

ChildFund Alliance

Financial Statements
Year Ended June 30, 2018

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ChildFund Alliance

Financial Statements
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ChildFund Alliance

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Independent Auditor's Report

Board of Directors
ChildFund Alliance
New York, New York

Report on Financial Statements

We have audited the accompanying financial statements of ChildFund Alliance, which comprise the statement of financial position as of June 30, 2018, 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.

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 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, 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.

October XX, 2018

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Financial Statements

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ChildFund Alliance
Statement of Financial Position

<i>June 30,</i>	2018
Assets	
Cash	\$ 805,906
Accounts receivable and other assets (note 3)	64,600
Prepaid expenses	8,421
Rent security deposits (note 6)	75,863
Investment (note 4)	1,740
Furniture, fixtures, and equipment, net (note 5)	27,519
Total assets	\$ 984,049
Liabilities and Net Assets	
Liabilities	
Accrued expenses	\$ 92,921
Deferred rent (note 6)	72,861
Deferred grants and revenue	686
Deferred membership dues (note 3)	656,300
Total liabilities	822,768
Commitments and contingencies	
Net assets	
Unrestricted net assets	155,239
Temporarily restricted net assets	6,042
Total net assets	161,281
Total liabilities and net assets	\$ 984,049

See accompanying notes to financial statements.

ChildFund Alliance
Statement of Activities

<i>Year ended June 30, 2018</i>	Unrestricted	Temporarily Restricted	Total
Revenue and other support			
Membership dues	\$ 1,424,153	\$ -	\$ 1,424,153
Grants	24,454	-	24,454
Contributions and other income	2,000	65,246	67,246
Net assets released from restrictions:			
Satisfaction of program restrictions	65,621	(65,621)	-
Total revenue and other support	1,516,228	(375)	1,515,853
Expenses			
Program services	1,315,140	-	1,315,140
Supporting services - management and general	295,573	-	295,573
Total expenses	1,610,713	-	1,610,713
Change in net assets	(94,485)	(375)	(94,860)
Net assets, at beginning of year	249,724	6,417	256,141
Net assets, at end of year	\$ 155,239	\$ 6,042	\$ 161,281

See accompanying notes to financial statements.

ChildFund Alliance
Statement of Cash Flows

<i>Year ended June 30,</i>	2018
Cash flows from operating activities	
Change in net assets	\$ (94,860)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	10,906
(Increase) decrease in assets:	
Accounts receivable and other assets	(10,103)
Prepaid expenses	(1,055)
Rent security deposit	(1,377)
Increase (decrease) in liabilities:	
Accrued expenses	(49,735)
Accrued rent	34,123
Deferred membership dues	647,300
Net cash provided by operating activities	535,199
Cash flows from investing activities	
Purchases of furniture, fixtures, and equipment	(4,134)
Net cash used in investing activities	(4,134)
Net increase in cash	531,065
Cash, beginning of year	274,841
Cash, end of year	\$ 805,906

See accompanying notes to financial statements.

ChildFund Alliance

Notes to Financial Statements

1. Organization

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

Program services includes promoting high quality standards and providing 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.

Supporting services include management and general expenses which include costs to provide overall support and direction of ChildFund Alliance.

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 year ended June 30, 2018.

2. Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies followed by ChildFund Alliance in the preparation of these financial statements:

Basis of Accounting

The accompanying financial statements of ChildFund Alliance are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and have been prepared on the accrual basis of accounting.

Classification of Net Assets

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. When these restrictions are met, temporarily restricted net assets are released from restrictions and reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions.

ChildFund Alliance

Notes to Financial Statements

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP, 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.

Revenue Recognition

Revenue is recognized during the period it is earned. 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 membership dues. Contributions that have donor restrictions that can be fulfilled or removed by actions pursuant to the stipulations are recorded as temporarily restricted. Contributions of long lived assets with no donor imposed time restrictions are reported as unrestricted support and are recognized at fair value on date of contribution. 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.

Furniture, Fixtures, and Equipment

ChildFund capitalizes furniture, fixtures and equipment with a value of \$500 or greater. 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.

Expenses

Expenses are recognized by ChildFund Alliance during the period in which they are incurred. Expenses paid in advance and not yet incurred are deferred to the applicable period.

Functional Allocation of Expenses

The costs of providing program and supporting activities have been summarized on a functional basis in the statement of activities. Expenses directly attributable to a specific functional area of ChildFund are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the various functional areas based on the direct salaries and fringe benefits.

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New accounting pronouncements to be adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The update establishes a comprehensive revenue recognition standard for virtually all industries including those that previously followed industry-specific guidance. The update requires that revenue should be recognized to depict the transfer of promised goods and 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 original effective date for ASU 2014-09 would have required ChildFund Alliance to adopt the update in fiscal year 2019. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606) - Deferral of the Effective Date*, which deferred the effective date for one year. Accordingly, the guidance is now effective for ChildFund Alliance's fiscal year beginning July 1, 2019. Management continues to evaluate the potential impact of this ASU on ChildFund Alliance's financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. The new Standard is effective for ChildFund Alliance for fiscal year beginning July 1, 2020. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. ChildFund Alliance is currently evaluating the impact of this ASU on its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for ChildFund Alliance's financial statements for fiscal year beginning July 1, 2018. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. ChildFund Alliance is currently evaluating the impact of this ASU on its financial statements.

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*. This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The standard provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If

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the transaction is deemed to be a contribution the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. The ASU will assist in the determination of the nature of the transaction which will then govern the revenue and expense recognition methodology and timing of the transaction. The ASU is effective for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018. ChildFund Alliance is currently evaluating the impact of this ASU on its financial statements.

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 \$39,400 for the year ended June 30, 2018.

Member organizations of ChildFund Alliance were billed for and paid membership dues for fiscal year 2019 during the year ended June 30, 2018 totaling \$656,300, which is recorded as deferred membership dues in the accompanying statement of financial position. Unpaid membership dues are recorded as account receivable and other assets as of June 30, 2018.

During fiscal year ended June 30, 2018, ChildFund Alliance received contributions of approximately \$65,000 from a member for the ChildFund Alliance's European office expenses. This contribution is recorded as contributions and other income in the accompanying statement of activities.

4. Investment

ChildFund Alliance has 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 ICSC, which is fully amortized as of June 30, 2018. The investment related to the purchase of shares in ICSC is carried at cost in accordance with 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.

There is a required annual membership payment made each year by ChildFund Alliance to ICSC. The membership expense was \$18,224 for the year ended June 30, 2018 and is included in program services in the accompanying statement of activities.

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Notes to Financial Statements

5. Furniture, Fixtures and Equipment

Furniture, fixtures, and equipment at June 30, 2018 is summarized as follows:

		2018
Furniture and fixtures	\$	15,385
Equipment		43,107
		58,492
Less: accumulated depreciation		(30,973)
	\$	27,519

Depreciation expense was \$10,906 for the year ended June 30, 2018.

6. Operating Leases

ChildFund Alliance entered into two operating leases for office space, which expire during the years ending June 30, 2022 and 2024, respectively. During the year ended June 30, 2018, ChildFund Alliance paid rent security deposits of \$75,863 related to the office leases. At June 30, 2018, deferred rent related to the office leases totaled \$72,861.

Rent expense under various operating leases was \$167,621 for the year ended June 30, 2018. Future minimum lease payments for the remaining terms of the lease as of June 30, 2018 is as follows:

<i>Years ending June 30,</i>		
2019	\$	169,660
2020		169,660
2021		169,669
2022		167,621
2023		161,503
Thereafter		26,921
	\$	865,034

7. Subsequent Events

ChildFund Alliance has evaluated subsequent events for potential recognition and/or disclosure in the June 30, 2018 financial statements through, October XX, 2018, the date the financial statements were available to be issued.