

**CHILD AID**

FINANCIAL STATEMENTS  
Year Ended December 31, 2014

With

Independent Auditors' Report

**CHILD AID  
DECEMBER 31, 2014  
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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 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  
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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, 2014, 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, 2014, 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, 2013, and our report dated March 31, 2014, 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, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*James E. Richman, CPA, PC*

Portland, Oregon  
March 16, 2015

**CHILD AID**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2014**  
**(With Comparative Amounts for 2013)**

	2014	2013
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS:</b>		
Cash and equivalents	\$ 164,870	\$ 165,362
Unconditional promises to give	257,604	167,911
Prepaid expenses	13,427	8,189
Total current assets	435,901	341,462
<b>EQUIPMENT</b>	3,307	5,173
<b>INVESTMENTS</b>	1,745,167	1,753,461
<b>TOTAL ASSETS</b>	\$ 2,184,375	\$ 2,100,096
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 16,251	\$ 8,636
Payroll liabilities	3,597	5,974
Accrued compensated absences	33,598	21,914
Total current liabilities	53,446	36,524
<b>NET ASSETS:</b>		
Unrestricted	1,589,096	1,586,026
Temporarily restricted	541,833	477,546
Total net assets	2,130,929	2,063,572
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 2,184,375	\$ 2,100,096

See accompanying notes to financial statements.

**CHILD AID**  
**STATEMENT OF ACTIVITIES**  
**December 31, 2014**  
**(With Comparative Amounts for 2013)**

	2014			2013
	Unrestricted	Temporarily Restricted	Total	
<b>SUPPORT AND REVENUE:</b>				
Contributions and grants	\$ 480,761	\$ 551,032	\$ 1,031,793	\$ 928,283
In-kind contributions of books, material and services	1,775,555	-	1,775,555	1,206,071
Realized investment gains	204,695	11,927	216,622	257,973
Unrealized investment gains (losses)	(170,284)	(15,331)	(185,615)	64,594
Interest and dividends	43,854	5,716	49,570	35,037
Other	(2,192)	-	(2,192)	(2,303)
	<u>2,332,389</u>	<u>553,344</u>	<u>2,885,733</u>	<u>2,489,655</u>
Net assets released from restrictions:				
Satisfaction of purpose restrictions	448,076	(448,076)	-	-
Expiration of time restrictions	40,981	(40,981)	-	-
	<u>2,821,446</u>	<u>64,287</u>	<u>2,885,733</u>	<u>2,489,655</u>
<b>EXPENSES:</b>				
Program services	2,594,634	-	2,594,634	1,900,425
Management and general	94,455	-	94,455	91,866
Fund raising	129,287	-	129,287	103,636
Total expenses	<u>2,818,376</u>	<u>-</u>	<u>2,818,376</u>	<u>2,095,927</u>
<b>INCREASE IN NET ASSETS</b>	3,070	64,287	67,357	393,728
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>1,586,026</u>	<u>477,546</u>	<u>2,063,572</u>	<u>1,669,844</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,589,096</u>	<u>\$ 541,833</u>	<u>\$ 2,130,929</u>	<u>\$ 2,063,572</u>

See accompanying notes to financial statements.

**CHILD AID**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**December 31, 2014**  
**(With Comparative Amounts for 2013)**

	2014				2013
	Program Services	Management and General	Fund Raising	Total	
Compensation and related expenses:					
Compensation	\$ 357,163	\$ 43,649	\$ 70,988	\$ 471,800	\$ 395,808
Employee benefits	38,632	8,825	10,502	57,959	52,879
Payroll taxes and fees	23,411	4,154	7,767	35,332	28,818
Grants and allocations	1,898,721	-	-	1,898,721	1,300,834
Bank fees	595	984	1,751	3,330	3,771
Depreciaton expense	-	1,866	-	1,866	2,102
Conference and meetings	28,688	2,212	3,572	34,472	23,576
Licenses and fees	9,599	4,850	4,828	19,277	22,817
Rent	16,978	5,880	1,960	24,818	20,299
Postage and shipping	29,867	254	3,528	33,649	22,539
Printing and publications	8,836	1,408	8,801	19,045	17,033
Professional fees	91,879	16,853	10,364	119,096	124,668
Supplies	16,305	2,269	456	19,030	16,636
Telephone	9,455	564	255	10,274	7,078
Travel	64,505	687	4,515	69,707	57,069
Total expenses	<u>\$ 2,594,634</u>	<u>\$ 94,455</u>	<u>\$ 129,287</u>	<u>\$ 2,818,376</u>	<u>\$ 2,095,927</u>

See accompanying notes to financial statements.



**CHILD AID**  
**STATEMENT OF CASH FLOWS**  
**December 31, 2014**  
**(With Comparative Amounts for 2013)**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from grantors and contributors	\$ 767,805	\$ 682,249
Interest and dividends received	60,509	44,968
Cash paid to suppliers and employees	(1,029,271)	(876,343)
Net cash used in operating activities	(200,957)	(149,126)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	447,229	530,029
Purchases of investments	(246,764)	(369,159)
Purchases of equipment	-	(5,967)
Net cash provided by investing activities	200,465	154,903
<b>NET CHANGE IN CASH AND EQUIVALENTS</b>	(492)	5,777
<b>CASH AND EQUIVALENTS, BEGINNING OF YEAR</b>	165,362	159,585
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	\$ 164,870	\$ 165,362

See accompanying notes to financial statements.

**CHILD AID**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

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

Child Aid is a private, 501(c)(3) nonprofit organization that improves the quality of public primary school education through teacher training and book provision. In addition, we seek to further develop a community of readers through the support of community and municipal libraries with librarian training and book provision. Child Aid works in rural communities of the Central Highlands of Guatemala, where literacy rates and education levels are among the lowest in the hemisphere.

Child Aid also provides financial support and oversight for two independent nonprofit 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 solely 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 \$46,417 were recognized during the year ended December 31, 2014.

Child Aid receives contributed services from 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 \$1,775,556 and securities valued at \$161,164 (included in contributions and grants on the statement of activities) were recognized during 2014.

## **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, 2014.

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 2013**

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, 2013, from which the summarized information was derived.

## **NOTE 3 – PROMISES TO GIVE**

Unconditional promises to give at December 31, 2014 totals \$257,604, 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 Oberkötter Foundation amounting to \$75,000 for 2015 that is conditional on meeting certain programmatic and administrative requirements and objectives of the grant.

Child Aid has a memorandum of understanding with Pencils of Promise for use in the Reading for Life program amounting to \$40,756 for 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, 2014:

Computer equipment	\$ 9,687
Less accumulated depreciation	6,380
	<u>\$ 3,307</u>

#### NOTE 5 – FAIR VALUE MEASUREMENTS

At December 31, 2014, 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	\$ 171,161
Fixed income	261,783
Equities	1,095,752
Real estate securities	104,508
Other	111,963
	<u>\$ 1,745,167</u>

Investment return for 2014 is summarized as follows:

Net realized investment gains	\$ 216,622
Net unrealized investment gains	(185,615)
Interest and dividend income	49,570
	<u>\$ 80,577</u>

#### NOTE 6- RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Temporarily restricted net assets are subject to donor stipulated purpose and time restrictions as follows as of December 31, 2014:

FUNDIT	\$ 228,559
Guatemalan Literacy Programming	207,787
Guatemalan Catholic Schools	8,253
Available for future operations	97,234
	<u>\$ 541,833</u>

#### NOTE 7 –NET ASSETS RELEASED FROM RESTRICTIONS

During 2014, \$448,076 was expended in satisfaction of donor-imposed purpose restrictions and time restrictions expired on net assets amounting to \$40,981.

## 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 2014 amounted to \$16,754.

## NOTE 9 – LEASE COMMITMENTS

Child Aid conducts its operations in office facilities rented under an operating lease agreement that expires in March 2017.

The future minimum annual lease payments for the above described lease are as follows:

<u>Year ending December 31,</u>	
2015	\$ 21,420
2016	22,590
2017	23,430
2018	<u>5,910</u>
Total minimum required payments	<u>\$ 73,350</u>

Total rent expense amounted to \$24,818 for 2014.

## 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 \$ 67,357

Adjustments to reconcile change in net assets to net cash used in operating activities:

Depreciation	1,866
Realized investment gains	(216,622)
Unrealized investment losses	185,615
In-kind contributions of securities	(161,164)
(Increase) decrease in:	
Unconditional promises to give	(89,693)
Prepaid expenses	(5,238)
Increase (decrease) in:	
Accounts payable	7,615
Payroll liabilities	(2,377)
Compensated absences	11,684
Total adjustments	<u>(268,314)</u>

Net cash used in operating activities \$ (200,957)

## **NOTE 11- SUBSEQUENT EVENTS**

Subsequent events were evaluated through March 16, 2015, which is the date the financial statements were available to be issued.