CHILDREN'S CUP

Prairieville, Louisiana

Financial Statements

Year Ended December 31, 2022

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Financial Statements
Year Ended December 31, 2022

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PSK LLP
Accountants & Advisors

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, 2022, 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, 2022, 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.

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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
September 19, 2023

CHILDREN'S CUP
Statement of Financial Position
December 31, 2022

ASSETS

Cash	$ 2,724,895
Prepaid expenses	583
Other assets	862
Property and equipment	
Office equipment	96,911
Software	115,696
Accumulated depreciation	(180,262)
Net property and equipment	32,345
Total assets	$ 2,758,685

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	$ 16,000
Accrued expenses	41,600
Total liabilities	57,600
Net assets	
Without donor restrictions	2,701,085
Total liabilities and net assets	$ 2,758,685

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

CHILDREN'S CUP

Statement of Activities
Year Ended December 31, 2022

Revenues, gains, and other support	
Contributions	$ 3,367,535
In-kind contributions	1,097,736
Missionary support	30,245
Interest income	20,695
Total revenues, gains and other support	4,516,211
Expenses	
Program expenses	
Missions	3,931,685
Supporting services	
Administrative	996,638
Fundraising	362,703
Total expenses	5,291,026
Change in net assets	(774,815)
Net assets at beginning of the year	3,475,900
Net assets at end of the year	$ 2,701,085

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

CHILDREN'S CUP
Statement of Functional Expenses
Year Ended December 31, 2022

	Program Expenses	Supporting Services		
	Missions	Administrative	Fundraising	Total
Salaries and wages	$ 188,749	$ 545,326	$ 325,495	$ 1,059,570
Employee benefits	15,364	11,258	17,076	43,698
Payroll taxes	7,234	34,203	20,132	61,569
Contributions to field				
Swaziland	1,294,856	-	-	1,294,856
South Africa	346,680	-	-	346,680
Honduras	799,080	-	-	799,080
Mexico	151,828	-	-	151,828
Belize	305,491	-	-	305,491
Dominican Republic	291,678	-	-	291,678
Missionary support	70,684	-	-	70,684
Meals, travel and lodging	188,498	110,541	-	299,039
Supplies and resources	58,543	28,935	-	87,478
Media and technology	8,496	12,186	-	20,682
Risk management	2,702	17,852	-	20,554
Fees for services	69,140	184,613	-	253,753
Facilities	33,057	24,707	-	57,764
Depreciation	25,915	11,895	-	37,810
Advertising and promotion	20,225	1,085	-	21,310
Bank fees	35,862	6,742	-	42,604
Dues and subscriptions	17,603	7,165	-	24,768
Other	-	130	-	130
	$ 3,931,685	$ 996,638	$ 362,703	$ 5,291,026

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

CHILDREN'S CUP
Statement of Cash Flows
Year Ended December 31, 2022

Cash flows from operating activities:	
Change in net assets	$ (774,815)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	37,810
(Increase) decrease in assets:	
Prepaid expenses	699
Other assets	419
Increase (decrease) in liabilities:	
Accounts payable	1,216
Accrued expenses	(1,226)
Net cash used in operating activities	(735,897)
Cash flows from investing activities:	
Purchases of property and equipment	(1,246)
Change in cash	(737,143)
Cash at beginning of the year	3,462,038
Cash at end of the year	$ 2,724,895

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

<u>Basis of Accounting</u> - 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.

<u>Adoption of New Accounting Standard</u> - In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, which requires lessees to recognize a right-of-use asset and a lease liability for most leases on the statement of financial position as well as other qualitative and quantitative disclosures. ASU 2016-02 is to be applied using a modified retrospective method and became effective for the Organization on January 1, 2022. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method allowing organizations to recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption, with no restatement of comparative prior periods required. The Organization adopted the standard using this optional transition method.

The FASB has provided certain practical expedients in applying the standard. Of the allowed practical expedients within the standard, the Organization elected the package of practical expedients which, among other things, allowed for historical lease classification to be carried forward upon adoption of the standard. The Organization did not elect the hindsight practical expedient when determining the lease term for existing leases. In addition, the Organization did not separate non-lease components from lease components by class of underlying assets where appropriate and the Organization did not apply the recognition requirements of the standard to short-term leases with an initial term of 12 months or less, as allowed by the standard. The adoption of the standard had no impact on the Organization's financial statements as of January 1, 2022.

<u>Basis of Presentation</u> - 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:

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

<u>Net Assets With Donor Restrictions</u> - 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.

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

CHILDREN'S CUP

Notes to Financial Statements

2 - Summary of Significant Accounting Policies (continued)

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 $1,097,736 for the year ended December 31, 2022.

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:

Office equipment	3 to 7 years
Software	5 years

Depreciation expense for the year ended December 31, 2022 amounted to $37,810

2 - Summary of Significant Accounting Policies (continued)

Leases - The Organization recognizes a right-of-use asset and a lease liability on the effective date of a lease agreement. Right-of-use assets represent the right to use an underlying asset over the lease term and lease liabilities represent the obligation to make lease payments resulting from the lease agreement. The Organization initially records these assets and liabilities based on the present value of lease payments over the lease term calculated using its incremental borrowing rate applicable to the leased asset or the implicit rate within the lease agreement if it is readily determinable. Lease agreements with lease and non-lease components are combined as a single lease component. Right-of-use assets additionally include net prepaid lease expenses. Options to extend or terminate an agreement are included in the lease term when it becomes reasonably certain the option will be exercised. Leases with an initial term of 12 months or less, short-term leases, are not recorded on the statement of financial position for all underlying asset classes. Lease expense for short-term and long-term operating leases is recognized on a straight-line basis over the lease term, while variable lease payments are expensed as incurred. The Organization did not have right-of-use assets and lease liabilities as of December 31, 2022.

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, 2022, 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 2019 tax year and beyond remain subject to examination by the Internal Revenue Service.

Subsequent Events - Subsequent events have been evaluated through September 19, 2023, which is the date the financial statements were available to be issued.