



CHILDFUND ALLIANCE

Financial Statements

June 30, 2015

(with comparative financial information as of June 30, 2014)

(With Independent Auditors' Report Thereon)

CHILDFUND ALLIANCE

Table of Contents

| | Page(s) |
|---------------------------------|----------------|
| Independent Auditors' Report | 1-2 |
| Financial Statements: | |
| Statement of Financial Position | 3 |
| Statement of Activities | 4 |
| Statement of Cash Flows | 5 |
| Notes to Financial Statements | 6 – 9 |



KPMG LLP
Suite 2000
1021 East Cary Street
Richmond, VA 23219-4023

Independent Auditors' Report

The Board of Directors
ChildFund Alliance:

We have audited the accompanying financial statements of ChildFund Alliance, which comprise the statement of financial position as of June 30, 2015 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 U.S. generally accepted accounting principles; 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 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 ChildFund Alliance as of June 30, 2015, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



Report on Summarized Comparative Information

We have previously audited ChildFund Alliance's 2014 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated November 21, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

October 8, 2015

CHILDFUND ALLIANCE

Statement of Financial Position

June 30, 2015

(with comparative financial information as of June 30, 2014)

| Assets | 2015 | 2014 |
|---|-------------------|----------------|
| Cash | \$ 697,917 | 777,872 |
| Pledges and accounts receivable and other assets (note 3) | 3,068 | 39,313 |
| Grant receivable (note 6) | 15,000 | — |
| Prepaid expenses (note 4) | 30,261 | 48,526 |
| Investment (note 4) | 1,740 | 1,740 |
| Furniture, fixtures, and equipment, net (note 5) | 5,284 | 22,114 |
| Total assets | <u>\$ 753,270</u> | <u>889,565</u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accrued expenses | \$ 102,984 | 100,265 |
| Deferred grants revenue (note 6) | 120,420 | — |
| Membership dues deferred (note 3) | 41,953 | 533,063 |
| Total liabilities | <u>265,357</u> | <u>633,328</u> |
| Net assets: | | |
| Unrestricted net assets | 482,996 | 234,300 |
| Temporary restricted net assets | 4,917 | 21,937 |
| Total net assets | <u>487,913</u> | <u>256,237</u> |
| Total liabilities and net assets | <u>\$ 753,270</u> | <u>889,565</u> |

See accompanying notes to financial statements.

CHILDFUND ALLIANCE

Statement of Activities

June 30, 2015

(with summarized comparative financial information for the year ended June 30, 2014)

| | Unrestricted | Temporarily restricted | Total | |
|--|---------------------|-----------------------------------|------------------|------------------|
| | | | 2015 | 2014 |
| Revenue and loss: | | | | |
| Membership dues | \$ 1,477,706 | — | 1,477,706 | 1,030,797 |
| Grants (note 6) | 99,747 | — | 99,747 | — |
| Contributions and other income (note 3) | 309 | 490 | 799 | 91,890 |
| Loss on sale of furniture, fixture and equipment | (11,710) | — | (11,710) | — |
| Net assets released from restrictions: | | | | |
| Satisfaction of program restrictions | 17,510 | (17,510) | — | — |
| Total revenue and loss | <u>1,583,562</u> | <u>(17,020)</u> | <u>1,566,542</u> | <u>1,122,687</u> |
| Expenses (notes 3 and 4): | | | | |
| Program | 1,154,121 | — | 1,154,121 | 1,251,227 |
| Management and general | 180,745 | — | 180,745 | 172,323 |
| Total expenses | <u>1,334,866</u> | <u>—</u> | <u>1,334,866</u> | <u>1,423,550</u> |
| Change in net assets | 248,696 | (17,020) | 231,676 | (300,863) |
| Net assets at beginning of year | 234,300 | 21,937 | 256,237 | 557,100 |
| Net assets at end of year | \$ <u>482,996</u> | <u>4,917</u> | <u>487,913</u> | <u>256,237</u> |

See accompanying notes to financial statements.

CHILDFUND ALLIANCE

Statement of Cash Flows

June 30, 2015

(with comparative financial information for the year ended June 30, 2014)

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|-----------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 231,676 | (300,863) |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: | | |
| Loss on sale of furniture, fixtures, and equipment | 11,710 | — |
| Depreciation | 6,240 | 7,130 |
| Pledges and accounts receivable and other assets | 36,245 | 194,188 |
| Grant receivable | (15,000) | — |
| Prepaid expenses | 18,265 | (6,862) |
| Accrued expenses | 2,719 | (22,100) |
| Deferred grants revenue | 120,420 | — |
| Membership dues deferred | (491,110) | 533,063 |
| Net cash (used in) provided by operating activities | <u>(78,835)</u> | <u>404,556</u> |
| Cash flows from investing activities: | | |
| Purchases of furniture, fixtures, and equipment | (1,120) | (19,970) |
| Net cash used in investing activities | <u>(1,120)</u> | <u>(19,970)</u> |
| Net (decrease) increase in cash | (79,955) | 384,586 |
| Cash at beginning of year | <u>777,872</u> | <u>393,286</u> |
| Cash at end of year | <u>\$ 697,917</u> | <u>777,872</u> |

See accompanying notes to financial statements.

CHILDFUND ALLIANCE

Notes to Financial Statements

June 30, 2015

(with comparative financial information as of June 30, 2014)

(1) Organization

In April 2002, ChildFund Alliance was established for charitable purposes to promote the wellbeing of children and their families throughout the world.

ChildFund Alliance promotes high quality standards and provides a platform for accrediting its members designed to ensure that industry best practices are emulated. ChildFund Alliance also encourages common initiatives among members, which include a focus on child protection, closer cooperation in emergency preparedness and humanitarian assistance, and strengthening ChildFund Alliance's structure and governance to ensure greater integrity and accountability in the future. ChildFund Alliance members have also agreed to protocols for assigning program and fundraising territories so that the combined efforts of its members can be efficiently deployed.

ChildFund Alliance, a Virginia nonstock corporation, is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. ChildFund Alliance recognizes an uncertain tax position in its financial statements if it is more likely than not that the position will be sustained. ChildFund Alliance does not believe its financial statements include or reflect any uncertain tax positions. No provision for income taxes has been recorded for the years ended June 30, 2015 and 2014.

(2) Summary of Significant Accounting Policies

ChildFund Alliance's accounting policies are summarized as follows:

(a) Basis of Accounting

The accompanying financial statements have been prepared using the accrual method of accounting in accordance with U.S. generally accepted accounting principles.

Balances and transactions are presented according to the existence or absence of donor-imposed restrictions. This has been accomplished by recording transactions into the following classes of net assets:

Unrestricted net assets – Net assets resulting from revenue not subject to donor-imposed restrictions.

Temporarily restricted net assets – Net assets resulting from revenue whose use by ChildFund Alliance is limited by donor-imposed restrictions that either expire by passage of time or can be fulfilled and removed by actions of ChildFund Alliance pursuant to those donor-imposed restrictions.

(b) Use of Estimates

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

CHILDFUND ALLIANCE

Notes to Financial Statements

June 30, 2015

(with comparative financial information as of June 30, 2014)

(c) Revenue Recognition

Revenue is recognized during the period it is earned. Donated services are recorded at fair value when received. Membership dues are assessed for each fiscal year and revenue is recognized ratably over the fiscal year. In exchange for membership dues, members of ChildFund Alliance are provided certain rights to use the organization's name, trademark and affiliations. Membership dues are typically reported as increases in unrestricted net assets as the use of the related assets is not limited by donor-imposed restrictions. Cash received for membership dues for the upcoming fiscal year which are received prior to fiscal year end are reported as deferred liabilities. Contributions that have donor restrictions that can be fulfilled or removed by actions pursuant to the stipulations are recorded as temporarily restricted. Gifts whose restrictions are met in the same fiscal year as their receipt are recorded as temporarily restricted contributions and net assets released from restrictions in that fiscal year. Grant revenue is recognized as earned, generally when costs are incurred related to the purpose of the grant.

(d) Furniture, Fixtures, and Equipment

Furniture, fixtures, and equipment (including software and data processing equipment) are carried at cost or fair value at the date of donation in the case of gifts, less accumulated depreciation. Depreciation of furniture, fixtures and equipment is recorded on a straight-line basis over the estimated useful lives of the assets (5 years for furniture and fixtures and 3 to 5 years for equipment). Upon retirement and disposition, the cost and accumulated depreciation is removed from the accounts with any gain or loss reflected in the statement of activities. Maintenance and repair costs are expensed as incurred. Depreciation is allocated between program expense and management and general expense based on individual review of the use of each asset.

(e) Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with ChildFund Alliance's financial statements as of and for the year ended June 30, 2014, from which the summarized information was derived.

(3) Transactions with Related Parties

ChildFund International, USA is a member of ChildFund Alliance. ChildFund Alliance incurred and paid expenses relating to accounting services provided by ChildFund International, USA totaling \$12,000 for each of the years ended June 30, 2015 and 2014. ChildFund Alliance incurred and paid expenses to ChildFund International, USA totaling \$291 and \$3,735 for the years ended June 30, 2015 and 2014 for expenses paid on its behalf, which is recorded as management and general expense in the accompanying statement of activities.

Member organizations of ChildFund Alliance were billed for and paid membership dues for fiscal year 2015 during the year ended June 30, 2014 totaling \$533,063, which is recorded as membership dues deferred in the accompanying statement of financial position. During the year ended June 30, 2015, a portion of those membership dues was reduced by the Board of Directors. Membership dues deferred of \$41,953 as of

CHILDFUND ALLIANCE

Notes to Financial Statements

June 30, 2015

(with comparative financial information as of June 30, 2014)

June 30, 2015 will be applied against the fiscal year 2016 membership dues. Member organizations of ChildFund Alliance were not billed for membership dues for fiscal year 2016 during the year ended June 30, 2015.

Member organizations of ChildFund Alliance did not contribute temporarily restricted revenue during the year ended June 30, 2015. Member organizations of ChildFund Alliance contributed temporarily restricted revenue of \$89,002 for the year ended June 30, 2014, of which \$8,400 was not received as of June 30, 2014 and is recorded in the pledges and accounts receivables, and other assets in the accompanying statement of financial position. ChildFund Alliance received payments totaling \$4,875 of the receivable during the year ended June 30, 2015, \$1,400 was written off due to un-collectability and \$2,125 remains outstanding as of June 30, 2015 and is recorded in pledges and accounts receivables, and other assets in the accompanying statement of financial position.

(4) Investment and Prepaid Expenses

During the year ended June 30, 2011, ChildFund Alliance purchased a participating partnership interest in the Berlin Civil Society Center, which is currently named the International Civil Society Center (ICSC). This investment consisted of \$1,740 for purchase of the shares and a required upfront payment of \$33,475 to help fund operating costs of BCSC for the next 5 years. The investment related to the purchase of shares in ICSC is carried at cost in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 325-20-30, *Cost Method Investments and Initial Measurement*. As a voting partnership shareholder, ChildFund Alliance participates in the election of the Board of Trustees of ICSC as needed. Shareholders do not participate in distribution of the profits or receive any other payments from ICSC's funds in their capacity as shareholders. Shareholders are only entitled to the return of capital paid in and the common value of any contribution in kind made to ICSC. ICSC is a tax-exempt organization in Germany that provides advisory and support services to global civil society organizations in order to strengthen the efficiency and effectiveness of those organizations.

The upfront payment is being amortized over the 5 year period as services are rendered to its members. The unamortized upfront payment is recorded as prepaid expenses in the accompanying statement of financial position and totaled \$4,462 and \$11,158 as of June 30, 2015 and 2014, respectively. Amortization expense for each of the years ended June 30, 2015 and 2014 was \$6,696 and is included in program expenses in the accompanying statement of activities.

There is also an annual membership payment made each year. The annual membership payment for 2016 was not prepaid in 2015. The annual membership payment for 2015 was prepaid in 2014 and the unamortized amount recorded as prepaid expenses in the accompanying statement of financial position totaled \$20,571 as of June 30, 2014 and was fully expensed as of June 30, 2015 in the accompanying statement of activities during the year ended June 30, 2015.

CHILDFUND ALLIANCE

Notes to Financial Statements

June 30, 2015

(with comparative financial information as of June 30, 2014)

(5) Furniture, Fixtures, and Equipment

Furniture, fixtures, and equipment at June 30, 2015 and 2014 are summarized as follows:

| | <u>2015</u> | <u>2014</u> |
|-------------------------------|-----------------|-----------------|
| Furniture and fixtures | \$ 2,690 | 14,420 |
| Equipment | 17,768 | 22,037 |
| Less accumulated depreciation | <u>(15,174)</u> | <u>(14,343)</u> |
| Total | <u>\$ 5,284</u> | <u>22,114</u> |

(6) Grants

ChildFund Alliance was awarded both advance and reimbursement based grants during the year ended June 30, 2015. ChildFund recorded grant revenue of \$99,747 during the year ended June 30, 2015 related to expenses incurred under the grants, of which \$15,000 has not been received from the grantor and is recorded as grant receivable in the accompanying statement of financial position. As of June 30, 2015, ChildFund has been advanced cash of \$120,420 under the grants which has not been expensed and is recorded as deferred grants revenue in the accompanying statement of financial position. There was no grants receivable or deferred grants revenue as of June 30, 2014.

(7) Operating Leases

ChildFund Alliance has entered into an operating lease for an office, which expires during the year ending June 30, 2016. Rent expense under various operating leases was \$61,683 and \$77,156 for the years ended June 30, 2015 and 2014, respectively. Future minimum lease payments for the remaining terms of the lease are \$22,591 during the year ending June 30, 2016.

(8) Subsequent Events

ChildFund Alliance has evaluated subsequent events for potential recognition and/or disclosure in the June 30, 2015 consolidated financial statements through October 8, 2015, the date the consolidated financial statements were issued.