

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

December 31, 2017

Malnory, McNeal & Company, PC

Certified Public Accountants

Mark W. Malnory, CPA
Johnna W. McNeal, CPA
Beverly Smith, CPA

Members of
American Institute of Certified Public Accountants
Texas Society of Certified Public Accountants
AICPA Governmental Audit Quality Center

Elizabeth Hamm, CPA
E. J. Musharbash, CPA
Les S. Malnory, CPA

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, 2017, 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
June 18, 2018


Certified Public Accountants

Cherish A Child USA
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS
(Income Tax Basis)
December 31, 2017

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	\$	291,620
Total current assets		<u>291,620</u>
FIXED ASSETS		
Furniture and equipment		6,135
Accumulated depreciation		<u>(3,681)</u>
Total fixed assets		<u>2,454</u>
TOTAL ASSETS	\$	<u><u>294,074</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$	<u>-</u>
Total current liabilities		-
TOTAL LIABILITIES		<u><u>-</u></u>
NET ASSETS		
Unrestricted		25,093
Temporarily restricted		<u>268,981</u>
Total net assets		<u>294,074</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>294,074</u></u>

Cherish A Child USA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
(Income Tax Basis)
Year ended December 31, 2017

REVENUES	Unrestricted	Temporarily Restricted	Total
General donations	\$ 990,702	-	990,702
Missionary donations	-	170,666	170,666
Project donations	42,574	376,943	419,517
Total increase in net assets	<u>1,033,276</u>	<u>547,609</u>	<u>1,580,885</u>
EXPENSES			
Program	871,995	331,797	1,203,792
General and administrative expenses	90,735	-	90,735
Fundraising expenses	67,366	26,662	94,028
Total decrease in net assets	<u>1,030,096</u>	<u>358,459</u>	<u>1,388,555</u>
Increase (decrease) in net assets	3,180	189,150	192,330
Net assets at beginning of year	21,913	79,831	101,744
Reclass Temp. Restricted to Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>
Net assets at end of year	<u>\$ 25,093</u>	<u>268,981</u>	<u>294,074</u>

Cherish A Child USA
STATEMENT OF CASH FLOWS
(Income Tax Basis)
Year ended December 31, 2017

Cash flows from operating activities	
Change in net assets	\$ 192,330
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>193,557</u>
Net increase (decrease) in cash	193,557
Cash and cash equivalents at beginning of year	<u>98,063</u>
Cash and cash equivalents at end of year	<u><u>\$ 291,620</u></u>

Supplemental disclosures:

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

Cherish A Child USA
(A North Carolina Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2017

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:

Unrestricted Net Assets – Net assets not subject to donor-imposed stipulations.

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

Permanently Restricted Net Assets – Net assets subject to permanent restrictions by donors and are not available in future periods are classified as permanently restricted net assets. There were no permanently restricted net assets at December 31, 2017.

Revenues are reported as increases in unrestricted net assets unless use of related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporarily restricted net assets (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, 2017

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. 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, 2017.

Cherish A Child USA
(A North Carolina Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2017

NOTE A – Summary of significant accounting principles (continued)

8. Income Taxes (continued)

The Organization’s federal Return of Organization Exempt from Income Tax (Form 990) for 2015, 2016, and 2017 are open to examination by the IRS for a period of three years from the date the returns are filed.

9. 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.

10. Advertising

Advertising costs are charged to operations when incurred.

NOTE B – Temporarily Restricted Net Assets

Temporarily restricted net assets 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 temporarily restricted categories and their balances as of December 31, 2017:

Cherish High School	170,148
Cherish Hospital	4,245
Philips Missionary	94,587
Total	\$ <u>268,980</u>

NOTE C - Concentrations

During the year ending December 31, 2017, the Organization received approximately 68% of its donations from three donors.

NOTE D – Related Party

The Organization made payments of \$108,000 to one of its board members for services rendered during the year ended December 31, 2017.

Cherish A Child USA
(A North Carolina Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2017

NOTE E - Subsequent Event

Subsequent events were evaluated through June 18, 2018, which is the date the financial statements were available to be issued.