

CHILDREN'S SHELTER OF CEBU
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

**CHILDREN'S SHELTER OF CEBU
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YEARS ENDED DECEMBER 31, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Children's Shelter of Cebu
Shoreview, Minnesota

We have audited the accompanying financial statements of Children's Shelter of Cebu, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Board of Directors
Children's Shelter of Cebu

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Shelter of Cebu as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 24, 2020

**CHILDREN'S SHELTER OF CEBU
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,747,367	\$ 1,085,713
Pledges Receivable, Net	36,965	11,301
Prepaid Expenses	9,156	-
Total Current Assets	1,793,488	1,097,014
EQUIPMENT		
Equipment	37,690	39,591
Less: Accumulated Depreciation	(33,705)	(31,963)
Net Equipment	3,985	7,628
OTHER ASSETS		
Investments	1,189,745	1,001,044
Total Assets	\$ 2,987,218	\$ 2,105,686
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Note Payable, Current Portion	\$ -	\$ 1,452
Accounts Payable	1,990	7,783
Accrued Payroll and Other Liabilities	18,733	14,544
Furlough Liability	146,477	139,170
Total Current Liabilities	167,200	162,949
LONG-TERM LIABILITIES		
Note Payable	30,000	-
Total Liabilities	197,200	162,949
NET ASSETS		
Without Donor Restrictions	2,280,182	1,509,938
With Donor Restrictions	509,836	432,799
Total Net Assets	2,790,018	1,942,737
Total Liabilities and Net Assets	\$ 2,987,218	\$ 2,105,686

See accompanying Notes to Financial Statements.

**CHILDREN'S SHELTER OF CEBU
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Individual Contributions	\$ 2,150,508	\$ 12,870	\$ 2,163,378	\$ 2,192,021	\$ -	\$ 2,192,021
Banquet, Less Direct Expenses of \$28,037 and \$25,065, Respectively	159,785	-	159,785	127,259	-	127,259
Investment Return	149,421	64,167	213,588	(42,587)	(30,214)	(72,801)
Donated Securities	41,837	-	41,837	40,124	-	40,124
In-Kind Contributions	84,898	-	84,898	80,928	-	80,928
Miscellaneous Revenue	15,445	-	15,445	11,222	-	11,222
Total Revenue and Support	2,601,894	77,037	2,678,931	2,408,967	(30,214)	2,378,753
EXPENSE						
Program	1,487,644	-	1,487,644	1,409,494	-	1,409,494
Management and General Administrative	214,769	-	214,769	195,342	-	195,342
Fundraising	129,237	-	129,237	123,504	-	123,504
Total Expense	1,831,650	-	1,831,650	1,728,340	-	1,728,340
CHANGE IN NET ASSETS	770,244	77,037	847,281	680,627	(30,214)	650,413
Net Assets - Beginning of Year	1,509,938	432,799	1,942,737	829,311	463,013	1,292,324
NET ASSETS - END OF YEAR	\$ 2,280,182	\$ 509,836	\$ 2,790,018	\$ 1,509,938	\$ 432,799	\$ 1,942,737

See accompanying Notes to Financial Statements.

CHILDREN'S SHELTER OF CEBU
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			Total
	Program	Management and General Administrative	Fundraising	
Salaries	\$ 291,649	\$ 107,881	\$ 84,208	\$ 483,738
Benefits	74,505	15,539	12,636	102,680
Payroll Taxes	21,012	6,133	4,857	32,002
Total Personnel Costs	<u>387,166</u>	<u>129,553</u>	<u>101,701</u>	<u>618,420</u>
Program Support	1,069,140	-	-	1,069,140
Postage	3,032	4,285	3,211	10,528
Printing	5,602	7,917	5,933	19,452
Computer and Office Supplies	1,981	2,800	2,098	6,879
Telephone	1,388	1,962	1,470	4,820
Training	-	948	-	948
Travel	14,824	2,206	-	17,030
Auto	-	64	-	64
Insurance	870	1,539	921	3,330
Accounting, Legal, and Professional	-	19,941	-	19,941
Advertising	-	-	10,047	10,047
Rent	2,592	3,663	2,745	9,000
Miscellaneous	-	38,408	-	38,408
Depreciation	1,049	1,483	1,111	3,643
Special Event Expenses	-	-	28,037	28,037
Total	<u>1,487,644</u>	<u>214,769</u>	<u>157,274</u>	<u>1,859,687</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:				
Special Event Expenses	-	-	(28,037)	(28,037)
Total Expense	<u>\$ 1,487,644</u>	<u>\$ 214,769</u>	<u>\$ 129,237</u>	<u>\$ 1,831,650</u>

See accompanying Notes to Financial Statements.

**CHILDREN'S SHELTER OF CEBU
STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018**

2018			
Program	Management and General Administrative	Fundraising	Total
\$ 316,369	\$ 90,217	\$ 85,379	\$ 491,965
91,349	11,757	12,521	115,627
22,762	5,138	4,994	32,894
<u>430,480</u>	<u>107,112</u>	<u>102,894</u>	<u>640,486</u>
943,685	-	-	943,685
2,738	3,863	3,356	9,957
5,307	7,488	6,504	19,299
1,439	2,030	1,764	5,233
875	1,235	1,072	3,182
-	8,423	-	8,423
20,753	1,664	-	22,417
-	600	-	600
567	1,983	694	3,244
-	32,162	-	32,162
-	-	2,747	2,747
2,475	3,492	3,033	9,000
-	23,632	-	23,632
1,175	1,658	1,440	4,273
-	-	25,065	25,065
<u>1,409,494</u>	<u>195,342</u>	<u>148,569</u>	<u>1,753,405</u>
-	-	(25,065)	(25,065)
<u>\$ 1,409,494</u>	<u>\$ 195,342</u>	<u>\$ 123,504</u>	<u>\$ 1,728,340</u>

**CHILDREN'S SHELTER OF CEBU
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 847,281	\$ 650,413
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	3,643	4,273
Long-Term Contribution Received for Endowment	12,870	-
Loss (Gain) on Sale of Investments	11,351	(29,212)
Unrealized (Gain) Loss on Investments	(176,212)	138,466
(Increase) Decrease in Current Assets:		
Pledges Receivable	(25,664)	8,171
Prepaid Expenses	(9,156)	-
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(5,793)	4,043
Accrued Payroll and Other Liabilities	4,189	(652)
Furlough Liability	7,307	15,930
Net Cash Provided by Operating Activities	682,686	791,432
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	-	(1,254)
Proceeds from Sale of Investments	542,810	464,247
Purchase of Investments	(566,650)	(952,380)
Net Cash Used by Investing Activities	(23,840)	(489,387)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Received for Endowment	(12,870)	-
Issuance of Notes Payable	36,000	-
Payments on Notes Payable	(7,452)	(1,877)
Net Cash Provided (Used) by Financing Activities	2,808	(1,877)
INCREASE IN CASH	661,654	300,168
Cash - Beginning of Year	1,085,713	785,545
CASH - END OF YEAR	\$ 1,747,367	\$ 1,085,713

See accompanying Notes to Financial Statements.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Children's Shelter of Cebu (the Organization) was incorporated in 1978 under the Minnesota Nonprofit Corporation Act. It is dedicated to meeting the physical, spiritual, social, and emotional needs of homeless, neglected, and impoverished Philippine children and their families. The Organization meets those needs through its support of Children's Shelter of Cebu - Philippines (CSC Philippines). CSC Philippines provides homes for 85 to 95 children at a time. This includes shelter, food, clothing, medical care, social work services, counseling, and other services needed to provide for the needs of children. CSC Philippines also operates the Cebu Children of Hope School (CCHS) for the children in its care. CCHS is a multi-age and inclusive elementary school that is licensed by the Philippine Department of Education. It was established to meet the unique education demands created when children are admitted with no educational background, with hopes of preparing them to attend school elsewhere due to adoption. CCHS meets the educational needs of children from preschool through elementary school. After graduating from CCHS, students are placed in public or private high schools to complete their education.

Financial Statement Presentation

Net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Those resources over which the board of directors has discretionary control. Designated amounts represent those revenues which the board has set aside for a particular purpose.

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 satisfied by actions of the Organization or passage of time. Other donor-imposed restrictions will be held in perpetuity by the Organization. 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 restriction has been fulfilled, or both.

The Organization has elected to treat all contributions in which the restrictions are met in the current year as without donor-restricted contributions.

Cash

The Organization's cash is maintained at one financial institution located in Minnesota. At times, the accounts at this institution may exceed the Federal Deposit Insurance limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks on cash and cash equivalents.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Pledges Receivable

Pledges receivable are stated at net realizable value. Management has established an allowance for uncollectible pledges receivable as of December 31, 2019 and 2018 of \$11,000. At December 31, 2019 and 2018, all pledges are considered current.

Property and Equipment

Property and equipment purchases over \$2,500 are capitalized. Contributed items are recorded at fair market value at the date of donation. Depreciation is computed using the straight-line method over the useful lives of the assets.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values on the statements of financial position. Money market funds are recorded at cost. Unrealized gains and losses are included in the Change in Net Assets in the accompanying statements of activities.

Furlough Liability

Effective December 31, 2018, employees who work overseas at CSC Philippines are eligible for six weeks of furlough after one year of service or twelve weeks of furlough after two years of service. The employees reserve the right to determine which option they prefer. A furlough liability is accrued for the value of six to twelve weeks of the eligible employees' annual salaries each year that they are not on furlough.

One legacy exception to the revised furlough policy is for Paul and Marlys Healy. They will receive one final 12-month long terminal furlough after their retirement from active duty in Cebu. This will occur from April 2020 – April 2021.

Donated Goods and Services

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and are provided by individuals possessing those skills are recorded at their fair values in the period received. In addition to the in-kind service contributions recognized in the financial statements, a substantial number of volunteers donated a significant amount of their time in the Organization's program and fundraising campaigns.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2019 and 2018 was \$10,047 and \$2,747, respectively.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Functional Allocation of Expenses

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Program support that directly supports CSC Philippines is considered program expenses. Expenses, other than salaries and related expenses and program support, which are not directly identifiable by program or supporting service, are allocated based on the best estimates of management.

Income Tax Exemption

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and Minnesota Statute. It has been classified as an organization that is not a private foundation under the IRC and charitable contributions by donors are tax deductible.

Use of Estimates

Management used estimates and assumptions in preparing the financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Fair Value of Financial Instruments

The Organization measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The inputs used to measure fair value are categorized into the following three categories:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The Organization has the ability to access as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect Organization's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Fair Value of Financial Instruments (Continued)

The Organization has the option to elect to measure financial instruments at fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments at fair value at December 31, 2019 and 2018. However, the Organization may elect to measure newly acquired financial instruments at fair value in the future.

Change in Accounting Principle

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in the update assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Organization's financial statements reflect the full retrospective application of ASU 2018-08 and ASU 2014-09 guidance beginning in fiscal year 2019. The adoption of ASU 2018-08 and ASU 2014-09 did not impact the Organization's reported revenue.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in these financial statements through March 24, 2020, the date the financial statements were available to be issued.

NOTE 2 CONCENTRATIONS OF RISK

Total contribution revenue for the years ended December 31, 2019 and 2018 consisted of 14% from one donor and 27% from two donors, respectively.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 3 INVESTMENTS

Investments consist of the following at December 31:

	2019	2018
Money Market	\$ 54,062	\$ 47,067
Mutual Funds - Equity	1,102,645	926,617
Corporate Bonds	33,038	27,360
Total	<u>\$ 1,189,745</u>	<u>\$ 1,001,044</u>

The Organization provides for investment in a variety of investment funds. In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of activities.

NOTE 4 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 measures fair value refer to Note 1 – Organization and Summary of Significant Accounting Policies.

The following table presents the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis as of December 31:

	2019			
	Level 1	Level 2	Level 3	Total
Mutual Funds - Equity	\$ 1,102,645	\$ -	\$ -	\$ 1,102,645
Corporate Bonds	33,038	-	-	33,038
Total Investments	<u>\$ 1,135,683</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,135,683</u>
	2018			
	Level 1	Level 2	Level 3	Total
Mutual Funds - Equity	\$ 926,617	\$ -	\$ -	\$ 926,617
Corporate Bonds	27,360	-	-	27,360
Total Investments	<u>\$ 953,977</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 953,977</u>

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 5 NOTES PAYABLE

The Organization had a note payable to finance the purchase of a vehicle. The note payable required 48 monthly payments of \$166 which include interest at 4.75%. The note was paid off on September 17, 2019.

The Organization entered into a note payable to support in the purchase of solar panels in the Philippines. The note requires annual payments of \$6,000 plus interest at 2%. The note payable matures on January 1, 2025.

Future minimum payments on the note payable consist of the following:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ -
2021	6,000
2022	6,000
2023	6,000
2024	6,000
Thereafter	6,000
Total Note Payable Outstanding	<u><u>\$ 30,000</u></u>

NOTE 6 NET ASSETS

Net assets without donor restrictions includes board-designated funds which totaled \$679,909 and \$568,245 as of December 31, 2019 and 2018, respectively. The board has designated these assets for general endowment purpose. These funds are released as according to the Organization's endowment policy.

As of December 31, the Organization's net assets with donor restrictions were as follows:

	<u>2019</u>	<u>2018</u>
Endowment Earnings	\$ 264,473	\$ 200,306
Donor Restricted Net Assets Invested in Perpetuity	245,363	232,493
Total	<u><u>\$ 509,836</u></u>	<u><u>\$ 432,799</u></u>

Donor-restricted net assets invested in perpetuity include endowment funds established for the purpose of providing a long-term operating cash reserve.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 7 ENDOWMENT

Interpretation of Relevant Law

The Organization has board-designated and donor-restricted endowment funds established for the purpose of providing an operating cash reserve. As required by accounting principles generally accepted in the United States of America, net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The board of directors of the Organization has interpreted the State's 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.

The Organization follows a spending policy that allows the president to spend up to 5% of the fair market value of the endowment fund at the beginning of the fiscal year. Additional withdrawals of the fund may be allowed to meet extraordinary needs as approved by at least 80% of the board of directors.

The Organization follows an investment policy to provide guidelines for investing endowment assets. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to protect the principal balance, manage cash flow to meet all expected and unexpected future funding requirements, and maximize return with minimal risk. To achieve these objectives and adhere to donor-imposed restrictions, the Organization invests endowment assets in money market funds, mutual funds, and corporate bonds.

Endowment net asset composition by type and changes in endowment net assets are as follows for the years ended December 31:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 568,245	\$ 432,799	\$ 1,001,044
Investment Income	123,284	64,167	187,451
Additions	-	12,870	12,870
Appropriation for Expenditure	(11,620)	-	(11,620)
Endowment Net Assets - End of Year	<u>\$ 679,909</u>	<u>\$ 509,836</u>	<u>\$ 1,189,745</u>
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 159,152	\$ 463,013	\$ 622,165
Investment Income	(73,944)	(30,214)	(104,158)
Additions	483,037	-	483,037
Endowment Net Assets - End of Year	<u>\$ 568,245</u>	<u>\$ 432,799</u>	<u>\$ 1,001,044</u>

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 7 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

	2019		
	Without Donor Restrictions	With Donor Restrictions	2019 Total
Donor-Restricted Endowment Funds	\$ -	\$ 509,836	\$ 509,836
Board-Designated Endowment Funds	679,909	-	679,909
Total Endowment Funds	<u>\$ 679,909</u>	<u>\$ 509,836</u>	<u>\$ 1,189,745</u>

	2018		
	Without Donor Restrictions	With Donor Restrictions	2018 Total
Donor-Restricted Endowment Funds	\$ -	\$ 432,799	\$ 432,799
Board-Designated Endowment Funds	568,245	-	568,245
Total Endowment Funds	<u>\$ 568,245</u>	<u>\$ 432,799</u>	<u>\$ 1,001,044</u>

NOTE 8 IN-KIND CONTRIBUTIONS

The Organization recognizes contribution revenue for services, supplies, and other resources received at their fair value. Those donated goods and services have been reported as follows at December 31:

2019	Program	Management and General Administrative	Fundraising	Total
Program Support	\$ 10,273	\$ -	\$ -	\$ 10,273
Salaries	20,100	26,800	20,100	67,000
Accounting, Legal, and Professional	-	7,625	-	7,625
Total	<u>\$ 30,373</u>	<u>\$ 34,425</u>	<u>\$ 20,100</u>	<u>\$ 84,898</u>

2018	Program	Management and General Administrative	Fundraising	Total
Program Support	\$ 16,020	\$ -	\$ -	\$ 16,020
Salaries	16,750	22,333	16,750	55,833
Accounting, Legal, and Professional	-	9,075	-	9,075
Total	<u>\$ 32,770</u>	<u>\$ 31,408</u>	<u>\$ 16,750</u>	<u>\$ 80,928</u>

NOTE 9 RETIREMENT PLANS

The Organization participates in the retirement plans of Converge Worldwide (a conference of churches). Employees of the Organization are covered by a defined benefit plan, which permits only employer contributions. The unfunded actuarial liability for the Organization cannot be determined because Converge Worldwide does not compute the liability for each participating employer. The Organization contributes a percentage of qualified employees' salaries to the defined benefit plan, dependent upon eligibility and board approval. In addition, the Organization will match up to 2% of employee-elected contributions to Converge Worldwide's defined contribution plan. Related retirement plan expenses were \$42,389 and \$40,832 for the years ended December 31, 2019 and 2018, respectively.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 10 OPERATING LEASES

Children's Shelter of Cebu has entered into a lease agreement for a copier requiring monthly rental payments of \$82. The lease expires in June 2020. Rental commitments under the noncancelable lease for a copier in effect at December 31, 2019 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 410

Children's Shelter of Cebu has entered into a lease agreement for administrative space under terms of an operating lease agreement requiring monthly rental payments of \$750. The lease is month-to-month and, therefore, no commitments have been recorded. During the year ended December 31, 2018, a board member purchased the office building that Children's Shelter of Cebu leases. Children's Shelter of Cebu paid \$9,000 and \$2,250 of rent for the years ended December 31, 2019 and 2018, respectively, to the board member.

NOTE 11 COOPERATIVE AGREEMENT

The Organization has entered into a cooperative agreement with Children's Shelter of Cebu – Philippines (a Philippines Corporation CSC Philippines). Under the terms of the agreement, the Organization endeavors to provide funding for the programs and services of CSC Philippines. The Organization is not legally responsible or liable for the program services or activities of CSC Philippines.

Total program support to CSC Philippines was \$1,069,140 and \$943,685 for the years ended December 31, 2019 and 2018, respectively.

NOTE 12 LIQUIDITY

As part of the Organization's liquidity management process, Children's Shelter of Cebu invests cash in excess of normal operating requirements in various short-term investments including certificates of deposit and short-term treasury instruments. The Organization intends to maintain financial assets which consist of cash in its normal operating account of \$500,000. This is equal to approximately three months' operating reserves. None of these assets are subject to donor or other contractual restrictions. The Organization does not currently have a committed line of credit with any institution. Children's Shelter of Cebu has an endowment fund of approximately \$1.2 million, in which it can spend up to 5% of the fair market value of the endowment fund on an annual basis for general operations.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
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NOTE 12 LIQUIDITY (CONTINUED)

The table below represents financial assets available for general expenditures within one year at December 31:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 1,747,367	\$ 1,085,713
Pledges Receivable, Net	36,965	11,301
Endowment Draw	59,487	50,052
Total	<u>\$ 1,843,819</u>	<u>\$ 1,147,066</u>

NOTE 13 SUBSEQUENT EVENT

Subsequent to year-end, a pandemic of the Corona Virus (COVID-19) was declared by the World Health Organization. Management determined that the annual banquet would be held online instead of in person, which may cause a decline in contributions. In addition, both domestic and international equity markets have experienced significant declines since December 31, 2019. As of March 24, 2020, the amount and likelihood of loss relating to these events is not determined.