

CHERISH A CHILD USA
FINANCIAL STATEMENTS
AND INDEPENDENT ACCOUNTANTS'
REVIEW REPORT

December 31, 2018

CHERISH A CHILD USA

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Cherish A Child USA

We have reviewed the accompanying financial statements of Cherish A Child USA (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – income tax basis as of December 31, 2018, and the related statements of revenues, expenses, and changes in net assets – income tax basis and cash flows – income tax basis for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting the company uses for income tax purposes; this includes determining that the basis of accounting the company uses for income tax purposes is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the basis of accounting the organization uses for income tax purposes. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the basis of accounting the organization uses for income tax purposes.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the basis of accounting the organization uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.



Dallas, Texas
November 18, 2019

Certified Public Accountants

Cherish A Child USA
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS
(Income Tax Basis)
December 31, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 303,683
Total current assets	<u>303,683</u>

FIXED ASSETS

Furniture and equipment	6,135
Accumulated depreciation	<u>(4,908)</u>
Total fixed assets	<u>1,227</u>

TOTAL ASSETS	<u><u>\$ 304,910</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ -
Total current liabilities	<u>-</u>

TOTAL LIABILITIES	<u><u>-</u></u>
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NET ASSETS

Net assets without donor restrictions	177,364
Net assets with donor restrictions	<u>127,546</u>
Total net assets	<u>304,910</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 304,910</u></u>
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Cherish A Child USA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
(Income Tax Basis)
Year ended December 31, 2018

REVENUES	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
General donations	\$ 577,694	-	577,694
Missionary donations	-	87,350	87,350
Project donations	83,092	179,707	262,799
Total increase in net assets	<u>660,786</u>	<u>267,057</u>	<u>927,843</u>
EXPENSES			
Program expenses	387,067	381,844	768,911
General and administrative expenses	101,849	-	101,849
Fundraising expenses	19,599	26,648	46,247
Total decrease in net assets	<u>508,515</u>	<u>408,492</u>	<u>917,007</u>
Increase (decrease) in net assets	152,271	(141,435)	10,836
Net assets at beginning of year	<u>25,093</u>	<u>268,981</u>	<u>294,074</u>
Net assets at end of year	<u>\$ 177,364</u>	<u>127,546</u>	<u>304,910</u>

Cherish A Child USA
STATEMENT OF FUNCTIONAL EXPENSES - Income Tax Basis
Year ended December 31, 2018

	Program Services	Supporting Services		TOTAL
		Management & general	Fundraising	
Bank charges	\$ -	\$ 523	\$ -	\$ 523
Cherish Academy	225	-	-	225
Cherish High School	12,000	-	-	12,000
Cherish Hospital	8,580	-	-	8,580
Cherish Uganda	12,027	-	-	12,027
Credit card processing fees	-	5,068	-	5,068
Community Learning Center	205,300	-	-	205,300
Depreciation	-	1,227	-	1,227
Donor development	-	-	851	851
Dues and subscriptions	-	1,148	-	1,148
Events	-	-	2,737	2,737
Family Strengthening	39,120	-	-	39,120
General	258,883	-	-	258,883
Health insurance	27,475	9,277	-	36,752
Legal & professional fees	-	7,310	-	7,310
Marketing	-	-	10,996	10,996
Materials	-	-	5,015	5,015
Meals & entertainment	-	5,147	-	5,147
Ministry	14,648	-	-	14,648
Miscellaneous	-	2,497	-	2,497
Office	-	1,639	-	1,639
Payroll expenses	86,400	53,194	22,600	162,194
Postage & shipping	-	545	-	545
Rent	-	463	-	463
Sponsorship	81,737	-	-	81,737
Staff development	-	1,237	-	1,237
Taxes & licenses	-	5	-	5
Technology	-	2,663	-	2,663
Travel	22,516	9,906	4,048	36,470
TOTAL	\$ 768,911	\$ 101,849	\$ 46,247	\$ 917,007

Cherish A Child USA
STATEMENT OF CASH FLOWS
(Income Tax Basis)
Year ended December 31, 2018

Cash flows from operating activities	
Change in net assets	\$ 10,836
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities	
Depreciation	<u>1,227</u>
Net cash provided by (used in) operating activities	<u>12,063</u>
Net increase (decrease) in cash	12,063
Cash and cash equivalents at beginning of year	<u>291,620</u>
Cash and cash equivalents at end of year	<u><u>\$ 303,683</u></u>

Supplemental disclosures:

Cash paid for interest	\$ <u><u>-</u></u>
Cash paid for taxes	\$ <u><u>-</u></u>

Cherish A Child USA
(A North Carolina Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018

NOTE A – Summary of significant accounting principles

1. Description of Entity

Cherish A Child USA (the “Organization”) is a North Carolina non-profit corporation chartered in 2010.

The Organization was formed to receive contributions which are to be used to provide relief, education, health, and well-being of children with HIV-AIDS or other disadvantages. The Organization advocates for, raises funds, and coordinates projects on behalf of other nonprofit organizations that are providing direct care to disenfranchised children. Cherish Uganda is the initial and primary organization that the Organization supports.

2. Basis of Accounting

The Organization’s policy is to prepare its financial statements on the income tax basis of accounting; consequently, certain support and revenues are recognized when received rather than when earned and certain expenses are recognized when cash is disbursed rather than when the obligation is incurred.

3. Financial Statement 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 that are not restricted by donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met by actions of the organization and/or the passage of time.

Revenues are reported as increases in net assets without donor restrictions unless use of related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or stipulated time period has elapsed) are reported as reclassification between the applicable classes of net assets. Contributions of assets other than cash are recorded at their estimated fair value.

Cherish A Child USA
(A North Carolina Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018

NOTE A – Summary of significant accounting principles (continued)

4. Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and certificates of deposit with original maturity dates of three months or less.

The Organization maintains its cash account with one commercial bank. The account is insured by the Federal Deposit Insurance Corporation (“FDIC”) up to a maximum of \$250,000. Balances of cash did not exceed FDIC coverage.

5. Property and Equipment

Property and equipment are stated at historical cost. Expenditures for maintenance and repairs are expensed as incurred. Depreciation is computed utilizing the accelerated cost recovery methods that may include additional first-year deductions. Depreciation expense was \$1,227 for the year.

6. Estimates

The preparation of financial statements in conformity the income tax basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Functional Expenses

The Organization’s directly identifiable expenses are charged to program, general and administrative, or fundraising. Expenses related to more than one function are charged to program and supporting services on the basis of periodic time and expense studies. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

8. Change in Accounting Principle

In 2018, The Organization adopted Accounting Standard Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. A summary of the changes is as follow:

- The Statement of Assets, Liabilities, and Net Assets distinguishes between two new classes of net assets – those with donor restrictions and those without. This is a change from the previously required three of net assets – unrestricted, temporary restricted and permanently restricted.

Cherish A Child USA
(A North Carolina Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018

NOTE A – Summary of significant accounting principles (continued)

8. Change in Accounting Principle (continued)

- Expenses are reported by nature and function on a separate statement of functional expenses. Notes to the financial statements include enhanced quantitative and qualitative disclosures providing additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of assets, liabilities, and net assets.
- ASU 2016-14 clarifies that for purposes of allocation expenses to functional categories, only activities which constitute direct conduct of supervision of program services can be included in program expense.

9. Income Taxes

Cherish A Child USA is exempt from Federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. However, the Organization is subject to the Federal excise tax and unrelated business income taxes. In addition, the Organization has been determined by the Internal Revenue Service (“IRS”) not to be a “private foundation” within the meaning of section 509(a) of the Internal Revenue Service Code. There was no unrelated business income or known Federal excise taxes for the year ended December 31, 2018.

The Organization’s federal Return of Organization Exempt from Income Tax (Form 990) for 2016, 2017, and 2018 are open to examination by the IRS for a period of three years from the date the returns are filed.

10. Accounting for Uncertainty in Income Taxes

Management has concluded that any tax provisions that would not meet the more-likely-than-not criterion of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740-10, Accounting for Income Taxes, would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision of uncertain tax positions, and no related interest or penalties have been recorded in the operating statements or accrued in the statement of assets, liabilities and net assets – income tax basis.

11. Advertising

Advertising costs are charged to operations when incurred.

Cherish A Child USA
(A North Carolina Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018

NOTE B – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date are cash and cash equivalents of \$303,683.

The Organization manages its liquidity and reserves using the following three guiding principles: Operating with a prudent range of financial soundness and stability, trying to maintain adequate liquid assets to fund near-term operating needs and trying to maintain sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE C – Net Assets with Donor Restrictions

Net assets with donor restrictions represent net assets that are subject to donor-imposed stipulations that may or will be met by actions of the organization and/or the passage of time in accordance with FASB ASC 958. The following table represents the various net assets with donor restrictions categories and their balances as of December 31, 2018:

Cherish High School	\$	91,848
Cherish Academy		31,447
Danielle Missionary		2,323
Philips Missionary		1,928
Total	\$	<u>127,546</u>

NOTE D - Concentrations

During the year ending December 31, 2018, the Organization received approximately 42% of its donations from three donors.

NOTE E – Related Party

The Organization made payments of \$119,500 to one of its board members for services rendered during the year ended December 31, 2018.

NOTE F - Subsequent Event

Subsequent events were evaluated through November 18, 2019, which is the date the financial statements were available to be issued.