

CHILD AID

FINANCIAL STATEMENTS
Year Ended December 31, 2016

With

Independent Auditors' Report

**CHILD AID
DECEMBER 31, 2016
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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, per the Independent Auditors' Report. 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, 2016, 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, 2016, 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, 2015, and our report dated April 21, 2016, 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, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Jamie E. Richman, CPA, PC

Portland, Oregon
March 30, 2017

CHILD AID
STATEMENT OF FINANCIAL POSITION
December 31, 2016
(With Comparative Amounts for 2015)

	2016	2015
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and equivalents	\$ 82,519	\$ 108,909
Unconditional promises to give	289,209	273,001
Accounts receivable	1,734	2,183
Prepaid expenses	10,355	7,930
Total current assets	383,817	392,023
EQUIPMENT	5,912	8,085
INVESTMENTS	1,607,107	1,489,700
TOTAL ASSETS	\$ 1,996,836	\$ 1,889,808
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 5,503	\$ 19,050
Payroll liabilities	3,235	10,958
Accrued compensated absences	80,862	56,367
Total current liabilities	89,600	86,375
NET ASSETS:		
Unrestricted	1,413,896	1,332,546
Temporarily restricted	493,340	470,887
Total net assets	1,907,236	1,803,433
TOTAL LIABILITIES AND NET ASSETS	\$ 1,996,836	\$ 1,889,808

See accompanying notes to financial statements.

CHILD AID
STATEMENT OF ACTIVITIES
December 31, 2016
(With Comparative Amounts for 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	
SUPPORT AND REVENUE:				
Contributions and grants	\$ 568,211	\$ 402,440	\$ 970,651	\$ 953,494
In-kind contributions of books, materials and services	339,598	-	339,598	419,778
Realized investment gains	86,403	9,481	95,884	197,713
Unrealized investment gains (losses)	83,331	(17,089)	66,242	(328,867)
Interest and dividends	41,284	6,323	47,607	47,044
Other	(5,520)	-	(5,520)	(3,728)
	<u>1,113,307</u>	<u>401,155</u>	<u>1,514,462</u>	<u>1,285,434</u>
Net assets released from restrictions:				
Satisfaction of purpose restrictions	233,621	(233,621)	-	-
Expiration of time restrictions	145,081	(145,081)	-	-
	<u>1,492,009</u>	<u>22,453</u>	<u>1,514,462</u>	<u>1,285,434</u>
EXPENSES:				
Program services	1,205,773	-	1,205,773	1,367,190
Management and general	87,752	-	87,752	93,404
Fund raising	117,134	-	117,134	152,336
Total expenses	<u>1,410,659</u>	<u>-</u>	<u>1,410,659</u>	<u>1,612,930</u>
CHANGE IN NET ASSETS	81,350	22,453	103,803	(327,496)
NET ASSETS AT BEGINNING OF YEAR	<u>1,332,546</u>	<u>470,887</u>	<u>1,803,433</u>	<u>2,130,929</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,413,896</u>	<u>\$ 493,340</u>	<u>\$ 1,907,236</u>	<u>\$ 1,803,433</u>

See accompanying notes to financial statements.

CHILD AID
STATEMENT OF FUNCTIONAL EXPENSES
December 31, 2016
(With Comparative Amounts for 2015)

	2016			Total	2015
	Program Services	Management and General	Fund Raising		
Compensation and related expenses:					
Compensation	\$ 477,797	\$ 49,734	\$ 76,430	\$ 603,961	\$ 575,486
Employee benefits	30,858	10,037	14,223	55,118	60,785
Payroll taxes and fees	47,462	4,240	6,980	58,682	60,267
Grants and allocations	318,476	-	300	318,776	574,460
Bank fees	5,053	827	785	6,665	4,023
Depreciation expense	2,325	498	498	3,321	2,531
Conference and meetings	30,062	610	1,440	32,112	34,364
Licenses and fees	40,917	5,188	2,321	48,426	27,175
Rent	24,810	3,378	3,378	31,566	27,881
Postage and shipping	10,223	152	405	10,780	20,854
Printing and publications	12,186	1,570	2,266	16,022	16,931
Professional fees	115,903	10,805	5,993	132,701	122,997
Supplies	8,165	339	254	8,758	10,087
Telephone	16,112	284	292	16,688	13,085
Travel	58,424	90	1,569	60,083	60,870
Bad debt	7,000	-	-	7,000	-
Loss on disposal of assets	-	-	-	-	1,134
Total expenses	<u>\$ 1,205,773</u>	<u>\$ 87,752</u>	<u>\$ 117,134</u>	<u>\$ 1,410,659</u>	<u>\$ 1,612,930</u>

See accompanying notes to financial statements.

CHILD AID
STATEMENT OF CASH FLOWS
December 31, 2016
(With Comparative Amounts for 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from grantors and contributors	\$ 805,256	\$ 794,747
Interest and dividends received	57,044	57,415
Cash paid to suppliers and employees	(1,066,940)	(1,152,534)
Net cash used in operating activities	(204,640)	(300,372)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	513,800	426,351
Purchases of investments	(334,402)	(173,497)
Purchases of equipment	(1,148)	(8,443)
Net cash provided by investing activities	178,250	244,411
NET CHANGE IN CASH AND EQUIVALENTS	(26,390)	(55,961)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	108,909	164,870
CASH AND EQUIVALENTS, END OF YEAR	\$ 82,519	\$ 108,909

See accompanying notes to financial statements.

CHILD AID
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Child Aid is a 501(c)(3) public benefit nonprofit corporation whose mission is social and economic development through literacy. We focus on rural villages in Guatemala, where illiteracy disproportionately affects indigenous people, and in the early grades where education can make the biggest impact on literacy and overall life chances.

Our program consists of a scaffolded, four-year curriculum of workshops in schools (2 per year) and one-on-one classroom coaching (2 individual sessions after each workshop). We also provide high quality, grade appropriate Spanish language books to each school, along with rolling bookshelves and a classification system. When we leave a school, we have built a book collection with between 7-15 volumes per student. In addition, our staff spends additional time in each school, meeting with the school Reading Committee and the school principal to increase the use of books across content areas and providing additional coaching sessions as requested and desired. Finally, we hold a 4-6 week, school break program, called *Adventures in Reading*, to help children retain literacy gains made during the school year through the long summer vacation. In total, our 4-year intervention represents at least 350 hours spent with each school.

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 \$122,500 were recognized during the year ended December 31, 2016.

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 \$217,098 and securities valued at \$134,679 (included in contributions and grants on the statement of activities) were recognized during 2016.

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.

Receivables

Accounts receivable, and unconditional promises to give are each stated net of an allowance for doubtful accounts. Uncollectible receivables are charged to an allowance account as they are determined to be uncollectible. The determination is based upon several factors including collection experience, economic conditions, and credit risk quality including past due status, and how recently payments have been received. Management believes that no allowance for doubtful accounts is necessary as of December 31, 2016.

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, 2016.

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 2015

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, 2015, from which the summarized information was derived.

NOTE 3 – PROMISES TO GIVE

Unconditional promises to give at December 31, 2016 totals \$289,209, of which \$281,209 are due within one year and the remaining \$8,000 is due through 2020. 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, 2016:

Computer equipment	\$ 13,966
Less accumulated depreciation	8,054
	<u>\$ 5,912</u>

NOTE 5 – FAIR VALUE MEASUREMENTS

At December 31, 2016, 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	\$ 227,005
Fixed income	272,923
Equities	948,792
Real estate securities	133,452
Other	24,935
	<u>\$ 1,607,107</u>

Investment return for 2016 is summarized as follows:

Net realized investment gains	\$ 95,884
Net unrealized investment gains	66,242
Interest and dividend income	47,607
	<u>\$ 209,733</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, 2016:

FUNDIT	\$ 179,601
Guatemalan Literacy Programming	154,600
Available for future operations	159,139
	<u>\$ 493,340</u>

NOTE 7 –NET ASSETS RELEASED FROM RESTRICTIONS

During 2016, \$233,621 was expended in satisfaction of donor-imposed purpose restrictions and time restrictions expired on net assets amounting to \$145,081.

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 2016 amounted to \$14,540.

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 also entered into a lease agreement in Guatemala 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>	
2017	\$ 29,530
2018	24,270
2019	<u>6,120</u>
Total minimum required payments	<u>\$ 59,920</u>

Total rent expense amounted to \$31,566 for 2016.

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	\$ 103,803
Adjustments to reconcile change in assets to net cash used in operating activities:	
Depreciation	3,321
Loss on disposal of asset	
Realized investment gains	(95,884)
Unrealized investment gains	(66,242)
In-kind contributions of securities	(134,679)
(Increase) decrease in:	
Unconditional promises to give	(16,208)
Accounts receivable	449
Prepaid expenses	(2,425)
Increase (decrease) in:	
Accounts payable	(13,547)
Payroll liabilities	(7,723)
Compensated absences	24,495
Total adjustments	<u>(308,443)</u>
Net cash used in operating activities	<u>\$ (204,640)</u>

NOTE 11- SUBSEQUENT EVENTS

Subsequent events were evaluated through March 30, 2017, which is the date the financial statements were available to be issued.