166,722	\$ 451,319	\$ 3,103,185

The accompanying Notes are an integral part of these consolidated financial statements

World Orphans and Subsidiary

Consolidated Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended December 31	2025	2024
Cash Flows From Operating Activities		
Change in net assets	\$ (207,698)	\$ 490,961
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	9,822	7,843
Non cash lease expense	-	122
Increase (decrease) from changes in assets and liabilities		
Pledges receivable	(5,368)	1,591
Accounts receivable	10,841	(13,071)
Inventory	(27,195)	3,257
Prepaid expenses	(36,189)	5,307
Accounts payable	(19,388)	26,923
Accrued compensation and benefits	22,193	10,168
Net cash provided by operating activities	<u>(252,982)</u>	<u>533,101</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	(10,210)	(10,255)
Net proceeds from the sale of investments	8,014	490,986
Net cash provided by investing activities	<u>(2,196)</u>	<u>480,731</u>
Net Increase in Cash and Cash Equivalents	(255,178)	1,013,832
Cash and Cash Equivalents, Beginning of Year	<u>1,640,831</u>	<u>626,999</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,385,653</u>	<u>\$ 1,640,831</u>

The accompanying Notes are an integral part of these consolidated financial statements

World Orphans and Subsidiary

Notes to the Consolidated Financial Statements

December 31, 2025 and 2024

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of Operations. World Orphans' (WO) vision is to empower the church to care for orphans - until they all have homes. We equip, inspire, and mobilize the church to care for orphans and vulnerable children. Churches engaged. Children restored. Communities transformed by the Gospel of Christ. In order to help further its mission, the Organization works with two international nonprofits that are not consolidated on the financial statements. WO's primary source of support and revenue is contributions.

World Orphans Guatemala (WOG) is a separate, tax exempt not-for profit organization established in 2024. It was established and administered through an innovative, three-way partnership between World Orphans, Guatemalan churches, and US churches and was formed as a family-based organization that prevents the rise of the orphan population by caring for children in a home environment. WOG partners with US churches and with Guatemalan churches that each wholistically care for families who are caring for orphaned and vulnerable children. Caretakers include single mothers, extended family, neighbors, friends, and church members.

Basis of Accounting. The consolidated financial statements include WO and WOG (collectively, "the Organization") and have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates. The preparation of consolidated 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 those estimates.

Cash and Cash Equivalents. Cash and cash equivalents consists of checking and savings accounts held at financial institutions. For purposes of the consolidated statement of cash flows, the Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents.

Investments. The Organization's investments are stated at fair value. 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. Donated investments typically are sold upon receipt; however, if management decides instead to retain them, they are recorded at fair value at the date of donation and are thereafter reported in conformity with the stated policy. The Organization's management determines the valuation policies utilizing information provided by the investment advisors and custodians. See *Fair Value Measurements*.

Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Fair Value Measurements. The Organization reports using fair value measurements, which requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

World Orphans and Subsidiary

Notes to the Consolidated Financial Statements

December 31, 2025 and 2024

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Fair Value Measurements (continued).

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

Debt and Equity Securities. The Organization values debt and equity securities with readily determinable market values at fair value as determined by quoted market prices on national security exchanges valued at the closing price on the last business day of the fiscal year. Securities traded on the over-the-counter market are valued at the last reported bid price.

Certificates of Deposit. The Organization values certificates of deposit at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer. Early withdrawal charges may apply in the event the instruments are liquidated prior to their scheduled maturity date.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

World Orphans and Subsidiary

Notes to the Consolidated Financial Statements

December 31, 2025 and 2024

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Pledges Receivable. Pledges receivable are recognized only when the conditions on which they depend are substantially met and the pledges become unconditional. Pledges receivable are stated net of allowances for uncollectible accounts. Management provides for probable uncollectible accounts through a provision for bad debt expenses and an adjustment to the allowance account based on its assessment of the current status of individual amounts. Balances still outstanding after management has used reasonable collection efforts are written off through a reduction to the allowance account and a corresponding reduction to pledges receivable. Management has recorded an allowance for doubtful pledges totaling \$11,753 and \$7,811 at December 31, 2025 and 2024, respectively. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Accounts Receivable. Accounts receivable are stated net of allowances for credit losses. At the time accounts receivable are originated, the Organization considers an allowance for credit losses utilizing historical data, current economic conditions, and reasonable and supportable forecasts that affect the collectability of the receivables. The allowance is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future uncollectible amounts. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Organization on an ongoing basis.

The Organization estimates credit losses on accounts receivable using a provision matrix approach, which considers historical loss rates adjusted for current market conditions and other relevant factors. The provision matrix takes into account factors such as customer creditworthiness, payment history, aging of receivables, industry trends, and economic indicators. The Organization monitors its allowance for credit losses regularly and adjusts it as necessary to reflect changes in economic conditions and credit risk. Changes in the allowance for credit losses are recognized in the statement of comprehensive income as "Provision for credit losses."

As of December 31, 2025 and 2024, there was no allowance for credit losses as management believes all accounts receivable are fully collectable.

Inventory. Inventory consists of clothing, bags, and other accessories. Inventory is stated at the lower of cost or net realizable value, using the first-in, first-out method. Management reviewed inventory and determined that no allowance for obsolescence is necessary.

Property and Equipment. It is the Organization's policy to capitalize property and equipment at cost for purchases over \$1,000, while repair and maintenance items are charged to expense. Donations of property and equipment are capitalized at their estimated fair value at the date of gift. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets, which is generally three to seven years for furniture and equipment and website. Depreciation expense for the years ended December 31, 2025 and 2024 was \$9,822 and \$7,843, respectively.

Impairment of Long-Lived Assets. In the event that facts and circumstances indicate that equipment, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the years ended December 31, 2025 and 2024.

World Orphans and Subsidiary

Notes to the Consolidated Financial Statements

December 31, 2025 and 2024

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Basis of Net Asset Presentation. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions. Net assets resulting from revenues generated by receiving contributions that have no donor stipulations, providing services, and receiving interest and other income, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net Assets With Donor Restrictions. Net assets resulting from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose restriction is accomplished.

Grants and Contributions. Grants and contributions are recognized when the amounts are received. Donor-restricted amounts 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. Grants and contributions that are restricted by the grantor or donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the amounts are recognized.

Revenue Recognition

Revenue Recognition. Sales consist of sales of clothing, jewelry, and other accessories sold by World Orphans, and are recorded when earned which is when the resource is shipped to the customer.

Transaction Price. The transaction price of a contract is the amount of consideration to which the Organization expects to be entitled in exchange for transferring promised services or items provided to the individual.

Contract Balances. The following table provides information about the Organization's receivables from contracts with customers at December 31:

	<u>2025</u>	<u>2024</u>
Accounts receivable, beginning of year	\$ 19,726	\$ -
Accounts receivable, end of year	\$ 8,885	\$ 19,726

Contributed Goods and Services. Contributed goods and services are recognized if the goods provided or services received satisfy the criteria for recognition. The contributions of services are recognized if services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Certain other volunteer services are not recorded in these financial statements as they do not meet the criteria for recognition. There was no contributed services for the years ended December 31, 2025 and 2024.

The Organization recorded the following in-kind activity during the years ended December 31:

	<u>2025</u>	<u>2024</u>	<u>Usage</u>
Goods	\$ 20,464	\$ 18,683	Office expenses

World Orphans and Subsidiary

Notes to the Consolidated Financial Statements

December 31, 2025 and 2024

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Contributed Goods and Services (continued)

In-kind goods were valued using like-kind methodology for similar items. In-kind goods were valued using estimated cost for identical items using pricing data of similar items. No in-kind contributions were restricted. The Organization does not sell donated gifts in-kind and only uses goods for its own program or supporting service activities.

Functional Allocation of Expenses. Direct expenses have been allocated to the applicable program for which the expenses were incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time for salaries and wages, payroll taxes, and employee benefits and space utilized for occupancy, office expenses, and depreciation.

Advertising. The Organization expenses advertising costs as they are incurred. Advertising and marketing expense for the year ended December 31, 2025 and 2024 were \$34,397 and \$26,870, respectively.

Income Taxes. World Orphans and World Orphans Guatemala are separate nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, the Organization is subject to federal income tax on any unrelated business taxable income. In addition, the Organization is not classified as a private foundation within the meaning of Section 509(a) of the IRC.

Subsequent Events. The Organization evaluates events and transactions occurring subsequent to the date of the consolidated financial statements for matters requiring recognition or disclosure in the consolidated financial statements. The accompanying consolidated financial statements consider events through April 14, 2025, the date at which the consolidated financial statements were available for release.

Note 2 – Fair Value Measurement

The following table summarizes the Organization's fair value of assets measured on a recurring basis by fair value hierarchy as of December 31, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
US Equities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The following table summarizes the Organization's fair value of assets measured on a recurring basis by fair value hierarchy as of December 31, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
US Equities	<u>\$ 8,014</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,014</u>

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

World Orphans and Subsidiary

Notes to the Consolidated Financial Statements

December 31, 2025 and 2024

Note 2 – Fair Value Measurement (continued)

The Organization evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total net assets available for benefits. For the year ended December 31, 2025, the organization converted level 1 investments to cash and received donated securities towards the end of the year that it was able to convert to cash. For the year ended December 31, 2024, the organization converted level 1 investments to cash and received donated securities towards the end of the year that it had not converted to cash yet.

Note 3 – Net Assets with Donor Restrictions

The balances of net assets with donor restrictions are as follows:

	Jan 1, 2025			Dec 31, 2025
	Balance	Additions	Releases	Balance
<i>Purpose restrictions</i>				
Staff support	\$ 538,964	\$ 435,450	\$ (538,964)	\$ 435,450
Projects	137,602	90,209	(137,602)	90,209
Short-term mission trips	20,794	70,991	(20,794)	70,991
<i>Time restrictions</i>				
Pledges receivable, net	12,567	17,935	(12,567)	17,935
Total purpose restrictions	<u>\$ 709,927</u>	<u>\$ 614,585</u>	<u>\$ (709,927)</u>	<u>\$ 614,585</u>

The balances of net assets with donor restrictions are as follows:

	Jan 1, 2024			Dec 31, 2024
	Balance	Additions	Releases	Balance
<i>Purpose restrictions</i>				
Staff support	\$ 532,743	\$ 538,964	\$ (532,743)	\$ 538,964
Projects	165,792	137,602	(165,792)	137,602
Short-term mission trips	21,211	20,794	(21,211)	20,794
<i>Time restrictions</i>				
Pledges receivable, net	14,158	12,567	(14,158)	12,567
Total purpose restrictions	<u>\$ 733,904</u>	<u>\$ 709,927</u>	<u>\$ (733,904)</u>	<u>\$ 709,927</u>

Note 4 – Related Party Transactions

During the year ended December 31, 2025 and 2024, the Organization sent \$193,626 and \$212,033, respectively, to a nongovernmental affiliated organization in Iraq.

Contributions from board members totaled approximately \$44,467 and \$51,081, during the years ended December 31, 2025 and 2024, respectively.

World Orphans and Subsidiary

Notes to the Consolidated Financial Statements

December 31, 2025 and 2024

Note 5 – Liquidity and Availability of Resources

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs; and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To achieve these principles, the Organization forecasts its future cash flows and monitors its liquidity monthly, and monitors its reserves annually. During the years ended December 31, 2025 and 2024 the level of liquidity and reserves was managed within these guiding principles.

The Organization's financial assets available for general expenditures within one year are as follows at December 31:

Financial assets at December 31:	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 1,385,653	\$ 1,640,831
Investments	-	8,014
Accounts receivable	8,885	19,726
Pledges receivable, net	<u>17,935</u>	<u>12,567</u>
	1,412,473	1,681,138
Less amounts not available to be used within one year:		
Restricted donations	<u>(614,585)</u>	<u>(709,927)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 797,888</u>	<u>\$ 971,211</u>

World Orphans and Subsidiary

SUPPLEMENTAL INFORMATION

World Orphans and Subsidiary

Consolidating Statement of Financial Position

December 31, 2025

ASSETS	World Orphans USA	World Orphans Guatemala	Eliminations	Total
Current Assets				
Cash and cash equivalents	\$ 1,335,226	\$ 50,427	\$ -	\$ 1,385,653
Accounts receivable	8,885	-	-	8,885
Pledge receivables, net of an allowance for doubtful pledges totaling \$11,753	17,935	-	-	17,935
Inventory	50,199	-	-	50,199
Prepaid expenses	52,587	-	-	52,587
Total current assets	<u>1,464,832</u>	<u>50,427</u>	<u>-</u>	<u>1,515,259</u>
Property and Equipment				
Furniture and equipment	16,199	6,543	-	22,742
Website	24,272	-	-	24,272
Vehicles	-	9,295	-	9,295
	<u>40,471</u>	<u>15,838</u>	<u>-</u>	<u>56,309</u>
Less accumulated depreciation	(30,149)	(4,028)	-	(34,177)
Property and equipment, net	<u>10,322</u>	<u>11,810</u>	<u>-</u>	<u>22,132</u>
Total assets	<u>\$ 1,475,154</u>	<u>\$ 62,237</u>	<u>\$ -</u>	<u>\$ 1,537,391</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 17,748	\$ 677	\$ -	\$ 18,425
Accrued compensation and benefits	9,151	32,857	-	42,008
Total current liabilities	<u>26,899</u>	<u>33,534</u>	<u>-</u>	<u>60,433</u>
Total liabilities	<u>26,899</u>	<u>33,534</u>	<u>-</u>	<u>60,433</u>
Net Assets				
Without donor restrictions	833,670	28,703	-	862,373
With donor restrictions	614,585	-	-	614,585
Total net assets	<u>1,448,255</u>	<u>28,703</u>	<u>-</u>	<u>1,476,958</u>
Total liabilities and net assets	<u>\$ 1,475,154</u>	<u>\$ 62,237</u>	<u>\$ -</u>	<u>\$ 1,537,391</u>

The accompanying Notes are an integral part of these consolidated financial statements

World Orphans and Subsidiary

Consolidating Statement of Financial Position

December 31, 2024

ASSETS	World Orphans USA	World Orphans Guatemala	Eliminations	Total
Current Assets				
Cash and cash equivalents	\$ 1,619,463	\$ 21,368	\$ -	\$ 1,640,831
Investments	8,014	-	-	8,014
Accounts receivable	19,166	560	-	19,726
Pledge receivables, net of an allowance for doubtful pledges totaling \$7,811	12,567	-	-	12,567
Inventory	23,004	-	-	23,004
Prepaid expenses	16,398	-	-	16,398
Total current assets	<u>1,698,612</u>	<u>21,928</u>	<u>-</u>	<u>1,720,540</u>
Property and Equipment				
Furniture and equipment	12,724	4,399	-	17,123
Website	24,272	-	-	24,272
Vehicles	-	4,695	-	4,695
	<u>36,996</u>	<u>9,094</u>	<u>-</u>	<u>46,090</u>
Less accumulated depreciation	(23,135)	(1,211)	-	(24,346)
Property and equipment, net	<u>13,861</u>	<u>7,883</u>	<u>-</u>	<u>21,744</u>
Total assets	<u>\$ 1,712,473</u>	<u>\$ 29,811</u>	<u>\$ -</u>	<u>\$ 1,742,284</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 37,317	\$ 496	\$ -	\$ 37,813
Accrued compensation and benefits	4,932	14,883	-	19,815
Total current liabilities	<u>42,249</u>	<u>15,379</u>	<u>-</u>	<u>57,628</u>
Total liabilities	<u>42,249</u>	<u>15,379</u>	<u>-</u>	<u>57,628</u>
Net Assets				
Without donor restrictions	960,297	14,432	-	974,729
With donor restrictions	709,927	-	-	709,927
Total net assets	<u>1,670,224</u>	<u>14,432</u>	<u>-</u>	<u>1,684,656</u>
Total liabilities and net assets	<u>\$ 1,712,473</u>	<u>\$ 29,811</u>	<u>\$ -</u>	<u>\$ 1,742,284</u>

The accompanying Notes are an integral
part of these consolidated financial statements

World Orphans and Subsidiary

Consolidating Statement of Activities

Year ended December 31, 2025

	World Orphans USA	World Orphans Guatemala	Eliminations	Total
Operating Support and Revenue				
Operating Support				
Grants and contributions	\$ 2,468,480	\$ 472,903	\$ (470,579)	\$ 2,470,804
Non-cash donated securities	18,522	-	-	18,522
Donations from special events	847,455	-	-	847,455
Special events expenses	(136,671)	-	-	(136,671)
In-kind donations	15,895	4,569	-	20,464
Total support	<u>3,213,681</u>	<u>477,472</u>	<u>(470,579)</u>	<u>3,220,574</u>
Operating Revenue				
Merchandise loss, net of costs of goods sold totaling \$56,279 for 2025	1,793	-	-	1,793
Total revenue	<u>1,793</u>	<u>-</u>	<u>-</u>	<u>1,793</u>
Total support and revenue	<u>3,215,474</u>	<u>477,472</u>	<u>(470,579)</u>	<u>3,222,367</u>
Expenses				
Program services	2,993,049	422,447	(470,579)	2,944,917
Supporting services				
General and administrative	269,414	43,076	-	312,490
Fundraising	216,756	-	-	216,756
Total expenses	<u>3,479,219</u>	<u>465,523</u>	<u>(470,579)</u>	<u>3,474,163</u>
Total support and revenue in in deficit of expenses	<u>(263,745)</u>	<u>11,949</u>	<u>-</u>	<u>(251,796)</u>
Other Changes				
Interest and dividends	41,827	490	-	42,317
Other income	-	1,832	-	1,832
Realized and unrealized loss on investments	(51)	-	-	(51)
Total other changes	<u>41,776</u>	<u>2,322</u>	<u>-</u>	<u>44,098</u>
Change in Net Assets	<u>(221,969)</u>	<u>14,271</u>	<u>-</u>	<u>(207,698)</u>
Net Assets, Beginning of Year	<u>1,670,224</u>	<u>14,432</u>	<u>-</u>	<u>1,684,656</u>
Net Assets, End of Year	<u>\$ 1,448,255</u>	<u>\$ 28,703</u>	<u>\$ -</u>	<u>\$ 1,476,958</u>

The accompanying Notes are an integral part of these consolidated financial statements

World Orphans and Subsidiary

Consolidating Statement of Activities

Year ended December 31, 2024

	World Orphans USA	World Orphans Guatemala	Eliminations	Total
Operating Support and Revenue				
Operating Support				
Grants and contributions	\$ 3,121,525	\$ 250,890	\$ (222,263)	\$ 3,150,152
Donations from special events	503,364	-	-	503,364
Special events expenses	(116,923)	-	-	(116,923)
In-kind donations	17,327	1,356	-	18,683
Total support	<u>3,525,293</u>	<u>252,246</u>	<u>(222,263)</u>	<u>3,555,276</u>
Operating Revenue				
Merchandise loss, net of costs of goods sold totaling \$79,475 for 2024	(10,869)	-	-	(10,869)
Total revenue	<u>(10,869)</u>	<u>-</u>	<u>-</u>	<u>(10,869)</u>
Total support and revenue	<u>3,514,424</u>	<u>252,246</u>	<u>(222,263)</u>	<u>3,544,407</u>
Expenses				
Program services	2,651,215	222,914	(222,263)	2,651,866
Supporting services				
General and administrative	269,580	15,017	-	284,597
Fundraising	166,722	-	-	166,722
Total expenses	<u>3,087,517</u>	<u>237,931</u>	<u>(222,263)</u>	<u>3,103,185</u>
Total support and revenue in deficit of expenses	<u>426,907</u>	<u>14,315</u>	<u>-</u>	<u>441,222</u>
Other Changes				
Interest and dividends	49,567	117	-	49,684
Gain on the sale of assets	250	-	-	250
Unrealized loss on investments	(195)	-	-	(195)
Total other changes	<u>49,622</u>	<u>117</u>	<u>-</u>	<u>49,739</u>
Change in Net Assets	476,529	14,432	-	490,961
Net Assets, Beginning of Year	<u>1,193,695</u>	<u>-</u>	<u>-</u>	<u>1,193,695</u>
Net Assets, End of Year	<u>\$ 1,670,224</u>	<u>\$ 14,432</u>	<u>\$ -</u>	<u>\$ 1,684,656</u>

The accompanying Notes are an integral part of these consolidated financial statements

World Orphans and Subsidiary

Consolidating Statement of Functional Expenses

Year ended December 31, 2025

	Program Services			Supporting Services		
	World Orphans USA	World Orphans Guatemala	Total Program Expenses	World Orphans USA General and Administrative	World Orphans Guatemala General and Administrative	Total General and Administrative
Salaries	\$ 1,174,209	\$ 178,248	\$ 1,352,457	\$ 84,954	\$ -	\$ 84,954
Payroll taxes	79,403	17,508	96,911	5,889	-	5,889
Employee benefits	77,749	27,377	105,126	5,767	-	5,767
Total personnel costs	1,331,361	223,133	1,554,494	96,610	-	96,610
Grants	891,707	-	891,707	-	-	-
Travel	246,483	62,043	308,526	-	-	-
Program expenses	207,972	80,058	288,030	-	-	-
Professional fees	15,159	-	15,159	81,754	26,346	108,100
International contractors	125,457	-	125,457	-	-	-
Printing and postage	32,150	-	32,150	15,440	-	15,440
Bank and service charges	-	-	-	53,407	-	53,407
Insurance	27,383	-	27,383	4,481	16,730	21,211
Occupancy	29,135	13,606	42,741	1,034	-	1,034
Dues and fees	36,827	-	36,827	2,901	-	2,901
Office expenses	6,209	26,637	32,846	7,521	-	7,521
Professional development	29,069	5,218	34,287	2,118	-	2,118
Advertising and promotion expenses	4,600	-	4,600	3,440	-	3,440
Information technology	3,716	6,225	9,941	276	-	276
Depreciation	5,821	2,809	8,630	432	-	432
Miscellaneous expenses	-	2,718	2,718	-	-	-
Total expenses	\$ 2,993,049	\$ 422,447	\$ 3,415,496	\$ 269,414	\$ 43,076	\$ 312,490

The accompanying Notes are an integral part of these consolidated financial statements

World Orphans and Subsidiary

Consolidating Statement of Functional Expenses (continued)

Year ended December 31, 2025 (continued)

	Supporting Services (continued)					
	World Orphans USA Fundraising	World Orphans Guatemala Fundraising	Total Fundraising	Total	Eliminations	Total Expenses
Salaries	\$ 150,882	\$ -	\$ 150,882	\$ 235,836	\$ -	\$ 1,588,293
Payroll taxes	10,155	-	10,155	16,044	-	112,955
Employee benefits	10,371	-	10,371	16,138	-	121,264
Total personnel costs	<u>171,408</u>	<u>-</u>	<u>171,408</u>	<u>268,018</u>	<u>-</u>	<u>1,822,512</u>
Grants	-	-	-	-	(356,713)	534,994
Travel	2,925	-	2,925	2,925	-	311,451
Program expenses	-	-	-	-	(113,866)	174,164
Professional fees	15,159	-	15,159	123,259	-	138,418
Contractors	-	-	-	-	-	125,457
Printing and postage	10,012	-	10,012	25,452	-	57,602
Bank and service charges	-	-	-	53,407	-	53,407
Insurance	1,956	-	1,956	23,167	-	50,550
Occupancy	1,821	-	1,821	2,855	-	45,596
Dues and fees	4,209	-	4,209	7,110	-	43,937
Office expenses	784	-	784	8,305	-	41,151
Professional development	3,797	-	3,797	5,915	-	40,202
Advertising and promotion expenses	3,440	-	3,440	6,880	-	11,480
Information technology	485	-	485	761	-	10,702
Depreciation	760	-	760	1,192	-	9,822
Miscellaneous expenses	-	-	-	-	-	2,718
Total expenses	<u>\$ 216,756</u>	<u>\$ -</u>	<u>\$ 216,756</u>	<u>\$ 529,246</u>	<u>\$ (470,579)</u>	<u>\$ 3,474,163</u>

The accompanying Notes are an integral part of these consolidated financial statements

World Orphans and Subsidiary

Consolidating Statement of Functional Expenses

Year ended December 31, 2024

	Program Services			Supporting Services		
	World Orphans USA	World Orphans Guatemala	Total Program Expenses	World Orphans USA General and Administrative	World Orphans Guatemala General and Administrative	Total General and Administrative
Salaries	\$ 1,062,901	\$ 90,569	\$ 1,153,470	\$ 96,717	\$ -	\$ 96,717
Payroll taxes	70,135	13,509	83,644	6,524	-	6,524
Employee benefits	68,060	8,560	76,620	6,331	-	6,331
Total personnel costs	1,201,096	112,638	1,313,734	109,572	-	109,572
Grants	849,660	-	849,660	-	-	-
Travel	185,354	43,762	229,116	-	-	-
Program expenses	122,564	39,803	162,367	-	-	-
International contractors	141,947	-	141,947	-	-	-
Professional fees	-	-	-	67,319	6,919	74,238
Bank and service charges	-	-	-	59,442	-	59,442
Printing and postage	28,306	-	28,306	14,103	-	14,103
Insurance	29,702	-	29,702	3,584	8,098	11,682
Occupancy	31,621	4,657	36,278	1,445	-	1,445
Office expenses	5,138	17,010	22,148	7,208	-	7,208
Dues and fees	23,983	-	23,983	2,236	-	2,236
Professional development	12,691	2,131	14,822	1,181	-	1,181
Advertising and promotion expenses	9,988	-	9,988	2,687	-	2,687
Depreciation	5,488	1,211	6,699	511	-	511
Information technology	3,677	540	4,217	292	-	292
Miscellaneous expenses	-	1,162	1,162	-	-	-
Total expenses	\$ 2,651,215	\$ 222,914	\$ 2,874,129	\$ 269,580	\$ 15,017	\$ 284,597

The accompanying Notes are an integral part of these consolidated financial statements

World Orphans and Subsidiary

Consolidating Statement of Functional Expenses (continued)

Year ended December 31, 2024 (continued)

	Supporting Services (continued)					
	World Orphans USA	World Orphans Guatemala	Total	Total	Eliminations	Total
	Fundraising	Fundraising	Fundraising	Total		Expenses
Salaries	\$ 122,078	\$ -	\$ 122,078	\$ 218,795	\$ -	\$ 1,372,265
Payroll taxes	8,089	-	8,089	14,613	-	98,257
Employee benefits	7,850	-	7,850	14,181	-	90,801
Total personnel costs	138,017	-	138,017	247,589	-	1,561,323
Grants	-	-	-	-	(222,263)	627,397
Travel	2,260	-	2,260	2,260	-	231,376
Program expenses	-	-	-	-	-	162,367
Contractors	-	-	-	-	-	141,947
Professional fees	6,300	-	6,300	80,538	-	80,538
Bank and service charges	-	-	-	59,442	-	59,442
Printing and postage	8,332	-	8,332	22,435	-	50,741
Insurance	1,518	-	1,518	13,200	-	42,902
Occupancy	1,792	-	1,792	3,237	-	39,515
Office expenses	593	-	593	7,801	-	29,949
Dues and fees	2,736	-	2,736	4,972	-	28,955
Professional development	1,464	-	1,464	2,645	-	17,467
Advertising and promotion expenses	2,687	-	2,687	5,374	-	15,362
Depreciation	633	-	633	1,144	-	7,843
Information technology	390	-	390	682	-	4,899
Miscellaneous expenses	-	-	-	-	-	1,162
Total expenses	\$ 166,722	\$ -	\$ 166,722	\$ 451,319	\$ (222,263)	\$ 3,103,185

The accompanying Notes are an integral part of these consolidated financial statements