

**CHILDCARE WORLDWIDE**

**FINANCIAL STATEMENTS**

December 31, 2007

**(With Independent Auditor's Report)**

# CHILDCARE WORLDWIDE

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Childcare Worldwide

We have audited the accompanying statement of financial position of Childcare Worldwide as of December 31, 2007 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Childcare Worldwide as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 5, the accompanying statement of activities includes support and revenue and program service expense of \$16,060,841 for the year ended December 31, 2007, for donated goods received and subsequently distributed through partnering activities with another organization.



Bellingham, Washington  
June 12, 2008

**CHILDCARE WORLDWIDE**  
**STATEMENT OF FINANCIAL POSITION**

December 31, 2007

**ASSETS**

Cash and cash equivalents	\$ 499,351
Receivables	79,444
Investments	59,793
Land, property, and equipment, net	410,917
Other	<u>50,897</u>
Total assets	<u>\$ 1,100,402</u>

**LIABILITIES AND NET ASSETS**

Accounts payable and accrued liabilities	\$ 108,818
Net assets	
Unrestricted	
Board designated	255,609
Undesignated	262,206
Temporarily restricted	<u>473,769</u>
Total net assets	<u>991,584</u>
Total liabilities and net assets	<u>\$ 1,100,402</u>

*The accompanying notes are an integral part of these statements.*

**CHILDCARE WORLDWIDE**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2007

**Changes in unrestricted net assets**

Revenues

Contributions	\$ 2,463,207
Net assets released from restrictions	<u>359,102</u>
	2,822,309

Donated goods	16,060,841
Investment income	<u>17,570</u>
	<u>16,078,411</u>
Total unrestricted revenues and other support	<u>18,900,720</u>

Expenses

Program services	
International programs	17,645,899
Domestic programs	<u>370,398</u>
Total program services	<u>18,016,297</u>

Supporting activities	
Administration	362,759
Fund raising	<u>479,532</u>
Total supporting activities	<u>842,291</u>

Total expenses	<u>18,858,588</u>
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<b>Increase in unrestricted net assets</b>	42,132
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**Changes in temporarily restricted net assets**

Contributions	503,418
Net assets released from restrictions	<u>(359,102)</u>
	144,316

<b>Increase in temporarily restricted net assets</b>	<u>144,316</u>
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<b>Increase in net assets</b>	186,448
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Net assets, beginning of year	<u>805,136</u>
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Net assets, end of year	<u><u>\$ 991,584</u></u>
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*The accompanying notes are an integral part of these statements.*

**CHILDCARE WORLDWIDE**  
**STATEMENT OF CASH FLOWS**

Year Ended December 31, 2007

<b>Cash flows from operating activities</b>	
Increase in net assets	\$ 186,448
<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities</i>	
Depreciation and amortization	49,993
Decrease in receivables	17,063
Increase in prepaid expenses	(40,125)
Decrease in liabilities	<u>(43,353)</u>
Net cash provided by operating activities	170,026
<b>Cash flows from investing activities</b>	
Repayment of note receivable	2,380
Increase in investments	(4,981)
Purchase of property and equipment	<u>(57,536)</u>
Net cash used by investing activities	(60,137)
<b>Net increase in cash and cash equivalents</b>	109,889
<b>Cash and cash equivalents, beginning of year</b>	<u>389,462</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 499,351</u></u>

*The accompanying notes are an integral part of these statements.*

**CHILDCARE WORLDWIDE**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2007

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organizations – Childcare Worldwide (the Organization) receives contributions of funds and donated goods from Christian relief organizations, churches, and individuals. The Organization's ministry efforts are conducted in international and domestic areas. International ministries support and direct ministry in foreign countries, including Kenya, Uganda, Haiti, Mexico, Thailand, Philippines, Peru, Sri Lanka, Belarus, China, and India. The activities in these countries include feeding, clothing, and educating the poor, providing medical assistance, housing orphans and performing evangelism, and encouraging the study of the Bible. Domestic ministries include ministry team expenses and publication ministries.

**Basis of presentation** – The Organization reports information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions. The Organization does not have any permanently restricted net assets at December 31, 2007.

**Accounts receivable** – Accounts receivable are recorded in the Organization's balance sheet at their net realizable value. Net realizable value is equal to the gross amount of receivables less an estimated allowance for doubtful accounts. Management of the Organization bases its estimates of doubtful accounts and which accounts receivable to write off on several factors. These factors include the Organization's prior experience collecting receivables, the aging of receivables at year end, the debtor's ability to repay the amount owed, and management's appraisal of current economic conditions. The Organization does not accrue finance charges of any portion of its accounts receivable.

**Contributions** – Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. When donor restrictions are met during the same period that the contribution is received, the contribution is recorded as unrestricted net assets. Contributions other than cash contributions are recorded at estimated fair value at the date donated.

**Cash equivalents** – The Organization considers all short-term, highly liquid investments with original maturities of three months or less to be cash equivalents.

**Donated goods** – The Organization receives contributions of food, clothing, medical supplies and equipment, and other goods for distribution and use in the various program services. Donated goods are recorded as revenues at fair value at the time received and are recognized as program service expense at the time such goods are distributed for use in the program.

**Investments** – Investments consist mainly of mutual funds and marketable securities and are recorded at fair value. Unrealized investment gains and losses are included in the change in net assets. Investment income or loss is reported as an increase or decrease in unrestricted net assets unless the investment income on restricted assets also is restricted by the donor, resulting in such investment income being recorded as restricted until time or purpose restrictions are satisfied.

**CHILDCARE WORLDWIDE**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2007

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Land, property, and equipment** – Land, property, and equipment are recorded at cost or, if acquired as a donation, at the estimated fair market value at the date donated. Depreciation and amortization are provided using the straight-line method over estimated useful lives of 5 to 15 years. Repair and maintenance expenditures which do not extend productive life are expensed as incurred.

**Federal income tax** – Childcare Worldwide is a non-profit organization under Section 501(c)(3) of the Internal Revenue Code and is, therefore, exempt from federal income tax except for federal income taxes payable on income derived from unrelated business activities.

**Concentration of credit risk** – Childcare Worldwide maintains cash balances primarily in one financial institution. At December 31, 2007, cash deposits of approximately \$166,462 were in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC).

**Use of estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2. RELATED PARTY TRANSACTIONS**

The Executive Director of Childcare Worldwide was a board member of Childcare Worldwide Society. Childcare Worldwide provides administrative support and donates time and materials for monthly newsletters to be sent by Childcare Worldwide Society to Canadian supporters.

**NOTE 3. LAND, PROPERTY, AND EQUIPMENT**

At December 31, 2007, land, property, and equipment consist of the following:

Land	\$ 75,692
Buildings and improvements	460,310
Office equipment	226,359
Automobiles	45,336
Film production	<u>566</u>
	808,263
Less accumulated depreciation and amortization	<u>(397,346)</u>
	<u>\$ 410,917</u>

**CHILDCARE WORLDWIDE**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2007

**NOTE 4. INVESTMENTS**

Investments are recorded at fair value and are summarized as follows:

Debt securities – bonds	\$ 24,676
Equity securities – common stock	<u>35,117</u>
	<u>\$ 59,793</u>

Net investment income consists of the following:

Interest and dividend income	\$ 17,570
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**NOTE 5. DONATED GOODS - OTHER AGENCIES**

The Organization participates with an agency in partnering agreements. These agreements are utilized to coordinate and finance distribution of donated goods to their final destination. The value of these goods is recorded as contribution revenue and a program service expense for those donated goods for which the Organization incurs a financial risk and commitment. The amount recorded under such arrangements in 2007 was \$16,060,841.

**NOTE 6. RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

Pledges for child sponsorship and operations	\$ 88,544
Ministry and other	<u>385,225</u>
	<u>\$ 473,769</u>

**NOTE 7. PENSION PLAN**

The Organization sponsors a simplified employee pension plan covering substantially all U.S. full-time employees, whereby the Organization contributes 6% of the employees' compensation to the plan annually. The Plan's years-of-service eligibility requirement is three years. Pension expense was \$31,367 for the year ended December 31, 2007. Additionally, the Organization established a 403(b) retirement plan whereby elective U.S. employees may contribute tax-deferred compensation. The Organization does not contribute to the 403(b) plan.

**CHILDCARE WORLDWIDE**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2007

**NOTE 8. LEASES**

The Organization leases its premises under an operating lease. The lease provides for monthly lease payments of \$3,938 as of December 31, 2007, with an annual increase of 2%. The lease term expires August 2012. The lease has a renewal option for five additional years.

Future minimum lease payments are as follows:

2008	47,644
2009	48,597
2010	49,569
2011	50,560
2012	29,835
	<u>\$ 226,205</u>

Total rent expense for 2007 was \$51,901.

**NOTE 9. GEOGRAPHIC AREA OF OPERATIONS**

Included in the Organization's combined financial statements are net assets of Childcare International's international operations. Information related to the net assets in international countries is as follows:

Kenya	\$ 306,532
Haiti	7,701
Other	<u>4,862</u>
	<u>\$ 319,095</u>

**NOTE 10. CASH CONTRIBUTIONS**

Cash contributions received for the year ended December 31, 2007 are as follows:

Unrestricted	\$ 2,463,207
Temporarily restricted	<u>503,418</u>
Total	<u>\$ 2,966,625</u>

## INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Board of Directors  
Childcare Worldwide

Our report on our audit of the basic financial statements of Childcare Worldwide for December 31, 2007 appears on page one. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The statement of functional expenses by natural classification is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Varner Dufoma & Herndon". The signature is written in a cursive style with a large initial 'V' and a stylized ampersand.

Bellingham, Washington  
June 12, 2008

**CHILDCARE WORLDWIDE**

**COMBINED STATEMENTS OF FUNCTIONAL EXPENSES BY NATURAL CLASSIFICATION**

Year Ended December 31, 2007

	Program Services		Total	Supporting Services		Total
	International Programs	Domestic Ministries		Administration	Fund Raising	
Donated goods and property	\$ 16,060,841	\$ -	\$ 16,060,841	\$ -	\$ -	\$ -
Children's program expenses	1,297,940		1,297,940			
Salaries and benefits	181,920	270,463	452,383	140,544	262,752	403,296
Supplies, printing, and postage	24,049	54,281	78,330	8,077	38,159	46,236
Travel	29,190	288	29,478	2,827	59,811	62,638
Other ministry expense		34,769	34,769	62,923	96,377	159,300
Utilities, rent and building maintenance	45,583	8,810	54,393	72,399	10,910	83,309
Outside services			-	25,020	8,879	33,899
Depreciation			-	49,993		49,993
Miscellaneous	6,376	1,787	8,163	976	2,644	3,620
	<u>\$ 17,645,899</u>	<u>\$ 370,398</u>	<u>\$ 18,016,297</u>	<u>\$ 362,759</u>	<u>\$ 479,532</u>	<u>\$ 842,291</u>