

Minutes

Finance Committee Meeting
2 November 2021
1700 ET – USA

In attendance:

Jim Tuite, CFO, ChildFund International-USA, Chair of Finance Committee - ChildFund Alliance
Aaron Williams, Board Member, ChildFund International-USA & Treasurer,
ChildFund Alliance Board of Directors
Michael Prasad, Board Member, ChildFund New Zealand
Sungho Lee, Director of Global Programs, ChildFund Korea

Meg Gardinier, Secretary General, ChildFund Alliance
Renee Snell, Senior Accountant, ChildFund International-USA
Krista Jennings, Assistant Controller, ChildFund International - USA.

Matt Cromwell, Partner for Nonprofit Services, BDO
Joseph D'Amato, Assurance Manager, BDO

1. Jim Tuite, Chair of the Finance Committee, opened the meeting. He welcomed Joseph D'Amato and Matt Cromwell from BDO who were present to discuss the ChildFund Alliance audited accounts for FY 21.

Jim asked for an update on the search for a new member of the Finance Committee. At the last Finance Committee meeting on 25 May, Meg reported that she had reached out to Educo. They indicated that they would like to think it over further. Should they not be interested, Meg was asked to approach another European member of the Alliance to inquire if they might propose any candidates. If so: their C.V.s will be forwarded to the Finance Committee for review.

2. The minutes from the Finance Committee Meeting on 25 May 2021 were approved with one minor correction. These corrected minutes are attached to this report. (See: *Finance Committee Minutes from 25 May 2021.docx*.)

3. Meg Gardinier provided an overview of Budget and Expenditures for FY 21, the period representing 1 July 2020 through 30 June 2021. She explained that owing to the COVID-19 pandemic, FY 21 served as a “bridge year” whereby the Alliance focused on a unified response to COVID-19 and re-evaluated their direction for the new Strategic Plan. Prior to COVID-19, the Alliance planned to launch their new Strategic Plan at the end of FY 20. (June 2021). Owing to the COVID-19 pandemic, the Alliance decided to take a pause, revisit their key directions and re-start the strategic planning process. As a result, they developed and submitted a revised Strategic Plan for FY 22-25 to the Board. (Note: the Board approved this plan at their Board meeting in June 2021).

It was explained that in reviewing the budget, it could be noted that expenses were running under in some areas such as publications and research but over in professional services. In the area of professional services, these costs related to consultants engaged to launch the revised strategic plan. The first consultant was Wendy Hirsch, who had worked with ChildFund international for many years as their Director of Strategy. She now has her own consulting firm and in that capacity served as ChildFund Alliance’s strategic planning manager for the entire process. Since there was a short term vacancy in the Advocacy and Policy Advisor position, some of those funds were directed to hire a second consultant (a researcher) to explore some of the themes that the Alliance should consider for their new EVAC campaign (a component of the Strategic Plan).

The Alliance continually runs into a challenge related to the costs of legal fees. As mentioned earlier, they have identified a new law firm with whom they are working on the Membership Agreement, Williams and Mullen. They have found that they provide high quality services for lower fees than their long-standing firm, Hunton and Williams. Currently, Hunton and Williams hosts all of their trademarks. Simon recommended that Meg request Hunton and Williams to provide a list and a date of the trademarks that are due for members so they could better anticipate these fees during their annual budget planning process. Meg has also reached out to members requesting that they inform the Secretariat if they want to retain the ChildFund related trademark names in their own territory. Their current plan is to transfer the trademarks over to Williams Mullen, which may also result in a cost savings for the legal fee category. Related to the drafting of the new Membership Agreement and related fees, Simon has asked Meg to go back to the members and ask if they would like to voluntarily contribute \$2,000 to the legal costs associated with drafting the new Membership Agreement, membership fee, legal fee category, (and if so: include this in their invoices that are sent out in January.)

Jim asked Meg to explain the savings in publications and technical support. Meg explained that since the activities of the Alliance Secretariat were more internally focused in FY 21, they did not produce many external publications. In some cases, they collaborated with their Child-focused Agency partners on publications. For example, they collaborated with NGO partners on the production of Counting Pennies, which provides an overview of ODA spending on ending violence against children and these costs were minimal. In terms of technical support: they did keep a category on this in case they required it for the new Strategic Plan. However, ChildFund Australia have

provided the Alliance with the in-kind services of an academic who has an expertise in children and online safety, so there was a cost savings in that category. Jim also noted that there was a reduction in conferences and travel, along with the other savings Meg mentioned. A question was raised about the Membership Contribution dues in 2021. Meg explained that when WeWorld joined the Alliance on 5 November 2020, their membership fees contributed to an increase in their overall budget. Given COVID-19 and concerns about its impact on member's revenue, the Board authorized a one-time reduction in membership fees.

4. Matt Cromwell from BDO reported out on the Financial Statements for ChildFund Alliance for FY 21 (1 July 2020 to 30 June 2021.) He explained that this is the fourth audit which BDO has conducted for ChildFund Alliance. He is pleased to report that the audit has gone quite well. Therefore, BDO will be in a position to issue the audit on 3 November, at which point they will submit the legal letter and documents to Meg and Jim for signature. The audit opinion will be dated 3 November 2021.

BDO will be issuing an unmodified opinion, which in the US, is the best opinion the Alliance can receive. Matt explained that the objective of the audit was to obtain reasonable assurance (about 95%) and not absolute assurance about its opinion.

Matt said that the ChildFund Alliance Secretariat and the finance team in Richmond worked very diligently to make sure that everything was available when requested. He said that there were no disagreements, at any point, with the management.

Matt then turned this over to Joseph D'Amato who confirmed that BDO acted as an independent party from the Alliance, a point that was previously stated in a letter dated 15 June 2021. He explained that the entire audit was conducted remotely owing to COVID. As a result, BDO had to develop specific procedures, which were previously communicated to Jim Tuite. Joe noted that BDO did not deviate from those procedures during the course of the audit. He also provided assurances that everyone within their group had the appropriate skills and knowledge to conduct the audit remotely.

Joe further acknowledged that owing to COVID-19, this has been a challenging operating environment for everyone in the tax-exempt space and it will continue to be a challenge for the near future. He expressed satisfaction that ChildFund has been able to continue to operate well given these circumstances.

A discussion ensued with the Finance Team about the audit. One member noted that there was a typo in the document and BDO agreed to correct this before issuing the final statement on 3 November.

Matt continued on to the next section of the document and reported that there were no significant deficiencies or material weaknesses in the audit. Given the fact that the auditors confirmed that there were no material issues to highlight for discussion and no proposed adjustments, an executive session with the Finance Committee was not warranted. Following a brief discussion on next steps, both Matt and Joe left the call.

Jim made a motion for the Finance Committee to recommend that the FY' 21 Financial Statements be accepted by the Board of Directors on 30 November. The motion was approved.

5. Meg provided an overview of the budget and expenditures for 1 July 2021 – 30 September 2021

Jim noted that the Alliance is running under in salaries and benefits. Meg explained that this is due to a vacancy in the Advocacy and Policy Advisor position for the past few months, as well as the Program Administrative Assistant being contracted part-time from a temporary staffing agency. It was noted that both positions have been filled with Ryan De Souza joining the team as the new Advocacy and Policy Advisor as of October 20, 2021 and Lana Ness as the new Program Administrative Assistant as of October 25, 2021. It was noted that the expenses for the cost of the Program Administrative Assistant through the temporary staffing agency came out of contract services.

Meg provided an update on the website transition. Three vendors were contacted initially, all providing different quotes. The Alliance is about to sign off on a contract with one who is charging \$25,000. Initially it was budgeted for \$50,000. The excess budget for this expense is going to be redirected to the campaign.

Jim opened up the floor for questions. Sungho asked if fees for the consultant on the Together 2030 project were budgeted for and Meg replied that they were not.

Jim asked if the Alliance requested any grant proposals. Meg replied that they have not because the Alliance has shifted its focus to working with members to help them improve their access to corporate donations.

It was noted that Renee tracks the amount of receivables that have been collected concerning membership dues. Educo has requested to pay their dues once a year in February, so their portion will not come in until then. Renee noted that in October 2021, \$923,500 in dues were received, with France being the only one member who has not paid their portion as of yet.

6. Meg and Jim provided an update on the Together 2030 Project.

ChildFund needs to revisit some of the procedures/protocols with how they structure their governance and leadership, how they make decisions, and how they structure themselves for more activity to take place in the field. The importance and need for diversity that represents the communities they serve within those structures was also noted. In addition, the theme for the new strategic plan is collaboration. The Together 2030 process is a good opportunity to engage the Board, the CEOs, members, and Alliance Committees, to think about how they can do things better with the aim of increasing their productivity and impact in the field.

The question was posed as to whether the Finance Committee would be willing to recommend to the Board that they adopt a resolution to take \$53,000 out of reserves to use for this project, as per Simon's request.

Jim reviewed ChildFund's net assets without donor restrictions with the group and it was determined that there would be adequate funding to pull from the reserves for the Together 2030 Project. Jim opened up the floor for discussion on this.

Michael asked for clarification on how the money for this project would actually be spent and the timeline of this. He also made a point that the outcomes for the project are listed as outcomes of phase one. The question was posed as to whether ChildFund is expecting other phases to arrive from this and if so, it would be appropriate to include this detail in the framing to the Board.

Meg responded to Michael's questions, confirming that 100% of the expenses for this project are allocated towards paying the consultant's fee. Tyler Zabriskie has anticipated 250 billable hours to be spent on Together 2030, from the present through the end of the fiscal year, June 30, 2022. Meg emphasized the importance of Michael's point about phase two, but stated that she is not yet sure if a phase two would be required as of now and if so, what it would involve.

Michael therefore suggested highlighting the fact (in the resolution) that it is not yet certain if a phase two would be required or what that would look like. Reading the outcomes, Michael felt as though there would be more work to come out of this project.

It was noted that if the Alliance did want to develop that commitment to a phase two, the organization would need to find some existing resources and repurpose the budget to fit this those financing needs.

7. Following the discussion, Jim formalized a request from Simon Whyte, Board Chair to secure funds from the Alliance reserves to fund phase one of the project.
8. Jim noted, for phrasing purposes, that the Finance Committee has made the motion that they recommend to the Board that the funds are available to utilize for this initiative from unrestricted reserves. Aaron seconded the motion and the motion passed.
9. There being no other business, the meeting was adjourned at 5:00pm ET.