

ANCOP FOUNDATION (USA), INC.

Financial Statements
with Independent Auditor's Report

December 31, 2019

**GALLEROS ROBINSON
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

ANCOP FOUNDATION (USA), INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of 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, 2019, 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.

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.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

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, 2019, 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
October 3, 2020

ANCOP FOUNDATION (USA), INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

ASSETS

Cash	\$ 1,372,808
Accounts receivable	16,461
Prepaid expenses	<u>2,133</u>
Total Assets	<u>\$ 1,391,402</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	<u>\$ 38,527</u>
Net Assets	
Without donor restrictions	501,583
With donor restrictions	<u>851,292</u>
Total Net Assets	<u>1,352,875</u>
Total Liabilities and Net Assets	<u>\$ 1,391,402</u>

ANCOP FOUNDATION (USA), INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 145,049	\$ 580,198	\$ 725,247
In-kind contributions	83,229	332,917	416,146
Special events	70,097	280,388	350,485
Interest and other income	5,092	-	5,092
Net assets released from restrictions	<u>1,397,432</u>	<u>(1,397,432)</u>	<u>-</u>
Total Revenues	<u>1,700,899</u>	<u>(203,929)</u>	<u>1,496,970</u>
EXPENSES			
Program services	1,362,717	-	1,362,717
Supporting services	<u>30,291</u>	<u>-</u>	<u>30,291</u>
Total Expenses	<u>1,393,008</u>	<u>-</u>	<u>1,393,008</u>
Changes in Net Assets	<u>307,891</u>	<u>(203,929)</u>	<u>103,962</u>
NET ASSETS AT BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	679,778	1,055,221	1,734,999
PRIOR PERIOD ADJUSTMENTS	<u>(486,086)</u>	<u>-</u>	<u>(486,086)</u>
NET ASSETS AT BEGINNING OF YEAR, AS RESTATED	<u>193,692</u>	<u>1,055,221</u>	<u>1,248,913</u>
NET ASSETS, END OF YEAR	<u>\$ 501,583</u>	<u>\$ 851,292</u>	<u>\$ 1,352,875</u>

ANCOP FOUNDATION (USA), INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Services			Total	Supporting Services	Total Expenses
	Educational Assistance	Community Development	Health		General and Administrative	
Grants/subrecipients	\$ 296,853	\$ 311,760	\$ 65,346	\$ 673,959	\$ -	\$ 673,959
In-kind supplies	-	-	416,146	416,146	-	416,146
Subtotal	296,853	311,760	481,492	1,090,105	-	1,090,105
Conference, convention and meetings	7,496	7,873	1,649	17,018	1,891	18,909
Fundraising expenses	777	816	171	1,764	196	1,960
Professional fees	21,646	22,732	4,761	49,140	5,460	54,600
Special event expenses	40,926	42,979	9,003	92,907	10,323	103,230
Tech infrastructure expenses	10,024	10,527	2,205	22,756	2,528	25,284
Marketing	3,373	3,542	742	7,657	851	8,508
Rent, parking and other occupancy	1,358	1,426	298	3,083	343	3,426
Insurance - non-employee	3,023	3,175	666	6,863	763	7,626
Donations	689	724	151	1,564	174	1,738
Office supplies and expenses	1,726	1,812	379	3,918	435	4,353
Travel	7,068	7,422	1,554	16,045	1,783	17,828
Postage, shipping and delivery	547	575	120	1,242	138	1,380
Advertising expenses	892	937	196	2,025	225	2,250
Telephone and telecommunications	381	400	83	864	96	960
Printing and copying	1,190	1,249	262	2,701	300	3,001
Miscellaneous expenses	17,371	18,243	3,821	39,435	4,382	43,817
Total expenses before depreciation	415,340	436,192	507,553	1,359,087	29,888	1,388,975
Depreciation	1,599	1,679	352	3,630	403	4,033
Total Expenses	\$ 416,939	\$ 437,871	\$ 507,905	\$ 1,362,717	\$ 30,291	\$ 1,393,008

ANCOP FOUNDATION (USA), INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 103,962
Prior period adjustments	(486,086)
Adjustments to reconcile change in net assets to net cash used for operating activities	
Depreciation	4,033
(Increase) decrease in assets	
Accounts receivable	236,881
Prepaid expenses	5,814
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	<u>26,378</u>
Net cash used for operating activities	<u>(109,018)</u>
Net change in cash	(109,018)
CASH, BEGINNING OF YEAR	<u>1,481,826</u>
CASH, END OF YEAR	<u>\$ 1,372,808</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

No taxes or interest were paid during the year.

ANCOP FOUNDATION (USA), INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

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 twelve major regional areas in the United States.

From 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 Programs

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 chance in life through opportunities for a formal, 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 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 the Organization and the Agency.

- b. Community Facilities

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

Health

This program includes surgical, dental and medical missions to areas that were devastated by calamities and depressed areas.

Economic and Livelihood Programs

The 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.

ANCOP FOUNDATION (USA), INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("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.

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 statement 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.

Accounts Receivable

Accounts receivable at December 31, 2019 consists of pledges receivable. Management has determined no allowance for doubtful accounts is necessary.

Property and Equipment

Property and equipment are recorded at cost or if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

ANCOP FOUNDATION (USA), INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition

The Organization is supported primarily through contributions. In accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities, contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. As permitted by Topic 958, donor-restricted contributions whose restrictions are met in the same year may be reported as unrestricted support.

Functional Allocation of Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the actual classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated Services and Supplies

Donations of services and supplies are recorded as contributions at their fair value at the date of donation. The Organization reports the donations of goods as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Contributed services are reported as contributions at their fair value if such services create or enhance nonfinancial assets, would have been purchased if not provided by contribution, require specialized skills and are provided by individuals possessing such specialized skills.

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 recognizes the effect of income tax positions only if those positions are more-likely-than-not be sustained upon examination by taxing authorities. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition. The Organization is no longer subject to audits by the applicable taxing jurisdictions for periods prior to 2016. Currently, there are no audits in progress.

ANCOP FOUNDATION (USA), INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code.

Recently Adopted Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. The Organization adopted the new guidance as of January 1, 2019. The adoption of the new revenue recognition guidance did not result in any change to the opening net assets without donor restrictions or opening net assets with donor restrictions as of January 1, 2019 and did not have any effect on each item included in the Organization's 2019 financial statements.

Contributions Received and Contributions Made

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

The change in accounting principle was adopted retrospectively in 2019. There was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of January 1, 2019.

Accounting Pronouncement Issued but Not Yet Adopted

Accounting for Leases

On February 25, 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, 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, 2020. Management is currently evaluating the impact of this ASU on its financial statements.

ANCOP FOUNDATION (USA), INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Subsequent Events

The Organization has evaluated subsequent events through October 3, 2020, which is the date the financial statements were available to be issued.

Beginning around March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

3. CASH

Cash maintained in bank accounts consist of the following at December 31, 2019:

Operating accounts	\$ 1,235,265
Savings accounts	<u>137,543</u>
Total Cash	<u>\$ 1,372,808</u>

Cash maintained in the financial institutions are covered by Federal Deposit Insurance Corporation insurance up to the maximum allowed by law (currently, \$250,000 per depositor).

4. LIQUIDITY AND AVAILABILITY

Management has evaluated whether it is probable that the Organization will not be able to meet its obligation as they become due within one year after the date the financial statements are issued or available to be issued. The Organization has \$1,396,881 of cash and other financial resources available within one year of the statement of financial position date to meet cash needs for general expenditures. None of this amount is subject to donor or contractual restrictions that make it unavailable for general expenditures within one year of the statement of financial position date.

ANCOP FOUNDATION (USA), INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

5. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2019 consist of the following:

Property and equipment	\$ 21,539
Less: Accumulated depreciation	<u>(21,539)</u>
Property and equipment, net	<u>\$ -</u>

Depreciation expense for the year amounted to \$4,033.

6. NET ASSETS WITH DONOR RESTRICTIONS

This account represents donor-restricted contributions and net assets. The breakdown of the account is as follows:

Region A Northwest	\$ 322
Region B North Central	227
Region C Northeast A	63,594
Region D Southwest A	45,236
Region F Southeast	12,936
Region I Northeast B	9,438
Regions' unremitted funds	402,306
ANCOP walk	202,728
Priest Scholarship Program	500
Variance Funds	<u>114,005</u>
Total	<u>\$ 851,292</u>

7. GRANTS/SUBRECIPIENTS

During the year, \$1,090,009 was granted to the Agency to benefit various programs, as follows:

Educational assistance program	\$ 296,853
Community development program	311,760
Health program	<u>481,492</u>
Total	<u>\$ 1,090,105</u>

ANCOP FOUNDATION (USA), INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

8. PRIOR PERIOD ADJUSTMENTS

Net Assets at the beginning of 2019 has been adjusted to correct overstatements of accounts receivable, prepaid expenses and payables in prior years as follows:

Decrease in Accounts receivable	\$ (510,951)
Decrease in Prepaid expenses	(16,608)
Decrease in Accounts payable and accrued expenses	<u>41,473</u>
	<u>\$ (486,086)</u>

The correction has no effect on the results of the current year's activities; however, the cumulative effect decreases beginning net assets for 2019 by \$486,086.