

NPH USA, INC. AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2023 AND 2022



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**NPH USA, INC. AND AFFILIATE
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

| | |
|---|-----------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| CONSOLIDATED FINANCIAL STATEMENTS | |
| CONSOLIDATED STATEMENTS OF FINANCIAL POSITION | 4 |
| CONSOLIDATED STATEMENTS OF ACTIVITIES | 5 |
| CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES | 6 |
| CONSOLIDATED STATEMENTS OF CASH FLOWS | 8 |
| NOTES TO CONSOLIDATED FINANCIAL STATEMENTS | 9 |
| SUPPLEMENTARY INFORMATION | |
| CONSOLIDATING SCHEDULES OF FINANCIAL POSITION | 26 |
| CONSOLIDATING SCHEDULES OF ACTIVITIES | 28 |



INDEPENDENT AUDITORS' REPORT

Board of Directors
NPH USA, Inc. and Affiliate
Chicago, Illinois

Report on the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of NPH USA, Inc. and Affiliate, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the NPH USA, Inc. and Affiliate as June 30, 2023 and 2022, and the changes in their net assets and their 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the NPH USA, Inc. and Affiliate 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.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, in 2023 the NPH USA, Inc. and Affiliate adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the NPH USA, Inc. and Affiliate's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the NPH USA, Inc. and Affiliate'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the NPH USA, Inc. and Affiliate'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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating supplementary information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in their net assets, and cash flows of the individual organizations, and is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

Board of Directors
NPH USA, Inc. and Affiliate

In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Oak Brook, Illinois
September 23, 2024

NPH USA, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

| | 2023 | 2022 |
|---|----------------------|----------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 12,243,295 | \$ 8,746,763 |
| Pledges Receivable, Net of Allowance for Uncollectible Pledges of \$-0- in 2023 and \$27,614 in 2022 | 399,095 | 622,497 |
| Prepaid Expenses | 188,977 | 100,420 |
| Investments | 18,226,684 | 16,217,601 |
| Beneficial Interest in Perpetual Trusts | 2,632,430 | 2,543,511 |
| Beneficial Interest in Land Trust | 150,000 | 150,000 |
| Fixed Assets, Net | 157,696 | 125,789 |
| Other Assets | 27,421 | 23,921 |
| Financing Lease Right-of-Use Asset | 30,439 | - |
| Operating Lease Right-of-Use Asset | 240,938 | - |
| | \$ 34,296,975 | \$ 28,530,502 |
| Total Assets | \$ 34,296,975 | \$ 28,530,502 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts Payable | \$ 3,172,002 | \$ 2,419,213 |
| Accrued Expenses and Other Liabilities | 510,169 | 327,263 |
| Financing Lease Liability | 31,087 | - |
| Operating Lease Liability | 240,336 | - |
| Total Liabilities | 3,953,594 | 2,746,476 |
| NET ASSETS | | |
| Without Donor Restrictions | 7,653,064 | 5,801,528 |
| With Donor Restrictions | 22,690,317 | 19,982,498 |
| Total Net Assets | 30,343,381 | 25,784,026 |
| Total Liabilities and Net Assets | \$ 34,296,975 | \$ 28,530,502 |

See accompanying Notes to Consolidated Financial Statements.

**NPH USA, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2023 AND 2022**

| | 2023 | 2022 |
|---|---------------|---------------|
| NET ASSETS WITHOUT DONOR RESTRICTIONS | | |
| Support: | | |
| Contributions | \$ 13,557,319 | \$ 13,039,705 |
| Bequests | 2,685,093 | 71,904 |
| Donated Materials | - | 1,251,094 |
| Paycheck Protection Program Loan Forgiveness | - | 528,796 |
| Gross Special Events Revenue | 2,846,297 | 2,755,134 |
| Less: Cost of Direct Benefits to Donors | 591,208 | 534,604 |
| Net Special Events Revenue | 2,255,089 | 2,220,530 |
| Revenue: | | |
| Interest and Dividends | 141,095 | 2,724 |
| Unrealized Loss | (203) | (631) |
| Realized Gain | 2,107 | 10,986 |
| Distributions from Beneficial Interest in Trusts | 80,596 | 210,435 |
| Miscellaneous | 50,151 | 34 |
| Net Assets Released from Restrictions | 1,410,946 | 1,834,327 |
| Total Support and Revenue | 20,182,193 | 19,169,904 |
| Expenses: | | |
| Program Services | 13,759,855 | 13,665,045 |
| Management and General | 1,783,642 | 1,593,689 |
| Fundraising | 2,787,160 | 2,115,820 |
| Total Expenses | 18,330,657 | 17,374,554 |
| Increase in Net Assets Without Donor Restrictions | 1,851,536 | 1,795,350 |
| NET ASSETS WITH DONOR RESTRICTIONS | | |
| Revenue: | | |
| Contributions | 2,188,273 | 665,265 |
| Interest and Dividends | 358,680 | 385,127 |
| Unrealized Gain (Loss) | 1,530,195 | (12,107,746) |
| Realized Gain (Loss) | (47,302) | 9,454,480 |
| Change in Value of Perpetual Trusts | 88,919 | (573,439) |
| Net Assets Released from Restrictions | (1,410,946) | (1,834,327) |
| Increase (Decrease) in Net Assets With Donor Restrictions | 2,707,819 | (4,010,640) |
| CHANGE IN NET ASSETS | 4,559,355 | (2,215,290) |
| Net Assets - Beginning of Year | 25,784,026 | 27,999,316 |
| NET ASSETS - END OF YEAR | \$ 30,343,381 | \$ 25,784,026 |

See accompanying Notes to Consolidated Financial Statements.

NPH USA, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

| | Program Services | Management and General | Fundraising | Total Support Services | Total |
|---|----------------------|---------------------------|---------------------|------------------------------|----------------------|
| Salaries | \$ 958,260 | \$ 657,271 | \$ 1,444,148 | \$ 2,101,419 | \$ 3,059,679 |
| Payroll Taxes | 71,807 | 49,252 | 108,217 | 157,469 | 229,276 |
| Employee Benefits | 86,965 | 59,648 | 131,059 | 190,707 | 277,672 |
| Total | <u>1,117,032</u> | <u>766,171</u> | <u>1,683,424</u> | <u>2,449,595</u> | <u>3,566,627</u> |
| Support to Orphanages - NPHI: | | | | | |
| Operations - Direct Support | 7,064,292 | - | - | - | 7,064,292 |
| Operations - Designated and Sharing | 4,454,885 | - | - | - | 4,454,885 |
| Support to FWLEI | 721,368 | - | - | - | 721,368 |
| Total | <u>12,240,545</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>12,240,545</u> |
| Bank and Credit Card Fees | - | 869 | 157,791 | 158,660 | 158,660 |
| Cultivation | - | - | 68,254 | 68,254 | 68,254 |
| Depreciation | - | 71,828 | - | 71,828 | 71,828 |
| Dues and Subscriptions | - | 5,786 | - | 5,786 | 5,786 |
| Employee Search and Benefits | - | 236,299 | - | 236,299 | 236,299 |
| Special Event - Event Supplies | - | - | 217,590 | 217,590 | 217,590 |
| Cost of Direct Benefit to Donors | - | - | 591,208 | 591,208 | 591,208 |
| Hospitality and Meals | - | 52,606 | - | 52,606 | 52,606 |
| Insurance | - | 41,484 | - | 41,484 | 41,484 |
| Donated Stock Fees | - | 408 | - | 408 | 408 |
| Licenses and Fees | - | 113,790 | - | 113,790 | 113,790 |
| Occupancy | 73,713 | 97,071 | 147,335 | 244,406 | 318,119 |
| Office Equipment | - | 25,814 | - | 25,814 | 25,814 |
| Office Supplies | - | 44,762 | 44,763 | 89,525 | 89,525 |
| Outside Services | 27,204 | 190,221 | - | 190,221 | 217,425 |
| Postage and Shipping | 14,912 | 14,912 | 29,824 | 44,736 | 59,648 |
| Professional Fees | - | 76,998 | 36,000 | 112,998 | 112,998 |
| Marketing | - | - | 128,433 | 128,433 | 128,433 |
| Promotion | - | - | 17,727 | 17,727 | 17,727 |
| Repair and Maintenance | - | 2,435 | - | 2,435 | 2,435 |
| Telecommunications | - | 17,724 | 17,724 | 35,448 | 35,448 |
| Training and Seminars | - | 4,494 | - | 4,494 | 4,494 |
| Travel | 170,944 | 17,830 | 238,295 | 256,125 | 427,069 |
| Travel Program | 115,505 | - | - | - | 115,505 |
| Miscellaneous | - | 2,140 | - | 2,140 | 2,140 |
| Total | <u>402,278</u> | <u>1,017,471</u> | <u>1,694,944</u> | <u>2,712,415</u> | <u>3,114,693</u> |
| Total Functional Expenses | 13,759,855 | 1,783,642 | 3,378,368 | 5,162,010 | 18,921,865 |
| Less: Expenses Included with Revenues on the Consolidated Statements of Activities: | | | | | |
| Cost of Direct Benefits to Donors | - | - | (591,208) | (591,208) | (591,208) |
| Total Expenses Included in the Expense Section of the Consolidated Statements of Activities | <u>\$ 13,759,855</u> | <u>\$ 1,783,642</u> | <u>\$ 2,787,160</u> | <u>\$ 4,570,802</u> | <u>\$ 18,330,657</u> |

See accompanying Notes to Consolidated Financial Statements.

NPH USA, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

| | Program Services | Management and General | Fundraising | Total Support Services | Total |
|---|----------------------|---------------------------|---------------------|------------------------------|----------------------|
| Salaries | \$ 878,570 | \$ 579,939 | \$ 1,027,910 | \$ 1,607,849 | \$ 2,486,419 |
| Payroll Taxes | 75,253 | 49,675 | 88,046 | 137,721 | 212,974 |
| Employee Benefits | 100,696 | 69,072 | 117,812 | 186,884 | 287,580 |
| Total | <u>1,054,519</u> | <u>698,686</u> | <u>1,233,768</u> | <u>1,932,454</u> | <u>2,986,973</u> |
| Support to Orphanages - NPHI: | | | | | |
| Operations - Direct Support | 6,609,260 | - | - | - | 6,609,260 |
| Operations - Designated and Sharing | 4,471,262 | - | - | - | 4,471,262 |
| Donated Materials and Supplies | 1,251,094 | - | - | - | 1,251,094 |
| Total | <u>12,331,616</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>12,331,616</u> |
| Bank and Credit Card Fees | - | 11,372 | 142,101 | 153,473 | 153,473 |
| Consulting and Outside Services | 22,000 | - | - | - | 22,000 |
| Cultivation | - | - | 94,479 | 94,479 | 94,479 |
| Bad Debt Expense | - | 25,345 | - | 25,345 | 25,345 |
| Depreciation and Amortization | - | 99,690 | - | 99,690 | 99,690 |
| Dues and Subscriptions | - | 7,761 | - | 7,761 | 7,761 |
| Employee Search and Benefits | - | 181,819 | - | 181,819 | 181,819 |
| Special Event - Event Supplies | - | - | 228,478 | 228,478 | 228,478 |
| Cost of Direct Benefit to Donors | - | - | 534,604 | 534,604 | 534,604 |
| Hospitality and Meals | - | 34,599 | - | 34,599 | 34,599 |
| Insurance | - | 22,554 | - | 22,554 | 22,554 |
| Donated Stock Fees | - | 380 | - | 380 | 380 |
| Licenses and Fees | - | 124,508 | - | 124,508 | 124,508 |
| Occupancy | 91,826 | 75,300 | 148,628 | 223,928 | 315,754 |
| Office Equipment | - | 29,097 | - | 29,097 | 29,097 |
| Office Supplies | - | 25,623 | 25,623 | 51,246 | 51,246 |
| Outside Services | 27,204 | 93,196 | - | 93,196 | 120,400 |
| Postage and Shipping | 12,850 | 12,851 | 25,701 | 38,552 | 51,402 |
| Professional Fees | - | 69,019 | 22,000 | 91,019 | 91,019 |
| Marketing | - | - | 69,237 | 69,237 | 69,237 |
| Promotion | - | - | 7,995 | 7,995 | 7,995 |
| Repair and Maintenance | - | 123 | - | 123 | 123 |
| Telecommunications | - | 15,958 | 15,958 | 31,916 | 31,916 |
| Training and Seminars | - | 2,454 | - | 2,454 | 2,454 |
| Travel | 72,397 | 60,435 | 101,852 | 162,287 | 234,684 |
| Travel Program | 25,751 | - | - | - | 25,751 |
| Miscellaneous | 26,882 | 2,919 | - | 2,919 | 29,801 |
| Total | <u>278,910</u> | <u>895,003</u> | <u>1,416,656</u> | <u>2,311,659</u> | <u>2,590,569</u> |
| Total Functional Expenses | 13,665,045 | 1,593,689 | 2,650,424 | 4,244,113 | 17,909,158 |
| Less: Expenses Included with Revenues on the Consolidated Statements of Activities: | | | | | |
| Cost of Direct Benefits to Donors | - | - | (534,604) | (534,604) | (534,604) |
| Total Expenses Included in the Expense Section of the Consolidated Statements of Activities | <u>\$ 13,665,045</u> | <u>\$ 1,593,689</u> | <u>\$ 2,115,820</u> | <u>\$ 3,709,509</u> | <u>\$ 17,374,554</u> |

See accompanying Notes to Consolidated Financial Statements.

NPH USA, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

| | 2023 | 2022 |
|---|---------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 4,559,355 | \$ (2,215,290) |
| Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities: | | |
| Provision for Bad Debts | - | 25,345 |
| Depreciation | 71,828 | 99,690 |
| Amortization of Finance Leases | 15,420 | - |
| Noncash Lease Expense | 15 | - |
| Paycheck Protection Program Loan Forgiveness | - | (528,796) |
| Realized (Gain) Loss on Investments | 45,195 | (9,465,466) |
| Unrealized (Gain) Loss on Investments | (1,529,992) | 12,108,377 |
| Change in Value of Perpetual Trusts | (88,919) | 573,439 |
| Contributions Restricted to Endowment | (2,093,273) | (270,265) |
| (Increase) Decrease in: | | |
| Pledges Receivable | 223,402 | 378,390 |
| Prepaid Expenses and Other Assets | (92,057) | 15,452 |
| Increase (Decrease) in: | | |
| Accounts Payable | 752,789 | 2,299,502 |
| Accrued Expenses and Other Liabilities | 182,906 | (50,037) |
| Net Cash Provided by Operating Activities | 2,046,669 | 2,970,341 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets and Software | (103,735) | (58,514) |
| Proceeds from Sales and Maturities of Investments | 2,391,710 | 21,017,487 |
| Purchase of Investments | (2,915,996) | (21,254,683) |
| Net Cash Used by Investing Activities | (628,021) | (295,710) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Contributions Restricted to Endowment | 2,093,273 | 270,265 |
| Principal Payments on Finance Leases | (15,389) | - |
| Payments on Paycheck Protection Program Loan | - | (21,726) |
| Net Cash Provided by Financing Activities | 2,077,884 | 248,539 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 3,496,532 | 2,923,170 |
| Cash and Cash Equivalents - Beginning of Year | 8,746,763 | 5,823,593 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 12,243,295 | \$ 8,746,763 |

See accompanying Notes to Consolidated Financial Statements.

**NPH USA, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

NPH USA, Inc. was organized as an Illinois nonprofit corporation on June 29, 2004. NPH USA, Inc. is organized and operated exclusively for charitable and educational purposes. NPH USA, Inc. is dedicated to improving the lives of orphaned, abandoned, and disadvantaged children through its support of the Nuestros Pequeños Hermanos International, A.C. (NPHI) network of orphanages in Latin America and the Caribbean.

Father Wasson Legacy Endowment, Inc. (FWLEI) is a nonprofit endowment described in Section 501(c)(3) of the Internal Revenue Code (IRC). FWLEI is organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of NPH USA, Inc., its sole member.

Significant accounting policies followed by NPH USA, Inc. and FWLEI, collectively known as the Organization, are presented below.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of NPH USA, Inc. and FWLEI. Interorganizational transactions and balances have been eliminated in consolidation.

Consolidated Financial Statement Presentation

Consolidated financial statement presentation follows accounting principles generally accepted in the United States of America for nonprofit organizations. Accounting principles generally accepted in the United States of America (U.S. GAAP) requires the Organization to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions defined as follows:

Net Assets Without Donor Restrictions – Those resources over which the board of directors (board) has discretionary control.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Estimates

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

NPH USA, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents are comprised of demand deposits and money market accounts. The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Financial instruments that potentially subject the Organization to a concentration of credit risk consist of cash deposits. The Organization maintains bank accounts at several local banks that are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, cash balances may exceed federally insured limits; however, the Organization has not experienced any losses in such accounts and limits the exposure to credit risk by maintaining its cash and cash equivalents in highly reputable institutions.

Pledges Receivable

Contributions are recognized when the donor makes a pledge to the Organization that is, in substance, unconditional. The Organization records unconditional pledges that are expected to be collected within one year at net realizable value. Unconditional pledges expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statement of activities.

The Organization uses the allowance method to determine uncollectible unconditional pledges receivable. The Organization determines the allowance for uncollectible pledges based on historical experience and a review of subsequent collections. At June 30, 2023 and 2022, the allowance was \$-0- and \$27,614, respectively.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets in the consolidated statements of activities.

Beneficial Interests in Trusts

Beneficial interests in trusts consist of assets held in perpetual trusts and a beneficial interest in a land trust.

Beneficial Interests in Perpetual Trust

The Organization is the beneficiary of two perpetual trusts held by a third party. Under the terms of the trusts, the Organization has the irrevocable right to receive the income generated by the trust in perpetuity. The beneficial interest in the perpetual trusts is recorded at fair value as based on the fair value of the trust assets. Changes in net assets of the trusts are recorded as gain or losses (change in value of trusts) on the consolidated statements of activities. Net assets and changes in the net assets are recorded as with donor restrictions. Distributions received from these trusts are recorded as income with or without donor restrictions, in accordance with the respective trust agreements.

NPH USA, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interests in Trusts (Continued)

Beneficial Interest in Land Trust

The Organization is the beneficiary of a land trust held by a third party. Under the terms of the trust, the Organization has the irrevocable right to receive 25% of the income generated by the trust. The beneficial interest in the land trust is recorded at fair value as based on the fair value of the trust property. Changes in net assets of the trust are recorded as gains or losses (change in value of trusts) on the consolidated statements of activities. Net assets and changes in the net assets are recorded as with donor restrictions. Distributions received from this trust are recorded as income without donor restrictions.

Fixed Assets

Furniture, equipment, and vehicles are stated at cost or estimated value if donated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, generally five years. All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of the assets are capitalized.

Donated Services and Materials

Donated services are recognized for those that improve or enhance property and equipment (as contributions and increases to the basis of property and equipment) or for those that require specialized skills (as contributions and expenses), are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization does not sell donated gifts-in-kind.

Donations of materials and noncash assets are recorded as contributions at their estimated fair value at the date of donation. Such donations are recorded as increases in net assets without donor restrictions unless the donor has restricted the donated materials to a specific purpose. Donated materials are expensed as program supplies. Donated noncash assets are recorded in accordance with the Organization's capitalization policy and depreciated, if required.

Although highly valued by the Organization, contributions of time and services provided by many volunteers do not meet the criteria for recognition and, therefore, are not recognized in the consolidated financial statements.

Functional Expenses

The consolidated financial statements report certain categories of expenses that are attributable to program or a supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated on the basis of estimates of time and effort. Direct program support includes direct financial support to homes affiliated with NPHI, which then utilizes those financial resources to improve the lives of disadvantaged children. Costs include program supplies, travel, and consulting program expense. Those of an administrative nature coded directly to the supporting functions include depreciation, some occupancy, insurance, meeting expenses, credit card fees, etc.

NPH USA, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The Organization follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the Organization has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the consolidated statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as the U.S. Treasury, and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets. Level 1 includes various mutual funds, collective funds, and U.S. Treasury futures.

Level 2 – Financial assets and liabilities are valued using inputs quoted prices for similar assets or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes private collateralized mortgage obligations, municipal bonds, gold futures, and corporate debt securities.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes private equity, venture capital, hedge funds, real estate, and beneficial interests in trusts.

Income Tax Status

The Organization is a nonprofit organization exempt from paying corporate federal income tax under Section 501(c)(3) of the IRC. It has been classified as an organization that is not a private foundation under the IRC and charitable contributions by donors are tax deductible.

The Organization has evaluated its tax positions and determined it has no uncertain tax positions at June 30, 2023 and 2022.

NPH USA, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Organization leases equipment and office space. The Organization determines if an arrangement is a lease at inception. Operating and financing leases are included in right-of-use (ROU) assets and lease liability on the consolidated statements of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the consolidated statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of all lease liabilities.

Liquidity

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other commitments come due. Financial assets available as of June 30, 2023 and 2022 to meet cash needs for general expenditures are as follows:

| | <u>2023</u> | <u>2022</u> |
|--|----------------------|---------------------|
| Cash and Cash Equivalents | \$ 10,562,092 | \$ 7,675,377 |
| Pledges Receivable, Net, Due Within One Year | 399,095 | 619,547 |
| Total Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year | <u>\$ 10,961,187</u> | <u>\$ 8,294,924</u> |

The Organization also has beneficial interests in perpetual and land trusts that generate income that may be made available to supplement liquidity needs. For the years ended June 30, 2023 and 2022, the Organization recognized \$80,596 and \$210,435 of income from these trusts, respectively.

The Organization has a goal to maintain financial assets consisting of cash and short-term investments on hand to meet approximately three months of budgeted expenses. As part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments including certificates of deposit and short-term treasury instruments.

NPH USA, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Upcoming Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after June 30, 2023.

Management is evaluating the impact of this pronouncement on the Organization's consolidated financial statements.

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. Topic 842 increases transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the consolidated 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 consolidated financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization has adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this lease standard to the beginning of the period of adoption, while continuing to present the comparative period in accordance with the guidance under the standard in effect during that period. Lease disclosure for the year ended June 30, 2022, are made under prior lease guidance FASB Accounting Standards Codification (ASC) 840.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition for disclosure through September 23, 2024, the date the consolidated financial statements were available to be issued.

NPH USA, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 PLEDGES RECEIVABLE

Pledges receivable as of June 30 consist of time-restricted contributions from various donors to support ongoing operations and the NPHI network of orphanages in Latin America. Pledges receivable consist of the following:

| | 2023 | 2022 |
|---|------------|------------|
| Pledges Receivable Due: | | |
| In Less than One Year | \$ 399,095 | \$ 647,161 |
| In One to Five Years | - | 2,950 |
| Total | 399,095 | 650,111 |
| Less: Allowance for Uncollectible Pledges | - | (27,614) |
| Total Pledges Receivable | \$ 399,095 | \$ 622,497 |

Pledges expected to be received in more than one year from the consolidated statements of financial position date are discounted to present value. At June 30, 2023 and 2022, any related present value discount was considered insignificant.

NOTE 3 INVESTMENTS

Investments consist of the following at June 30:

| | 2023 | 2022 |
|------------------------|---------------|---------------|
| Exchange Traded Funds: | | |
| International Equities | \$ 5,455,097 | \$ 4,612,152 |
| Equities | 9,439,934 | 8,390,841 |
| Mutual Funds | 3,331,653 | 3,214,608 |
| Total Investments | \$ 18,226,684 | \$ 16,217,601 |

Investment management fees incurred during the years ended June 30, 2023 and 2022 totaled \$47,383 and \$64,323, respectively.

NOTE 4 FIXED ASSETS

Fixed assets consist of the following at June 30:

| | 2023 | 2022 |
|---|------------|------------|
| Furniture and Equipment | \$ 955,380 | \$ 851,645 |
| Less: Accumulated Depreciation and Amortization | (797,684) | (725,856) |
| Total Fixed Assets | \$ 157,696 | \$ 125,789 |

Depreciation and amortization expense charged to operations for the years ended June 30, 2023 and 2022 totaled \$71,828 and \$99,690, respectively.

NPH USA, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 5 PAYCHECK PROTECTION PROGRAM LOAN

On April 11, 2020, the Organization received a loan in the amount of \$550,522 to fund payroll, rent, and utilities through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5, 2020) and was due over 24 months deferred for six months. After this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The loan bears interest at a fixed rate of 1% per annum, with the first six months of interest deferred, has a term of two years, is unsecured, and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.

On July 9, 2021, the SBA processed the Organization's PPP Loan forgiveness application and notified Bank of America the PPP Loan qualified for partial forgiveness in the amount of \$528,796. Loan proceeds were received by the bank from the SBA on this date. The remaining loan principal of \$21,726 was due in monthly installments of principal and interest of \$2,454 starting August 12, 2021 with a maturity date of April 12, 2022 and fully repaid by this date.

The U.S. Small Business Administration may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's consolidated financial position.

NPH USA, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available at June 30 for the following purposes or periods:

| | <u>2023</u> | <u>2022</u> |
|---|----------------------|----------------------|
| Subject to the Passage of Time: | | |
| Beneficial Interest in Land Trust | \$ 150,000 | \$ 150,000 |
| Pledges Receivable Not Restricted by Donors | 399,095 | 622,497 |
| | <u>549,095</u> | <u>772,497</u> |
| Endowments: | | |
| Subject to Appropriation and Expenditure When a Specified Event Occurs | 5,197,249 | 4,448,220 |
| Subject to Endowment Distribution Policy and Appropriation: | | |
| General Fund | 14,164,663 | 12,073,950 |
| Medical Fund | 44,535 | 44,535 |
| Education Fund | 44,535 | 44,535 |
| Hightower/Kloos Legacy Fund | 27,461 | 24,901 |
| Emmanuel Fund | 30,350 | 30,350 |
| Total Endowments | <u>19,508,793</u> | <u>16,666,491</u> |
| Not Subject to Spending Policy or Appropriation: | | |
| Beneficial Interest in Perpetual Trusts | <u>2,632,429</u> | <u>2,543,510</u> |
| Total Net Assets With Donor Restrictions | <u>\$ 22,690,317</u> | <u>\$ 19,982,498</u> |

Endowment net assets with permanent donor restrictions consist of contributions that are to be invested and held indefinitely, with the income expendable to support the NPH orphanages and pay endowment expenses. At the time of their gifts, donors are given the opportunity to designate that the endowment may expend the principal in the event of a major, natural disaster. As of June 30, 2023 and 2022, donors have designated \$8,283,969 and \$7,362,601, respectively, to be used in the event of a natural disaster, as further defined in the endowment's policies. Unappropriated endowment earnings are from the Medical, Education, Hightower/Kloos, and general endowment funds.

During the years ended June 30, 2023 and 2022, net assets released from donor restrictions totaled \$1,410,946 and \$1,834,327 respectively, and were primarily from appropriated and distributed endowment earnings.

NOTE 7 DONATED MATERIALS

During the years ended June 30, 2023 and 2022, the Organization received the following contributions of nonfinancial assets for the year ended June 30:

| | <u>2023</u> | <u>2022</u> |
|-------------------------------|-------------|--------------|
| Medicine and Medical Supplies | \$ - | \$ 1,251,094 |

NPH USA, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7 DONATED MATERIALS (CONTINUED)

Contributed medicine and medical supplies received by the Organization are recorded as in-kind contribution revenue and expensed as program supplies. The Organization utilized the average price provided by the supplier for each item received. All contributed medicine and medical supplies were utilized for programmatic purposes and sent directly to the Nuestros Pequeños Hermanos International, A.C. network of orphanages in Latin America and the Caribbean.

Contributed services are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets or require specialized skills that would need to be purchased if they were not donated. Although the Organization receives a significant amount of donated services from unpaid volunteers who assist with fundraising, no amounts have been allocated to the consolidated statements of activities for these services because the criteria of recognition has not been met.

NOTE 8 SPECIAL EVENTS INCOME

The Organization conducted fundraising events during the years ended June 30, 2023 and 2022 to benefit the Organization which is reflected in the consolidated statement of activities as net special events revenue. Proceeds from special events comprise an exchange element based on the value of benefits provided, and a contribution element for the difference between the total proceeds and the exchange element. The exchange element includes the meals and activities provided at the event. The performance obligation for the meals and activities is met over time as the event is held.

The following table shows the Organization's special event income for the years ended June 30, disaggregated according to the timing of revenue recognition:

| | 2023 | 2022 |
|------------------------------|---------------------|---------------------|
| Unconditional Contributions | \$ 2,255,089 | \$ 2,220,530 |
| Meals and Services | 591,208 | 534,604 |
| Total Special Events Revenue | <u>\$ 2,846,297</u> | <u>\$ 2,755,134</u> |

NOTE 9 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization values all other assets and liabilities, refer to Note 1 – Summary of Significant Accounting Policies, Organization.

NPH USA, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets measured at fair value on a recurring basis are as follows:

| <u>June 30, 2023</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|----------------------|----------------|---------------------|----------------------|
| Exchange Traded Funds: | | | | |
| International Equities | \$ 5,455,097 | \$ - | \$ - | \$ 5,455,097 |
| Equities | 9,439,934 | - | - | 9,439,934 |
| Mutual Funds | 3,331,653 | - | - | 3,331,653 |
| Beneficial Interest in Perpetual Trusts | - | - | 2,632,430 | 2,632,430 |
| Beneficial Interest in Land Trust | - | - | 150,000 | 150,000 |
| Total Assets at Fair Value | <u>\$ 18,226,684</u> | <u>\$ -</u> | <u>\$ 2,782,430</u> | <u>\$ 21,009,114</u> |
| | | | | |
| <u>June 30, 2022</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Exchange Traded Funds: | | | | |
| International Equities | \$ 4,612,152 | \$ - | \$ - | \$ 4,612,152 |
| Equities | 8,390,841 | - | - | 8,390,841 |
| Mutual Funds | 3,214,608 | - | - | 3,214,608 |
| Beneficial Interest in Perpetual Trusts | - | - | 2,543,511 | 2,543,511 |
| Beneficial Interest in Land Trust | - | - | 150,000 | 150,000 |
| Total Assets at Fair Value | <u>\$ 16,217,601</u> | <u>\$ -</u> | <u>\$ 2,693,511</u> | <u>\$ 18,911,112</u> |

The following table provides a summary of changes in fair value of the Organization's Level 3 financial assets for the year ended June 30:

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Balance - January 1 | \$ 2,693,511 | \$ 3,266,950 |
| Change in Value of Perpetual and Land Trusts | 88,919 | (573,439) |
| Balance - End of Period | <u>\$ 2,782,430</u> | <u>\$ 2,693,511</u> |

The valuation of the Level 3 beneficial interest in perpetual trusts is based on the fair market value of assets as indicated on the annual statement received from the trustee. The valuation of the Level 3 beneficial interest in land trust is based on 25% of the value of the trust property, determined through an independent appraisal during 2016.

NOTE 10 ENDOWMENT

The FWLEI endowment fund consists of four individual funds and reflects the donor-imposed restriction that the original gifts are maintained and income be used to support operations and for annual distributions to NPH USA, Inc. for the exclusive benefit of NPHI. Consistent with donor wishes, funds may be distributed to one or more NPHI family homes in the event of extensive destruction of property or life as a result of a major, natural, devastating disaster. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**NPH USA, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 10 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law

FWLEI has interpreted the state of Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, FWLEI retains in perpetuity: (a) the original value of gifts donated to the endowment, plus (b) the original value of the subsequent gifts to the endowment and accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted endowment amounts not retained in perpetuity are subject to appropriation for expenditure by FWLEI in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, FWLEI considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the endowment fund.
- The purposes of the endowment and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation or deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the endowment.
- The investment policies of the endowment.

Endowment net assets consisted of the following at June 30:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|----------------------|
| <u>June 30, 2023</u> | | | |
| Endowment Funds with Donor Restrictions | <u>\$ -</u> | <u>\$ 19,508,793</u> | <u>\$ 19,508,793</u> |
| <u>June 30, 2022</u> | | | |
| Endowment Funds with Donor Restrictions | <u>\$ -</u> | <u>\$ 16,666,491</u> | <u>\$ 16,666,491</u> |

NPH USA, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 10 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

Changes in the endowment fund net assets included the following for the years ended June 30:

| <u>June 30, 2023</u> | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|----------------------|
| Endowment Net Assets - Beginning of Year | \$ - | \$ 16,666,491 | \$ 16,666,491 |
| Investment Return: | | | |
| Investment Income | - | 358,679 | 358,679 |
| Net Depreciation (Realized and Unrealized) | - | 1,482,893 | 1,482,893 |
| Total Investment Return | - | 1,841,572 | 1,841,572 |
| Contributions | - | 2,093,273 | 2,093,273 |
| Appropriation of Endowment Assets for Expenditures | 1,092,543 | (1,092,543) | - |
| Withdrawals for Current Distributions | (1,042,000) | - | (1,042,000) |
| Operating Expenses | (50,543) | - | (50,543) |
| Total Release | (1,092,543) | - | (1,092,543) |
| Endowment Net Assets - End of Year | <u>\$ -</u> | <u>\$ 19,508,793</u> | <u>\$ 19,508,793</u> |
| | | | |
| <u>June 30, 2022</u> | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| Endowment Net Assets - Beginning of Year | \$ - | \$ 19,699,956 | \$ 19,699,956 |
| Investment Return: | | | |
| Investment Income | - | 385,128 | 385,128 |
| Net Appreciation (Realized and Unrealized) | - | (2,653,266) | (2,653,266) |
| Total Investment Return | - | (2,268,138) | (2,268,138) |
| Contributions | - | 270,265 | 270,265 |
| Appropriation of Endowment Assets for Expenditures | 1,035,592 | (1,035,592) | - |
| Withdrawals for Current Distributions | (945,750) | - | (945,750) |
| Operating Expenses | (89,842) | - | (89,842) |
| Total Release | (1,035,592) | - | (1,035,592) |
| Endowment Net Assets - End of Year | <u>\$ -</u> | <u>\$ 16,666,491</u> | <u>\$ 16,666,491</u> |

Return Objectives and Risk Parameters

The endowment has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment fund while seeking to maintain the purchasing power of the endowment fund assets. Endowment fund assets include those assets of donor-restricted funds that the endowment must hold in perpetuity. Under this policy, the endowment fund assets are diversified to control volatility of returns and invested to obtain future growth to offset inflation while assuming a moderate level of investment risk.

NPH USA, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 10 ENDOWMENT (CONTINUED)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the endowment relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy

The endowment has adopted a spending policy of making one annual distribution of up to 5% of the total of assets, excluding current year contributions, from the endowment fund as of December 31. Notwithstanding the foregoing, no distribution shall reduce the value of the endowment fund below the original capital contributions increased by the value of all additional capital contributions received during that year (subject to any donor limitations or restrictions). Capital contributions are defined as the original value of the donation (on the date of the donation) and do not include earnings, dividends, unrealized gains or losses, or other changes based on the investment of the endowment fund.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires. At June 30, 2023 and 2022, there were no deficient endowment funds.

NOTE 11 LEASES – ASC 840

The Organization leases various facilities and equipment under noncancelable operating lease arrangements. Rent expense for the year ended June 30, 2022 was \$298,604.

Future minimum lease payments for remaining leases in effect as of June 30, 2023 were as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|------------------|
| 2024 | \$ 41,639 |
| 2025 | 21,384 |
| 2026 | 13,929 |
| 2027 | 2,004 |
| Total | <u>\$ 78,956</u> |

NPH USA, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 12 LEASES

The Organization leases various facilities and equipment throughout the United States of America under noncancelable lease arrangements with expiration dates through February 2027. Under certain facility agreements, the Organization is also liable for a proportionate share of common operating costs.

The following tables provide quantitative information concerning the Organization's leases for the year ended June 30, 2023:

Lease Costs:

Finance Lease Cost:

| | | |
|-------------------------------------|----|----------------|
| Amortization of Right-of-Use Assets | \$ | 15,420 |
| Interest on Lease Liabilities | | 924 |
| Operating Lease Cost | | 131,870 |
| Total Lease Costs | \$ | <u>148,214</u> |

Other Information:

| | | |
|---|----|-----------|
| Operating Cash Flows from Finance Leases | \$ | 924 |
| Operating Cash Flows from Operating Leases | \$ | 125,671 |
| Financing Cash Flows from Finance Leases | \$ | 15,389 |
| Right-of-Use Assets Obtained in Exchange for New Finance Lease Liabilities: | \$ | 6,011 |
| Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities: | \$ | 364,939 |
| Weighted-Average Remaining Lease Term - Finance Leases | | 2.9 years |
| Weighted-Average Remaining Lease Term - Operating Leases | | 2.1 years |
| Weighted-Average Discount Rate - Finance Leases | | 2.43% |
| Weighted-Average Discount Rate - Operating Leases | | 3.28% |

A maturity analysis of annual undiscounted cash flows for the Organization's finance lease liabilities as of June 30, 2023 is as follows:

| <u>Year Ending June 30,</u> | <u>Operating</u> | <u>Finance</u> | <u>Totals</u> |
|------------------------------|-------------------|------------------|-------------------|
| 2024 | \$ 149,340 | \$ 13,537 | \$ 162,877 |
| 2025 | 70,508 | 7,981 | 78,489 |
| 2026 | 26,986 | 7,981 | 34,967 |
| 2027 | 1,084 | 2,638 | 3,722 |
| 2028 | - | - | - |
| Thereafter | - | - | - |
| Undiscounted Cash Flows | <u>247,918</u> | <u>32,137</u> | <u>280,055</u> |
| Less: Imputed Interest | (7,582) | (1,050) | (8,632) |
| Total Lease Liability | <u>\$ 240,336</u> | <u>\$ 31,087</u> | <u>\$ 271,423</u> |
| Short-Term Lease Liabilities | \$ 143,897 | \$ 12,977 | \$ 156,874 |
| Long-Term Lease Liabilities | 96,439 | 18,110 | 114,549 |
| Total | <u>\$ 240,336</u> | <u>\$ 31,087</u> | <u>\$ 271,423</u> |

NPH USA, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 13 POSTRETIREMENT BENEFIT CONTRACT

The Organization has a retirement benefit contract for one former executive. The contract provides payments for health and dental benefits for a period that was scheduled to end on June 30, 2018 or the death of the participant. Per executive leadership, the Organization has elected to continue to pay the employee benefit contributions without a formal contract in place. The arrangement can be terminated at management's discretion. The payment amounts are based on the actual premium amounts subject to periodic maximums and a specified supplemental cash payment. These amounts are insignificant and not accrued. The amount paid by the Organization for the years ended June 30, 2023 and 2022 totaled \$-0- and \$2,604, respectively.

NOTE 14 RETIREMENT PLAN

The Organization has a 403(b) retirement plan for all employees to participate in beginning on the date of hire. Employees who have been employed for at least one year and worked at least 1,000 hours, and have attained the age of 21, may participate in employer matching contributions. The plan allows eligible employees to defer payment of taxes on a portion of their salary by making contributions to the plan through payroll deductions. The Organization will match 100% of up to 10% of the employee's compensation, not to exceed \$5,000 annually. Contributions to the plan charged against operations, including plan administration fees, amounted to \$81,619 and \$75,837 for the years ended June 30, 2023 and 2022, respectively.

NOTE 15 RELATED PARTY TRANSACTIONS

Contribution revenues from members of the board of the Organization totaled \$3,734,665 and \$2,555,792 for the years ended June 30, 2023 and 2022, respectively.

Contribution revenues from members of the board of the FWLEI totaled \$127,249 and \$491,675 for the years ended June 30, 2023 and 2022, respectively.

Contributions from employees and immediate family members of employees totaled \$244,172 during the year ended June 30, 2023.

NPH USA, Inc. shares certain management, staff, and office facilities with FWLEI. FWLEI reimburses NPH USA, Inc. for personnel and overhead expenses attributable to FWLEI activities. As of June 30, 2023 and 2022, FWLEI had \$50,000 and \$-0-, respectively, due to NPH USA, Inc. For the years ended June 30, 2023 and 2022, FWLEI had incurred expenses related to these services of \$22,500 and \$10,000, respectively, which was eliminated in consolidation.

NPH USA, Inc. processes contributions on behalf of FWLEI. As of June 30, 2023 and 2022, FWLEI had \$771,263 and \$22,471, respectively, due from NPH USA, Inc. included as Due from NPH USA in the consolidated statements of financial position.

NPH USA, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 16 CONDITIONAL PLEDGES

FWLEI has received pledges from individuals indicating an intention to name the endowment as the beneficiary in wills, trusts, and life insurance contracts. These pledges are all revocable. Since these pledges do not meet the criteria for revenue recognition, they are not reflected as contributions in the consolidated statements of activities.

NOTE 17 COMMITMENT

During 2023, the Organization's board approved a commitment to provide funding to NPHI in the amount of \$9,750,000 for the fiscal year 2024. This commitment is conditional based upon adequate funding being available through the Organization's fundraising efforts.

NPH USA, INC. AND AFFILIATE
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2023

| ASSETS | <u>NPH USA</u> | <u>FWLEI</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|--|----------------------|----------------------|---------------------|----------------------|
| Cash and Cash Equivalents | \$ 11,712,799 | \$ 530,496 | \$ - | \$ 12,243,295 |
| Due from NPH USA | - | 771,263 | (771,263) | - |
| Due from FWLEI | 50,000 | - | (50,000) | - |
| Pledges Receivable, Net of Allowance for Uncollectible Pledges of \$0 | 399,095 | - | - | 399,095 |
| Prepaid Expenses | 188,977 | - | - | 188,977 |
| Investments | - | 18,226,684 | - | 18,226,684 |
| Beneficial Interest in Perpetual Trusts | 2,632,430 | - | - | 2,632,430 |
| Beneficial Interest in Land Trust | 150,000 | - | - | 150,000 |
| Fixed Assets, Net | 157,696 | - | - | 157,696 |
| Other Assets | 27,421 | - | - | 27,421 |
| Financing Lease Right-of-Use Asset | 30,439 | - | - | 30,439 |
| Operating Lease Right-of-Use Asset | 240,938 | - | - | 240,938 |
| | <u>\$ 15,589,795</u> | <u>\$ 19,528,443</u> | <u>\$ (821,263)</u> | <u>\$ 34,296,975</u> |
| Total Assets | \$ 15,589,795 | \$ 19,528,443 | \$ (821,263) | \$ 34,296,975 |
| LIABILITIES AND NET ASSETS | | | | |
| LIABILITIES | | | | |
| Accounts Payable | \$ 3,172,002 | \$ - | \$ - | \$ 3,172,002 |
| Accrued Expenses and Other Liabilities | 510,169 | - | - | 510,169 |
| Due to NPH USA | - | 50,000 | (50,000) | - |
| Due to FWLEI | 771,263 | - | (771,263) | - |
| Financing Lease Liability | 31,087 | - | - | 31,087 |
| Operating Lease Liability | 240,336 | - | - | 240,336 |
| Total Liabilities | 4,724,857 | 50,000 | (821,263) | 3,953,594 |
| NET ASSETS | | | | |
| Without Donor Restrictions: | | | | |
| Undesignated for General Activities | 7,358,411 | - | - | 7,358,411 |
| Designated by Board of Directors | 136,957 | - | - | 136,957 |
| Invested in Furniture and Equipment | 157,696 | - | - | 157,696 |
| Total Without Donor Restrictions | 7,653,064 | - | - | 7,653,064 |
| With Donor Restrictions | 3,211,874 | 19,478,443 | - | 22,690,317 |
| Total Net Assets | 10,864,938 | 19,478,443 | - | 30,343,381 |
| | <u>\$ 15,589,795</u> | <u>\$ 19,528,443</u> | <u>\$ (821,263)</u> | <u>\$ 34,296,975</u> |
| Total Liabilities and Net Assets | \$ 15,589,795 | \$ 19,528,443 | \$ (821,263) | \$ 34,296,975 |

NPH USA, INC. AND AFFILIATE
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2022

| ASSETS | <u>NPH USA</u> | <u>FWLEI</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|---|----------------------|----------------------|---------------------|----------------------|
| Cash and Cash Equivalents | \$ 8,300,293 | \$ 446,470 | \$ - | \$ 8,746,763 |
| Due from NPH USA | - | 22,471 | (22,471) | - |
| Pledges Receivable, Net of Allowance for Uncollectible Pledges of \$27,614 | 622,497 | - | - | 622,497 |
| Prepaid Expenses | 100,420 | - | - | 100,420 |
| Investments | - | 16,217,601 | - | 16,217,601 |
| Beneficial Interest in Perpetual Trusts | 2,543,511 | - | - | 2,543,511 |
| Beneficial Interest in Land Trust | 150,000 | - | - | 150,000 |
| Fixed Assets, Net | 125,789 | - | - | 125,789 |
| Other Assets | 23,921 | - | - | 23,921 |
| | <u>\$ 11,866,431</u> | <u>\$ 16,686,542</u> | <u>\$ (22,471)</u> | <u>\$ 28,530,502</u> |
| LIABILITIES AND NET ASSETS | | | | |
| LIABILITIES | | | | |
| Accounts Payable | \$ 2,368,811 | \$ 50,402 | \$ - | \$ 2,419,213 |
| Accrued Expenses and Other Liabilities | 327,263 | - | - | 327,263 |
| Due to FWLEI | 22,471 | - | (22,471) | - |
| Total Liabilities | <u>2,718,545</u> | <u>50,402</u> | <u>(22,471)</u> | <u>2,746,476</u> |
| NET ASSETS | | | | |
| Without Donor Restrictions: | | | | |
| Undesignated for General Activities | 5,538,782 | - | - | 5,538,782 |
| Designated by Board of Directors | 136,957 | - | - | 136,957 |
| Invested in Furniture and Equipment | 125,789 | - | - | 125,789 |
| Total Without Donor Restrictions | <u>5,801,528</u> | <u>-</u> | <u>-</u> | <u>5,801,528</u> |
| With Donor Restrictions | 3,346,358 | 16,636,140 | - | 19,982,498 |
| Total Net Assets | <u>9,147,886</u> | <u>16,636,140</u> | <u>-</u> | <u>25,784,026</u> |
| Total Liabilities and Net Assets | <u>\$ 11,866,431</u> | <u>\$ 16,686,542</u> | <u>\$ (22,471)</u> | <u>\$ 28,530,502</u> |

**NPH USA, INC. AND AFFILIATE
CONSOLIDATING SCHEDULE OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

| | NPH USA | | | FWLEI | | | Eliminations | Consolidated | | |
|--|----------------------------|-------------------------|----------------------|----------------------------|-------------------------|----------------------|----------------|----------------------------|-------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total | | Without Donor Restrictions | With Donor Restrictions | Total |
| Support: | | | | | | | | | | |
| Contributions | \$ 14,599,319 | \$ 95,000 | \$ 14,694,319 | \$ - | \$ 2,093,273 | \$ 2,093,273 | \$ (1,042,000) | \$ 13,557,319 | \$ 2,188,273 | \$ 15,745,592 |
| Bequests | 2,685,093 | - | 2,685,093 | - | - | - | - | 2,685,093 | - | 2,685,093 |
| Gross Special Events Revenue | 2,846,297 | - | 2,846,297 | - | - | - | - | 2,846,297 | - | 2,846,297 |
| Less: Cost of Direct Benefits to Donors | 591,208 | - | 591,208 | - | - | - | - | 591,208 | - | 591,208 |
| Net Special Events Revenue | 2,255,089 | - | 2,255,089 | - | - | - | - | 2,255,089 | - | 2,255,089 |
| Revenue: | | | | | | | | | | |
| Interest and Dividends | 141,095 | - | 141,095 | - | 358,680 | 358,680 | - | 141,095 | 358,680 | 499,775 |
| Unrealized Gain (Loss) | (203) | - | (203) | - | 1,530,195 | 1,530,195 | - | (203) | 1,530,195 | 1,529,992 |
| Realized Gain (Loss) | 2,107 | - | 2,107 | - | (47,302) | (47,302) | - | 2,107 | (47,302) | (45,195) |
| Change in Value of Perpetual Trusts | - | 88,919 | 88,919 | - | - | - | - | - | 88,919 | 88,919 |
| Distributions from Beneficial Interest in Trusts | 80,596 | - | 80,596 | - | - | - | - | 80,596 | - | 80,596 |
| Miscellaneous | 72,651 | - | 72,651 | - | - | - | (22,500) | 50,151 | - | 50,151 |
| Net Assets Released from Restrictions | 318,403 | (318,403) | - | 1,092,543 | (1,092,543) | - | - | 1,410,946 | (1,410,946) | - |
| Total Revenue and Support | 20,154,150 | (134,484) | 20,019,666 | 1,092,543 | 2,842,303 | 3,934,846 | (1,064,500) | 20,182,193 | 2,707,819 | 22,890,012 |
| Expenses: | | | | | | | | | | |
| Program Services | 13,759,855 | - | 13,759,855 | 1,042,000 | - | 1,042,000 | (1,042,000) | 13,759,855 | - | 13,759,855 |
| Management and General | 1,755,599 | - | 1,755,599 | 50,543 | - | 50,543 | (22,500) | 1,783,642 | - | 1,783,642 |
| Fundraising | 2,787,160 | - | 2,787,160 | - | - | - | - | 2,787,160 | - | 2,787,160 |
| Total Expenses | 18,302,614 | - | 18,302,614 | 1,092,543 | - | 1,092,543 | (1,064,500) | 18,330,657 | - | 18,330,657 |
| CHANGE IN NET ASSETS | 1,851,536 | (134,484) | 1,717,052 | - | 2,842,303 | 2,842,303 | - | 1,851,536 | 2,707,819 | 4,559,355 |
| Net Assets - Beginning of Year | 5,801,528 | 3,346,358 | 9,147,886 | - | 16,636,140 | 16,636,140 | - | 5,801,528 | 19,982,498 | 25,784,026 |
| NET ASSETS - END OF YEAR | \$ 7,653,064 | \$ 3,211,874 | \$ 10,864,938 | \$ - | \$ 19,478,443 | \$ 19,478,443 | \$ - | \$ 7,653,064 | \$ 22,690,317 | \$ 30,343,381 |

**NPH USA, INC. AND AFFILIATE
CONSOLIDATING SCHEDULE OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

| | NPH USA | | | FWLEI | | | Eliminations | Consolidated | | |
|--|----------------------------|-------------------------|---------------------|----------------------------|-------------------------|----------------------|--------------|----------------------------|-------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total | | Without Donor Restrictions | With Donor Restrictions | Total |
| Support: | | | | | | | | | | |
| Contributions | \$ 13,985,455 | \$ 395,000 | \$ 14,380,455 | \$ - | \$ 270,265 | \$ 270,265 | \$ (945,750) | \$ 13,039,705 | \$ 665,265 | \$ 13,704,970 |
| Bequests | 71,904 | - | 71,904 | - | - | - | - | 71,904 | - | 71,904 |
| Donated Materials | 1,251,094 | - | 1,251,094 | - | - | - | - | 1,251,094 | - | 1,251,094 |
| Paycheck Protection Program Loan Forgiveness | 528,796 | - | 528,796 | - | - | - | - | 528,796 | - | 528,796 |
| Special Events | 2,755,134 | - | 2,755,134 | - | - | - | - | 2,755,134 | - | 2,755,134 |
| Less: Cost of Direct Benefits to Donors | 534,604 | - | 534,604 | - | - | - | - | 534,604 | - | 534,604 |
| Net Special Events Revenue | 2,220,530 | - | 2,220,530 | - | - | - | - | 2,220,530 | - | 2,220,530 |
| Revenue: | | | | | | | | | | |
| Interest and Dividends | 2,724 | - | 2,724 | - | 385,127 | 385,127 | - | 2,724 | 385,127 | 387,851 |
| Unrealized Loss | (631) | - | (631) | - | (12,107,746) | (12,107,746) | - | (631) | (12,107,746) | (12,108,377) |
| Realized Gain | 10,986 | - | 10,986 | - | 9,454,480 | 9,454,480 | - | 10,986 | 9,454,480 | 9,465,466 |
| Change in Value of Perpetual Trusts | - | (573,439) | (573,439) | - | - | - | - | - | (573,439) | (573,439) |
| Distributions from Beneficial Interest in Trusts | 210,435 | - | 210,435 | - | - | - | - | 210,435 | - | 210,435 |
| Miscellaneous | 10,034 | - | 10,034 | - | - | - | (10,000) | 34 | - | 34 |
| Net Assets Released from Restrictions | 798,735 | (798,735) | - | 1,035,592 | (1,035,592) | - | - | 1,834,327 | (1,834,327) | - |
| Total Revenue and Support | 19,090,062 | (977,174) | 18,112,888 | 1,035,592 | (3,033,466) | (1,997,874) | (955,750) | 19,169,904 | (4,010,640) | 15,159,264 |
| Expenses: | | | | | | | | | | |
| Program Services | 13,665,045 | - | 13,665,045 | 945,750 | - | 945,750 | (945,750) | 13,665,045 | - | 13,665,045 |
| Management and General | 1,563,847 | - | 1,563,847 | 39,842 | - | 39,842 | (10,000) | 1,593,689 | - | 1,593,689 |
| Fundraising | 2,065,820 | - | 2,065,820 | 50,000 | - | 50,000 | - | 2,115,820 | - | 2,115,820 |
| Total Expenses | 17,294,712 | - | 17,294,712 | 1,035,592 | - | 1,035,592 | (955,750) | 17,374,554 | - | 17,374,554 |
| CHANGE IN NET ASSETS | 1,795,350 | (977,174) | 818,176 | - | (3,033,466) | (3,033,466) | - | 1,795,350 | (4,010,640) | (2,215,290) |
| Net Assets - Beginning of Year | 4,006,178 | 4,323,532 | 8,329,710 | - | 19,669,606 | 19,669,606 | - | 4,006,178 | 23,993,138 | 27,999,316 |
| NET ASSETS - END OF YEAR | <u>\$ 5,801,528</u> | <u>\$ 3,346,358</u> | <u>\$ 9,147,886</u> | <u>\$ -</u> | <u>\$ 16,636,140</u> | <u>\$ 16,636,140</u> | <u>\$ -</u> | <u>\$ 5,801,528</u> | <u>\$ 19,982,498</u> | <u>\$ 25,784,026</u> |



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