

**PALAU RED CROSS SOCIETY
(A NONPROFIT ORGANIZATION)**

**INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS**

September 30, 2021 and 2020



BURGER · COMER · MAGLIARI
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the National Governing Board
of Palau Red Cross Society

Qualified Opinion on 2021 and Unmodified Opinion on 2020

We have audited the accompanying financial statements of Palau Red Cross Society (a nonprofit organization), which comprise the statements financial position as of September 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects on the 2021 financial statements of the matters described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of Palau Red Cross Society as of September 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on 2021 and Unmodified Opinion on 2020

We did not obtain sufficient appropriate audit evidence about the amounts recognized for accounts receivable, deferred revenues and grant revenue in the accompanying statement of position and statement of activities as of September 30, 2021 because no accounting controls were applied to the accounting records underlying these accounts. Detailed accounting records were not been maintained and supporting data was not available for our audit. We were unable to obtain sufficient appropriate audit evidence about accounts receivable, deferred revenues and grant revenues by other auditing procedures.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Palau Red Cross Society 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 qualified audit opinion on the 2021 financial statements and our unmodified audit opinion on the 2020 financial statements.

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Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Palau Red Cross Society'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 from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Palau Red Cross Society'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 Palau Red Cross Society'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 Summarized Comparative Information

We have previously audited Palau Red Cross Society's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 10, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Benigno Comar Magliani". The signature is written in a cursive, flowing style.

Tamuning, Guam

**PALAU RED CROSS SOCIETY
(A NONPROFIT ORGANIZATION)**

Statements of Financial Position
Years Ended September 30, 2021 and 2020

	<u>Assets</u>	<u>2021</u>	<u>2020</u>
Current assets:			
Cash and cash equivalents		\$ 44,705	\$ 41,916
Restricted cash		100,781	4,282
Accounts receivable		29,895	9,140
Inventory		46,109	62,435
Prepaid expenses		<u>135</u>	<u>135</u>
Total current assets		221,625	117,908
Property and equipment, net		<u>59,061</u>	<u>58,809</u>
Total assets		<u>\$ 280,686</u>	<u>\$ 176,717</u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable and accrued taxes		\$ 28,363	\$ 24,498
Deferred revenue		<u>28,030</u>	<u>62,540</u>
Total current liabilities		<u>56,393</u>	<u>87,038</u>
Net assets:			
Net asset deficiency without donor restriction		(141,161)	(70,235)
Net assets with donor restriction		<u>365,454</u>	<u>159,914</u>
Total net assets		<u>224,293</u>	<u>89,679</u>
Total liabilities and net assets		<u>\$ 280,686</u>	<u>\$ 176,717</u>

See accompanying notes to financial statements.

PALAU RED CROSS SOCIETY
(A NONPROFIT ORGANIZATION)

Statements of Activities
For the Year Ended September 30, 2021
(With Comparative Totals For The Year Ended September 30, 2020)

	2021			2020
	Without Donor Restriction	With Donor Restriction	Total	Total
Revenues, gains and other supports:				
Grants	\$ 74,543	\$ 564,094	\$ 638,637	\$ 377,467
Disaster relief	-	219,191	219,191	51,323
In-kind contribution	21,775	-	21,775	42,963
Contributions	19,938	-	19,938	27,204
Republic of Palau appropriations	10,000	-	10,000	60,000
Interest and other income	49,672	11,635	61,307	(1,002)
Net assets released from restrictions:				
Satisfaction of program restrictions	589,380	(589,380)	-	-
Total revenues, gains and other support	765,308	205,540	970,848	557,955
Expenses:				
Program services:				
Community services	202,214	-	202,214	202,866
Disaster services	400,780	-	400,780	125,310
Supporting services:				
Management and general	228,240	-	228,240	234,364
Membership and fundraising	5,000	-	5,000	600
Total expenses	836,234	-	836,234	563,140
Change in net assets	(70,926)	205,540	134,614	(5,185)
Net assets (deficiency) at beginning of year	(70,235)	159,914	89,679	94,864
Net assets (deficiency) at end of year	\$ (141,161)	\$ 365,454	\$ 224,293	\$ 89,679

See accompanying notes to financial statements.

**PALAU RED CROSS SOCIETY
(A NONPROFIT ORGANIZATION)**

Statement of Functional Expenses
For the Year Ended September 30, 2021
(with comparative totals for the year ended September 30, 2020)

	Program Services			Supporting Services			TOTAL	
	Community Services	Disaster Services	Total Program Services	Management and General	Membership and Fundraising	Total Supporting Services	2021	2020
Specific assistance to individuals	\$ 3,593	\$ 264,250	\$ 267,843	\$ -	\$ -	\$ -	\$ 267,843	\$ -
Salaries and wages	103,272	4,923	108,195	60,087	-	60,087	168,282	220,082
Conferences, conventions, and meetings	35,226	36,325	71,551	12,189	-	12,189	83,740	-
Supplies and materials	38,812	24,731	63,543	3,943	5,000	8,943	72,486	29,460
Donation (vehicle transfer)	-	-	-	55,131	-	55,131	55,131	-
Rent - In Kind	-	-	-	36,000	-	36,000	36,000	47,210
Professional services	650	-	650	17,375	-	17,375	18,025	4,386
Employee benefits	9,218	919	10,137	6,454	-	6,454	16,591	-
Telephone and communications	8,856	3,894	12,750	3,259	-	3,259	16,009	-
Repairs and maintenance	6,123	350	6,473	3,445	-	3,445	9,918	13,171
Print and publications	5,247	1,228	6,475	-	-	-	6,475	-
Rent	-	200	200	2,839	-	2,839	3,039	-
Membership dues	-	-	-	2,045	-	2,045	2,045	-
Postage and shipping	371	-	371	746	-	746	1,117	-
Advertising	1,050	-	1,050	-	-	-	1,050	18,307
Travel and transportation	(26,995)	6,792	(20,203)	-	-	-	(20,203)	19,187
Other operating expenses and services	16,791	57,168	73,959	2,299	-	2,299	76,258	-
Donations	-	-	-	-	-	-	-	2,189
Communication, training, other operating expenses and services	-	-	-	-	-	-	-	194,853
Depreciation	-	-	-	22,428	-	22,428	22,428	14,295
	<u>\$ 202,214</u>	<u>\$ 400,780</u>	<u>\$ 602,994</u>	<u>\$ 228,240</u>	<u>\$ 5,000</u>	<u>\$ 233,240</u>	<u>\$ 836,234</u>	<u>\$ 563,140</u>

See accompanying notes to financial statements.

PALAU RED CROSS SOCIETY
(A NONPROFIT ORGANIZATION)

Statements of Cash Flows
For the Years Ended September 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 134,614	\$ (5,185)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	22,428	14,295
(Increase) decrease in assets		
Accounts receivable	(20,755)	(9,140)
Inventory	16,326	(4,864)
Prepaid expenses	-	-
Other assets	-	-
Increase (decrease) in liabilities:		
Accounts payable and accrued taxes	3,865	(8,473)
Deferred revenue	(34,510)	(7,849)
Net cash provided by (used in) operating activities	121,968	(21,216)
Cash flows from investing activities:		
Acquisition of fixed assets	(22,680)	(11,802)
Net cash used in investing activities	(22,680)	(11,802)
Net decrease in cash and cash equivalents	99,288	(33,018)
Cash and cash equivalents, beginning of year	46,198	79,216
Cash and cash equivalents, end of year	\$ 145,486	\$ 46,198
Cash and cash equivalents	\$ 44,705	\$ 41,916
Restricted cash	100,781	4,282
	\$ 145,486	\$ 46,198

See accompanying notes to financial statements.

PALAU RED CROSS SOCIETY
(A Nonprofit Organization)

Notes to Financial Statements
September 30, 2021 and 2020

(1) Organization and Purpose

Palau Red Cross Society (PRCS) is a not-for-profit humanitarian organization incorporated in the Republic of Palau (ROP) in 1995 and established by the Palau National Congress through House Joint Resolution 5-24-3 on July 31, 1997. PRCS became a recognized member of the International Committee of the Red Cross (ICRC) on September 30, 1997. It was admitted as a member to the International Federation of the Red Cross and Red Crescent Societies (IFRC) on November 20, 1997, joining a membership of 191 National Red Cross and Red Crescent Societies around the world.

The vision of PRCS is to be the leading humanitarian organization in Palau that is inclusive, sustainable, effective, and meets the needs of the community. Its mission is to promote a safe, healthy, and resilient Palauan community. This is accomplished through services and programs that are based on the seven Fundamental Principles of the Red Cross Movement: Humanity, Impartiality, Neutrality, Independence, Voluntary service, Unity, and Universality. The services include: First-Aid and Basic Life Support Training; Disaster Management (Disaster Preparedness and Response, Single-Incident Emergencies); Health (Voluntary Non-Remunerated Blood Donation); and Social Care (Services to Armed Forces, Elderlies, Home-bound patients, People with Disabilities and other vulnerable populations).

(2) Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and in accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Section 958-205, *Presentation of Financial Statements of Not-for-Profit Organizations* and applied on a consistent basis. Under FASB ASC 958-205, PRCS is required to report information regarding its financial position and activities according to two classes of net assets: restricted and unrestricted.

- Net Assets without Donor Restriction are those assets presently available for use by the Organization over which the Board of Directors has discretionary control in carrying out the operations of the Organization.
- Net Assets with Donor Restriction are those assets which are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a donor restriction expires or is satisfied, restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

In addition, PRCS is required to present a Statement of Cash Flows.

PALAU RED CROSS SOCIETY
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Notes to Financial Statements
September 30, 2021 and 2020

(2) Summary of Significant Accounting Policies, continued

Net Assets

PRCS reports grants or gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Liquidity and Availability of Assets

Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)* was implemented during the year ended March 31, 2020 and was applied to the financial statements in accordance with the transition guidance prescribed in the ASU, with enhanced disclosures about:

- The amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions as of the end of the period.
- The composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.
- The qualitative information that communicates how the Organization manages its liquid resources available to meet cash needs for general expenditures within one year of the statements of financial position date.
- The quantitative information, either on the face of the statement of financial position or in the notes, and additional qualitative information in the notes as necessary, that communicates the availability of the Organization's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position date. Availability of a financial asset may be affected by (1) its nature, (2) external limits imposed by donors, grantors, laws, and contracts with others, and (3) internal limits imposed by governing board decisions.
- The amounts of expenses by both their natural classification and their functional classification. The analysis of expenses is provided in one location as a separate statement.
- The method(s) used to allocate costs among program and support functions.

PALAU RED CROSS SOCIETY
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Notes to Financial Statements
September 30, 2021 and 2020

(2) Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

For purposes of the Statements of Financial Position and the Statements of Cash Flows, PRCS considers cash and cash equivalents to include all deposits in bank and highly liquid investments with original maturity dates of less than three months.

PRCS's checking and savings are with federally insured banks and are covered by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor at September 30, 2021. At September 30, 2021 and 2020, cash amounts are within the insured limits. PRCS does not require collateralization of bank accounts, and therefore, amounts in excess of insurable limits are uncollateralized and are subject to custodial credit risk. PRCS has not experienced any losses in its cash in bank accounts.

Inventory

Inventory consists of supplies purchased for use in program and supporting services and goods for resale are valued at the lower of cost or market. Cost is determined using the first-in, first-out method.

Property and Equipment

It is PRCS's policy that property and equipment purchased or acquired with original cost of \$1,000 or more and/or has an economic useful life that extends beyond 12 months are reported at historical cost or estimated historical cost.

Property and equipment are stated at cost less accumulated depreciation. Expenditures for major additions and improvements are capitalized, and minor replacements, maintenance and repairs are charged to expense as incurred. Donated assets are capitalized at the estimated fair market value at time of receipt. Certain donated services are capitalized as improvements when those services enhance the value of assets. In absence of donor-imposed restrictions on the use of the assets, gifts of long-lived assets are reported as unrestricted support.

Depreciation is computed primarily using the straight-line method over the estimated useful lives of the respective assets. Estimated useful life is 10 years for furniture and fixtures, 5 years for vehicles and machinery and equipment, and 3 years for computers & printers.

Impairment of Long-Lived Assets

PRCS reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced - by a charge reflected in the Statements of Activities - to its estimated fair value. Management has determined that no long-lived assets were impaired during the year ended September 30, 2021; as such, no impairment losses were recorded during the year.

PALAU RED CROSS SOCIETY
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Notes to Financial Statements
September 30, 2021 and 2020

(2) Summary of Significant Accounting Policies, continued

Donated Services and Materials

Amounts have been reported in the financial statements for voluntary donation of services when those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation. Donated services and materials are recorded at fair value at the time of the donation.

Contributions

PRCS adopted FASB ASC Section 958-605-25, *Not-for-Profit Entities – Revenue Recognition*. Contributions received are recorded as net assets without restriction and net assets with restriction depending on the existence and/or nature of any donor restrictions in the period received. Conditional contributions are recorded as support in the period the condition is met. Restricted contributions are reported as net assets with donor restriction and are then reclassified to net assets without donor restriction upon satisfaction of the time or purpose restrictions.

All contributions are considered to be available for the general programs of PRCS unless specifically restricted by the donor. PRCS reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in statement of activities as net assets released from restrictions. Donor-restricted contributions are booked in the net assets with donor restriction for restrictions expiring during the current fiscal year, and then reclassified to the net assets without donor restriction.

Deferred Revenues

PRCS reports deferred revenues on its Statement of Financial Position. Deferred revenues arise when resources arrive before PRCS has legal claim for them, such as when grant funds are received before the qualifying expenditure is made. In the subsequent period, when PRCS has legal claim to the resources, the liability for deferred revenue is removed from the Statement of Financial Position, and the revenue is recognized.

Compensated Absences

Employees of PRCS are entitled to paid vacation and paid sick days depending on job classification, length of service, and other factors. It is PRCS's policy is to recognize the costs of compensated absences when actually paid to employees.

PALAU RED CROSS SOCIETY
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Notes to Financial Statements
September 30, 2021 and 2020

(2) Summary of Significant Accounting Policies, continued

In-kind Contributions

In-kind contributions, which are donations of services, clothing, food supplies, materials for PRCS programs, office rent are recognized as support and expenses in the accompanying Statements of Activities. Such services would be recognized as revenues and expenses for the function to which they relate, which would either be program (program services) or management and general (supporting services). In-kind contributions are recorded at their fair market value at the date of the donation.

PRCS was granted by the Koror State Public Lands Authority (KDPLA) the right to use and occupy a portion of the former OEK building free of charge, to include utility services. PRCS received in-kind contribution in the amount of \$36,000 representing the fair market value of rent and utilities.

Income Taxes

PRCS is a nonprofit corporation that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). Contributions to PRCS are deductible under section 170 of the IRC.

PRCS is a chartered and registered non-profit organization in the ROP and is granted qualification for specific tax exemptions by the Bureau of Revenue and Taxation pursuant to Title 40 of the Palau National Code Chapters 10 & 18 and is exempt from ROP Gross Revenue Tax. The ROP does not impose corporate income tax. Therefore, no income tax expense, income tax assets, or income tax liabilities have been included in the accompanying financial statements.

Program Activities

PRCS' activities include service to Chapters, armed forces emergency services, disaster services, health and safety services, community services, international services, membership/fundraising, and management and general.

Functional Expenses

The costs of providing various programs and other activities have been summarized in the accompanying Statement of Functional Expenses. Some categories of expense are attributable to more than one activity and require allocation primarily based on time and effort and applied on a consistent basis. Depreciation is allocated based on the use of the facility. Payroll expenses are allocated based on the nature of the position and program activity. Other expenses are assigned directly to specific activities as expenditures are made.

PALAU RED CROSS SOCIETY
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Notes to Financial Statements
September 30, 2021 and 2020

(2) Summary of Significant Accounting Policies, continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principle requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenues

Revenues are derived from monetary contributions, donations, in-kind contributions, grants and any income from special or fundraising events.

Fair Value of Financial Instruments

The carrying amounts reflected in the Statement of Financial Position for cash and cash equivalents, other assets, inventory, prepaid expenses, accounts payable and accrued expenses and deferred revenues approximate their respective fair values due to the short-term maturities of those instruments.

Fair Value Measurements

ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value and expands financial statement disclosure about fair value measurements. Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy, which prioritizes the inputs to valuation technique used to measure fair value into three broad levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Unobservable inputs for the asset or liability

In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement in its entirety falls shall be determined based on the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

PALAU RED CROSS SOCIETY
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Notes to Financial Statements
September 30, 2021 and 2020

(2) Summary of Significant Accounting Policies, continued

Fair Value Option for Financial Assets and Financial Liabilities

ASC 825 permits all entities to choose, at specified election dates, to measure eligible items, as defined under the standard, at fair value (the fair value option). A business entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings (or another performance indicator if the business entity does not report earnings) at each subsequent reporting date. Upfront costs and fees related to items for which the fair value option is elected shall be recognized in earnings as incurred and not deferred.

Recently Issued Accounting Standards

The FASB issued ASU 2016-02, *Leases (Topic 842)*, which replaces existing lease accounting guidance. The new guidance intends to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the balance sheet for all leases with terms exceeding twelve months. There will be an increase in assets and liabilities on the consolidated balance sheets of CARE USA because of the adoption of this standard. While the amount of the increase will depend on the lease portfolio at the time of the adoption, CARE USA does not expect the adoption to have a material impact on net assets. The standard will be effective for CARE USA in fiscal year 2023.

During September 2020, FASB issued *ASU No. 2020-07 Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires that a Not-for-Profit (NFP) entity present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash and other assets, and disclose the following: (1) A disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets, and (2) For each category of contributed nonfinancial asset recognized, qualitative information about whether nonfinancial assets were monetized or utilized; the NFP's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; donor-imposed restrictions associated with contributed nonfinancial assets; and valuation techniques, inputs, and the principal market used for determining fair value. This ASU is effective for the Society's fiscal year ended September 30, 2022.

Supplemental Cash Flow Information

PRCS has adopted FASB ASU 2016-18, *Restricted Cash*, which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash or restricted cash equivalents. All cash and cash equivalents at September 30, 2021 and 2020 were reported in two-line items in the accompanying statement of financial position.

PALAU RED CROSS SOCIETY
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Notes to Financial Statements
September 30, 2021 and 2020

(2) Summary of Significant Accounting Policies, continued

Advertising

PRCS charges the cost of advertising to expenses as incurred.

(3) Cash and Cash Equivalents

At September 30, 2021 and 2020, cash and cash equivalents consist of the follows:

	<u>2021</u>	<u>2020</u>
Cash in bank	\$ 145,186	\$ 45,213
Petty cash	<u>300</u>	<u>300</u>
Total	145,486	45,513
Restricted Cash	<u>(100,781)</u>	<u>(4,282)</u>
Cash and cash equivalents	<u>\$ 44,705</u>	<u>\$ 41,231</u>

The restricted cash of \$100,781 and \$4,282 as of September 30, 2021 and 2020 pertains to deposits in interest bearing cash accounts maintained primarily for ICRC and foreign cash advances.

(4) Property and Equipment

A summary of property and equipment at September 30, 2021 and 2020 is as follows:

	<u>Estimated Useful Lives</u>	<u>2021</u>	<u>2020</u>
Vehicles and machinery & equipment	5 years	\$ 85,564	\$ 73,768
Computers & printers	3 years	18,295	8,202
Furniture & fixtures	10 years	<u>5,504</u>	<u>5,504</u>
Total		109,363	87,474
Accumulated depreciation		<u>(50,302)</u>	<u>(28,665)</u>
		<u>\$ 59,061</u>	<u>\$ 58,809</u>

Depreciation expense for the year ended September 30, 2021 and 2020 is \$22,428 and \$14,295 respectively.

PALAU RED CROSS SOCIETY
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Notes to Financial Statements
September 30, 2021 and 2020

(5) Grant Revenue

The following information summarizes PRCS's grant and contract activities during the years ended September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
International Federation of Red Cross and Red Crescent Societies (IFRC)	\$ 411,730	\$ 159,523
The United Nation's Entity for Gender Equality & the Empowerment of Women (UN Women)	102,377	117,590
International Committee of the Red Cross (ICRC)	55,690	38,909
Island Conservation	40,596	28,931
Secretariat of the Pacific Regional Environment Programme (SPREP)	28,245	1,735
Global Environment Facility-Small Grants Programme (GEF-SGP)	-	10,664
Embassy of Japan	-	9,631
Turkish Red Crescent	-	5,000
India-Palau Small Grants Program	-	3,185
Australian Red Cross	-	1,900
The Empress Shoken Fund	-	398
Total	<u>\$ 638,637</u>	<u>\$ 377,466</u>

PRCS was allotted to \$74,544 and \$3,006 of indirect costs for the years ended September 30, 2021 and 2020, respectively.

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(6) Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at September 30, 2021 and 2020:

<u>Subject to expenditure for specified purpose:</u>	<u>2021</u>	<u>2020</u>
IFRC:		
Red Crescent Societies Project Funding Agreement	\$ 242,479	\$ -
Project Agreement for Emergency Covid-19		
Operations Start Up Grant	87,822	-
PRC Core Cost and Financial Stability Support	-	83,023
Capacity Building Support: Early Warning System		
and Creation of Red Cross Disaster Action Teams	-	9,281
Emergency COVID-19 Operations Start Up Grant	-	(22,601)
Strengthening PRCS with USAID funding	-	(34,108)
Disaster relief	-	51,323
UN Women:		
Women's Empowerment through Emergency		
Preparedness, Crisis Response and Recovery	-	29,663
SPREP:		
Community-based early warning system & disaster		
risk reduction	30,000	28,265
Embassy of Japan:		
Project for Enhancing Community Resilience in Palau	-	7,092
GEF-SGP:		
Improving community preparedness and response to		
disasters due to the impact of climate; Developing and		
testing a community-based Early Warning System	-	3,846
India-Palau Small Grants Program	-	3,185
Japan relief donation	-	-
Australian Red Cross:		
2019 Financial Audit	1,900	1,900
Empress Shoken Fund:		
Palau caregiver certificate program: General	-	398
ICRC:		
Communication & Dissemination Program	<u>3,253</u>	<u>(1,353)</u>
Total	<u>\$ 365,454</u>	<u>\$ 159,914</u>

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(7) Liquidity and Availability of Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statement of Financial Position date, comprise the following:

Financial assets at year end:		
Cash	\$	145,486
Receivables		26,895
Inventory		46,109
Prepaid expenses		<u>135</u>
Total financial assets		218,625
Less amounts not available to be used with financial assets at year end:		
Accounts payable		28,363
Deferred revenue		<u>28,044</u>
Financial assets available to meet general expenditures over the next 12 months	\$	<u><u>162,218</u></u>

As part of PRCS's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

(8) Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or net assets.

(9) Contingencies

Grant awards and their related expenditures can be subject to financial and compliance audits to ascertain if federal laws and guidelines have been followed. In the event of noncompliance, there is a possibility that a grantor could question certain costs and require the recipient to return such questioned costs to the grantor.

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(10) Coronavirus Pandemic

PRCS's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2020 (COVID 19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on PRCS's financial position, operations, and cash flows. Future potential impacts may include disruptions or restrictions on PRCS's ability to continue the projects that were in progress at September 30, 2021. Additional impacts may include the inability of PRCS's customers to continue making progress payments as a result of job loss or other pandemic related issues.

(11) Date of Management's Review

In preparing the accompanying financial statements and these footnotes, management has evaluated subsequent events through March 21, 2023, which is the date the financial statements were available to be issued. There were no such events requiring disclosure.