FEDERAL AWARDS AND
SUPPLEMENTAL INFORMATION

June 30, 2019
WORLD NEIGHBORS, INC.

FEDERAL AWARDS AND
SUPPLEMENTAL INFORMATION

JUNE 30, 2019

Includes Independent Auditor’s Reports Issued By

HBC
CPAs & Advisors
## WORLD NEIGHBORS, INC.

FEDERAL AWARDS AND

SUPPLEMENTAL INFORMATION

JUNE 30, 2019

## Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Independent Auditor’s Reports:</strong></td>
<td></td>
</tr>
<tr>
<td>Reports Related to Financial Statements of the Reporting Entity</td>
<td></td>
</tr>
<tr>
<td>Required by GAO Government Auditing Standards:</td>
<td></td>
</tr>
<tr>
<td>Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <em>Government Auditing Standards</em></td>
<td>1</td>
</tr>
<tr>
<td><strong>Reports Related to Federal Assistance Programs Required by Uniform Guidance:</strong></td>
<td></td>
</tr>
<tr>
<td>Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required By The Uniform Guidance</td>
<td>3</td>
</tr>
<tr>
<td>Schedule of Expenditures of Federal Awards</td>
<td>5</td>
</tr>
<tr>
<td>Notes to the Schedule of Expenditures of Federal Awards</td>
<td>6</td>
</tr>
<tr>
<td>Schedule of Findings and Questioned Costs</td>
<td>7</td>
</tr>
<tr>
<td>Summary Schedule of Prior Year Findings and Questioned Costs</td>
<td>8</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of World Neighbors, Inc.
Oklahoma City, Oklahoma

We have audited, in accordance with the 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, the financial statements of World Neighbors, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered World Neighbors, Inc.’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of World Neighbors, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of World Neighbors, Inc.’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether World Neighbors, Inc.’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Oklahoma City, Oklahoma
October 21, 2019
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees of World Neighbors, Inc.
Oklahoma City, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited World Neighbors, Inc.’s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of World Neighbors, Inc.’s major federal programs for the year ended June 30, 2019. World Neighbors, Inc.’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of World Neighbors, Inc.’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about World Neighbors, Inc.’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of World Neighbors, Inc.’s compliance.

Opinion on Each Major Federal Program

In our opinion, World Neighbors, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of World Neighbors, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered World Neighbors, Inc.’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of World Neighbors, Inc.’s internal control over compliance.
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of World Neighbors, Inc. as of and for the years ended June 30, 2019, and have issued our report thereon dated October 21, 2019 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and related notes is presented for additional analysis, as required by the Uniform Guidance, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.
WORLD NEIGHBORS, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

<table>
<thead>
<tr>
<th>Federal Grantor/Program Title</th>
<th>Federal CFDA Number</th>
<th>Other Identification Number</th>
<th>Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agency for International Development</strong></td>
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</tr>
<tr>
<td>USAID Foreign Assistance for Programs Overseas</td>
<td>98.001</td>
<td>AID-472-A-15-00001</td>
<td>$ 511,531.83</td>
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<td>USAID Foreign Assistance for Programs Overseas</td>
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<td>443,877.92</td>
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<tr>
<td>USAID Foreign Assistance for Programs Overseas</td>
<td>98.001</td>
<td>AID-OFDA-G-14-00136</td>
<td>132,080.04</td>
</tr>
<tr>
<td><strong>Total Federal Awards Expended</strong></td>
<td></td>
<td></td>
<td>$ 1,087,489.79</td>
</tr>
</tbody>
</table>

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.
WORLD NEIGHBORS, INC.

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2019

A. Basis of Presentation

The Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of World Neighbors, Inc. (“World Neighbors”) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of World Neighbors, it is not intended to and does not present the financial position, change in net assets, or cash flows of World Neighbors.

B. Basis of Accounting

Expenditures under the United States Agency for International Development’s cooperative agreements are reported on the Schedule on the accrual basis of accounting, consistent with World Neighbors’ basic financial statements.

C. Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of World Neighbors’ program costs. Total program costs, including World Neighbors’ portion, are more than shown.

D. Indirect Cost Rate

The amounts expended include an indirect cost recovery using the de minimis rate of 10% of modified total direct costs. Indirect cost recovery amounts for the year ended June 30, 2019 were:

<table>
<thead>
<tr>
<th>Cooperative Agreement Identification Number</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>AID-472-A-15-00001</td>
<td>$ 42,713.78</td>
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<tr>
<td>720FDA18GR00225</td>
<td>34,022.76</td>
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<tr>
<td>AID-OFDA-G-14-00136</td>
<td>7,032.76</td>
</tr>
<tr>
<td></td>
<td>$ 83,769.30</td>
</tr>
</tbody>
</table>
A. SUMMARY OF AUDITOR’S RESULTS

1. The auditor’s report expresses an unmodified opinion on whether the financial statements of World Neighbors, Inc. were prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

2. No significant deficiencies related to the audit of the financial statements were reported in the “Independent Auditor’s Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards”. No material weaknesses were reported.

3. No instances of noncompliance material to the financial statements of World Neighbors, Inc., which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.

4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit are reported in the "Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance". No material weaknesses were reported.

5. The auditor's report on compliance for the major federal award programs for the World Neighbors, Inc. expresses an unmodified opinion on all major federal programs.

6. There were no audit findings that were required to be reported in accordance with 2 CFR section 200.516(a).

7. The program tested as a major program was:
   - USAID Foreign Assistance for Programs Overseas – CFDA No. 98.001.

8. The threshold used for distinguishing between Types A and B programs was $750,000.

9. World Neighbors, Inc. was determined to be a low-risk auditee.
B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

D. PRIOR YEAR FINDINGS – FINANCIAL STATEMENT AUDIT

None

E. PRIOR YEAR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None