



**CHILDFUND ALLIANCE**

Financial Statements

June 30, 2016

(with comparative financial information as of June 30, 2015)

(With Independent Auditors' Report Thereon)

## CHILDFUND ALLIANCE

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## 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, 2016 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 organization'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 organization'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, 2016, and the changes in its net assets 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 8, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

December 16, 2016

## CHILDFUND ALLIANCE

### Statement of Financial Position

June 30, 2016

(with comparative financial information as of June 30, 2015)

<b>Assets</b>	<b>2016</b>	<b>2015</b>
Cash	\$ 561,460	697,917
Pledges and accounts receivable and other assets (note 3)	114,394	3,068
Grant receivable (note 6)	—	15,000
Prepaid expenses (note 4)	5,209	13,821
Rent security deposit (note 7)	74,486	16,440
Investment (note 4)	1,740	1,740
Furniture, fixtures, and equipment, net (note 5)	3,295	5,284
Total assets	<u>\$ 760,584</u>	<u>753,270</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accrued expenses	\$ 115,853	102,984
Accrued rent (note 7)	14,611	—
Deferred grants revenue (note 6)	49,571	120,420
Deferred membership dues (note 3)	30,000	41,953
Total liabilities	<u>210,036</u>	<u>265,357</u>
Net assets:		
Unrestricted net assets	488,916	482,996
Temporary restricted net assets	61,632	4,917
Total net assets	<u>550,548</u>	<u>487,913</u>
Total liabilities and net assets	<u>\$ 760,584</u>	<u>753,270</u>

See accompanying notes to financial statements.

**CHILDFUND ALLIANCE**

Statement of Activities

Year ended June 30, 2016

(with summarized comparative financial information for the year ended June 30, 2015)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>	
			<u>2016</u>	<u>2015</u>
Revenue and loss:				
Membership dues	\$ 1,236,712	—	1,236,712	1,477,706
Grants (note 6)	362,049	—	362,049	99,747
Contributions and other income (note 3)	—	108,773	108,773	799
Loss on sale of furniture, fixture and equipment	(1,381)	—	(1,381)	(11,710)
Net assets released from restrictions:				
Satisfaction of program restrictions	52,058	(52,058)	—	—
Total revenue and loss	<u>1,649,438</u>	<u>56,715</u>	<u>1,706,153</u>	<u>1,566,542</u>
Expenses (notes 3 and 4):				
Program	1,383,127	—	1,383,127	1,154,121
Management and general	260,391	—	260,391	180,745
Total expenses	<u>1,643,518</u>	<u>—</u>	<u>1,643,518</u>	<u>1,334,866</u>
Change in net assets	5,920	56,715	62,635	231,676
Net assets at beginning of year	<u>482,996</u>	<u>4,917</u>	<u>487,913</u>	<u>256,237</u>
Net assets at end of year	<u>\$ 488,916</u>	<u>61,632</u>	<u>550,548</u>	<u>487,913</u>

See accompanying notes to financial statements.

**CHILDFUND ALLIANCE**

Statement of Cash Flows

Year ended June 30, 2016

(with comparative financial information for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 62,635	231,676
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Loss on disposal of furniture, fixtures, and equipment	1,381	11,710
Depreciation	3,074	6,240
Pledges and accounts receivable and other assets	(111,326)	13,252
Grant receivable	15,000	(15,000)
Prepaid expenses	8,612	34,705
Rent security deposit	(58,046)	6,553
Accrued expenses	12,869	2,719
Accrued rent	14,611	—
Deferred grants revenue	(70,849)	120,420
Deferred membership dues	(11,953)	(491,110)
Net cash used in operating activities	(133,991)	(78,835)
Cash flows from investing activities:		
Purchases of furniture, fixtures, and equipment	(2,466)	(1,120)
Net decrease in cash	(136,457)	(79,955)
Cash at beginning of year	697,917	777,872
Cash at end of year	\$ <u>561,460</u>	<u>697,917</u>

See accompanying notes to financial statements.

## CHILDFUND ALLIANCE

### Notes to Financial Statements

June 30, 2016

(with comparative financial information as of June 30, 2015)

#### **(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, 2016 and 2015.

#### **(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, 2016

(with comparative financial information as of June 30, 2015)

#### **(c) Revenue Recognition**

Revenue is recognized during the period it is earned. Membership dues are assessed for each fiscal year and revenue is recognized for 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. 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, 2015, from which the summarized information was derived.

#### **(f) Reclassifications**

Certain reclassifications have been made to the 2015 footnotes in order to conform with the 2016 presentation.

### **(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 \$24,000 and \$12,000 for the years ended June 30, 2016 and 2015.

## CHILDFUND ALLIANCE

### Notes to Financial Statements

June 30, 2016

(with comparative financial information as of June 30, 2015)

Member organizations of ChildFund Alliance were billed for and paid membership dues for fiscal year 2015 during the year ended June 30, 2014. During the year ended June 30, 2015, a portion of those 2015 membership dues was reduced by the Board of Directors and allocated to 2016 dues rather than being returned to members. Accordingly, membership dues deferred of \$41,953 as of June 30, 2015 were applied against the fiscal year 2016 membership dues. Member organizations of ChildFund Alliance were not billed for membership dues for fiscal year 2017 during the year ended June 30, 2016 and were not billed for membership dues for fiscal year 2016 during the year ended June 30, 2015. During the year ended June 30, 2016, ChildFund Alliance agreed to refund membership dues totaling \$30,000, which is recorded as membership dues deferred in the accompanying statement of financial position. The refund will be applied against fiscal year 2017 membership dues.

Member organizations of ChildFund Alliance contributed temporarily restricted revenue of approximately \$109,000 during the year ended June 30, 2016. These contributions are restricted to pay for the New York office relocation and are included in contributions and other income in the accompanying statement of activities and in pledges and accounts receivable and other assets in the accompanying statement of financial position. Member organizations of ChildFund Alliance did not contribute any revenue during the year ended June 30, 2015.

#### **(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 ICSC 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.

During the year ended June 30, 2016, the upfront payment made during the year ended June 30, 2011, became fully amortized. The unamortized upfront payment included in prepaid expenses in the accompanying statement of financial position totaled \$4,462 as of June 30, 2015. Amortization expense was \$4,462 and \$6,696 for the years ended June 30, 2016 and 2015, respectively, 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 expense was \$16,739 and \$20,571 for the years ended June 30, 2016 and 2015, respectively, and is included in program expenses in the accompanying statement of activities.

**CHILDFUND ALLIANCE**

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**(5) Furniture, Fixtures, and Equipment**

Furniture, fixtures, and equipment at June 30, 2016 and 2015 are summarized as follows:

	<b>2016</b>	<b>2015</b>
Furniture and fixtures	\$ 2,690	2,690
Equipment	15,894	17,768
Less accumulated depreication	(15,289)	(15,174)
	<u>\$ 3,295</u>	<u>5,284</u>

**(6) Grants**

ChildFund Alliance was awarded advance grants during the year ended June 30, 2016 and was awarded both advance and reimbursement based grants during the year ended June 30, 2015. ChildFund recorded grant revenue of \$362,049 during the year ended June 30, 2016 related to expenses incurred under the grants, of which all had been received from the grantors as of June 30, 2016. 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 had not been received from the grantor as of June 30, 2015 and is recorded as grant receivable in the accompanying statement of financial position as of June 30, 2015. ChildFund received payment of the grant receivable during the year ended June 30, 2016.

As of June 30, 2016, ChildFund has been advanced cash of \$49,571 under the grants which has not been expensed and is recorded as deferred grants revenue in the accompanying statement of financial position. As of June 30, 2015, ChildFund had been advanced cash of \$120,420 under the grants which had not been expensed and was recorded as deferred grants revenue in the accompanying statement of financial position as of June 30, 2015. ChildFund expended \$120,420 of the deferred grants revenue during the year ended June 30, 2016 and recorded grant revenue in the accompanying statement of activities.

**(7) Operating Leases**

During the year ended June 30, 2016, ChildFund Alliance entered into an operating lease for an office, which expires during the year ending June 30, 2024. During the year ended June 30, 2016, ChildFund Alliance paid a rent security deposit of \$74,486 related to the new office lease. The rent security deposit as of June 30, 2015 of \$16,440 related to the previous office lease was returned to ChildFund Alliance during the year ended June 30, 2016. At June 30, 2016, accrued rent related to the new office lease totaled \$14,611.

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Rent expense under various operating leases was \$86,358 and \$61,683 for the years ended June 30, 2016 and 2015, respectively. Future minimum lease payments for the remaining terms of the lease are as follows:

		<b>Minimum lease payments</b>
Year ending June 30:		
2017		\$ 161,503
2018		161,503
2019		161,503
2020		161,503
2021		161,503
Thereafter		349,922
Total		<u>\$ 1,157,437</u>

**(8) Subsequent Events**

ChildFund Alliance has evaluated subsequent events for potential recognition and/or disclosure in the June 30, 2016 financial statements through, December 16, 2016, the date the financial statements were issued.