

CHILD AID

FINANCIAL STATEMENTS
Year Ended December 31, 2015

With

Independent Auditors' Report

**CHILD AID
DECEMBER 31, 2015
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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
(503) 295-3780 FAX (503) 243-1972

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, 2015, 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, 2015, 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, 2014, and our report dated March 31, 2015, 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, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

James E. Richman, CPA, PC

Portland, Oregon
April 21, 2016

CHILD AID
STATEMENT OF FINANCIAL POSITION
December 31, 2015
(With Comparative Amounts for 2014)

	2015	2014
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and equivalents	\$ 108,909	\$ 164,870
Unconditional promises to give	273,001	257,604
Accounts receivable	2,183	1,473
Prepaid expenses	7,930	11,954
Total current assets	392,023	435,901
EQUIPMENT	8,085	3,307
INVESTMENTS	1,489,700	1,745,167
TOTAL ASSETS	\$ 1,889,808	\$ 2,184,375
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 19,050	\$ 16,251
Payroll liabilities	10,958	3,597
Accrued compensated absences	56,367	33,598
Total current liabilities	86,375	53,446
NET ASSETS:		
Unrestricted	1,332,546	1,589,096
Temporarily restricted	470,887	541,833
Total net assets	1,803,433	2,130,929
TOTAL LIABILITIES AND NET ASSETS	\$ 1,889,808	\$ 2,184,375

See accompanying notes to financial statements.

CHILD AID
STATEMENT OF ACTIVITIES
December 31, 2015
(With Comparative Amounts for 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	
SUPPORT AND REVENUE:				
Contributions and grants	\$ 453,968	\$ 499,526	\$ 953,494	\$ 1,031,793
In-kind contributions of books, materials and services	419,778	-	419,778	1,775,555
Realized investment gains	188,223	9,490	197,713	216,622
Unrealized investment losses	(265,086)	(63,781)	(328,867)	(185,615)
Interest and dividends	40,426	6,618	47,044	49,570
Other	(3,728)	-	(3,728)	(2,192)
	<u>833,581</u>	<u>451,853</u>	<u>1,285,434</u>	<u>2,885,733</u>
Net assets released from restrictions:				
Satisfaction of purpose restrictions	425,565	(425,565)	-	-
Expiration of time restrictions	97,234	(97,234)	-	-
	<u>1,356,380</u>	<u>(70,946)</u>	<u>1,285,434</u>	<u>2,885,733</u>
EXPENSES:				
Program services	1,367,190	-	1,367,190	2,594,634
Management and general	93,404	-	93,404	94,455
Fund raising	152,336	-	152,336	129,287
Total expenses	<u>1,612,930</u>	<u>-</u>	<u>1,612,930</u>	<u>2,818,376</u>
CHANGE IN NET ASSETS	(256,550)	(70,946)	(327,496)	67,357
NET ASSETS AT BEGINNING OF YEAR	<u>1,589,096</u>	<u>541,833</u>	<u>2,130,929</u>	<u>2,063,572</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,332,546</u>	<u>\$ 470,887</u>	<u>\$ 1,803,433</u>	<u>\$ 2,130,929</u>

See accompanying notes to financial statements.

CHILD AID
STATEMENT OF FUNCTIONAL EXPENSES
December 31, 2015
(With Comparative Amounts for 2014)

	2015				2014
	Program Services	Management and General	Fund Raising	Total	
Compensation and related expenses:					
Compensation	\$ 443,136	\$ 50,852	\$ 88,366	\$ 582,354	\$ 471,800
Employee benefits	35,038	10,909	14,838	60,785	57,959
Payroll taxes and fees	39,959	5,306	8,134	53,399	35,332
Grants and allocations	574,460	-	-	574,460	1,905,900
Bank fees	491	903	2,629	4,023	3,330
Depreciation expense	2,181	175	175	2,531	1,866
Conference and meetings	27,402	3,869	3,093	34,364	34,472
Licenses and fees	17,489	4,493	5,193	27,175	19,277
Rent	21,455	3,213	3,213	27,881	24,818
Postage and shipping	19,151	228	1,475	20,854	33,649
Printing and publications	7,960	140	8,831	16,931	19,045
Professional fees	102,548	10,139	10,310	122,997	119,096
Supplies	8,821	1,029	237	10,087	11,851
Telephone	12,414	348	323	13,085	10,274
Travel	53,891	1,630	5,349	60,870	69,707
Loss on disposal of assets	794	170	170	1,134	-
Total expenses	<u>\$ 1,367,190</u>	<u>\$ 93,404</u>	<u>\$ 152,336</u>	<u>\$ 1,612,930</u>	<u>\$ 2,818,376</u>

See accompanying notes to financial statements.

CHILD AID
STATEMENT OF CASH FLOWS
December 31, 2015
(With Comparative Amounts for 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from grantors and contributors	\$ 794,747	\$ 767,805
Interest and dividends received	57,415	60,509
Cash paid to suppliers and employees	(1,152,534)	(1,029,271)
Net cash used in operating activities	(300,372)	(200,957)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	426,351	447,229
Purchases of investments	(173,497)	(246,764)
Purchases of equipment	(8,443)	-
Net cash provided by investing activities	244,411	200,465
NET CHANGE IN CASH AND EQUIVALENTS	(55,961)	(492)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	164,870	165,362
CASH AND EQUIVALENTS, END OF YEAR	\$ 108,909	\$ 164,870

See accompanying notes to financial statements.

CHILD AID
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Child Aid is a 501(c)(3) public benefit nonprofit corporation 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 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 and oversight is FUNDIT (Fundacion para Desarrollo Integral de El Tejar), located in El Tejar, Guatemala. FUNDIT's programs comprise at Montessori-style pre-school for children in the town of El Tejar; a community library; a music program for primary and middle school children; and a scholarship program for primary and secondary students who otherwise would not be able to continue in school.

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 \$36,798 were recognized during the year ended December 31, 2015.

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 \$382,980 and securities valued at \$131,933 (included in contributions and grants on the statement of activities) were recognized during 2015.

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, 2015.

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 2014

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, 2014, from which the summarized information was derived.

NOTE 3 – PROMISES TO GIVE

Unconditional promises to give at December 31, 2015 totals \$273,001, all of which are due within one year. Based on knowledge of the donors, management has determined that no allowance for uncollectible pledges is necessary.

NOTE 4 –EQUIPMENT

Equipment consists of the following as of December 31, 2015:

Computer equipment	\$ 12,817
Less accumulated depreciation	4,732
	<u>\$ 8,085</u>

NOTE 5 – FAIR VALUE MEASUREMENTS

At December 31, 2015, 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	\$ 40,480
Fixed income	239,722
Equities	1,051,907
Real estate securities	120,860
Other	36,731
	<u>\$ 1,489,700</u>

Investment return for 2015 is summarized as follows:

Net realized investment gains	\$ 197,713
Net unrealized investment gains	(328,867)
Interest and dividend income	47,044
	<u>\$ (84,110)</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, 2015:

FUNDIT	\$ 180,886
Guatemalan Literacy Programming	117,000
Available for future operations	173,001
	<u>\$ 470,887</u>

NOTE 7 –NET ASSETS RELEASED FROM RESTRICTIONS

During 2015, \$425,565 was expended in satisfaction of donor-imposed purpose restrictions and time restrictions expired on net assets amounting to \$97,234.

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 2015 amounted to \$19,102.

NOTE 9 – LEASE COMMITMENTS

Child Aid conducts its operations in office facilities rented under an operating lease agreement that expires in March, 2017. Child Aid entered into a lease agreement in Guatemala with that can be terminated with two months' notice.

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

<u>Year ending December 31,</u>	
2016	\$ 29,826
2017	29,460
2018	<u>5,910</u>
Total minimum required payments	<u>\$ 65,196</u>

Total rent expense amounted to \$24,818 for 2015.

NOTE 10 – STATEMENT OF CASH FLOWS RECONCILIATION

The following represents a reconciliation of the change 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):

Change in net assets	\$ (327,496)
Adjustments to reconcile change in assets to net cash used in operating activities:	
Depreciation	2,531
Loss on disposal of asset	1,134
Realized investment gains	(197,713)
Unrealized investment losses	328,867
In-kind contributions of securities	(128,541)
(Increase) decrease in:	
Unconditional promises to give	(15,397)
Accounts receivable	(710)
Prepaid expenses	4,024
Increase (decrease) in:	
Accounts payable	2,799
Payroll liabilities	7,361
Compensated absences	22,769
Total adjustments	<u>27,124</u>
Net cash used in operating activities	<u>\$ (300,372)</u>

NOTE 11- SUBSEQUENT EVENTS

Subsequent events were evaluated through April 21, 2016, which is the date the financial statements were available to be issued.