

CHILDCARE WORLDWIDE

FINANCIAL STATEMENTS

December 31, 2008

(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, 2008 and the related statement 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 audits 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 audits provide 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, 2008 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 \$23,809,083 for the year ended December 31, 2008, for donated goods received and subsequently distributed through partnering activities with another organization.

The financial statements for the year ended December 31, 2008 of the foreign countries included in this combined presentation were audited by other independent accountants whose reports are dated February 2, 2009, February 11, 2009, February 28, 2009 and February 14, 2009.

Varner Sytsma & Herndon

Bellingham, Washington
May 19, 2009

CHILDCARE WORLDWIDE
STATEMENT OF FINANCIAL POSITION

December 31, 2008

ASSETS

Cash and cash equivalents	\$ 547,012
Receivables	71,330
Investments	117,465
Land, property, and equipment, net	1,232,143
Other	<u>63,396</u>
 Total assets	 <u><u>\$ 2,031,346</u></u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued liabilities	\$ 160,566
 Net assets	
Unrestricted	
Board designated	43,688
Undesignated	293,927
Temporarily restricted	<u>1,533,165</u>
Total net assets	<u><u>1,870,780</u></u>
 Total liabilities and net assets	 <u><u>\$ 2,031,346</u></u>

The accompanying notes are an integral part of these statements.

CHILDCARE WORLDWIDE
STATEMENT OF ACTIVITIES

December 31, 2008

Changes in unrestricted net assets

Revenues

Contributions	\$ 3,958,173
Donated goods	23,809,083
Investment income	8,328
	<u>23,817,411</u>

Total unrestricted revenues and other support 27,775,584

Expenses

Program services

International programs	26,386,119
Domestic programs	478,417
Total program services	<u>26,864,536</u>

Supporting activities

Administration	251,871
Fund raising	563,563
Total supporting activities	<u>815,434</u>

Total expenses 27,679,970

Increase in unrestricted net assets 95,614

Changes in temporarily restricted net assets

Contributions	754,573
Net assets released from restrictions	(740,428)
	<u>14,145</u>

Increase in temporarily restricted net assets 14,145

Increase in net assets 109,759

Net assets, beginning of year 2,073,265

Prior period adjustments 312,244

Net assets, end of year \$ 1,870,780

The accompanying notes are an integral part of these statements.

CHILDCARE WORLDWIDE
STATEMENT OF CASH FLOWS

December 31, 2008

Cash flows from operating activities	
Increase in net assets	\$ 109,759
<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities</i>	
Depreciation and amortization	85,051
Decrease in receivables	8,114
Increase in prepaid expenses	(12,499)
Decrease in liabilities	51,748
	<hr/>
Net cash provided by operating activities	242,173
 Cash flows from investing activities	
Purchase of investments	(57,672)
Purchase of property and equipment	(136,840)
	<hr/>
Net cash used by investing activities	(194,512)
 Net decrease in cash and cash equivalents	<hr/> 47,661 <hr/>
 Cash and cash equivalents, beginning of year	<hr/> 499,351 <hr/>
 Cash and cash equivalents, end of year	<hr/> \$ 547,012 <hr/>

The accompanying notes are an integral part of these statements.

CHILDCARE WORLDWIDE
NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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 foreign countries, including Mexico, Thailand, Philippines, Peru, Sri Lanka, Belarus and China. The organization both supports and directs ministries in the four core countries of Uganda, Kenya, India and Haiti. 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, 2008.

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. There is no allowance for doubtful accounts at December 31, 2008.

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, 2008

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, 2008, cash deposits of approximately \$210,531 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, 2008, land, property, and equipment consist of the following:

Land	\$ 135,365
Buildings and improvements	891,895
Office equipment	256,689
Automobiles	117,360
Furniture and Fixtures	54,234
Construction in Progress	190,517
Film production	<u>566</u>
	1,646,626
Less accumulated depreciation and amortization	<u>(414,483)</u>
	<u>\$ 1,232,143</u>

CHILDCARE WORLDWIDE
NOTES TO FINANCIAL STATEMENTS

December 31, 2008

NOTE 4. INVESTMENTS

Investments are recorded at fair value and are summarized as follows at December 31, 2008:

Debt securities – bonds	\$ 90,627
Equity securities – common stock	<u>26,838</u>
	<u>\$ 117,465</u>

Net investment income consists of the following:

Interest and dividend income	<u>\$ 8,328</u>
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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 2008 was \$23,809,083.

NOTE 6. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Pledges for child sponsorship and operations	\$ 48,753
Ministry and other	<u>1,484,412</u>
	<u>\$ 1,533,165</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 4% of the employees' compensation to the plan annually. The Plan's years-of-service eligibility requirement is three years. Pension expense was \$3,845 for the year ended December 31, 2008. 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, 2008

NOTE 8. LEASES

The Organization leases its premises under an operating lease. The lease provides for monthly lease payments of \$4,638 as of December 31, 2008, 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:

2009	\$ 53,602
2010	54,674
2011	55,768
2012	<u>37,922</u>
	<u>\$ 201,966</u>

Total rent expense for 2008 was \$52,551.

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 at December 31, 2008:

Kenya	\$ 824,989
Uganda	297,113
India	48,524
Haiti	<u>2,926</u>
	<u>\$ 1,173,552</u>

NOTE 10. PRIOR PERIOD ADJUSTMENT

Asset and other accounts were present on the statement of financial position for both U.S. and foreign financial statements, therefore overstating the net assets in prior years. The elimination of the foreign balances created a prior period adjustment for the year ending December 31, 2008.



VARNER SYTSMA HERNDON

vshcpa.com

MAIN OFFICE

Phone: 360 734-8715 Fax: 360 738-1176
2200 Rimland Drive - Suite #205 - Bellingham, WA - 98226

SOUTH SURREY OFFICE

Phone: 604 531-6638
Suite 404, 1688 152 Street - Surrey, BC - V4A 4N2

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Board of Directors
Childcare Worldwide

Our report on our audits of the basic financial statements of Childcare Worldwide for December 31, 2008 appears on page one. We conducted our audits 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.

Varner Sytsma & Herndon

Bellingham, Washington
May 19, 2009

CHILD CARE WORLDWIDE

COMBINED STATEMENTS OF FUNCTIONAL EXPENSES BY NATURAL CLASSIFICATION

Year Ended December 31, 2008

	International Programs	Program Services		Total	Administration	Supporting Services		Total
		Domestic Ministries	Ministries			Fund Raising	Fund Raising	
Donated goods and property	\$ 23,809,083	\$ -	\$ -	\$ 23,809,083	\$ -	\$ -	\$ -	\$ -
Children's program expenses	2,096,000	-	-	2,096,000	-	-	-	-
Salaries and benefits	263,215	349,338	612,552	612,552	97,582	308,795	406,378	406,378
Supplies, printing, and postage	34,796	70,112	104,907	104,907	5,608	44,846	50,454	50,454
Travel	42,234	372	42,606	42,606	1,963	70,292	72,255	72,255
Other ministry expense	-	44,908	44,908	44,908	43,689	113,266	156,954	156,954
Utilities, rent and building maintenance	65,953	11,379	77,332	77,332	65,541	12,822	78,363	78,363
Outside services	-	-	-	-	17,372	10,435	27,807	27,807
Depreciation	65,613	-	65,613	65,613	19,438	-	19,438	19,438
Miscellaneous	9,225	2,308	11,533	11,533	678	3,107	3,785	3,785
	<u>\$ 26,386,119</u>	<u>\$ 478,417</u>	<u>\$ 26,864,536</u>	<u>\$ 26,864,536</u>	<u>\$ 251,871</u>	<u>\$ 563,563</u>	<u>\$ 815,434</u>	<u>\$ 815,434</u>