

CHILDREN'S SHELTER OF CEBU
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

CLAconnect.com

**CHILDREN'S SHELTER OF CEBU
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Children's Shelter of Cebu, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, 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, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Children's Shelter of Cebu and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Children's Shelter of Cebu's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Children's Shelter of Cebu's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Children's Shelter of Cebu's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 9, 2022

**CHILDREN'S SHELTER OF CEBU
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020**

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,599,655	\$ 1,222,517
Pledges Receivable, Net	1,713	2,522
Total Current Assets	1,601,368	1,225,039
EQUIPMENT		
Equipment	31,810	32,272
Less: Accumulated Depreciation	(28,471)	(28,842)
Net Equipment	3,339	3,430
OTHER ASSETS		
Investments	3,010,171	2,474,630
Total Assets	\$ 4,614,878	\$ 3,703,099
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,664	\$ 1,906
Accrued Payroll and Other Liabilities	3,810	18,750
Furlough Liability	15,992	65,726
Total Current Liabilities	21,466	86,382
NET ASSETS		
Without Donor Restrictions	3,982,567	3,023,764
With Donor Restrictions	610,845	592,953
Total Net Assets	4,593,412	3,616,717
Total Liabilities and Net Assets	\$ 4,614,878	\$ 3,703,099

See accompanying Notes to Financial Statements.

**CHILDREN'S SHELTER OF CEBU
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Individual Contributions	\$ 2,627,711	\$ 5,976	\$ 2,633,687	\$ 2,166,689	\$ 43,324	\$ 2,210,013
Banquet, Less Direct Expenses of \$14,018 and \$2,549, Respectively	130,825	-	130,825	157,807	-	157,807
Investment Return	96,642	21,916	118,558	174,270	39,793	214,063
Donated Securities	38,449	-	38,449	101,491	-	101,491
In-Kind Contributions	612	-	612	48,591	-	48,591
Miscellaneous Revenue	1,733	-	1,733	725	-	725
Release from Program Restriction	10,000	(10,000)	-	-	-	-
Total Revenue and Support	<u>2,905,972</u>	<u>17,892</u>	<u>2,923,864</u>	<u>2,649,573</u>	<u>83,117</u>	<u>2,732,690</u>
EXPENSE						
Program	1,604,895	-	1,604,895	1,571,623	-	1,571,623
Management and General Administrative	215,391	-	215,391	205,629	-	205,629
Fundraising	126,883	-	126,883	128,739	-	128,739
Total Expense	<u>1,947,169</u>	<u>-</u>	<u>1,947,169</u>	<u>1,905,991</u>	<u>-</u>	<u>1,905,991</u>
CHANGE IN NET ASSETS	958,803	17,892	976,695	743,582	83,117	826,699
Net Assets - Beginning of Year	<u>3,023,764</u>	<u>592,953</u>	<u>3,616,717</u>	<u>2,280,182</u>	<u>509,836</u>	<u>2,790,018</u>
NET ASSETS - END OF YEAR	<u>\$ 3,982,567</u>	<u>\$ 610,845</u>	<u>\$ 4,593,412</u>	<u>\$ 3,023,764</u>	<u>\$ 592,953</u>	<u>\$ 3,616,717</u>

See accompanying Notes to Financial Statements.

CHILDREN'S SHELTER OF CEBU
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			
	Program	Management and General Administrative	Fundraising	Total
Salaries	\$ 167,841	\$ 105,655	\$ 79,871	\$ 353,367
Benefits	51,916	23,373	15,845	91,134
Payroll Taxes	16,257	8,963	6,526	31,746
Total Personnel Costs	<u>236,014</u>	<u>137,991</u>	<u>102,242</u>	<u>476,247</u>
Program Support	1,344,717	-	-	1,344,717
Postage	3,071	3,618	3,066	9,755
Printing	6,623	7,803	6,611	21,037
Computer and Office Supplies	1,831	2,158	1,828	5,817
Telephone	795	937	794	2,526
Training	-	2,142	-	2,142
Travel	7,758	2,941	-	10,699
Auto	-	-	-	-
Insurance	866	731	865	2,462
Accounting, Legal, and Professional	-	21,132	-	21,132
Advertising	-	-	8,262	8,262
Rent	2,833	3,338	2,828	8,999
Miscellaneous	-	32,144	-	32,144
Depreciation	387	456	387	1,230
Special Event Expenses	-	-	14,018	14,018
Total	<u>1,604,895</u>	<u>215,391</u>	<u>140,901</u>	<u>1,961,187</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:				
Special Event Expenses	<u>-</u>	<u>-</u>	<u>(14,018)</u>	<u>(14,018)</u>
Total Expense	<u>\$ 1,604,895</u>	<u>\$ 215,391</u>	<u>\$ 126,883</u>	<u>\$ 1,947,169</u>

See accompanying Notes to Financial Statements.

CHILDREN'S SHELTER OF CEBU
STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
YEARS ENDED DECEMBER 31, 2021 AND 2020

	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>

**CHILDREN'S SHELTER OF CEBU
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 976,695	\$ 826,699
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	1,230	2,380
Loss on Sale of Fixed Assets	327	-
Loss on Sale of Investments	1,237	1,035
Unrealized Gain on Investments	(23,470)	(161,841)
Contributions Restricted to Endowment	(5,976)	(33,324)
(Increase) Decrease in Current Assets:		
Pledges Receivable	809	34,443
Prepaid Expenses	-	9,156
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(242)	(84)
Accrued Payroll and Other Liabilities	(14,940)	17
Furlough Liability	(49,734)	(80,751)
Net Cash Provided by Operating Activities	885,936	597,730
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	(1,466)	(1,825)
Proceeds from Sale of Investments	1,733,098	600,574
Purchase of Investments	(2,246,406)	(1,724,653)
Net Cash Used by Investing Activities	(514,774)	(1,125,904)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Received for Endowment	5,976	33,324
Payments on Notes Payable	-	(30,000)
Net Cash Provided by Financing Activities	5,976	3,324
 NET CHANGE IN CASH	377,138	(524,850)
Cash - Beginning of Year	1,222,517	1,747,367
 CASH - END OF YEAR	\$ 1,599,655	\$ 1,222,517

See accompanying Notes to Financial Statements.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 Corporation (FDIC) 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, 2021 AND 2020

**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, 2021 and 2020 of \$11,000. At December 31, 2021 and 2020, 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 6 to 12 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 received one final 12-month long terminal furlough after their retirement from active duty in Cebu. This occurred 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, 2021 and 2020 was \$8,262 and \$7,044, respectively.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

**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, 2021 AND 2020**

**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, 2021 and 2020. 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 April 9, 2022, the date the financial statements were available to be issued.

NOTE 2 CONCENTRATIONS OF RISK

Total contribution revenue for the years ended December 31, 2021 and 2020 consisted of 14% from one donor and 13% from one donor, respectively.

NOTE 3 INVESTMENTS

Investments consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Money Market	\$ 236,558	\$ 183,522
Mutual Funds - Equity	2,030,186	1,144,381
Certificate of Deposit	465,346	875,219
Fixed Income	244,925	236,609
Corporate Bonds	33,156	34,899
Total	<u>\$ 3,010,171</u>	<u>\$ 2,474,630</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, 2021 AND 2020**

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:

	2021			Total
	Level 1	Level 2	Level 3	
Mutual Funds - Equity	\$ 2,030,186	\$ -	\$ -	\$ 2,030,186
Certificate of Deposit	-	465,346	-	465,346
Fixed Income	244,925	-	-	244,925
Corporate Bonds	-	33,156	-	33,156
Total Investments	<u>\$ 2,275,111</u>	<u>\$ 498,502</u>	<u>\$ -</u>	<u>\$ 2,773,613</u>

	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	<u>\$ 1,380,990</u>	<u>\$ 910,118</u>	<u>\$ -</u>	<u>\$ 2,291,108</u>

NOTE 5 NET ASSETS

Board-Designated Net Assets

As of December 31, the Organization's Board of Directors has designated net assets without donor restrictions to be used for the following purposes:

	2021	2020
Board-Designated Endowment	\$ 1,456,343	\$ 868,845
Cebu Property Acquisition	914,000	-
Total	<u>\$ 2,370,343</u>	<u>\$ 868,845</u>

Net Assets With Donor Restrictions

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

	2021	2020
Bridge Program Support	\$ -	\$ 10,000
Endowment Earnings	326,182	304,266
Donor-Restricted Net Assets Invested in Perpetuity	284,663	278,687
Total	<u>\$ 610,845</u>	<u>\$ 592,953</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, 2021 AND 2020**

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.

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:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 868,845	\$ 582,953	\$ 1,451,798
Investment Income	87,498	21,916	109,414
Additions	500,000	5,976	505,976
Endowment Net Assets - End of Year	<u>\$ 1,456,343</u>	<u>\$ 610,845</u>	<u>\$ 2,067,188</u>
	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>

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 6 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

	2021		
	Without Donor Restrictions	With Donor Restrictions	2021 Total
Donor-Restricted Endowment Funds	\$ -	\$ 610,845	\$ 610,845
Board-Designated Endowment Funds	1,456,343	-	1,456,343
Total Endowment Funds	\$ 1,456,343	\$ 610,845	\$ 2,067,188
	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	\$ 868,845	\$ 582,953	\$ 1,451,798

NOTE 7 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:

2021	Program	Management and General Administrative	Fundraising	Total
Program Support	\$ 612	\$ -	\$ -	\$ 612
Total	\$ 612	\$ -	\$ -	\$ 612
	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	\$ 14,463	\$ 21,666	\$ 12,462	\$ 48,591

NOTE 8 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 \$31,814 and \$40,895 for the years ended December 31, 2021 and 2020, respectively.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 9 OPERATING LEASES

Children's Shelter of Cebu had a month to month copier lease agreement that ended in January 2021 which had a monthly rental payment of \$82. A new copier lease was entered into on January 19, 2021 that terminates on January 19, 2026. This lease has monthly rental payments of \$279 per month. In addition, there is a postage machine lease that was entered into on August 3, 2021 that terminates on November 3, 2026 with monthly rental payments of \$60. The following table summarizes the future commitments for the copier and postage meter leases as of December 31, 2021:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 4,066
2023	4,066
2024	4,066
2025	4,066
2026	660
Total	<u>\$ 16,924</u>

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, 2021 and 2020 to the board member.

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 program support to CSC Philippines was \$1,344,717 and \$1,176,569 for the years ended December 31, 2021 and 2020, respectively. In 2021, \$86,000 was sent to support CSC Philippines to purchase a building for expanded programming, which is included in the total program support above.

NOTE 11 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 - \$1,000,000.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 11 LIQUIDITY (CONTINUED)

This is equal to approximately 3 to 6 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 \$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.

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

	2021	2020
Cash	\$ 1,599,655	\$ 1,222,517
Pledges Receivable, Net	1,713	2,522
Investments	3,010,171	2,474,630
Endowment Draw	103,359	72,590
Less: Amounts Restricted for Endowment	<u>(2,067,188)</u>	<u>(1,451,798)</u>
Total	<u>\$ 2,647,710</u>	<u>\$ 2,320,461</u>

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor. CLA is an independent member of Nexia International, a leading, global network of independent accounting and consulting firms. See [nexia.com/member-firm-disclaimer](https://www.nexia.com/member-firm-disclaimer) for details. **CliftonLarsonAllen LLP**

