

**ALLIANCE FOR CHILDREN
EVERYWHERE
TUCSON, ARIZONA**

**FINANCIAL STATEMENTS
December 31, 2014 and 2013**

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FINANCIAL STATEMENTS

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Board of Directors
Alliance For Children Everywhere

Independent Auditor's Report

Report on the Financial Statements

I have audited the accompanying financial statements of Alliance For Children Everywhere (ACE), a Washington nonprofit corporation, which comprise the statement of financial position as of December 31, 2014 and 2013 and the related statements of activities and changes in net assets, cash flows and functional expenses 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 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

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

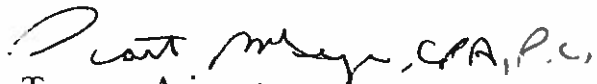
An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. 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 the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes

evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ACE as of December 31, 2014 and 2013 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.


Tucson, Arizona

May 5, 2015

STATEMENT 1

**ALLIANCE FOR CHILDREN EVERYWHERE
STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013**

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 614,893	\$ 563,557
Prepaid expenses and advances	<u>1,593</u>	<u>6,221</u>
Total current assets	616,486	569,778
 PROPERTY AND EQUIPMENT , net of accumulated depreciation of \$29,629 and \$28,204 as of December 31, 2014 and 2013	 <u>2,384</u>	 <u>3,251</u>
 TOTAL ASSETS	 <u><u>\$ 618,870</u></u>	 <u><u>573,029</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 8,475	\$ 9,901
Funds held for Zambian termination benefits	<u>2,684</u>	<u>32,997</u>
Total current liabilities	11,159	42,898
 NET ASSETS - Unrestricted	 <u>607,711</u>	 <u>530,131</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 618,870</u></u>	 <u><u>\$ 573,029</u></u>

These financial statements should be read only in connection
with the accompanying notes to financial statements.

STATEMENT 2

**ALLIANCE FOR CHILDREN EVERYWHERE
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended December 31, 2014 and 2013**

UNRESTRICTED NET ASSETS	<u>2014</u>	<u>2013</u>
Revenues and Support:		
Contributions	\$ 1,735,478	\$ 1,240,783
Miscellaneous income	1,434	1,417
Interest income	3,321	1,762
Total unrestricted revenues and support	<u>1,740,233</u>	<u>1,243,962</u>
Expenses:		
Program	1,490,459	1,088,017
Administrative	91,575	73,841
Fundraising	80,619	65,523
Total expenses	<u>1,662,653</u>	<u>1,227,381</u>
CHANGE IN UNRESTRICTED NET ASSETS	77,580	16,581
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>530,131</u>	<u>513,550</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 607,711</u>	<u>\$ 530,131</u>

These financial statements should be read only in connection
with the accompanying notes to financial statements.

ALLIANCE FOR CHILDREN EVERYWHERE
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2014</u>	<u>2013</u>
Change in net assets	\$ 77,580	\$ 16,581
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,425	970
Changes in operating assets and liabilities:		
Decrease in prepaid expenses and employee advances	4,628	2,655
Decrease in accounts payable and accrued expenses	(1,426)	(2,462)
Decrease in funds held for Zambian termination benefits	(30,313)	(31,318)
Net cash provided by (used in) operating activities	<u>51,894</u>	<u>(13,574)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	<u>(558)</u>	<u>(2,703)</u>
Net cash provided by (used by) investing activities	<u>(558)</u>	<u>(2,703)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	51,336	(16,277)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>563,557</u>	<u>579,834</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 614,893</u>	<u>\$ 563,557</u>
 SUPPLEMENTAL DISCLOSURES		
Interest paid	<u>-</u>	<u>-</u>
Taxes paid	<u>-</u>	<u>-</u>
Noncash transactions- Inkind donations of program supplies	<u>\$246,279</u>	<u>\$95,613</u>

These financial statements should be read only in connection
with the accompanying notes to financial statements.

ALLIANCE FOR CHILDREN EVERYWHERE
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2014 and 2013

	2014			
	Program	Supporting Services		Total
	Services	Administration	Fundraising	
Salaries, payroll taxes, benefits	\$ 183,689	\$ 66,128	\$ 44,085	\$ 293,902
Direct grants-Zambia program	1,196,009			1,196,009
Zambian program expenses	21,930			21,930
Depreciation	996	286	143	1,425
Direct fundraising expenses			20,288	20,288
Finance and bank charges	3,275	934	467	4,676
Internet and website	4,613	659	1,318	6,590
Memberships and subscriptions	2,236	640	320	3,196
Miscellaneous	1,634	466	233	2,333
Occupancy	7,051	2,014	1,007	10,072
Postage, printing and publications	15,203	5,068	5,068	25,339
Professional services	9,450	2,700	1,350	13,500
Supplies	4,627	1,322	661	6,610
Telecommunications	4,412	1,262	631	6,305
Travel and transportation	35,334	10,096	5,048	50,478
	\$ 1,490,459	\$ 91,575	\$ 80,619	\$ 1,662,653

	2013			
	Program	Supporting Services		Total
	Services	Administration	Fundraising	
Salaries, payroll taxes, benefits	\$ 165,757	\$ 59,673	\$ 39,782	\$ 265,212
Direct grants-Zambia program	858,635			858,635
Zambian program expenses	6,405			6,405
Depreciation	679	194	97	970
Direct fundraising expenses			17,147	17,147
Finance and bank charges	3,409	974	487	4,870
Internet and website	4,182	597	1,194	5,973
Memberships and subscriptions	1,961	560	280	2,801
Miscellaneous	1,281	366	183	1,830
Occupancy	7,507	2,144	1,072	10,723
Postage, printing and publications	9,827	1,229	1,229	12,285
Professional services	4,110	1,174	587	5,871
Supplies	3,686	1,052	526	5,264
Telecommunications	3,733	1,066	533	5,332
Travel and transportation	16,845	4,812	2,406	24,063
	\$ 1,088,017	\$ 73,841	\$ 65,523	\$ 1,227,381

These financial statements should only be read in connection with the accompanying notes to financial statements.

ALLIANCE FOR CHILDREN EVERYWHERE
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1- NATURE OF OPERATIONS

Alliance for Children Everywhere (ACE) is a nonprofit Christian corporation headquartered in Tucson, Arizona through 2014 (moved headquarters to Seattle, Washington in 2015). ACE was incorporated under the laws of the State of Washington on November 1, 1995 (formerly as International Alliance for Children). 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 this purpose through a partnership agreement with Christian Alliance for Children in Zambia (CACZ), a nonprofit Christian corporation incorporated in Zambia. CACZ provides the day-to-day operational services in Zambia with oversight and substantial funding from ACE. Direct cash fundings from ACE to CACZ totaled \$894,727 and \$731,325 for the years ended December 31, 2014 and 2013, respectively. The partnership agreement is terminable by either party with 90 days written notice. ACE's executive director and vice-president serve on CACZ's board.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACE is a voluntary health and welfare organization and prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by ACE are described subsequently to enhance the usefulness and understandability of the financial statements.

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, ACE's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. ACE's management believes that the estimates and assumptions are reasonable in the circumstances, however, the actual results could differ from those estimates.

CASH EQUIVALENTS

ACE considers all unrestricted liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

PROPERTY AND EQUIPMENT

Purchased property and equipment are recorded at cost and donated assets are recorded at

ALLIANCE FOR CHILDREN EVERYWHERE
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT (continued)

their fair market value at the date of the donation. Items purchased or donated under \$500 are expensed. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which is three years for the vehicle, three to five years for equipment and ten years for office improvements. Maintenance and repairs are charged to expense as incurred. When property and equipment are disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is recognized.

FUNDS HELD FOR ZAMBIAN TERMINATION BENEFITS

Zambian law requires that terminated employees be paid a contractual gratuity when they leave employment or at the end of a contract, without any retirement liability. ACE has elected to hold back funds from the CACZ funding to cover the accrued liability of CACZ to insure that funds will be available to CACZ when needed.

NET ASSETS

Net assets are classified into one of three classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of ACE, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from agreements with grantor agencies and others entered into in the course of its operations.

Temporarily Restricted

Temporarily restricted net assets include contributed net assets for which donors have imposed future time and particular purpose restrictions. ACE's unspent contributions are classified in this class if the donor limited their use. ACE had no significant temporarily restricted net assets as of December 31, 2014 or 2013.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted

Permanently restricted net assets are resources whose use by ACE is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's

ALLIANCE FOR CHILDREN EVERYWHERE
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Permanently Restricted (continued)

restriction nor by the passage of time. The portion of ACE's donor-restricted endowment funds that must be maintained in perpetuity are classified in this net asset class. ACE had no permanently restricted net assets as of December 31, 2014 or 2013.

ACCOUNTING FOR CONTRIBUTIONS

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless they are received with donor stipulations that limit the use of the donated assets. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

ACCOUNTING FOR GIFTS IN-KIND CONTRIBUTIONS

ACE periodically receives contributions in a form other than cash or investments. If ACE receives a contribution of property or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of the gift, provided that the value of the asset and its estimated useful life meets ACE's capitalization policy. Donated supplies are recorded as contributions at the date of the gift and are expensed when the donated items are placed into service or distributed.

ACE benefits from personal services provided by a substantial number of volunteers that have donated significant amounts of time and services in its program operations. However, the majority of the contributed services do not meet the criteria for recognition in the financial statements. GAAP allows recognition of contributed services only if the donated services create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. Accordingly, none of the donated services were recorded for each of the reporting periods as meeting this criteria, except for the donation of the preparation of the 2013 tax returns by Ace's CPA valued at \$500.

ALLIANCE FOR CHILDREN EVERYWHERE
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUNCTIONAL EXPENSES

Functional expenses have been allocated between program services, fundraising and administration based on an analysis of personnel time and usage of resources for the related activities.

INCOME TAXES

ACE is incorporated exempt from federal and state income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and is not classified as a private foundation. Contributions to ACE are tax deductible to donors under Section 170 of the IRC. Management believes that all tax positions that ACE has taken would be sustainable under audit by any taxing jurisdiction. The statute of limitations for most audits is four years.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2011</u>	<u>2013</u>
Computers and office equipment	\$ 6,798	\$ 6,240
Office improvements	5,397	5,397
Vehicle	<u>19,818</u>	<u>19,818</u>
	32,013	31,455
Less accumulated depreciation	<u>29,629</u>	<u>28,204</u>
	<u>\$ 2,384</u>	<u>\$ 3,251</u>

Depreciation expense was \$1,425 and \$970 for the years ended December 31, 2014 and 2013, respectively.

NOTE 4 – RELATED PARTY TRANSACTIONS

ACE's administrative offices have been located in the home of the executive director. ACE pays a monthly rental and reimburses her for a portion of the utilities and other expenses. Such rental and reimbursements totaled \$10,072 and \$10,723 for the years ended December 31, 2014 and 2013, respectively.

NOTE 5 – SUBSEQUENT EVENTS REVIEW

A review for disclosable subsequent events was made through May 23, 2015, the date the report was first made available for review and issuance.

ALLIANCE FOR CHILDREN EVERYWHERE
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 7 – RETIREMENT PLAN

ACE sponsors a 403(k) SIMPLE retirement plan. All are eligible to make contributions and be matched up to prescribed I.R.S. guidelines, which are a maximum of 3% of an employee's compensation, with an average annual contribution of 2% required. ACE's employer matching contributions were \$5,555 and \$4,068 for the years ended December 31, 2014 and 2013, respectively.

These notes are an integral part of the accompanying financial statements.