



Alliance for Children Everywhere

Financial Statements
Years Ended December 31, 2019 and 2018

The report accompanying these financial statements was issued by

BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.



Alliance for Children Everywhere

Financial Statements
Years Ended December 31, 2019 and 2018

Alliance for Children Everywhere

Contents

Independent Auditor's Report	3-4
Financial Statements	
Statements of Financial Position	6
Statements of Activities	7
Statements of Functional Expenses	8
Statements of Cash Flows	9
Notes to Financial Statements	10-14



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Independent Auditor's Report

Board of Directors
Alliance for Children Everywhere
Seattle, Washington

Report on Financial Statements

We have audited the accompanying financial statements of Alliance for Children Everywhere, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 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.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alliance for Children Everywhere as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

November 17, 2020

Financial Statements

Alliance for Children Everywhere

Statements of Financial Position

<i>December 31,</i>	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 482,108	\$ 756,831
Grants and contributions receivable	575,000	312,605
Prepaid expenses and other	1,639	2,493
Total Current Assets	1,058,747	1,071,929
Grants and Contributions Receivable, net of current portion	500,000	800,000
Total Assets	\$ 1,558,747	\$ 1,871,929
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 14,751	\$ 8,103
Accrued wages and benefits	10,486	5,052
Other accrued expenses	17,408	-
Grants payable	-	124,697
Total Current Liabilities	42,645	137,852
Net Assets		
Without donor restrictions	416,102	171,472
With donor restrictions	1,100,000	1,562,605
Total Net Assets	1,516,102	1,734,077
Total Liabilities and Net Assets	\$ 1,558,747	\$ 1,871,929

See accompanying notes to financial statements.

Alliance for Children Everywhere

Statements of Activities

<i>Year Ended December 31,</i>	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Grants and contributions	\$ 633,140	\$ 350,000	\$ 983,140	\$ 736,200	\$ 1,312,605	\$ 2,048,805
In-kind contributions	208,188	-	208,188	139,443	-	139,443
Net assets released from restrictions	812,605	(812,605)		490,000	(490,000)	-
Total Support and Revenue	1,653,933	(462,605)	1,191,328	1,365,643	822,605	2,188,248
Expenses						
Program services	993,709	-	993,709	1,004,048	-	1,004,048
Management and general	251,681	-	251,681	193,722	-	193,722
Fundraising	163,913	-	163,913	162,278	-	162,278
Total Expenses	1,409,303	-	1,409,303	1,360,048	-	1,360,048
Change in Net Assets	244,630	(462,605)	(217,975)	5,595	822,605	828,200
Net Assets, beginning of year	171,472	1,562,605	1,734,077	165,877	740,000	905,877
Net Assets, end of year	\$ 416,102	\$ 1,100,000	\$ 1,516,102	\$ 171,472	\$ 1,562,605	\$ 1,734,077

See accompanying notes to financial statements.

Alliance for Children Everywhere

Statements of Functional Expenses

<i>Years Ended December 31,</i>	2019				2018			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Direct cash grants - Zambia program	\$ 637,116	\$ -	\$ -	\$ 637,116	\$ 725,610	\$ -	\$ -	\$ 725,610
Direct noncash grants - Zambia program	208,188	-	-	208,188	139,443	-	-	139,443
Salaries, payroll taxes, and benefits	133,750	68,038	62,417	264,205	120,342	54,854	80,819	256,015
Marketing	-	3,839	90,236	94,075	-	2,931	71,686	74,617
Office and other miscellaneous	9,655	80,164	1,458	91,277	2,357	58,695	934	61,986
Contract services	-	44,950	5,925	50,875	-	44,144	6,910	51,054
Meals, travel, and entertainment	-	35,991	3,277	39,268	1,523	14,066	356	15,945
Occupancy	-	15,914	-	15,914	-	13,750	-	13,750
Computing and software	5,000	2,715	-	7,715	5,612	5,282	1,573	12,467
Indirect program support	-	70	600	670	9,161	-	-	9,161
Total Expenses	\$ 993,709	\$ 251,681	\$ 163,913	\$ 1,409,303	\$ 1,004,048	\$ 193,722	\$ 162,278	\$ 1,360,048

See accompanying notes to financial statements.

Alliance for Children Everywhere

Statements of Cash Flows

<i>Year Ended December 31,</i>	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ (217,975)	\$ 828,200
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Changes in operating assets and liabilities		
Grants and contributions receivable	37,605	(682,605)
Prepaid expenses and other	854	298
Accounts payable	6,648	551
Accrued wages and benefits	5,434	(7,970)
Other accrued expenses	17,408	-
Grants payable, net of changes in donated goods inventory	(124,697)	14,222
Net Cash Flows from Operating Activities and Change in Cash and Cash Equivalents	(274,723)	152,696
Cash and Cash Equivalents, beginning of year	756,831	604,135
Cash and Cash Equivalents, end of year	\$ 482,108	\$ 756,831

See accompanying notes to financial statements.

Alliance for Children Everywhere

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Organization

Alliance for Children Everywhere (“ACE”) is a nonprofit Christian corporation headquartered in Shoreline, Washington. ACE’s purpose is to operate crisis nurseries for orphans and abandoned children, provide infant formula to babies at risk of abandonment or starvation, and offer a free Christian education to children who cannot attend school due to family poverty in Zambia, Africa.

ACE accomplishes its purpose through a partnership agreement with Christian Alliance for Children in Zambia (“CACZ”), a nonprofit Christian corporation registered in Zambia. CACZ provides day-to-day operational services in Zambia with oversight and substantial funding from ACE. The partnership agreement requires two board members of ACE to be on the board of CACZ, and two board members of CACZ to be on the board of ACE, to allow for oversight.

Direct cash grants from ACE to CACZ totaled \$637,116 and \$725,610 in 2019 and 2018. At December 31, 2018, grants payable was \$124,697 and in 2019, there were no grants payable. In addition, ACE receives gifts of tangible goods such as food and supplies from donors and grants and ships these goods to CACZ. The total estimated fair value of goods received by ACE and granted to CACZ was \$208,188 and \$139,443 in 2019 and 2018. There were no in-kind goods received by ACE and granted to CACZ during 2019 that were not yet delivered to CACZ at December 31, 2019.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

Financial Statement Presentation

ACE reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Accordingly, the net assets of ACE and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - Include net assets on which there are no donor-imposed restrictions for use, or on which donor-imposed restrictions were temporary and have been met or have expired.

Net Assets with Donor Restrictions - Net assets with donor restrictions consist of unexpended contributions restricted for particular purposes or time periods. Net assets with donor restrictions are transferred to net assets without donor restrictions as expenditures are incurred for the restricted purpose or as time restrictions are met.

Alliance for Children Everywhere

Notes to Financial Statements

Net assets with donor restrictions consist of the following:

<i>December 31,</i>	2019	2018
Time-restricted	\$ 1,000,000	\$ 1,562,605
Purpose Restricted	100,000	-
	\$ 1,100,000	\$ 1,562,605

Revenue is reported as increases in net assets without donor restrictions unless the donor restricts the use of the related assets. Expenses are reported as decreases in net assets without donor restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

Cash and Cash Equivalents

Cash and cash equivalents are defined as any short-term, highly liquid instruments with original maturities of three months or less. At times, ACE maintains amounts on deposit in banks in excess of the federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

Grants and Contributions Receivable

Grants and contributions receivable consist of unconditional awards received, but not yet collected. Grants and contributions receivable that are expected to be collected within one year are recorded at net realizable value. Long-term grants and contributions receivable are recognized at fair value (at the time of donation) and are measured at the present value of the estimated cash flows. In arriving at fair value, the receivable is discounted using an estimated market rate that includes an estimated rate for an allowance for doubtful accounts. At December 31, 2019 and 2018, no discount or allowance was recorded as management determined that the discount and allowance would be immaterial to these financial statements.

Management reviews the collectability of receivables on a periodic basis and writes off receivables deemed uncollectible. No amounts were considered uncollectible at December 31, 2019 or 2018.

At December 31, 2019 or 2018, all grants and contributions receivable were due from three and two foundations, respectively.

Grants and contributions receivable consist of the following:

<i>December 31,</i>	2019	2018
Gross receivable due in less than one year	\$ 575,000	\$ 312,605
Gross receivable due in one to five years	500,000	800,000
	\$ 1,075,000	\$ 1,112,605

Alliance for Children Everywhere

Notes to Financial Statements

Grants Payable

Grant awards, although not legally binding, are reported as an expense and liability when the unconditional award is made. Grants payable represent payments to be made or donated goods inventory not yet delivered to CACZ.

Revenue Recognition

Grants and contributions are recognized when the unconditional pledge is made.

Conditional grants are recognized when all conditions have been met (in most cases, when qualified expenditures are incurred).

In-Kind Contributions and Donated Goods Inventory

In-kind contributions (which consist solely of donated goods) are recognized in these financial statements at the estimated fair value at the date the unconditional award is made and include food, clothing, computers, school supplies, and other tangible goods. At December 31, 2019, all donated goods inventory has been granted to CACZ. ACE assumes liability of the goods until received by CACZ and therefore maintains the inventory as an asset (and related grant payable) until delivery to CACZ.

In addition, a number of volunteers have donated time to the ACE's programs and fundraising activities. The services of those volunteers are not recorded in the accompanying financial statements, as the criteria for recognition has not been met.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries, payroll taxes, and benefits, and office and other miscellaneous are allocated based on estimates of time and effort.

Income Taxes

ACE is a nonprofit organization that is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). As such, it is subject to income taxes only on unrelated business income. During the years ended December 31, 2019 and 2018, ACE had no unrelated business income and, accordingly, no provision has been made for federal income tax in the accompanying financial statements.

Reclassifications

Certain prior-year balances have been reclassified to conform to the current-year presentation.

Recently Adopted Authoritative Guidance

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities* ("Topic 958"), *Clarifying the Scope and the*

Alliance for Children Everywhere

Notes to Financial Statements

Accounting Guidance for Contributions Received and Contributions Made. This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The standard provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. The ASU assists in the determination of the nature of the transaction, which then governs the revenue recognition methodology and timing of the transaction. The ASU is effective for contributions received by the Alliance for Children Everywhere in periods beginning after December 15, 2018. Alliance for Children Everywhere adopted this update in 2019 under the modified prospective basis. The adoption of this update did not materially impact contribution revenue in the financial statements.

Subsequent Events

ACE has evaluated subsequent events through the date these financial statements were available to be issued, which was November 17, 2020.

2. Liquidity and Availability of Resources

ACE strives to maintain liquid financial assets and reserves sufficient to cover approximately 180 days of general expenditures. Financial assets in excess of daily cash requirements are invested in savings accounts (cash and cash equivalents).

The following table reflects ACE's financial assets at December 31, 2019 and 2018, available to meet general expenditures within one year of the statement of financial position date.

<i>December 31,</i>	2019		2018	
Cash and cash equivalents	\$	482,108	\$	756,831
Grants and contributions receivable - current portion		575,000		312,605
	\$	1,057,108	\$	1,069,436

3. Subsequent Events

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on ACE's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, ACE is not able to

Alliance for Children Everywhere

Notes to Financial Statements

estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for 2020.

On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (“CARES”) Act.” The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. ACE does not intend to apply for assistance under this program.

ACE continues to examine the impact that the CARES Act may have on its business. Currently, ACE does not believe the CARES Act will have a significant impact on its financial condition, results of operations, or liquidity.