

CHILDREN'S SHELTER OF CEBU
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

**CHILDREN'S SHELTER OF CEBU
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YEARS ENDED DECEMBER 31, 2017 AND 2016**

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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, 2017 and 2016, 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, 2017 and 2016, 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 22, 2018

**CHILDREN'S SHELTER OF CEBU
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	\$ 785,545	\$ 476,623
Pledges Receivable, Net	19,472	59,334
Total Current Assets	805,017	535,957
EQUIPMENT		
Equipment	44,720	42,406
Less: Accumulated Depreciation	(34,073)	(29,326)
Net Equipment	10,647	13,080
OTHER ASSETS		
Investments	622,165	489,923
Total Assets	\$ 1,437,829	\$ 1,038,960
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Note Payable, Current Portion	\$ 1,878	\$ 1,791
Accounts Payable	3,740	1,050
Accrued Payroll and Other Liabilities	15,196	27,556
Furlough Liability	123,240	106,192
Total Current Liabilities	144,054	136,589
LONG-TERM LIABILITIES		
Note Payable	1,451	3,329
Total Liabilities	145,505	139,918
NET ASSETS		
Unrestricted	829,311	475,553
Temporarily Restricted	230,520	190,996
Permanently Restricted	232,493	232,493
Total Net Assets	1,292,324	899,042
Total Liabilities and Net Assets	\$ 1,437,829	\$ 1,038,960

See accompanying Notes to Financial Statements.

**CHILDREN'S SHELTER OF CEBU
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE AND SUPPORT				
Individual Contributions	\$ 1,937,163	\$ -	\$ -	\$ 1,937,163
Banquet, Less Direct Expenses of \$25,221 and \$27,546, Respectively	133,061	-	-	133,061
Investment Return	16,382	39,524	-	55,906
Donated Securities	45,082	-	-	45,082
In-Kind Contributions	18,846	-	-	18,846
Miscellaneous Revenue	9,396	-	-	9,396
Release from Program Restriction	-	-	-	-
Total Revenue and Support	<u>2,159,930</u>	<u>39,524</u>	<u>-</u>	<u>2,199,454</u>
EXPENSE				
Program	1,513,445	-	-	1,513,445
Management and General Administrative	189,264	-	-	189,264
Fundraising	103,463	-	-	103,463
Total Expense	<u>1,806,172</u>	<u>-</u>	<u>-</u>	<u>1,806,172</u>
CHANGE IN NET ASSETS	353,758	39,524	-	393,282
Net Assets - Beginning	<u>475,553</u>	<u>190,996</u>	<u>232,493</u>	<u>899,042</u>
NET ASSETS - ENDING	<u>\$ 829,311</u>	<u>\$ 230,520</u>	<u>\$ 232,493</u>	<u>\$ 1,292,324</u>

See accompanying Notes to Financial Statements.

2016

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 1,725,912	\$ -	\$ -	\$ 1,725,912
141,719	-	-	141,719
4,762	38,162	-	42,924
39,389	-	-	39,389
32,594	-	-	32,594
3,968	-	-	3,968
3,440	(3,440)	-	-
<u>1,951,784</u>	<u>34,722</u>	<u>-</u>	<u>1,986,506</u>
1,676,278	-	-	1,676,278
165,460	-	-	165,460
124,114	-	-	124,114
<u>1,965,852</u>	<u>-</u>	<u>-</u>	<u>1,965,852</u>
(14,068)	34,722	-	20,654
<u>489,621</u>	<u>156,274</u>	<u>232,493</u>	<u>878,388</u>
<u>\$ 475,553</u>	<u>\$ 190,996</u>	<u>\$ 232,493</u>	<u>\$ 899,042</u>

CHILDREN'S SHELTER OF CEBU
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			
	Program	Management and General Administrative	Fundraising	Total
Salaries	\$ 357,725	\$ 72,061	\$ 63,580	\$ 493,366
Benefits	135,004	13,441	14,519	162,964
Payroll Taxes	28,438	5,866	5,149	39,453
Total Personnel Costs	<u>521,167</u>	<u>91,368</u>	<u>83,248</u>	<u>695,783</u>
Program Support	957,996	-	-	957,996
Postage	2,682	3,489	2,508	8,679
Printing	6,555	8,528	6,131	21,214
Computer and Office Supplies	1,526	1,985	1,427	4,938
Telephone	1,141	1,484	1,067	3,692
Training	-	3,005	-	3,005
Travel	17,295	4,188	-	21,483
Auto	-	51	-	51
Insurance	835	2,217	781	3,833
Interest	-	-	-	-
Accounting, Legal, and Professional	-	44,659	-	44,659
Advertising	-	-	4,328	4,328
Rent	2,781	3,618	2,601	9,000
Miscellaneous	-	22,764	-	22,764
Depreciation	1,467	1,908	1,372	4,747
Total Expense	<u>\$ 1,513,445</u>	<u>\$ 189,264</u>	<u>\$ 103,463</u>	<u>\$ 1,806,172</u>

See accompanying Notes to Financial Statements.

2016

Program	Management and General Administrative	Fundraising	Total
\$ 515,974	\$ 65,928	\$ 78,420	\$ 660,322
133,319	10,188	13,668	157,175
44,003	5,299	6,377	55,679
<u>693,296</u>	<u>81,415</u>	<u>98,465</u>	<u>873,176</u>
937,724	-	-	937,724
2,304	3,623	3,556	9,483
5,296	8,324	8,172	21,792
1,259	1,980	1,943	5,182
1,056	1,660	1,630	4,346
-	6,864	-	6,864
26,009	5,187	-	31,196
-	6,296	-	6,296
824	1,295	1,272	3,391
-	288	-	288
-	25,183	-	25,183
-	-	4,447	4,447
2,005	3,151	3,094	8,250
5,510	18,630	-	24,140
995	1,564	1,535	4,094
<u>\$ 1,676,278</u>	<u>\$ 165,460</u>	<u>\$ 124,114</u>	<u>\$ 1,965,852</u>

**CHILDREN'S SHELTER OF CEBU
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 393,282	\$ 20,654
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	4,747	4,094
Gain on Sale of Investments	(1,473)	(482)
Unrealized Gain on Investments	(29,270)	(25,960)
Decrease in Current Assets:		
Pledges Receivable	39,862	40,365
Increase (Decrease) in Current Liabilities:		
Accounts Payable	2,690	(5,348)
Accrued Payroll and Other Liabilities	(12,360)	(1,064)
Deferred Rent Liability	-	(750)
Furlough Liability	17,048	(42,810)
Net Cash Provided (Used) by Operating Activities	414,526	(11,301)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	(2,314)	(596)
Proceeds from Sale of Investments	55,716	93
Purchase of Investments	(157,215)	(24,690)
Net Cash Used by Investing Activities	(103,813)	(25,193)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Notes Payable	(1,791)	(1,708)
NET CHANGE IN CASH	308,922	(38,202)
Cash - Beginning	476,623	514,825
CASH - ENDING	\$ 785,545	\$ 476,623
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ -	\$ 288
In-Kind Contributions	\$ 18,846	\$ 32,594

See accompanying Notes to Financial Statements.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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:

Unrestricted Net Assets – 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.

Temporarily Restricted Net Assets – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Organization or passage of time.

Permanently Restricted Net Assets – Those resources subject to a donor-imposed restriction that they be maintained permanently by the Organization.

The Organization has elected to treat all contributions in which the restrictions are met in the current year as unrestricted 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.

Pledges Receivable

Pledges receivable are stated at net realizable value. Management has established an allowance for uncollectible pledges receivable as of December 31, 2017 and 2016 of \$16,000 and \$-0-, respectively. At December 31, 2017 and 2016, all pledges are considered current.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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

Property and Equipment

Property and equipment purchases are recorded at cost. Contributed items are recorded at fair market value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulation, contributions of property and equipment are recorded as unrestricted. Depreciation is computed using the straight-line method over the estimated 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. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Furlough Liability

Employees who work overseas at CSC Philippines are eligible for a year of furlough after every three years of employment. A furlough liability is accrued for one-third the value of eligible employees' annual salaries each year that they are not on furlough.

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, 2017 and 2016 was \$4,328 and \$4,447, respectively.

Functional Allocation of Expenses

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, 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.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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

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.

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, 2017 and 2016. However, the Organization may elect to measure newly acquired financial instruments at fair value in the future.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in these financial statements through March 22, 2018, the date the financial statements were available to be issued.

CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 2 INVESTMENTS

Investments consist of the following at December 31, 2017 and 2016:

	2017	2016
Money Market	\$ 23,392	\$ 18,384
Mutual Funds - Equity	569,532	443,677
Corporate Bonds	29,241	27,862
Total	<u>\$ 622,165</u>	<u>\$ 489,923</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.

Investment return is summarized as follows:

	2017	2016
Interest and Dividend Income	\$ 25,163	\$ 16,482
Unrealized Gain on Investments	29,270	25,960
Realized Gain on Investments	1,473	482
Total	<u>\$ 55,906</u>	<u>\$ 42,924</u>

NOTE 3 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:

	2017			
	Level 1	Level 2	Level 3	Total
Mutual Funds - Equity	\$ 569,532	\$ -	\$ -	\$ 569,532
Corporate Bonds	29,241	-	-	29,241
Total Investments	<u>\$ 598,773</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 598,773</u>
	2016			
	Level 1	Level 2	Level 3	Total
Mutual Funds - Equity	\$ 443,677	\$ -	\$ -	\$ 443,677
Corporate Bonds	27,862	-	-	27,862
Total Investments	<u>\$ 471,539</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 471,539</u>

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 4 NOTES PAYABLE

The Organization entered into a note payable during 2015 to finance the purchase of a vehicle. The note requires 48 monthly payments of \$166 which include interest at 4.75%. The note payable matures on September 17, 2019. The note is secured by the vehicle.

Note payable obligations consist of the following at December 31, 2017:

Note Payable Outstanding	\$ 3,329
Less: Current Portion	(1,878)
Noncurrent Portion	<u>\$ 1,451</u>

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 1,878
2019	1,451
Total	<u>\$ 3,329</u>

NOTE 5 NET ASSETS

Temporarily restricted net assets consist of the following donor restrictions at December 31:

	<u>2017</u>	<u>2016</u>
Future Operations - Unappropriated		
Endowment Earnings	<u>\$ 230,520</u>	<u>\$ 190,996</u>

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

NOTE 6 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.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 6 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

As a result of this interpretation, the Organization classifies as permanently restricted net assets the original value of the gifts to the permanent endowment and the value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization has adopted a spending policy that allows the president to spend unrestricted endowment funds 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 has adopted 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 year ended December 31:

	2017			
	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning	\$ 58,321	\$ 190,996	\$ 232,493	\$ 481,810
Investment Income	14,862	39,524	-	54,386
Additions	85,969	-	-	85,969
Endowment Net Assets - Ending	<u>\$ 159,152</u>	<u>\$ 230,520</u>	<u>\$ 232,493</u>	<u>\$ 622,165</u>
	2016			
	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning	\$ 52,951	\$ 152,834	\$ 232,493	\$ 438,278
Investment Income	3,918	38,162	-	42,080
Additions	1,452	-	-	1,452
Endowment Net Assets - Ending	<u>\$ 58,321</u>	<u>\$ 190,996</u>	<u>\$ 232,493</u>	<u>\$ 481,810</u>

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 6 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

	2017			2017 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds	\$ -	\$ 230,520	\$ 232,493	\$ 463,013
Board-Designated Endowment Funds	159,152	-	-	159,152
Total Endowment Funds	<u>\$ 159,152</u>	<u>\$ 230,520</u>	<u>\$ 232,493</u>	<u>\$ 622,165</u>

	2016			2016 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds	\$ -	\$ 190,996	\$ 232,493	\$ 423,489
Board-Designated Endowment Funds	58,321	-	-	58,321
Total Endowment Funds	<u>\$ 58,321</u>	<u>\$ 190,996</u>	<u>\$ 232,493</u>	<u>\$ 481,810</u>

NOTE 7 IN-KIND CONTRIBUTIONS

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

	2017	2016
Program:		
Program Support	\$ 9,796	\$ 5,719
Management and General Administrative:		
Accounting, Legal, and Professional	9,050	26,875
Total	<u>\$ 18,846</u>	<u>\$ 32,594</u>

NOTE 8 RETIREMENT PLANS

The Organization has had a nonqualified pension plan for full-time personnel. Benefits are based on 10% of salary and are paid to the employee directly. The employees utilize the amount received to fund their personal retirement programs. Pension expense related to this plan for the years ended December 31, 2017 and 2016 was \$-0- and \$9,015, respectively. This pension plan program ended in 2017.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 8 RETIREMENT PLANS (CONTINUED)

The Organization also 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 \$58,127 and \$69,728 for the years ended December 31, 2017 and 2016, respectively.

NOTE 9 OPERATING LEASES

Rental commitments under noncancelable leases for office space and a copier in effect at December 31, 2017 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 7,734
2019	984
2020	410
Total	<u>\$ 9,128</u>

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 expires in September 2018.

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.

Rent expense was \$9,000 and \$8,250 for the years ended December 31, 2017 and 2016, respectively.

NOTE 10 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 payments to CSC Philippines were \$939,150 and \$905,443 for the years ended December 31, 2017 and 2016, respectively.