

CHILDREN'S SHELTER OF CEBU
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022



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**CHILDREN'S SHELTER OF CEBU
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

Report on the Audit of the Financial Statements

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, 2023 and 2022, 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, 2023 and 2022, 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 25, 2024

**CHILDREN'S SHELTER OF CEBU
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022**

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,205,235	\$ 1,261,443
Pledges Receivable, Net	369	369
Total Current Assets	1,205,604	1,261,812
EQUIPMENT		
Equipment	30,257	31,810
Less: Accumulated Depreciation	(28,393)	(29,632)
Net Equipment	1,864	2,178
OTHER ASSETS		
Investments	2,978,348	2,758,411
Total Assets	\$ 4,185,816	\$ 4,022,401
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 919	\$ 5,283
Accrued Payroll and Other Liabilities	3,687	3,975
Furlough Liability	8,495	8,094
Total Current Liabilities	13,101	17,352
NET ASSETS		
Without Donor Restrictions	3,580,519	3,448,851
With Donor Restrictions	592,196	556,198
Total Net Assets	4,172,715	4,005,049
Total Liabilities and Net Assets	\$ 4,185,816	\$ 4,022,401

See accompanying Notes to Financial Statements.

**CHILDREN'S SHELTER OF CEBU
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Individual Contributions	\$ 2,454,930	\$ -	\$ 2,454,930	\$ 2,402,840	\$ 1,825	\$ 2,404,665
Banquet, Less Direct Expenses of \$18,191 and \$18,669, Respectively	87,653	-	87,653	122,377	-	122,377
Investment Return	190,943	35,998	226,941	(294,609)	(56,472)	(351,081)
Donated Securities	49,890	-	49,890	24,392	-	24,392
In-Kind Contributions	-	-	-	3,497	-	3,497
Miscellaneous Revenue	1,841	-	1,841	1,435	-	1,435
Total Revenue and Support	<u>2,785,257</u>	<u>35,998</u>	<u>2,821,255</u>	<u>2,259,932</u>	<u>(54,647)</u>	<u>2,205,285</u>
EXPENSE						
Program	2,272,635	-	2,272,635	2,424,571	-	2,424,571
Management and General Administrative	232,939	-	232,939	226,590	-	226,590
Fundraising	148,015	-	148,015	142,487	-	142,487
Total Expense	<u>2,653,589</u>	<u>-</u>	<u>2,653,589</u>	<u>2,793,648</u>	<u>-</u>	<u>2,793,648</u>
CHANGE IN NET ASSETS	131,668	35,998	167,666	(533,716)	(54,647)	(588,363)
Net Assets - Beginning of Year	<u>3,448,851</u>	<u>556,198</u>	<u>4,005,049</u>	<u>3,982,567</u>	<u>610,845</u>	<u>4,593,412</u>
NET ASSETS - END OF YEAR	<u>\$ 3,580,519</u>	<u>\$ 592,196</u>	<u>\$ 4,172,715</u>	<u>\$ 3,448,851</u>	<u>\$ 556,198</u>	<u>\$ 4,005,049</u>

See accompanying Notes to Financial Statements.

CHILDREN'S SHELTER OF CEBU
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	<u>Program</u>	<u>Management and General Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 177,454	\$ 111,075	\$ 91,254	\$ 379,783
Benefits	50,546	26,667	20,237	97,450
Payroll Taxes	13,797	8,715	7,187	29,699
Total Personnel Costs	<u>241,797</u>	<u>146,457</u>	<u>118,678</u>	<u>506,932</u>
Program Support	1,994,867	-	-	1,994,867
Postage	3,152	3,559	3,457	10,168
Printing	6,555	7,401	7,189	21,145
Computer and Office Supplies	1,442	1,628	1,581	4,651
Telephone	934	1,055	1,025	3,014
Training	-	143	-	143
Travel	15,978	2,515	-	18,493
Auto	-	12	-	12
Insurance	958	1,082	1,051	3,091
Accounting, Legal, and Professional	-	28,785	-	28,785
Advertising	-	-	7,409	7,409
Rent	6,855	7,739	7,518	22,112
Miscellaneous	-	32,453	-	32,453
Depreciation	97	110	107	314
Special Event Expenses	-	-	18,191	18,191
Total	<u>2,272,635</u>	<u>232,939</u>	<u>166,206</u>	<u>2,671,780</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:				
Special Event Expenses	<u>-</u>	<u>-</u>	<u>(18,191)</u>	<u>(18,191)</u>
Total Expense	<u>\$ 2,272,635</u>	<u>\$ 232,939</u>	<u>\$ 148,015</u>	<u>\$ 2,653,589</u>

See accompanying Notes to Financial Statements.

**CHILDREN'S SHELTER OF CEBU
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022**

	<u>Program</u>	<u>Management and General Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 156,549	\$ 109,522	\$ 88,674	\$ 354,745
Benefits	42,964	25,803	19,081	87,848
Payroll Taxes	12,609	8,744	7,047	28,400
Total Personnel Costs	<u>212,122</u>	<u>144,069</u>	<u>114,802</u>	<u>470,993</u>
Program Support	2,170,598	-	-	2,170,598
Postage	3,297	3,723	3,617	10,637
Printing	7,765	8,767	8,516	25,048
Computer and Office Supplies	1,648	1,860	1,807	5,315
Telephone	1,161	1,310	1,273	3,744
Training	-	177	-	177
Travel	23,916	5,503	-	29,419
Auto	-	16	-	16
Insurance	914	1,032	1,003	2,949
Accounting, Legal, and Professional	-	25,680	-	25,680
Advertising	-	-	8,014	8,014
Rent	2,790	3,150	3,060	9,000
Miscellaneous	-	30,897	-	30,897
Depreciation	360	406	395	1,161
Special Event Expenses	-	-	18,669	18,669
Total	<u>2,424,571</u>	<u>226,590</u>	<u>161,156</u>	<u>2,812,317</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:				
Special Event Expenses	<u>-</u>	<u>-</u>	<u>(18,669)</u>	<u>(18,669)</u>
Total Expense	<u>\$ 2,424,571</u>	<u>\$ 226,590</u>	<u>\$ 142,487</u>	<u>\$ 2,793,648</u>

See accompanying Notes to Financial Statements.

**CHILDREN'S SHELTER OF CEBU
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 167,666	\$ (588,363)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	314	1,161
Loss on Sale of Investments	66,239	54,517
Unrealized (Gain) Loss on Investments	(187,678)	399,769
Contributions Restricted to Endowment	-	(1,825)
(Increase) Decrease in Current Assets:		
Pledges Receivable	-	1,344
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(4,364)	3,619
Accrued Payroll and Other Liabilities	(288)	165
Furlough Liability	401	(7,898)
Net Cash Provided (Used) by Operating Activities	42,290	(137,511)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	2,242,285	5,141,206
Purchase of Investments	(2,340,783)	(5,343,732)
Net Cash Used by Investing Activities	(98,498)	(202,526)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Received for Endowment	-	1,825
Net Cash Provided by Financing Activities	-	1,825
NET CHANGE IN CASH	(56,208)	(338,212)
Cash - Beginning of Year	1,261,443	1,599,655
CASH - END OF YEAR	\$ 1,205,235	\$ 1,261,443

See accompanying Notes to Financial Statements.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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, 2023 AND 2022**

**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, 2023 and 2022 of \$11,000. At December 31, 2023 and 2022, 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 asset, generally five to seven years.

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

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.

Revenue Recognition

Revenue is recognized on the accrual basis and generally consists of contributions, banquet revenue, in-kind contributions, and other income.

Contributions, including unconditional promises to give, are recognized as without donor restrictions or with donor-restrictions support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in the net assets donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net asset with donor restricted are reclassified to net assets without donor-restrictions and reported in the statements of activities and changes in net assets as Release from Program Restrictions.

Unconditional contribution pledges are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional contributions are recognized when the conditions on which they depend are substantially met.

Banquet revenue consists of registrations, sponsorships and other contributions. Revenue is recognized when the event has occurred.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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

Donated Goods and Services

Contributions of donated noncash assets are recorded at their fair values in the period received. The Organization estimates the fair value of program support in-kinds on the basis of estimates of the current market rates for similar goods in the Organization's market. 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, 2023 and 2022 was \$7,409 and \$8,014, respectively.

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 (rent, depreciation, postage, printing, computer and office supplies), 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.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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

Fair Value of Financial Instruments (Continued)

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. 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, 2023 and 2022. However, the Organization may elect to measure newly acquired financial instruments at fair value in the future.

Leases

The Organization determines if an arrangement is a lease at inception. Leases are reported on the statement of financial position as a right-of-use (ROU) asset and lease liability. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the statements of financial position. As of December 31, 2023 and 2022, the Organization has a month to month lease for office space for \$750 per month that increased to \$1,942 per month starting February 1, 2023. The Organization paid \$22,112 and \$9,000 of rent expense for the years ended December 31, 2023 and 2022.

In addition, Children's Shelter of Cebu has a copier lease that was entered into on January 19, 2021 which 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 Organization determined the copier and postage machine lease were immaterial and chose to not record as a ROU asset and liability.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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

Leases (Continued)

The following table summarizes the future commitments for the copier and postage meter leases as of December 31, 2023:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 4,066
2025	4,066
2026	939
Total	<u>\$ 9,071</u>

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in these financial statements through April 25, 2024, the date the financial statements were available to be issued.

NOTE 2 INVESTMENTS

Investments consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Money Market	\$ 465,471	\$ 5,816
Mutual Funds - Equity	1,524,915	1,586,558
Certificates of Deposit	500,058	886,934
Fixed Income	487,904	279,103
Total	<u>\$ 2,978,348</u>	<u>\$ 2,758,411</u>

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

NOTE 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.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

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:

	2023			
	Level 1	Level 2	Level 3	Total
Mutual Funds - Equity	\$ 1,524,915	\$ -	\$ -	\$ 1,524,915
Certificates of Deposit	-	500,058	-	500,058
Fixed Income	487,904	-	-	487,904
Total Investments	\$ 2,012,819	\$ 500,058	\$ -	\$ 2,512,877
	2022			
	Level 1	Level 2	Level 3	Total
Mutual Funds - Equity	\$ 1,586,558	\$ -	\$ -	\$ 1,586,558
Certificates of Deposit	-	886,934	-	886,934
Fixed Income	279,103	-	-	279,103
Total Investments	\$ 1,865,661	\$ 886,934	\$ -	\$ 2,752,595

NOTE 4 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:

	2023	2022
Board-Designated Endowment	\$ 1,460,202	\$ 1,313,208
Cebu Strategic Projects	840,000	840,000
Total	\$ 2,300,202	\$ 2,153,208

Net Assets With Donor Restrictions

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

	2023	2022
Endowment Earnings	\$ 305,708	\$ 269,710
Donor-Restricted Net Assets Invested in Perpetuity	286,488	286,488
Total	\$ 592,196	\$ 556,198

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, 2023 AND 2022**

NOTE 5 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 4% 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:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 1,313,208	\$ 556,198	\$ 1,869,406
Investment Income	146,994	35,998	182,992
Endowment Net Assets - End of Year	<u>\$ 1,460,202</u>	<u>\$ 592,196</u>	<u>\$ 2,052,398</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 1,456,343	\$ 610,845	\$ 2,067,188
Investment Income	(245,654)	(56,472)	(302,126)
Additions	102,519	1,825	104,344
Endowment Net Assets - End of Year	<u>\$ 1,313,208</u>	<u>\$ 556,198</u>	<u>\$ 1,869,406</u>

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 5 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

	2023		
	Without Donor Restrictions	With Donor Restrictions	2023 Total
Donor-Restricted Endowment Funds	\$ -	\$ 592,196	\$ 592,196
Board-Designated Endowment Funds	1,460,202	-	1,460,202
Total Endowment Funds	\$ 1,460,202	\$ 592,196	\$ 2,052,398
	2022		
	Without Donor Restrictions	With Donor Restrictions	2022 Total
Donor-Restricted Endowment Funds	\$ -	\$ 556,198	\$ 556,198
Board-Designated Endowment Funds	1,313,208	-	1,313,208
Total Endowment Funds	\$ 1,313,208	\$ 556,198	\$ 1,869,406

NOTE 6 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:

2023	Program	Management and General Administrative	Fundraising	Total
Program Support	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
	2022			
	Program	Management and General Administrative	Fundraising	Total
Program Support	\$ 3,497	\$ -	\$ -	\$ 3,497
Total	\$ 3,497	\$ -	\$ -	\$ 3,497

NOTE 7 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 \$34,509 and \$33,134 for the years ended December 31, 2023 and 2022, respectively.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 8 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 \$1,994,867 and \$2,170,598 for the years ended December 31, 2023 and 2022, respectively. Included in the total program support for 2023 and 2022, respectively, is \$600,000 and \$800,000 sent to support CSC Philippines to purchase a building and construction for expanded programming.

NOTE 9 CONCENTRATIONS OF RISK

Total contribution revenue for both of the years ended December 31, 2023 and 2022 consisted of 16% from one donor.

NOTE 10 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 to \$1,000,000. 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 \$2 million, in which it can spend up to 4% 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:

	<u>2023</u>	<u>2022</u>
Cash	\$ 1,205,235	\$ 1,261,443
Pledges Receivable, Net	369	369
Investments	2,978,348	2,758,411
Endowment Draw	82,096	74,776
Less: Amounts Restricted for Endowment	(2,052,398)	(1,869,406)
Total	<u>\$ 2,213,650</u>	<u>\$ 2,225,593</u>



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