

CHILD AID

FINANCIAL STATEMENTS
Year Ended December 31, 2013

With

Independent Auditors' Report

**CHILD AID
DECEMBER 31, 2013**

CONTENTS

	<u>Page</u>
REPORT OF TREASURER	1
INDEPENDENT AUDITORS' REPORT	2-3
FINANCIAL STATEMENTS:	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8-13

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 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
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Child Aid

Report on the Financial Statements

We have audited the accompanying financial statements of Child Aid (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, 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 of 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 auditor's 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 Child Aid as of December 31, 2013, 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.

Report on Summarized Comparative Information

We have previously audited Child Aid's financial statements as of and for the year ended December 31, 2012, and our report dated March 25, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Portland, Oregon
March 31, 2014

CHILD AID
STATEMENT OF FINANCIAL POSITION
December 31, 2013
(With Comparative Amounts for 2012)

	2013	2012
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and equivalents	\$ 165,362	\$ 159,585
Unconditional promises to give	167,911	108,920
Prepaid expenses	8,189	9,883
Total current assets	341,462	278,388
EQUIPMENT	5,173	1,308
INVESTMENTS	1,753,461	1,416,955
TOTAL ASSETS	\$ 2,100,096	\$ 1,696,651
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 8,636	\$ 11,301
Payroll liabilities	5,974	-
Accrued compensated absences	21,914	15,506
Total current liabilities	36,524	26,807
NET ASSETS:		
Unrestricted	1,586,026	1,264,441
Temporarily restricted	477,546	405,403
Total net assets	2,063,572	1,669,844
TOTAL LIABILITIES AND NET ASSETS	\$ 2,100,096	\$ 1,696,651

See accompanying notes to financial statements.

CHILD AID
STATEMENT OF ACTIVITIES
December 31, 2013
(With Comparative Amounts for 2012)

	2013			2012
	Unrestricted	Temporarily Restricted	Total	
SUPPORT AND REVENUE:				
Contributions and grants	\$ 411,040	\$ 517,243	\$ 928,283	\$ 812,221
In-kind contributions of books, material and services	1,206,071	-	1,206,071	503,214
Realized investment gains	251,598	6,375	257,973	159,866
Unrealized investment gains	25,186	39,408	64,594	22,538
Interest and dividends	30,864	4,173	35,037	39,912
Other	(2,303)	-	(2,303)	(1,017)
	<u>1,922,456</u>	<u>567,199</u>	<u>2,489,655</u>	<u>1,536,734</u>
Net assets released from restrictions:				
Satisfaction of purpose restrictions	451,367	(451,367)	-	-
Expiration of time restrictions	43,689	(43,689)	-	-
	<u>2,417,512</u>	<u>72,143</u>	<u>2,489,655</u>	<u>1,536,734</u>
EXPENSES:				
Program services	1,900,425	-	1,900,425	1,143,466
Management and general	91,866	-	91,866	83,554
Fund raising	103,636	-	103,636	58,983
Total expenses	<u>2,095,927</u>	<u>-</u>	<u>2,095,927</u>	<u>1,286,003</u>
INCREASE IN NET ASSETS	321,585	72,143	393,728	250,731
NET ASSETS AT BEGINNING OF YEAR	<u>1,264,441</u>	<u>405,403</u>	<u>1,669,844</u>	<u>1,419,113</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,586,026</u>	<u>\$ 477,546</u>	<u>\$ 2,063,572</u>	<u>\$ 1,669,844</u>

See accompanying notes to financial statements.

CHILD AID
STATEMENT OF FUNCTIONAL EXPENSES
December 31, 2013
(With Comparative Amounts for 2012)

	2013				2012
	Program Services	Management and General	Fund Raising	Total	
Compensation and related expenses:					
Compensation	\$ 293,338	\$ 48,904	\$ 53,566	\$ 395,808	\$ 224,680
Employee benefits	33,362	10,220	9,297	52,879	37,340
Payroll taxes and fees	18,519	5,107	5,192	28,818	19,916
Grants and allocations	1,300,834	-	-	1,300,834	599,782
Bank fees	1,910	1,529	332	3,771	3,652
Depreciaton expense	-	2,102	-	2,102	1,093
Conference and meetings	20,622	1,515	1,439	23,576	11,658
Licenses and fees	9,080	4,712	9,025	22,817	13,667
Rent	12,799	5,625	1,875	20,299	18,600
Postage and shipping	19,360	864	2,315	22,539	22,662
Printing and publications	9,874	1,972	5,187	17,033	25,555
Professional fees	106,811	5,869	11,988	124,668	236,069
Supplies	14,609	1,501	526	16,636	12,488
Telephone	6,336	538	204	7,078	6,510
Travel	52,971	1,408	2,690	57,069	52,331
Total expenses	<u>\$ 1,900,425</u>	<u>\$ 91,866</u>	<u>\$ 103,636</u>	<u>\$ 2,095,927</u>	<u>\$ 1,286,003</u>

See accompanying notes to financial statements.

CHILD AID
STATEMENT OF CASH FLOWS
December 31, 2013
(With Comparative Amounts for 2012)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from grantors and contributors	\$ 682,249	\$ 623,212
Interest and dividends received	44,968	48,585
Cash paid to suppliers and employees	(876,343)	(772,115)
Net cash used in operating activities	(149,126)	(100,318)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	530,029	487,559
Purchases of investments	(369,159)	(413,938)
Purchases of equipment	(5,967)	(1,429)
Net cash provided by investing activities	154,903	72,192
NET CHANGE IN CASH AND EQUIVALENTS	5,777	(28,126)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	159,585	187,711
CASH AND EQUIVALENTS, END OF YEAR	\$ 165,362	\$ 159,585

See accompanying notes to financial statements.

CHILD AID
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Child Aid 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. Child Aid's primary program is Reading for Life, under which rubric all of Child Aid's direct service literacy programs fall. Activities include training for teachers and librarians; library improvements; and the provision and distribution of purchased and donated, high quality, Spanish language books.

Child Aid also provides financial support and oversight for two independent not-for-profit organizations operating in Central America. The first is CORAL (Centro Oaxaqueno de Rehabilitacion de Audicion y Lenguaje) located in Oaxaca, Mexico. CORAL provides rehabilitative education and diagnostic services for poor and underserved deaf and hearing impaired children. The second organization receiving support is FUNDIT (Fundacion para Desarrollo Integral de El Tejar), located in El Tejar, Guatemala. FUNDIT's primary programs include a model rural public library, a scholarship program supporting primary and secondary students who otherwise would not be able to continue in school, and a three-year, early-start Montessori-style school for children of pre-school and kindergarten age.

Child Aid is supported primarily through contributions from individuals and grants from foundations and businesses.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Basis of Presentation

Child Aid is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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. In-kind services of \$64,363 were recognized during the year ended December 31, 2013.

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 \$1,141,708 and securities valued at \$174,809 (included in contributions and grants on the statement of activities) were recognized during 2013.

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 double-declining balance 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. Accordingly, no provision for income taxes is included in the accompanying financial statements.

Under generally accepted accounting principles, 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, 2013.

The Organization files Form 990 in the U.S. federal jurisdiction. The Organization 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. In the opinion of Child Aid's management, such differences would not be significant.

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 2012

The accompanying 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 generally accepted accounting principles. Also, prior-year summarized comparative information on the statement of functional expenses is not presented in sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the agency's financial statements for the year ended December 31, 2012, from which the summarized information was derived. Certain reclassifications have been made to 2012 amounts to conform to the 2013 presentation.

NOTE 3 – PROMISES TO GIVE

Unconditional promises to give at December 31, 2013 totals \$167,911, all of which is expected to be collected within one year. Based on knowledge of the donors, management has determined that no allowance for uncollectible pledges is necessary.

Child Aid has obtained a grant commitment for use in the CORAL program from the Oberkotter Foundation amounting to \$150,000 (\$75,000 per year) for 2014-2015 that is conditional on meeting certain matching requirements in each grant year.

Child Aid has a memorandum of understanding with Pencils of Promise for use in the Reading for Life program amounting to \$122,268 for 2014-2015 that is conditional on meeting certain goals and reporting requirements in each year.

NOTE 4 –EQUIPMENT

Equipment consists of the following as of December 31, 2013:

Computer equipment	\$ 11,036
Less accumulated depreciation	<u>5,863</u>
	<u>\$ 5,173</u>

NOTE 5 – FAIR VALUE MEASUREMENTS

At December 31, 2013, 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	\$ 308,212
Fixed income	200,652
Equities	1,094,187
Real estate securities	93,534
Other	<u>56,876</u>
	<u>\$ 1,753,461</u>

Investment return for 2013 is summarized as follows:

Net realized investment gains	\$ 257,973
Net unrealized investment gains	64,594
Interest and dividend income	<u>35,037</u>
	<u>\$ 358,604</u>

NOTE 6- RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Temporarily restricted net assets consist of the following as of December 31, 2013:

The Waljo’k Foundation for FUNDIT	\$ 226,247
Reading for Life	201,950
Guatemalan Catholic Schools	8,368
Available for general operations in 2013	<u>40,981</u>
	<u>\$ 477,546</u>

NOTE 7 –NET ASSETS RELEASED FROM RESTRICTIONS

During 2013, \$451,367 was expended in satisfaction of donor-imposed purpose restrictions, time restrictions expired on net assets amounting to \$43,689.

NOTE 8– RETIREMENT PLAN

Child Aid has adopted a SEP-IRA retirement plan to cover all eligible employees. Child Aid's contributions to the plan in 2013 amounted to \$13,841.

NOTE 9 – LEASE COMMITMENTS

During 2013, Child Aid conducted its operations in office facilities rented under an operating lease agreement that expires in March 2015. Minimum future required annual payments under this noncancelable lease amounts to \$4,800, all of which is due in the year ending December 31, 2014.

Total rent expense amounted to \$20,299 for 2013.

NOTE 10 – 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	\$ 393,728
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	2,102
Realized investment gains	(257,973)
Unrealized investment gains	(64,594)
In-kind contributions of securities	(174,809)
(Increase) decrease in:	
Unconditional promises to give	(58,991)
Prepaid expenses	1,694
Increase (decrease) in:	
Accounts payable	(2,665)
Payroll liabilities	5,974
Compensated absences	6,408
Total adjustments	<u>(542,854)</u>
Net cash used in operating activities	<u><u>\$ (149,126)</u></u>

NOTE 11- SUBSEQUENT EVENTS

Subsequent events were evaluated through March 31, 2014, which is the date the financial statements were available to be issued.