

**GOOD NEIGHBORS GLOBAL PARTNERSHIP CENTER**

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FINANCIAL STATEMENTS

December 31, 2019

**GOOD NEIGHBORS GLOBAL PARTNERSHIP CENTER**  
**FINANCIAL STATEMENTS**  
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## INDEPENDENT AUDITORS' REPORT

To Management and Board of Directors  
Good Neighbors Global Partnership Center  
Tustin, California

### Report on the Financial Statements

We have audited the accompanying financial statements of Good Neighbors Global Partnership Center (GPC), which comprise the statement of financial position as of December 31, 2019 and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of GPC as of December 31, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CKP, LLP

September 28, 2020

**GOOD NEIGHBORS GLOBAL PARTNERSHIP CENTER**

## STATEMENT OF FINANCIAL POSITION

December 31, 2019

**ASSETS**

## Current assets:

Cash	\$	8,638,338
Other receivables		176,985
Prepaid expenses		<u>43,397</u>

Total current assets 8,858,720

## Non-current assets:

Investment in Social Enterprise		1,645,624
Lease deposit		<u>31,783</u>

Total non-current assets 1,677,407

Total assets \$ 10,536,127

**LIABILITIES AND NET ASSETS**

## Current liabilities:

Accrued expenses	\$	45,897
Payroll tax payable		<u>2,864</u>

Total current liabilities 48,761

## Non-current liabilities:

Pension obligations		<u>11,727</u>
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Total non-current liabilities 11,727

Total liabilities 60,488

## Net assets:

Without donor restrictions		<u>10,475,639</u>
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Total net assets 10,475,639

Total liabilities and net assets \$ 10,536,127

See accompanying notes to financial statements

**GOOD NEIGHBORS GLOBAL PARTNERSHIP CENTER**

STATEMENT OF ACTIVITIES  
Year Ended December 31, 2019

	Without donor restrictions	With donor restrictions	Total
Revenue and other income:			
General funds	\$ 66,114,586	\$ -	\$ 66,114,586
Government grant	3,013,316	-	3,013,316
Other income	398,095	-	398,095
Total revenue and other income	69,525,997	-	69,525,997
Expenses:			
Program expenses:			
Global office support	2,570,861	-	2,570,861
Fundraising countries support	2,017,302	-	2,017,302
International child rights support:			
Africa	20,133,973	-	20,133,973
Asia	29,169,632	-	29,169,632
Latin America	8,536,142	-	8,536,142
Total international child rights support	57,839,747	-	57,839,747
Global partnership development:			
Global strategy development	107,849	-	107,849
Coordination for global governance	37,704	-	37,704
Partnership countries support	238,725	-	238,725
Global marketing	39,313	-	39,313
Network	2,463	-	2,463
Total global partnership development	426,054	-	426,054
Total program expenses	62,853,964	-	62,853,964
Support services:			
Management and general	876,929	-	876,929
Total support services	876,929	-	876,929
Total expenses	63,730,893	-	63,730,893
Change in net assets	5,795,104	-	5,795,104
Net assets, beginning of year	4,680,535	-	4,680,535
Net assets, end of year	\$ 10,475,639	\$ -	\$ 10,475,639

See accompanying notes to financial statements

**GOOD NEIGHBORS GLOBAL PARTNERSHIP CENTER**STATEMENT OF CASH FLOWS  
Year Ended December 31, 2019

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Cash flows from operating activities:

Change in net assets	\$	5,795,104
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## Adjustments to reconcile net assets to net cash provided in operating activities:

## (Increase) decrease in:

Other receivables	(172,576)
Prepaid expenses	(42,004)
Investments in Social Enterprise	(1,645,624)
Lease deposit	(31,783)

## Increase (decrease) in:

Accounts payable	(132,907)
Accrued expenses	39,377
Payroll tax payable	2,864
Pension obligations	11,727
Total adjustments	<u>(1,970,926)</u>

Net cash provided in operating activities	<u>3,824,178</u>
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Net increase in cash	3,824,178
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Cash, beginning of year	<u>4,814,160</u>
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Cash, end of year	<u><u>\$ 8,638,338</u></u>
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See accompanying notes to financial statements

**GOOD NEIGHBORS GLOBAL PARTNERSHIP CENTER**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1 - Organization and Programs**

Good Neighbors Global Partnership Center ("GPC") is a charity navigator, non-governmental organization incorporated under the laws of State of California. GPC is to facilitate central coordination among support countries and field countries under the Good Neighbors ("GN") Partnership Covenant and MOU around the world, in furthering their mission in international humanitarian to establish children's education, community development, and emergency relief projects in more than 40 countries. GPC is a member of Good Neighbors International ("GNI"), international organization committed to make the world a place without hunger, where people live together in harmony. GNI respects the human rights of our neighbors suffering from poverty, disasters and oppression, and helps them to achieve self-reliance and enable them to rebuild their hope. As a member of GNI, GPC provides coordination among country members, allocation of consolidated grants, development of global partnership policies, and network with international organizations and donor agencies in order for effective field operation support.

GPC is located in Tustin, California and has a branch in Seoul, Korea

**Note 2 - Summary of Significant Accounting Policies**

This summary of significant accounting policies of GPC is presented to assist in understanding GPC's financial statements. The financial statements and notes are representations of GPC's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

*Use of Estimates*

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are primarily used for allocation of functional expenses and pension obligations. Actual results could differ from those estimates.

*Revenue Recognition*

General funds and government grants are recorded as net assets without donor restriction and net assets with donor restriction, depending on the nature of the restrictions.

General funds and government grants, which include cash or unconditional promises to give, are recognized as revenue when they are received. Unconditional promises to give are recorded at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the cash is received or when the conditions expire, whichever occurs first.

Donor restricted funds are reported as an increase in the donor restricted net asset if they are received with donor stipulations as to their use. When donor restriction expires, that is, when a stipulated use restriction is accomplished, net assets with donor restriction are released and reclassified to net assets without donor restriction in the statement of activities. GPC has implemented the policy to show general funds and government grants whose restrictions are met in the same reporting period as without donor restrictions.



**GOOD NEIGHBORS GLOBAL PARTNERSHIP CENTER**  
**NOTES TO FINANCIAL STATEMENTS**

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*Functional Expenses*

GPC allocates expenses on a functional basis among its various programs expenses and supporting services. Expenses that can be identified with a specific program or supporting service are charged directly to such program or supporting services.

Certain costs of joint activities related to fundraising, management and general, and various projects have been allocated as indicated among the programs and supporting services benefited. In its statements of activities and functional expenses, GPC classifies such costs allocated to the programs as indirect program expenses. Other expenses allocated to supporting services are included in management and general expenses based on the nature of the related activities.

*Cash*

GPC's cash consists primarily of cash in its commercial bank accounts, which, at times, may exceed federally insured limits.

*Income Taxes*

GPC is a not-for-profit organization and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Donor of cash or property are entitled to the maximum charitable contribution deduction allowed by law and contributions to GPC qualify for the charitable contribution deduction under Section 170(b)(1)(A).

GPC has adopted Accounting Standards Codification (ASC) Section 740-10, which clarifies the accounting for uncertainty in income taxes. ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740-10 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. At December 31, 2019, GPC had no material unrecognized tax benefits, tax penalties or interest.

GPC's Federal form 990, Return of Organization Exempt from Income Taxes, for the year ended December 31, 2016 through 2018 are subject to examination by the IRS, generally for three years after they were filed. The California forms 199, California Exempt Organization Annual Information Return, for the year ended December 31, 2016, which in the year of incorporation, through 2018 are subject to examination by the Franchise Tax Board, generally for four years after they were filed.

*Fair Value of Financial Instruments*

The Financial Accounting Standards Board (FASB) issued ASC 820, which defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America and expands disclosures about fair value measurements. The guidance clarifies that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exist, therefore requiring an entity to develop its own assumptions.

## **GOOD NEIGHBORS GLOBAL PARTNERSHIP CENTER**

### **NOTES TO FINANCIAL STATEMENTS**

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GPC's financial instruments, including cash, other receivable, accounts payable and accrued liabilities are carried at cost, which approximates their fair value because of the short-term maturity of these instruments.

#### **Recent Pronouncements**

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The guidance in ASU 2016-02 (as subsequently amended to ASU 2018-01, ASU 2018-10, ASU 2018-11, ASU 2018-20 and ASU 2019-01) requires that a lessee recognized in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. As with previous guidance, there continues to be a differentiation between finance leases and operating leases, however this distinction now primarily relates to differences in the manner of expense recognition over time and in the classification of lease payments in the statement of cash flows. Lease assets and liabilities arising from both finance and operating leases will be recognized in the statement of financial position. The transitional guidance for adopting the requirements of ASU 2016-02 calls for a modified retrospective approach that includes a number of optional practical expedients that entities may elect to apply. In addition, ASU 2018-11 provides for an additional (and optional) transition method by which entities may elect to initially apply the transition requirements in Topic 842 at that Topic's effective date with the effects of initially applying Topic 842 recognized as a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption and without retrospective application to any comparative prior periods presented. The standard is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting periods, for public business entities, certain not-for-profit entities, and certain employee benefit plans. For all other entities, the standard is effective for annual periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Under the amendment of AUS 2020-05, due to Coronavirus Disease 2019 (COVID-19) pandemic affect, the effective date of leases for all other entities is deferred to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. GPC is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

#### **Note 3 - Investments in Social Enterprise**

GPC invests in the Impact Foundation for Social Enterprise to promote social economy and improve people's economic capacity. Returns generated by the Social Enterprise, GPC invests in, are reused by the nonprofit to promote economic self-reliance among the poor in social economy. These investments are reflected in non-current assets, long term investments, on GPC's statement of financial position. As of December 31, 2019, investments in Social Enterprise are totaled \$1,645,624, including \$495,000 in Buenos Negocios located in Paraguay, \$132,744 in Buena Tierra located in Guatemala, \$746,742 in Fondeco located in Dominican Republic, and \$271,138 in Goodsharing located in Mongolia, respectively. GPC accounted investments in Social Enterprise at cost pursuant to ASC 958-810-15-4.

#### **Note 4 - Net Assets**

GPC presents its financial statements in accordance with the recommendation of Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) Topic 958, Financial Statements of Not-for-profit entities Under those provisions, net assets are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

*Net assets without donor restrictions* – Net assets that are not subject to donor-imposed stipulations.

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*Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions on their use that may be met either by actions of not-for-profit entity or legal restrictions requiring that the principal be maintained permanently by the not-for-profit entity. Generally, the donors permit the not-for-profit entity to use all or part of the income earned for either general or donor-specified purposes.

As of December 31, 2019, GPC did not have any donor restrictions on its net assets.

**Note 5 - Related Party Transaction**

General funds

GPC unifies the funds from its affiliates in support countries to coordinate with GN partners. In order to enhance GN mission, affiliates in support countries develop and implement the fund raising, grant and global marketing strategy. Such balances and transactions included in the accompanying financial statements are as follows:

GN Korea:	
General fund	\$ 65,406,495
Government grant	3,013,316
Total GN Korea	<u>68,419,811</u>
GN USA	455,888
GN Japan	115,719
GN Canada	124,480
GN Australia	12,004
Total	<u>\$ 69,127,902</u>

Program expenses

GPC distributes financial remittance for general fund to its affiliates in field countries according to GN partnership covenant and MOU. Affiliates in global offices are committed to development of staffs in GNI partnership offices, represent GN to the UN organizations or other international entities, and establish social economic projects. Affiliates in fundraising country and field offices support to promote human rights and social welfare for children's rights under GN partnership policy. Such balances and transactions included in the accompanying financial statements are as follows:

Global office support:	
Global Capacity Development Center	\$ 477,629
Geneva International Cooperation Office	179,511
GN Global Impact Foundation	1,913,721
Total	<u>\$ 2,570,861</u>
Fundraising countries support:	
GN USA	\$ 800,000
GN Japan	480,000
GN Canada	337,302
GN Australia	200,000
GN UK	100,000
GN Taiwan	100,000
Total	<u>\$ 2,017,302</u>

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International child rights support:

Africa

GN Tanzania	\$ 3,444,082
GN Ethiopia	2,582,240
GN Malawi	2,558,018
GN Rwanda	2,242,501
GN Kenya	1,756,116
GN Uganda	1,368,334
GN Chad	1,266,321
GN Zambia	1,180,330
GN Mozambique	1,128,790
GN Cameroon	981,939
GN Niger	937,509
GN Ghana	687,793
Total	<u>\$ 20,133,973</u>

Asia

GN Bangladesh	\$ 4,532,763
GN Nepal	4,446,821
GN Philippines	2,960,526
GN Indonesia	2,520,540
GN Cambodia	2,513,108
GN Mongolia	2,420,232
GN Myanmar	2,350,857
GN Vietnam	2,306,317
GN Tajikistan	2,303,298
GN Kyrgyz Republic	1,027,388
GN Laos	724,779
GN India	486,012
GN Afghanistan	387,450
GN Sri Lanka	162,723
Bunyard Literacy Community Council (Pakistan)	26,818
Total	<u>\$ 29,169,632</u>

Latin America

GN Guatemala	\$ 3,263,850
GN Paraguay	1,771,892
GN Dominica Republic	1,276,836
GN Nicaragua	866,653
GN Haiti	666,280
GN Chile	578,537
GN El Salvador	112,094
Total	<u>\$ 8,536,142</u>

Lease

GPC leases its office facility from GN USA (related to GPC through common partnership) from October 2019. Total rent expenses under this related party lease were \$2,667 for year ended December 31, 2019.

GPC's Korea branch leases its office from GN International from January 2019. Total rent expenses under this related party lease were approximately \$33,473 for year ended December 31, 2019.

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**Note 6 - Employee Benefit Plan**

GPC's branch in Korea maintains a defined benefit pension plan (the "DB Plan"). The DB Plan was first effective January 2019 in Korea, and covers Korea branch employees of the GPC who have been hired for over one year. The primary factors affecting the benefits earned by participants in the plan is employees' years of service and compensation levels. Upon retirement, benefits are fully paid at the time of retirement.

As of December 31, 2019, GPC Korea contributes approximately \$45,611 of the DB, incurring approximately \$11,727 on pension obligations.

**Note 7 - Concentration of Credit Risk**

GPC maintains its cash accounts with high quality insured depository financial institutions, which are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000 at each institution. At various times throughout the year, GPC may have cash balances in financial institutions that exceed the FDIC insurance limit. As of December 31, 2019, GPC's cash balance exceeding the maximum insured amount is totaled \$8,056,365.

A significant portion of GPC's revenue is concentrated in affiliate numbers of GN partners. Although GPC is directly affected by the financial condition of its GN partners, GPC does not expect significant credit risks exist on their cash balances at December 31, 2019 and expects to maintain this relationship with GN partners.

**Note 8 - Subsequent Events**

GPC has evaluated subsequent events from the date of the statement of financial position through September 28, 2020 at which the financial statements were available to be issued, and has determined that there are no other items to disclose.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which GPC operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to GPC. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

**GOOD NEIGHBORS GLOBAL PARTNERSHIP CENTER**  
NOTES TO FINANCIAL STATEMENTS

**Note 9 - Functional Expenses**

	Program expenses					Support services	Total expenses
	Global office support	Fundraising countries support	International child rights support	Global partnership development	Program expenses subtotal	Management and general	
<b>Program support</b>	\$ 2,570,861	\$ 2,017,302	\$ 57,839,747	\$ -	\$ 62,427,910	\$ -	\$ 62,427,910
Global strategy development	-	-	-	107,849	107,849	-	107,849
Coordination for global governance	-	-	-	37,704	37,704	-	37,704
Partnership countries support	-	-	-	238,725	238,725	-	238,725
Global marketing	-	-	-	39,313	39,313	-	39,313
Network	-	-	-	2,463	2,463	-	2,463
Auto expenses	-	-	-	-	-	13,626	13,626
Bank charges & fees	-	-	-	-	-	536	536
Dues & subscriptions	-	-	-	-	-	3,461	3,461
Employee benefits	-	-	-	-	-	18,670	18,670
Insurance	-	-	-	-	-	69,851	69,851
Lease	-	-	-	-	-	74,871	74,871
Legal fees	-	-	-	-	-	4,000	4,000
Maintenance & repairs	-	-	-	-	-	506	506
Miscellaneous expenses	-	-	-	-	-	18,890	18,890
Payroll expenses	-	-	-	-	-	627,014	627,014
Postage and shipping	-	-	-	-	-	844	844
Printing and copying	-	-	-	-	-	3,987	3,987
Professional fees	-	-	-	-	-	11,200	11,200
Supplies & materials	-	-	-	-	-	11,727	11,727
Travel & meeting expenses	-	-	-	-	-	12,650	12,650
Utilities	-	-	-	-	-	5,096	5,096
<b>Total expenses after allocation</b>	<b>\$ 2,570,861</b>	<b>\$ 2,017,302</b>	<b>\$ 57,839,747</b>	<b>\$ 426,054</b>	<b>\$ 62,853,964</b>	<b>\$ 876,929</b>	<b>\$ 63,730,893</b>