

Mission to Children, Inc.
(A Not-For-Profit Organization)
Financial Statements
June 30, 2021

Mission to Children, Inc.
(A Not-For-Profit Organization)

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 13



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mission to Children, Inc.
Escondido, California

We have audited the accompanying financial statements of Mission to Children, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2021 and the related statements of activities, functional expense and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mission to Children, Inc. as of June 30, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

VanderSpek Howerzyl, CPAs

Escondido, California

February 16, 2022

Mission to Children, Inc.
(A Not-For-Profit Organization)
Statement of Financial Position
as of June 30, 2021

Assets	
Current Assets	
Cash and cash equivalents	\$ 811,889
Accounts Receivable	10,000
Due from affiliate	46,219
Investments	9,457
Prepays	2,899
Total current assets	880,464
Fixed Assets (net)	856
Other Assets	
Deposits	3,913
Video production costs (net)	14,895
Total other assets	18,808
Total Assets	\$ 900,128
Liabilities & Net Assets	
Liabilities	
Current liabilities	
Accounts payable and accrued expenses	\$ 7,383
Conditional PPP grant liability	37,338
Total current liabilities	44,721
Total liabilities	44,721
Net Assets	
Net Assets, without donor restrictions	632,486
Net Assets, with donor restrictions	222,921
Total net assets	855,407
Total Liabilities and Net Assets	\$ 900,128

See notes to the Financial Statements

Mission to Children, Inc.
(A Not-For-Profit Organization)
Statement of Activities
for the year ended June 30, 2021

	Without Donor Restriction	With Donor Restriction	Total
Support and revenues			
Contributions	\$ 277,212	\$ 48,442	\$ 325,654
Estates and trusts gifts	112,478		112,478
Investment income	2,644		2,644
PPP Grant	22,513		22,513
Unrealized gain(loss) on investments			-
Total support and revenues	414,847	48,442	463,289
 Net assets released from restrictions			
Satisfaction of donor restrictions	19,254	(19,254)	-
 Expenses			
Programs	136,738		136,738
Fundraising	22,007		22,007
General and administrative	58,143		58,143
Total expenses	216,888	-	216,888
 Change in net assets	217,213	29,188	246,401
 Net assets, beginning	415,273	193,733	609,006
 Net assets, ending	\$ 632,486	\$ 222,921	\$ 855,407

See notes to the Financial Statements

Mission to Children, Inc.
(A Not-For-Profit Organization)
Statement of Functional Expenses
for the year ended June 30, 2021

	Programs			Fundraising Expense	General Admin	Totals
	Ministry Expense	International Expense	Publications Expense			
Accounting	\$ -	\$ -	\$ -	\$ -	\$ 14,090	\$ 14,090
Attorney					1,050	1,050
Amortization		9,928				9,928
Bank charges					622	622
Depreciation		177	44	11	41	273
Dues & subscriptions		2,143	151	50	177	2,521
Licenses & fees					3,887	3,887
Occupancy		10,628	2,616	654	2,452	16,350
Office expense		5,795	1,403	352	3,355	10,905
Postage & delivery				41	1,806	1,847
Printing				50	945	995
Professional services		2,698	664	166	7,776	11,304
Program expenses	19,254					19,254
Salaries & compensation		57,032	24,188	20,683	21,940	123,843
Travel		16	1		2	19
Totals	<u>\$ 19,254</u>	<u>\$ 88,417</u>	<u>\$ 29,067</u>	<u>\$ 22,007</u>	<u>\$ 58,143</u>	<u>\$ 216,888</u>

See notes to the Financial Statements

Mission to Children, Inc.
(A Not-For-Profit Organization)
Statement of Cash Flows
for the year ended June 30, 2021

Cash flows from operating activities	
Increase(decrease) in net assets	\$ 246,401
Adjustments to reconcile increase in net assets to net cash provided by operation activities:	
Depreciation	273
Amortization	9,928
(Increase)decrease in receivables	7,583
(Increase)decrease in prepaids	(845)
Increase(decrease) in payables	(5,850)
(Decrease)increase in proceeds from conditional grant	19,825
(Decrease)increase in proceeds from grant payable	<u>(5,000)</u>
Net cash provided by operating activities	272,315
Cash flows from investing activities	
Change in investments	<u>(1,857)</u>
Net cash used by investing activities	(1,857)
Cash flows from financing activities	
Net cash provided by financing activities	<u>-</u>
Net increase(decrease) in cash and cash equivalents	270,458
Beginning cash and cash equivalents	<u>541,431</u>
Ending cash and cash equivalents	<u><u>\$ 811,889</u></u>

See notes to the Financial Statements

Mission to Children, Inc.
(A Not-For-Profit Organization)
Notes to Financial Statements
For the year ended June 30, 2021

Note 1 – Summary of significant accounting policies

Nature of Activities

Mission to Children, Inc. (“the Ministry”) is a not-for-profit California corporation incorporated in 1971. Mission to Children equips frontline Christians who spread the gospel to vulnerable children.

The Ministry’s core services include:

International Assistance Programs – The Ministry’s international assistance program is characterized by compassion and Christ-centered outreach projects. Projects provided in several countries include support for youth development and humanitarian services such as: care for orphaned or abandoned children, education, clothing, shelter, food, and Bible literature distribution in impoverished communities.

Newsletter – The Ministry’s newsletter includes: updates on programs, character building, Biblical encouragement, Ministry participation opportunities, and prayer requests that focus on world issues. The name of the publication is “Looking Up...Reaching Out.” Its purpose is to encourage readers to glorify God through holy living and reach out to help others, especially children at risk.

Basis of Accounting

The financial statements of the Ministry have been prepared in accordance with accounting principles generally accepted in the United States of America on an accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

The Ministry reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

- Net assets without donor restriction represent net assets that have no use or time restrictions. Without donor restriction amounts represent amounts that are available for various activities including the Ministry’s activities and charitable endeavors at the discretion of the Ministry’s Board of Directors.
- Net assets with donor restrictions consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Ministry may spend the funds or recognize the support.

Mission to Children, Inc.
(A Not-For-Profit Organization)
Notes to Financial Statements
For the year ended June 30, 2021

Note 1 – Summary of significant accounting policies - continued

Revenue and Support

Unconditional contributions of cash or other assets and unconditional promises to give are recorded as revenue in the period received and are classified as without donor restrictions or with donor restrictions based on donor stipulations. Unconditional promises to give that are expected to be collected in future years are recognized at fair value based on estimated future cash flows. Conditional contributions are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Gifts of assets other than cash are recorded at their estimated fair value.

Contributions receivable from charitable trusts are adjusted annually to fair value, and any actuarial gain or loss is reflected in the statement of activities as change in value of split-interest agreements.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfaction of purpose.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Mission to Children considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Foreign Currency Transactions

Transactions in foreign currencies are recorded in American dollars using the exchange rate in effect at the date of the transaction. At each balance sheet date, recorded monetary balances that are denominated in a foreign currency are adjusted to reflect the rate at the balance sheet date. All exchange adjustments are taken to the profit and loss account.

Use of Estimates

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

Mission to Children, Inc.
(A Not-For-Profit Organization)
Notes to Financial Statements
For the year ended June 30, 2021

Note 1 – Summary of significant accounting policies - continued

Accounts Receivable

The accounts receivable arise from a matching grant agreement between the Ministry and Mission Increase. It is the policy of management to review the outstanding accounts receivable at year-end and establish an allowance for doubtful accounts for uncollectible amounts. No allowance is considered necessary at June 30, 2021 because management believes all amounts are collectible.

Income Taxes

The Ministry is exempt from Income taxes under the current provisions of the Internal Revenue Code Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. All tax-exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes.

The Ministry complies with Financial Accounting Standards Board Interpretation No.48, *Accounting for Uncertainty in Income Taxes*, which provides accounting and disclosure guidance about uncertain tax positions taken by an organization. Examples of tax positions include the tax-exempt status of the Ministry and various positions related to the potential sources of unrelated business taxable income (UBIT). Management believes that all of the positions taken by the Ministry in its federal and state Exempt Organization Income Tax Returns are more likely than not to be sustained upon examination. The Ministry's Exempt Organization Returns are subject to examination by the Internal Revenue Service and the California Franchise Tax Board, generally for three years after they were filed.

Functional Allocation of Expenses

The functional expenses are broken out to provide detail between three categories: programs, general administrative, and fundraising expenses. Expenses are classified in these categories in accordance with their necessity to run the programs and missions of the Ministry. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. Salaries and benefits, are expenses, which are allocated based on estimates of time and effort. Office expenses/leases, and utilities are allocated based on square footage of office space used.

Mission to Children, Inc.
(A Not-For-Profit Organization)
Notes to Financial Statements
For the year ended June 30, 2021

Note 1 – Summary of significant accounting policies - continued

Advertising Expense

Advertising costs are charged to operations when incurred. For the year 2021, no advertising expenses were incurred.

Subsequent Events

Subsequent events are events or transitions that occur after the statement of financial position date but before financial statements are issued. The Ministry recognizes in the financial statement the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Ministry's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before the financial statements are available to be issued.

The Ministry has evaluated subsequent events through February 16, 2022, which is the date the financial statements were available to be issued. Management is not aware of any events that have occurred subsequent to the statement of financial position date that would require adjustment to or disclosure in the financial statements.

Note 2 – Investments and Fair Value Measurement

GAAP defines fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, GAAP recognizes a hierarchy of "inputs" an organization may use in determining or estimating fair value. The inputs are categorized into "levels" that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). A financial instrument's level within fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Mission to Children, Inc.
(A Not-For-Profit Organization)
Notes to Financial Statements
For the year ended June 30, 2021

Note 2 – Investments and Fair Value Measurement - continued

Following is a description of each of the three levels of input within the fair value hierarchy:

Level 1 – unadjusted quoted market prices in active markets for identical items.

Level 2 – other significant observable inputs (such as quoted prices for similar items)

Level 3 – significant unobservable inputs

Estimated fair value of assets (liabilities) measured on a recurring basis as of June 30, 2021 are as follows:

2021	Total	Level 1	Level 2	Level 3
Mutual funds	\$ 9,457	\$ 9,457		

Note 3 – Furniture and Equipment

Fixed assets are depreciated using straight-line so as to write off the cost of the assets over their estimated economic lives as follows:

	Years
Equipment	5
Furniture	7

Furniture and equipment consist of the following:

Furniture	\$ 8,000
Equipment	18,118
	26,118
Accumulated Depreciation	(25,262)
	\$ 856

Depreciation expense for the years ended June 30, 2021 is \$273.

Note 4 – Video Production Costs

The Ministry was involved in the production of a training video which was completed in 2016. The costs totaling \$69,499 are being amortized over a seven-year period using straight-line and the amount for 2021 was \$9,928.

Mission to Children, Inc.
 (A Not-For-Profit Organization)
 Notes to Financial Statements
 For the year ended June 30, 2021

Note 5 – Concentration of Credit Risk

During 2021, the Ministry had deposits at a single bank in excess of the federal insurance limit for deposits at a single institution.

The National Credit Union Administration (NCUA) guarantees deposits at a single bank institution (per depositor/per account type) for up to \$250,000. A summary of total insured and uninsured cash balances follows:

Total cash in bank deposit accounts	\$	811,889
Portion insurance by FDIC/NCUA		(518,282)
FDIC/NCUA uninsured cash balance	\$	293,607

Note 6 – Due from Affiliate

The Ministry shares costs with The Mission to Children, a registered Canadian charity (“The Affiliate”) which carries out program activities similar to those of the Ministry in Canada. The Affiliate reimburses the Ministry for such costs on a monthly basis. The Ministry’s president serves on each organization’s board of directors, but each organization is autonomous. As of June 30, 2021, the Ministry had billed the Affiliate \$45,520, which was unpaid and is included in the accompanying statements of financial position as “due from affiliate.”

Note 7 – Accumulated Vacation Pay

Accumulated unpaid employee vacation benefits are recognized as a liability of the Ministry. The amounts of accumulated vacation pay at June 30, 2021 was \$7,383.

Note 8 – Net Assets, with Donor Restrictions

Net assets were temporarily restricted for the following purposes for 2021:

Special Projects	\$	222,921
Sponsorship		-
	\$	222,921

Note 9 – Liquidity and availability of financial assets

The Ministry has \$643,945 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$588,968, short term investments of \$9,457 and due from affiliate \$45,520. These amounts have been reduced by amounts not available for general use because of donor-imposed restrictions of \$222,921 for special projects as of the balance sheet date.

Mission to Children, Inc.
(A Not-For-Profit Organization)
Notes to Financial Statements
For the year ended June 30, 2021

Note 10 – SBA Paycheck Protection Program Grant and Loan

During 2020 the Ministry applied for and received a first grant of \$22,513 under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The Ministry used the proceeds for qualifying expenses and the loan and interest was forgiven in February of 2021.

Mission to Children applied for a second grant and received \$37,338 Paycheck Protection Program loan on March 2021. The Ministry used all proceeds from the note for qualifying expenses and the PPP loan was subsequently forgiven on October 6, 2021.

Note 11 – Risk of Uncertainties

On January 30, 2020 the World Health Organization (WHO) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the COVID 19 outbreak). On March 11, 2020 the WHO classified the COVID – 19 out-break as a pandemic, triggering volatility in financial markets and a significant impact on the global economy. Management is carefully monitoring the situation and believes there is no excessive impact on the organization and that it will be able to continue to meet obligations and operate their current programs. The full impact of the COVID -19 outbreak along with its continual variant strains continues to evolve as of the date of this report.