ChildFund Alliance

Financial Statements
Year Ended June 30, 2019

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ChildFund Alliance

Contents

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Independent Auditor's Report

Board of Directors
ChildFund Alliance
New York, New York

We have audited the accompanying financial statements of ChildFund Alliance, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses 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, 2019, 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.

BDO USA, LLP

October 24, 2019

Financial Statements

ChildFund Alliance

Statement of Financial Position

June 30, 2019		
Assets		
Cash	$	371,088
Grant receivable		154,665
Accounts receivable and other assets		24,967
Prepaid expenses		4,456
Rent security deposits		75,863
Investment		1,740
Furniture, fixtures, and equipment, net		17,392
Total assets	$	650,171
Liabilities and Net Assets		
Liabilities		
Accrued expenses	$	95,649
Deferred rent		78,874
Total liabilities		174,523
Commitments and contingencies		
Net assets		
Without donor restrictions		155,429
With donor restrictions		320,219
Total net assets		475,648
Total liabilities and net assets	$	650,171

See accompanying notes to financial statements.

ChildFund Alliance

Statement of Activities

Year ended June 30, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Membership dues	$ 1,547,753	$ -	$ 1,547,753
Grants	686	375,000	375,686
Other income	217	-	217
Net assets released from restrictions:			
Satisfaction of program restrictions	60,823	(60,823)	-
Total revenue and other support	1,609,479	314,177	1,923,656
Expenses			
Program services	1,098,032	-	1,098,032
Supporting services	511,257	-	511,257
Total expenses	1,609,289	-	1,609,289
Change in net assets	190	314,177	314,367
Net assets, at beginning of year	155,239	6,042	161,281
Net assets, at end of year	$ 155,429	$ 320,219	$ 475,648

See accompanying notes to financial statements.

ChildFund Alliance

Statement of Functional Expenses

Year ended June 30, 2019	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	$ 603,089	$ 603,089	$ 180,902	$ 180,902	$ 783,991
Contractual services	262,965	262,965	130,125	130,125	393,090
Occupancy	144,212	144,212	25,449	25,449	169,661
Professional services	-	-	51,619	51,619	51,619
Dues and memberships	42,435	42,435	7,652	7,652	50,087
Travel	15,678	15,678	32,713	32,713	48,391
Conferences	19,118	19,118	17,319	17,319	36,437
Communication	1,259	1,259	31,547	31,547	32,806
Other fees	1,632	1,632	13,173	13,173	14,805
Depreciation	2,056	2,056	9,032	9,032	11,088
Office supplies	1,131	1,131	9,135	9,135	10,266
Insurance	4,457	4,457	2,591	2,591	7,048
	$ 1,098,032	$ 1,098,032	$ 511,257	$ 511,257	$ 1,609,289

See accompanying notes to financial statements.

ChildFund Alliance

Statement of Cash Flows

Year ended June 30, 2019		
Cash flows from operating activities:		
Change in net assets	$	314,367
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation		11,088
(Increase) decrease in assets:		
Grant receivable		(154,665)
Accounts receivable and other assets		39,633
Prepaid expenses		3,965
Increase (decrease) in liabilities:		
Accrued expenses		2,728
Deferred rent		6,013
Deferred grant revenue		(686)
Deferred membership dues		(656,300)
Net cash used in operating activities		(433,857)
Cash flows from investing activities:		
Purchases of furniture, fixtures, and equipment		(961)
Net cash used in investing activities		(961)
Net decrease in cash		(434,818)
Cash, beginning of year		805,906
Cash, end of year	$	371,088

See accompanying notes to financial statements.

1. Organization

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

Program services includes child development programs which promote 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, 2019.

2. Summary of Significant Accounting Policies

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:

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 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, 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.

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 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 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 increases in net assets with donor restrictions.

Grant and accounts receivable

Receivables are carried at original invoice amount less an estimated made for doubtful receivables based on a review of all outstanding amounts on an annual basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using the historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. There was no allowance for doubtful accounts established at June 30, 2019.

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.

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. 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 ChildFund Alliance. Indirect costs that benefit multiple functional areas have been allocated among the areas based on staff count. Depreciation is allocated between functional areas based on individual review of the use of each asset.

Accounting pronouncement adopted

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, "Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities" (ASU 2016-14). 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. ChildFund Alliance has adopted the ASU and has adjusted the presentation of these financial statements accordingly. There was no effect on the change in net assets reported at June 30, 2018.

New accounting pronouncements to be adopted

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)" (ASC 2014-09). ASU 2014-09 establishes a comprehensive revenue recognition standard for virtually all industries including those that previously followed industry-specific guidance. ASU 2014-09 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 ASU 2014-09 on ChildFund Alliance's financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under ASU 2016-02, 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. ASU

2016-02 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 ASU 2016-02 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" (ASU 2018-08). ASU 2018-08 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. ASU 2018-08 provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If 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 2018-08 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. ASU 2018-08 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 ASU 2018-08 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 $34,833 for the year ended June 30, 2019. There were no amounts due to, or from, ChildFund International as of June 30, 2019.

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, 2019. The investment related to the purchase of shares in ICSC is carried at cost in accordance with FASB Accounting Standard 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 $20,170 for the year ended June 30, 2019 and is included in dues and memberships expenses in the accompanying statement of functional expenses.

5. Furniture, Fixtures, and Equipment

Furniture, fixtures, and equipment at June 30, 2019 is summarized as follows:

		2019
Furniture and fixtures	$	16,345
Equipment		43,108
		59,453
Less: accumulated depreciation		(42,061)
	$	17,392

Depreciation expense was $11,088 for the year ended June 30, 2019.

6. Operating Leases

ChildFund Alliance entered into two operating leases for office space, which expire during the year ending June 30, 2022 and 2024, respectively. During fiscal year 2016, ChildFund Alliance paid rent security deposits of $75,863 related to the office leases. At June 30, 2019, deferred rent related to the office leases totaled $78,874.

Rent expense under various operating leases was $169,661 for the year ended June 30, 2019. Future minimum lease payments for the remaining terms of the lease as of June 30, 2019 is as follows:

Years ending June 30,		
2020	$	169,660
2021		169,669
2022		167,621
2023		161,503
2024		26,921
	$	695,374

7. Liquidity and Availability of Resources

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

June 30,		2019
Cash	$	371,088
Grant receivable		154,665
Accounts receivable and other assets		24,967
		550,720
Less amount unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions		(320,219)
Financial assets available to meet cash needs for general expenditures within one year	$	230,501

As part of ChildFund 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. ChildFund Alliance maintains a liquidity position through invoicing members annual dues at the beginning of the fiscal year.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at:

June 30,		2019
Subject to expenditure for a specified purpose:		
Child development programs	$	320,219
	$	320,219

For the year ended June 30, 2019, ChildFund Alliance released $60,823 of donor restricted assets due to the purpose restrictions being fulfilled.

9. Subsequent Events

ChildFund Alliance has evaluated subsequent events for potential recognition and/or disclosure in the June 30, 2019 financial statements through October 24, 2019, the date the financial statements were available to be issued.