



Board of Directors
Child Foundation
Portland, Oregon

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying statement of financial position of Child Foundation (a nonprofit organization) as of May 31, 2015, and the related statements of activities 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 the 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 the financial statements that are free from material misstatement whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on the 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 Foundation (a nonprofit organization) as of May 31, 2015, and its revenue, expenses, and changes in its net assets for the year then ended, on the basis of accounting described in Note B.

Susan M. Haase, CPA

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November 19, 2015

CHILD FOUNDATION
STATEMENT OF FINANCIAL POSITION
YEAR ENDED MAY 31, 2015

ASSETS

	Year ended May 31, 2015
Cash and cash equivalents	\$ 280,707
Accounts receivable	701
Property and equipment, net	7,451
Prepaid expenses & Misc other assets	22,800
Security deposits	2,400
Total assets	\$ 314,059

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 24,556
Payroll and tax liabilities	11,518
Total current liabilities	36,074
Long term liabilities	6,138
Total liabilities	42,212
 Net assets	
Unrestricted	145,196
Temporarily restricted	126,651
Total net assets	271,847
Total liabilities and net assets	\$ 314,059

See notes to financial statements

CHILD FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support			
Public support			
Contributions, fundraising & misc.	\$397,572	\$ 2,024,047	\$ 2,421,619
Interest income	530		530
Total revenue	398,102	2,024,047	2,422,149
Net assets released from restrictions			
Satisfaction of program restrictions	1,982,830	(1,982,830)	
Total income	\$ 2,380,932	\$ 41,217	\$ 2,422,149
 Expenses			
Program services	\$2,186,205		\$2,186,205
Supporting services			
Fundraising and development	123,688		123,688
Management and general	142,381		142,381
Total expenses	\$ 2,452,274		\$ 2,452,274
 Change in net assets	(71,342)	41,217	(30,125)
Beginning net assets	216,538	85,434	301,972
 Net assets, end of year	\$ 145,196	\$ 126,651	\$ 271,847

See notes to financial statements

CHILD FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2015

SUPPORTING SERVICES				
	PROGRAM SERVICES	FUNDRAISING	MANAGEMENT & GENERAL	TOTAL
Personnel Expenses	\$ 280,853	\$ 31,629	\$ 27,966	\$ 340,448
Direct Program Expenses	1,729,336			1,729,336
Advertising		980	225	1,205
Accounting & Audit			17,365	17,365
Bank and merchant fees	41,523	7,966		49,489
Compliance		5,515		5,515
Dues & Subscriptions		75		75
Depreciation	2,908	330	283	3,521
Equipment & Furn-non-capitalized	397	398		795
Insurance	1,062	132	3,227	4,421
Interest			530	530
Intrnet & Telephone	8,074	1,053	652	9,779
IT Supplies, Maintenance	2,708	393	486	3,587
Legal Expense	6,129		19,819	25,948
Licenses, Permits, & Fees	650	3,976	281	4,907
Miscellaneous	1,266	50	325	1,641
Outreach Events	1,304	5,576		6,880
Postage	5,978	6,787	2,021	14,786
Printing	12,948	11,210	3,135	27,293
Professional fees	58,464	40,407	59,941	158,812
Programming/Web				
Maintenance	1,201	132	117	1,450
Rent	23,334	5,191	1,193	29,718
Repairs & Maintenance	1,789	197	165	2,151
Supplies	1,794	1,503	651	3,948
Travel	4,070	142	3,958	8,170
Utilities	417	46	41	504
	\$2,186,205	\$123,688	\$142,381	\$2,452,274

See notes to financial statements

CHILD FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED MAY 31, 2015

	Year ended May 31, 2015
Cash flows from operating activities	
Change in net assets	\$ (30,125)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Changes in assets and liabilities:	
Receivables	(3,369)
Prepaid expenses	1,081
Accounts payable and accrued expenses	7,136
Accrued payroll taxes	(3,705)
Net cash provided by operating activities	(28,982)
Cash flows from investing activities:	
Depreciation and amortization	3,511
Net cash provided by operating activities	3,511
Cash flows from financing activities	
Principal payments under capital lease obligations	(1,704)
Net cash used in financing activities	(1,704)
Net change in cash	(27,175)
Cash, beginning of year	307,882
Cash, end of year	\$ 280,707
Supplemental disclosure of cash flow information:	
Interest paid	\$ 530

See notes to financial statements



NOTE A - DESCRIPTION OF ORGANIZATION

Child Foundation, an Oregon nonprofit corporation formed in 1994 (the "Organization"), has no political, religious, ethnic or racial affiliations. The Organization supports social service work in three countries primarily.

Iran - The Organization matches supporters from the U.S.A. and other countries with disadvantaged children who need assistance in order to stay in school. The children and their families are identified by a social service agency in Iran - Refah Koodak - and are then referred to the Organization. The approximate number of children receiving support is 2,750. Because of the sanctions against Iran, most support was provided in the form of bulk food in prior years. In the year ended May 31, 2015, the Organization received an annually renewal special license to send \$2 million a year in cash to Iran. This is in addition to the \$500,000 license awarded more routinely to humanitarian organizations working in Iran. For the year ended May 31, 2015, \$1,568,590 in cash was sent.

Afghanistan - The Organization matches supporters in the U.S.A. and other countries with disadvantaged children in Afghanistan who need assistance in order to stay in school. The Organization also supports the programs of Future for Afghan Children, which runs a computer school and a theater camp, as well as a cultural enrichment program for impoverished children. The approximate number of children receiving assistance is approximately 110.

Indonesia - The Organization provides support to needy children, enabling them to continue their education. The approximate number of children receiving assistance is approximately 45.

Medical and Natural Disaster Relief - The Organization assists with medical expenses for surgeries and other medical treatment for individual children who are referred by its partner social service agencies. When earthquakes, mudslides and other natural disasters occur, the Organization organizes support and sends relief to the affected areas through its partner agencies, often focusing on rebuilding schools.

NOTE B -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For financial reporting purposes, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Contributions

Contributions are recognized when received. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Property and Equipment

Property and equipment are recorded at cost. Donated equipment is recorded at fair market value at the date received. Depreciation is computed on the straight-line method over the following estimated useful lives:



Equipment	3 to 5 years
Furniture	5 to 7 years

Maintenance and repairs are expensed when incurred. Betterments and renewals are capitalized.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

The Organization occasionally maintains deposits in excess of federally insured limits. Statement of Financial Accounting Standards No. 105 identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

Income Taxes

The Organization operates as a nonprofit corporation and has received tax-exempt status under Code Section 501(c) (3) of the Internal Revenue Code.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized in the Statement of Activities. Certain costs, including salaries, occupancy, professional fees and depreciation, have been allocated among the programs and supporting services benefitted.

NOTE C - FIXED ASSETS

Property and equipment consist of the following:

	Year Ending May 31, 2015
Office equipment & Furniture	\$ 19,193
Total	\$ 19,193
Less Accum. Depreciation + Amortization	<u>(11,742)</u>
Net Fixed Assets	\$ 7,451



NOTE D – LEASES

OPERATING LEASE

The Organization has a lease for its Portland business office that expires in July, 2016. Rent expense totaled \$23,334 for the year ended May 31, 2015.

Future minimum rental commitments as of May 31, 2015 are as follows:

2016	<u>\$ 6,138</u>
Total Obligation	\$ 6,138

CAPITAL LEASE

The Organization leases a copier under a capital lease agreement with US Bank Equipment Finance. The lease term is 60 months ending July 2018. The copier was purchased for \$9,300 and is included in the property and equipment of the Organization. Monthly lease payments are approximately \$186. Amortization is computed by the straight-line method and has been included in depreciation. Accumulated depreciation related to the copier totaled \$2,657 as of May 31, 2015. The Organization has the option to purchase the copier at the end of the lease term for \$558.

NOTE E - RESTRICTIONS ON NET ASSETS

There were restrictions on net assets of \$126,651 at the end of the fiscal year, primarily due to timing of receipts late in the year. No new grants were received during the fiscal year.

NOTE F - PROGRAMS

Program expenses reported on the statement of functional expenses consist of the following:

Iranian Children	\$ 1,626,690
Afghan Children	86,988
Indonesian Children	22,000
Other	7,637
Allocated USA office expense	442,890
Total	\$ 2,186,205

NOTE G - GRANTS

The organization did not make any grants in the fiscal year ending May 31, 2015

NOTE H - AFFILIATE PROGRAMS

International affiliates - grassroots organizations of local people coming together to address local needs are independent, not-for-profit groups that are approved by regional, area, or national offices and operate under a covenant agreement with Child Foundation. All affiliates are encouraged to be self-supporting in their fund-raising efforts; however, Child Foundation also solicits contributions, both cash and in-kind, on behalf of its affiliates. Some affiliates in developing countries, where severely limited resources constrain local fund-raising, receive the majority of their funding from Child Foundation. These affiliates are not included in the audit and have separate financial statements.



NOTE I - CONCENTRATION OF RISK IN OPERATIONS

The Organization sponsorship program provides humanitarian assistance for children in Iran, Afghanistan and Indonesia. Changes in the political environment in those countries could disrupt those program activities.

NOTE J – CONTINGENT LIABILITIES

The organization successfully defended itself in litigation ending in fiscal year 2011-2012. While the penalties and legal expenses related to this litigation were quite large, all related liabilities have now been paid, and programs were not affected. There are no contingent liabilities at this time.

NOTE K-- SUBSEQUENT EVENTS

Organization management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 31, 2015, which is the date the financial statements were available to be issued.