

Childcare Worldwide

Financial Statements with
Independent Auditor's Report

Years Ended December 31, 2023 and 2022



Childcare Worldwide

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Independent Auditor's Report

To the Board of Directors
Childcare Worldwide
Lynden, Washington

Opinion

I have audited the accompanying financial statements of Childcare Worldwide (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Childcare Worldwide as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audits in accordance with auditing standards generally accepted in the United States of America (GAAS). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Childcare Worldwide and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management 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, and for 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 Childcare Worldwide's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 auditor's report that includes my 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 GAAS 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 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.

In performing an audit in accordance with GAAS, I:

- 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 Childcare Worldwide'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Childcare Worldwide's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.



Bellingham, Washington
April 16, 2024

Childcare Worldwide

Statements of Financial Position

December 31, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 1,295,325	\$ 1,915,568
Prepaid expenses and other assets	93,921	108,043
Right-of-use assets	<u>31,212</u>	<u>77,250</u>
Total assets	<u>\$ 1,420,458</u>	<u>\$ 2,100,861</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 57,762	\$ 65,767
Deferred compensation	189,705	151,000
Lease liabilities	<u>29,451</u>	<u>76,277</u>
Total liabilities	276,918	293,044
Net assets		
Without donor restrictions		
Board-designated	218,536	440,771
Undesignated	<u>541,522</u>	<u>686,566</u>
Total without donor restrictions	760,058	1,127,337
With donor restrictions	<u>383,482</u>	<u>680,480</u>
Total net assets	<u>1,143,540</u>	<u>1,807,817</u>
Total liabilities and net assets	<u>\$ 1,420,458</u>	<u>\$ 2,100,861</u>

Childcare Worldwide

Statements of Activities

Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Contributions	\$ 3,069,765	\$ 296,848	\$ 3,366,613	\$ 2,920,384	\$ 390,217	\$ 3,310,601
Other income (loss)	16,312	-	16,312	(5,384)	-	(5,384)
Satisfaction of restrictions	593,846	(593,846)	-	578,320	(578,320)	-
Total support and revenue	3,679,923	(296,998)	3,382,925	3,493,320	(188,103)	3,305,217
Expenses						
Program services	2,844,021	-	2,844,021	2,811,011	-	2,811,011
Management and general	524,943	-	524,943	490,965	-	490,965
Fundraising	678,238	-	678,238	662,056	-	662,056
Total expenses	4,047,202	-	4,047,202	3,964,032	-	3,964,032
Changes in net assets	(367,279)	(296,998)	(664,277)	(470,712)	(188,103)	(658,815)
Net assets – beginning of year	1,127,337	680,480	1,807,817	1,598,049	868,583	2,466,632
Net assets – end of year	<u>\$ 760,058</u>	<u>\$ 383,482</u>	<u>\$ 1,143,540</u>	<u>\$ 1,127,337</u>	<u>\$ 680,480</u>	<u>\$ 1,807,817</u>

Childcare Worldwide

Statements of Functional Expenses

Years Ended December 31, 2023

	2023				2022			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Grants and support to foreign ministries	\$ 2,237,279	\$ -	\$ -	\$ 2,237,279	\$ 2,166,637	\$ -	\$ -	\$ 2,166,637
Salaries, benefits, and payroll taxes	481,272	414,251	472,520	1,368,043	502,484	378,398	446,872	1,327,754
Marketing and donor relations	18,539	5,776	132,979	157,294	27,332	5,846	135,249	168,427
Miscellaneous	53,862	22,690	30,909	107,461	47,330	26,923	29,226	103,479
Office overhead	7,300	31,415	33,637	72,352	8,127	29,440	26,352	63,919
Occupancy	24,156	25,456	7,840	57,452	23,751	20,992	9,932	54,675
Travel	21,613	1,732	353	23,698	35,350	266	14,425	50,041
Professional services	-	23,623	-	23,623	-	29,100	-	29,100
Total expenses	<u>\$ 2,844,021</u>	<u>\$ 524,943</u>	<u>\$ 678,238</u>	<u>\$ 4,047,202</u>	<u>\$ 2,811,011</u>	<u>\$ 490,965</u>	<u>\$ 662,056</u>	<u>\$ 3,964,032</u>

Childcare Worldwide

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Changes in net assets	\$ (664,277)	\$ (658,815)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation expense	5,284	7,561
Increase in the carrying amount of deferred compensation	77,687	15,982
Reduction in the carrying amount of right-of-use assets, net of lease liability accretion	46,038	45,371
Changes in assets and liabilities:		
Prepaid expenses and other assets	(7,115)	(21,735)
Accounts payable and accrued liabilities	(8,005)	12,040
Deferred compensation	(38,982)	(38,982)
Lease liability	<u>(46,826)</u>	<u>(46,344)</u>
Net cash used by operating activities	(636,196)	(684,922)
Cash flows from investing activities		
Net proceeds (purchases) from other investing activities	<u>15,953</u>	<u>68,266</u>
Net cash provided by investing activities	<u>15,953</u>	<u>68,266</u>
Net increase in cash and cash equivalents	(620,243)	(616,656)
Cash and cash equivalents – beginning of year	<u>1,915,568</u>	<u>2,532,224</u>
Cash and cash equivalents – end of year	<u><u>\$ 1,295,325</u></u>	<u><u>\$ 1,915,568</u></u>

Notes to Financial Statements

December 31, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies

Nature of activities – Childcare Worldwide (the Organization) is a nonprofit corporation formed in 1988 in California. The Organization is headquartered in Washington State and conducts ministry efforts internationally. The Organization provides support to affiliated organizations in foreign countries, including Uganda, Kenya, and Peru, as well as other unaffiliated partnering groups in Haiti, India, Sri Lanka and Thailand. The activities in these countries are centered upon our core mission of sharing the Gospel of Jesus Christ with needy children through our Life Center model. Life Centers are weekly meetings hosted by local churches in which children receive Bible teaching, are provided a nutritious meal, and benefit from the personal care and attention of their Life Center teachers. In conjunction with meeting spiritual needs, we seek to meet the felt needs of the children in our care, and by extension their families and communities, through educational assistance, food, medical aid, shelter, clothing, water projects and other holistic support.

Basis of accounting – The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), which involves the application of accrual accounting. Accordingly, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of presentation – The Organization presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958. Under this standard, the Organization is required to present its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restrictions.

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions or time restrictions that will be met either through actions of the Organization or by passage of time, including contributions restricted by the donor to be invested in perpetuity, if any.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. In the period donor restrictions are met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as satisfaction of restrictions. When donor restrictions are met during the same period that the contribution is received, the contribution is recorded as net assets without donor restrictions.

Cash and cash equivalents – The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash in bank accounts that may exceed federally insured limits at times during the year. The Organization has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Property and equipment – The Organization capitalizes all property and equipment acquisitions in excess of \$2,500. Property and equipment acquisitions are recorded at cost or, if acquired as a donation, at fair value at the date of donation.

Notes to Financial Statements

December 31, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies – (Continued)

Property and equipment (cont.) – Additions, improvements, or expenditures which add to productive capacity or extend the life of an asset are capitalized. Expenditures for repairs and maintenance are charged to operations as incurred. Depreciation is recorded using the straight-line method over estimated useful lives of the assets, which range from five to seven years.

Leases – The Organization determines if an arrangement is, or contains, a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statements of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. All lease-related expenses are presented as occupancy expense in the accompanying statements of functional expenses.

Contributions – Contribution support consists of contributions and grants and is recognized in the period received or when an unconditional promise to give is made, whichever is earlier. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Donated goods and services – Donations of goods and services are recorded at their estimated fair values at the date of donation. Donated services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased. In addition, many volunteers have donated significant amounts of time to the Organization's program services and fundraising campaigns. The services of these volunteers are not recorded in the accompanying financial statements as they do not meet the criteria for recognition. Further, there were no donated goods or services received or recognized during the years ended December 31, 2023 and 2022.

Advertising – Advertising costs are expensed as incurred and totaled \$157,294 and \$168,427 for the years ended December 31, 2023 and 2022, respectively. These expenses are presented as marketing and donor relations in the accompanying statements of functional expenses.

Functional allocation of expenses – The costs of providing various programs and other activities have been summarized on the functional basis in the accompanying statements of activities and functional expenses. Expenses are directly allocated where possible and certain expenses not directly related to a particular function are allocated on a reasonable basis that is consistently applied. The Organization allocates facilities-related expenses based on the square-footage of occupied offices and other allocated expenses based on actual logged or estimated usage per department.

Federal income taxes – The Organization is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and is therefore exempt from federal income tax on income derived from activities related to its tax-exempt purposes. Accordingly, no provision for income tax is necessary.

Use of estimates – The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Notes to Financial Statements

December 31, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies – (Continued)

Reclassifications – Certain reclassifications have been made to the prior year’s financial statements to conform to the current year’s presentation.

Subsequent events – In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 16, 2024, the date the financial statements were available to be issued.

Note 2 – Liquidity and Availability

Financial assets available for general expenditure within one year consist of the following as of December 31:

	2023	2022
Cash and cash equivalents	\$ 1,295,325	\$ 1,915,568
Other financial assets	30,879	19,337
Less amounts not available for general expenditure within one year		
Board-designated reserve	(218,536)	(440,771)
Donor-restricted for specific purposes	(383,482)	(680,480)
	<u>\$ 724,186</u>	<u>\$ 813,654</u>

The Organization’s board of directors has set aside certain amounts as an emergency operating reserve and reserve for deferred compensation (see Note 4). Such balance may not be drawn upon without the prior authorization of the board of directors. In addition, the Organization has certain donor-restricted net assets limited to use (see Note 5), which are not available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been subtracted from the quantitative information above.

The goal of the Organization is to maintain \$200,000 in cash reserves as emergency funds. Cash reserves may be maintained in investment or money market accounts. The Organization had funds held in money market accounts totaling \$678,993 and \$1,425,574 as of December 31, 2023 and 2022, respectively.

Note 3 – Leases

The Organization evaluated current contracts to determine which met the criteria of a lease. The ROU assets represent the Organization’s right to use underlying assets for the lease term, and the lease liabilities represent the Organization’s obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The risk-free rate applied to calculate lease liabilities was 1.04% as of December 31, 2023.

Notes to Financial Statements

December 31, 2023 and 2022

Note 3 – Leases – (Continued)

The Organization's operating leases consist of those for office equipment and office space in Lynden, Washington. The office space lease term includes one three-year extension, available at the Organization's option, but which management does not expect to exercise. Therefore, the payments associated with the extension are not included in the ROU asset and the lease liability recognized as of December 31, 2023 and 2022.

Total operating lease cost was \$47,597 and \$43,587 for the years ended December 31, 2023 and 2022, respectively, and total short-term lease cost was nil. As of December 31, 2023, the weighted-average remaining lease term for the Organization's operating leases was approximately 1.2 years.

There were no noncash investing and financing transactions related to leasing during the year ended December 31, 2023. During the year ended December 31, 2022, noncash investing and financing transactions were limited to the transition entry to adopt ASC 842 *Leases*.

Future maturities of lease liabilities are presented in the following table, for the years ending December 31:

2024	\$	26,496
2025		3,696
2026		3,235
Total lease payments		33,427
Less present value discount		(3,976)
	\$	<u>29,451</u>

Note 4 – Deferred Compensation

The Organization has an unfunded post-retirement plan for the Organization's founder and former President/CEO, Dr. Max Lange (the Founder). The Founder retired effective October 31, 2018. Benefits of \$3,248 per month are to be paid to the Founder or his spouse for the duration of their lives, to be continued through the life of whomever lives the longest. The Organization accrues the projected future costs of providing post-retirement benefits during the year that employees render the services necessary to be eligible for such benefits. The accrued deferred compensation from this arrangement totaled \$189,705 and \$151,000 as of December 31, 2023 and 2022, respectively. The discount rate used in determining the accrued deferred compensation was 2.77% and 0.217% at December 31, 2023 and 2022, respectively. Benefits totaling \$38,982 were paid by the Organization during both the years ended December 31, 2023 and 2022.

Estimated future benefits to be paid, net of discount, are as follows for the years ending December 31:

2024	\$	37,400
2025		35,800
2026		34,300
2027		32,900
2028		31,600
2029		17,705
	\$	<u>189,705</u>

Notes to Financial Statements

December 31, 2023 and 2022

Note 5 – Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of December 31:

	<u>2023</u>	<u>2022</u>
Holistic care	\$ 172,848	\$ 269,045
Spiritual development	164,135	189,422
Other	46,499	57,115
Education	-	164,898
	<u>\$ 383,482</u>	<u>\$ 680,480</u>

Note 6 – Related Parties

The Organization provides financial assistance to certain foreign charities that are affiliated with the Organization through common board members. These foreign affiliates exist to support the same mission as the Organization. The Organization provides significant financial and educational support to these affiliates. While the affiliates have an economic interest in the Organization, the Organization lacks the prerequisite level of control over the affiliates to require consolidation. Thus, the affiliates' financial statements are not consolidated within the Organization's financial statements at December 31, 2023 and 2022. Grants and support provided to these foreign affiliates totaled the following during the years ended December 31:

	<u>2023</u>	<u>2022</u>
Childcare Worldwide Uganda	\$ 1,170,926	\$ 1,074,934
Childcare Worldwide Kenya	583,739	533,985
Obra Social Cristiana Childcare Worldwide Peru	351,733	252,300
	<u>\$ 2,106,398</u>	<u>\$ 1,861,219</u>