



CHILDFUND ALLIANCE

Financial Statements

June 30, 2017

(with comparative financial information as of June 30, 2016)

(With Independent Auditors' Report Thereon)

CHILDFUND ALLIANCE

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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, 2017 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 10, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

October 10, 2017

CHILDFUND ALLIANCE

Statement of Financial Position

June 30, 2017

(with comparative financial information as of June 30, 2016)

Assets	2017	2016
Cash	\$ 274,841	561,460
Pledges and accounts receivable and other assets (note 3)	54,497	114,394
Prepaid expenses (note 4)	7,366	5,209
Rent security deposit (note 7)	74,486	74,486
Investment (note 4)	1,740	1,740
Furniture, fixtures, and equipment, net (note 5)	34,291	3,295
Total assets	<u>\$ 447,221</u>	<u>760,584</u>
Liabilities and Net Assets		
Liabilities:		
Accrued expenses	\$ 142,656	115,854
Accrued rent (note 7)	38,738	14,611
Deferred grants revenue (note 6)	686	49,571
Deferred membership dues (note 3)	9,000	30,000
Total liabilities	<u>191,080</u>	<u>210,036</u>
Net assets:		
Unrestricted net assets	249,724	488,916
Temporary restricted net assets	6,417	61,632
Total net assets	<u>256,141</u>	<u>550,548</u>
Total liabilities and net assets	<u>\$ 447,221</u>	<u>760,584</u>

See accompanying notes to financial statements.

CHILDFUND ALLIANCE

Statement of Activities

Year ended June 30, 2017

(with summarized comparative financial information for the year ended June 30, 2016)

	Unrestricted	Temporarily restricted	Total	
			2017	2016
Revenue and other:				
Membership dues	\$ 1,221,984	—	1,221,984	1,236,712
Grants (note 6)	48,885	—	48,885	362,049
Contributions and other income (note 3)	14,248	39,600	53,848	108,773
Loss on sale of furniture, fixture and equipment	(926)	—	(926)	(1,381)
Net assets released from restrictions:				
Satisfaction of program restrictions	94,815	(94,815)	—	—
Total revenue and other	<u>1,379,006</u>	<u>(55,215)</u>	<u>1,323,791</u>	<u>1,706,153</u>
Expenses (notes 3 and 4):				
Program	1,347,838	—	1,347,838	1,383,127
Management and general	270,360	—	270,360	260,391
Total expenses	<u>1,618,198</u>	<u>—</u>	<u>1,618,198</u>	<u>1,643,518</u>
Change in net assets	(239,192)	(55,215)	(294,407)	62,635
Net assets at beginning of year	488,916	61,632	550,548	487,913
Net assets at end of year	<u>\$ 249,724</u>	<u>6,417</u>	<u>256,141</u>	<u>550,548</u>

See accompanying notes to financial statements.

CHILDFUND ALLIANCE

Statement of Cash Flows

Year ended June 30, 2017

(with comparative financial information for the year ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ (294,407)	62,635
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Loss on disposal of furniture, fixtures, and equipment	926	1,381
Depreciation	10,447	3,074
Contribution of furniture, fixture, and equipment	(12,573)	—
Pledges and accounts receivable and other assets	59,897	(96,326)
Prepaid expenses	(2,157)	8,612
Rent security deposit	—	(58,046)
Accrued expenses	26,802	12,869
Accrued rent	24,127	14,611
Deferred grants revenue	(48,885)	(70,849)
Deferred membership dues	(21,000)	(11,953)
Net cash used in operating activities	(256,823)	(133,991)
Cash flows used in investing activities:		
Purchases of furniture, fixtures, and equipment	(29,796)	(2,466)
Net decrease in cash	(286,619)	(136,457)
Cash at beginning of year	561,460	697,917
Cash at end of year	\$ <u>274,841</u>	<u>561,460</u>
Supplemental disclosures of noncash activities:		
Donated furniture, fixtures, and equipment	\$ 12,573	—

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2017

(with comparative financial information as of June 30, 2016)

(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, 2017 and 2016.

(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.

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Notes to Financial Statements

June 30, 2017

(with comparative financial information as of June 30, 2016)

(c) 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.

(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, 2016, 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 \$38,400 and \$24,000 for the years ended June 30, 2017 and 2016.

Member organizations of Childfund Alliance were billed for and paid membership dues for fiscal year 2017 during the year ended June 30, 2017. Of the total membership dues billed during the year ended June 30, 2017, \$5,452 remains outstanding and is included in pledges and accounts receivable and other assets in the statement of financial position. Accordingly, membership dues deferred of \$30,000 as of June 30, 2016, were recognized in fiscal year 2017 as revenue.

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Member organizations of ChildFund Alliance contributed temporarily restricted revenue of approximately \$39,600 during the year ended June 30, 2017, of which \$3,600 has not been collected and is recorded under pledges and accounts receivable and other assets in the statement of financial position. Member organizations of Childfund Alliance contributed temporarily restricted revenue of approximately \$109,000 to pay for the New York office relocation during the year ended June 30, 2016. As of the ending of June 30, 2017, a total of \$106,000 was received from members and the remainder of \$3,000 remains outstanding and is recorded in pledges and accounts receivable and other assets in the statement of financial position. As of June 30, 2017, the balance of \$53,332 previously restricted towards the New York office relocation was released from restriction per Childfund Alliance Board of Directors resolution and is included in the accompanying statement of activities.

During the fiscal year, Childfund Alliance received furniture, fixtures and equipment which was donated by Franklin Templeton Investments. The Secretary General spouse is the Director of Corporate Treasury Operations of such company. The fair value of such furniture is \$12,573 and is included under contribution and other income in the accompanying statement of activities at June 30, 2017.

(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.

The upfront payment made during the year ended June 30, 2011, became fully amortized during the year ended June 30, 2016.

There is also an annual membership payment made each year. The annual membership expense was \$16,673 and \$16,739 for the years ended June 30, 2017 and 2016, respectively, and is included in program expenses in the accompanying statement of activities.

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(5) Furniture, Fixtures, and Equipment

Furniture, fixtures, and equipment at June 30, 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Furniture and fixtures	\$ 14,448	2,690
Equipment	39,910	15,894
Less accumulated depreciation	<u>(20,067)</u>	<u>(15,289)</u>
	<u>\$ 34,291</u>	<u>3,295</u>

(6) Grants

There were no new grants awarded to ChildFund Alliance during the year ended June 30, 2017. ChildFund recorded grant revenue of \$48,885 during the year ended June 30, 2017 related to expenses incurred under the grants, of which all had been received from the grantors as of June 30, 2016. ChildFund Alliance was awarded advance grants during the year ended June 30, 2016. 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.

As of June 30, 2017, ChildFund has been advanced cash of \$686 under the grant which had not been expensed and is recorded as deferred grants revenue in the accompanying statement of financial position. As of June 30, 2016, ChildFund had been advanced cash of \$49,571 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, 2016.

(7) Operating Leases

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 rent security deposit of \$74,486 related to the office lease. At June 30, 2017 and 2016, accrued rent related to the office lease totaled \$38,738 and \$14,611, respectively.

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Rent expense under various operating leases was \$161,503 and \$86,358 for the years ended June 30, 2017 and 2016, respectively. Future minimum lease payments for the remaining terms of the lease as of June 30, 2017 is as follows:

	Minimum lease payments
Year ending June 30:	
2018	\$ 161,503
2019	161,503
2020	161,503
2021	161,503
2022	161,503
Thereafter	<u>188,421</u>
Total	\$ <u><u>995,936</u></u>

(8) Subsequent Events

ChildFund Alliance has evaluated subsequent events for potential recognition and/or disclosure in the June 30, 2017 financial statements through, October 10, 2017, the date the financial statements were issued.