

**CHILDREN'S SHELTER OF CEBU  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**



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## 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, 2022 and 2021, 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, 2022 and 2021, 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 1, 2023

**CHILDREN'S SHELTER OF CEBU  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,261,443	\$ 1,599,655
Pledges Receivable, Net	369	1,713
Total Current Assets	1,261,812	1,601,368
<b>EQUIPMENT</b>		
Equipment	31,810	31,810
Less: Accumulated Depreciation	(29,632)	(28,471)
Net Equipment	2,178	3,339
<b>OTHER ASSETS</b>		
Investments	2,758,411	3,010,171
Total Assets	\$ 4,022,401	\$ 4,614,878
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 5,283	\$ 1,664
Accrued Payroll and Other Liabilities	3,975	3,810
Furlough Liability	8,094	15,992
Total Current Liabilities	17,352	21,466
<b>NET ASSETS</b>		
Without Donor Restrictions	3,448,851	3,982,567
With Donor Restrictions	556,198	610,845
Total Net Assets	4,005,049	4,593,412
Total Liabilities and Net Assets	\$ 4,022,401	\$ 4,614,878

See accompanying Notes to Financial Statements.

**CHILDREN'S SHELTER OF CEBU  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>						
Individual Contributions	\$ 2,402,840	\$ 1,825	\$ 2,404,665	\$ 2,627,711	\$ 5,976	\$ 2,633,687
Banquet, Less Direct Expenses of \$18,669 and \$14,018, Respectively	122,377	-	122,377	130,825	-	130,825
Investment Return	(294,609)	(56,472)	(351,081)	96,642	21,916	118,558
Donated Securities	24,392	-	24,392	38,449	-	38,449
In-Kind Contributions	3,497	-	3,497	612	-	612
Miscellaneous Revenue	1,435	-	1,435	1,733	-	1,733
Release from Program Restriction	-	-	-	10,000	(10,000)	-
Total Revenue and Support	<u>2,259,932</u>	<u>(54,647)</u>	<u>2,205,285</u>	<u>2,905,972</u>	<u>17,892</u>	<u>2,923,864</u>
<b>EXPENSE</b>						
Program	2,424,571	-	2,424,571	1,604,895	-	1,604,895
Management and General Administrative	226,590	-	226,590	215,391	-	215,391
Fundraising	142,487	-	142,487	126,883	-	126,883
Total Expense	<u>2,793,648</u>	<u>-</u>	<u>2,793,648</u>	<u>1,947,169</u>	<u>-</u>	<u>1,947,169</u>
<b>CHANGE IN NET ASSETS</b>	(533,716)	(54,647)	(588,363)	958,803	17,892	976,695
Net Assets - Beginning 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>
<b>NET ASSETS - END OF YEAR</b>	<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>

See accompanying Notes to Financial Statements.

**CHILDREN'S SHELTER OF CEBU  
STATEMENTS 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 FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2021**

	<u>Program</u>	<u>Management and General Administrative</u>	<u>Fundraising</u>	<u>Total</u>
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
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 CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (588,363)	\$ 976,695
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,161	1,230
Loss on Sale of Fixed Assets	-	327
Loss on Sale of Investments	54,517	1,237
Unrealized (Gain) Loss on Investments	399,769	(23,470)
Contributed Securities	(26,217)	-
Contributions Restricted to Endowment	(1,825)	(5,976)
(Increase) Decrease in Current Assets:		
Pledges Receivable	1,344	809
Increase (Decrease) in Current Liabilities:		
Accounts Payable	3,619	(242)
Accrued Payroll and Other Liabilities	165	(14,940)
Furlough Liability	(7,898)	(49,734)
Net Cash Provided (Used) by Operating Activities	(163,728)	885,936
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Equipment	-	(1,466)
Proceeds from Sale of Investments	5,141,206	1,733,098
Purchase of Investments	(5,317,515)	(2,246,406)
Net Cash Used by Investing Activities	(176,309)	(514,774)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash Received for Endowment	1,825	5,976
Net Cash Provided by Financing Activities	1,825	5,976
<b>NET CHANGE IN CASH</b>	(338,212)	377,138
Cash - Beginning of Year	1,599,655	1,222,517
<b>CASH - END OF YEAR</b>	\$ 1,261,443	\$ 1,599,655

See accompanying Notes to Financial Statements.

**CHILDREN'S SHELTER OF CEBU  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**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, 2022 AND 2021**

**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, 2022 and 2021 of \$11,000. At December 31, 2022 and 2021, 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, 2022 AND 2021**

**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, 2022 and 2021 was \$8,014 and \$8,262, 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, 2022 AND 2021**

**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, 2022 and 2021. 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, 2022, the Organization has a month to month lease for office space for \$750 per month. The Organization paid \$9,000 of rent for the years ended December 31, 2022 and 2021 to the board member for rent, who left the board in December 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, 2022 AND 2021**

**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, 2022:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 4,066
2024	4,066
2025	4,066
2026	660
Total	<u>\$ 12,858</u>

**Adoption of Accounting Pronouncement**

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard requires that contributed nonfinancial assets are reported on a separate line in the statements of activities, apart from contributions of cash and other financial assets. It also requires disclosure of disaggregated amounts of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets along with additional qualitative information about the monetization of such assets, donor restrictions and valuation techniques. The adoption of this standard did not have any significant impact on the accompanying financial statements or disclosures.

**Adoption of New Accounting Standards**

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted the requirement of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption. There was no impact on the Organization's financial position and change in net assets as a result of the adoption of this accounting standard.

**Subsequent Events**

The Organization has evaluated events and transactions for potential recognition or disclosure in these financial statements through April 1, 2023, the date the financial statements were available to be issued.

**CHILDREN'S SHELTER OF CEBU**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 2 INVESTMENTS**

Investments consist of the following at December 31:

	2022	2021
Money Market	\$ 5,816	\$ 236,558
Mutual Funds - Equity	1,586,558	2,030,186
Certificate of Deposit	886,934	465,346
Fixed Income	279,103	244,925
Corporate Bonds	-	33,156
Total	\$ 2,758,411	\$ 3,010,171

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.

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:

	2022			
	Level 1	Level 2	Level 3	Total
Mutual Funds - Equity	\$ 1,586,558	\$ -	\$ -	\$ 1,586,558
Certificate of Deposit	-	886,934	-	886,934
Fixed Income	279,103	-	-	279,103
Total Investments	\$ 1,865,661	\$ 886,934	\$ -	\$ 2,752,595
	2021			
	Level 1	Level 2	Level 3	Total
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	\$ 2,275,111	\$ 498,502	\$ -	\$ 2,773,613

**CHILDREN'S SHELTER OF CEBU  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**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:

	<u>2022</u>	<u>2021</u>
Board-Designated Endowment	\$ 1,313,208	\$ 1,456,343
Cebu Property Acquisition	840,000	914,000
Total	<u>\$ 2,153,208</u>	<u>\$ 2,370,343</u>

**Net Assets With Donor Restrictions**

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

	<u>2022</u>	<u>2021</u>
Endowment Earnings	\$ 269,710	\$ 326,182
Donor-Restricted Net Assets Invested in Perpetuity	286,488	284,663
Total	<u>\$ 556,198</u>	<u>\$ 610,845</u>

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

**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.

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**NOTE 5 ENDOWMENT (CONTINUED)**

**Interpretation of Relevant Law (Continued)**

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

	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>
	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>
	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	<u>\$ 1,313,208</u>	<u>\$ 556,198</u>	<u>\$ 1,869,406</u>
	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	<u>\$ 1,456,343</u>	<u>\$ 610,845</u>	<u>\$ 2,067,188</u>

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**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:

2022	Program	Management and General Administrative	Fundraising	Total
Program Support	\$ 3,497	\$ -	\$ -	\$ 3,497
Total	<u>\$ 3,497</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,497</u>
2021	Program	Management and General Administrative	Fundraising	Total
Program Support	\$ 612	\$ -	\$ -	\$ 612
Total	<u>\$ 612</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 612</u>

**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 \$33,134 and \$31,814 for the years ended December 31, 2022 and 2021, respectively.

**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 \$2,170,598 and \$1,344,717 for the years ended December 31, 2022 and 2021, respectively. \$800,000 and \$86,000 was sent to support CSC Philippines to purchase a building for expanded programming, which is included in the total program support above, in 2022 and 2021, respectively.

**NOTE 9 CONCENTRATIONS OF RISK**

Total contribution revenue for the years ended December 31, 2022 and 2021 consisted of 16% from one donor and 14% from one donor, respectively.

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**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>2022</u>	<u>2021</u>
Cash	\$ 1,261,443	\$ 1,599,655
Pledges Receivable, Net	369	1,713
Investments	2,758,411	3,010,171
Endowment Draw	74,776	103,359
Less: Amounts Restricted for Endowment	<u>(1,869,406)</u>	<u>(2,067,188)</u>
Total	<u>\$ 2,225,593</u>	<u>\$ 2,647,710</u>



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