

CHILDREN'S SHELTER OF CEBU
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

**CHILDREN'S SHELTER OF CEBU
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9

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, 2015 and 2014, 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, 2015 and 2014, 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 31, 2016

**CHILDREN'S SHELTER OF CEBU
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014**

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash	\$ 514,825	\$ 461,249
Pledges Receivable	99,699	131,275
Prepaid Expenses	-	11,784
Total Current Assets	614,524	604,308
EQUIPMENT		
Equipment	41,811	28,997
Less: Accumulated Depreciation	(25,233)	(22,025)
Net Equipment	16,578	6,972
OTHER ASSETS		
Investments	438,884	456,577
Total Assets	\$ 1,069,986	\$ 1,067,857
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Note Payable, Current Portion	\$ 1,708	\$ -
Accounts Payable	6,398	13,537
Accrued Payroll and Other Liabilities	28,620	29,766
Deferred Rent Liability	750	1,750
Furlough Liability	149,002	145,969
Total Current Liabilities	186,478	191,022
LONG-TERM LIABILITIES		
Note Payable	5,120	-
Total Liabilities	191,598	191,022
NET ASSETS		
Unrestricted	489,621	461,098
Temporarily Restricted	156,274	183,244
Permanently Restricted	232,493	232,493
Total Net Assets	878,388	876,835
Total Liabilities and Net Assets	\$ 1,069,986	\$ 1,067,857

See accompanying Notes to Financial Statements.

**CHILDREN'S SHELTER OF CEBU
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE AND SUPPORT				
Individual Contributions	\$ 1,773,779	\$ 3,000	\$ -	\$ 1,776,779
Banquet, Less Direct Expenses of \$30,280 and \$26,859, Respectively	116,063	-	-	116,063
Investment Return	(1,272)	(15,939)	-	(17,211)
Donated Securities	31,628	-	-	31,628
In-Kind Contributions	50,861	-	-	50,861
Miscellaneous Revenue	12,637	-	-	12,637
Release from Program Restriction	14,031	(14,031)	-	-
Total Revenue and Support	<u>1,997,727</u>	<u>(26,970)</u>	-	<u>1,970,757</u>
EXPENSE				
Program	1,647,574	-	-	1,647,574
Management and General Administrative	207,158	-	-	207,158
Fundraising	114,472	-	-	114,472
Total Expense	<u>1,969,204</u>	<u>-</u>	<u>-</u>	<u>1,969,204</u>
CHANGE IN NET ASSETS	28,523	(26,970)	-	1,553
Net Assets - Beginning	<u>461,098</u>	<u>183,244</u>	<u>232,493</u>	<u>876,835</u>
NET ASSETS - ENDING	<u>\$ 489,621</u>	<u>\$ 156,274</u>	<u>\$ 232,493</u>	<u>\$ 878,388</u>

See accompanying Notes to Financial Statements.

2014

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 1,746,056	\$ -	\$ 500	\$ 1,746,556
115,240	-	-	115,240
2,733	27,971	-	30,704
40,771	-	-	40,771
28,501	-	-	28,501
1,510	-	-	1,510
2,587	(2,587)	-	-
<u>1,937,398</u>	<u>25,384</u>	<u>500</u>	<u>1,963,282</u>
1,497,325	-	-	1,497,325
223,483	-	-	223,483
120,002	-	-	120,002
<u>1,840,810</u>	<u>-</u>	<u>-</u>	<u>1,840,810</u>
96,588	25,384	500	122,472
<u>364,510</u>	<u>157,860</u>	<u>231,993</u>	<u>754,363</u>
<u>\$ 461,098</u>	<u>\$ 183,244</u>	<u>\$ 232,493</u>	<u>\$ 876,835</u>

**CHILDREN'S SHELTER OF CEBU
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015			
	Program	Management and General Administrative	Fundraising	Total
Salaries	\$ 520,293	\$ 71,684	\$ 84,929	\$ 676,906
Benefits	121,134	15,775	3,621	140,530
Payroll Taxes	40,163	6,122	6,184	52,469
Total Personnel Costs	681,590	93,581	94,734	869,905
Program Support	945,632	-	-	945,632
Postage	-	10,205	-	10,205
Printing	3,642	5,173	5,636	14,451
Computer and Office Supplies	869	1,811	1,345	4,025
Telephone	935	1,327	1,447	3,709
Training	-	795	-	795
Travel	8,475	19,252	-	27,727
Auto	-	1,733	-	1,733
Insurance	1,351	1,920	2,092	5,363
Interest	-	84	-	84
Accounting, Legal and Professional	-	51,761	1,000	52,761
Advertising	-	-	4,866	4,866
Rent	2,016	2,864	3,120	8,000
Repair and Maintenance	26	36	40	102
Miscellaneous	22	16,616	-	16,638
Depreciation	3,016	-	192	3,208
Total Expense	\$ 1,647,574	\$ 207,158	\$ 114,472	\$ 1,969,204

See accompanying Notes to Financial Statements.

2014

Program	Management and General Administrative	Fundraising	Total
\$ 437,004	\$ 92,407	\$ 78,675	\$ 608,086
99,062	14,428	12,285	125,775
33,165	6,753	5,749	45,667
<u>569,231</u>	<u>113,588</u>	<u>96,709</u>	<u>779,528</u>
912,906	17,000	-	929,906
1,371	10,723	2,134	14,228
5,454	9,973	8,490	23,917
630	1,155	982	2,767
1,192	2,182	1,857	5,231
-	822	-	822
2,720	22,141	-	24,861
-	1,722	-	1,722
930	1,701	1,448	4,079
-	-	-	-
-	15,179	-	15,179
-	-	3,879	3,879
1,938	3,544	3,018	8,500
319	584	497	1,400
-	22,009	-	22,009
634	1,160	988	2,782
<u>\$ 1,497,325</u>	<u>\$ 223,483</u>	<u>\$ 120,002</u>	<u>\$ 1,840,810</u>

CHILDREN'S SHELTER OF CEBU
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,553	\$ 122,472
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	3,208	2,782
Loss on Disposal of Equipment	-	432
Donated Equipment	(4,000)	-
Gain on Sale of Investments	(3,588)	(3,525)
Unrealized Loss on Investments	41,662	10,481
Contributions Restricted to Endowment	-	(500)
Decrease in Current Assets:		
Pledges Receivable	31,576	30,715
Prepaid Expenses	11,784	1,290
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(7,139)	9,521
Accrued Payroll and Other Liabilities	(1,146)	1,032
Deferred Rent Liability	(1,000)	1,750
Furlough Liability	3,033	(12,009)
Net Cash Provided by Operating Activities	75,943	164,441
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	(1,571)	(4,525)
Proceeds from Sale of Investments	37,563	62,475
Purchase of Investments	(57,944)	(80,616)
Net Cash Used by Investing Activities	(21,952)	(22,666)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted to Endowment	-	500
Payments on Notes Payable	(415)	-
Net Cash Provided (Used) by Financing Activities	(415)	500
NET INCREASE IN CASH	53,576	142,275
Cash - Beginning	461,249	318,974
CASH - ENDING	\$ 514,825	\$ 461,249
SUPPLEMENTAL INFORMATION		
Equipment Purchased with Note Payable	\$ 7,243	\$ -
Cash Paid for Interest	\$ 84	\$ -

See accompanying Notes to Financial Statements.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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 85-95 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 – 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 – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time.

Permanently Restricted – 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 not established an allowance for uncollectible pledges receivable as of December 31, 2015 and 2014. At December 31, 2015 and 2014, all pledges are considered current.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

**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.

Deferred Rent Liability

Rent expense is recognized on a straight-line basis over the term of the rent agreement. At December 31, 2015 and 2014, a deferred rent liability had been established for the difference between cash payments and straight-line rent expense.

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 non-cash 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, 2015 and 2014 was \$4,866 and \$3,879, 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.

CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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

Income Tax Exemption

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute. It has been classified as an organization that is not a private foundation under the Internal Revenue code 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, 2015 AND 2014**

**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, 2015 and 2014. However, the Organization may elect to measure newly acquired financial instruments at fair value in the future.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform with current year presentation. The reclassifications had no effect on the change in net assets or total net assets as previously reported.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in these financial statements through March 31, 2016, the date the financial statements were available to be issued.

NOTE 2 INVESTMENTS

Investments consist of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Money Market	\$ 15,620	\$ 3,817
Mutual Funds - Equity	396,738	412,936
Corporate Bonds	26,526	39,824
Total	<u>\$ 438,884</u>	<u>\$ 456,577</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:

	<u>2015</u>	<u>2014</u>
Interest and Dividend Income	\$ 20,863	\$ 37,660
Unrealized Loss on Investments	(41,662)	(10,481)
Realized Gain on Investments	3,588	3,525
Total	<u>\$ (17,211)</u>	<u>\$ 30,704</u>

CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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:

	2015			Total
	Level 1	Level 2	Level 3	
Mutual Funds - Equity	\$ 396,738	\$ -	\$ -	\$ 396,738
Corporate Bonds	26,526	-	-	26,526
Total Investments	\$ 423,264	\$ -	\$ -	\$ 423,264
	2014			
	Level 1	Level 2	Level 3	Total
Mutual Funds - Equity	\$ 412,936	\$ -	\$ -	\$ 412,936
Corporate Bonds	39,824	-	-	39,824
Total Investments	\$ 452,760	\$ -	\$ -	\$ 452,760

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 through September 2019 which include interest at 4.75%. The note is secured by the vehicle.

Note payable obligations consist of the following at December 31, 2015:

Note Payable Outstanding	\$ 6,828
Less: Current Portion	(1,708)
Noncurrent Portion	\$ 5,120

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

Year Ending December 31,	Amount
2016	\$ 1,708
2017	1,791
2018	1,878
2019	1,451
Total	\$ 6,828

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 5 NET ASSETS

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

	2015	2014
Program Expenses	\$ 3,440	\$ 14,471
Future Operations - Unappropriated		
Endowment Earnings	152,834	168,773
Total	\$ 156,274	\$ 183,244

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 U.S. generally accepted accounting principles, 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.

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.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 6 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

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

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
Donor-Restricted Endowment Funds	\$ -	\$ 152,834	\$ 232,493	\$ 385,327
Board-Designated Endowment Funds	52,951	-	-	52,951
Total Endowment Funds	<u>\$ 52,951</u>	<u>\$ 152,834</u>	<u>\$ 232,493</u>	<u>\$ 438,278</u>
	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total
Donor-Restricted Endowment Funds	\$ -	\$ 168,773	\$ 232,493	\$ 401,266
Board-Designated Endowment Funds	54,783	-	-	54,783
Total Endowment Funds	<u>\$ 54,783</u>	<u>\$ 168,773</u>	<u>\$ 232,493</u>	<u>\$ 456,049</u>
	2015			
	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning	\$ 54,783	\$ 168,773	\$ 232,493	\$ 456,049
Investment Loss	(1,537)	(15,939)	-	(17,476)
Additions	-	-	-	-
Appropriation for Expenditure	(295)	-	-	(295)
Endowment Net Assets - Ending	<u>\$ 52,951</u>	<u>\$ 152,834</u>	<u>\$ 232,493</u>	<u>\$ 438,278</u>
	2014			
	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning	\$ 71,999	\$ 140,802	\$ 231,993	\$ 444,794
Investment Income	2,733	27,971	-	30,704
Additions	-	-	500	500
Appropriation for Expenditure	(19,949)	-	-	(19,949)
Endowment Net Assets - Ending	<u>\$ 54,783</u>	<u>\$ 168,773</u>	<u>\$ 232,493</u>	<u>\$ 456,049</u>

CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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:

	<u>2015</u>	<u>2014</u>
Program		
Program Support	\$ 16,111	\$ 27,001
Management and General Administrative		
Accounting, Legal and Professional	30,750	-
Rent	-	1,500
Equipment (Capitalized)	4,000	-
Total	<u>\$ 50,861</u>	<u>\$ 28,501</u>

NOTE 8 RETIREMENT PLANS

The Organization has a non-qualified 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, 2015 and 2014 was \$10,910 and \$10,670, respectively.

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 6% of qualified employees' salaries to the defined benefit plan. 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 \$50,195 and \$53,249 for the years ended December 31, 2015 and 2014, respectively.

A 403(b) plan is also available to employees. The employer discretionary contribution to the plan was \$1,982 and \$1,392 for the years ended December 31, 2015 and 2014, respectively.

CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 9 OPERATING LEASES

Rental commitments under non-cancelable leases for office space in effect at December 31, 2015 are as follows:

<u>Year</u>	<u>Amount</u>
2016	<u>\$ 6,750</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 2016.

Rent expense was \$8,000 and \$8,500 for the years ended December 31, 2015 and 2014, respectively.

NOTE 10 COOPERATIVE AGREEMENT

The Organization has entered into a cooperative agreement with Children's Shelter of Cebu (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 \$929,521 and \$912,906 for the years ended December 31, 2015 and 2014, respectively.