

ANCOP FOUNDATION (USA), INC.

Financial Statements
With Independent Auditors' Report

December 31, 2018

**GALLEROS ROBINSON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

ANCOP FOUNDATION (USA), INC.

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INDEPENDENT AUDITORS' REPORT

**Board of Directors
ANCOP Foundation (USA), Inc.**

We have audited the accompanying financial statements of ANCOP Foundation (USA), Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' 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 auditors' 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 consolidated 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.

Board of Directors
ANCOP Foundation (USA), Inc.
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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 ANCOP Foundation (USA), Inc. as of December 31, 2018, 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.

Galleros Robinson CPAs, LLP

Cream Ridge, New Jersey
November 14, 2019

ANCOP FOUNDATION (USA), INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

ASSETS

Current Assets:

Cash and cash equivalents	\$ 1,481,826
Prepaid items and other current assets	261,289
Total Current Assets	<u>1,743,115</u>
Property and equipment, net	<u>4,033</u>
Total Assets	<u>\$ 1,747,148</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$ 12,149
Without donor restrictions	679,778
With donor restrictions	<u>1,055,221</u>
Total Liabilities and Net Assets	<u>\$ 1,747,148</u>

ANCOP FOUNDATION (USA), INC.**STATEMENT OF ACTIVITIES****YEAR ENDED DECEMBER 31, 2018**

	Without donor restrictions	With donor restrictions	Total
REVENUES			
Contributions	\$ 114,341	\$ 457,362	\$ 571,703
Special events	59,149	236,597	295,746
Interest and other income	80,202	-	80,202
Released from restrictions	<u>581,583</u>	<u>(581,583)</u>	<u>-</u>
Total Revenues	<u>835,275</u>	<u>112,376</u>	<u>947,651</u>
EXPENSES			
Program services	616,093	-	616,093
Support services	<u>28,937</u>	<u>-</u>	<u>28,937</u>
Total Expenses	<u>645,030</u>	<u>-</u>	<u>645,030</u>
Change in Net Assets	190,245	112,376	302,621
NET ASSETS			
Beginning of year	<u>489,533</u>	<u>942,845</u>	<u>1,432,378</u>
End of year	<u>\$ 679,778</u>	<u>\$ 1,055,221</u>	<u>\$ 1,734,999</u>

ANCOP FOUNDATION (USA), INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services				Support Services		Total Expenses
	Educational Assistance	Community Development	Health	Total	General and Administrative		
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee benefits/payroll taxes	-	-	-	-	-	-	-
Total personnel expenses	-	-	-	-	-	-	-
Grants/subrecipients	\$295,990	\$28,435	\$31,261	355,686	-		355,686
Conference, convention and meetings	42,178	4,050	4,455	50,683	5,632		56,315
Fundraising expenses	37,731	3,623	3,985	45,339	5,038		50,377
Professional fees	33,405	3,207	3,529	40,141	4,460		44,600
Special Event expenses	32,621	3,132	3,446	39,199	4,356		43,555
Tech infrastructure expenses	16,230	1,558	1,714	19,502	2,167		21,669
Marketing	10,710	1,028	1,131	12,869	1,430		14,300
Rent, parking and other occupancy	5,390	518	569	6,477	720		7,197
Insurance - non-employee	4,960	476	523	5,959	662		6,621
Donations	3,970	381	419	4,770	530		5,300
Office supplies and expense	2,270	218	240	2,728	303		3,031
Travel	1,979	190	209	2,378	264		2,642
Postage, shipping and delivery	1,563	150	165	1,878	209		2,087
Bank charges	917	88	97	1,102	123		1,225
Advertising expenses	807	78	85	970	108		1,078
Telephone and telecommunications	720	69	76	865	96		961
Printing and copying	569	55	60	684	76		760
Miscellaneous expenses	19,181	1,842	2,026	23,049	2,561		25,610
Total expenses before depreciation	511,191	49,098	53,990	614,279	28,735		643,014
Depreciation	1,510	145	159	1,814	202		2,016
Total	\$ 512,701	\$ 49,243	\$ 54,149	\$ 616,093	\$ 28,937		\$ 645,030

ANCOP FOUNDATION (USA), INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 302,621
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	2,016
Changes in operating assets and liabilities:	
Prepaid items and other current assets	(97,203)
Accounts payable and accrued expenses	<u>7,651</u>
Net Cash Flows from Operating Activities	215,085

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	<u>(340)</u>
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NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 214,745

CASH AND CASH EQUIVALENTS

Beginning of year	<u>1,267,081</u>
End of year	<u>1,481,826</u>

ANCOP FOUNDATION (USA), INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. ORGANIZATION AND NATURE OF ACTIVITIES

ANCOP Foundation (USA), Inc. ("the Organization") was incorporated on November 27, 2000 as a nonprofit public benefit corporation in the State of California. The term "ANCOP" is an acronym for "Answering the Cry of the Poor." The Organization provides assistance to the needy and the poor by supplying money, goods and services in targeted depressed areas of the world. The Organization provides funding for the construction of low cost

housing donated to eligible poorest of the poor families in the world. The Organization is active in seven major regional areas in the United States.

Since 2004, the Organization has raised and remitted \$16,400,197 to grantees and sub recipients in poor countries, particularly in the Philippines.

At the inception until 2010, the Organization had an agency agreement with GK CDFI to carry out programs in the Philippines.

Agreement with CFC ANCOP - GLOBAL FOUNDATION INC (formerly CFC ANCOP- TEKTON FOUNDATION INC.)

In 2010, the Organization entered into an agency agreement with CFC ANCOP- GLOBAL FOUNDATION INC (the "Agency"), a non-profit organization incorporated under the laws of the Philippines to carry out programs intended to alleviate poverty through education and community development, eg, building of ANCOP houses.

Educational Assistance Program

a. Elementary Level (for children aged 6-13)

Program for children, aged 6 to 13, which is either school or community based educational curriculum in depressed and marginalized communities which aims to rebuild hope and allow opportunities for growth and development, and provides assistance in keeping indigent, deserving elementary children in school or provide an out-of-school child non-formal or alternative education program and other basic social services.

b. High School Level (for youth aged 14 and above)

Program for youth, aged 14 to 18, that empowers them to become active agents of change in their social environment through their access in a formal school or non-formal education program. This program aims to give indigent high school, out-of-school youth, juvenile delinquents, drug addicts and gang members a second lease on life through opportunities for a formal or non-formal or alternative education and access to social services.

ANCOP FOUNDATION (USA), INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

1. ORGANIZATION AND NATURE OF ACTIVITIES - CONTINUED

- c. Vocational/College Level or Degree or Non-degree courses (for youth aged 18 and above)

The program also helps the poor who are gifted or deserving youth, to pursue their dreams of obtaining further education through a vocational, college, degree or non-degree educational program through a scholarship.

Community Development Programs

- a. Shelter

Homes are built or improved into housing structures that are fit for human habitation, approximately 20 square meters in floor area, with working toilet and kitchen, concrete walls and flooring; galvanized iron roof, sturdy wall frame, exterior and interior finish and based on engineered certified plans and drawings and technical specifications of a typical ANCOP house or according to the type of house agreed upon between Charity and Agency.

- b. Community Facilities

Programs that improve overall landscape of the community and provide common facilities and infrastructures such as multi-purpose center, communal water systems, drainage, pathways, parks or playground.

Economic and Livelihood Programs

Agency shall be paid the amount of approved budget based on accepted proposals for economic and livelihood programs.

Aside from program expenses, the Organization agrees to remunerate the Agency the cost of personnel, office utilities and other incidental expenses equivalent to ten percent (10%) of all payments to Agency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared in accordance with the accounting principles generally accepted in the United State of America (U.S. GAAP).

ANCOP FOUNDATION (USA), INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation

The accompanying financial statements have been prepared in accordance with U.S. GAAP, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets without donor restrictions. Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net Assets with donor restrictions. Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of December 31, 2018, the Organization did not have net assets with donor restrictions.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments and investment instruments with an initial maturity of three months or less are considered to be cash equivalents.

ANCOP FOUNDATION (USA), INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets.

Purchases of equipment, furniture, leasehold improvements, renovations and other capital items covered by government funding are charged as expenditures as incurred and not capitalized and depreciated over the useful lives of the assets.

Expense Allocation

The costs of providing various programs and activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated Services

Donated Services or equipment are recorded at fair market value at the time of donation. The financial statements do not reflect the value of the services for volunteers in the organization's various programs because, although substantial, no reliable basis exists for determining the appropriate amount.

Accounting for Uncertainty in Income Taxes

The Organization is exempt from federal income taxes under Section 501 (c)(3) of the U.S. Internal Revenue Code and, accordingly, no provision for income taxes is included in the financial statements. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Organization has no uncertain tax positions that would require financial statement recognition or disclosure. The Organization is no longer subject to audits by the applicable taxing jurisdictions for periods prior to 2015.

ANCOP FOUNDATION (USA), INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 15, 2019.

3. CASH AND CASH EQUIVALENTS

The Organization maintains the following bank accounts:

Operating accounts	\$ 1,299,678
Savings accounts	<u>182,148</u>
Total Cash in bank	<u>\$ 1,481,826</u>

The cash maintained in this financial institution is covered by FDIC insurance up to the maximum allowed by law (currently, \$250,000 per depositor).

4. PROPERTY AND EQUIPMENT

This consist of the following:

Property and equipment	\$ 21,539
Less: accumulated depreciation	<u>(17,506)</u>
Property and equipment, net	<u>\$ 4,033</u>

Depreciation expense for the year amounted to \$2,016.

ANCOP FOUNDATION (USA), INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

5. NET ASSETS WITH RESTRICTIONS

This account represents total amount of contributions and net assets with restrictions. Breakdown of the accounts are as follows:

Region A Northwest	\$ 322
Region B North Central	8,548
Region C Northeast A	75,594
Region D Southwest A	45,236
Region E South Central	5,538
Region F Southeast	48,649
Region G Southwest B	91,591
Region I Northeast B	9,438
Regions' unremitted funds	388,533
Disaster relief	5,984
ANCOP walk	259,233
PSP	890
Variance Funds	<u>115,665</u>
 Totals	 <u>\$ 1,055,221</u>

During the year, total amount of grants to sub recipients amounted to \$355,686 (see Note 6).

6. GRANTS/SUB-RECIPIENTS

In 2018, \$355,686 was granted to CFC ANCOP - Global Foundation to benefit various programs, among which:

Child sponsorship program	\$ 295,990
Community development program	28,435
Health program	<u>31,261</u>
Total	<u>\$ 355,686</u>

ANCOP FOUNDATION (USA), INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

7. ACCOUNTING PRONOUNCEMENT ADOPTED DURING THE YEAR

On August 28, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements to comply with the ASU. The ASU has been applied retrospectively to all periods presented. The adoption of the ASU did not have an effect in the Organization's net assets at January 1, 2018.

8. ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

ASU 2016-02, Accounting for Leases

On February 25, 2016, the FASB issued ASU 2016-02, "Leases", which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The standard is effective for nonpublic business entities for fiscal years beginning after December 15, 2019 and the Organization pending adoption of ASU 2016-02 has no impact on its financial statements.

ASU 2014-09, Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)", which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 that deferred the effective date for the Organization until annual periods beginning after December 31, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.