

CHILD AID

FINANCIAL STATEMENTS
Year Ended December 31, 2017

With

Independent Auditors' Report

**CHILD AID
DECEMBER 31, 2017
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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, Richman & Associates, LLC 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

Richman & Associates, LLC
Certified Public Accountant
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Child Aid
Portland, Oregon

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, 2017, 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, 2017, 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, 2016, and our report dated March 30, 2017, 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Richman & Associates, LLC

Portland, Oregon
April 24, 2018

CHILD AID
STATEMENT OF FINANCIAL POSITION
December 31, 2017
(With Comparative Amounts for 2016)

	2017	2016
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and equivalents	\$ 78,499	\$ 82,519
Unconditional promises to give	206,135	289,209
Accounts receivable	2,794	1,734
Prepaid expenses	5,265	10,355
Total current assets	292,693	383,817
NON-CURRENT UNCONDITIONAL PROMISES TO GIVE	62,910	-
EQUIPMENT	2,937	5,912
INVESTMENTS	1,834,604	1,607,107
TOTAL ASSETS	\$ 2,193,144	\$ 1,996,836
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 68,971	\$ 5,503
Payroll liabilities	5,442	3,235
Accrued compensated absences	74,635	80,862
Total current liabilities	149,048	89,600
NET ASSETS:		
Unrestricted	1,628,105	1,413,896
Temporarily restricted	415,991	493,340
Total net assets	2,044,096	1,907,236
TOTAL LIABILITIES AND NET ASSETS	\$ 2,193,144	\$ 1,996,836

See accompanying notes to financial statements.

CHILD AID
STATEMENT OF ACTIVITIES
December 31, 2017
(With Comparative Amounts for 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	
SUPPORT AND REVENUE:				
Contributions and grants	\$ 669,730	\$ 342,804	\$ 1,012,534	\$ 970,651
In-kind contributions of books, materials and services	232,395	-	232,395	339,598
Realized investment gains	356,157	66,322	422,479	95,884
Unrealized investment gains (losses)	(179,528)	(71,187)	(250,715)	66,242
Interest and dividends	46,326	4,205	50,531	47,607
Other	(567)	-	(567)	(5,520)
	<u>1,124,513</u>	<u>342,144</u>	<u>1,466,657</u>	<u>1,514,462</u>
Net assets released from restrictions:				
Satisfaction of purpose restrictions	273,704	(273,704)	-	-
Expiration of time restrictions	145,789	(145,789)	-	-
	<u>1,544,006</u>	<u>(77,349)</u>	<u>1,466,657</u>	<u>1,514,462</u>
EXPENSES:				
Program services	1,126,781	-	1,126,781	1,205,773
Management and general	93,837	-	93,837	87,752
Fund raising	109,179	-	109,179	117,134
Total expenses	<u>1,329,797</u>	<u>-</u>	<u>1,329,797</u>	<u>1,410,659</u>
CHANGE IN NET ASSETS	214,209	(77,349)	136,860	103,803
NET ASSETS AT BEGINNING OF YEAR	<u>1,413,896</u>	<u>493,340</u>	<u>1,907,236</u>	<u>1,803,433</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,628,105</u>	<u>\$ 415,991</u>	<u>\$ 2,044,096</u>	<u>\$ 1,907,236</u>

See accompanying notes to financial statements.

CHILD AID
STATEMENT OF FUNCTIONAL EXPENSES
December 31, 2017
(With Comparative Amounts for 2016)

	2017				2016
	Program Services	Management and General	Fund Raising	Total	
Compensation and related expenses:					
Compensation	\$ 453,532	\$ 50,993	\$ 44,469	\$ 548,994	\$ 603,961
Employee benefits	26,312	8,071	6,167	40,550	55,118
Payroll taxes and fees	45,998	4,138	3,486	53,622	58,682
Grants and allocations	213,298	-	-	213,298	318,776
Bank fees	4,309	709	1,871	6,889	6,665
Depreciation expense	2,453	526	526	3,505	3,321
Conference and meetings	35,214	685	1,631	37,530	32,112
Licenses and fees	39,033	3,307	17,240	59,580	48,426
Rent	25,340	3,420	3,420	32,180	31,566
Postage and shipping	5,289	211	438	5,938	10,780
Printing and publications	52,270	10,300	10,248	72,818	16,022
Professional fees	132,547	10,154	17,743	160,444	132,701
Supplies	7,010	509	1,233	8,752	8,758
Telephone	15,563	299	299	16,161	16,688
Travel	68,613	515	308	69,436	60,083
Bad debt	-	-	100	100	7,000
Total expenses	<u>\$ 1,126,781</u>	<u>\$ 93,837</u>	<u>\$ 109,179</u>	<u>\$ 1,329,797</u>	<u>\$ 1,410,659</u>

See accompanying notes to financial statements.

CHILD AID
STATEMENT OF CASH FLOWS
December 31, 2017
(With Comparative Amounts for 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from grantors and contributors	\$ 806,745	\$ 805,256
Interest and dividends received	61,564	57,044
Cash paid to suppliers and employees	(1,172,009)	(1,066,940)
Net cash used in operating activities	(303,700)	(204,640)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	940,235	513,800
Purchases of investments	(640,025)	(334,402)
Purchases of equipment	(530)	(1,148)
Net cash provided by investing activities	299,680	178,250
NET CHANGE IN CASH AND EQUIVALENTS	(4,020)	(26,390)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	82,519	108,909
CASH AND EQUIVALENTS, END OF YEAR	\$ 78,499	\$ 82,519

See accompanying notes to financial statements.

CHILD AID
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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 \$142,650 were recognized during the year ended December 31, 2017.

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 \$89,745 and securities valued at \$355,943 (included in contributions and grants on the statement of activities) were recognized during 2017.

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, 2017.

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, 2017.

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 2016

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, 2016, from which the summarized information was derived.

Subsequent Events

Subsequent events were evaluated through April 24, 2018, which is the date the financial statements were available to be issued.

NOTE 3 – PROMISES TO GIVE

Unconditional promises to give at December 31, 2017 totals \$269,045, of which \$206,135 are due within one year and the remaining \$62,910 is due through 2020. Non-current balances are stated at estimated net present value using a 3% discount rate. The total unamortized discount at December 31, 2017 amounted to \$5,206. 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, 2017:

Computer equipment	\$ 14,496
Less accumulated depreciation	11,559
	<u>\$ 2,937</u>

NOTE 5 – FAIR VALUE MEASUREMENTS

At December 31, 2017, 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	\$ 467,964
Fixed income	368,935
Equities	898,736
Real estate securities	78,274
Other	20,695
	<u>\$ 1,834,604</u>

Investment return for 2017 is summarized as follows:

Net realized investment gains	\$ 422,479
Net unrealized investment gains	(250,715)
Interest and dividend income	50,531
	<u>\$ 222,295</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, 2017:

FUNDIT	\$ 178,941
Guatemalan Literacy Programming	82,967
Available for future operations	154,083
	<u>\$ 415,991</u>

NOTE 7 –NET ASSETS RELEASED FROM RESTRICTIONS

During 2017, \$273,704 was expended in satisfaction of donor-imposed purpose restrictions and time restrictions expired on net assets amounting to \$145,789.

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 2017 amounted to \$11,066.

NOTE 9 – LEASE COMMITMENTS

Child Aid conducts its operations in office facilities rented under an operating lease agreement that expires in December, 2020. 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>	
2018	\$ 37,056
2019	33,576
2020	<u>35,328</u>
Total minimum required payments	<u>\$ 105,960</u>

Total rent expense amounted to \$32,180 for 2017.

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	\$ 136,860
Adjustments to reconcile change in assets to net cash used in operating activities:	
Depreciation	3,505
Loss on disposal of asset	
Realized investment gains	(422,479)
Unrealized investment losses	250,715
In-kind contributions of securities	(355,943)
(Increase) decrease in:	
Unconditional promises to give	20,164
Accounts receivable	(1,060)
Prepaid expenses	5,090
Increase (decrease) in:	
Accounts payable	63,468
Payroll liabilities	2,207
Compensated absences	(6,227)
Total adjustments	<u>(440,560)</u>
Net cash used in operating activities	<u>\$ (303,700)</u>