

**PALAU RED CROSS SOCIETY
(A NONPROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

September 30, 2017



BURGER · COMER · MAGLIARI
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the National Governing Board
Palau Red Cross Society

Report on the Financial Statements

We have audited the accompanying financial statements of Palau Red Cross Society (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities 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 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Palau Red Cross Society as of September 30, 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of Functional Expenses on page 6 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Benigno Comar Magfias". The signature is written in a cursive style with a large initial 'B'.

Tamuning, Guam
October 15, 2018

**PALAU RED CROSS SOCIETY
(A NONPROFIT ORGANIZATION)**

Statement of Financial Position
September 30, 2017

Assets

Current assets:	
Cash (Note 2)	\$ 100,386
Accounts receivable	50
Inventory (Note 2)	-
Other current assets	<u>325</u>
Total current assets	100,761
Property and equipment, net (Notes 2 and 3)	<u>2,017</u>
Total assets	<u>\$ 102,778</u>

Liabilities and Net Assets

Current liabilities:	
Accounts payable and accrued taxes	<u>\$ 22,839</u>
Total current liabilities	<u>22,839</u>
Net assets:	
Unrestricted	76,920
Temporary restricted	<u>3,019</u>
Total net assets	<u>79,939</u>
Total liabilities and net assets	<u>\$ 102,778</u>

See accompanying notes to financial statements.

PALAU RED CROSS SOCIETY
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Statement of Activities
For the Year Ended September 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and other supports:				
In-kind contribution	\$ 36,000	\$ -	\$ -	\$ 36,000
Product and services	10,627	-	-	10,627
Monetary contributions	2,145	-	-	2,145
Disaster relief	-	3,019	-	3,019
Interest and other income	<u>25,331</u>	<u>-</u>	<u>-</u>	<u>25,331</u>
Total revenues and other support	<u>74,103</u>	<u>3,019</u>	<u>-</u>	<u>77,122</u>
Expenses:				
Program services:				
Community services	8,827	-	-	8,827
Disaster services	113	-	-	113
Supporting services:				
Management and general	69,631	-	-	69,631
Membership and fundraising	<u>1,021</u>	<u>-</u>	<u>-</u>	<u>1,021</u>
Total expenses	79,592	-	-	79,592
Change in net assets	(5,489)	3,019	-	(2,470)
Net assets at beginning of year	<u>82,409</u>	<u>-</u>	<u>-</u>	<u>82,409</u>
Net assets at end of year	<u>\$ 76,920</u>	<u>\$ 3,019</u>	<u>\$ -</u>	<u>\$ 79,939</u>

See accompanying notes to financial statements.

PALAU RED CROSS SOCIETY
(A NONPROFIT ORGANIZATION)

Statement of Cash Flows
For the Year Ended September 30, 2017

Cash flows from operating activities:	
Changes in net assets	\$ (2,470)
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Depreciation	77
Increase in liabilities:	
Accounts payable and accrued taxes	<u>703</u>
Net cash used in operating activities	(1,690)
Cash at beginning of year	<u>102,076</u>
Cash at end of year	<u>\$ 100,386</u>
Supplemental disclosure on cash flow information:	
Cash paid during the year for interest expense	<u>\$ -</u>
Cash paid during the year for income tax	<u>\$ -</u>

See accompanying notes to financial statements.

PALAU RED CROSS SOCIETY
(A NONPROFIT ORGANIZATION)

Schedule of Functional Expenses
For the Year Ended September 30, 2017

	Program Services		Supporting Services		Total
	Community Services	Disaster Services	Management and General	Membership and Fundraising	
Rent	\$ -	\$ -	\$ 36,000	\$ -	\$ 36,000
Salaries and wages	-	-	28,867	-	28,867
Supplies and materials	8,827	-	237	1,021	10,085
Repairs and maintenance	-	113	2,187	-	2,300
Employee benefits	-	-	1,617	-	1,617
Financial and material assistance	-	-	646	-	646
Depreciation	-	-	77	-	77
	\$ 8,827	\$ 113	\$ 69,631	\$ 1,021	\$ 79,592

See accompanying notes to financial statements.

**PALAU RED CROSS SOCIETY
(A NONPROFIT ORGANIZATION)**

Notes to Financial Statements
September 30, 2017

(1) Organization

Palau Red Cross Society (PRCS) is not-for-profit humanitarian organization incorporated in the Republic of Palau (ROP) in 1995 and established by the Palau National Congress through House Joint Resolution 5-24-3 on July 31, 1997. PRCS became a recognized member of the International Committee of the Red Cross (ICRC) on September 30, 1997. It was admitted as a member to the International Federation of the Red Cross and Red Crescent Societies (IFRC) on November 20, 1997, joining a membership of 191 National Red Cross and Red Crescent Societies around the world.

The vision of PRCS is to be the leading humanitarian organization in Palau that is inclusive, sustainable, effective, and meets the needs of the community. Its mission is to promote a safe, healthy, and resilient Palauan community. This is accomplished through services and programs that are based on the seven Fundamental Principles of the Red Cross Movement: Humanity, Impartiality, Neutrality, Independence, Voluntary service, Unity, and Universality. The services include: First-Aid and Basic Life Support Training; Disaster Management (Disaster Preparedness and Response, Single-Incident Emergencies); Health (Voluntary Non-Remunerated Blood Donation); and Social Care (Services to Armed Forces, Elderlies, Home-bound patients, People with Disabilities and other vulnerable populations).

PRCS is a chartered and registered non-profit organization in the ROP and is granted qualification for specific tax exemptions by the Bureau of Revenue and Taxation pursuant to Title 40 of the Palau National Code Chapters 10 & 18.

(2) Summary of Significant Accounting Policies

Financial Statements Presentation

The financial statements of PRCS are prepared using the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) and in accordance with the Accounting Standards Codification (ASC) 958; *Not-For-Profit Entities*. Under ASC 958, PRCS is required to report information regarding its financials position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. PRCS has no permanently restricted net assets. In addition, PRCS is required to present a statement of cash flows.

Cash

The PRCS maintains its cash in bank deposit accounts insured by the Federal Deposit Insurance Corporation up to \$100,000. At September 30, 2017, PRCS had no uninsured bank balances, and has not experienced any losses on such accounts.

**PALAU RED CROSS SOCIETY
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Notes to Financial Statements
September 30, 2017

(2) Summary of Significant Accounting Policies, continued

Inventory

Inventory consists of supplies purchased for use in program and supporting services and goods for resale are valued at the lower of cost or market. Cost is determined using the first-in, first-out method.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for major additions and improvements are capitalized, and minor replacements, maintenance and repairs are charged to expense as incurred. Donated assets are capitalized at the estimated fair market value at time of receipt. Certain donated services are capitalized as improvements when those services enhance the value of assets.

Property and equipment purchased or acquired with original cost of \$ 1,000 or more and/or has an economic useful life that extends beyond 12 months are reported at historical cost or estimated historical cost.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. In absence of donor-imposed restrictions on the use of the assets, gifts of long-lived assets are reported as unrestricted support.

Long-lived assets held and used by PRCS are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the events that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

Donated Services and Materials

Amounts have been reported in the financial statements for voluntary donation of services when those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation. Donated services and materials are recorded at the fair value of the gift.

**PALAU RED CROSS SOCIETY
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Notes to Financial Statements
September 30, 2017

(2) Summary of Significant Accounting Policies, continued

Contributions

In accordance with ASC 958-605; *Not-For-Profit Entities - Revenue Recognition - Contributions*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Under ASC 958-605, time-restricted contributions are required to be reported as temporarily restricted support and are then reclassified to net assets upon expiration of the time restriction.

All contributions are considered to be available for the general programs of PRCS unless specifically restricted by the donor. PRCS reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 Statement of Activities as net assets released from restrictions. Donor-restricted contributions are booked in the temporarily restricted class for restrictions expiring during the current fiscal year, and then reclassified to the unrestricted class. Contributions received by PRCS are shared with the National Headquarters. The provisions for expiration of restrictions on temporarily restricted net assets were adopted prospectively.

PRCS received in-kind contribution in the amount of \$36,000 representing the fair market value of rent. PRCS is a tenant of a certain segment of the former Olbiil Era Kelulau (OEK) building located on the 1st floor. PRCS was granted by the Koror State Public Lands Authority (KDPLA) the right to use and occupy a portion of the former OEK building free of charge, to include utility services.

Income taxes

PRCS is a nonprofit corporation that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is exempt from Republic of Palau Gross Revenue Tax. The ROP does not impose corporate income tax. Therefore, no income tax expense, income tax assets, or income tax liabilities have been included in the accompanying financial statements.

Program Activities

These activities include service to Chapters, armed forces emergency services, disaster services, health and safety services, community services, international services, membership/fundraising, and management and general.

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Notes to Financial Statements
September 30, 2017

(2) Summary of Significant Accounting Policies, continued

Use of Estimates

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

Revenues

Revenues are derived from monetary contributions, donations, in-kind contributions, grants and any income from special or fundraising events.

(3) Property and Equipment

A summary of property and equipment at September 30, 2017 is as follows:

	<u>Estimated Useful Lives</u>	
Office equipment	2-8 years	\$ 2,094
Vehicle	5 years	-
Furniture and fixtures	3-10 years	-
Other depreciable assets	1-8 years	<u>-</u>
Total		2,094
Less accumulated depreciation		<u>(77)</u>
		<u>\$ 2,017</u>

Depreciation expense for the year ended September 30, 2017 is \$ 77.

PRCS' equipment has not been evaluated for impairment in accordance with SFAS No. 144, *Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of*. PRCS' management believes that such assets are free from impairments.

**PALAU RED CROSS SOCIETY
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Notes to Financial Statements
September 30, 2017

(4) Schedule of Functional Expenses

The costs of providing various programs and other activities have been summarized in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting activities benefited.

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash. The Company's cash is placed with financial institutions that, at times, may exceed federally insured limits of \$100,000. At September 30, 2017, cash amounts are within the insured limits.

(6) Subsequent Events

The Organization has evaluated subsequent events through October 15, 2018, the date which the financial statements were available to be issued. No events have occurred which would have a material effect on the financial statements of the Company as of that date.