

ANCOP FOUNDATION (USA), INC.

Financial Statements
With Independent Auditors' Report

December 31, 2017

**GALLEROS KOH 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, 2017, 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, 2017, 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 Koh LLP

Cream Ridge, New Jersey
November 15, 2018

ANCOP FOUNDATION (USA), INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

ASSETS

Current Assets:

Cash and cash equivalents	\$ 1,267,081
Prepaid items and other current assets	<u>164,086</u>
Total Current Assets	<u>1,431,167</u>
Property and equipment, net	<u>5,709</u>
Total Assets	<u>\$ 1,436,876</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$ 4,498
Unrestricted	489,533
Temporarily restricted	<u>942,845</u>
Total Liabilities and Net Assets	<u>\$ 1,436,876</u>

ANCOP FOUNDATION (USA), INC.**STATEMENT OF ACTIVITIES****YEAR ENDED DECEMBER 31, 2017**

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions	\$ 99,273	\$ 397,091	\$ 496,364
Special events	84,751	339,002	423,753
Interest and other income	22,381	-	22,381
Released from restrictions	<u>505,876</u>	<u>(505,876)</u>	<u>-</u>
Total Revenues	<u>712,281</u>	<u>230,217</u>	<u>942,498</u>
EXPENSES			
Program services	661,510	-	661,510
Supporting services	<u>29,992</u>	<u>-</u>	<u>29,992</u>
Total Expenses	<u>691,502</u>	<u>-</u>	<u>691,502</u>
Change in Net Assets	20,779	230,217	250,996
NET ASSETS			
Beginning of year	<u>468,754</u>	<u>712,628</u>	<u>1,181,382</u>
End of year	<u>\$ 489,533</u>	<u>\$ 942,845</u>	<u>\$ 1,432,378</u>

ANCOP FOUNDATION (USA), INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 250,996
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	2,855
Changes in operating assets and liabilities:	
Prepaid items and other current assets	(86,074)
Accounts payable and accrued expenses	<u>(1,408)</u>
Net Cash Flows from Operating Activities	166,369

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(1,873)
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NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 164,496

CASH AND CASH EQUIVALENTS

Beginning of year	<u>1,102,585</u>
End of year	<u>1,267,081</u>

ANCOP FOUNDATION (USA), INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Service				Support Service		Total Expenses
	Educational Assistance	Community Development	Health	Total	General and Administrative		
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee benefits/payroll taxes	-	-	-	-	-	-	-
Total personnel expenses	-	-	-	-	-	-	-
Grants/subrecipients (Note 6)	\$337,311	\$30,247	\$24,052	391,610	-	-	391,610
Fundraising expenses	60,223	5,398	4,293	69,921	7,769	-	77,690
Professional fees	36,821	3,300	2,625	42,750	4,750	-	47,500
Conference, convention and meetings	43,590	3,907	3,107	50,610	5,623	-	56,233
Insurance - non-employee	6,301	565	449	7,316	813	-	8,129
Office supplies and expense	4,292	385	306	4,983	554	-	5,537
Tech infrastructure expenses	12,468	1,118	888	14,476	1,609	-	16,085
Travel	13,536	1,213	965	15,716	1,746	-	17,462
Office equipment, rental and maintenance	2,743	246	196	3,185	354	-	3,539
Telephone and telecommunications	2,910	261	207	3,379	376	-	3,755
Printing and copying	471	42	34	547	61	-	608
Rent, parking and other occupancy	13,888	1,245	990	16,124	1,792	-	17,916
Marketing	8,889	797	634	10,321	1,147	-	11,468
Advertising expenses	3,099	278	221	3,598	400	-	3,998
Postage, shipping and delivery	1,803	162	129	2,093	233	-	2,326
Bank charges	1,416	127	100	1,644	183	-	1,827
Donations	225	20	16	261	29	-	290
Miscellaneous expenses	17,577	1,575	1,253	20,407	2,267	-	22,674
Total expenses before depreciation	567,563	50,886	40,465	658,941	29,706	-	688,647
Depreciation	2,213	198	158	2,569	286	-	2,855
Total	\$ 569,776	\$ 51,084	\$ 40,623	\$ 661,510	\$ 29,992	\$ 691,502	

ANCOP FOUNDATION (USA), INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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. The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Financial Codifications (FASB AFC) Topic 958-205, Not-for-Profit Entities Financial Statements Presentation. The Organization is required to report 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. In 2017, the Organization had no permanently restricted net assets.

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.

Net Asset Presentation

The net assets of the Organization and the changes therein are classified as unrestricted, temporarily restricted and permanently restricted based on the existence or absence of donor-imposed restrictions. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets represent contributions with donor-imposed restrictions that have not yet been satisfied or are time restricted. When a stipulated time restriction ends, or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Permanently restricted net assets are those which are established by donor gifts to provide a permanent endowment.

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 2014.

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, 2018.

3. CASH AND CASH EQUIVALENTS

The Organization maintains the following bank accounts:

Operating accounts	\$ 1,044,483
Savings accounts	<u>222,598</u>
Total Cash in bank	<u>\$ 1,267,081</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	\$ 21,199
Less: accumulated depreciation	<u>(15,490)</u>
Property and equipment, net	<u>\$ 5,709</u>

Depreciation expense for the year amounted to \$2,855.

ANCOP FOUNDATION (USA), INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

5. TEMPORARILY RESTRICTED NET ASSETS

This account represents donor restricted contributions and board designated temporarily restricted net assets. Breakdown of the account as follows:

Region A Northwest	\$ 322
Region B North Central	227
Region C Northeast A	75,594
Region D Southwest A	45,236
Region E South Central	5,538
Region F Southeast	61,859
Region G Southwest B	97,608
Region I Northeast B	9,438
Regions' unremitted funds	296,734
Disaster relief	7,756
ANCOP walk	226,275
PSP	594
Variance Funds	<u>115,664</u>
 Totals	 <u>\$ 942,845</u>

During the year, total amount of grants to sub recipients amounted to \$391,610 (see Note 6).

6. GRANTS/SUB-RECIPIENTS

In 2017, \$391,610 was granted to CFC ANCOP - Global Foundation to benefit various programs, among which:

Child sponsorship program	\$ 337,311
Community development program	30,247
Health program	<u>24,052</u>
Total	<u>\$ 391,610</u>