

**CHILDREN'S CUP**

Keller, Texas

Financial Statements

Year Ended December 31, 2018

**CHILDREN'S CUP**  
Financial Statements  
Year Ended December 31, 2018

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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, 2018, and the related statements of activities, functional expenses, 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, 2018, 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  
May 2, 2019

**CHILDREN'S CUP**  
Statement of Financial Position  
December 31, 2018

ASSETS

Cash	\$ 1,321,276
Prepaid expenses	<u>11,961</u>
Property and equipment	
Land	51,800
Building	288,757
Office equipment	29,525
Software	115,696
Accumulated depreciation	<u>(45,786)</u>
Net property and equipment	<u>439,992</u>
Total assets	<u>\$ 1,773,229</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 10,555
Accrued expenses	<u>31,722</u>
Total liabilities	<u>42,277</u>
Net assets	
Without donor restrictions	<u>1,730,952</u>
Total liabilities and net assets	<u>\$ 1,773,229</u>

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

**CHILDREN'S CUP**  
Statement of Activities  
Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support			
Contributions	\$ 5,127,190	\$ 4,163	\$ 5,131,353
In-kind contributions	1,143,711	-	1,143,711
Missionary support	410,234	-	410,234
One Child Matters	7,950	-	7,950
Interest income	1,118	-	1,118
Other income	201	-	201
Net assets released from restrictions	<u>20,442</u>	<u>(20,442)</u>	<u>-</u>
 Total revenues, gains and other support	 <u>6,710,846</u>	 <u>(16,279)</u>	 <u>6,694,567</u>
Expenses			
Program expenses			
Missions	5,216,832	-	5,216,832
Supporting services			
Administrative	633,580	-	633,580
Fundraising	<u>420,604</u>	<u>-</u>	<u>420,604</u>
 Total expenses	 <u>6,271,016</u>	 <u>-</u>	 <u>6,271,016</u>
 Change in net assets	 439,830	 (16,279)	 423,551
Net assets at beginning of the year	<u>1,291,122</u>	<u>16,279</u>	<u>1,307,401</u>
Net assets at end of the year	<u>\$ 1,730,952</u>	<u>\$ -</u>	<u>\$ 1,730,952</u>

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

**CHILDREN'S CUP**  
Statement of Functional Expenses  
Year Ended December 31, 2018

	Program Services		Supporting Services		Total
	Missions	Administrative	Fundraising		
Salaries and wages	\$ 523,163	\$ 355,844	\$ 125,067	\$ 1,004,074	
Employee benefits	38,302	33,710	8,564	80,576	
Payroll taxes	32,848	17,208	7,332	57,388	
Contributions to field					
Swaziland	2,296,954	-	-	2,296,954	
South Africa	225,527	-	-	225,527	
Honduras	364,086	-	-	364,086	
Mexico	341,617	-	-	341,617	
Belize	493,089	-	-	493,089	
Dominican Republic	423,403	-	-	423,403	
Missionary support	84,301	-	-	84,301	
Meals, travel, and lodging	93,743	-	47,194	140,937	
Supplies and resources	48,032	36,012	4,560	88,604	
Media and technology	11,949	16,287	-	28,236	
Risk management	4,981	5,231	-	10,212	
Fees for services	89,111	38,500	5,320	132,931	
Facilities	61,377	47,867	-	109,244	
Depreciation	19,689	14,249	-	33,938	
Advertising and promotion	-	-	32,813	32,813	
Conferences, conventions, and meetings	-	-	51,482	51,482	
Development	10,601	43,065	120,054	173,720	
Bank fees	43,398	2,504	-	45,902	
Dues and subscriptions	6,420	21,935	-	28,355	
Other	4,241	1,168	18,218	23,627	
	<u>\$ 5,216,832</u>	<u>\$ 633,580</u>	<u>\$ 420,604</u>	<u>\$ 6,271,016</u>	

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

**CHILDREN'S CUP**  
Statement of Cash Flows  
Year Ended December 31, 2018

Cash flows from operating activities:	
Change in net assets	\$ 423,551
Adjustments to reconcile change in net assets to net cash and provided by operating activities:	
Depreciation	33,938
(Increase) decrease in assets:	
Prepaid expenses	(1,561)
Increase (decrease) in liabilities:	
Accounts payable	(19,568)
Accrued expenses	<u>(3,835)</u>
Net cash provided by operating activities	<u>432,525</u>
Cash flows from investing activities:	
Purchases of property and equipment	<u>(368,833)</u>
Change in cash	63,692
Cash at beginning of the year	<u>1,257,584</u>
Cash at end of the year	<u>\$ 1,321,276</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.

Adoption of New Accounting Standards - In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-14: *Presentation of Financial Statements for Not-for-Profit Entities* ("ASU 2016-14"), which is an amendment to the FASB Accounting Standards Codification ("FASB ASC") Topic 958. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Adopting ASU 2016-14 has had the following impact on the Organization's financial statements:

- The temporarily restricted net asset class has been renamed *net assets with donor restrictions*.
- The unrestricted net asset class has been renamed *net assets without donor restrictions*.
- The addition of a statement of functional expenses with allocations based upon time and effort devoted or utilization of space.

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.

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

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

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 \$1,143,711 for the year ended December 31, 2018.

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.

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:

Building	25 years
Office equipment	3 to 7 years
Software	5 years

Depreciation expense for the year ended December 31, 2018 amounted to \$33,938.

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 one 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.

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

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

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, 2018, 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 2015 tax year and beyond remain subject to examination by the Internal Revenue Service.

Subsequent Events - Subsequent events have been evaluated through May 2, 2019, 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, 2018 totaled \$63,582. The following is a schedule of future minimum rental payments under the leases at December 31, 2018:

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