

CHILDREN'S SHELTER OF CEBU
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

**CHILDREN'S SHELTER OF CEBU
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YEARS ENDED DECEMBER 31, 2020 AND 2019**

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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, 2020 and 2019, 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, 2020 and 2019, 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, 2021

**CHILDREN'S SHELTER OF CEBU
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019**

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,222,517	\$ 1,747,367
Pledges Receivable, Net	2,522	36,965
Prepaid Expenses	-	9,156
Total Current Assets	1,225,039	1,793,488
EQUIPMENT		
Equipment	32,272	37,690
Less: Accumulated Depreciation	(28,842)	(33,705)
Net Equipment	3,430	3,985
OTHER ASSETS		
Investments	2,474,630	1,189,745
Total Assets	\$ 3,703,099	\$ 2,987,218
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,906	\$ 1,990
Accrued Payroll and Other Liabilities	18,750	18,733
Furlough Liability	65,726	146,477
Total Current Liabilities	86,382	167,200
LONG-TERM LIABILITIES		
Note Payable	-	30,000
Total Liabilities	86,382	197,200
NET ASSETS		
Without Donor Restrictions	3,023,764	2,280,182
With Donor Restrictions	592,953	509,836
Total Net Assets	3,616,717	2,790,018
Total Liabilities and Net Assets	\$ 3,703,099	\$ 2,987,218

See accompanying Notes to Financial Statements.

**CHILDREN'S SHELTER OF CEBU
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Individual Contributions	\$ 2,166,689	\$ 43,324	\$ 2,210,013	\$ 2,150,508	\$ 12,870	\$ 2,163,378
Banquet, Less Direct Expenses of \$2,549 and \$28,037, Respectively	157,807	-	157,807	159,785	-	159,785
Investment Return	174,270	39,793	214,063	149,421	64,167	213,588
Donated Securities	101,491	-	101,491	41,837	-	41,837
In-Kind Contributions	48,591	-	48,591	84,898	-	84,898
Miscellaneous Revenue	725	-	725	15,445	-	15,445
Release from Program Restriction	-	-	-	-	-	-
Total Revenue and Support	2,649,573	83,117	2,732,690	2,601,894	77,037	2,678,931
EXPENSE						
Program	1,571,623	-	1,571,623	1,487,644	-	1,487,644
Management and General Administrative	205,629	-	205,629	214,769	-	214,769
Fundraising	128,739	-	128,739	129,237	-	129,237
Total Expense	1,905,991	-	1,905,991	1,831,650	-	1,831,650
CHANGE IN NET ASSETS	743,582	83,117	826,699	770,244	77,037	847,281
Net Assets - Beginning of Year	2,280,182	509,836	2,790,018	1,509,938	432,799	1,942,737
NET ASSETS - END OF YEAR	\$ 3,023,764	\$ 592,953	\$ 3,616,717	\$ 2,280,182	\$ 509,836	\$ 2,790,018

See accompanying Notes to Financial Statements.

CHILDREN'S SHELTER OF CEBU
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			Total
	Program	Management and General Administrative	Fundraising	
Salaries	\$ 267,489	\$ 98,074	\$ 85,060	\$ 450,623
Benefits	77,313	15,585	15,027	107,925
Payroll Taxes	25,705	6,815	6,219	38,739
Total Personnel Costs	<u>370,507</u>	<u>120,474</u>	<u>106,306</u>	<u>597,287</u>
Program Support	1,176,569	-	-	1,176,569
Postage	3,139	4,100	3,207	10,446
Printing	5,575	7,282	5,695	18,552
Computer and Office Supplies	1,296	1,692	1,324	4,312
Telephone	757	988	773	2,518
Training	-	642	-	642
Travel	9,483	1,117	-	10,600
Auto	-	2,140	-	2,140
Insurance	877	1,987	896	3,760
Accounting, Legal, and Professional	-	21,047	-	21,047
Advertising	-	-	7,044	7,044
Rent	2,705	3,532	2,763	9,000
Miscellaneous	-	39,694	-	39,694
Depreciation	715	934	731	2,380
Special Event Expenses	-	-	2,549	2,549
Total	<u>1,571,623</u>	<u>205,629</u>	<u>131,288</u>	<u>1,908,540</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:				
Special Event Expenses	<u>-</u>	<u>-</u>	<u>(2,549)</u>	<u>(2,549)</u>
Total Expense	<u>\$ 1,571,623</u>	<u>\$ 205,629</u>	<u>\$ 128,739</u>	<u>\$ 1,905,991</u>

See accompanying Notes to Financial Statements.

CHILDREN'S SHELTER OF CEBU
STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
YEARS ENDED DECEMBER 31, 2020 AND 2019

2019			
Program	Management and General Administrative	Fundraising	Total
\$ 291,649	\$ 107,881	\$ 84,208	\$ 483,738
74,505	15,539	12,636	102,680
21,012	6,133	4,857	32,002
<u>387,166</u>	<u>129,553</u>	<u>101,701</u>	<u>618,420</u>
1,069,140	-	-	1,069,140
3,032	4,285	3,211	10,528
5,602	7,917	5,933	19,452
1,981	2,800	2,098	6,879
1,388	1,962	1,470	4,820
-	948	-	948
14,824	2,206	-	17,030
-	64	-	64
870	1,539	921	3,330
-	19,941	-	19,941
-	-	10,047	10,047
2,592	3,663	2,745	9,000
-	38,408	-	38,408
1,049	1,483	1,111	3,643
-	-	28,037	28,037
<u>1,487,644</u>	<u>214,769</u>	<u>157,274</u>	<u>1,859,687</u>
-	-	(28,037)	(28,037)
<u>\$ 1,487,644</u>	<u>\$ 214,769</u>	<u>\$ 129,237</u>	<u>\$ 1,831,650</u>

**CHILDREN'S SHELTER OF CEBU
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 826,699	\$ 847,281
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	2,380	3,643
Loss on Sale of Investments	1,035	11,351
Unrealized Gain on Investments	(161,841)	(176,212)
Contributions Restricted to Endowment	(33,324)	(12,870)
(Increase) Decrease in Current Assets:		
Pledges Receivable	34,443	(25,664)
Prepaid Expenses	9,156	(9,156)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(84)	(5,793)
Accrued Payroll and Other Liabilities	17	4,189
Furlough Liability	(80,751)	7,307
Net Cash Provided by Operating Activities	597,730	644,076
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	(1,825)	-
Proceeds from Sale of Investments	600,574	542,810
Purchase of Investments	(1,724,653)	(566,650)
Net Cash Used by Investing Activities	(1,125,904)	(23,840)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Received for Endowment	33,324	12,870
Issuance of Notes Payable	-	36,000
Payments on Notes Payable	(30,000)	(7,452)
Net Cash Provided by Financing Activities	3,324	41,418
NET CHANGE IN CASH	(524,850)	661,654
Cash - Beginning of Year	1,747,367	1,085,713
CASH - END OF YEAR	\$ 1,222,517	\$ 1,747,367

See accompanying Notes to Financial Statements.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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, 2020 AND 2019**

**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, 2020 and 2019 of \$11,000. At December 31, 2020 and 2019, 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 are receiving one final 12-month long terminal furlough after their retirement from active duty in Cebu. This is occurring from April 2020 through 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, 2020 and 2019 was \$7,044 and \$10,047, respectively.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

**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, 2020 AND 2019**

**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, 2020 and 2019. 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 24, 2021, the date the financial statements were available to be issued.

NOTE 2 CONCENTRATIONS OF RISK

Total contribution revenue for the years ended December 31, 2020 and 2019 consisted of 13% from one donor and 14% from one donor, respectively.

NOTE 3 INVESTMENTS

Investments consist of the following at December 31:

	2020	2019
Money Market	\$ 183,522	\$ 54,062
Mutual Funds - Equity	1,144,381	1,102,645
Certificate of Deposit	875,219	-
Fixed Income	236,609	-
Corporate Bonds	34,899	33,038
Total	<u>\$ 2,474,630</u>	<u>\$ 1,189,745</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.

CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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:

	2020			Total
	Level 1	Level 2	Level 3	
Mutual Funds - Equity	\$ 1,144,381	\$ -	\$ -	\$ 1,144,381
Certificate of Deposit	-	875,219	-	875,219
Fixed Income	236,609	-	-	236,609
Corporate Bonds	-	34,899	-	34,899
Total Investments	\$ 1,380,990	\$ 910,118	\$ -	\$ 2,291,108
	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	\$ 1,102,645	\$ 33,038	\$ -	\$ 1,135,683

NOTE 5 NOTES PAYABLE

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 was paid off in full in October 2020.

NOTE 6 NET ASSETS

Net assets without donor restrictions includes board-designated funds which totaled \$868,845 and \$679,909 as of December 31, 2020 and 2019, 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:

	2020	2019
Bridge Program Support	\$ 10,000	\$ -
Endowment Earnings	304,266	264,473
Donor-Restricted Net Assets Invested in Perpetuity	278,687	245,363
Total	\$ 592,953	\$ 509,836

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, 2020 AND 2019**

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:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 679,909	\$ 509,836	\$ 1,189,745
Investment Income	125,908	39,793	165,701
Additions	63,028	33,324	96,352
Endowment Net Assets - End of Year	<u>\$ 868,845</u>	<u>\$ 582,953</u>	<u>\$ 1,451,798</u>
	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>

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 7 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

	2020		
	Without Donor Restrictions	With Donor Restrictions	2020 Total
Donor-Restricted Endowment Funds	\$ -	\$ 582,953	\$ 582,953
Board-Designated Endowment Funds	868,845	-	868,845
Total Endowment Funds	<u>\$ 868,845</u>	<u>\$ 582,953</u>	<u>\$ 1,451,798</u>

	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>

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:

2020	Program	Management and General Administrative	Fundraising	Total
Program Support	\$ 2,001	\$ -	\$ -	\$ 2,001
Salaries	12,462	16,616	12,462	41,540
Accounting, Legal, and Professional	-	5,050	-	5,050
Total	<u>\$ 14,463</u>	<u>\$ 21,666</u>	<u>\$ 12,462</u>	<u>\$ 48,591</u>

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>

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 \$40,895 and \$42,389 for the years ended December 31, 2020 and 2019, respectively.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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 expired in June 2020 and has continued a month-to-month lease for the copier, and therefore, no commitments have been recorded.

The Organization 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. The Organization paid \$9,000 of rent for the years ended December 31, 2020 and 2019 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 \$1,176,569 and \$1,069,140 for the years ended December 31, 2020 and 2019, 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 - \$750,000. This is equal to approximately three to six months' operating reserves. Organization does not currently have a committed line of credit with any institution. Children's Shelter of Cebu has an endowment fund of approximately \$1.5 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.

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

	2020	2019
Cash	\$ 1,222,517	\$ 1,747,367
Pledges Receivable, Net	2,522	36,965
Investments	2,474,630	1,189,745
Endowment Draw	72,590	59,487
Less: Amounts Restricted for Endowment	(1,451,798)	(1,189,745)
Total	<u>\$ 2,320,461</u>	<u>\$ 1,843,819</u>

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 13 COVID-19 RESPONSE

A pandemic of the Coronavirus (COVID-19) was declared by the World Health Organization in March 2020. The annual banquet was cancelled in response to the pandemic, and management determined that an appeal would replace the banquet. The shelter in Cebu has been closed to the public since March 2020, however the shelter is still offering support to the children at the shelter. Therefore, support from the Organization is still being sent monthly to support the operations. Management believes the Organization is taking appropriate actions to address the potential negative impact of the pandemic.