

CHILDREN'S SHELTER OF CEBU
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

**CHILDREN'S SHELTER OF CEBU
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

We have audited the accompanying financial statements of Children's Shelter of Cebu, which comprise the statements of financial position as of December 31, 2018 and 2017, 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, 2018 and 2017, 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 25, 2019

**CHILDREN'S SHELTER OF CEBU
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,085,713	\$ 785,545
Pledges Receivable, Net	11,301	19,472
Total Current Assets	1,097,014	805,017
EQUIPMENT		
Equipment	39,591	44,720
Less: Accumulated Depreciation	(31,963)	(34,073)
Net Equipment	7,628	10,647
OTHER ASSETS		
Investments	1,001,044	622,165
Total Assets	\$ 2,105,686	\$ 1,437,829
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Note Payable, Current Portion	\$ 1,452	\$ 1,878
Accounts Payable	7,783	3,740
Accrued Payroll and Other Liabilities	14,544	15,196
Furlough Liability	139,170	123,240
Total Current Liabilities	162,949	144,054
LONG-TERM LIABILITIES		
Note Payable	-	1,451
Total Liabilities	162,949	145,505
NET ASSETS		
Without Donor Restrictions	1,509,938	829,311
With Donor Restrictions	432,799	463,013
Total Net Assets	1,942,737	1,292,324
Total Liabilities and Net Assets	\$ 2,105,686	\$ 1,437,829

See accompanying Notes to Financial Statements.

**CHILDREN'S SHELTER OF CEBU
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Individual Contributions	\$ 2,192,021	\$ -	\$ 2,192,021	\$ 1,937,163	\$ -	\$ 1,937,163
Banquet, Less Direct Expenses of \$25,065 and \$25,221, Respectively	127,259	-	127,259	133,061	-	133,061
Investment Return	(42,587)	(30,214)	(72,801)	16,382	39,524	55,906
Donated Securities	40,124	-	40,124	45,082	-	45,082
In-Kind Contributions	80,928	-	80,928	18,846	-	18,846
Miscellaneous Revenue	11,222	-	11,222	9,396	-	9,396
Total Revenue and Support	<u>2,408,967</u>	<u>(30,214)</u>	<u>2,378,753</u>	<u>2,159,930</u>	<u>39,524</u>	<u>2,199,454</u>
EXPENSE						
Program	1,409,494	-	1,409,494	1,513,445	-	1,513,445
Management and General Administrative	195,342	-	195,342	189,264	-	189,264
Fundraising	123,504	-	123,504	103,463	-	103,463
Total Expense	<u>1,728,340</u>	<u>-</u>	<u>1,728,340</u>	<u>1,806,172</u>	<u>-</u>	<u>1,806,172</u>
CHANGE IN NET ASSETS	680,627	(30,214)	650,413	353,758	39,524	393,282
Net Assets - Beginning	<u>829,311</u>	<u>463,013</u>	<u>1,292,324</u>	<u>475,553</u>	<u>423,489</u>	<u>899,042</u>
NET ASSETS - ENDING	<u>\$ 1,509,938</u>	<u>\$ 432,799</u>	<u>\$ 1,942,737</u>	<u>\$ 829,311</u>	<u>\$ 463,013</u>	<u>\$ 1,292,324</u>

See accompanying Notes to Financial Statements.

**CHILDREN'S SHELTER OF CEBU
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018			
	Program	Management and General Administrative	Fundraising	Total
Salaries	\$ 316,369	\$ 90,217	\$ 85,379	\$ 491,965
Benefits	91,349	11,757	12,521	115,627
Payroll Taxes	22,762	5,138	4,994	32,894
Total Personnel Costs	<u>430,480</u>	<u>107,112</u>	<u>102,894</u>	<u>640,486</u>
Program Support	943,685	-	-	943,685
Postage	2,738	3,863	3,356	9,957
Printing	5,307	7,488	6,504	19,299
Computer and Office Supplies	1,439	2,030	1,764	5,233
Telephone	875	1,235	1,072	3,182
Training	-	8,423	-	8,423
Travel	20,753	1,664	-	22,417
Auto	-	600	-	600
Insurance	567	1,983	694	3,244
Accounting, Legal, and Professional	-	32,162	-	32,162
Advertising	-	-	2,747	2,747
Rent	2,475	3,492	3,033	9,000
Miscellaneous	-	23,632	-	23,632
Depreciation	1,175	1,658	1,440	4,273
Special Event Expenses	-	-	25,065	25,065
Total	<u>1,409,494</u>	<u>195,342</u>	<u>148,569</u>	<u>1,753,405</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:				
Special Event Expenses	-	-	(25,065)	(25,065)
Total Expense	<u>\$ 1,409,494</u>	<u>\$ 195,342</u>	<u>\$ 123,504</u>	<u>\$ 1,728,340</u>

See accompanying Notes to Financial Statements.

2017

Program	Management and General Administrative	Fundraising	Total
\$ 357,725	\$ 72,061	\$ 63,580	\$ 493,366
135,004	13,441	14,519	162,964
28,438	5,866	5,149	39,453
<u>521,167</u>	<u>91,368</u>	<u>83,248</u>	<u>695,783</u>
957,996	-	-	957,996
2,682	3,489	2,508	8,679
6,555	8,528	6,131	21,214
1,526	1,985	1,427	4,938
1,141	1,484	1,067	3,692
-	3,005	-	3,005
17,295	4,188	-	21,483
-	51	-	51
835	2,217	781	3,833
-	44,659	-	44,659
-	-	4,328	4,328
2,781	3,618	2,601	9,000
-	22,764	-	22,764
1,467	1,908	1,372	4,747
-	-	25,221	25,221
<u>1,513,445</u>	<u>189,264</u>	<u>128,684</u>	<u>1,831,393</u>
-	-	(25,221)	(25,221)
<u>\$ 1,513,445</u>	<u>\$ 189,264</u>	<u>\$ 103,463</u>	<u>\$ 1,806,172</u>

**CHILDREN'S SHELTER OF CEBU
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 650,413	\$ 393,282
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	4,273	4,747
Gain on Sale of Investments	(29,212)	(1,473)
Unrealized (Gain) Loss on Investments	138,466	(29,270)
Decrease in Current Assets:		
Pledges Receivable	8,171	39,862
Increase (Decrease) in Current Liabilities:		
Accounts Payable	4,043	2,690
Accrued Payroll and Other Liabilities	(652)	(12,360)
Furlough Liability	15,930	17,048
Net Cash Provided by Operating Activities	791,432	414,526
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	(1,254)	(2,314)
Proceeds from Sale of Investments	464,247	55,716
Purchase of Investments	(952,380)	(157,215)
Net Cash Used by Investing Activities	(489,387)	(103,813)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Notes Payable	(1,877)	(1,791)
INCREASE IN CASH	300,168	308,922
Cash - Beginning	785,545	476,623
CASH - ENDING	\$ 1,085,713	\$ 785,545
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
In-Kind Contributions	\$ 80,928	\$ 18,846
Donated Investments	\$ 44,990	\$ -

See accompanying Notes to Financial Statements.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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:

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.

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, 2018 AND 2017**

**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, 2018 and 2017 of \$11,000 and \$16,000, respectively. At December 31, 2018 and 2017, all pledges are considered current.

Property and Equipment

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

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values on the statements of financial position. Unrealized gains and losses are included in the Change in Net Assets in the accompanying statements of activities.

Furlough Liability

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 will receive one final 12 month long terminal furlough after their retirement from active duty in Cebu. This will most likely occur in calendar year 2020-2021.

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, 2018 and 2017 was \$2,747 and \$4,328, respectively.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

**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. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated based on the best estimates of management.

Income Tax Exemption

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and Minnesota Statute. It has been classified as an organization that is not a private foundation under the IRC and charitable contributions by donors are tax deductible.

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, 2018 AND 2017**

**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, 2018 and 2017. However, the Organization may elect to measure newly acquired financial instruments at fair value in the future.

Change in Accounting Principle

The Organization adopted Financial Accounting Standards Board (FASB) ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, in 2018. These changes were applied retrospectively to ensure comparability with the prior year presented herein. The adoption did not impact the Organization's financial position as of December 31, 2018 and 2017 or the changes in its net assets or cash flows for the years then ended.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in these financial statements through March 25, 2019, the date the financial statements were available to be issued.

NOTE 2 CONCENTRATIONS OF RISK

Total contribution revenue for the years ended December 31, 2018 and 2017 consisted of 27% from two donors and 14% from one donor, respectively.

NOTE 3 INVESTMENTS

Investments consist of the following at December 31:

	2018	2017
Money Market	\$ 47,067	\$ 23,392
Mutual Funds - Equity	926,617	569,532
Corporate Bonds	27,360	29,241
Total	<u>\$ 1,001,044</u>	<u>\$ 622,165</u>

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 3 INVESTMENTS (CONTINUED)

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 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:

	2018			
	Level 1	Level 2	Level 3	Total
Mutual Funds - Equity	\$ 926,617	\$ -	\$ -	\$ 926,617
Corporate Bonds	27,360	-	-	27,360
Total Investments	\$ 953,977	\$ -	\$ -	\$ 953,977
	2017			
	Level 1	Level 2	Level 3	Total
Mutual Funds - Equity	\$ 569,532	\$ -	\$ -	\$ 569,532
Corporate Bonds	29,241	-	-	29,241
Total Investments	\$ 598,773	\$ -	\$ -	\$ 598,773

NOTE 5 NOTES PAYABLE

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

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

Year Ending December 31,	Amount
2019	\$ 1,452

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 6 NET ASSETS

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

	2018	2017
Future Operations - Unappropriated:		
Endowment Earnings	\$ 200,306	\$ 230,520
Donor Restricted Net Assets Invested in Perpetuity	232,493	232,493
Total	\$ 432,799	\$ 463,013

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

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.

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 7 ENDOWMENT (CONTINUED)

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

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning	\$ 159,152	\$ 463,013	\$ 622,165
Investment Income	(73,944)	(30,214)	(104,158)
Additions	483,037	-	483,037
Endowment Net Assets - Ending	<u>\$ 568,245</u>	<u>\$ 432,799</u>	<u>\$ 1,001,044</u>

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning	\$ 58,321	\$ 423,489	\$ 481,810
Investment Income	14,862	39,524	54,386
Additions	85,969	-	85,969
Endowment Net Assets - Ending	<u>\$ 159,152</u>	<u>\$ 463,013</u>	<u>\$ 622,165</u>

	2018		
	Without Donor Restrictions	With Donor Restrictions	2018 Total
Donor-Restricted Endowment Funds	\$ -	\$ 432,799	\$ 432,799
Board-Designated Endowment Funds	568,245	-	568,245
Total Endowment Funds	<u>\$ 568,245</u>	<u>\$ 432,799</u>	<u>\$ 1,001,044</u>

	2017		
	Without Donor Restrictions	With Donor Restrictions	2017 Total
Donor-Restricted Endowment Funds	\$ -	\$ 463,013	\$ 463,013
Board-Designated Endowment Funds	159,152	-	159,152
Total Endowment Funds	<u>\$ 159,152</u>	<u>\$ 463,013</u>	<u>\$ 622,165</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:

	2018	2017
Program Support	\$ 16,020	\$ 9,796
Salaries	55,833	-
Accounting, Legal, and Professional	9,075	9,050
Total	<u>\$ 80,928</u>	<u>\$ 18,846</u>

**CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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 \$40,832 and \$58,127 for the years ended December 31, 2018 and 2017, respectively.

NOTE 10 OPERATING LEASES

Rental commitments under noncancelable leases for office space and a copier in effect at December 31, 2018 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 984
2020	410
Total	<u>\$ 1,394</u>

Children's Shelter of Cebu has entered into a lease agreement for administrative space under terms of an operating lease agreement requiring monthly rental payments of \$750. The lease 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. Children's Shelter of Cebu paid \$2,250 of rent for the year ended December 31, 2018 to the board member.

Children's Shelter of Cebu has entered into a lease agreement for a copier requiring monthly rental payments of \$82. The lease expires in June 2020.

Rent expense was \$9,000 for the years ended December 31, 2018 and 2017.

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 payments to CSC Philippines were \$1,164,711 and \$939,150 for the years ended December 31, 2018 and 2017, respectively.

CHILDREN'S SHELTER OF CEBU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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. This is equal to approximately 3 months' operating reserves. None of these assets are subject to donor or other contractual restrictions. The 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 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, 2018:

Cash and Cash Equivalents	\$ 1,085,713
Pledges Receivable, Net	11,301
Endowment Draw	<u>50,052</u>
Subtotal	<u>1,147,066</u>
Total Less Endowment Draw	<u><u>\$ 1,097,014</u></u>