

CHURCH WORLD SERVICE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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, 2020 and 2019, 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, 2020 and 2019, 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.

A handwritten signature in black ink, appearing to read 'Crosslin, PLLC'.

October 16, 2020
Nashville, Tennessee

CHURCH WORLD SERVICE, INC.
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2020	2019
Assets		
Cash and cash equivalents	\$ 4,949,992	\$ 4,221,516
Contributions receivable, less allowances for uncollectible contributions (\$5,000 in 2020 and 2019)	225,800	487,588
Government grants receivable	4,353,635	4,958,965
Prepaid expenses and other assets	2,452,651	2,535,177
Inventories	3,447,562	3,435,194
Investments	5,326,758	5,014,649
Investments held by others	8,866,765	8,484,734
Split-interest agreement receivables	1,150,796	1,123,187
Land, building, and equipment, net	34,768	18,894
	\$ 30,808,727	\$ 30,279,904
Liabilities and net assets		
Liabilities:		
Accounts payable	\$ 3,389,550	\$ 4,095,543
Grants payable	315,779	442,706
Accrued liabilities:		
Due to other U.S. voluntary agencies	50,021	176,508
Other	936,856	1,018,105
Debt obligations	1,987,539	1,284,041
Postretirement benefit liability	3,389,099	3,198,202
Total liabilities	10,068,844	10,215,105
Net assets:		
Without donor restrictions	8,190,392	8,099,738
With donor restrictions	12,549,491	11,965,061
Total net assets	20,739,883	20,064,799
	\$ 30,808,727	\$ 30,279,904

See accompanying notes to the financial statements.

CHURCH WORLD SERVICE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues, gains and other income			
Support:			
Contributions – member communions and related other organizations	\$ 4,637,504	\$ 1,442,037	\$ 6,079,541
Contributions – public and community appeals	14,959,524	5,271,143	20,230,667
Government programs	41,521,708	–	41,521,708
Donated materials	1,096,181	–	1,096,181
Revenues and gains:			
Service fees	2,509,851	–	2,509,851
Investment return, net	467,472	–	467,472
Other income	2,113,493	–	2,113,493
Net assets released from restrictions	6,332,741	(6,332,741)	–
Total support, revenues, gains and other income	73,638,474	380,439	74,018,913
Expenses			
Program services:			
Global relief and development	10,816,257	–	10,816,257
Emergency response	6,710,666	–	6,710,666
Services for displaced people	43,592,936	–	43,592,936
Advocacy	3,732,240	–	3,732,240
Total program services	64,852,099	–	64,852,099
Supporting services:			
Management and general	3,558,652	–	3,558,652
Fund-raising	5,298,712	–	5,298,712
Total supporting services	8,857,364	–	8,857,364
Total expenses	73,709,463	–	73,709,463
Change in net assets from operations	(70,989)	380,439	309,450
Nonoperating activities			
Investment return, net	161,643	–	161,643
Endowment contributions	–	431,660	431,660
Other changes, net	–	(227,669)	(227,669)
Change in net assets from nonoperating activities	161,643	203,991	365,634
Change in net assets	90,654	584,430	675,084
Net assets at beginning of year	8,099,738	11,965,061	20,064,799
Net assets at end of year	\$ 8,190,392	\$ 12,549,491	\$ 20,739,883

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	\$ 8,099,738	\$ 11,965,061	\$ 20,064,799

See accompanying notes to the financial statements.

CHURCH WORLD SERVICE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

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 2020 Expenses
Direct program expenses	\$ 7,697,500	\$ 3,981,291	\$ 29,252,503	\$ 530,075	\$ 41,461,369	\$ -	\$ -	\$ -	\$ 41,461,369
Designated expenditures for other									
U.S. voluntary agencies	384,505	1,441,892	96,126	-	1,922,523	-	-	-	1,922,523
	8,082,005	5,423,183	29,348,629	530,075	43,383,892	-	-	-	43,383,892
Salaries and related costs	1,861,236	1,066,652	11,619,945	2,240,621	16,788,454	2,310,933	2,994,175	5,305,108	22,093,562
Professional fees	451,623	104,335	460,297	539,107	1,555,362	859,835	1,115,047	1,974,882	3,530,244
Rent and occupancy	95,767	1,105	1,014,560	122,374	1,233,806	106,757	42,959	149,716	1,383,522
Office supplies and equipment	51,023	11,428	336,353	21,327	420,131	132,216	147,619	279,835	699,966
Communications	108,971	9,294	341,798	38,660	498,723	35,656	567,791	603,447	1,102,170
Travel and meetings	159,787	92,602	406,216	234,344	892,949	22,979	324,934	347,913	1,240,862
Depreciation	-	-	-	-	-	3,326	-	3,326	3,326
Interest	-	-	-	-	-	45,735	-	45,735	45,735
Miscellaneous	5,845	2,067	65,138	5,732	78,782	41,215	106,187	147,402	226,184
Total expenses	\$ 10,816,257	\$ 6,710,666	\$ 43,592,936	\$ 3,732,240	\$ 64,852,099	\$ 3,558,652	\$ 5,298,712	\$ 8,857,364	\$ 73,709,463

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.
STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2020	2019
Operating activities		
Change in net assets	\$ 675,084	\$ 2,621,554
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	3,326	77,887
Contributions restricted for long-term investment	(431,660)	(25,429)
Net realized and unrealized gain on investments	(420,212)	(659,683)
Changes in operating assets and liabilities:		
Contributions receivable	261,788	23,501
Split-interest agreement receivables	(27,609)	(10,708)
Government grants receivable	605,330	713,389
Prepaid expenses and other assets	82,526	(10,439)
Inventories	(12,368)	1,046,098
Accounts payable	(705,993)	(1,216,389)
Grants payable	(126,927)	(350,825)
Accrued liabilities	(207,736)	386,596
Postretirement benefit liability	190,897	(624,448)
	(113,554)	1,971,104
Investing activities		
Purchase of land, building and equipment	(19,200)	-
Purchases of investments, net	(273,928)	(69,739)
	(293,128)	(69,739)
Financing activities		
Contributions restricted for long-term investment	431,660	25,429
Proceeds from debt obligations	1,166,157	-
Repayment of debt obligations	(462,659)	(617,608)
	1,135,158	(592,179)
Net cash provided by (used in) financing activities		
Net increase in cash and cash equivalents	728,476	1,309,186
Cash and cash equivalents at beginning of year	4,221,516	2,912,330
Cash and cash equivalents at end of year	\$ 4,949,992	\$ 4,221,516
Supplemental information		
Interest paid	\$ 45,735	\$ 86,948

See accompanying notes to the financial statements.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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, 2020 AND 2019

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, 2020, 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, 2020 AND 2019

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.

Service Fee Revenue

CWS earns service fees for processing loans for the International Organization for Migration ("IOM") and performing other services for CWS's U.S. locations. These fees are recognized over time as the performance obligation is completed, which is defined as either processing the loan for IOM, or performing immigration services for the U.S. based locations. There are no contract receivables, assets or liabilities at June 30, 2020 and 2019.

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.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

3. NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. CWS adopted ASU 2014-09 and related amendments on July 1, 2019 using the modified retrospective method and elected to apply the standard only to contracts that were not completed as of that date. This standard only applies to reciprocal (exchange) transactions and does not apply to nonreciprocal transactions such as contributions. The adoption of this standard did not impact the results of operations or change in net assets.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides additional guidance to be used to determine whether a contribution is conditional and when a transaction should be accounted for as a contribution versus an exchange. CWS adopted ASU 2018-08 as of July 1, 2019 and has applied the amendments of this standard on a modified prospective basis and elected to apply the standards only to agreements that were entered into after the effective date. This standard did not result in a material change to the financial statements or the timing of revenue recognition for CWS’s contributions.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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:

	June 30, 2020		June 30, 2019	
	Market Value	Present Value	Market Value	Present Value
United Methodist Foundation:				
Charitable gift annuities	\$ 1,745,704	\$ 322,843	\$ 1,770,956	\$ 266,974
Charitable remainder unitrusts	1,059,427	823,173	1,115,611	851,577
Interest-free loan fund	2,776	2,000	2,723	2,000
	2,807,907	1,148,016	2,889,290	1,120,551
Presbyterian Foundation:				
Charitable gift annuities	31,442	-	39,523	-
Pooled income funds	3,889	2,780	3,760	2,636
	35,331	2,780	43,283	2,636
Total	\$ 2,843,238	\$ 1,150,796	\$ 2,932,573	\$ 1,123,187

The discount rate used in determining the present value of the charitable gift annuities shown above were 1.77% and 1.56% for 2020 and 2019, respectively.

5. INVESTMENTS AND INVESTMENTS HELD BY OTHERS

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

	June 30,	
	2020	2019
Cash and cash equivalents	\$ 100,383	\$ 148,096
Corporate bonds	509,040	612,462
U.S. government obligations	656,558	496,554
Equity securities	4,010,087	3,710,718
Other equities	50,690	46,819
	\$ 5,326,758	\$ 5,014,649

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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,	
	2020	2019
UMF - Moderate Funds	\$ 3,149,359	\$ 2,827,142
UMF - Aggressive Funds	2,228,530	2,004,179
UMF - Other	-	255,950
Elkhart Co. Community Foundation Funds	266,252	256,965
Ecumenical Trust - New Covenant Growth Fund	109,377	113,604
Presbyterian Foundation Funds	83,446	86,456
BCE - Certificate of Deposit	2,384,353	2,639,085
DDI, LLC	645,448	301,353
	<u>\$ 8,866,765</u>	<u>\$ 8,484,734</u>

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 61% equities and 39% fixed income and other. The UMF - Aggressive Fund consists of approximately 87% equities and 13% 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, 2020 AND 2019

6. INVENTORIES

Inventories consist of:

	June 30,	
	2020	2019
Donated materials	\$ 3,236,789	\$ 3,336,603
Other materials and supplies	210,773	98,591
	\$ 3,447,562	\$ 3,435,194

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,	
	2020	2019
Furniture and equipment	\$ 4,742,892	\$ 4,723,694
Building and leasehold improvements	1,801,899	1,801,899
Land	7,137	7,137
	6,551,928	6,532,730
Less accumulated depreciation	(6,517,160)	(6,513,836)
Land, building, and equipment, net	\$ 34,768	\$ 18,894

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, 2020 AND 2019

9. DEBT OBLIGATIONS

At June 30, 2020 and 2019, the total unpaid balance of the notes payable to the Board of Church Extension of Disciples of Christ, Inc. (“BCE”) was \$821,382 and \$1,137,928, respectively. As of June 30, 2020, this balance consisted of one note from the BCE, with an adjustable interest rate of 4.25%. The note remaining as of June 30, 2020 is collateralized by certain investment balances maintained at the BCE totaling approximately \$2,384,353. The note payable matures in April 2022.

On November 1, 2014, CWS entered into a note payable with United Methodist Committee on Relief (“UMCOR”). At June 30, 2020 and 2019, respectively, the total unpaid balance of the notes payable to UMCOR is \$0 and \$146,113. The interest rate of the note is fixed at 4% annually, and CWS has pledged no collateral to UMCOR under this agreement. The note was paid in full in October 2019.

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 \$2,000,000. Interest is payable on the amount outstanding at a variable rate equal to the Wall Street Journal prime lending rate (4.25% and 5.5% at June 30, 2020 and 2019, respectively) on a monthly basis. There were no amounts outstanding on the line of credit at June 30, 2020 and 2019. The line expires January 1, 2021, and is secured by investments held by BCE.

On April 21, 2020, the CWS was approved for the Paycheck Protection Program (“PPP”) loan which it applied for in response to the economic impact from the COVID-19 pandemic (see footnote 19). CWS received funding for the PPP loan in the amount of \$3,323,192. Due to the government grants received for certain expenditures, CWS returned \$2,157,035. The remaining \$1,166,157 is subject to forgiveness if it is utilized for expenditures such as certain payroll, rent, and utility costs. No principal payments are due until November 2020 at which point CWS will begin making regular monthly payments of approximately \$119,800 over an 18-month period. Interest accrues at a fixed rate of 1%. It is CWS’s intent to utilize the loan proceeds for purposes that qualify the loan for forgiveness and management expects the loan to ultimately be forgiven. At June 30, 2020, the balance of the PPP loan, including accrued interest, was \$1,166,157.

Principal maturities due on CWS’s debt obligations as of June 30, 2020, are as follows:

2021	\$ 1,036,785
2022	<u>950,754</u>
	<u>\$ 1,987,539</u>

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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, 2020 and 2019, was as follows:

	<u>2020</u>	<u>2019</u>
Change in Benefit Obligation:		
Benefit obligation at beginning of year	\$ 3,198,202	\$ 3,822,650
Service costs	16,810	6,598
Interest costs	85,366	130,048
Actuarial loss/(gain)	383,330	(378,877)
Actual benefit disbursements	<u>(294,609)</u>	<u>(382,217)</u>
Benefit obligation at end of year	<u>\$ 3,389,099</u>	<u>\$ 3,198,202</u>
Change to Plan Assets:		
Fair value of plan assets at beginning of year	\$ -	\$ -
Contributions	294,609	382,217
Actual benefit disbursements	<u>(294,609)</u>	<u>(382,217)</u>
Fair value of plan assets at end of year	<u>\$ -</u>	<u>\$ -</u>
Funded status:		
Benefit obligation	<u>\$ 3,389,099</u>	<u>\$ 3,198,202</u>
Net postretirement benefit liability recognized in statement of financial position	<u>\$ 3,389,099</u>	<u>\$ 3,198,202</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, 2020 and 2019, respectively

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

10. POSTRETIREMENT BENEFIT LIABILITY AND PENSION BENEFITS - Continued

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

	Year Ended June 30,	
	2020	2019
Service cost	\$ 16,810	\$ 6,598
Interest cost	85,366	130,048
Amortization of net loss	(38,066)	-
Net periodic benefit cost at end of year	\$ 64,110	\$ 136,646

Expected benefit payments for the five fiscal years after fiscal year 2020 and the subsequent five fiscal years in aggregate are as follows:

Year Ended	Amounts
2021	\$ 301,434
2022	306,164
2023	295,506
2024	261,811
2025	263,610
2026 - 2030	1,041,919

Contributions to fund future benefits payable under the retiree healthcare plan are expected in the amount of \$301,434 in fiscal 2021. 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, 2020, actuarial valuation, the most recent valuation date:

Actuarial valuation method	Projected unit credit method
Discount rate	1.99%
Healthcare cost trend rate	6.25% graded down uniformly to 5.5% over 3 years
Mortality	RP-2014 Total Dataset Mortality, adjusted back to 2006, then projected to 2020 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 \$3,611,579 as of June 30, 2020.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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, 2020 and 2019, were \$825,044 and \$756,890 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, 2020:

<u>Year Ending June 30,</u>	<u>Amounts</u>
2021	\$1,058,160
2022	462,563
2023	379,444
2024	230,759
2025	108,044
	<u>\$2,238,970</u>

Rent and occupancy expense was approximately \$1,100,000 for the years ended June 30, 2020 and 2019.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

12. NET ASSETS WITHOUT DONOR RESTRICTIONS

The Organization's Governing Board has designated, from net assets without donor restrictions, \$1,456,732 and \$1,754,434 at June 30, 2020 and 2019, respectively, for the endowment.

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2020 and 2019 are available for the following purposes:

	<u>2020</u>	<u>2019</u>
Time restriction		
Split interest receivables	\$ 1,150,796	\$ 1,123,187
Purposes:		
Emergency response	1,752,261	1,597,219
Global relief and development	2,993,395	2,532,932
Advocacy	102,832	71,225
Services to displaced people	2,844,636	3,138,918
Investment in perpetuity, the income of which is expendable to support the endowment fund; emergency relief, refugee assistance, hunger relief, self development	<u>3,705,571</u>	<u>3,501,580</u>
Total	<u>\$12,549,491</u>	<u>\$ 11,965,061</u>

Net Assets Released from Donor Restrictions

Net assets released from donor restrictions are as follows:

	<u>2020</u>	<u>2019</u>
Purposes:		
Emergency response	\$ 1,232,924	\$ 933,583
Global relief and development	2,413,116	2,762,443
Advocacy	5,894	42,885
Services to displaced people	<u>2,680,807</u>	<u>2,083,703</u>
	<u>\$6,332,741</u>	<u>\$5,822,614</u>

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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, 2020 and 2019, is as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ 917,802	\$ 3,705,571	\$ 4,623,373
Board-designated endowment funds	1,456,732	-	1,456,732
	\$ 2,374,534	\$ 3,705,571	\$ 6,080,105
	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

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

14. ENDOWMENT - Continued

Changes in endowment net assets for the years ended June 30, 2020 and 2019, is as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	\$ 2,290,204	\$ 3,501,580	\$ 5,791,784
Contributions	8,783	431,660	440,443
Investment return, net	227,645	-	227,645
Appropriation of endowment assets for expenditure	(108,652)	-	(108,652)
Other changes, net	(43,446)	(227,669)	(271,115)
	\$ 2,374,534	\$ 3,705,571	\$ 6,080,105

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
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)
	\$ 2,290,204	\$ 3,501,580	\$ 5,791,784

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, 2020 and 2019.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 the 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, 2020 AND 2019

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, 2020 and 2019 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>2020:</u>				
Split-interest agreement receivables	<u>\$ 1,150,796</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,150,796</u>
Investments:				
Equity securities	\$ 4,010,087	\$ 4,010,087	\$ -	\$ -
Other equities	50,690	50,690	-	-
U.S. government obligations	656,558	656,558	-	-
Corporate bonds	509,040	-	509,040	-
Cash and equivalents	<u>100,383</u>	<u>100,383</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 5,326,758</u>	<u>\$ 4,817,718</u>	<u>\$ 509,040</u>	<u>\$ -</u>
Investments held by others:				
Pooled funds:				
Cash and cash equivalents	\$ 8,862	\$ 8,862	\$ -	\$ -
Equities	4,114,183	4,114,183	-	-
Real estate	10,650	-	10,650	-
Corporate bonds	1,703,269	-	1,703,269	-
Other	<u>645,448</u>	<u>-</u>	<u>-</u>	<u>645,448</u>
Total pooled funds	6,482,412	4,123,045	1,713,919	645,448
Certificate of deposit	<u>2,384,353</u>	<u>2,384,353</u>	<u>-</u>	<u>-</u>
Total investments held by others	<u>\$ 8,866,765</u>	<u>\$ 6,507,398</u>	<u>\$ 1,713,919</u>	<u>\$ 645,448</u>

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

15. FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

	Assets Measured at	Fair Value Measurement Using		
	Fair Value	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:				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
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, 2020 AND 2019

15. FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

The fair value of split-interest agreement receivables is measured based on present value techniques. Significant assumptions used in the calculations as of June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Gift value:	Market value	Market value
Net return on investment assets	3.00%	3.49%
Life expectancy:	2012 mortality tables	2012 mortality tables
Discount rate:	1.77%	1.56%

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 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 1,123,187	\$ 1,112,479
Contributions	150,000	-
Withdrawals	(278,532)	(342,252)
Change in value included in activities	<u>156,141</u>	<u>352,960</u>
	<u>\$ 1,150,796</u>	<u>\$ 1,123,187</u>

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
JUNE 30, 2020 AND 2019

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, 2020 and 2019:

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	\$ 4,949,992	\$ 4,221,516
Contributions receivable, net	225,800	487,588
Government grants receivable	4,353,635	4,958,965
Investments	5,326,758	5,014,649
Investments held by others	8,866,765	8,484,734
Split interest receivables	1,150,796	1,123,187
Total financial assets	24,873,746	24,290,639
Less assets unavailable for general expenditures within one year:		
Subject to donor purpose restrictions	8,843,920	8,463,481
Designated by the Board for endowment	1,456,732	1,754,434
Donor restricted endowment funds held in perpetuity	3,705,571	3,501,580
Financial assets not available to be used within one year	14,006,223	13,719,495
Financial assets available to meet cash needs for general expenditures within one year	\$ 10,867,523	\$ 10,571,144

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 \$2,000,000 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. CWS also obtained a significant amount of Paycheck Protection Program funds during 2020 to assist in certain required expenditures.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 June 30, 2020, approximately 4% of the employees are under the collective bargaining agreement represented by the union. The bargaining unit has continued to work without any disruption.

19. RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the pandemic continues to evolve as of the date of this report and has affected CWS’s operational and financial performance due to the impact on its program services, which is the result of various restrictions put in place by governments to curtail the spread of the coronavirus as well as due to developments such as social distancing and shelter-in-place directives. To mitigate the negative impact on its operational and financial performance, CWS received financing from the Small Business Administration (the “SBA”) totaling \$1,166,157 through the Paycheck Protection Program (the “Program”). Under the Program, the loan is subject to forgiveness if it is utilized for expenditures such as certain payroll, rent, and utility costs. It was management’s intent to utilize the loan proceeds for purposes that qualify the loan for forgiveness under the Program, and management expects the loan to ultimately be forgiven in fiscal year 2021. The final guidelines have not been issued; therefore, the amount of the forgiveness cannot be estimated at this time. See Note 9 for details regarding this loan.

While expected to be temporary, CWS cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time. If the pandemic continues, it may have an adverse effect on CWS’s results of future operations, financial position, and liquidity in fiscal year 2021.

20. 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.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

21. SUBSEQUENT EVENTS

CWS has evaluated subsequent events through October 16, 2020, the date the financial statements were available for issuance, and has determined that there are no subsequent events that require disclosure.