

**CHILD AID**

FINANCIAL STATEMENTS  
Year Ended December 31, 2009

With

Independent Auditors' Report

**CHILD AID**  
**DECEMBER 31, 2009**

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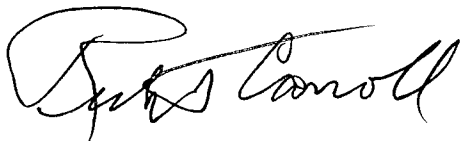
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## Treasurer's Report

The financial statements and other information contained in this report have been prepared by management, which is responsible for the information's integrity and objectivity. The financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and are deemed to present fairly the financial position of Child Aid and the changes in its net assets and cash flows. Where necessary, management has made informed judgments and estimates of the outcome of events and transactions, with due consideration given to materiality.

As a means of fulfilling its responsibility for the integrity of financial information included in this report, management relies on a system of internal controls established to ensure, within reasonable limits, that assets are safeguarded against loss or unauthorized use, that transactions are properly recorded and executed in accordance with management's authorization, and that the accounting records can be relied upon to prepare financial statements in accordance with generally accepted accounting principles. This system is augmented by careful selection and training of qualified personnel and the dissemination of written policies and procedures.

The financial statements have been examined by the Child Aid's independent accountants, James E. Richman, CPA, PC whose report follows. Their examination was made in accordance with generally accepted auditing standards. The Board of Directors meets periodically with management and the independent accountants to review accounting, auditing, internal accounting controls, and financial reporting matters, and to ensure that all responsibilities are fulfilled with regard to the objectivity and integrity of the Child Aid's financial statements. The Board of Directors also reviews the scope and results of Child Aid's audit, and current and emerging accounting and financial requirements and practices affecting Child Aid.



Richard Carroll  
*Co-founder & Treasurer*  
*Board of Directors*  
*Child Aid*

**James E. Richman, CPA, PC**  
Certified Public Accountant  
One SW Columbia, Suite 400  
Portland, OR 97258  
(503) 295-3780 FAX (503) 243-1972

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Child Aid  
Portland, Oregon

We have audited the accompanying statement of financial position of Child Aid (a nonprofit corporation) as of December 31, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Child Aid management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the financial statements of Child Aid as of December 31, 2008 and, in our report dated March 17, 2009, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child Aid as of December 31, 2009, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*James E. Richman, CPA, PC*

April 30, 2010

**CHILD AID**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2009**  
**(With Comparative Amounts for 2008)**

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
<b>CURRENT ASSETS:</b>		
Cash and equivalents	\$ 303,364	\$ 244,737
Unconditional promises to give	-	12,300
Note receivable, net	3,962	3,732
Prepaid expenses	<u>3,566</u>	<u>1,108</u>
Total current assets	310,892	261,877
<b>LONG-TERM NOTE RECEIVABLE, net</b>	4,174	8,135
<b>EQUIPMENT, less accumulated depreciation</b>	331	661
<b>INVESTMENTS</b>	<u>785,918</u>	<u>610,140</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,101,315</u></u>	<u><u>\$ 880,813</u></u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 11,109	\$ 9,336
Payroll liabilities	<u>3,629</u>	<u>4,843</u>
Total current liabilities	14,738	14,179
<b>NET ASSETS:</b>		
Unrestricted	840,031	711,870
Temporarily restricted	<u>246,546</u>	<u>154,764</u>
Total net assets	<u>1,086,577</u>	<u>866,634</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,101,315</u></u>	<u><u>\$ 880,813</u></u>

See accompanying notes to financial statements.

**CHILD AID**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2009**  
**(With Comparative Totals for 2008)**

	2009			2008
	Unrestricted	Temporarily Restricted	Total	
<b>SUPPORT AND REVENUE:</b>				
Contributions and grants	\$ 199,766	\$ 230,522	\$ 430,288	\$ 487,171
In-kind contributions	207,429	819	208,248	995,409
Realized investment gains	9,031	-	9,031	30,199
Unrealized investment gains (losses)	204,676	61,088	265,764	(413,417)
Interest and dividends	33,915	5,170	39,085	45,440
	<u>654,817</u>	<u>297,599</u>	<u>952,416</u>	<u>1,144,802</u>
Net assets released from restrictions by satisfaction of purpose restrictions	<u>205,817</u>	<u>(205,817)</u>	<u>-</u>	<u>-</u>
	860,634	91,782	952,416	1,144,802
<b>EXPENSES:</b>				
Program services	605,285	-	605,285	1,437,859
Management and general	65,982	-	65,982	66,263
Fund raising	61,206	-	61,206	31,770
Total expenses	<u>732,473</u>	<u>-</u>	<u>732,473</u>	<u>1,535,892</u>
<b>INCREASE IN NET ASSETS</b>	128,161	91,782	219,943	(391,090)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>711,870</u>	<u>154,764</u>	<u>866,634</u>	<u>1,257,724</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 840,031</u>	<u>\$ 246,546</u>	<u>\$ 1,086,577</u>	<u>\$ 866,634</u>

See accompanying notes to financial statements.

**CHILD AID**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2009**  
**(With Comparative Totals for 2008)**

	2009				2008
	Program Services	Management and General	Fund Raising	Total	
Compensation and related expenses:					
Compensation	\$ 74,749	\$ 36,135	\$ 37,011	\$ 147,895	\$ 111,284
Program consultants	6,721	3,043	1,014	10,778	18,057
Employee benefits	20,393	8,369	5,045	33,807	21,078
Payroll taxes	6,264	3,049	3,131	12,444	8,976
Grants and allocations	306,839	-	-	306,839	1,145,119
Special Events	-	-	-	-	35
Bank fees	1,642	819	153	2,614	2,600
Interest expense	-	-	-	-	1,133
Depreciation expense	-	330	-	330	330
Conference and meetings	5,028	471	1,987	7,486	11,933
Licenses and fees	18	9	3,176	3,203	2,845
Occupancy	5,634	2,067	939	8,640	8,280
Postage and shipping	11,297	793	2,175	14,265	20,899
Printing and publications	8,695	2,844	2,980	14,519	9,168
Professional fees	112,987	4,185	1,395	118,567	103,324
Supplies	5,717	1,144	366	7,227	9,118
Telephone	3,357	567	201	4,125	5,743
Travel	35,944	2,157	1,633	39,734	55,970
<b>Total expenses</b>	<u><u>\$ 605,285</u></u>	<u><u>\$ 65,982</u></u>	<u><u>\$ 61,206</u></u>	<u><u>\$ 732,473</u></u>	<u><u>\$ 1,535,892</u></u>

See accompanying notes to financial statements.

**CHILD AID**  
**STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2009**  
**(With Comparative Totals for 2008)**

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from grantors and contributors	\$ 442,588	\$ 489,871
Interest and dividends received	39,085	45,440
Cash paid to suppliers and employees	(610,522)	(587,980)
Net cash used in operating activities	(128,849)	(52,669)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	320,146	318,875
Purchases of investments	(136,402)	(388,741)
Loans made to others	-	(13,000)
Payments received on note receivable	3,732	-
Purchases of equipment	-	(734)
Net cash provided by (used in) investing activities	187,476	(83,600)
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	58,627	(136,269)
<b>CASH AND EQUIVALENTS, BEGINNING OF YEAR</b>	244,737	381,006
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	\$ 303,364	\$ 244,737

See accompanying notes to financial statements.



**CHILD AID**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

Child Aid (formerly known as Child Aid: Children’s Literacy and Hearing Projects) is a private, nonprofit organization that conducts programs that provide educational opportunity for impoverished children in Latin America. The Organization’s primary focus is literacy education and reading promotion. Child Aid works most intensively in the Central Highlands of Guatemala, where literacy rates and education levels are among the lowest in the region. Through its *Reading for Life* program, Child Aid partners with numerous libraries and schools, many of them in rural, indigenous communities. The program delivers thousands of books, trains librarians and teachers, supports library improvements, and helps establish regular reading programs and literacy-related activities for children.

Child Aid also provides substantial technical, financial and administrative support for two independent not-for-profit organizations which are described as follows:

*The Oaxacan Center for the Rehabilitation of Hearing and Speech/ Centro Oaxaqueno de Rehabilitacion de Audicion y Lenguaje, A.C. (CORAL):* CORAL, located in Oaxaca, Mexico, provides impoverished deaf and hard-of-hearing children and adults with affordable audio logy services, speech therapy, hearing-health education, outreach and advocacy. CORAL’s programs and services are designed to fully integrate deaf people into their families and communities so that they may lead richer lives. The only organization of its type in Southern Mexico, CORAL provides hearing-related services and testing to more than 2,000 people annually.

*Foundation for the Integral Development of El Tejar/ Fundacion para Desarrollo Integral de El Tejar (FUNDIT):* FUNDIT is located in El Tejar, Guatemala and encourages the healthy development of children and their families by providing opportunities for education and self-improvement. FUNDIT’s main community programs include a model rural public library serving more than 2,000 users each month; a scholarship program supporting 110 primary and secondary students who otherwise would not be able to continue in school; and a four-year, early-start Montessori-style school for children of pre-school and kindergarten age. The program provides quality education, hot meals, medical care and a music program for impoverished children.

Child Aid is supported primarily through contributions and grants from the general public.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence of donor-imposed restrictions. Accordingly, the net assets of Child Aid and changes therein are classified and reported as follows:

*Unrestricted net assets* are net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* are net assets subject to donor-imposed stipulations that may or will be met, either by actions of Child Aid or the passage of time.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

### **Contributions and Grants**

Contributions and grants are recognized when the donor makes a promise to Child Aid that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions and grants that are received with donor stipulations that limit their use for specific purposes or future use are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. Unconditional promises to give are recorded as received, at net realizable value.

### **In-Kind Contributions**

Contributions of assets other than cash are recorded at their estimated fair market value.

Child Aid receives contributed services from a large number of volunteers who assist in program efforts. In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, significant services received which create or enhance a nonfinancial asset or require specialized skills that Child Aid would have purchased if not donated are recognized in the statement of activities.

In-kind contributions of equipment and other materials, as well as the free use of facilities, are recorded when there is an objective basis upon which to value the contribution and where the contribution is an essential part of Child Aid's activities.

In-kind contributions of books and program materials valued at \$123,521 and securities valued at \$84,727 were recognized during 2009.

### **Investment Income**

Investment income and gains and losses on investments are reported as increases or decreases in unrestricted net assets unless a donor or law temporarily or permanently restricts their use.

### **Concentrations of Credit Risk**

Child Aid deposits its cash in high credit quality institutions. At times such cash deposits may be in excess of the FDIC insurance limit. Child Aid believes no significant concentration of credit risk exists with respect to these cash deposits. Certain receivables may also subject Child Aid to concentrations of credit risk.

### **Cash and Equivalents**

For purposes of the statement of cash flows, Child Aid considers all cash and other liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

### **Allowance for Doubtful Accounts**

The allowance for doubtful accounts reflects the amounts management considers appropriate in relation to the receivables outstanding based on collection experience, economic conditions, and credit risk quality. Management believes the receivables are collectible in full and that no allowance for uncollectible receivables is necessary.

### **Fixed Assets and Depreciation**

Equipment is carried at cost, and at market value when acquired by gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which is generally five years. Child Aid follows the practice of capitalizing all expenditures for equipment in excess of \$500.

### **Income Taxes**

Child Aid is exempt from federal and state income taxes under Sections 501(c)(3) of the Internal Revenue Code and comparable state law, and therefore Child Aid has made no provision for income taxes in the accompanying financial statements. In addition, Child Aid has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509 (a) of the Internal Revenue Code. There was no unrelated business income for 2009.

The Organization files Form 990 in the U.S. federal jurisdiction. The Organization is no longer subject to U.S. federal tax examinations by tax authorities for years before 2002.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Advertising Expenses**

Advertising costs are charged to expense as they are paid.

### **Functional Allocation of Expenses**

The costs of providing the various programs and supporting activities of Child Aid have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited in accordance with Child Aid's cost allocation plan.

### **Fair Value of Financial Instruments**

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

#### *Cash and equivalents, unconditional promises to give*

The carrying amount approximates fair value because of the short maturity of these instruments.

#### *Investments*

The fair values of investments are estimated based on quoted market prices for those investments.

### **Summarized Financial Information for 2008**

The accompanying financial information as of and for the year ended December 31, 2008 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

### **Reclassifications**

Certain amounts in the 2008 summarized financial information have been reclassified to conform to the 2009 presentation.

### NOTE 3 – PROMISES TO GIVE

There were no unconditional promises to give at December 31, 2009.

Child Aid has obtained a grant commitment for use in the CORAL program from the Oberkotter Foundation amounting to \$59,000 that is conditional on meeting certain matching requirements in 2010.

### NOTE 4 – NOTES RECEIVABLE FROM RELATED PARTY

On December 19, 2008, Child Aid advanced \$13,000 to its major Guatemalan contractor, who performs program organization, development and operation oversight activities, for the purpose of purchasing a more suitable vehicle for traveling on the undeveloped terrain to visit program locations. This is a non-interest-bearing note to be repaid in thirty-six equal monthly installments of \$362 by deducting that amount from the monthly payment to the contractor.

On the statement of financial position, the note has been discounted to its present value of \$8,136 using a 6% effective interest rate. At December 31, 2009, the short-term portion of the note receivable is \$3,566, and the long-term portion is \$4,174. The note becomes immediately due and payable if Mr. Van Keppel leaves the Agency prior to the end of the thirty-six month period, or December 31, 2011.

### NOTE 5 –EQUIPMENT

Equipment consists of the following as of December 31, 2009:

Computer equipment	\$ 2,579
Less accumulated depreciation	2,248
	<u>\$ 331</u>

### NOTE 6 – INVESTMENTS

**Fair Value Measurement** – Child Aid adopted SFAS No. 157, *Fair Value Measurements* (SFAS No. 157), effective January 1, 2009. SFAS No. 157 establishes a single authoritative definition of fair value measurements. SFAS No. 157 applies to all assets and liabilities that are being measured and reported on a fair value basis. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. Child Aid applies fair value measurements to certain assets, including Child Aid’s investments.

In accordance with SFAS No. 157, Child Aid maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

*Level 1* – Quoted prices (unadjusted) in active markets for identical assets and liabilities.

*Level 2* – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability.

*Level 3* – Unobservable inputs for the asset or liability, including situations where there is little, if any, market activity for the asset or liability.

Investments consist of the following as of December 31, 2009:

<u>Description of Securities</u>	<u>Total Fair Value</u>	<u>Fair Value Measurements Using:</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income	\$ 355,330	\$ 355,330	\$ -	\$ -
U.S. corporate equities	321,410	298,837	22,573	-
International equities	98,495	98,495	-	-
Real estate securities	10,683	10,683	-	-
Total investments	<u>\$ 785,918</u>	<u>\$ 763,345</u>	<u>\$ 22,573</u>	<u>\$ -</u>

Investment return for 2009 is summarized as follows:

Net realized investment gains	\$ 9,031
Net unrealized investment gains	265,764
Interest and dividend income	39,085
	<u>\$ 313,080</u>

#### **NOTE 7- RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES**

Temporarily restricted net assets consist of the following as of December 31, 2009:

The Waljo'k Foundation for FUNDIT	\$ 190,705
Guatemala libraries	55,841
	<u>\$ 246,546</u>

#### **NOTE 8 –NET ASSETS RELEASED FROM RESTRICTIONS**

During 2009, \$205,817 was expended in satisfaction of donor-imposed restrictions.

#### **NOTE 9– RETIREMENT PLAN**

Child Aid has adopted a 401(k) retirement plan to cover essentially all employees who have been employed for one year or more. Child Aid's contributions to the plan in 2009 amounted to \$8,640.

## NOTE 10 – LEASE COMMITMENTS

During 2009, Child Aid conducted its operations in office facilities rented under an operating lease agreement that expired in March 2010. The Organization has moved to larger quarters in the same office building under a new lease expiring in March 2013.

The following is a schedule by years of future minimum payments required under this lease as of December 31, 2009:

<u>Year Ending December 31,</u>	
2010	\$ 13,640
2011	17,400
2012	17,400
2013	4,350
Total minimum lease payments required	<u>\$ 52,790</u>

Total rent expense amounted to \$8,640 for 2009.

## NOTE 11 – STATEMENT OF CASH FLOWS RECONCILIATION

The following represents a reconciliation of the increase in net assets (as reported on the statement of activities) to net cash used in operating activities (as reported on the statement of cash flows):

Increase in net assets	\$ 219,942
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	330
Unrealized investment gains	(265,764)
Realized investment gains	(9,031)
In-kind contributions of securities	(84,727)
(Increase) decrease in:	
Unconditional promises to give	12,300
Prepaid expenses	(2,459)
Increase (decrease) in:	
Accounts payable	1,773
Payroll liabilities	(1,214)
Total adjustments	<u>(348,792)</u>
Net cash used in operating activities	<u>\$ (128,850)</u>