

**CHILDREN'S CUP**

Prairieville, Louisiana

Financial Statements

Year Ended December 31, 2021

**CHILDREN'S CUP**  
Financial Statements  
Year Ended December 31, 2021

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Children's Cup  
Prairieville, Louisiana

### ***Opinion***

We have audited the accompanying financial statements of Children's Cup (the "Organization"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 Cup as of December 31, 2021, 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.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Management's Responsibilities 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; 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.

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 the Organization's ability to continue as a going concern within one year after the date that 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 generally accepted auditing standards 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, including omissions, 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.

*Auditors' Responsibilities for the Audit of the Financial Statements (continued)*

In performing an audit in accordance with generally accepted auditing standards, 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 the Organization'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 the Organization'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.

PSK LLP

Arlington, Texas  
July 13, 2022

**CHILDREN'S CUP**  
Statement of Financial Position  
December 31, 2021

ASSETS

Cash	\$ 3,462,038
Prepaid expenses	1,282
Other assets	<u>1,281</u>
Property and equipment	
Office equipment	95,666
Software	115,696
Accumulated depreciation	<u>(142,453)</u>
Net property and equipment	<u>68,909</u>
Total assets	<u>\$ 3,533,510</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 14,784
Accrued expenses	<u>42,826</u>
Total liabilities	<u>57,610</u>
Net assets	
Without donor restrictions	<u>3,475,900</u>
Total liabilities and net assets	<u>\$ 3,533,510</u>

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

**CHILDREN'S CUP**  
Statement of Activities  
Year Ended December 31, 2021

Revenues, gains, and other support	
Contributions	\$ 3,642,770
In-kind contributions	952,000
Missionary support	166,271
Interest income	<u>15,069</u>
 Total revenues, gains and other support	 <u>4,776,110</u>
 Expenses	
Program expenses	
Missions	3,394,719
Supporting services	
Administrative	676,257
Fundraising	<u>273,403</u>
 Total expenses	 <u>4,344,379</u>
 Change in net assets	 431,731
 Net assets at beginning of the year	 <u>3,044,169</u>
 Net assets at end of the year	 <u>\$ 3,475,900</u>

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

**CHILDREN'S CUP**  
Statement of Functional Expenses  
Year Ended December 31, 2021

	Program Expenses		Supporting Services		Total
	Missions	Administrative	Fundraising	Total	
Salaries and wages	\$ 165,236	\$ 467,200	\$ 239,897	\$ 872,333	
Employee benefits	13,149	13,380	16,256	42,785	
Payroll taxes	6,214	33,300	17,158	56,672	
Contributions to field					
Swaziland	1,336,027	-	-	1,336,027	
South Africa	165,203	-	-	165,203	
Honduras	610,516	-	-	610,516	
Mexico	111,258	-	-	111,258	
Belize	218,624	-	-	218,624	
Dominican Republic	345,273	-	-	345,273	
Mozambique	2,000	-	-	2,000	
Missionary support	83,314	-	-	83,314	
Meals, travel and lodging	110,750	30,724	92	141,566	
Supplies and resources	61,495	8,170	-	69,665	
Media and technology	12,571	12,349	-	24,920	
Risk management	3,104	12,560	-	15,664	
Fees for services	17,372	39,578	-	56,950	
Facilities	21,056	14,122	-	35,178	
Depreciation	25,915	11,791	-	37,706	
Advertising and promotion	32,735	4,015	-	36,750	
Bank fees	40,608	17,577	-	58,185	
Dues and subscriptions	11,914	6,010	-	17,924	
Other	385	5,481	-	5,866	
	<u>\$ 3,394,719</u>	<u>\$ 676,257</u>	<u>\$ 273,403</u>	<u>\$ 4,344,379</u>	

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

**CHILDREN'S CUP**  
Statement of Cash Flows  
Year Ended December 31, 2021

Cash flows from operating activities:	
Change in net assets	\$ 431,731
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	37,706
(Increase) decrease in assets:	
Prepaid expenses	5,824
Other assets	5,354
Increase (decrease) in liabilities:	
Accounts payable	14,784
Accrued expenses	<u>17,912</u>
Net cash provided by operating activities	<u>513,311</u>
Change in cash	513,311
Cash at beginning of the year	<u>2,948,727</u>
Cash at end of the year	<u><u>\$ 3,462,038</u></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 - Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

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 met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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 restricted has been fulfilled, or both.

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

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 \$952,000 for the year ended December 31, 2021.

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.

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.

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

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

Concentrations of Credit Risk - 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 - For purposes of reporting cash flows, the Organization considers all bank deposits and highly liquid financial instruments with original maturities of three months or less to be cash and 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
Software	5 years

Depreciation expense for the year ended December 31, 2021 amounted to \$37,706

Functional Allocation of Expenses - The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to either the program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated on the basis of estimates of time and effort, with the exception of depreciation, which is allocated on the basis of utilization of space.

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, 2021, 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 2018 tax year and beyond remain subject to examination by the Internal Revenue Service.

Subsequent Events - Subsequent events have been evaluated through July 13, 2022, which is the date the financial statements were available to be issued.

**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, 2021 totaled \$13,287. The following is a schedule of future minimum rental payments under the leases at December 31, 2021:

Year Ending December 31,	
2022	\$ 26,450