



**CHILD FOUNDATION**  
**FINANCIAL STATEMENTS**  
**Year Ended May 31, 2020**

**with**  
**Independent Auditors' Report**

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# CHILD FOUNDATION

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## **Independent Auditors' Report**

The Board of Directors  
Child Foundation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Child Foundation (the Organization), which comprise the statement of financial position as of May 31, 2020, 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.

### **Auditors' 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 from 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 auditors' 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 as of May 31, 2020, 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.

## **Emphasis of a Matter**

As discussed in *Note 2* to the financial statements, the Organization has adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

## **Report on Summarized Comparative Information**

We have previously audited Child Foundation's 2019 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 9, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Huffman, Stewart & Schmidt, P.C.

Lake Oswego, Oregon  
February 9, 2021

**CHILD FOUNDATION**  
**Statement of Financial Position**

<b>May 31, 2020</b> <i>(With Comparative Amounts for 2019)</i>	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,653,852	\$ 1,342,011
Contributions receivable - due within one year	15,678	11,772
Other receivables	16,844	2,889
Prepaid expenses and other assets	26,391	46,650
Property and equipment - net <i>(Note 4)</i>	409,600	410,723
Investments <i>(Note 5)</i>	85,000	60,000
Restricted cash	10,000	33,300
<b>Total assets</b>	<b><u>\$ 4,217,365</u></b>	<b><u>\$ 1,907,345</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 4,735	\$ 16,915
Accrued payroll and related costs	43,295	32,315
Accrued direct program aid	2,808,719	719,915
Refundable advances	73,300	63,300
<b>Total liabilities</b>	<b>2,930,049</b>	<b>832,445</b>
<b>Net assets:</b>		
Net assets without donor restrictions:		
Available for programs and general expenditures	1,053,005	898,941
Board-designated for creation of endowment	21,700	30,000
Total net assets without donor restrictions	1,074,705	928,941
Net assets with donor restrictions <i>(Note 6)</i>	212,611	145,959
<b>Total net assets</b>	<b><u>1,287,316</u></b>	<b><u>1,074,900</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 4,217,365</u></b>	<b><u>\$ 1,907,345</u></b>

*The accompanying notes are an integral part of the financial statements.*

**CHILD FOUNDATION**

**Statement of Activities**

**Year Ended May 31, 2020** *(With Comparative Totals for 2019)*

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
<b>Support and revenue:</b>				
Contributions	\$ 814,708	\$ 3,295,800	\$ 4,110,508	\$ 4,533,238
Donated materials and services	393	-	393	3,402
Other income - net	3,963	-	3,963	6,207
Interest income	7,503	-	7,503	1,785
Net assets released from restriction <i>(Note 6)</i>	<u>3,229,148</u>	<u>(3,229,148)</u>	<u>-</u>	<u>-</u>
<b>Net support and revenue</b>	<b>4,055,715</b>	<b>66,652</b>	<b>4,122,367</b>	<b>4,544,632</b>
<b>Expenses:</b>				
Program services <i>(Note 7)</i>	3,521,121	-	3,521,121	4,126,102
General and administrative	261,132	-	261,132	207,092
Fundraising	<u>127,698</u>	<u>-</u>	<u>127,698</u>	<u>186,420</u>
<b>Total expenses</b>	<b><u>3,909,951</u></b>	<b><u>-</u></b>	<b><u>3,909,951</u></b>	<b><u>4,519,614</u></b>
<b>Increase in net assets</b>	<b>145,764</b>	<b>66,652</b>	<b>212,416</b>	<b>25,018</b>
Net assets, beginning of year	<u>928,941</u>	<u>145,959</u>	<u>1,074,900</u>	<u>1,049,882</u>
<b>Net assets, end of year</b>	<b><u>\$ 1,074,705</u></b>	<b><u>\$ 212,611</u></b>	<b><u>\$ 1,287,316</u></b>	<b><u>\$ 1,074,900</u></b>

*The accompanying notes are an integral part of the financial statements.*

**CHILD FOUNDATION**

**Statement of Functional Expenses**

**Year Ended May 31, 2020** *(With Comparative Totals for 2019)*

	Program Services	General and Administrative	Fundraising	Total	
				2020	2019
Payroll and related costs	\$ 528,762	\$ 87,296	\$ 32,424	\$ 648,482	\$ 693,370
Direct program aid	2,784,067	-	-	2,784,067	3,392,147
Bank fees	54,412	1,713	15,291	71,416	81,112
Professional fees	58,661	39,385	38,684	136,730	121,520
Printing	28,451	957	1,546	30,954	45,914
Postage	9,323	697	674	10,694	16,283
Audit and accounting	-	21,225	-	21,225	20,350
Repairs and maintenance	3,217	531	197	3,945	10,921
Legal fees	-	72,497	-	72,497	10,553
Miscellaneous	189	9,611	12	9,812	1,935
Outreach events	-	355	21,481	21,836	23,169
Compliance	-	15	13,048	13,063	12,746
Information technology	14,046	3,817	1,326	19,189	13,927
Depreciation and amortization	16,660	2,751	1,022	20,433	9,982
Internet and telephone	6,790	2,045	416	9,251	9,096
Travel	1,747	1,000	134	2,881	9,159
Utilities	5,863	1,052	360	7,275	7,248
Advertising	199	934	315	1,448	4,856
Supplies	2,904	793	411	4,108	16,231
Small equipment	2,539	1,113	156	3,808	8,232
Insurance	2,246	2,962	138	5,346	5,094
Executive meetings	-	7,472	-	7,472	3,957
Web design	1,027	457	63	1,547	499
Dues and subscriptions	-	315	-	315	-
Licenses and fees	-	50	-	50	803
Training	18	2,089	-	2,107	510
<b>Total expenses</b>	<b>\$ 3,521,121</b>	<b>\$ 261,132</b>	<b>\$ 127,698</b>	<b>\$ 3,909,951</b>	<b>\$ 4,519,614</b>

*The accompanying notes are an integral part of the financial statements.*

**CHILD FOUNDATION**

**Statement of Cash Flows**

<b>Year Ended May 31, 2020</b> <i>(With Comparative Totals for 2019)</i>	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 212,416	\$ 25,018
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	20,433	9,982
Loss on disposal of property and equipment	-	1,329
(Increase) decrease in:		
Contributions receivable	(3,906)	123,688
Other receivables	(13,955)	27,860
Prepaid expenses and other assets	20,259	(22,233)
Increase (decrease) in:		
Accounts payable	(12,180)	(2,655)
Accrued payroll and related costs	10,980	(920)
Accrued direct program aid	2,088,804	219,713
<b>Net cash provided by operating activities</b>	<b>2,322,851</b>	<b>381,782</b>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(33,300)	(60,000)
Proceeds from sale of investments	8,300	-
Purchases of property and equipment	(19,310)	(55,354)
<b>Net cash used by investing activities</b>	<b>(44,310)</b>	<b>(115,354)</b>
<b>Cash flows from financing activities:</b>		
Cash received restricted for endowment	10,000	63,300
Principal payments on capital lease obligation	-	(42)
<b>Net cash used by financing activities</b>	<b>10,000</b>	<b>63,258</b>
<b>Increase in cash and cash equivalents and restricted cash</b>	<b>2,288,541</b>	<b>329,686</b>
Cash and cash equivalents, and restricted cash, beginning of year	1,375,311	1,045,625
<b>Cash and cash equivalents, and restricted cash, end of year</b>	<b>\$ 3,663,852</b>	<b>\$ 1,375,311</b>
<b>Reconciliation to statement of financial position:</b>		
Cash and cash equivalents	\$ 3,653,852	\$ 1,342,011
Restricted cash	10,000	33,300
	<b>\$ 3,663,852</b>	<b>\$ 1,375,311</b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for interest	\$ -	\$ 158

*The accompanying notes are an integral part of the financial statements.*



# CHILD FOUNDATION

## Notes to Financial Statements

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### 1. Nature of Organization

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

**Iran** - The Organization matches supporters from the United States of America and other countries with disadvantaged children who need assistance in order to stay in school. The children and their families are identified by a non-governmental humanitarian organization in Iran, Bonyad-e Koodak (formerly Refah Koodak), and are then referred to the Organization. As of May 31, 2020, there were approximately 6,700 active sponsorships.

During the year ended May 31, 2017, the Organization received a renewable two-year license from the Office of Foreign Assets Control (OFAC) to send \$3,000,000 in cash per year to Iran for the purpose of providing financial and material support to the sponsored children. The OFAC license expired on February 28, 2019.

Several months prior to the OFAC license expiration date, the Organization, through its legal counsel, filed an application for renewal. On November 20, 2019, the Organization was informed by OFAC that the license to send cash to sponsored children in Iran was not renewed.

The Organization's legal counsel believes the Organization is not prohibited to deliver food to Iranian children because food exports to Iran for humanitarian purposes does not require an OFAC license. Therefore, pursuant to the OFAC response on November 20, 2019, the Organization initiated a food package delivery program in lieu of cash disbursements to the sponsored children in Iran. The Organization's legal counsel informed OFAC of the food package program for continued support of the sponsored children in Iran through a voluntary disclosure submittal.

Due to delays related to the COVID-19 pandemic and distribution challenges throughout Iran, the Organization was not able to import food to Iran until December 2020. During the period the Organization was waiting to formally launch the food package delivery program (from November 20, 2019 through December 2020), the Organization continued to accrue direct program aid on funds received for sponsored children in Iran.

In accordance with General License E, the Organization is authorized by OFAC to send \$500,000 in cash annually to Iran for activities related to non-commercial reconstruction projects in response to natural disasters. Total cash amounts transmitted to Iran during the years ended May 31, 2020 and 2019, were \$376,161 and \$2,880,990, respectively.

**Afghanistan** - The Organization matches supporters in the United States of America and other countries with disadvantaged children in Afghanistan who need assistance in order to stay in school. As of May 31, 2020, there were 614 active sponsorships. In addition to the sponsorship program in Afghanistan, the Organization has supports a thalassemia clinic.

**Indonesia** - The Organization provides support to needy children, enabling them to continue their education. The Organization supported 41 active sponsorships during the year ended May 31, 2020. This support has been through voluntary efforts of local social workers.

## CHILD FOUNDATION

### Notes to Financial Statements - Continued

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#### 1. Nature of Organization - Continued

**Nepal** - The Organization works with Empower Nepali Girls Foundation, a United States 501(c)(3) organization, in Nepal, matching supporters with children there. During the year ended May 31, 2020, the Organization provided support for 40 girls in Nepal, regardless of whether sponsors have been identified.

**Cambodia** - The Organization works with Angkor Kids Center, a private non-profit organization that provides education to needy children in rural areas of Cambodia. There were 33 active sponsorships during the year ended May 31, 2020.

The Organization also 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 social service agencies. The Organization also provided care packages to families impacted by the COVID-19 pandemic.

#### 2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Organization are described below to enhance the usefulness of the financial statements to the reader.

**Basis of Accounting** - The Organization's financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Basis of Presentation** - Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

*Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations.

*Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that certain resources be maintained in perpetuity.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Expirations of 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 restriction.

# CHILD FOUNDATION

## Notes to Financial Statements - Continued

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### 2. Summary of Significant Accounting Policies - Continued

**Use of Estimates** - The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates. Among other things, estimates are used in the financial statements to calculate depreciation and amortization expense (based on the estimated useful lives of the underlying assets), and to allocate certain expenses by function.

**Cash and Cash Equivalents and Restricted Cash** - For purposes of the financial statements, the Organization considers all liquid investments having initial maturities of three months or less to be cash equivalents. Restricted cash consists of donor contributions restricted for the creation of an endowment.

**Investments** - Investments in annuities are carried at contract value, which approximates fair value (*Note 5*).

**Property and Equipment** - Land, buildings, and equipment purchased by the Organization are recorded at cost, with a capitalization threshold of \$1,000. Donated equipment is recorded at fair market value as of the date received. Depreciation and amortization is computed on the straight-line method over the following estimated useful lives:

Furniture and equipment	5 to 10 years
Buildings and improvements	10 to 25 years
Software and website	5 years

Construction in progress is carried at cost and not depreciated until placed in service.

**Contribution Recognition** - Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized as revenue until the conditions on which they depend have been substantially met. Consequently, at May 31, 2020 and 2019, contributions totaling \$73,300 and \$63,300, respectively, have not been recognized as contributions in the accompanying statement of activities because the condition on which they depend have not been met. These funds are conditioned on the Organization formalizing a donor restricted endowment, which has not been implemented as of May 31, 2020. These conditional contributions are reported as refundable advances in the accompanying statement of financial position.

The Organization reports gifts of cash and other assets as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

## CHILD FOUNDATION

### Notes to Financial Statements - Continued

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#### 2. Summary of Significant Accounting Policies - Continued

**Donated Goods and Services** - Donations of property, equipment, materials, and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. During the year ended May 31, 2019, the Organization received donated supplies totaling \$2,820, which is included in supplies expense in the accompanying statement of functional expenses. The Organization did not receive any donated supplies during the year ended May 31, 2020.

The Organization recognizes donated services that create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the years ended May 31, 2020 and 2019, the Organization recognized specialized donated services totaling \$393 and \$1,582, respectively. Donated services not meeting the above criteria have not been reflected in the accompanying financial statements.

**Functional Allocation of Expenses** - The costs of providing the Organization's various program services and other activities have been allocated among the programs and supporting services benefited. The statement of functional expenses presents the natural classification detail of expenses by function.

The statement of functional expenses reports certain categories of expenses that are attributable to more than one program or supporting service function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll and related costs, which are allocated on the basis of estimated time and effort.

**Income Taxes** - Income taxes are not provided for in the financial statements since the Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Organization is not classified as a private foundation.

GAAP prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and provides guidance on various related matters such as interest, penalties, and required disclosures. Management believes the Organization does not have any uncertain tax positions. The Organization files informational returns. Generally, the returns are subject to examination by income tax authorities for three years from the filing of a return. The Organization has not paid any interest or penalties related to its income tax positions, and there are no audits for any tax periods in progress. Interest or penalties assessed by taxing authorities, if any, would be included with general and administrative expenses.

## CHILD FOUNDATION

### Notes to Financial Statements - Continued

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#### 2. Summary of Significant Accounting Policies - Continued

**Foreign Currency Translation** - Certain assets of the Organization are translated into U.S. dollars at year-end exchange rates. Management has determined that adjustments resulting from translating the foreign currency are immaterial to the financial statements, and have not separately disclosed this cumulative translation adjustment.

**New Accounting Standard** - In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

**Summarized Financial Information for 2019** - The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended May 31, 2019, from which the summarized information was derived.

**Reclassifications** - Certain reclassifications have been made to the 2019 information to conform to the 2020 presentation.

**CHILD FOUNDATION**

**Notes to Financial Statements - Continued**

**3. Liquidity and Availability of Resources**

The Organization's financial assets available for general expenditure within one year of the statement of financial position date consist of the following at May 31:

	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 3,653,852	\$ 1,342,011
Contributions receivable	15,678	11,772
Other receivables	<u>16,844</u>	<u>2,889</u>
Total financial assets available within one year	3,686,374	1,356,672
Less amounts unavailable for general expenditures within one year due to donor-stipulated restrictions	<u>(212,611)</u>	<u>(145,959)</u>
Total financial assets available for general expenditures within one year	<u><u>\$ 3,473,763</u></u>	<u><u>\$ 1,210,713</u></u>

As part of the Organization's liquidity management, the Organization has a practice to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

**4. Property and Equipment - Net**

Property and equipment consists of the following at May 31:

	<b>2020</b>	<b>2019</b>
Furniture and equipment	\$ 28,622	\$ 22,623
Buildings and improvements	216,733	159,467
Land	194,344	194,344
Software and website	<u>20,301</u>	<u>16,701</u>
	460,000	393,135
Less accumulated depreciation and amortization	<u>(50,400)</u>	<u>(29,967)</u>
	409,600	363,168
Construction in progress	<u>-</u>	<u>47,555</u>
	<u><u>\$ 409,600</u></u>	<u><u>\$ 410,723</u></u>

## CHILD FOUNDATION

### Notes to Financial Statements - Continued

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#### 5. Fair Value Measurements

The classification of assets and liabilities within the fair value hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

The three levels of the fair value hierarchy and the valuation methodologies used for assets are described below:

*Level 1* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets the Organization has the ability to access.

*Level 2* Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* Fair value is based on significant unobservable inputs.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**CHILD FOUNDATION**

**Notes to Financial Statements - Continued**

**5. Fair Value Measurements - Continued**

The following table set forth by level, within the fair value hierarchy, the Organization's asset measured at fair value on a recurring basis at May, 31 2020:

	Level 1	Level 2	Level 3	Total
Annuity	<u>\$ -</u>	<u>\$ 85,000</u>	<u>\$ -</u>	<u>\$ 85,000</u>

Following is a description of the valuation methodology used for the asset measured at fair value:

*Annuity:* Recorded at contract value, which approximates fair value, provided primarily by the insurance company based on pricing models that incorporate available trade, bid, and other market information.

**6. Net Assets with Donor Restrictions**

Net assets with donor restrictions are comprised of the following at May 31:

	2020	2019
Sponsorless children and other relief	\$ 212,611	\$ 137,075
Support in Nepal	<u>-</u>	<u>8,884</u>
	<u>\$ 212,611</u>	<u>\$ 145,959</u>

During the year ended May 31, 2020, net assets of \$3,229,148, were released from donor restrictions by incurring expenses related to restricted purposes specified by donors.



## CHILD FOUNDATION

### Notes to Financial Statements - Continued

#### 7. Program Expenses

Program expenses reported on the statement of functional expenses consist of the following for the years ended May 31:

	2020	2019
Direct program aid:		
Iranian children	\$ 2,437,333	\$ 3,147,448
Afghan children	240,397	183,268
Razi Health Foundation	60,000	-
Indonesian children	16,554	27,491
Nepali children	18,282	9,688
Other	11,501	24,252
Total direct program aid	2,784,067	3,392,147
Program administrative expenses	737,054	733,955
Total program expenses	<u>\$ 3,521,121</u>	<u>\$ 4,126,102</u>

#### 8. Concentrations

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

#### 9. Affiliate Groups

International affiliates consist of small groups of local people who have come together to support the Organization's work. They are organized as independent nonprofit groups and are responsible for their own expenses and licensing in their home countries. They operate under covenant agreements with the Organization. Occasionally, the Organization provides support to their efforts and solicits contributions on their behalf. Contributions they raise are sent to the United States of America and the Organization forwards them to the beneficiary program. The accounts and activities of these affiliates are not included in the accompanying financial statements.

#### 10. Financial Instruments with Concentrations of Risk

Financial instruments that potentially subject the Organization to concentrations of risk consist primarily of cash and cash equivalents, and restricted cash and investments. The Organization typically maintains balances of cash and cash equivalents, and restricted cash in excess of the Federal Deposit Insurance Corporation insured limit.

## CHILD FOUNDATION

### Notes to Financial Statements - Continued

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#### 11. Uncertainty Related to COVID-19 Pandemic

Since March 2020, financial markets and economic conditions in general continue to be volatile as a result of the COVID-19 health crisis. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the related impact on supporters, employees, and vendors, all of which are uncertain and cannot be predicted. As such, the extent to which COVID-19 may impact the Organization's future financial position and results of operations cannot be reasonably estimated at this time.

#### 12. Subsequent Events

Management has evaluated subsequent events through February 9, 2021, the date the financial statements were available for issue.

Subsequent to May 31, 2020, the Organization applied for and received a Paycheck Protection Program (PPP) loan of \$125,000 from the U.S Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). If the Organization meets certain criteria under the CARES Act, all or a portion of the loan may be forgiven. Any portion of the loan not forgiven will bear interest at 1 per cent per annum over a two year period. The Organization intends to apply for loan forgiveness at the end of the applicable determination period.