ChildFund Alliance

Financial Statements and Independent Auditor's Report
Year Ended June 30, 2023

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.

ChildFund Alliance

Financial Statements and Independent Auditor's Report
Year Ended June 30, 2023

ChildFund Alliance

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Independent Auditor's Report

Board of Directors
ChildFund Alliance
New York, New York

Opinion

We have audited the financial statements of **ChildFund Alliance** (the Alliance), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Alliance as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Alliance and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, effective July 1, 2022, the Alliance adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Alliance's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Alliance's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO USA, P.C.

December 19, 2023

Financial Statements

ChildFund Alliance

Statement of Financial Position

June 30,		2023
Assets:		
Cash	$	331,811
Prepaid expenses		33,339
Rent security deposit		45,489
Investment		1,740
Furniture, fixtures, and equipment, net		28,647
Right-of-use assets		47,685
Total assets	$	488,711
Liabilities and Net Assets		
Liabilities:		
Accrued expenses	$	97,280
Operating lease liabilities		48,078
Total liabilities		145,358
Commitments and contingencies		
Net assets:		
Without donor restrictions		343,353
Total net assets		343,353
Total liabilities and net assets	$	488,711

See accompanying notes to financial statements.

ChildFund Alliance

Statement of Activities

Year ended June 30, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other income:			
Membership dues	$ 1,783,000	$ -	$ 1,783,000
Miscellaneous income	476	-	476
Net assets released from restrictions:			
Satisfaction of program restrictions	84	(84)	-
Total revenue and other income	1,783,560	(84)	1,783,476
Expenses:			
Program	1,460,751	-	1,460,751
Supporting services	362,150	-	362,150
Total expenses	1,822,901	-	1,822,901
Change in net assets	(39,341)	(84)	(39,425)
Net assets at beginning of year	382,694	84	382,778
Net assets at end of year	$ 343,353	$ -	$ 343,353

See accompanying notes to financial statements.

ChildFund Alliance

Statement of Functional Expenses

Year ended June 30, 2023	Program Services: Child Development Programs	Program Services: Total Program Services	Supporting Services: Management and General	Supporting Services: Total Supporting Services	Total Expenses
Salaries and benefits	$ 884,428	$ 884,428	$ 145,353	$ 145,353	$ 1,029,781
Contractual services	242,253	242,253	115,205	115,205	357,458
Occupancy	156,846	156,846	33,234	33,234	190,080
Dues and memberships	73,237	73,237	6,126	6,126	79,363
Travel	54,574	54,574	317	317	54,891
Professional services	-	-	33,768	33,768	33,768
Communication	23,003	23,003	4,880	4,880	27,883
Other fees	8,049	8,049	9,575	9,575	17,624
Conferences	11,566	11,566	-	-	11,566
Insurance	1,055	1,055	6,351	6,351	7,406
Depreciation	5,740	5,740	1,217	1,217	6,957
Office supplies	-	-	6,124	6,124	6,124
	$ 1,460,751	$ 1,460,751	$ 362,150	$ 362,150	$ 1,822,901

See accompanying notes to financial statements.

ChildFund Alliance

Statement of Cash Flows

Year ended June 30,		2023
Cash flows from operating activities		
Change in net assets	$	(39,425)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation		6,957
Non-cash lease expense		188,995
(Increase) decrease in assets		
Prepaid expenses		785
Increase (decrease) in liabilities		
Accrued expenses		(39,426)
Principal reduction in operating lease liabilities		(194,905)
Net cash used by operating activities		(77,019)
Cash flows from investing activity		
Purchases of furniture, fixtures and equipment		(4,023)
Net cash used by investing activity		(4,023)
Net decrease in cash		(81,042)
Cash, beginning of year		412,853
Cash, end of year	$	331,811
Supplemental disclosures of noncash transactions:		
Right-of-use asset obtained in exchange for operating lease liability - at inception	$	236,680
Non-cash change in deferred rent	$	6,303

See accompanying notes to financial statements.

1. Organization

In April 2002, ChildFund Alliance (the "Alliance") was established for charitable purposes to promote the well-being 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. The Alliance also encourages common initiatives among members, which include a focus on child protection, closer cooperation in emergency preparedness and humanitarian assistance, and strengthening The Alliance's structure and governance to ensure greater integrity and accountability in the future. The 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 the Alliance. The Alliance, a Virginia nonstock corporation, is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

The Alliance recognizes an uncertain tax position in its financial statements if it is more likely than not that the position will be sustained. The 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, 2023. The Alliance is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2020.

2. Summary of Significant Accounting Policies

Basis of accounting

The accompanying financial statements of the 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.

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.

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:

> **Without donor restrictions** - Net assets resulting from revenue not subject to donor-imposed restrictions.

With donor restrictions - Net assets resulting from revenue whose use by the Alliance is limited by donor-imposed restrictions that either expire by passage of time or can be fulfilled and removed by actions of the Alliance pursuant to those donor-imposed restrictions. When these restrictions are met, net assets with donor restrictions are released from restrictions and reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

Concentrations of credit risk

The Alliance maintains a demand deposit with a commercial bank. At times, certain balances held within this account may not be fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC). The Alliance's cash and cash equivalent accounts have been placed with high-quality financial institutions, and the Alliance has not experienced, nor does it anticipate, any losses with respect to such accounts. At June 30, 2023, the Alliance has $87,050 in excess of the federal deposit insurance limit of $250,000.

Prepaid expenses

Prepaid expenses primarily consist of membership dues and insurance premiums. Prepaid expenses are recorded when for cash paid for goods or services that will be provided in a future year.

Furniture, fixtures and equipment

The Alliance 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 (five years for furniture and fixtures and three to five 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.

Leases

The Alliance determines if an arrangement is a lease at inception and classifies its leases at commencement. Operating leases are presented as right-of-use ("ROU") assets and the corresponding lease liabilities are included in operating lease liabilities on the statement of financial position. Operating lease liabilities represent the Alliance's obligation for lease payments in exchange for the ability to use the asset for the duration of the lease term and the ROU assets represent the operating less liability adjusted for initial direct cost and lease incentives.

ROU assets and lease liabilities are recognized at commencement date and determined using the present value of the future minimum lease payments over the lease term. The Alliance uses a discount rate based on the risk-free rate of each lease, as the Alliance has elected the practical expedient outlined in Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02, *Leases* ("ASU 2016-02"). The risk-free rate for each lease was determined by using the government treasury bill rates from the country of origin for each lease duration as of July 1, 2022, which is the date of initial application of the new guidance. The lease term may include options to extend when it is reasonably certain that the Alliance will exercise that option. In addition, the Alliance does not recognize short-term leases that have a term of twelve months or less as ROU assets or lease liabilities. The Alliance recognizes operating lease expense on a straight-line basis over the lease term.

The Alliance has lease agreements which contain both lease and non-lease components, which it has elected to account for as a single lease component when the payments are fixed. As such, variable lease payments, including those not dependent on an index or rate, such as real estate taxes, common area maintenance, and other costs that are subject to fluctuation from period to period are not included in lease measurement.

Revenue recognition

The Alliance recognizes revenue when it satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Alliance expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Alliance combines it with other performance obligations until a distinct bundle of goods or services exists. The Alliance expects that the period between when the Alliance transfers goods and services to their customers and when the customers pay for those goods and services will be one year or less. When amounts are received in advance of services performed, but not yet earned, those amounts are held as prepayments and recorded as deferred revenue.

Membership dues

Membership dues are assessed for each fiscal year and revenue is recognized ratably over the fiscal year. In exchange for membership dues, members of the Alliance are provided certain rights to use the organization's name, trademark and affiliations. Membership dues are typically reported as increases in net assets without donor restrictions 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, if any, are reported as deferred membership dues. There were no deferred membership dues as of June 30, 2023.

Expenses

Expenses are recognized by the 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. In the statement of functional expenses, costs that can be identified with a specific program or support services are charged directly according to their natural expenditure classifications. Management and general expenses include those that are not directly identifiable with any specific function, but which provide for the overall support and direction of the Alliance. Travel, occupancy, communications, and depreciation benefit multiple functional areas have been allocated among the areas based on staff count.

Recently Adopted Accounting Standard

In February 2016, the FASB issued ASU No. 2016-02, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The new standard establishes a right-of-use model that requires a lessee to recognize a right-of-use asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

The Alliance adopted ASU 2016-02 effective July 1, 2022, using a modified retrospective approach at the beginning of the year of adoption. In addition, the Alliance elected the transition package of three practical expedients permitted within the standard, which eliminates the requirements to reassess prior conclusions about lease identification, lease classification and initial direct costs. Further, the Alliance adopted a short-term lease exception policy, permitting the Alliance to not apply the recognition requirements of this standard to short-term leases (i.e., leases with terms of 12 months or less) and an accounting policy to account for lease and non-lease components as a single component for all classes of underlying assets when all payments are fixed. The Alliance did not elect to use hindsight in determining the terms of its existing leases upon adoption.

On July 1, 2022, ChildFund Alliance recorded lease liabilities and corresponding right-of-use assets of $236,680 and $236,680, respectively, based on the present value of the remaining minimum rental payments for leases existing upon adoption of the new lease standard and other adjustments to the opening balance of right-of-use assets, if any. The adoption of ASU 2016-02 did not result in a material impact to the statements of activities or cash flows. See Note 6 for additional detail on the Alliance’s leasing arrangements.

Prior to adoption of ASU 2016-02, the Alliance accounted for operating lease transactions by recording lease expense on a straight-line basis over the expected term of the lease.

3. Transactions with Related Parties

ChildFund International, USA is a member of the Alliance. The Alliance incurred and paid expenses relating to accounting services provided by ChildFund International, USA totaling $39,500 for the year ended June 30, 2023.

4. Investment

The Alliance has a participating partnership interest in the Berlin Civil Society Center, doing business as the International Civil Society Center (ICSC). ICSC is a small capital company located in Germany that provides advisory and support services to global civil society organizations in order to strengthen the efficiency and effectiveness of those organizations.

This investment consisted of $1,740 for purchase of the voting shares and a required upfront payment of $33,475 to help fund operating costs of ICSC. The advanced operating costs have been fully amortized as of June 30, 2022. The investment related to the purchase of shares in ICSC is carried at cost in accordance with ASC 325, *Cost Method Investments and Initial Measurement*. As a voting partnership shareholder, the 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.

There is a required annual membership payment made each year by the Alliance to ICSC. The membership expense was $17,868 for the year ended June 30, 2023, and is included in dues and memberships in the accompanying statement of functional expenses.

5. Furniture, Fixtures and Equipment

Furniture, fixtures, and equipment is summarized as follows:

June 30,		2023
Furniture and fixtures	$	18,340
Equipment		73,853
Less: accumulated depreciation		(63,546)
	$	28,647

Depreciation expense was $6,957 for the year ended June 30, 2023.

6. Leases

The Alliance has two operating leases for its real estate (office space) and one equipment lease in the United States and Europe.

The lease agreements generally do not provide an implicit borrowing rate. Therefore, as a non-public business entity, the Alliance elected to apply a risk-free rate as of July 1, 2022, to derive an appropriate rate to discount remaining lease payments by class of underlying asset for the initial and subsequent measurement of lease liabilities. The Alliance uses the foreign risk yield curves from the country of origin for each lease to derive imputed rates for lease term lengths. The Alliance derived imputed rates ranging from 0.7% - 2.74% for lease term lengths ranging from approximately 1.2 to 2.2 years.

The Alliance had no leases with an initial term of twelve months or less. There are no material residual guarantees associated with any of the Alliance's leases, and there are no significant restrictions or covenants included in the Alliance's lease agreements. Certain leases include variable payments related to common area maintenance and property taxes, which are billed by the landlord, as is customary with these types of charges for office space. The Alliance is not the sublessor in any arrangement.

The Alliance's existing leases contain escalation clauses and renewal options. The Alliance has evaluated several factors in assessing whether there is reasonable certainty that the Alliance will exercise a contractual renewal option. For leases with renewal options that are reasonably certain to be exercised, the Alliance included the renewal term in the total lease term used in calculating the right-of-use asset and lease liability.

Weighted-average remaining lease term:	
Operating leases	**6 months**
Weighted-average discount rate:	
Operating leases	**1.98%**

Future minimum lease payments under non-cancellable leases as of June 30, 2023, are as follows:

Years ending June 30,	
2024	$ 45,702
2025	3,901
Total undiscounted future cash flows	49,603
Less discounting	(1,525)
Total operating lease liabilities	$ 48,078

In August 2023, the Alliance signed a new operating lease agreement for office space to replace a lease that ended in August 2023. The new lease is for three years with monthly rent starting at $8,690 and increasing up to $9,358.

7. Contingencies

From time to time, the Alliance is involved in various legal proceedings during the normal course of operations. In management's opinion, the Alliance is not currently involved in any legal proceedings which individually or in the aggregate could have a material effect on the financial condition, results of operations and/or liquidity of the Alliance.

8. Liquidity and Availability of Resources

The Alliance reflects assets as of the statement of position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions, if any, within one year of the statement of financial position date:

June 30,	2023
Cash	$ 331,811
Financial assets available to meet cash needs for general expenditures within one year	$ 331,811

As part of the Alliance's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Alliance maintains a liquidity position through invoicing members annual dues at the beginning of the fiscal year.

9. Subsequent Events

The Alliance has evaluated subsequent events for potential recognition and/or disclosure in the June 30, 2023 financial statements through December 19, 2023, the date the financial statements were available to be issued.

The Alliance is not aware of any subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements except as disclosed in Note 6.