

CHURCH WORLD SERVICE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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

Opinion

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, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Church World Service, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Church World Service Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Church World Service Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2025 consideration of Church World Service, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Church World Service, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Church World Service, Inc.'s internal control over financial reporting and compliance.

Crosslin, PLLC

March 17, 2025

Nashville, Tennessee

CHURCH WORLD SERVICE, INC.
STATEMENTS OF FINANCIAL POSITION

| | June 30, | |
|--|---------------|---------------|
| | 2024 | 2023 |
| Assets | | |
| Cash and cash equivalents | \$ 10,524,430 | \$ 5,188,479 |
| Contributions receivable, less allowances for uncollectible contributions (\$5,000 in 2024 and 2023) | 1,045,239 | 643,212 |
| Government grants receivable | 29,592,529 | 28,728,374 |
| Prepaid expenses and other assets | 8,600,654 | 1,704,199 |
| Inventories | 2,494,397 | 2,262,379 |
| Investments | 7,500,582 | 6,660,199 |
| Investments held by others | 12,078,141 | 11,255,967 |
| Split-interest agreement receivables | 1,110,246 | 1,030,852 |
| Right-of-use assets - operating lease | 6,905,242 | 7,258,944 |
| Land, building, and equipment, net | 790,861 | 866,622 |
| Total assets | \$ 80,642,321 | \$ 65,599,227 |
| Liabilities and net assets | | |
| Liabilities: | | |
| Accounts payable | \$ 25,125,557 | \$ 18,812,020 |
| Grants payable | - | 312,842 |
| Accrued liabilities: | | |
| Due to other U.S. voluntary agencies | 135,248 | 138,845 |
| Other | 4,636,485 | 3,424,958 |
| Debt obligations | 8,683,164 | 4,620,398 |
| Operating lease liabilities | 6,989,024 | 7,314,709 |
| Postretirement benefit liability | 3,232,434 | 3,518,504 |
| Total liabilities | 48,801,912 | 38,142,276 |
| Net assets: | | |
| Without donor restrictions | 17,059,988 | 12,820,117 |
| With donor restrictions | 14,780,421 | 14,636,834 |
| Total net assets | 31,840,409 | 27,456,951 |
| Total liabilities and net assets | \$ 80,642,321 | \$ 65,599,227 |

See accompanying notes to the financial statements.

CHURCH WORLD SERVICE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|---------------|
| Support, revenues, gains and other income | | | |
| Support: | | | |
| Contributions – member communions and related other organizations | \$ 2,650,373 | \$ 4,382,397 | \$ 7,032,770 |
| Contributions – public and community appeals | 16,952,094 | 2,521,800 | 19,473,894 |
| Government programs | 251,404,699 | - | 251,404,699 |
| Donated materials | 1,451,503 | - | 1,451,503 |
| Revenues and gains: | | | |
| Service fees | 2,111,098 | - | 2,111,098 |
| Investment return, net | 922,360 | - | 922,360 |
| Other income | 517,444 | - | 517,444 |
| Net assets released from restrictions | 6,835,680 | (6,835,680) | - |
| Total support, revenues, gains and other income | 282,845,251 | 68,517 | 282,913,768 |
| Expenses | | | |
| Program services: | | | |
| Global relief and development | 8,162,691 | - | 8,162,691 |
| Emergency response | 6,111,227 | - | 6,111,227 |
| Services for displaced people | 221,348,660 | - | 221,348,660 |
| Advocacy | 4,234,770 | - | 4,234,770 |
| Total program services | 239,857,348 | - | 239,857,348 |
| Supporting services: | | | |
| Management and general | 33,247,764 | - | 33,247,764 |
| Fund-raising | 6,451,500 | - | 6,451,500 |
| Total supporting services | 39,699,264 | - | 39,699,264 |
| Total expenses | 279,556,612 | - | 279,556,612 |
| Change in net assets from operations | 3,288,639 | 68,517 | 3,357,156 |
| Nonoperating activities | | | |
| Investment return, net | 951,232 | - | 951,232 |
| Endowment contributions | - | 29,403 | 29,403 |
| Other changes, net | - | 45,667 | 45,667 |
| Change in net assets from nonoperating activities | 951,232 | 75,070 | 1,026,302 |
| Change in net assets | 4,239,871 | 143,587 | 4,383,458 |
| Net assets at beginning of year | 12,820,117 | 14,636,834 | 27,456,951 |
| Net assets at end of year | \$ 17,059,988 | \$ 14,780,421 | \$ 31,840,409 |

See accompanying notes to the financial statements.

CHURCH WORLD SERVICE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|----------------------|
| Support, revenues, gains and other income | | | |
| Support: | | | |
| Contributions – member communions and related other organizations | \$ 6,111,708 | \$ 3,806,454 | \$ 9,918,162 |
| Contributions – public and community appeals | 16,520,911 | 2,440,868 | 18,961,779 |
| Government programs | 186,438,735 | - | 186,438,735 |
| Donated materials | 1,411,373 | - | 1,411,373 |
| Revenues and gains: | | | |
| Service fees | 1,687,772 | - | 1,687,772 |
| Investment return, net | 575,244 | - | 575,244 |
| Other income | 526,415 | - | 526,415 |
| Net assets released from restrictions | 5,573,307 | (5,573,307) | - |
| Total support, revenues, gains and other income | 218,845,465 | 674,015 | 219,519,480 |
| Expenses | | | |
| Program services: | | | |
| Global relief and development | 8,818,452 | - | 8,818,452 |
| Emergency response | 6,834,006 | - | 6,834,006 |
| Services for displaced people | 170,998,164 | - | 170,998,164 |
| Advocacy | 4,198,719 | - | 4,198,719 |
| Total program services | 190,849,341 | - | 190,849,341 |
| Supporting services: | | | |
| Management and general | 21,258,479 | - | 21,258,479 |
| Fund-raising | 6,888,960 | - | 6,888,960 |
| Total supporting services | 28,147,439 | - | 28,147,439 |
| Total expenses | 218,996,780 | - | 218,996,780 |
| Change in net assets from operations | (151,315) | 674,015 | 522,700 |
| Nonoperating activities | | | |
| Investment return, net | 973,127 | - | 973,127 |
| Endowment contributions | - | 235,658 | 235,658 |
| Other changes, net | - | (290,685) | (290,685) |
| Change in net assets from nonoperating activities | 973,127 | (55,027) | 918,100 |
| Change in net assets | 821,812 | 618,988 | 1,440,800 |
| Net assets at beginning of year | 11,998,305 | 14,017,846 | 26,016,151 |
| Net assets at end of year | \$ 12,820,117 | \$ 14,636,834 | \$ 27,456,951 |

See accompanying notes to the financial statements.

CHURCH WORLD SERVICE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

| 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 2024 Expenses |
|-----------------------------------|-------------------------------|---------------------|-------------------------------|---------------------|------------------------|------------------------|---------------------|---------------------------|-----------------------|
| Direct program expenses | \$ 6,750,324 | \$ 3,874,368 | \$ 131,963,960 | \$ 12,872 | \$ 142,601,524 | \$ - | \$ - | \$ - | \$ 142,601,524 |
| Designated expenditures for other | | | | | | | | | |
| U.S. voluntary agencies | 392,648 | 1,020,884 | 157,059 | - | 1,570,591 | - | - | - | 1,570,591 |
| | <u>7,142,972</u> | <u>4,895,252</u> | <u>132,121,019</u> | <u>12,872</u> | <u>144,172,115</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>144,172,115</u> |
| Salaries and related costs | 809,274 | 796,887 | 76,423,787 | 3,746,410 | 81,776,358 | 16,628,881 | 3,730,230 | 20,359,111 | 102,135,469 |
| Professional fees | 65,488 | 184,112 | 3,261,501 | 237,178 | 3,748,279 | 12,551,628 | 1,512,161 | 14,063,789 | 17,812,068 |
| Rent and occupancy | - | 21,949 | 2,776,704 | 35,453 | 2,834,106 | 832,323 | 2,635 | 834,958 | 3,669,064 |
| Office supplies and equipment | 90,222 | 42,706 | 1,751,377 | 19,537 | 1,903,842 | 1,567,866 | 77,038 | 1,644,904 | 3,548,746 |
| Communications | 2,177 | 81,751 | 1,082,785 | 21,835 | 1,188,548 | 485,382 | 414,041 | 899,423 | 2,087,971 |
| Travel and meetings | 52,558 | 88,570 | 3,931,487 | 161,485 | 4,234,100 | 169,568 | 715,395 | 884,963 | 5,119,063 |
| Depreciation | - | - | - | - | - | 75,761 | - | 75,761 | 75,761 |
| Interest | - | - | - | - | - | 400,699 | - | 400,699 | 400,699 |
| Miscellaneous | - | - | - | - | - | 535,656 | - | 535,656 | 535,656 |
| Total expenses | <u>\$ 8,162,691</u> | <u>\$ 6,111,227</u> | <u>\$ 221,348,660</u> | <u>\$ 4,234,770</u> | <u>\$ 239,857,348</u> | <u>\$ 33,247,764</u> | <u>\$ 6,451,500</u> | <u>\$ 39,699,264</u> | <u>\$ 279,556,612</u> |

See accompanying notes to the financial statements.

CHURCH WORLD SERVICE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

| 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 2023 Expenses |
|-----------------------------------|-------------------------------|---------------------|-------------------------------|---------------------|------------------------|------------------------|---------------------|---------------------------|-----------------------|
| Direct program expenses | \$ 6,996,272 | \$ 4,994,240 | \$ 117,028,340 | \$ 4,760 | \$ 129,023,612 | \$ - | \$ - | \$ - | \$ 129,023,612 |
| Designated expenditures for other | | | | | | | | | |
| U.S. voluntary agencies | 201,877 | 1,345,847 | 114,584 | - | 1,662,308 | - | - | - | 1,662,308 |
| | <u>7,198,149</u> | <u>6,340,087</u> | <u>117,142,924</u> | <u>4,760</u> | <u>130,685,920</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>130,685,920</u> |
| Salaries and related costs | 791,769 | 385,446 | 45,994,680 | 3,786,580 | 50,958,475 | 13,027,864 | 3,968,123 | 16,995,987 | 67,954,462 |
| Professional fees | 464,363 | 54,425 | 1,422,795 | 240,825 | 2,182,408 | 5,596,322 | 1,088,150 | 6,684,472 | 8,866,880 |
| Rent and occupancy | 64,825 | 11,150 | 2,169,925 | 51,440 | 2,297,340 | 554,672 | 11,339 | 566,011 | 2,863,351 |
| Office supplies and equipment | 18,417 | 4,708 | 1,637,388 | 16,324 | 1,676,837 | 773,558 | 236,494 | 1,010,052 | 2,686,889 |
| Communications | 163,272 | 4,512 | 740,868 | 16,279 | 924,931 | 255,409 | 736,923 | 992,332 | 1,917,263 |
| Travel and meetings | 74,003 | 30,656 | 1,826,809 | 80,133 | 2,011,601 | 559,134 | 492,425 | 1,051,559 | 3,063,160 |
| Depreciation | - | - | - | - | - | 70,712 | - | 70,712 | 70,712 |
| Interest | - | - | - | - | - | 306,231 | - | 306,231 | 306,231 |
| Miscellaneous | 43,654 | 3,022 | 62,775 | 2,378 | 111,829 | 114,577 | 355,506 | 470,083 | 581,912 |
| Total expenses | <u>\$ 8,818,452</u> | <u>\$ 6,834,006</u> | <u>\$ 170,998,164</u> | <u>\$ 4,198,719</u> | <u>\$ 190,849,341</u> | <u>\$ 21,258,479</u> | <u>\$ 6,888,960</u> | <u>\$ 28,147,439</u> | <u>\$ 218,996,780</u> |

See accompanying notes to the financial statements.

CHURCH WORLD SERVICE, INC.
STATEMENTS OF CASH FLOWS

| | Year Ended June 30, | |
|---|---------------------|--------------|
| | 2024 | 2023 |
| Operating activities | | |
| Change in net assets | \$ 4,383,458 | \$ 1,440,800 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 75,761 | 70,712 |
| Contributions restricted for long-term investment | (29,403) | (235,658) |
| Noncash lease expense | 28,017 | 55,765 |
| Net realized and unrealized gain on investments | (1,545,145) | (1,232,846) |
| Changes in operating assets and liabilities: | | |
| Contributions receivable | (402,027) | 139,413 |
| Split-interest agreement receivables | (79,394) | (156,351) |
| Government grants receivable | (864,155) | (8,179,556) |
| Prepaid expenses and other assets | (6,896,455) | 3,374,400 |
| Inventories | (232,018) | 760,870 |
| Accounts payable | 6,313,537 | 531,064 |
| Grants payable | (312,842) | 53,169 |
| Accrued liabilities | 1,207,930 | (139,816) |
| Postretirement benefit liability | (286,070) | 654,549 |
| Net cash provided by (used in) operating activities | 1,361,194 | (2,863,485) |
| Investing activities | | |
| Purchase of land, building and equipment | - | (135,386) |
| Purchases of investments, net | (117,412) | (73,590) |
| Net cash used in investing activities | (117,412) | (208,976) |
| Financing activities | | |
| Contributions restricted for long-term investment | 29,403 | 235,658 |
| Proceeds from debt obligations | 5,000,000 | 5,000,000 |
| Repayment of debt obligations | (937,234) | (379,602) |
| Net cash provided by financing activities | 4,092,169 | 4,856,056 |
| Net change in cash and cash equivalents | 5,335,951 | 1,783,595 |
| Cash and cash equivalents at beginning of year | 5,188,479 | 3,404,884 |
| Cash and cash equivalents at end of year | \$ 10,524,430 | \$ 5,188,479 |
| Supplemental information: | | |
| Interest paid | \$ 400,699 | \$ 306,231 |
| ROU assets obtained in exchange for new operating lease liabilities | \$ 1,338,993 | \$ 8,441,145 |
| Cash paid for amounts included in the measurement of lease liabilities | \$ 2,006,379 | \$ 1,428,661 |

See accompanying notes to the financial statements.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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 11 and 13) 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, 2024 AND 2023

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 14.

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, 2024, 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, 2024 AND 2023

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, 2024 and 2023.

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, 2024 AND 2023

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, 2024 AND 2023

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.

Leases

CWS determines whether an arrangement is or contains a lease at lease inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset.

On the commencement date, operating leases are recorded as operating lease right-of-use (“ROU”) assets and operating lease liabilities in the statements of financial position. Finance leases are recorded as equipment and finance lease liabilities in the statements of financial position.

ROU assets represent CWS’s right to use an underlying asset for the lease term, and lease liabilities represent CWS’s contractual obligation to make lease payments. The lease liability is measured as the present value of the lease payments over the lease term using either the rate implicit in the lease, if it is determinable, or CWS’s incremental borrowing rate if the implicit rate is not determinable. ROU assets are calculated as the present value of the remaining lease payments plus unamortized initial direct costs and prepayments of rent, less any unamortized lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. For operating leases, lease expense is recognized on a straight-line basis over the lease term. For finance

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

leases, amortization of the asset is recognized on a straight-line basis over the useful life of the underlying asset and interest on the lease liability is recognized over the lease term. CWS has elected not to recognize a ROU asset and lease liability for leases with an initial term of 12 months or less but includes the expense associated with short-term leases in lease expense in the statements of activities.

ROU assets are assessed for impairment in accordance with CWS's long-lived asset policy. Management reassesses lease classification and remeasures ROU assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with ASC 842.

Reclassifications

Certain reclassifications have been made to the 2023 financial statements to conform to the current year presentation.

3. 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, 2024</u> | | <u>June 30, 2023</u> | |
|--------------------------------|-------------------------|--------------------------|-------------------------|--------------------------|
| | <u>Market Value</u> | <u>Present Value</u> | <u>Market Value</u> | <u>Present Value</u> |
| United Methodist Foundation: | | | | |
| Charitable gift annuities | \$1,028,688 | \$ 307,687 | \$1,294,481 | \$ 324,940 |
| Charitable remainder unitrusts | 1,004,666 | 797,924 | 954,602 | 701,252 |
| Interest-free loan fund | <u>3,608</u> | <u>2,000</u> | <u>3,293</u> | <u>2,000</u> |
| | <u>2,036,962</u> | <u>1,107,611</u> | <u>2,252,376</u> | <u>1,028,192</u> |
| Presbyterian Foundation: | | | | |
| Charitable gift annuities | - | - | 6,463 | - |
| Pooled income funds | <u>3,214</u> | <u>2,635</u> | <u>3,284</u> | <u>2,660</u> |
| | <u>3,214</u> | <u>2,635</u> | <u>9,747</u> | <u>2,660</u> |
| Total | <u>\$2,040,176</u> | <u>\$1,110,246</u> | <u>\$2,262,123</u> | <u>\$1,030,852</u> |

The discount rate used in determining the present value of the charitable gift annuities shown above were 3.13% and 2.48% for 2024 and 2023, respectively.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

4. INVESTMENTS AND INVESTMENTS HELD BY OTHERS

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

| | June 30, | |
|-----------------------------|--------------------|--------------------|
| | 2024 | 2023 |
| Cash and cash equivalents | \$ 100,150 | \$ 550,241 |
| Corporate bonds | 735,111 | 485,693 |
| U.S. government obligations | 1,060,998 | 871,092 |
| Equity securities | 3,740,519 | 4,363,230 |
| Other equities | 1,787,420 | 389,943 |
| Real estate | 76,384 | - |
| | <u>\$7,500,582</u> | <u>\$6,660,199</u> |

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, | |
|---|---------------------|---------------------|
| | 2024 | 2023 |
| UMF - Moderate Funds | \$ 4,470,774 | \$ 4,170,183 |
| UMF - Aggressive Funds | 3,583,052 | 3,231,377 |
| UMF - Cash | 25,653 | 32,529 |
| Elkhart Co. Community Foundation Funds | 434,347 | 346,978 |
| Ecumenical Trust - New Covenant Growth Fund | 124,820 | 113,287 |
| Presbyterian Foundation Funds | 99,808 | 95,487 |
| BCE - Certificate of Deposit | 2,415,418 | 2,367,824 |
| DDI, LLC | 924,269 | 898,302 |
| | <u>\$12,078,141</u> | <u>\$11,255,967</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 consists 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, 2024 AND 2023

5. INVENTORIES

Inventories consist of:

| | June 30, | |
|------------------------------|-------------|-------------|
| | 2024 | 2023 |
| Donated materials | \$2,225,650 | \$1,879,272 |
| Other materials and supplies | 268,747 | 383,107 |
| | \$2,494,397 | \$2,262,379 |

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.

6. LAND, BUILDING, AND EQUIPMENT

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

| | June 30, | |
|-------------------------------------|--------------|--------------|
| | 2024 | 2023 |
| Furniture and equipment | \$ 4,991,079 | \$ 4,991,079 |
| Building and leasehold improvements | 2,496,377 | 2,496,377 |
| Land | 7,137 | 7,137 |
| | 7,494,593 | 7,494,593 |
| Less accumulated depreciation | (6,703,732) | (6,627,971) |
| Land, building, and equipment, net | \$ 790,861 | \$ 866,622 |

7. 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, 2024 AND 2023

8. DEBT OBLIGATIONS

CWS entered into a line-of-credit agreement with the CIBC Bank in November 2022. Availability under the line-of-credit is \$4,000,000. Interest is payable on the amount outstanding at a variable rate equal to the Wall Street Journal prime lending rate (8% at June 30, 2024) on a monthly basis. There were no amounts outstanding on the line of credit on June 30, 2024 and 2023. The line expires on November 2024 and is secured by investments held by BCE.

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 for 2021 and increased to \$5,000,000 in 2022. Interest is payable on the amount outstanding at a variable rate equal to 1.00% over the Wall Street Journal prime lending rate (9.50% and 9.25% at June 30, 2024 and 2023, respectively) on a monthly basis. There were no amounts outstanding on the line of credit on June 30, 2024 and 2023. The line expires on January 1, 2026 and is secured by investments held by BCE.

CWS also has a line-of-credit with a financial institution, which renews annually and terminates on December 31, 2024. Interest is payable on the amount outstanding at a variable rate equal to the prime lending rate plus 1% (9.50% and 9.25% for years ending June 30, 2024 and 2023, respectively). 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 2024 and 2023. There were no amounts outstanding on the line-of-credit at June 30, 2024 and 2023.

In February of 2023, CWS entered into a long-term debt agreement with United Methodist Committee on Relief of Global Ministries, with a principal amount of \$5,000,000 bearing interest at a fixed rate of 4.00%. Interest and principal payments of \$92,083 are paid at the end of each month until the maturity of the loan in January 2028. The outstanding balance as of June 30, 2024 and 2023 was \$3,683,164 and \$4,620,398, respectively.

In June of 2024, CWS entered into a long-term debt agreement with United Methodist Committee on Relief of Global Ministries, with a principal amount of \$5,000,000 bearing interest at a fixed rate of 5.00%. Interest and principal payments of \$94,356 are paid at the end of each month until the maturity of the loan in June 2029. The outstanding balance as of June 30, 2024 was \$5,000,000.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

8. DEBT OBLIGATIONS - Continued

Maturities of long-term debt for the next five years are as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|--------------------|
| 2025 | \$1,878,195 |
| 2026 | 1,964,123 |
| 2027 | 2,054,033 |
| 2028 | 1,684,618 |
| 2029 | <u>1,102,195</u> |
| Total | <u>\$8,683,164</u> |

Interest expense recognized related to the above notes payable was \$166,071 and \$80,811 during the years ended June 30, 2024 and 2023, respectively.

9. 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, 2024 and 2023, was as follows:

| | <u>2024</u> | <u>2023</u> |
|---|---------------------|---------------------|
| Change in benefit obligation: | | |
| Benefit obligation at beginning of year | \$ 3,518,504 | \$ 2,863,955 |
| Service cost | - | 2,856 |
| Interest cost | 154,267 | 105,226 |
| Actuarial (gains) losses | (115,777) | 862,578 |
| Actual benefit disbursements | <u>(324,560)</u> | <u>(316,111)</u> |
| Benefit obligation at the end of year | <u>\$ 3,232,434</u> | <u>\$ 3,518,504</u> |

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

9. POSTRETIREMENT BENEFIT LIABILITY AND PENSION BENEFITS - Continued

| | | |
|---|--------------------|--------------------|
| Change in plan assets: | | |
| Fair value of plan asset at beginning of year | \$ - | \$ - |
| Contributions | 324,560 | 316,111 |
| Actual benefit disbursements | <u>(324,560)</u> | <u>(316,111)</u> |
| Fair value of plan assets at end of year | <u>\$ -</u> | <u>\$ -</u> |
| Funded status: | | |
| Benefit obligation | <u>\$3,232,434</u> | <u>\$3,518,504</u> |
| Net postretirement benefit liability recognized in statement of financial position | <u>\$3,232,434</u> | <u>\$3,518,504</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, 2024 and 2023, respectively.

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

| | <u>Year Ended June 30,</u> | |
|--|----------------------------|------------------|
| | <u>2024</u> | <u>2023</u> |
| Service cost | \$ - | \$ 2,856 |
| Interest cost | 154,267 | 105,226 |
| Amortization of net loss | <u>103,233</u> | <u>-</u> |
| Net periodic benefit cost at end of year | <u>\$257,500</u> | <u>\$108,082</u> |

Expected benefit payments for the five fiscal years after fiscal year 2024 and the subsequent five fiscal years in aggregate are as follows:

| <u>Year Ended</u> | <u>Amounts</u> |
|-------------------|----------------|
| 2025 | \$353,338 |
| 2026 | 332,817 |
| 2027 | 324,374 |
| 2028 | 323,082 |
| 2029 | 283,162 |
| 2030 - 2034 | 1,205,720 |

Contributions to fund future benefits payable under the retiree healthcare plan are expected in the amount of \$353,338 in fiscal 2025. CWS expects to continue to pay postretirement benefits under the plan as they are incurred.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

9. POSTRETIREMENT BENEFIT LIABILITY AND PENSION BENEFITS - Continued

The following significant actuarial methods and assumptions were used in the July 1, 2024, actuarial valuation, the most recent valuation date:

| | |
|----------------------------|---|
| Actuarial valuation method | Projected unit credit method |
| Discount rate | 5.20% |
| Healthcare cost trend rate | 7% graded down uniformly to 5.6% over 2 years |
| Mortality | PRI-2012 White Collar Mortality Table with generational mortality improvement using the MP-2021 projection scale |
| 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 \$3,392,198 as of June 30, 2024.

Pension Plan

CWS sponsors a defined-contribution retirement plan covering substantially all employees. Effective January 1, 2020, CWS merged the Defined Contribution Retirement Plan and the Tax Deferred Annuity Plan into one restated defined contribution plan and transferred assets as of the merger date. The restated plan maintains the primary provisions of each plan as described in Note A of the Plan's financial statements.

Participants may elect to make contributions through pre-tax payroll and Roth withholdings, as defined in the Plan Agreement, within IRS limits (maximum of \$22,500 for 2024). There are additional catch-up contributions that are available to participants that meet certain requirements. Individuals age 50 or over, are eligible for an additional catch-up contribution up to \$7,500. If a participant has worked at least 15 years for the employer, and the employer is a qualified organization, the participant may make special 403(b) catch-up contributions up to certain limits.

The employer contributions, and limit on the amount of such contributions made to the Plan are determined by CWS. Contribution rates as a percentage of salary are as follows:

| | |
|---|--------|
| Non-Ordained Employees: | |
| Employees with less than 5 years of service | 5% |
| Employees with 5 years to less than 15 years of service | 7% |
| Employees with 15 or more years of service | 9% |
| Ordained Employees: | |
| Employees with less than 5 years of service | 12.65% |
| Employees with 5 years to less than 15 years of service | 14.65% |
| Employees with 15 or more years of service | 16.65% |

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

9. POSTRETIREMENT BENEFIT LIABILITY AND PENSION BENEFITS - Continued

Contributions to the retirement plan during the years ended June 30, 2024 and 2023, were \$2,818,431 and \$1,772,770 respectively.

10. LEASES

CWS leases office space under operating leases expiring in various years through fiscal 2029. No renewal options are provided for in the operating leases. In the normal course of business, operating leases are generally renewed or replaced by other leases.

The components of lease expense for June 30, 2024 and 2023, are operating lease expenses of \$2,055,479 and \$1,562,253, respectively.

Additional supplemental information regarding assumptions for operating leases is as follows for June 30:

| | <u>2024</u> | <u>2023</u> |
|---|-------------|-------------|
| Weighted-average remaining lease term (years) | | |
| Operating leases | 4.18 | 4.95 |
| Weighted-average discount rate | | |
| Operating leases | 5.00% | 5.00% |

As of June 30, 2024, the maturity of the operating lease liabilities is as follows:

| <u>Maturity</u> | <u>Operating</u> |
|-----------------------------------|---------------------|
| 2025 | \$ 2,304,646 |
| 2026 | 1,980,095 |
| 2027 | 1,394,584 |
| 2028 | 1,158,456 |
| 2029 | 567,310 |
| Thereafter | <u>288,344</u> |
| Total undiscounted cash flows | 7,693,435 |
| Less: present value discount | <u>(704,411)</u> |
| Total operating lease liabilities | <u>\$ 6,989,024</u> |

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

11. NET ASSETS WITHOUT DONOR RESTRICTIONS

The Organization's Governing Board has designated, from net assets without donor restrictions, \$2,337,725 and \$2,139,491 at June 30, 2024 and 2023, respectively, for the endowment.

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2024 and 2023 are available for the following purposes:

| | <u>Year Ended June 30,</u> | |
|---|----------------------------|---------------------|
| | <u>2024</u> | <u>2023</u> |
| Time restriction | | |
| Split interest receivables | \$ 1,110,246 | \$ 1,030,852 |
| Purposes: | | |
| Emergency response | 2,384,752 | 2,776,217 |
| Global relief and development | 1,788,066 | 1,478,889 |
| Advocacy | 423,017 | 60,926 |
| Services to displaced people | 4,694,960 | 4,985,641 |
| Investment in perpetuity, the income of which is expendable to support the endowment fund; emergency relief, refugee assistance, hunger relief, self-development | <u>4,379,380</u> | <u>4,304,309</u> |
| Total | <u>\$14,780,421</u> | <u>\$14,636,834</u> |

Net Assets Released from Donor Restrictions

Net assets released from donor restrictions are as follows:

| | <u>June 30,</u> | |
|-------------------------------|--------------------|--------------------|
| | <u>2024</u> | <u>2023</u> |
| Purpose: | | |
| Emergency response | \$1,746,366 | \$ 899,879 |
| Global relief and development | 997,257 | 648,328 |
| Advocacy | 60,926 | 16,695 |
| Services to displaced people | <u>4,031,131</u> | <u>4,008,405</u> |
| | <u>\$6,835,680</u> | <u>\$5,573,307</u> |

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

13. 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, 2024 and 2023, is as follows:

| | <u>2024</u> | | |
|----------------------------------|-------------------------------------|----------------------------------|--------------------|
| | <u>Without Donor Restricted</u> | <u>With Donor Restricted</u> | <u>Total</u> |
| Donor-restricted endowment funds | \$2,174,269 | \$4,379,380 | \$6,553,649 |
| Board-designated endowment funds | <u>2,337,725</u> | <u>-</u> | <u>2,337,725</u> |
| Total funds | <u>\$4,511,994</u> | <u>\$4,379,380</u> | <u>\$8,891,374</u> |
| | <u>2023</u> | | |
| | <u>Without Donor Restricted</u> | <u>With Donor Restricted</u> | <u>Total</u> |
| Donor-restricted endowment funds | \$1,728,054 | \$4,304,309 | \$6,032,363 |
| Board-designated endowment funds | <u>2,139,491</u> | <u>-</u> | <u>2,139,491</u> |
| Total funds | <u>\$3,867,545</u> | <u>\$4,304,309</u> | <u>\$8,171,854</u> |

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

13. ENDOWMENT - Continued

Changes in endowment net assets for the years ended June 30, 2024 and 2023, is as follows:

| | <u>2024</u> | | |
|--|-------------------------------------|----------------------------------|---------------------|
| | <u>Without Donor Restricted</u> | <u>With Donor Restricted</u> | <u>Total</u> |
| Beginning of year | \$ 3,867,545 | \$4,304,309 | \$ 8,171,854 |
| Contributions | 12,879 | 29,403 | 42,282 |
| Investment return, net | 951,232 | - | 951,232 |
| Appropriation of endowment assets for expenditure | (136,724) | - | (136,724) |
| Other changes, net | <u>(182,938)</u> | <u>45,668</u> | <u>(137,270)</u> |
| | <u>\$ 4,511,994</u> | <u>\$4,379,380</u> | <u>\$ 8,891,374</u> |

| | <u>2023</u> | | |
|--|-------------------------------------|----------------------------------|---------------------|
| | <u>Without Donor Restricted</u> | <u>With Donor Restricted</u> | <u>Total</u> |
| Beginning of year | \$ 3,099,363 | \$ 4,359,336 | \$ 7,458,699 |
| Contributions | 20,833 | 235,658 | 256,491 |
| Investment return, net | 973,127 | - | 973,127 |
| Appropriation of endowment assets for expenditure | (242,625) | - | (242,625) |
| Other changes, net | <u>16,847</u> | <u>(290,685)</u> | <u>(273,838)</u> |
| | <u>\$ 3,867,545</u> | <u>\$ 4,304,309</u> | <u>\$ 8,171,854</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, 2024 and 2023.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

13. 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 benchmarks 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, 2024 AND 2023

14. 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, 2024 and 2023 for the assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

| | Assets Measured at <u>Fair Value</u> | <u>Fair Value Measurements Using</u> | | |
|--------------------------------------|--|--------------------------------------|--------------------|---------------------|
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| <u>2024:</u> | | | | |
| Split-interest agreement receivables | <u>\$1,110,246</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,110,246</u> |
| Investments: | | | | |
| Equity securities | \$3,740,519 | \$3,740,519 | \$ - | \$ - |
| Other equities | 1,787,420 | 1,787,420 | - | - |
| U.S. government obligations | 1,060,998 | 1,060,998 | - | - |
| Real estate | 76,384 | - | 76,384 | - |
| Corporate bonds | 735,111 | - | 735,111 | - |
| Cash and equivalents | <u>100,150</u> | <u>100,150</u> | <u>-</u> | <u>-</u> |
| Total investments | <u>\$7,500,582</u> | <u>\$6,689,087</u> | <u>\$811,495</u> | <u>\$ -</u> |
| Investments held by others: | | | | |
| Pooled funds: | | | | |
| Cash and cash equivalents | \$ 31,273 | \$ 31,273 | \$ - | \$ - |
| Equities | 6,010,697 | 6,010,697 | - | - |
| Real estate | 17,374 | - | 17,374 | - |
| Corporate bonds | 2,679,109 | - | 2,679,109 | - |
| Other | <u>924,270</u> | <u>-</u> | <u>-</u> | <u>924,270</u> |
| Total pooled funds | 9,662,723 | 6,041,970 | 2,696,483 | 924,270 |
| Certificate of deposit | <u>2,415,418</u> | <u>2,415,418</u> | <u>-</u> | <u>-</u> |
| Total investments held by others | <u>\$12,078,141</u> | <u>\$8,457,388</u> | <u>\$2,696,483</u> | <u>\$924,270</u> |

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

14. FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

| | <u>Measured at</u> <u>Fair Value</u> | <u>Fair Value Measurements Using</u> | | |
|--------------------------------------|---|--------------------------------------|--------------------|---------------------|
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| <u>2023:</u> | | | | |
| Split-interest agreement receivables | <u>\$1,030,852</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,030,852</u> |
| Investments: | | | | |
| Equity securities | \$4,363,230 | \$4,363,230 | \$ - | \$ - |
| Other equities | 389,943 | 389,943 | - | - |
| U.S. government obligations | 871,092 | 871,092 | - | - |
| Corporate bonds | 485,693 | - | 485,693 | - |
| Cash and equivalents | <u>550,241</u> | <u>550,241</u> | <u>-</u> | <u>-</u> |
| Total investments | <u>\$6,660,199</u> | <u>\$6,174,506</u> | <u>\$485,693</u> | <u>\$ -</u> |
| Investments held by others: | | | | |
| Pooled funds: | | | | |
| Cash and cash equivalents | \$ 60,241 | \$ 60,241 | \$ - | \$ - |
| Equities | 5,473,663 | 5,473,663 | - | - |
| Real estate | 13,879 | - | 13,879 | - |
| Corporate bonds | 2,442,058 | - | 2,442,058 | - |
| Other | <u>898,302</u> | <u>-</u> | <u>-</u> | <u>898,302</u> |
| Total pooled funds | 8,888,143 | 5,533,904 | 2,455,937 | 898,302 |
| Certificate of deposit | <u>2,367,824</u> | <u>2,367,824</u> | <u>-</u> | <u>-</u> |
| Total investments held by others | <u>\$11,255,967</u> | <u>\$7,901,728</u> | <u>\$2,455,937</u> | <u>\$898,302</u> |

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

14. 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, 2024 and 2023 are as follows:

| | 2024 | 2023 |
|----------------------------------|-----------------------|-----------------------|
| Gift value | Market value | Market value |
| Net return on investment assets: | 3.13% | 2.48% |
| Life expectancy: | 2012 mortality tables | 2012 mortality tables |
| Discount rate: | 4.75% | 4.25% |

The following table sets forth a summary of transfers, purchases and issuances of the CWS's Level 3 assets for the year ended June 30, 2024 and 2023:

| | 2024 | 2023 |
|-----------|-----------|-----------|
| Purchases | \$ - | \$ - |
| Issuances | (336,975) | (168,318) |

There were no transfers of Level 3 investments during fiscal year 2024 or 2023.

15. 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, 2024 AND 2023

16. 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, 2024 and 2023:

| | June 30, | |
|---|---------------------|---------------------|
| | 2024 | 2023 |
| Financial assets at year-end: | | |
| Cash and cash equivalents | \$10,524,430 | \$ 5,188,479 |
| Contributions receivable, net | 1,045,239 | 643,212 |
| Government grants receivable | 29,592,529 | 28,728,374 |
| Investments | 7,500,582 | 6,660,199 |
| Investments held by others | 12,078,141 | 11,255,967 |
| Split interest receivables | 1,110,246 | 1,030,852 |
| | <u>\$61,851,167</u> | <u>\$53,507,083</u> |
| Less assets unavailable for general expenditures within one year: | | |
| Subject to donor purpose or time restrictions | \$10,401,042 | \$10,368,974 |
| Designated by the Board for endowment | 2,337,725 | 1,916,960 |
| Donor restricted endowment funds held in perpetuity | 4,379,379 | 4,304,309 |
| Financial assets not available to be used within one year | 17,118,146 | 16,590,243 |
| Financial assets available to meet needs for general expenditures within one year | <u>\$44,733,021</u> | <u>\$36,916,840</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 \$7,000,000 of available lines of credit (see Note 8) 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
JUNE 30, 2024 AND 2023

18. 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.

19. SUBSEQUENT EVENTS

CWS has evaluated subsequent events through March 17, 2025, the date the financial statements were available for issuance, and has determined the following subsequent event requires disclosure.

On January 20, 2025, President Trump signed an executive order banning refugee resettlement and freezing foreign aid. As of March 2025, the Trump administration's indefinite refugee ban and suspension of funding for resettlement agencies continues to have significant adverse effects on refugee families and resettlement operations in the U.S. This has led to halted resettlements and the termination of service contracts with resettlement agencies, including Church World Service, Inc. negatively affecting funding for the Organization. In response, a legal challenge is ongoing, with plaintiffs requesting court intervention due to the administration's failure to comply with previous court orders. CWS has also furloughed and moved forward with layoffs impacting nearly 1,500 employees in response to the executive order.