

CHILD AID

FINANCIAL STATEMENTS
Year Ended December 31, 2011

With

Independent Auditors' Report

**CHILD AID
DECEMBER 31, 2011**

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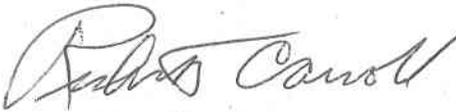
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Treasurer's Report

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
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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, 2011, 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, 2010 and, in our report dated April 1, 2011 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, 2011, 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.

April 13, 2012

CHILD AID
STATEMENT OF FINANCIAL POSITION
December 31, 2011
(With Comparative Amounts for 2010)

	2011	2010
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and equivalents	\$ 214,714	\$ 142,551
Contributions receivable	28,622	-
Note receivable, net	-	4,174
Prepaid expenses	3,344	4,099
Total current assets	246,680	150,824
EQUIPMENT, less accumulated depreciation	972	-
INVESTMENTS	1,192,148	1,125,740
TOTAL ASSETS	\$ 1,439,800	\$ 1,276,564
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 5,661	\$ 8,381
Payroll liabilities	-	3,417
Accrued compensated absences	5,026	4,862
Conditional contract advances	10,000	-
Total current liabilities	20,687	16,660
NET ASSETS:		
Unrestricted	1,121,495	1,008,817
Temporarily restricted	297,618	251,087
Total net assets	1,419,113	1,259,904
TOTAL LIABILITIES AND NET ASSETS	\$ 1,439,800	\$ 1,276,564

See accompanying notes to financial statements.

CHILD AID
STATEMENT OF ACTIVITIES
Year Ended December 31, 2011
(With Comparative Totals for 2010)

	2011			2010
	Unrestricted	Temporarily Restricted	Total	
SUPPORT AND REVENUE:				
Contributions and grants	\$ 381,648	\$ 402,078	\$ 783,726	\$ 619,839
In-kind contributions of books and material	571,822	-	571,822	2,106,278
Realized investment gains	127,526	13,483	141,009	36,279
Unrealized investment gains (losses)	(131,918)	1,219	(130,699)	141,807
Interest and dividends	28,089	2,701	30,790	25,767
	<u>977,167</u>	<u>419,481</u>	<u>1,396,648</u>	<u>2,929,970</u>
Net assets released from restrictions by satisfaction of purpose restrictions	372,950	(372,950)	-	-
	<u>1,350,117</u>	<u>46,531</u>	<u>1,396,648</u>	<u>2,929,970</u>
EXPENSES:				
Program services	1,095,811	-	1,095,811	2,611,264
Management and general	77,136	-	77,136	76,388
Fund raising	64,492	-	64,492	68,991
Total expenses	<u>1,237,439</u>	<u>-</u>	<u>1,237,439</u>	<u>2,756,643</u>
INCREASE IN NET ASSETS	112,678	46,531	159,209	173,327
NET ASSETS AT BEGINNING OF YEAR	<u>1,008,817</u>	<u>251,087</u>	<u>1,259,904</u>	<u>1,086,577</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 1,121,495</u></u>	<u><u>\$ 297,618</u></u>	<u><u>\$ 1,419,113</u></u>	<u><u>\$ 1,259,904</u></u>

See accompanying notes to financial statements.

CHILD AID
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2011
(With Comparative Totals for 2010)

	2011			Total	2010
	Program Services	Management and General	Fund Raising		
Compensation and related expenses:					
Compensation	\$ 99,430	\$ 44,567	\$ 33,995	\$ 177,992	\$ 166,297
Employee benefits	20,065	9,066	5,015	34,146	35,674
Payroll taxes and fees	8,756	4,621	3,306	16,683	14,390
Grants and allocations	713,835	-	-	713,835	2,261,160
Bank fees	875	735	84	1,694	2,981
Depreciaton expense	-	88	-	88	331
Conference and meetings	10,327	1,886	1,374	13,587	6,348
Licenses and fees	3,019	1,436	5,808	10,263	9,638
Rent	11,644	5,220	1,740	18,604	16,388
Postage and shipping	17,151	728	3,126	21,005	32,628
Printing and publications	8,246	2,210	4,339	14,795	15,616
Professional fees	140,533	2,216	2,989	145,738	128,685
Supplies	8,144	1,221	642	10,007	10,880
Telephone	4,309	503	270	5,082	3,782
Travel	49,477	2,639	1,804	53,920	51,845
Total expenses	<u>\$1,095,811</u>	<u>\$ 77,136</u>	<u>\$ 64,492</u>	<u>\$1,237,439</u>	<u>\$2,756,643</u>

See accompanying notes to financial statements.

CHILD AID
STATEMENT OF CASH FLOWS
Year Ended December 31, 2011
(With Comparative Totals for 2010)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from grantors and contributors	\$ 670,387	\$ 523,214
Interest and dividends received	38,423	25,767
Cash paid to suppliers and employees	(670,747)	(648,644)
Net cash provided by (used in) operating activities	38,063	(99,663)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	309,186	307,711
Purchases of investments	(278,200)	(185,457)
Payments received on note receivable	4,174	3,962
Purchases of equipment	(1,060)	-
Net cash provided by (used in) investing activities	34,100	126,216
NET INCREASE IN CASH AND EQUIVALENTS	72,163	26,553
CASH AND EQUIVALENTS, BEGINNING OF YEAR	142,551	115,998
CASH AND EQUIVALENTS, END OF YEAR	\$ 214,714	\$ 142,551

See accompanying notes to financial statements.

CHILD AID
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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 recognizes the fair value of contributed services received if such services (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. No such contributed services were recognized during the year ended December 31, 2011.

Child Aid receives contributed services from a large number of volunteers who assist in program efforts. Child Aid has not recognized the value of such services on its financial statements in that they do not meet the criteria for recognition stated above.

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 \$571,822 and securities valued at \$87,084 (included in contributions and grants on the statement of activities) were recognized during 2011.

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. Cash and short-term investments held in institutional money market funds are reported as investments instead of cash because of the Organization's investment practices.

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 2010.

Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, an organization must also evaluate its tax positions and provide for a liability for any positions that would not be considered "more likely than not" to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at December 31, 2011.

The Organization files Form 990 in the U.S. federal jurisdiction, and is subject to examination by U.S. federal tax authorities generally for three years from the filing of a tax return.

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 2010

The accompanying financial information as of and for the year ended December 31, 2010 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

Reclassifications

Certain amounts in the 2010 summarized financial information have been reclassified to conform to the 2011 presentation.

NOTE 3 – PROMISES TO GIVE

There were no unconditional promises to give at December 31, 2011.

Child Aid has obtained a grant commitment for use in the CORAL program from the Oberkotter Foundation amounting to \$118,000 (\$59,000 per year) for 2012-2013 that is conditional on meeting certain matching requirements in each grant year.

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 non-interest-bearing note was repaid in full as of December 31, 2011.

NOTE 5 –EQUIPMENT

Equipment consists of the following as of December 31, 2011:

Computer equipment	\$ 3,639
Less accumulated depreciation	<u>2,667</u>
	<u>\$ 972</u>

NOTE 6 – FAIR VALUE MEASUREMENTS

At December 31, 2011, all of Child Aid's investments are measured at fair value on a recurring basis using quoted prices in active markets for identical assets (i.e., Level 1), and consist of the following:

<u>Description of Securities</u>	<u>Fair Value</u>
Cash and equivalents	\$ 52,210
Fixed income	175,900
Equities	841,547
Real estate securities	<u>122,491</u>
	<u>\$ 1,192,148</u>

Investment return for 2011 is summarized as follows:

Net realized investment gains	\$ 141,009
Net unrealized investment losses	(130,699)
Interest and dividend income	<u>30,790</u>
	<u>\$ 41,100</u>

NOTE 7- RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Temporarily restricted net assets consist of the following as of December 31, 2011:

The Waljo'k Foundation for FUNDIT	\$ 169,671
Guatemala libraries	<u>127,947</u>
	<u>\$ 297,618</u>

NOTE 8 –NET ASSETS RELEASED FROM RESTRICTIONS

During 2011, \$372,950 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 2011 amounted to \$7,992.

NOTE 10 – LEASE COMMITMENTS

During 2010, Child Aid conducted its operations in office facilities rented under an operating lease agreement that expires in March 2013.

Minimum required annual payments under these noncancelable leases are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2012	\$ 17,400
2013	<u>4,350</u>
Total minimum required payments	<u>\$ 21,750</u>

Total rent expense amounted to \$18,604 for 2011.

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	\$ 159,209
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	88
Realized investment gains	(141,009)
Unrealized investment loss	130,699
In-kind contributions of securities	(87,084)
(Increase) decrease in:	
Contributions receivable	(28,622)
Prepaid expenses	755
Increase (decrease) in:	
Accounts payable	(2,720)
Payroll liabilities	(3,417)
Compensated absences	164
Conditional contract advances	10,000
Total adjustments	<u>(121,146)</u>
Net cash provided by operating activities	<u>\$ 38,063</u>

NOTE 12- SUBSEQUENT EVENTS

Subsequent events were evaluated through April 15, 2012, which is the date the financial statements were available to be issued.