

**WORLD FEDERATION OF YOUTH CLUBS, INC.**  
**ORLANDO, FLORIDA**

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**



**WORLD FEDERATION OF  
YOUTH CLUBS, INC.**

**CONTENTS**

	<b>PAGE</b>
Report of independent auditors .....	1
Statements of financial position .....	3
Statements of activity and changes in net assets .....	4
Statement of functional expenses - 2023 .....	5
Statement of functional expenses - 2022 .....	6
Statements of cash flows .....	7
Notes to financial statements .....	8



## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors  
World Federation of Youth Clubs, Inc.  
Orlando, Florida

### *Opinion*

We have audited the accompanying financial statements of WORLD FEDERATION OF YOUTH CLUBS, INC. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activity and changes in net assets, 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 WORLD FEDERATION OF YOUTH CLUBS, INC. as of June 30, 2023 and 2022, 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. 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 WORLD FEDERATION OF YOUTH CLUBS, 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 WORLD FEDERATION OF YOUTH CLUBS, INC.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

To the Board of Directors  
World Federation of Youth Clubs, Inc.

## **REPORT OF INDEPENDENT AUDITORS**

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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, 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 WORLD FEDERATION OF YOUTH CLUBS, 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 WORLD FEDERATION OF YOUTH CLUBS, 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.

*Hanryman Wiebel LLP*

Charlottesville, Virginia  
October 19, 2023

# WORLD FEDERATION OF YOUTH CLUBS, INC.

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2023 AND 2022

### ASSETS

	2023	2022
<b>CURRENT ASSETS</b>		
Cash and cash equivalents .....	\$ 16,230	\$ 430,353
Accounts receivable, net .....	14,125	20,090
Pledges receivable .....	71,300	6,500
Other receivables .....	13,901	....
Prepaid expenses .....	....	6,250
Investments available for current operations .....	845,000	720,000
Total current assets .....	960,556	1,183,193
<b>INVESTMENTS</b> .....	938,279	296,716
<b>PROPERTY AND EQUIPMENT</b>		
Furniture .....	13,687	9,687
Leasehold improvements .....	46,269	46,269
Less: Accumulated depreciation .....	( 25,872)	( 15,195)
Net property and equipment .....	34,084	40,761
<b>OTHER ASSETS</b>		
Right-of-use asset under operating lease .....	505,169	....
Deposits .....	5,194	5,194
Total other assets .....	510,363	5,194
Total assets .....	\$ 2,443,282	\$ 1,525,864
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses .....	\$ 45,343	\$ 22,922
Payroll liabilities .....	11,099	5,832
Obligation under operating lease - current portion .....	78,475	....
Total current liabilities .....	134,917	28,754
<b>LONG-TERM LIABILITIES</b>		
Obligation under operating lease - long-term portion .....	447,003	....
Total long-term liabilities .....	447,003	....
Total liabilities .....	581,920	28,754
<b>NET ASSETS</b>		
Without donor restrictions .....	1,861,362	1,496,365
With donor restrictions .....	....	745
Total net assets .....	1,861,362	1,497,110
Total liabilities and net assets .....	\$ 2,443,282	\$ 1,525,864

(The accompanying notes are an integral part of these financial statements)

## WORLD FEDERATION OF YOUTH CLUBS, INC.

### STATEMENTS OF ACTIVITY AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>REVENUE</b>						
Contributions .....	\$ 1,647,998	\$ 95,675	\$ 1,743,673	\$ 585,458	\$ 138,360	\$ 723,818
Sponsorships .....	39,500	....	39,500	62,060	....	62,060
Services .....	48,000	....	48,000	48,000	....	48,000
Other income .....	6,400	....	6,400	23,956	....	23,956
Net investment income (loss) .....	51,143	....	51,143	( 210,831)	....	( 210,831)
Net assets released from restrictions:						
Contributions released from restrictions .....	96,420	( 96,420)	....	162,615	( 162,615)	....
Total revenue .....	1,889,461	( 745)	1,888,716	671,258	( 24,255)	647,003
<b>EXPENSES</b>						
Program services .....	1,301,114	....	1,301,114	1,023,822	....	1,023,822
Management and general .....	126,651	....	126,651	137,788	....	137,788
Fund-raising .....	96,699	....	96,699	101,400	....	101,400
Total expenses .....	1,524,464	....	1,524,464	1,263,010	....	1,263,010
<b>CHANGE IN NET ASSETS</b> .....	364,997	( 745)	364,252	( 591,752)	( 24,255)	( 616,007)
<b>NET ASSETS, BEGINNING OF YEAR</b> .....	1,496,365	745	1,497,110	2,088,117	25,000	2,113,117
<b>NET ASSETS, END OF YEAR</b> .....	\$ 1,861,362	\$ ....	\$ 1,861,362	\$ 1,496,365	\$ 745	\$ 1,497,110

(The accompanying notes are an integral part of these financial statements)

# WORLD FEDERATION OF YOUTH CLUBS, INC.

## STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2023

	PROGRAM SERVICES	SUPPORTING SERVICES		TOTAL
		MANAGEMENT AND GENERAL	FUND- RAISING	
Salaries .....	\$ 472,946	\$ 40,457	\$ 57,736	\$ 571,139
Contractors .....	263,957	3,039	....	266,996
Benefits .....	20,624	1,438	2,028	24,090
Payroll taxes .....	30,221	2,585	3,689	36,495
Other personnel-related .....	30,000	....	....	30,000
Total personnel expenses .....	<u>817,748</u>	<u>47,519</u>	<u>63,453</u>	<u>928,720</u>
Grants and awards to affiliates .....	31,833	....	....	31,833
Pass-through grants to affiliates .....	96,420	....	....	96,420
Conferences and events .....	87,525	....	....	87,525
Total direct affiliate impact .....	<u>215,778</u>	<u>....</u>	<u>....</u>	<u>215,778</u>
Professional services .....	101,196	59,155	17,496	177,847
Office and operating .....	119,520	15,109	7,592	142,221
Travel .....	32,696	4,359	6,539	43,594
Marketing and promotion .....	1,876	....	849	2,725
Other .....	2,290	242	370	2,902
Depreciation .....	10,010	267	400	10,677
Total operating expenses .....	<u>267,588</u>	<u>79,132</u>	<u>33,246</u>	<u>379,966</u>
Total expenses .....	<u>\$ 1,301,114</u>	<u>\$ 126,651</u>	<u>\$ 96,699</u>	<u>\$ 1,524,464</u>

(The accompanying notes are an integral part of this financial statement)

# WORLD FEDERATION OF YOUTH CLUBS, INC.

## STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2022

	PROGRAM SERVICES	SUPPORTING SERVICES		TOTAL
		MANAGEMENT AND GENERAL	FUND- RAISING	
Salaries .....	\$ 283,204	\$ 37,565	\$ 43,155	\$ 363,924
Contractors .....	303,580	27,970	25,600	357,150
Benefits .....	13,337	1,721	1,948	17,006
Payroll taxes .....	18,387	2,196	2,516	23,099
Other personnel-related .....	30,000	....	....	30,000
Total personnel expenses .....	<u>648,508</u>	<u>69,452</u>	<u>73,219</u>	<u>791,179</u>
Grants and awards to affiliates .....	21,402	....	....	21,402
Pass-through grants to affiliates .....	182,515	....	....	182,515
Conferences and events .....	53,213	....	....	53,213
Other affiliated-related .....	561	....	....	561
Total direct affiliate impact .....	<u>257,691</u>	<u>....</u>	<u>....</u>	<u>257,691</u>
Professional services .....	30,188	39,314	18,000	87,502
Office and operating .....	66,594	16,791	10,098	93,483
Travel .....	10,384	....	....	10,384
Marketing and promotion .....	3,957	83	83	4,123
Other .....	6,500	1,340	....	7,840
Depreciation .....	....	10,808	....	10,808
Total operating expenses .....	<u>117,623</u>	<u>68,336</u>	<u>28,181</u>	<u>214,140</u>
Total expenses .....	<u>\$ 1,023,822</u>	<u>\$ 137,788</u>	<u>\$ 101,400</u>	<u>\$ 1,263,010</u>

(The accompanying notes are an integral part of this financial statement)

# WORLD FEDERATION OF YOUTH CLUBS, INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets .....	\$ 364,252	(\$ 616,007)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation .....	10,677	10,808
Bad debt .....	2,290	6,500
Amortization of right-of-use asset .....	79,649	....
Unrealized and realized (gains) losses on investments .....	( 26,602)	225,433
(Increase) decrease in assets:		
Accounts receivable .....	3,675	( 14,500)
Pledges receivable .....	( 64,800)	( 6,500)
Other receivables .....	( 13,901)	....
Prepaid expenses .....	6,250	( 6,250)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses .....	22,421	8,326
Payroll liabilities .....	5,267	274
Unearned revenue .....	....	( 7,386)
Obligation under operating lease .....	( 59,340)	....
Net cash provided by (used in) operating activities .....	329,838	( 399,302)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment .....	( 4,000)	( 1,990)
Proceeds from sale of investments .....	722,990	1,328,126
Purchases of investments .....	( 1,462,951)	( 622,242)
Net cash provided by (used in) investing activities .....	( 743,961)	703,894
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b> .....		
	....	....
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b> .....	( 414,123)	304,592
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b> .....	430,353	125,761
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b> .....	\$ 16,230	\$ 430,353
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Lease liability arising from obtaining right-of-use asset .....	\$ 584,818	\$ ....

(The accompanying notes are an integral part of these financial statements)

# **WORLD FEDERATION OF YOUTH CLUBS, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **NATURE OF ACTIVITIES**

The World Federation of Youth Clubs, Inc. (the Organization) was organized on May 3, 2019 as a Florida non-stock corporation. Its mission is to develop, advance, and enhance global youth organizations that provide a positive environment and a safe place for young people around the world.

The Organization partners with local youth organizations globally to accelerate standards of operational excellence by improving operations, fund-raising, board governance, program implementation, and measurement. Youth development starts with investing in competent and committed professionals who create consistent developmental experiences within a safe adult-supervised environment, so every young person can reach their personal potential. The Organization is a membership-based organization, working with affiliate organizations to create the conditions, structures, and resources to build a global youth development movement where Organization members retain autonomy and receive technical assistance, access to a professional network, and other needed resources.

### **SIGNIFICANT ACCOUNTING POLICIES**

#### ***Recently Adopted Accounting Guidance***

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance Accounting Standards Codification (ASC) 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective July 1, 2022 and recognized and measured material leases existing at, or entered into after, July 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

The Organization elected the available practical expedients to account for the existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

# WORLD FEDERATION OF YOUTH CLUBS, INC.

## NOTES TO FINANCIAL STATEMENTS

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022 a lease liability and a ROU asset of \$584,818, which represents the present value of the remaining operating lease payments of \$646,977, discounted using the risk-free rate of 2.92%. There was no adjustment to net assets as a result of adopting FASB ASC 842.

### ***Basis of Accounting***

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with U. S. generally accepted accounting principles (U. S. GAAP).

### ***Basis of Presentation***

Financial statement presentation follows the recommendations of the FASB in its ASC No. 958, *Not-for-Profit Entities*. Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets, as defined below:

**Net assets without donor restrictions** include funds resulting from contributions and other inflows of assets whose use is not restricted by the donor.

**Net assets with donor restrictions** include funds resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled by the actions of the Organization. This category also includes funds resulting from contributions or other inflows of assets whose use is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled by the actions of the Organization. Income from these funds is used according to the terms stipulated by the donor.

### ***Cash and Cash Equivalents***

For purposes of the statement of cash flows, the Organization considers all highly-liquid debt instruments with a maturity of three months or less to be cash equivalents. Cash managed by the Organization's professional investment manager is excluded from cash and cash equivalents on the statement of financial position.

The Organization maintains its cash in bank deposit accounts that at times may exceed federally-insured limits and are subject to credit risk. The Organization has not experienced any losses in these accounts.

### ***Accounts Receivable, Net***

Accounts receivable, net represent amounts due from member clubs for annual dues or related to professional supporting services rendered. The Organization accounts for uncollectible accounts receivable by establishing an allowance for uncollectible amounts based on a review of accounts outstanding.

# WORLD FEDERATION OF YOUTH CLUBS, INC.

## NOTES TO FINANCIAL STATEMENTS

Accounts receivable, net consisted of the following at June 30:

	2023	2022
Accounts receivable .....	\$ 19,825	\$ 26,590
Allowance for uncollectible accounts.....	<u>(5,700)</u>	<u>(6,500)</u>
Accounts receivable, net .....	<u>\$ 14,125</u>	<u>\$ 20,090</u>

### ***Pledges Receivable***

Contributions are recognized when an unconditional pledge is received in accordance with U. S. GAAP. Pledges receivable that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of the amount expected to be collected, discounted for the time value of money. Pledges receivable at June 30, 2023 and 2022 are expected to be collected within one year.

The Organization accounts for uncollectible pledges receivable by establishing an allowance for uncollectible amounts based on a review of pledges outstanding. Management determined that no allowance for uncollectible pledges was necessary as of June 30, 2023 or 2022.

Conditional pledges receivable are not recorded as support until the conditions are substantially met. The Organization had no outstanding conditional pledges as of June 30, 2023 or 2022.

### ***Property and Equipment***

Property and equipment are stated at cost or estimated fair market value, if donated. The Organization capitalizes all expenditures for items that exceed \$2,500.

Property and equipment are depreciated using straight-line methods over the estimated useful lives of the assets. Management generally estimates useful lives of three to ten years for furniture and equipment. Leasehold improvements are depreciated over the life of the related lease.

### ***Investments***

Investments include cash and cash equivalents that are part of the Organization's investment pool. Investments in marketable equity and debt securities with readily-determinable fair values are reported at fair value in the statement of financial position, with gains and losses included in the statement of activity and changes in net assets. The fair values of investments are generally determined based on quoted market prices or estimates of fair value provided by external investment managers.

# WORLD FEDERATION OF YOUTH CLUBS, INC.

## NOTES TO FINANCIAL STATEMENTS

### *Fair Value*

The FASB established a framework for measuring fair value that expands disclosures about fair value measurements under U. S. GAAP.

The fair value framework requires the categorization of assets and liabilities into three levels based on the assumptions (inputs) used to price the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

- Level 1 Unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2 Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.
- Level 3 Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

### *Leases*

The Organization leases office space. The Organization determines if an arrangement is a lease at inception. Operating leases are included on the statement of financial position under other assets as right-of-use assets under operating leases, and under current and long-term liabilities as obligation under operating lease.

ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. If a lease is entered into that does not provide an implicit rate, the Organization either uses the risk-free rate or its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Organization has elected to use the risk-free rate for its real estate lease. The lease terms may include options to extend or terminate the lease when it is reasonably certain the Organization will exercise those options. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreement does not contain any material residual value guarantees or material restrictive covenants.

The Organization has a lease agreement that contains both lease and non-lease components. The Organization elects to account for lease components separately from non-lease components. Non-lease components, such as real estate taxes and operating expenses, are recognized as operating expenses in the period in which the obligation for those payments was incurred.

# **WORLD FEDERATION OF YOUTH CLUBS, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

In allocating consideration in the contract to the separate lease components and the non-lease components, the Organization uses the standalone prices of the non-lease components. Observable standalone prices are used, if available. If the standalone price for a component has a high level of variability or uncertainty, this allocation may require significant judgment.

In determining the discount rate used to measure the right-of-use asset and lease liability, the Organization uses rates implicit in the lease, or if not readily available, the Organization uses its incremental borrowing rate. The Organization may elect, by class of underlying asset, to use a risk-free discount rate for the lease instead of its incremental borrowing rate, determined using a period comparable with that of the lease term. The Organization's incremental borrowing rate is based on an estimated secured rate comprised of a risk-free rate plus a credit spread as secured by the Organization's assets. Determining a credit spread as secured by the Organization's assets may require significant judgment.

### ***Policy Disclosure***

The Organization reports gifts of cash and other assets as support without or with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activity and changes in net assets as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as support without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. In the absence of explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

### ***Donated Materials and Services***

The Organization records the value of donated goods and professional services when there is an objective basis available to measure their value and the services received require specialized skills. Contributions are recorded at estimated fair value at the date of donation, and are reported as expense when utilized.

No amounts have been reflected in the financial statements for donated services that do not require specialized skills since there is no objective basis to measure the value of such services.

# **WORLD FEDERATION OF YOUTH CLUBS, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### ***Revenue Recognition***

The Organization provides a variety of supporting services to member organizations. Service revenue is reported at the estimated net realizable amount. Revenue is recognized over time as services are rendered. There are no significant financing components, as payment is expected shortly after services are rendered.

Accounts receivable at July 1, 2021 was \$12,090. There were no contract assets or liabilities as of July 1, 2021, June 30, 2022, or June 30, 2023.

### ***Functional Allocation of Expenses***

The costs of providing program and supporting services have been summarized on a functional basis in the statement of functional expenses. Expenses require allocation on a reasonable basis that is consistently applied. Payroll expenses are allocated on the basis of staff time and effort. Other expenses are allocated by management based on the underlying nature of the transactions.

### ***Accounting Estimates***

The preparation of financial statements in conformity with U. S. GAAP requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

### ***Exempt Tax Status***

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

### ***Uncertain Tax Positions***

The Organization has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with guidance established by the FASB and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Organization.

### ***Reclassifications***

Certain prior-year amounts have been reclassified to conform to the presentation of the current-year financial statements.

### ***Subsequent Events***

Management has evaluated subsequent events through October 19, 2023, which is the date the financial statements were available to be issued.

**WORLD FEDERATION OF  
YOUTH CLUBS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**INVESTMENTS**

The carrying amounts and fair values of the Organization’s investments at June 30, 2023 are as follows:

	<u>FAIR MARKET VALUE</u>			<u>TOTAL</u>	<u>COST</u>
	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>		
Cash and cash equivalents.....	<u>\$1,783,279</u>	<u>\$ .....</u>	<u>\$ .....</u>	<u>\$1,783,279</u>	<u>\$1,783,279</u>
Total investments .....	<u>\$1,783,279</u>	<u>\$ .....</u>	<u>\$ .....</u>	<u>\$1,783,279</u>	<u>\$1,783,279</u>

During the year ended June 30, 2023, there were no changes to the classification among categories.

The carrying amounts and fair values of the Organization’s investments at June 30, 2022 are as follows:

	<u>FAIR MARKET VALUE</u>			<u>TOTAL</u>	<u>COST</u>
	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>		
Cash and cash equivalents.....	\$ 66,812	\$ ....	\$ ....	\$ 66,812	\$ 66,812
Equity securities .....	676,858	....	....	676,858	506,468
Fixed income .....	<u>273,046</u>	<u>.....</u>	<u>.....</u>	<u>273,046</u>	<u>302,756</u>
Total investments .....	<u>\$1,016,716</u>	<u>\$ .....</u>	<u>\$ .....</u>	<u>\$1,016,716</u>	<u>\$ 876,036</u>

During the year ended June 30, 2022, there were no changes to the classification among categories.

Net investment income (loss) is composed of the following for the year ended June 30:

	<b>2023</b>	<b>2022</b>
Interest and dividends .....	\$ 20,999	\$ 14,602
Unrealized gain (loss) on marketable securities .....	(140,681)	(436,103)
Realized gain (loss) on marketable securities .....	173,813	210,670
Fees .....	<u>(2,988)</u>	<u>.....</u>
Net investment income (loss) .....	<u>\$ 51,143</u>	<u>(\$210,831)</u>

**NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at June 30:

	<b>2023</b>	<b>2022</b>
Restricted for affiliate support .....	<u>\$ .....</u>	<u>\$ 745</u>

**WORLD FEDERATION OF  
YOUTH CLUBS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**LEASE COMMITMENTS**

The Organization leases its Florida office space under an operating lease. The lease began on February 1, 2021 and has been extended through March 31, 2029. The lease contains a five-year renewal option that was not factored into the ROU asset and lease liability at implementation, as it was not reasonably certain that the renewal option would be executed at that time.

The components of lease expense are as follows for the years ended June 30:

	<b>2023</b>	<b>2022</b>
Operating lease cost .....	<u>\$ 95,848</u>	<u>\$ 60,628</u>

The weighted-average remaining lease term and discount rate for the operating lease were as follows at June 30, 2023:

Weighted average remaining lease term .....	5.75 years
Weighted average discount rate .....	2.92%

The following is a schedule by year of future minimum payments required under the lease, together with the total present value as of June 30, 2023:

<b>YEAR ENDING JUNE 30,</b>	<b>OPERATING LEASES</b>
2024 .....	\$ 92,559
2025 .....	95,335
2026 .....	98,205
2027 .....	101,154
2028.....	104,177
Thereafter.....	<u>80,007</u>
Total minimum payments .....	571,437
Less: Present value discount .....	<u>(45,959)</u>
Present value of minimum lease payments .....	525,478
Less: Current portion.....	<u>(78,475)</u>
Non-current portion .....	<u>\$447,003</u>

# **WORLD FEDERATION OF YOUTH CLUBS, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

Effective February 1, 2021, the Organization entered into a sublease agreement for a portion of the Florida office. The original term of the sublease was for the same period as the operating lease, but was terminated as of December 31, 2021. The sublease resumed in February 2023 under the same terms as the operating lease. Monthly base rent is \$1,230 and is subject to escalation each year as defined in the lease agreement.

Sublease revenue was \$6,150 and \$7,386 for the years ended June 30, 2023 and 2022, respectively, and is included in other income in the statement of activity and changes in net assets.

### **RETIREMENT PLAN**

The Organization adopted a defined contribution retirement plan, as amended, effective July 1, 2021, that provides matching contributions. All employees are eligible to participate in the plan. The Organization provided matching contributions of \$14,747 and \$10,053, respectively, for the years ended June 30, 2023 and 2022.

### **CONCENTRATIONS**

For the years ended June 30, 2023 and 2022, the Organization received approximately 90% and 51%, respectively, of contribution revenue from three donors.

### **RELATED PARTY TRANSACTIONS**

The sublease agreement referenced in the **LEASE COMMITMENTS** note was with the private foundation of a member of the Board of Directors.

A Board member is employed by the investment management firm used by the Organization.

### **LIQUIDITY AND AVAILABILITY**

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

The Organization strives to maintain liquid financial assets sufficient to cover 180 days of general expenditures. Financial assets in excess of cash requirements are invested in certificates of deposit, money market funds, and other short-term investments.

For purposes of analyzing resources available to meet general expenditures over a 12-month fiscal period, the Organization considers all expenditures related to its ongoing activities of supporting affiliate member organizations, educating youth development professionals, and advocating on behalf of the profession as a whole. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates within an annual budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The Board of Directors has approved continued monthly draws of \$60,000 from its investments, plus a one-time draw of \$125,000, for the year ending June 30, 2024.

**WORLD FEDERATION OF  
YOUTH CLUBS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

Financial assets available for general expenditure within one year as of June 30 are as follows:

	<b>2023</b>	<b>2022</b>
Cash and cash equivalents .....	\$ 16,230	\$ 430,353
Accounts receivable, net.....	14,125	20,090
Pledges receivable .....	71,300	6,500
Other receivables .....	13,901	....
Investments .....	<u>845,000</u>	<u>720,000</u>
Total available for general expenditure....	<u>\$ 960,556</u>	<u>\$1,176,943</u>