

Childcare Worldwide

Financial Statements with
Independent Auditor's Report

Years Ended December 31, 2024 and 2023



Childcare Worldwide

Contents

	Page
Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses.....	5
Statements of Cash Flows	6
Notes to Financial Statements	7-11

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, 2024 and 2023, and 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 (the Organization) as of December 31, 2024 and 2023, 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 the Organization 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 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.

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 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 my 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.

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
May 8, 2025

Childcare Worldwide

Statements of Financial Position

December 31, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	\$ 699,159	\$ 1,295,325
Certificate of deposit	202,832	-
Prepaid expenses and other assets	88,161	93,921
Right-of-use assets	<u>6,103</u>	<u>31,212</u>
Total assets	<u>\$ 996,255</u>	<u>\$ 1,420,458</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 38,208	\$ 57,762
Deferred compensation	112,776	189,705
Lease liabilities	<u>6,966</u>	<u>29,451</u>
Total liabilities	157,950	276,918
Net assets		
Without donor restrictions		
Board-designated	200,536	218,536
Undesignated	<u>309,377</u>	<u>541,522</u>
Total without donor restrictions	509,913	760,058
With donor restrictions	<u>328,392</u>	<u>383,482</u>
Total net assets	<u>838,305</u>	<u>1,143,540</u>
Total liabilities and net assets	<u>\$ 996,255</u>	<u>\$ 1,420,458</u>

Childcare Worldwide

Statements of Activities

Years Ended December 31, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Contributions	\$ 2,689,381	\$ 254,212	\$ 2,943,593	\$ 3,069,765	\$ 296,848	\$ 3,366,613
Other income	34,957	-	34,957	16,312	-	16,312
Satisfaction of restrictions	309,302	(309,302)	-	593,846	(593,846)	-
Total support and revenue	3,033,640	(55,090)	2,978,550	3,679,923	(296,998)	3,382,925
Expenses						
Program services	2,350,737	-	2,350,737	2,844,021	-	2,844,021
Management and general	402,688	-	402,688	524,943	-	524,943
Fundraising	530,360	-	530,360	678,238	-	678,238
Total expenses	3,283,785	-	3,283,785	4,047,202	-	4,047,202
Changes in net assets	(250,145)	(55,090)	(305,235)	(367,279)	(296,998)	(664,277)
Net assets – beginning of year	760,058	383,482	1,143,540	1,127,337	680,480	1,807,817
Net assets – end of year	\$ 509,913	\$ 328,392	\$ 838,305	\$ 760,058	\$ 383,482	\$ 1,143,540

Childcare Worldwide

Statements of Functional Expenses

Years Ended December 31, 2024 and 2023

	2024				2023			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Grants and support to foreign ministries	\$ 1,839,490	\$ -	\$ -	\$ 1,839,490	\$ 2,237,279	\$ -	\$ -	\$ 2,237,279
Salaries and wages, benefits, & payroll taxes	414,242	311,854	377,955	1,104,051	481,272	414,251	472,520	1,368,043
Marketing and donor relations	23,617	3,207	108,257	135,081	18,539	5,776	132,979	157,294
Miscellaneous	32,080	20,586	24,241	76,907	53,862	22,690	30,909	107,461
Office overhead	8,002	18,826	15,351	42,179	7,300	31,415	33,637	72,352
Occupancy	14,437	23,499	3,295	41,231	24,156	25,456	7,840	57,452
Professional services	-	23,500	-	23,500	-	23,623	-	23,623
Travel	18,869	1,216	1,261	21,346	21,613	1,732	353	23,698
Total expenses	\$ 2,350,737	\$ 402,688	\$ 530,360	\$ 3,283,785	\$ 2,844,021	\$ 524,943	\$ 678,238	\$ 4,047,202

Childcare Worldwide

Statements of Cash Flows

Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Changes in net assets	\$ (305,235)	\$ (664,277)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation expense	1,286	5,284
Increase (decrease) in the carrying amount of deferred compensation	(37,947)	77,687
Reduction in the carrying amount of right-of-use assets, net of lease liability accretion	25,109	46,038
Changes in assets and liabilities:		
Prepaid expenses and other assets	5,947	(7,115)
Accounts payable and accrued liabilities	(19,554)	(8,005)
Deferred compensation	(38,982)	(38,982)
Lease liability	<u>(22,485)</u>	<u>(46,826)</u>
Net cash used by operating activities	(391,861)	(636,196)
Cash flows from investing activities		
Net changes in certificate of deposit	(202,832)	-
Net proceeds (purchases) from other investing activities	<u>(1,473)</u>	<u>15,953</u>
Net cash provided (used) by investing activities	<u>(204,305)</u>	<u>15,953</u>
Net decrease in cash and cash equivalents	(596,166)	(620,243)
Cash and cash equivalents – beginning of year	<u>1,295,325</u>	<u>1,915,568</u>
Cash and cash equivalents – end of year	<u><u>\$ 699,159</u></u>	<u><u>\$ 1,295,325</u></u>

Notes to Financial Statements

December 31, 2024 and 2023

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 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 recognized as 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.

Certificates of deposit – Certificates of deposit (CD) are recorded at cost plus accrued interest. The CD held at December 31, 2024, is scheduled to mature in May 2025.

Notes to Financial Statements

December 31, 2024 and 2023

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

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. 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, 2024 and 2023.

Advertising – Advertising costs are expensed as incurred and totaled \$135,081 and \$157,294 for the years ended December 31, 2024 and 2023, 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 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.

Notes to Financial Statements

December 31, 2024 and 2023

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

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.

Subsequent events – In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 8, 2025, 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:

	2024	2023
Cash and cash equivalents	\$ 699,159	\$ 1,295,325
Certificate of deposit	202,832	-
Other financial assets	35,128	30,879
Less amounts not available for general expenditure within one year		
Board-designated reserve	(200,536)	(218,536)
Donor-restricted for specific purposes	(328,392)	(383,482)
	<u>\$ 408,191</u>	<u>\$ 724,186</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 in excess of current operating needs may be maintained in investment, certificate of deposit, or money market accounts. The Organization had funds held in money market accounts totaling \$461,156 and \$853,901 as of December 31, 2024 and 2023, 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 0.99% as of December 31, 2024.

Notes to Financial Statements

December 31, 2024 and 2023

Note 3 – Leases – (Continued)

The Organization's operating leases consist of those for office equipment and office space in Lynden, Washington. The lease for office space termed in June 2024 and a new lease was entered into effective May 2024 for a different office location in Lynden, Washington. This new lease is for 12 months and does not have an option to extend and therefore has been excluded from the ROU asset and lease liability at December 31, 2024. Subsequent to year-end, the Organization renewed its office lease for an additional 12 month term, terminating April 2026.

Total operating lease cost was \$25,054 and \$47,597 for the years ended December 31, 2024 and 2023, respectively, and total short-term lease cost was \$6,000. As of December 31, 2024, the weighted-average remaining lease term for the Organization's operating lease was approximately 1.5 years.

There were no noncash investing and financing transactions related to leasing during the years ended December 31, 2024 and 2023.

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

2025	\$ 3,876
2026	3,310
Total lease payments	<u>7,186</u>
Less present value discount	<u>(220)</u>
	<u>\$ 6,966</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. Monthly benefits of \$3,248 are to be paid to the Founder for the duration of his life. 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 \$112,776 and \$189,705 as of December 31, 2024 and 2023, respectively. The discount rate used in determining the accrued deferred compensation was 4.42% and 2.77% at December 31, 2024 and 2023, respectively. Benefits totaling \$38,982 were paid by the Organization during both the years ended December 31, 2024 and 2023.

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

2025	\$ 37,300
2026	35,700
2027	34,200
2028	5,576
	<u>\$ 112,776</u>

Notes to Financial Statements

December 31, 2024 and 2023

Note 5 – Net Assets with Donor Restrictions

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

	2024	2023
Spiritual development	\$ 154,270	\$ 164,135
Holistic care	134,728	172,848
Other	37,154	46,499
Education	2,240	-
	<u>\$ 328,392</u>	<u>\$ 383,482</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, 2024 and 2023. Grants and support provided to these foreign affiliates totaled the following during the years ended December 31:

	2024	2023
Childcare Worldwide Uganda	\$ 902,336	\$ 1,170,926
Childcare Worldwide Kenya	544,104	583,739
Obra Social Cristiana Childcare Worldwide Peru	237,035	351,733
	<u>\$ 1,683,475</u>	<u>\$ 2,106,398</u>