

ALLIANCE FOR CHILDREN EVERYWHERE

FINANCIAL REPORT

DECEMBER 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Alliance for Children Everywhere
Shoreline, Washington

We have audited the accompanying financial statements of Alliance for Children Everywhere, which comprise the statement of financial position as of December 31, 2015, 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; 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. 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.

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, 2015, 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.

Correction of an Error

As discussed in Note 3 to the financial statements, an error resulting in an understatement of amounts previously reported for temporarily restricted net assets as of December 31, 2014, was discovered by management of Alliance for Children Everywhere during the current year. Accordingly, amounts reported for net assets as of December 31, 2014, have been restated in the 2015 financial statements now presented, and an adjustment has been made to net assets as of December 31, 2014, to correct the error. Our opinion is not modified with respect to that matter.

Peterson Sullivan LLP

July 13, 2016

ALLIANCE FOR CHILDREN EVERYWHERE

STATEMENT OF FINANCIAL POSITION

December 31, 2015

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 602,153
Grants and contributions receivable	450,000
Donated goods inventory	95,483
Prepaid expenses and other	745
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Total current assets	1,148,381
Grants and Contributions Receivable, net of current portion	380,000
Furniture and Equipment, net	2,804
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Total assets	<u>\$ 1,531,185</u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	\$ 7,459
Accrued wages and benefits	14,452
Grants payable	189,335
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Total current liabilities	211,246
Net Assets	
Unrestricted	239,939
Temporarily restricted	1,080,000
	<hr/>
Total net assets	1,319,939
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Total liabilities and net assets	<u>\$ 1,531,185</u>

See Notes to Financial Statements

ALLIANCE FOR CHILDREN EVERYWHERE

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2015

Unrestricted Net Assets	
Revenue	
Grants and contributions	\$ 634,830
Bequest	53,347
In-kind contributions	222,487
Interest and dividends	2,731
	<hr/>
Total unrestricted revenue	913,395
Net Assets Released from Restrictions	<hr/>
	450,000
	<hr/>
	1,363,395
Expenses	
Program services	1,009,748
Management and general	342,992
Fundraising	128,427
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Total expenses	1,481,167
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Change in unrestricted net assets	(117,772)
Temporarily Restricted Net Assets	
Grants and Contributions for a Future Year	1,280,000
Net Assets Released from Restrictions	(450,000)
	<hr/>
Change in temporarily restricted net assets	830,000
	<hr/>
Change in Net Assets	712,228
Net Assets, beginning of year	<hr/>
	607,711
Net Assets, end of year	<hr/> <hr/>
	\$ 1,319,939

See Notes to Financial Statements

ALLIANCE FOR CHILDREN EVERYWHERE

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015

	Program Services	Management and General	Fundraising	Total
Direct cash grants - Zambia program	\$ 694,032	\$ -	\$ -	\$ 694,032
Direct non-cash grants - Zambia program	222,487			222,487
Salaries, payroll taxes and benefits	49,363	218,480	65,011	332,854
Office and other miscellaneous	27,158	44,070	3,656	74,884
Marketing		13,723	42,234	55,957
Recruiting and continuing education		17,773	15,000	32,773
Meals, travel and entertainment	16,577	6,990	257	23,824
Indirect program support		16,812		16,812
Occupancy		12,011		12,011
Contract services		8,590	1,000	9,590
Computing and software	131	1,479	1,269	2,879
Insurance		1,819		1,819
Depreciation		1,245		1,245
Total expenses	\$ 1,009,748	\$ 342,992	\$ 128,427	\$ 1,481,167

See Notes to Financial Statements

ALLIANCE FOR CHILDREN EVERYWHERE

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2015

Cash Flows from Operating Activities	
Change in net assets	\$ 712,228
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	1,245
Change in operating assets and liabilities	
Grants and contributions receivable	(830,000)
Prepaid expenses and other	848
Accounts payable	(63)
Accrued wages and benefits	10,815
Grants payable	93,852
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Net cash flows from operating activities	(11,075)
Cash Flows from Investing Activity	
Purchases of furniture and equipment	(1,665)
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Net change in cash and cash equivalents	(12,740)
Cash and Cash Equivalents, beginning of year	614,893
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Cash and Cash Equivalents, end of year	\$ 602,153
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See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 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 \$694,032 in 2015, of which \$93,852 was awarded in 2015 and unpaid as of December 31, 2015. 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 \$222,487 in 2015, of which \$95,483 had been received by ACE and awarded to CACZ in 2015, but not yet delivered to CACZ as of December 31, 2015, and therefore recognized as donated goods inventory and grants payable by ACE.

Financial Statement Presentation

ACE reports 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. ACE has no permanently restricted net assets, so this class of net assets is not shown on the financial statements. Contributions that are received are recorded as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of unexpended contributions restricted for particular purposes or time periods. Temporarily restricted net assets are transferred to unrestricted net assets as expenditures are incurred for the restricted purpose, or as time restrictions are met. At December 31, 2015, temporarily restricted net assets are restricted for general operations in a future period, and therefore are considered time restricted.

Cash and Cash Equivalents

Cash and cash equivalents is 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, 2015, no discount or allowance was recorded as management determined that the discount and allowance would be immaterial to these financial statements.

Grants and contributions receivable are stated at their outstanding principal balances. Management reviews the collectability of receivables on a periodic basis and writes off receivables deemed uncollectible. No amounts were considered uncollectible at December 31, 2015.

At December 31, 2015, all grants and contributions receivable were due from one foundation and \$450,000 is expected to be collected during the year ending December 31, 2016, and the remaining \$380,000 in the years ending December 31, 2017 and 2018.

Furniture and Equipment

Furniture and equipment are recorded at cost if purchased, or at fair value at the date of receipt if donated. ACE capitalizes all fixed assets with a cost in excess of \$500 and a useful life longer than one year. Depreciation is computed using the straight-line method over the estimated lives of the assets. Useful lives of furniture and equipment range from three to ten years.

Grants Payable

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

Revenue Recognition

Grants and contributions consist of unrestricted and temporarily restricted grants and contributions, and include unconditional promises to give. Unconditional grants and contributions are recognized when awarded. Bequests are recognized when ACE is informed that it will receive a bequest and the amount to be received is known ACE. ACE does not recognize bequest revenue until the death of the donor.

Fee for services type grants are recognized when qualified expenditures are incurred.

During the year ending December 31, 2015, 65% of grants and contributions were received from one foundation.

In-Kind Contributions and Donated Goods Inventory

In-kind contributions (which consist solely of donated goods) are recognized in these financial statements at their 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, 2015, all donated goods inventory has been granted to CACZ, although is in transit. 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. During the year ended December 31, 2015, 86% of in-kind contributions were received from one organization.

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 they do not meet the criteria for recognition.

Income Taxes

ACE is a nonprofit organization that is exempt from income taxes under Internal Revenue Code Section 501(c)(3); accordingly, no provision has been made for federal income tax in the accompanying financial statements.

Use of Estimates

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

Functional Allocation of Expenses

The costs of providing the various programs and other activities 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.

Subsequent Events

ACE has evaluated subsequent events through the date these financial statements were available to be issued, which was July 13, 2016.

Note 2. Furniture and Equipment

Furniture and equipment consisted of the following at December 31, 2015:

Furniture	\$	1,663
Equipment		4,238
		<hr/>
		5,901
Less - accumulated depreciation		(3,097)
		<hr/>
	\$	<u>2,804</u>

Note 3. Restatement

The December 31, 2014, net assets have been restated to correct an error discovered in 2015. The error resulted from time restricted contributions being awarded in a prior year to support 2015 operations, although not recognized as temporarily restricted net assets at December 31, 2014. The effect of this restatement was to decrease the December 31, 2014, unrestricted net assets and increase the December 31, 2014, temporarily restricted net assets by \$250,000. This restatement had no effect on the total change in net assets for the year ended December 31, 2014.