

FRIENDS WITHOUT A BORDER
INDEPENDENT AUDITOR'S REPORT
ON
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2022
AND
FOR THE YEAR THEN ENDED
(WITH COMPARATIVE TOTALS FOR 2021)

FRIENDS WITHOUT A BORDER

-CONTENTS-

Independent Auditor's Report	1-3
Statement of Financial Position as of December 31, 2022 (with comparative totals for 2021)	4
Statement of Activities for the year ended December 31, 2022 (with comparative totals for 2021)	5
Statement of Functional Expenses for the year ended December 31, 2022 (with comparative totals for 2021)	6
Statement of Cash Flows for the year ended December 31, 2022 (with comparative totals for 2021)	7
Notes to Financial Statements	8-19

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Friends Without A Border
New York, New York

Opinion

We have audited the accompanying financial statements of Friends Without A Border, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 Friends Without A Border as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit 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 Friends Without A Border and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 these 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 Friends Without A Border'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 of 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, including omissions, 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 auditing 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 Friends Without A Border'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 Friends Without A Borders' 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 matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Friends Without A Border's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 15, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Winnie Law & Co., P.C.

New York, New York
June 6, 2023

**FRIENDS WITHOUT A BORDER
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 193,252	\$ 379,607
Investments - Notes 2 and 4	722,982	879,065
Grants and contributions receivable - Note 2	166,189	82,389
Due from FWAB Japan - Note 6	2,675	-
Inventories, at lower of cost or net realizable value	49,932	52,084
Prepaid expenses - Note 12	<u>45,401</u>	<u>53,289</u>
Total Current Assets	1,180,431	1,446,434
Non-Current Assets		
Fixed assets - at cost - net of accumulated depreciation of \$1,106,457 and \$948,402 in 2022 and 2021, respectively - Notes 2 and 5	1,346,152	1,329,598
Right-of-use lease assets - Operating leases, net of accumulated amortization of \$5,841 - Note 12	11,443	-
Security deposit	<u>1,443</u>	<u>12,950</u>
Total Assets	<u>\$ 2,539,469</u>	<u>\$ 2,788,982</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Current Liabilities		
Accounts and accrued expenses payable	\$ 55,046	\$ 70,604
Due to Angkor Hospital for Children - Note 6	3,696	3,575
Due to The Lake Clinic - Note 6	10,177	24,925
Deferred event revenue	-	13,562
Lease obligations - Operating leases - Note 12	<u>8,494</u>	<u>-</u>
Total Current Liabilities	77,413	112,666
Non-Current Liabilities		
Deferred rent payable	-	503
Lease obligations - Operating leases - Note 12	<u>2,878</u>	<u>-</u>
Total Liabilities	<u>80,291</u>	<u>113,169</u>
<u>NET ASSETS</u>		
Net Assets		
Without donor restrictions:		
Undesignated	230,092	460,772
Board designated - Note 8	685,974	685,974
Fixed assets, net	<u>1,346,152</u>	<u>1,329,598</u>
	2,262,218	2,476,344
With donor restrictions - Note 10	<u>196,960</u>	<u>199,469</u>
Total Net Assets	<u>2,459,178</u>	<u>2,675,813</u>
Total Liabilities and Net Assets	<u>\$ 2,539,469</u>	<u>\$ 2,788,982</u>

See accompanying notes to financial statements.

**FRIENDS WITHOUT A BORDER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

	Without Donor Restrictions	With Donor Restrictions	Total All Funds 2022	2021
Operating Activities				
Support and Revenue				
Grants and contributions	\$ 825,918	\$ 1,824,374	\$ 2,650,292	\$ 2,280,653
Special events, net of direct expenses of \$88,504 in 2022 and \$97,543 in 2021	377,680	32,737	410,417	506,800
In-kind contributions - Notes 2 and 7	13,644		13,644	7,436
Program income	4,276		4,276	7,743
Sales income	570		570	1,761
Interest and dividend income	8,491		8,491	1,104
Net realized loss on investment transactions	(57)		(57)	(47)
Net unrealized gain/(loss) on investments	173		173	(173)
Foreign currency exchange gains	45,956		45,956	77,258
Other income - Note 7	1,927		1,927	28,439
Total Support and Revenue	1,278,578	1,857,111	3,135,689	2,910,974
Net Assets released from restrictions - Note 9	1,859,620	(1,859,620)	-	-
Total Support and Revenue	3,138,198	(2,509)	3,135,689	2,910,974
Expenses				
Awards to AHC and TLC	289,524		289,524	136,273
Lao Friends Hospital for Children	2,633,321		2,633,321	2,263,258
Total Program Services	2,922,845		2,922,845	2,399,531
Supporting Services				
Administrative and general	259,611		259,611	296,128
Fund raising	169,868		169,868	254,896
Total Supporting Services	429,479		429,479	551,024
Total Expenses	3,352,324		3,352,324	2,950,555
Change in Net Assets from Operating Activities	(214,126)	(2,509)	(216,635)	(39,581)
Non-Operating Activities				
Gain on extinguishment of debt - Note 2			-	125,608
Change in Net Assets	(214,126)	(2,509)	(216,635)	86,027
Net Assets at beginning of year	2,476,344	199,469	2,675,813	2,589,786
Net Assets at end of year	<u>\$ 2,262,218</u>	<u>\$ 196,960</u>	<u>\$ 2,459,178</u>	<u>\$ 2,675,813</u>

See accompanying notes to financial statements.

FRIENDS WITHOUT A BORDER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	PROGRAM SERVICES			SUPPORTING SERVICES			Total Program and Supporting Services	
	Awards to AHC and TLC	Lao Friends Hospital for Children	Total	Administrative and General	Fund Raising	Total	2022	2021
Salaries		\$ 1,427,924	\$ 1,427,924	\$ 134,652	\$ 90,032	\$ 224,684	\$ 1,652,608	\$ 1,460,410
Fringe benefits		237,083	237,083	22,357	14,949	37,306	274,389	220,562
Total Personnel and related costs		1,665,007	1,665,007	157,009	104,981	261,990	1,926,997	1,680,972
Grant awards - Notes 2 and 6	\$ 289,524		289,524				289,524	136,273
Professional and consultant fees (including donated services of \$4,500 in 2021)		40,138	40,138	65,870	1,547	67,417	107,555	94,591
Medical supplies (including donated supplies of \$13,644 in 2022 and \$2,936 in 2021 - Notes 2 and 7)		429,367	429,367				429,367	358,015
Office expenses		105,984	105,984	8,834	1,395	10,229	116,213	161,924
Postage and shipping		18,868	18,868		160	160	19,028	21,521
Printing and publications		3,141	3,141	385	750	1,135	4,276	3,642
Telephone and communications		258	258	1,684	690	2,374	2,632	4,308
Travel		52,527	52,527	114	9,621	9,735	62,262	44,927
Patient care		43,208	43,208				43,208	39,607
Advertising and promotion		19,145	19,145		675	675	19,820	21,190
Occupancy (including lease cost - Note 12)		28,176	28,176	16,590		16,590	44,766	68,436
Vehicle expenses		8,958	8,958				8,958	6,618
Repairs and maintenance		16,329	16,329	40		40	16,369	24,974
Insurance		5,850	5,850	5,768		5,768	11,618	11,816
Training and development		31,516	31,516				31,516	31,270
Event expenses					37,297	37,297	37,297	46,421
Bank and credit card fees		4,443	4,443	1,128	10,712	11,840	16,283	18,833
Interest expense							-	861
Miscellaneous		2,351	2,351	2,189	2,040	4,229	6,580	4,480
Depreciation		158,055	158,055				158,055	169,876
Total Expenses 2022	<u>\$ 289,524</u>	<u>\$ 2,633,321</u>	<u>\$ 2,922,845</u>	<u>\$ 259,611</u>	<u>\$ 169,868</u>	<u>\$ 429,479</u>	<u>\$ 3,352,324</u>	
Total Expenses 2021	<u>\$ 136,273</u>	<u>\$ 2,263,258</u>	<u>\$ 2,399,531</u>	<u>\$ 296,128</u>	<u>\$ 254,896</u>	<u>\$ 551,024</u>		<u>\$ 2,950,555</u>

See accompanying notes to financial statements.

**FRIENDS WITHOUT A BORDER
STATEMENT OF CASH FLOWS(
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

	<u>2022</u>	<u>2021</u>
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	(\$ 216,635)	\$ 86,027
Adjustments to reconcile change in Net Assets to net cash (used in)/provided by operating activities:		
Gain on extinguishment of debt	-	(125,608)
Interest expense - debt issuance costs	-	861
Depreciation	158,055	169,876
Net realized loss on investment transactions	57	47
Net unrealized (gain)/loss on investments	(173)	173
Changes in assets and liabilities:		
Increase in grants and contributions receivable	(83,800)	(32,251)
Decrease in inventories	2,152	48,237
Decrease in prepaid expenses	7,888	47,094
Amortization expense portion of lease expense for operating leases	5,841	-
Decrease in security deposits	11,507	-
(Decrease)/increase in accounts and accrued expenses payable	(15,558)	25,762
Increase/(decrease) in due to Angkor Hospital for Children	121	(17,915)
Increase in due from Friends Without A Border Japan	(2,675)	-
Decrease in due to The Lake Clinic	(14,748)	(121,953)
(Decrease)/increase in deferred event revenue	(13,562)	13,562
Repayments of right-of-use lease obligations - operating	(5,912)	-
Decrease in deferred rent payable	(503)	(1,000)
Net Cash (Used in)/Provided by Operating Activities	<u>(167,945)</u>	<u>92,912</u>
<u>Cash Flows from Investing Activities</u>		
Acquisition of fixed assets	(174,609)	(84,992)
Purchase of investments	(610,322)	(547,403)
Proceeds from sales of investments	<u>766,521</u>	<u>465,095</u>
Net Cash Used in Investing Activities	<u>(18,410)</u>	<u>(167,300)</u>
<u>Cash Flows from Financing Activities</u>		
Loan proceeds		<u>56,835</u>
Net Cash Provided by Financing Activities		<u>56,835</u>
Net Decrease in Cash and Cash Equivalents	(186,355)	(17,553)
Cash and cash equivalents at beginning of year	<u>379,607</u>	<u>397,160</u>
Cash and cash equivalents at end of year	<u>\$ 193,252</u>	<u>\$ 379,607</u>
<u>Supplemental disclosures of cash flow information:</u>		
Gifts of securities	<u>\$ 103,016</u>	<u>\$ 16,204</u>
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>
See accompanying notes to financial statements.		

FRIENDS WITHOUT A BORDER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 ORGANIZATION

Friends Without a Border ("FWAB") is a not-for-profit organization established in 1996 with the belief that every child has the right to a healthy and loving life. FWAB accomplishes this by providing free, compassionate medical care to children in Southeast Asia, by creating health education programs, and by training local health care professionals. FWAB promotes sustainable solutions to health care in developing countries through the model of *Treatment + Education + Prevention* by:

- Providing high-quality medical care to children in a compassionate environment;
- Educating families and health care professionals throughout Southeast Asia;
- Improving the health, nutrition and hygiene of local communities through outreach programs and home care.

On February 11, 2015, FWAB opened the doors to a new pediatric hospital: Lao Friends Hospital for Children ("LFHC") in Luang Prabang, Lao PDR with an Outpatient Department. In 2016, the hospital opened a Neonatal Unit, as well as a Surgical Theater, which greatly expanded the reach of services available to children in Laos. The Thalassemia and Development clinics opened in 2017 to better serve the needs at the Outpatient Department. The Neonatal Unit was expanded in 2019 to respond to the growing caseload. FWAB aims to expand LFHC's Outreach Programs to teach children and families health awareness and disease prevention practices, in addition to home care visits to patients who have chronic diseases or require follow-up care after hospital visits. In collaboration with UNICEF during 2021, LFHC created audio-visual materials to improve malnutrition among children in the region. In 2022, a new department, High Acuity Unit, was launched.

FWAB is exempt from income taxes under Section 501(c)3 of the Internal Revenue Code and similar provisions of the State Code. Contributions to FWAB are tax deductible to donors under Section 170 of the IRC. FWAB is not classified as a private foundation.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FWAB prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America for not-for-profit entities. The significant accounting and reporting policies used by FWAB are described below to enhance the usefulness and understandability of the financial statements.

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting.

(Continue)

FRIENDS WITHOUT A BORDER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Financial Statement Presentation

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Support and Grant Revenue

FWAB recognizes government and private grants as either contributions or exchange transaction revenues, depending on whether the transaction is reciprocal or not. For those recognized as contributions, revenue is recognized when a contract or grant becomes unconditional, that is, when the conditions on which they depend are substantially met. Contracts and grants that are treated as exchange transactions are reported as revenue without donor restrictions when expenses are incurred in accordance with the terms of the agreement. The excess of amounts received in exchange transactions over the amount of expenditures incurred is classified as deferred revenue in the statement of financial position.

If a contract or grant agreement contains a right of release from the respective obligation provision on the part of the grantor, and the agreement also contains a barrier to overcome, FWAB recognizes revenue for these conditional contributions when the related barrier to entitlement has been overcome.

(Continue)

FRIENDS WITHOUT A BORDER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Grants and contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Unconditional promises to give that are expected to be collected in less than one year are reflected as current promises to give and are reported at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are reflected as long-term promises to give and are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible receivables is determined based on management's evaluation of the collectibility of individual promises.

As of December 31, 2022, all unconditional promises to give are due in less than one year.

Fixed Assets

Buildings, improvements, vehicles, furniture and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. Equipment is capitalized if it has a cost of \$5,000 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Property and equipment are depreciated over their estimated useful lives using the straight-line method as follows:

Building	40 Years
Building improvements	10 Years
Medical equipment	7 Years
Furniture and equipment	5 Years
Vehicles	5 Years

Program Revenue

Revenues from program fees recognized over the terms of the program and the period of service provided. Amounts collected in advance but unearned are reflected in the statement of financial position as deferred revenue.

Special Events Revenue

The sale of auction items and portion of sponsorship revenue and attendee fees that relates to the commensurate value the winning bidder, sponsor and attendee receives in return is recognized when the related events are held and performance obligations are met. Amounts received in advance of the events are reflected in the statement of financial position as deferred event revenue.

(Continue)

FRIENDS WITHOUT A BORDER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts and cash on hand. At year end and throughout the year, FWAB's cash balances were deposited in various high-quality financial institutions which, at times, may exceed the current insured amount under Federal Deposit Insurance Corporation ("FDIC") protection. Management believes that FWAB is not exposed to any significant credit risk on cash and cash equivalents.

Investments

Investments in securities with readily determinable fair values are measured at fair value in the statement of financial position. The basis of determining the fair value of investments is the readily determinable sales price of the investments based on prices or quotations from over-the-counter markets.

Investment income or loss (including gains and losses on investments, interest and dividends) is included in the statement of activities. Realized and unrealized gains and losses are recognized as incurred. They are recorded in the Statement of Activities as income or loss in accordance with donors' restrictions.

Inventories

Inventories are stated at the lower of cost, determined by the FIFO method, or net realizable value.

Forgivable Loans

FWAB's policy is to account for the forgivable loans received through the Small Business Administration ("SBA") under the *Coronavirus Aid, Relief, and Economic Security Act ("CARES Act")* Paycheck Protection Programs ("PPP") as debt in accordance with Accounting Standards Codification (ASC) 470, *Debt*, and other related accounting pronouncements. The forgiveness of debt, in whole or in part, is recognized once the debt is extinguished, which occurs when FWAB is legally released from the liability by the SBA. Any portion of debt forgiven, adjusted for accrued interest forgiven and unamortized debt issuance costs, is recorded as a gain on extinguishment of debt, and presented in the non-operating section on the statement of activities.

Debt Issuance Costs

Debt issuance costs incurred in connection with the issuance of long-term debt are capitalized and amortized to interest expense over the term of the debt using a straight-line method, which approximates the effective interest method. The unamortized amount is presented as a reduction of long-term debt on the balance sheet.

(Continue)

**FRIENDS WITHOUT A BORDER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In-Kind Contributions

Donated marketable securities and other non-cash donations are recorded as contributions at their fair values at the time of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. FWAB reports expirations of donor restrictions when the donated assets are placed in service, if applicable, as instructed by the donor. FWAB reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals possessing those skills, and would otherwise be purchased by FWAB. FWAB also received donated services from volunteers that do not meet the criteria for recognition, and therefore, are excluded from the financial statements.

Grant Expenses

Contributions made and unconditional promises to give are recognized as expenses in the period made at their fair value.

Foreign Currency Transactions

Transactions in currencies other than US dollars are converted into US dollars at rates which approximate the actual rates at the transaction date. At the reporting date, monetary assets and liabilities denominated in foreign currency are converted into US dollars at the rate of exchange at that date. Realized and unrealized exchange differences are reported in the statement of activities. Due to the condition of the global market, the gain or loss from currency exchange could be significant.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. On an ongoing basis, FWAB's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. FWAB's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

(Continue)

FRIENDS WITHOUT A BORDER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with FWAB's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Accounting for Uncertainty in Income Taxes

FWAB adopted *Financial Accounting Standards Board* ("FASB") guidance on uncertain income tax positions in its financial statements. FWAB recognizes the effect of tax positions only when they are more likely than not of being sustained. Management is not aware of any violation of its tax status as an organization exempt from income taxes.

NOTE 3 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2022 are:

Financial Assets:	
Cash and cash equivalents	\$ 193,252
Investments	722,982
Grants and contributions receivable	<u>166,189</u>
Total Financial Assets	1,082,423
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets (Note 9)	(196,960)
Less board designated fund (Note 8)	(<u>685,974</u>)
Amount available for general Expenditures within one year	<u>\$ 499,489</u>

The above table reflects board designated fund as unavailable because it is FWAB's intention to invest those resources for the long-term support of the organization. However, in the case of need, the Board of Directors could appropriate resources from its designated fund. Note 8 provides more information about this fund. As part of the liquidity management plan, FWAB invests cash in excess of daily requirements in short term money market accounts and investments (Note 4).

**FRIENDS WITHOUT A BORDER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS

As of December 31, 2022, investments consist of money market funds.

Total investment earnings consist of the following:

Interest and dividend income	\$ 8,491
Net realized loss on investment transactions	(57)
Net unrealized gain on investments	<u>173</u>
Net investment return	<u>\$ 8,607</u>

Investments are measured at fair value. Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs used to measure fair value.

The three levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted market prices in active markets for identical assets and liabilities.
- Level 2: Significant observable inputs, other than those included in Level 1, such as unadjusted quoted market prices for similar assets or liabilities in active markets, unadjusted quoted prices for identical or similar assets and liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Significant unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The following table sets forth by level, within the fair value hierarchy, FWAB's financial instruments at fair value as of December 31, 2022:

	<u>Fair Value Measurements at Reporting Date Using</u>	
		Quoted Prices In Active Markets for Identical Assets (Level 1)
	<u>Fair Value</u>	<u>(Level 1)</u>
Money market funds	<u>\$ 722,982</u>	<u>\$ 722,982</u>

**FRIENDS WITHOUT A BORDER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5 FIXED ASSETS

As of December 31, 2022, the costs of the assets and the related accumulated depreciation were as follows:

Buildings	\$ 1,115,972
Building improvements	212,404
Medical equipment	978,945
Office equipment, vehicles and furniture	<u>145,288</u>
	2,452,609
Less - accumulated depreciation	(<u>1,106,457</u>)
Net	<u><u>\$ 1,346,152</u></u>

NOTE 6 GRANTS EXPENSES / RELATED PARTIES TRANSACTIONS

In 1999, FWAB built and opened the Angkor Hospital for Children (“AHC”) in Siem Reap, Cambodia. The mission of AHC was to provide high-quality and free pediatric medical care to Cambodian children, to work with the Cambodian’s Ministry of Health to strengthen Cambodia’s healthcare system through the training of doctors, nurses and health workers, and to play a central role in improving public health for all children.

In January 2013, FWAB transferred management and ownership of the hospital to the Cambodian staff of AHC. Transfer of management to an all-Cambodian staff was a goal for AHC from the beginning and was a much celebrated event. AHC is now an independently managed facility. FWAB continues to help support AHC with their fundraising goals.

FWAB also supports the efforts of The Lake Clinic (“TLC”) in Cambodia, which provides basic health care, disease surveillance, and proper medical referrals to a severely isolated and under-served region of Cambodia. TLC operates five floating medical clinics and a small fleet of boats that provide transportation and support for two clinical teams: one on the Tonle Sap Lake and the other on the Stung Sen River. Launched by the founding Executive Director of AHC, TLC is an extension of FWAB’s commitment to serve overlooked and impoverished children and their families in Asia.

Friends Without A Border in Japan (“Friends Japan”) was established in 1997 as a separate organization based in Tokyo. Friends Japan has raised millions of dollars for AHC and currently collaborates in the fundraising efforts to support LFHC. Total contributions received from Friends Japan was \$612,500 during the fiscal year.

(Continue)

FRIENDS WITHOUT A BORDER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 GRANTS EXPENSES / RELATED PARTIES TRANSACTIONS - (Continued)

During the fiscal year, total grants made by FWAB were as follows:

Support for AHC	\$ 21,489
Support for TLC	<u>268,035</u>
Total Grants	<u><u>\$ 289,524</u></u>

As of December 31, 2022, due to AHC of \$3,696 and due to TLC of \$10,177 represents the balance due for grants, and due from Friends Japan of \$2,675 represents balance due for expense reimbursement.

In addition, FWAB has a business relationship with a company in which a Board member held ownership. Total transactions with this Board member's company was \$49,827.

NOTE 7 NON-CASH CONTRIBUTIONS

In-kind contributions received during the year consist of donated medicine and medical supplies of \$13,644. FWAB also received donated auction items of \$39,425 for their special events, all of which were sold and recorded in direct event expenses.

During the prior year, past auction items of \$27,280 had sustained water damages and claims were submitted for reimbursement. The amount of \$28,168 was refunded by the insurance company and this amount was included as other income on the statement of activities.

NOTE 8 BOARD DESIGNATED FUND

In prior years, the Board had designated \$685,974 for the Goodman Barinaga Pediatric and Outreach Fund. Disbursements from this fund is subject to the authorization from the Board. As of December 31, 2022, this amount was included in net assets without donor restrictions.

FRIENDS WITHOUT A BORDER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 9 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions during the year ended December 31, 2022 were as follows:

Satisfaction of purpose restrictions:	
Programmatic Support	\$ 1,012,343
Anestheist Nursing Training	38,776
Food and Nutrition Support	8,523
Hospital Support for AHC	20,223
Hospital Support for TLC	268,035
Neonatal Operations and NICU	221,074
Nursing and High Acuity Unit	
Staffing Education	60,178
Nutrition Training Videos	19,265
Pediatric Curriculum Project	91,872
Pediatric Residency Program	50,609
Sponsoring Doctors and Nurses	60,000
Thalassemia Clinic	<u>8,722</u>
 Total	 <u><u>\$ 1,859,620</u></u>

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2022, net assets with donor restrictions was available for the following:

Purpose restrictions, available for spending:	
Programmatic Support	\$ 1,029
Anestheist Nursing Training	19,748
Neonatal Operations and NICU	42,512
Nursing and High Acuity Unit	
Staffing Education	32,371
Pediatric Curriculum Project	70,045
Pediatric Residency Program	18,241
Thalassemia Clinic	<u>13,014</u>
 Total	 <u><u>\$ 196,960</u></u>

FRIENDS WITHOUT A BORDER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 11 PENSION PLAN

FWAB sponsors a tax deferred pension plan that covers employees who have completed 3 months of service. Employees voluntarily make contributions to the retirement plan based on limits established under the Internal Revenue Code and FWAB offers a discretionary matching contribution of up to 3% under the retirement plan. Pension expense for the year was \$2,340.

NOTE 12 LEASE INFORMATION

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This update includes a lease accounting model that recognizes two types of leases -- finance leases and operating lease. The standard requires that a lessee recognize on the balance sheet assets and liabilities relating to leases with terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as a finance or operating lease. This ASU is effective for fiscal years beginning after December 15, 2021. FWAB has adopted and implemented this pronouncement in fiscal year 2022.

A summary of total lease cost, by component, and other lease information for the fiscal year ended December 31, 2022 is as follows:

Total lease cost:

Operating lease cost:

Amortization of right-of-use assets	\$ 5,841
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Other lease information:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	(5,912)
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Right-of-use assets obtained in exchange for
new operating lease liabilities

11,443

Lease obligations - Operating leases

<u>11,372</u>

Weighted-average remaining lease term:

Operating leases	1.33 years
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Weighted-average discount rate:

Operating leases	2.44%
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In addition, in February 2014, FWAB had entered into an operating lease agreement for its facility located in Luang Prabang, Lao PDR expiring on June 30, 2024. Rental payments were made in installments for the use of the land and building to be used as a Visitor Center and Gallery for LFHC. As of December 31, 2022, prepaid rent of \$17,280 was reported in the statement of financial position.

FRIENDS WITHOUT A BORDER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 13 FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing FWAB’s services have been summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefitted using a reasonable allocation method that is consistently applied.

Administrative and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization. Fund raising costs are expensed as incurred, even though they may result in contributions received in future years.

NOTE 14 SUBSEQUENT EVENTS

FWAB evaluated subsequent events through June 6, 2023, which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure within the financial statements.

NOTE 15 RECENT ACCOUNTING PRONOUNCEMENTS

In September 2020, the Financial Accounting Standards Board (“FASB”) issued the Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. FWAB adopted and implemented this pronouncement in fiscal year 2022 using the prospective method of application.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) and in June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions received and Contributions Made*. The amendments in this update should assist in evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and determining whether a contribution is conditional. FWAB had adopted both ASU 2014-09 and 2019-08 in fiscal year 2019 and the adoption did not have a material impact on its financial statements.