ChildFund Alliance

Financial Statements
Year Ended June 30, 2020

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

ChildFund Alliance

Financial Statements
Year Ended June 30, 2020

ChildFund Alliance

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Independent Auditor's Report

Board of Directors
ChildFund Alliance
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of **ChildFund Alliance**, which comprise the statement of financial position as of June 30, 2020, 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, 2020, 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

November 18, 2020

Financial Statements

ChildFund Alliance

Statement of Financial Position

June 30		**2020**
Assets		
Cash	$	251,150
Pledges, accounts receivable and other assets		158,095
Rent security deposit		45,489
Investment		1,740
Furniture, fixtures and equipment, net		13,207
Total Assets	$	469,681
Liabilities and Net Assets		
Liabilities		
Accrued expenses	$	109,013
Deferred rent		6,217
Total liabilities		115,230
Commitments and contingencies		
Net assets:		
Without donor restrictions		207,474
With donor restrictions		146,977
Total net assets		354,451
Total liabilities and net assets	$	469,681

See accompanying notes to financial statements.

ChildFund Alliance

Statement of Activities

Year ended June 30, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Membership dues	$ 1,522,649	$ -	$ 1,522,649
Net assets released from restrictions:			
Satisfaction of program restrictions	173,242	(173,242)	-
Total revenue	1,695,891	(173,242)	1,522,649
Expenses:			
Program services	1,299,177	-	1,299,177
Supporting services	423,562	-	423,562
Total expenses	1,722,739	-	1,722,739
Change in net assets before non-operating activities	(26,848)	(173,242)	(200,090)
Non-operating gain on lease termination	78,893	-	78,893
Change in net assets	52,045	(173,242)	(121,197)
Net assets at beginning of year	155,429	320,219	475,648
Net assets at end of year	$ 207,474	$ 146,977	$ 354,451

See accompanying notes to financial statements.

ChildFund Alliance

Statement of Functional Expenses

Year ended June 30, 2020	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	$ 788,984	$ 788,984	$ 173,731	$ 173,731	$ 962,715
Contractual services	177,792	177,792	133,744	133,744	311,536
Occupancy	139,991	139,991	34,997	34,997	174,988
Dues and memberships	98,167	98,167	10,001	10,001	108,168
Travel	30,546	30,546	7,637	7,637	38,183
Professional services	-	-	36,503	36,503	36,503
Communication	28,656	28,656	7,164	7,164	35,820
Conferences	15,295	15,295	1,125	1,125	16,420
Other fees	4,712	4,712	7,603	7,603	12,315
Insurance	7,831	7,831	2,370	2,370	10,201
Depreciation	7,064	7,064	1,766	1,766	8,830
Office supplies	139	139	6,921	6,921	7,060
	$ 1,299,177	$ 1,299,177	$ 423,562	$ 423,562	$ 1,722,739

See accompanying notes to financial statements.

ChildFund Alliance

Statement of Cash Flows

Year ended June 30, 2020		
Cash flows from operating activities		
Change in net assets	$	(121,197)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation		8,832
(Increase) decrease in assets		
Pledges, accounts receivable and other assets		21,537
Prepaid expenses		4,456
Rent security deposit		30,374
Increase (decrease) in assets		
Accrued expenses		13,364
Deferred rent		(72,657)
Net cash used in operating activities		(115,291)
Cash flows used in investing activities		
Purchases of furniture, fixtures and equipment		(4,647)
Net cash used in investing activities		(4,647)
Net decrease in cash		(119,938)
Cash, beginning of year		371,088
Cash, end of year	$	251,150

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, 2020.

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.

Concentration of credit risk

ChildFund 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). ChildFund Alliance's cash and cash equivalent accounts have been placed with high-quality financial institutions, and ChildFund Alliance has not experienced, nor does it anticipate, any losses with respect to such accounts. At June 30, 2020, ChildFund Alliance has $1,150 in excess of the federal deposit insurance limit of $250,000.

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.

Pledges, accounts receivable and other assets

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, 2020.

Furniture, fixtures and equipment

ChildFund 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 (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.

Revenue recognition

ChildFund 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 ChildFund Alliance expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, ChildFund Alliance combines it with other performance obligations until a distinct bundle of goods or services exists. ChildFund Alliance expects that the period between when ChildFund Alliance transfers goods and services to their customers and when the customers pay for those goods and services will be one year or less. Therefore, ChildFund Alliance has elected the practical expedient not to adjust the promised amount of consideration for the effects of a significant financing component. 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 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 if any, are reported as deferred membership dues. There were no deferred membership dues as of June 30, 2020.

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. Travel, occupancy, communications, and depreciation benefit multiple functional areas have been allocated among the areas based on staff count.

New accounting pronouncement adopted

In May 2014, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which entities expect to be entitled in exchange for those goods or services. The update also requires additional disclosure to enable readers of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted this update, along with all subsequent amendments (collectively, "ASC 606") in 2019 under the modified retrospective method. The update was applied to all contracts that were not completed at the date of initial application. Additionally, the Organization applied the practical expedient (i) to account for revenues with similar characteristics as a collective group rather than individually, (ii) to not adjust the transaction price for the effects of significant financing components (if any), and (iii) to not disclose the transaction price allocated to unsatisfied or partially unsatisfied performance obligations as of the end of the reporting period when the performance obligations relate to contracts with an expected duration of less than one year. The adoption of this update did not materially impact the 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*. The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction (i.e., ASC 606). The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. ChildFund Alliance adopted this update under the modified prospective basis. The adoption of this update did not materially impact the financial statements.

New accounting pronouncements to be adopted

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, 2022. 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.

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 $41,500 for the year ended June 30, 2020. 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, 2020. 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 $45,053 for the year ended June 30, 2020 and is included in dues and memberships expense in the accompanying statement of functional expenses.

5. Furniture, Fixtures and Equipment

Furniture, fixtures, and equipment at June 30, 2020 is summarized as follows:

		2020
Furniture and fixtures	$	**18,340**
Equipment		**45,760**
		64,100
Less: accumulated depreciation		**(50,893)**
	$	**13,207**

Depreciation expense was $8,832 for the year ended June 30, 2020.

6. Operating Leases

ChildFund Alliance has two operating leases for office space, which expire during the years ending June 30, 2022 and 2024, respectively. During the year ended June 30, 2020, ChildFund Alliance held rent security deposits of $45,489 related to the office leases. At June 30, 2020, deferred rent related to the office leases totaled $6,217.

In January 2020, ChildFund Alliance entered into a lease modification to reduce its office space. ChildFund Alliance recorded a non-cash gain of $78,893 related to this lease modification.

Rent expense under various operating leases was $174,988 for the year ended June 30, 2020. Future minimum lease payments for the remaining terms of the lease as of June 30, 2020 is as follows:

Years ending June 30,		
2021	$	**176,186**
2022		**174,146**
2023		**168,026**
2024		**21,003**
	$	**539,361**

7. Contingencies

From time to time, ChildFund Alliance is involved in various legal proceedings during the normal course of operations. In management's opinion, ChildFund 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 ChildFund Alliance.

Other Matters

The COVID-19 pandemic has developed rapidly during the year ended June 30, 2020. The resulting impact of the virus on the operations and measures taken by various governments to contain the virus have not affected ChildFund Alliance's results in the reporting period. There has been no effect due to the nature of the membership revenue stream for ChildFund Alliance and the relationship of the members towards ChildFund Alliance.

8. Liquidity and Availability of Resources

The following reflects financial 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,	
Cash	$ 251,150
Pledges, accounts receivable and other assets	158,095
	409,245
Less amount unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose restrictions	146,977
Financial assets available to meet cash needs for general expenditures within one year	$ 262,268

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.

9. Net Assets with Donor Restrictions

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

June 30,	
Subject to expenditure for a specified purpose:	
Child development programs	$ 146,977

For the year ended June 30, 2020, ChildFund Alliance released $173,242 of donor restricted assets due to the purpose restrictions being fulfilled.

10. Subsequent Events

ChildFund Alliance has evaluated subsequent events for potential recognition and/or disclosure in the June 30, 2020 financial statements through November 18, 2020, the date the financial statements were available to be issued.