

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

December 31, 2020

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, 2020, 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
August 10, 2021

Certified Public Accountants

Cherish A Child USA
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS
(Income Tax Basis)
December 31, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 186,972
Total current assets	<u>186,972</u>

FIXED ASSETS

Furniture and equipment	6,135
Accumulated depreciation	<u>(6,135)</u>
Total fixed assets	-

TOTAL ASSETS	<u>\$ 186,972</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

PPP loan payable	\$ 26,811
Total current liabilities	<u>26,811</u>

TOTAL LIABILITIES	<u>26,811</u>
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NET ASSETS

Net assets without donor restrictions	118,293
Net assets with donor restrictions	<u>41,868</u>
Total net assets	<u>160,161</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 186,972</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, 2020

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
REVENUES			
General donations	\$ 474,196	21,560	495,756
Missionary donations	-	125,692	125,692
Project donations	32,327	44,006	76,333
Total increase in net assets	<u>506,523</u>	<u>191,258</u>	<u>697,781</u>
EXPENSES			
Program expenses	350,278	140,276	490,554
General and administrative expenses	110,996	-	110,996
Fundraising expenses	7,203	21,600	28,803
Total decrease in net assets	<u>468,477</u>	<u>161,876</u>	<u>630,353</u>
 Increase (decrease) in net assets	 38,046	 29,382	 67,428
 Net assets at beginning of year	 <u>80,247</u>	 <u>12,486</u>	 <u>92,733</u>
 Net assets at end of year	 <u>\$ 118,293</u>	 <u>41,868</u>	 <u>160,161</u>

Cherish A Child USA
STATEMENT OF FUNCTIONAL EXPENSES - Income Tax Basis
Year ended December 31, 2020

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management & general</u>	<u>Fundraising</u>	
Payroll expenses	\$ 86,400	\$ 57,804	\$ 21,600	\$ 165,804
Bank charges	-	662	-	662
Cherish Academy	800	-	-	800
Cherish High School	400	-	-	400
Cherish Hospital	8,500	-	-	8,500
Cherish Uganda	64,054	-	-	64,054
Credit card processing fees	-	4,861	-	4,861
Community Learning Center	15,826	-	-	15,826
Donor development	-	-	592	592
Dues and subscriptions	-	8,876	-	8,876
Events	-	-	806	806
Family Strengthening	8,467	-	-	8,467
General	251,907	-	-	251,907
Health insurance	-	18,280	-	18,280
Insurance - liability	-	2,452	-	2,452
Legal & professional fees	-	5,048	-	5,048
Marketing	-	-	5,769	5,769
Materials	-	-	36	36
Meals & entertainment	-	998	-	998
Ministry	7,000	-	-	7,000
Miscellaneous	-	716	-	716
Office	-	1,209	-	1,209
Postage & shipping	-	125	-	125
Sponsorship	45,296	-	-	45,296
Staff development	-	744	-	744
Taxes & licenses	-	435	-	435
Technology	-	2,314	-	2,314
Travel	1,904	6,472	-	8,376
Total	\$ 490,554	\$ 110,996	\$ 28,803	\$ 630,353

Cherish A Child USA
STATEMENT OF CASH FLOWS
(Income Tax Basis)
Year ended December 31, 2020

Cash flows from operating activities	
Change in net assets	\$ 67,428
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities	-
Net cash provided by (used in) operating activities	<u>67,428</u>
Cash flows from financing activities	
Proceeds from PPP loan	<u>26,811</u>
Net cash provided by (used in) investing activities	<u>26,811</u>
Net increase (decrease) in cash	94,239
Cash and cash equivalents at beginning of year	<u>92,733</u>
Cash and cash equivalents at end of year	<u><u>\$ 186,972</u></u>

Cherish A Child USA
(A North Carolina Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2020

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, 2020

NOTE A – Summary of significant accounting principles (continued)

4. Newly Adopted Accounting Pronouncement

In May 2014, the FASB issued ASU No. 2014-09, Revenue Recognition (Topic 606): Revenue from Contracts with Customers. This ASU introduces a new five step revenue recognition model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of this accounting standard effective January 1, 2020, did not have a material impact on the Organization's financial position or changes in its net assets as contributions received are outside the scope of this standard.

5. 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.

6. 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 \$0 for the year.

7. 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.

8. 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.

Cherish A Child USA
(A North Carolina Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2020

NOTE A – Summary of significant accounting principles (continued)

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, 2020.

The Organization’s federal Return of Organization Exempt from Income Tax (Form 990) for 2018, 2019, and 2020 are open to examination by the IRS for a period of three years from the date the returns are filed.

8. 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.

9. Advertising

Advertising costs are charged to operations when incurred.

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 \$186,972.

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.

Cherish A Child USA
(A North Carolina Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2020

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, 2020:

Cherish Academy	\$	7
Cherish Hospital		19,853
Danielle Missionary		3,431
Phillips Missionary		8,538
Net Assets with Restrictions General		10,039
Total	\$	<u>41,868</u>

NOTE D - Concentrations

During the year ending December 31, 2020, the Organization received approximately 28% of its donations from two donors.

NOTE E – Related Party

The Organization made payments of \$108,000 to one of its board members who is the CEO for services rendered during the year ended December 31, 2020.

NOTE F – COVID-19

The COVID-19 pandemic sweeping across the country has resulted in mandatory closure of many businesses resulting in layoffs of much of the workforce. The economic effects of those closures are not yet known but could potentially affect the Organization.

NOTE G - Subsequent Event

Subsequent events were evaluated through August 10, 2021, which is the date the financial statements were available to be issued.