

**CHILDREN'S CUP**

Keller, Texas

Financial Statements

Year Ended December 31, 2017

**CHILDREN'S CUP**  
Financial Statements  
Year Ended December 31, 2017

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 7



INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Children's Cup  
Keller, Texas

We have audited the accompanying financial statements of Children's Cup (the "Organization"), an Iowa nonprofit corporation, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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 auditors consider internal control relevant to the Organization'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 Organization'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.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Cup as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

PSK LLP

Arlington, Texas  
April 3, 2018

**CHILDREN'S CUP**  
Statement of Financial Position  
December 31, 2017

ASSETS

Cash	\$ 1,257,584
Prepaid expenses	<u>10,400</u>
Property and equipment	
Office equipment	101,823
Construction in progress	94,109
Accumulated depreciation	<u>(90,835)</u>
Net property and equipment	<u>105,097</u>
Total Assets	<u>\$ 1,373,081</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 30,123
Accrued expenses	<u>35,557</u>
Total liabilities	<u>65,680</u>
Net Assets	
Unrestricted	1,291,122
Temporarily restricted	<u>16,279</u>
Total net assets	<u>1,307,401</u>
Total Liabilities and Net Assets	<u>\$ 1,373,081</u>

*The accompanying notes are an integral part of these financial statements.*

**CHILDREN'S CUP**  
Statement of Activities  
Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains and other support			
Contributions	\$ 4,286,008	\$ 17,419	\$ 4,303,427
In-kind contributions	1,077,754	-	1,077,754
Missionary support	453,851	-	453,851
One Child Matters	91,252	-	91,252
Interest income	215	-	215
Gain on disposal of property and equipment, net	144,413	-	144,413
Net assets released from restrictions	<u>14,770</u>	<u>(14,770)</u>	<u>-</u>
 Total revenues, gains and other support	 <u>6,068,263</u>	 <u>2,649</u>	 <u>6,070,912</u>
Expenses			
Program expenses			
Swaziland	2,529,257	-	2,529,257
South Africa	375,048	-	375,048
Honduras	356,685	-	356,685
Mexico	208,396	-	208,396
Belize	244,176	-	244,176
Dominican Republic	181,853	-	181,853
Other expenses	89,233	-	89,233
Missionary support	134,809	-	134,809
Field development	<u>839,203</u>	<u>-</u>	<u>839,203</u>
 Total program expenses	 <u>4,958,660</u>	 <u>-</u>	 <u>4,958,660</u>
Supporting services			
Payroll	277,039	-	277,039
Office expenses	137,323	-	137,323
Fees for services	66,415	-	66,415
Information technology	15,436	-	15,436
Occupancy	38,476	-	38,476
Insurance	<u>8,255</u>	<u>-</u>	<u>8,255</u>
 Total supporting services	 <u>542,944</u>	 <u>-</u>	 <u>542,944</u>
Fundraising expenses			
Advertising and promotion	148,047	-	148,047
Payroll	127,398	-	127,398
Conferences, conventions and meetings	<u>75,990</u>	<u>-</u>	<u>75,990</u>
 Total fundraising expenses	 <u>351,435</u>	 <u>-</u>	 <u>351,435</u>
 Total expenses	 <u>5,853,039</u>	 <u>-</u>	 <u>5,853,039</u>
 Change in net assets	 215,224	 2,649	 217,873
Net assets at beginning of the year	<u>1,075,898</u>	<u>13,630</u>	<u>1,089,528</u>
Net assets at end of the year	<u>\$ 1,291,122</u>	<u>\$ 16,279</u>	<u>\$ 1,307,401</u>

*The accompanying notes are an integral part of these financial statements.*

**CHILDREN'S CUP**  
Statement of Cash Flows  
Year Ended December 31, 2017

Cash Flows From Operating Activities:	
Change in net assets	\$ 217,873
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	24,969
Gain on disposal of property and equipment, net	(144,413)
(Increase) decrease in assets:	
Prepaid expenses	(5,731)
Increase (decrease) in liabilities:	
Accounts payable	21,246
Accrued expenses	<u>(20,302)</u>
Net cash provided by operating activities	<u>93,642</u>
Cash Flows From Investing Activities:	
Proceeds from disposal of property and equipment	324,775
Purchase of property and equipment	<u>(102,027)</u>
Net cash provided by investing activities	<u>222,748</u>
Change in cash	316,390
Cash at beginning of the year	<u>941,194</u>
Cash at end of the year	<u>\$ 1,257,584</u>

*The accompanying notes are an integral part of these financial statements.*

**CHILDREN'S CUP**  
Notes to Financial Statements

## 1 - Organization and Nature of Activities

Children's Cup (the "Organization"), founded in 1992, is incorporated in the state of Iowa as a not-for-profit religious organization. The Organization's function is to provide humanitarian and spiritual aid to orphans and vulnerable children in impoverished areas of Africa, Asia and Central America. The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code as other than a private foundation.

## 2 - Summary of Significant Accounting Policies

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the obligation is incurred. The financial statements of the Organization have been prepared using accounting principles generally accepted in the United States of America.

Basis of Presentation - As required by the Not-for-Profit Entities Classification of Net Assets topic of the Financial Accounting Standards Board *Accounting Standards Codification* ("FASB ASC"), the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenue Recognition - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Donor-restricted contributions whose restrictions are met in the same reporting period are accounted for as unrestricted support, while all other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Revenues and Support - Revenues and support for the Organization are primarily derived from unrestricted contributions from businesses, churches and individuals.

Functional Allocation of Expenses - The costs of providing the various program services and supporting activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities.

Use of Estimates - Management used estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amount 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.

Donated Assets - Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. Donated food amounted to \$1,077,754 for the year ended December 31, 2017.

Donated Services - No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. A large number of people have contributed significant amounts of time to the activities of the Organization without compensation. The financial statements do not reflect the value of those contributed services.

**CHILDREN'S CUP**  
Notes to Financial Statements

**2 - Summary of Significant Accounting Policies (continued)**

Compensated Absences - Employees of the Organization, administrative and ministerial, are entitled to paid vacation depending upon length of service and other factors. The Organization's policy is to recognize the cost of compensated absences when paid to employees and unused balances may not be rolled forward to the next year; therefore, no liability has been recorded in the accompanying financial statements.

Concentrations and Credit Risks - The Organization maintains deposits at financial institutions which, at times, may exceed the federally insured limit. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk.

Cash and Cash Equivalents - The Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Property and Equipment - It is the Organization's policy to capitalize property and equipment purchases over \$500 at cost, if purchased, and fair market value at date of donation, if contributed. Maintenance, repairs, and replacements, which do not improve or extend the lives of the respective assets, are charged to expense when incurred. Additions to property and equipment, including renewals and betterments that extend the useful life of property and equipment, are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets as follows:

Office equipment	3 to 7 years
------------------	--------------

Depreciation expense for the year ended December 31, 2017 amounted to \$24,969.

Income Taxes - The Organization follows the Income Taxes topic of the FASB ASC, which prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. The Organization is not aware of any activities that would jeopardize its tax-exempt status and is not aware of any activities that are subject to tax on unrelated business income. As of December 31, 2017, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements and does not expect this to change in the next twelve months. The 2014 tax year and beyond remain subject to examination by the Internal Revenue Service.

**3 - Operating Lease Commitments**

The Organization has entered into certain non-cancellable operating leases for office rent and equipment. Rent payments for the year ended December 31, 2017 totaled \$33,843. The following is a schedule of future minimum rental payments under the leases at December 31, 2017:

Year Ending December 31,	
2018	\$ 63,582
2019	63,582
2020	33,843
2021	2,736

**4 - Related Party Transactions**

During the year ended December 31, 2017, the Organization paid approximately \$6,000 to a member of the Board of Directors for assistance in fundraising.



**CHILDREN'S CUP**  
Notes to Financial Statements

**5 - Temporarily Restricted Net Assets**

The balance of temporarily restricted net assets as of December 31, 2017 relates to certain contributions for which the donor has imposed restrictions. These restrictions require the Organization to use such funds for expenses related to assisting other organizations with a similar purpose to the Organization. During the years ended December 31, 2017, temporarily restricted net assets in the amount of \$14,770 have been expended in accordance with donor restrictions and have been reclassified to unrestricted net assets.

**6 - Subsequent Events**

Subsequent events have been evaluated through April 3, 2018, which is the date the financial statements were available to be issued.

In March 2018, the Organization purchased an investment property with cash for approximately \$340,000.