

CHURCH WORLD SERVICE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

CHURCH WORLD SERVICE, INC.

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Independent Auditor's Report

The Board of Directors
Church World Service, Inc.
New York City, New York

We have audited the accompanying financial statements of Church World Service, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Church World Service, Inc. as of June 30, 2019 and 2018, 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.

Changes in Financial Statement Presentation

As described in Note 3 of the financial statements, Church World Service, Inc. has adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.

October 15, 2019
Nashville, Tennessee

CHURCH WORLD SERVICE, INC.
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2019	2018
Assets		
Cash and cash equivalents	\$ 4,221,516	\$ 2,912,330
Contributions receivable, less allowances for uncollectible contributions (\$5,000 in 2019 and 2018)	487,588	511,089
Government grants receivable	4,958,965	5,672,354
Prepaid expenses and other assets	2,535,177	2,524,738
Inventories	3,435,194	4,481,292
Investments	5,014,649	4,556,596
Investments held by others	8,484,734	8,213,366
Split-interest agreement receivables	1,123,187	1,112,479
Land, building, and equipment, net	18,894	96,781
	\$ 30,279,904	\$ 30,081,025
Liabilities and net assets		
Liabilities:		
Accounts payable	\$ 4,095,543	\$ 5,311,932
Grants payable	442,706	793,531
Accrued liabilities:		
Due to other U.S. voluntary agencies	176,508	227,608
Other	1,018,105	580,410
Debt obligations	1,284,041	1,901,649
Postretirement benefit liability	3,198,202	3,822,650
Total liabilities	10,215,105	12,637,780
Net assets:		
Without donor restrictions	8,099,738	5,750,378
With donor restrictions	11,965,061	11,692,867
Total net assets	20,064,799	17,443,245
	\$ 30,279,904	\$ 30,081,025

See accompanying notes to the financial statements.

CHURCH WORLD SERVICE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues, gains and other income			
Support:			
Contributions – member communions and related other organizations	\$ 4,603,947	\$ 1,178,551	\$ 5,782,498
Contributions – public and community appeals	13,167,201	4,930,133	18,097,334
Government programs	46,286,783	–	46,286,783
Donated materials	2,086,510	–	2,086,510
Revenues and gains:			
Service fees	2,204,738	–	2,204,738
Investment return, net	625,403	–	625,403
Other income	1,497,134	–	1,497,134
Net assets released from restrictions	5,822,614	(5,822,614)	–
Total support, revenues, gains and other income	76,294,330	286,070	76,580,400
Expenses			
Program services:			
Global relief and development	10,011,454	–	10,011,454
Emergency response	7,367,060	–	7,367,060
Services for displaced people	44,625,772	–	44,625,772
Advocacy	3,451,207	–	3,451,207
Total program services	65,455,493	–	65,455,493
Supporting services:			
Management and general	3,507,357	–	3,507,357
Fund-raising	5,215,465	–	5,215,465
Total supporting services	8,722,822	–	8,722,822
Total expenses	74,178,315	–	74,178,315
Change in net assets from operations	2,116,015	286,070	2,402,085
Nonoperating activities			
Investment return, net	233,345	–	233,345
Endowment contributions	–	25,429	25,429
Other changes, net	–	(39,305)	(39,305)
Change in net assets from nonoperating activities	233,345	(13,876)	219,469
Change in net assets	2,349,360	272,194	2,621,554
Net assets at beginning of year	5,750,378	11,692,867	17,443,245
Net assets at end of year	<u>\$ 8,099,738</u>	<u>\$ 11,965,061</u>	<u>\$ 20,064,799</u>

See accompanying notes to the financial statements.

CHURCH WORLD SERVICE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues, gains and other income			
Support:			
Contributions – member communions and related other organizations	\$ 3,434,588	\$ 549,538	\$ 3,984,126
Contributions – public and community appeals	12,878,395	3,299,661	16,178,056
Government programs	39,424,221	–	39,424,221
Donated materials	3,623,818	–	3,623,818
Revenues and gains:			
Service fees	2,071,259	–	2,071,259
Investment return, net	560,347	–	560,347
Other income	654,364	–	654,364
Net assets released from restrictions	4,509,144	(4,509,144)	–
Total support, revenues, gains and other income	67,156,136	(659,945)	66,496,191
Expenses			
Program services:			
Global relief and development	9,421,690	–	9,421,690
Emergency response	6,202,208	–	6,202,208
Services for displaced people	39,385,798	–	39,385,798
Advocacy	3,085,874	–	3,085,874
Total program services	58,095,570	–	58,095,570
Supporting services:			
Management and general	3,130,086	–	3,130,086
Fund-raising	4,302,078	–	4,302,078
Total supporting services	7,432,164	–	7,432,164
Total expenses	65,527,734	–	65,527,734
Change in net assets from operations	1,628,402	(659,945)	968,457
Nonoperating activities			
Investment return, net	270,529	–	270,529
Endowment contributions	–	31,193	31,193
Change in net assets from nonoperating activities	270,529	31,193	301,722
Change in net assets	1,898,931	(628,752)	1,270,179
Net assets at beginning of year	3,851,447	12,321,619	16,173,066
Net assets at end of year	\$ 5,750,378	\$ 11,692,867	\$ 17,443,245

See accompanying notes to the financial statements.

CHURCH WORLD SERVICE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

Type of Expense	Global Relief and Development	Emergency Response	Services for Displaced People	Advocacy	Total Program Services	Management and General	Fund- Raising	Total Supporting Services	Total 2019 Expenses
Direct program expenses	\$ 7,384,690	\$ 4,898,301	\$ 30,384,259	\$ 789,395	\$ 43,456,645	\$ -	\$ -	\$ -	\$ 43,456,645
Designated expenditures for other									
U.S. voluntary agencies	575,866	1,336,921	-	-	1,912,787	-	-	-	1,912,787
	<u>7,960,556</u>	<u>6,235,222</u>	<u>30,384,259</u>	<u>789,395</u>	<u>45,369,432</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,369,432</u>
Salaries and related costs	1,251,753	998,375	11,703,532	1,785,178	15,738,838	1,939,032	2,280,315	4,219,347	19,958,185
Professional fees	262,329	114,696	868,120	448,470	1,693,615	848,402	1,053,345	1,901,747	3,595,362
Rent and occupancy	83,914	1,046	842,074	117,703	1,044,737	242,849	86,450	329,299	1,374,036
Office supplies and equipment	35,891	539	271,638	25,553	333,621	122,725	141,638	264,363	597,984
Communications	213,561	213	246,888	32,813	493,475	48,617	836,067	884,684	1,378,159
Travel and meetings	194,508	16,234	268,579	248,693	728,014	43,444	708,154	751,598	1,479,612
Depreciation	-	-	-	-	-	77,887	-	77,887	77,887
Interest	-	-	-	-	-	86,948	-	86,948	86,948
Miscellaneous	8,942	735	40,682	3,402	53,761	97,453	109,496	206,949	260,710
Total expenses	<u>\$ 10,011,454</u>	<u>\$ 7,367,060</u>	<u>\$ 44,625,772</u>	<u>\$ 3,451,207</u>	<u>\$ 65,455,493</u>	<u>\$ 3,507,357</u>	<u>\$ 5,215,465</u>	<u>\$ 8,722,822</u>	<u>\$ 74,178,315</u>

See accompanying notes to the financial statements.

CHURCH WORLD SERVICE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

Type of Expense	Global Relief and Development	Emergency Response	Services for Displaced People	Advocacy	Total Program Services	Management and General	Fund- Raising	Total Supporting Services	Total 2018 Expenses
Direct program expenses	\$ 7,261,351	\$ 3,639,292	\$ 25,501,728	\$ 623,455	\$ 37,025,826	\$ -	\$ -	\$ -	\$ 37,025,826
Designated expenditures for other									
U.S. voluntary agencies	596,571	1,789,714	-	-	2,386,285	-	-	-	2,386,285
	<u>7,857,922</u>	<u>5,429,006</u>	<u>25,501,728</u>	<u>623,455</u>	<u>39,412,111</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,412,111</u>
Salaries and related costs	1,083,915	371,878	11,134,466	1,346,377	13,936,636	1,566,920	2,410,261	3,977,181	17,913,817
Professional fees	273,129	105,896	619,435	514,441	1,512,901	968,421	855,373	1,823,794	3,336,695
Rent and occupancy	78,141	50,340	870,548	162,177	1,161,206	150,892	11,752	162,644	1,323,850
Office supplies and equipment	13,163	10,821	308,469	21,017	353,470	74,829	70,897	145,726	499,196
Communications	33,758	157,220	348,114	38,886	577,978	65,660	505,238	570,898	1,148,876
Travel and meetings	76,267	52,017	448,097	373,488	949,869	138,936	313,339	452,275	1,402,144
Depreciation	-	-	-	-	-	1,918	-	1,918	1,918
Interest	-	-	-	-	-	113,403	-	113,403	113,403
Miscellaneous	5,395	25,030	154,941	6,033	191,399	49,107	135,218	184,325	375,724
Total expenses	<u>\$ 9,421,690</u>	<u>\$ 6,202,208</u>	<u>\$ 39,385,798</u>	<u>\$ 3,085,874</u>	<u>\$ 58,095,570</u>	<u>\$ 3,130,086</u>	<u>\$ 4,302,078</u>	<u>\$ 7,432,164</u>	<u>\$ 65,527,734</u>

See accompanying notes to the financial statements.

CHURCH WORLD SERVICE, INC.
STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2019	2018
Operating activities		
Change in net assets	\$ 2,621,554	\$ 1,270,179
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	77,887	1,918
Contributions restricted for long-term investment	(25,429)	(31,193)
Net realized and unrealized gain on investments	(659,683)	(671,743)
Changes in operating assets and liabilities:		
Contributions receivable	23,501	263,477
Split-interest agreement receivables	(10,708)	1,687,576
Government grants receivable	713,389	685,571
Prepaid expenses and other assets	(10,439)	1,078,469
Inventories	1,046,098	(708,441)
Accounts payable	(1,216,389)	(607,796)
Grants payable	(350,825)	(40,646)
Accrued liabilities	386,596	(311,727)
Postretirement benefit liability	(624,448)	(1,289,326)
Due to government agency	-	(7,937)
	1,971,104	1,318,381
Investing activities		
Purchase of land, building and equipment	-	(12,061)
Purchases of investments, net	(69,739)	(197,444)
	(69,739)	(209,505)
Financing activities		
Contributions restricted for long-term investment	25,429	31,193
Repayment of debt obligations	(617,608)	(594,963)
	(592,179)	(563,770)
Net increase in cash and cash equivalents	1,309,186	545,106
Cash and cash equivalents at beginning of year	2,912,330	2,367,224
Cash and cash equivalents at end of year	\$ 4,221,516	\$ 2,912,330
Supplemental information		
Interest paid	\$ 86,948	\$ 113,403

See accompanying notes to the financial statements.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

1. ORGANIZATION

Church World Service, Inc. (“CWS”) is a not-for-profit, private voluntary, faith-based organization transforming communities around the globe through just and sustainable responses to hunger, poverty, displacement and disaster. CWS seeks to build a better world through positive impacts around global relief and development, emergency response, services to refugees, immigrants and displaced people, and advocacy for issues that build or restore peace and justice.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Asset Classifications

CWS classifies its support, revenues, expenses, gains and losses into two classes of net assets based on the existence or absence of donor-imposed restrictions. Net assets of CWS and changes therein are classified as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. The net asset without donor restrictions class include board-designated, trustee, and other resources available to CWS for its operating activities. Net assets without donor restrictions includes a Board-designated endowment (see Notes 12 and 14) and undesignated net assets.

Net Assets With Donor Restrictions – Net assets that are subject to donor-imposed restrictions that will be met either by actions of CWS or the passage of time or are to be maintained in perpetuity by CWS. Net assets with donor restrictions include contributions that are due in future periods. Generally, the donor of assets with donor restrictions permit CWS to use all or part of the income earned on related investments for general or specific purposes.

Expirations of restriction on net assets as the result of the passage of time and/or fulfilling donor-imposed stipulations are reported as net assets released from restrictions between applicable classes of net assets in the statements of activities.

Cash and Cash Equivalents

For the purpose of these financial statements, CWS considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments and Investment Income

CWS records all investments at fair value based on the fair value measurements described in Note 15.

The fair values of equity and debt securities are based on quoted market prices on the last business day of the fiscal year. The fair values of mutual funds are based on published unit values on the last business day of the fiscal year. Investment income, including realized and unrealized gains and losses, is recorded in the appropriate net asset classification based on donor restrictions or the absence thereof.

Concentrations

CWS maintains cash deposits and investments in accounts which, at times, may exceed federally insured limits. Credit risk is managed by maintaining all deposits in financial institutions which management believes are high quality financial institutions and by maintaining diversification of investments, including those held in various securities. Such funds are subject to inherent market fluctuations, which at times, may be significant.

Land, Building, and Equipment

Land, building and equipment are recorded at acquisition cost. Donated property is recorded at estimated fair value at date of donation. Expenditures for normal maintenance and repairs are expensed as incurred. Depreciation of the building is on the straight-line basis over its estimated useful life of 30 years. Depreciation of furniture, equipment, and vehicles is provided on the straight-line basis over their estimated useful lives of five to ten years. Amortization of leasehold improvements is provided over the lives of the respective leases, or the estimated useful lives of the improvements, whichever is shorter.

Contributions

Contributions are considered to be without donor restrictions unless they are received with donor stipulations that limit their use either through purpose or time restrictions. Contributions with donor stipulations that limit their use are considered to be donor restricted until the donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled. Upon the expiration of donor stipulations, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions received and expended in the same accounting period are classified as without donor restriction support. Unconditional contributions receivable at June 30, 2019, are expected to be collected within one year. An allowance for uncollectible contributions is recorded to reduce contributions receivable to their net realizable value and is determined based on a review of specific risk factors and historical experience.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Split-Interest Agreements

CWS is the beneficiary of various split-interest agreements from donors. The related assets are controlled and invested by independent third parties. CWS records a receivable and the related contribution income for its share of the assets when formal written or other verifiable documentation is received. CWS's share of the assets is based on the present value of the estimated future distributions to be received by CWS over the term of the agreement.

Contributed Goods and Services

Contributed goods, consisting primarily of kits, food and medical supplies are valued at their estimated fair value at the date of receipt, and are recognized as donated materials in the accompanying statements of activities. Donated materials are expensed from inventory when distributed.

Contributed services are recognized as revenue at their fair value if the services create or enhance nonfinancial assets or require specialized skills and are provided by individuals possessing those skills and typically would have been purchased if not provided by contribution. Contributed services and promises to contribute that do not meet these criteria are not recognized as revenues and are not reported in the accompanying financial statements.

U.S. Government Support

Support from U.S. government programs is generally recognized in the period in which expenses are incurred, except for the U.S. Reception and Placement program, which are recognized based on the number of authorized refugees resettled. Government grants receivable reflected in the accompanying statements of financial position represent amounts receivable from various government agencies under resettlement and other programmatic contracts.

Functional Allocation of Expenses

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function are allocated to components of these services based on time allocation factors determined by management.

Direct Program Expenses

Direct expenses of CWS programs include grants in support of globally affiliated agencies' programs and projects, shipments of donated materials, purchase and land transportation of relief commodities and materials, and costs of refugee resettlement. Resettlement costs include housing, food, transportation, and social services for resettled refugees.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Federal Income Taxes

The Internal Revenue Service has ruled that CWS is a tax-exempt organization as defined under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income taxes has been made in the accompanying financial statements.

CWS accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for CWS include, but are not limited to, the tax-exempt status and determination of whether certain income is subject to unrelated business income tax; however, CWS has determined that such tax positions do not result in an uncertainty requiring recognition.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, 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. Management believes that such estimates have been made based on reasonable assumptions and that such estimates are adequate. Actual results could differ from those estimates.

Fair Value Measurements

Assets and liabilities recorded at fair value on a recurring basis in the accompanying statements of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by Financial Accounting Standards Board Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements and Disclosures*, are as follows:

Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect CWS’s best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

3. CHANGES IN FINANCIAL STATEMENT PRESENTATION

During 2019, CWS adopted the provisions of ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14. Certain reclassifications have been made to the presentation of 2018 amounts to conform with the new presentation. A summary of the changes is as follows:

Statement of financial position:

- The statement of financial position distinguishes between two new classes of net assets – those with donor-imposed restrictions and those without. This is a change from previously required three classes of net assets – unrestricted, temporarily restricted and permanently restricted.

Statement of activities:

- The standard requires CWS to report expenses by both nature and function, either in the statement of activities, as a separate statement or within the notes to the financial statements.
- Investment income is shown net of external and direct internal investment expense. There is no longer a requirement to include a disclosure of those netted expenses.

Notes to the financial statements:

- FASB requires enhanced quantitative and qualitative disclosure to provide additional information useful in assessing liquidity and cash flows, including a description of the time horizon used to manage its liquidity and near-term availability and demands for cash as of the reporting date.
- Provide disclosures on amounts and purposes of governing Board or self-imposed designations and appropriations as of the end of the period.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

4. SPLIT-INTEREST AGREEMENTS

CWS is the beneficiary of various split-interest agreements, which are administered by the United Methodist Foundation of the Northern Illinois Conference, Inc. and the Presbyterian Foundation. Included in the accompanying statements of financial position as split-interest agreement receivables is the fair value of the receivables based on the present value of CWS's interests in these agreements as follows:

	<u>June 30, 2019</u>		<u>June 30, 2018</u>	
	<u>Market Value</u>	<u>Present Value</u>	<u>Market Value</u>	<u>Present Value</u>
United Methodist Foundation:				
Charitable gift annuities	\$ 1,770,956	\$ 266,974	\$ 1,961,327	\$ 274,115
Charitable remainder unitrusts	1,115,611	851,577	1,100,195	833,849
Interest-free loan fund	2,723	2,000	2,601	2,000
	<u>2,889,290</u>	<u>1,120,551</u>	<u>3,064,123</u>	<u>1,109,964</u>
Presbyterian Foundation:				
Charitable gift annuities	39,523	-	47,731	-
Pooled income funds	3,760	2,636	3,660	2,515
	<u>43,283</u>	<u>2,636</u>	<u>51,391</u>	<u>2,515</u>
Total	<u>\$ 2,932,573</u>	<u>\$ 1,123,187</u>	<u>\$ 3,115,514</u>	<u>\$ 1,112,479</u>

The discount rate used in determining the present value of the charitable gift annuities shown above were 1.56% and 1.69% for 2019 and 2018, respectively.

5. INVESTMENTS AND INVESTMENTS HELD BY OTHERS

CWS's investment portfolio, at fair value, consists of:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 148,096	\$ 194,992
Corporate bonds	612,462	527,670
U.S. government obligations	496,554	413,671
Equity securities	3,710,718	3,351,782
Other equities	46,819	68,481
	<u>\$ 5,014,649</u>	<u>\$ 4,556,596</u>

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

5. INVESTMENTS AND INVESTMENTS HELD BY OTHERS - Continued

Investments held by others are held by the United Methodist Foundation of the Northern Illinois Conference, Inc. (UMF), Presbyterian Foundation, Ecumenical Trust, Elkhart Co. Community Foundation and the Board of Church Extension of Disciples of Christ, Inc. (BCE).

Investments held by others, at fair value, consist of:

	June 30,	
	2019	2018
UMF - Moderate Funds	\$2,827,142	\$2,690,059
UMF - Aggressive Funds	2,004,179	1,891,839
UMF - Other	255,950	376,405
Elkhart Co. Community Foundation Funds	256,965	173,786
Exumencial Trust - New Covenant Growth	113,604	114,285
Presyterian Foundation Funds	86,456	85,418
BCE - Certificate of Deposit	2,639,085	2,881,574
DDI, LLC	301,353	-
	\$8,484,734	\$8,213,366

The investments held by others are invested by those organizations in mutual funds, U.S. and international equity securities, corporate and international bonds, U.S. government obligations and real assets. The UMF - Moderate Fund consist of approximately 60% equities and 40% fixed income and other. The UMF - Aggressive Fund consists of approximately 86% equities and 14% fixed income and other.

CWS's investments are exposed to various risks including market, interest and credit risk. Due to volatility in the markets for investments, there is a reasonable possibility of changes in fair value and additional gains or losses in the near term and that such changes could materially affect the amounts reported in the financial statements.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

6. INVENTORIES

Inventories consist of:

	June 30,	
	2019	2018
Donated materials	\$ 3,336,603	\$ 4,443,368
Other materials and supplies	98,591	37,924
	<u>\$ 3,435,194</u>	<u>\$ 4,481,292</u>

Donated materials consist of various items, many of which are generated through the CWS Kit Program, including hygiene, school, cleanup, and baby kits. CWS distributes these donated materials to disaster relief sites or other areas in need. The donated material inventory is valued based upon an average cost of the donated item.

Other inventory consists of purchased items, including blankets and toothpaste, which are recorded at the net realizable value using the first-in, first-out method.

7. LAND, BUILDING, AND EQUIPMENT

Land, building, and equipment, net, consist of:

	June 30,	
	2019	2018
Furniture and equipment	\$ 4,723,694	\$ 4,723,694
Building and leasehold improvements	1,801,899	1,801,899
Land	7,137	7,137
	6,532,730	6,532,730
Less accumulated depreciation	(6,513,836)	(6,435,949)
Land, building, and equipment, net	<u>\$ 18,894</u>	<u>\$ 96,781</u>

8. DUE TO OTHER U.S. VOLUNTARY AGENCIES

CWS, through CROP Hunger events, can elect to allocate a percentage of the funds raised to support agencies and activities directly involved in local hunger programs. CROP Hunger event donors can also designate funds for other U.S. agencies involved in international development work. CWS recognizes grant expenses for these programs when the related grants or designations are approved.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

9. DEBT OBLIGATIONS

At June 30, 2019 and 2018, the total unpaid balance of the notes payable to the Board of Church Extension of Disciples of Christ, Inc. (“BCE”) was \$1,137,928 and \$1,328,689, respectively. As of June 30, 2019, this balance consisted of one note from the BCE, with an adjustable interest rate of 4.00%. The note remaining as of June 30, 2019 is collateralized by certain investment balances maintained at the BCE totaling approximately \$2,639,085. The note payable matures in September 2024.

On November 1, 2014, CWS entered into a note payable with United Methodist Committee on Relief (“UMCOR”). At June 30, 2019 and 2018 respectively, the total unpaid balance of the notes payable to UMCOR is \$146,113 and \$572,960. The interest rate of the note is fixed at 4% annually, and CWS has pledged no collateral to UMCOR under this agreement. The note payable matures in October 2019.

CWS also has a line-of-credit with a financial institution, which is renewed annually and terminates on December 31, 2019. Interest is payable on the amount outstanding at a variable rate equal to market interest rate plus 1% (4.00% for years ending June 30, 2019 and 2018). The line-of-credit is secured by substantially all assets, excluding real estate and restricted net assets. The availability under the line-of-credit was \$2,000,000 during fiscal years 2019 and 2018. There were no amounts outstanding on the line-of-credit at June 30, 2019 or 2018.

CWS entered into a line-of-credit agreement with the Board of Church Extension of Disciples of Christ in May 2016. Availability under the line-of-credit is \$1,000,000. Interest is payable on the amount outstanding at a variable rate equal to the Wall Street Journal prime lending rate (5.5% and 5.0% at June 30, 2019 and 2018, respectively) on a monthly basis. Funds became available for CWS to draw during fiscal 2018, however there were no amounts outstanding on the line of credit at June 30, 2019 and 2018. The line expires January 1, 2020, and is secured by investments held by BCE.

Principal maturities due on CWS’s debt obligations as of June 30, 2019, are as follows:

2020	\$ 344,922
2021	206,909
2022	215,339
2023	224,112
2024	233,243
Thereafter	<u>59,516</u>
	<u>\$ 1,284,041</u>

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

10. POSTRETIREMENT BENEFIT LIABILITY AND PENSION BENEFITS

CWS provides certain healthcare benefits for retired employees. Employees hired prior to January 1, 2000, with at least five years of participation in CWS's health retirement plan are eligible for postretirement benefits upon reaching a normal retirement age of 62. Employees between the ages of 55 and 62 who were granted early retirement, have completed 15 consecutive years of service, and have at least 5 years of participation in CWS's health insurance program are also eligible for postretirement benefits. Employees hired on January 1, 2000, and thereafter are not eligible for postretirement healthcare benefits.

The status of the postretirement healthcare plan at June 30, 2019 and 2018, was as follows:

	<u>2019</u>	<u>2018</u>
Change in Benefit Obligation:		
Benefit obligation at beginning of year	\$ 3,822,650	\$ 5,111,796
Service costs	6,598	13,365
Interest costs	130,048	150,979
Actuarial gain	(378,877)	(1,015,954)
Actual benefit disbursements	<u>(382,217)</u>	<u>(437,536)</u>
Benefit obligation at end of year	<u>\$ 3,198,202</u>	<u>\$ 3,822,650</u>
Change to Plan Assets:		
Fair value of plan assets at beginning of year	\$ -	\$ -
Contributions	382,217	437,536
Actual benefit disbursements	<u>(382,217)</u>	<u>(437,536)</u>
Fair value of plan assets at end of year	<u>\$ -</u>	<u>\$ -</u>
Funded status:		
Benefit obligation	<u>\$ 3,198,202</u>	<u>\$ 3,822,650</u>
Net postretirement benefit liability recognized in statement of financial position	<u>\$ 3,198,202</u>	<u>\$ 3,822,650</u>

The net periodic postretirement benefit costs represent the actuarial present value of projected future benefits attributable to employee service rendered during the years ended June 30, 2019 and 2018, respectively

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

10. POSTRETIREMENT BENEFIT LIABILITY AND PENSION BENEFITS - Continued

Components of the net periodic postretirement benefit cost are as follows:

	Year Ended June 30,	
	2019	2018
Service cost	\$ 6,598	\$ 13,365
Interest cost	130,048	150,979
Amortization of net loss	-	45,171
	\$ 136,646	\$ 209,515

Expected benefit payments for the five fiscal years after fiscal 2018 and the subsequent five fiscal years in aggregate are as follows:

Year Ended	Amounts
2020	\$ 294,609
2021	304,778
2022	309,406
2023	297,598
2024	259,011
2025 - 2029	1,123,789

No contributions to fund future benefits payable under the retiree healthcare plan are expected in fiscal 2020. CWS expects to continue to pay postretirement benefits under the plan as they are incurred.

The following significant actuarial methods and assumptions were used in the June 30, 2019, actuarial valuation, the most recent valuation date:

Actuarial valuation method	Projected unit credit method
Discount rate	2.94%
Healthcare cost trend rate	7.5% graded down uniformly to 6.75% over 3 years
Mortality	RP-2014 Total Dataset Mortality, adjusted back to 2006, then projected to 2019 with Scale MP-2018
Retirement rates	Varying rates beginning with 2% at age 55 to 100% retirement at age 70

The effect of a 1% increase in the healthcare cost trend rate would increase the postretirement benefit obligation to \$3,363,034 as of June 30, 2019.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

10. POSTRETIREMENT BENEFIT LIABILITY AND PENSION BENEFITS - Continued

Pension Plan

CWS sponsors a defined-contribution retirement plan covering substantially all employees. On January 29, 2014, the Board of Directors approved a resolution that was effective immediately for the retirement plan to require the employer to deposit with the plan custodian an amount of the employees annual compensation equivalent to:

For non-ordained employees (both union and non-union employees) as well as ordained employees who have opted out of Social Security:

- (a) 5% with less than 5 years of service
- (b) 7% with 5 years to less than 15 years of service
- (c) 9% with 15 or more years of service

For ordained employees who are considered self-employed as defined in Article IV of the Federal Social Security Act:

- (d) 12.65% with less than 5 years of service
- (e) 14.65% with 5 years to less than 15 years of service
- (f) 16.65% with more than 15 years of service

In January 2015, the Plan was amended to allow Roth contributions.

Contributions to the retirement plan during the years ended June 30, 2019 and 2018, were \$756,890 and \$751,838 respectively.

11. LEASES

CWS rents space for 18 offices under various operating leases. The related lease terms range from one to ten years. The following is a schedule of the future annual minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2019:

<u>Year Ending June 30,</u>	<u>Amounts</u>
2020	\$1,058,482
2021	929,243
2022	320,497
2023	230,261
2024	73,950
	<u>\$2,612,433</u>

Rent and occupancy expense was approximately \$1,100,000 for the years ended June 30, 2019 and 2018.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

12. NET ASSETS WITHOUT DONOR RESTRICTIONS

The Organization's Governing Board has designated, from net assets without donor restrictions, \$1,754,434 and \$1,669,376 at June 30, 2019 and 2018, respectively, for the endowment.

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2019 and 2018 are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Time restriction		
Split interest receivables	\$ 1,123,187	\$ 1,112,478
Purposes:		
Emergency response	1,597,219	1,249,964
Global relief and development	2,532,932	2,801,200
Advocacy	71,225	69,110
Services to displaced people	3,138,918	2,944,659
Investment in perpetuity, the income of which is expendable to support the endowment fund; emergency relief, refugee assistance, hunger relief, self development	<u>3,501,580</u>	<u>3,515,456</u>
Total	<u>\$11,965,061</u>	<u>\$ 11,692,867</u>

Net Assets Released from Donor Restrictions

Net assets released from donor restrictions are as follows:

	<u>2019</u>	<u>2018</u>
Purposes:		
Emergency response	\$ 933,583	\$ 722,985
Global relief and development	2,762,443	2,139,289
Advocacy	42,885	33,211
Services to displaced people	<u>2,083,703</u>	<u>1,613,659</u>
	<u>\$5,822,614</u>	<u>\$4,509,144</u>

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

14. ENDOWMENT

CWS’s endowment consists of individual funds established generally to support the self-help development, emergency relief, refugee assistance and hunger relief programs of CWS. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. Generally Accepted Accounting Principles (“GAAP”), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors has interpreted the applicable state law as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CWS classifies as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Endowment net asset composition by type of fund as of June 30, 2019 and 2018, is as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ 535,770	\$ 3,501,580	\$ 4,037,350
Board-designated endowment funds	1,754,434	-	1,754,434
	\$ 2,290,204	\$ 3,501,580	\$ 5,791,784
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ 395,140	\$ 3,515,456	\$ 3,910,596
Board-designated endowment funds	1,669,376	-	1,669,376
	\$ 2,064,516	\$ 3,515,456	\$ 5,579,972

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

14. ENDOWMENT - Continued

Changes in endowment net assets for the years ended June 30, 2019 and 2018, is as follows:

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
Beginning of year	\$ 2,064,516	\$ 3,515,456	\$ 5,579,972
Contributions	6,864	25,429	32,293
Investment return, net	341,829	-	341,829
Appropriation of endowment assets for expenditure	(123,005)	-	(123,005)
Other changes, net	-	(39,305)	(39,305)
	<u>\$ 2,290,204</u>	<u>\$ 3,501,580</u>	<u>\$ 5,791,784</u>

	2018		Total
	Without Donor Restrictions	With Donor Restrictions	
Beginning of year	\$ 1,708,079	\$ 3,484,263	\$ 5,192,342
Contributions	79,090	31,193	110,283
Investment return, net	348,494	-	348,494
Appropriation of endowment assets for expenditure	(71,147)	-	(71,147)
	<u>\$ 2,064,516</u>	<u>\$ 3,515,456</u>	<u>\$ 5,579,972</u>

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the applicable state law requires CWS to retain as a fund of perpetual duration. CWS has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no underwater endowments as of June 30, 2019 and 2018.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

14. ENDOWMENT - Continued

Return Objectives and Risk Parameters

CWS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that CWS must hold in perpetuity as well as Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are held by third parties who invest the assets in a manner that is intended to produce results that exceed the price and yield results of respective industry bench-marks while assuming a moderate level of investment risk. CWS expects its endowment funds, over time, to provide an average rate of return between 6 - 8 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, CWS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). CWS targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

CWS has no formal spending policy; however, CWS generally expends all investment earnings and realized gains it receives on program activities. The income earned from permanently restricted endowment funds can generally be used for the broad purposes of CWS's mission and is therefore, generally unrestricted. Distributions are made at the discretion of the Board of Directors when determining annual budget. CWS considers the long-term expected return on its endowment. Accordingly, over the long term, CWS expects the current spending policy to allow its endowment to grow at an average of between 1 - 3 percent annually. This is consistent with the CWS objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

Disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on CWS's assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at June 30, 2019 and 2018 for the assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

	Assets Measured at Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
<u>2019:</u>				
Split-interest agreement receivables	\$ 1,123,187	\$ -	\$ -	\$ 1,123,187
Investments:				
Equity securities	\$ 3,710,718	\$ 3,710,718	\$ -	\$ -
Other equities	46,819	46,819	-	-
U.S. government obligations	496,554	496,554	-	-
Corporate bonds	612,462	-	612,462	-
Cash and equivalents	148,096	148,096	-	-
Total investments	\$ 5,014,649	\$ 4,402,187	\$ 612,462	\$ -
Investments held by others:				
Pooled funds:				
Equities	\$ 3,648,204	\$ 3,648,204	\$ -	\$ -
Real estate	10,279	-	10,279	-
Corporate bonds	1,619,584	-	1,619,584	-
Other	567,582	266,229	-	301,353
Total pooled funds	5,845,649	3,914,433	1,629,863	301,353
Certificate of deposit	2,639,085	2,639,085	-	-
Total investments held by others	\$ 8,484,734	\$ 6,553,518	\$ 1,629,863	\$ 301,353

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

15. FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

	Assets Measured at Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
<u>2018:</u>				
Split-interest agreement receivables	\$ 1,112,479	\$ -	\$ -	\$ 1,112,479
Investments:				
Equity securities	\$ 3,351,782	\$ 3,351,782	\$ -	\$ -
Other equities	68,481	68,481	-	-
U.S. government obligations	413,671	413,671	-	-
Corporate bonds	527,670	-	527,670	-
Cash and equivalents	194,992	194,992	-	-
Total investments	\$ 4,556,596	\$ 4,028,926	\$ 527,670	\$ -
Investments held by others:				
Pooled funds:				
Equities	\$ 3,359,846	\$ 3,359,846	\$ -	\$ -
Real estate	13,903	-	13,903	-
Corporate bonds	1,581,638	-	1,581,638	-
Other	376,405	376,405	-	-
Total pooled funds	5,331,792	3,736,251	1,595,541	-
Certificate of deposit	2,881,574	2,881,574	-	-
Total investments held by others	\$ 8,213,366	\$ 6,617,825	\$ 1,595,541	\$ -

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

15. FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

The fair value of split-interest agreement receivables is measured based on present value techniques. During fiscal year 2018, the custodian changed the present value calculation to use the market value of the gift, rather than the original gift value, to better reflect the future value of the gift at life expectancy. Significant assumptions used in the calculations as of June 30, 2019 and 2018 are as follows:

	2019	2018
Gift value:	Market value	Market value
Net return on investment assets	3.49%	3.40%
Life expectancy:	2012 mortality tables	2012 mortality tables
Discount rate:	1.56%	1.69%

The following is a reconciliation of the beginning and ending balances for split-interest agreement receivables measured at fair value using Level 3 inputs during fiscal year 2019 and 2018:

	2019	2018
Beginning balance	\$ 1,112,479	\$ 2,800,055
Withdrawals	(342,252)	(203,162)
Change in value included in activities	352,960	(1,484,414)
	\$ 1,123,187	\$ 1,112,479

16. GOVERNMENT GRANTS

CWS receives funding under grants and contracts with governmental agencies. In accordance with the terms of certain government contracts, the records of CWS are subject to audit for varying periods after the final date of the contracts. If any expenditures are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of CWS. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
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17. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2019:

Financial assets at year-end:	
Cash and cash equivalents	\$ 4,221,516
Contributions receivable, net	487,588
Government grants receivable	4,958,965
Investments	5,014,649
Investments held by others	8,484,734
Split interest receivables	<u>1,123,187</u>
Total financial assets	<u>24,290,639</u>
Less assets unavailable for general expenditures within one year:	
Subject to donor purpose restrictions	8,463,481
Designated by the Board for endowment	1,754,434
Donor restricted endowment funds held in perpetuity	<u>3,501,580</u>
Financial assets not available to be used within one year	<u>13,719,495</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 10,571,144</u></u>

CWS is substantially supported by grants, and unrestricted and restricted contributions. Because a grantor or donor's restriction requires resources to be used in a particular manner or in a future period, CWS must maintain sufficient resources to meet those responsibilities to its grantors and donors. Thus, financial assets may not be available for general expenditure within one year. As part of CWS's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event of an unanticipated liquidity need, CWS also could draw upon \$3,000,000 of available lines of credit (see Note 9) or its quasi-endowment fund, if the Board deems the fund be made available for general expenditure.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
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18. COLLECTIVE BARGAINING AGREEMENT

CWS is party to a collective bargaining agreement and agrees to be bound by the terms of the labor union agreements with the employees to ensure a supply of labor for designated roles in their New York City office.

As of January 23, 2017, the union and CWS had been at an “impasse”. In March 2019, CWS and the union agreed to a settlement agreement outlined by the National Labor Relations Board returning the union staff to the level of salary and benefits as of January 23, 2017. The agreement has been fully implemented as of August 29, 2019. Negotiations have resumed between CWS and the union.

As of June 30, 2019, approximately 3% of the employees are under the collective bargaining agreement represented by the union. The bargaining unit has continued to work without any disruption.

19. CONTINGENCIES

CWS may become involved in litigation from time to time, in the normal course of operations. It is not possible to state the ultimate liability, if any, in these matters. In the opinion of management, the resulting liability, if any, from these actions will not have a material adverse effect on the financial position of CWS.

20. SUBSEQUENT EVENTS

CWS has evaluated subsequent events through October 15, 2019, the date the financial statements were available for issuance, and has determined that there are no subsequent events that require disclosure.