

ALLIANCE FOR CHILDREN EVERYWHERE

FINANCIAL REPORT

DECEMBER 31, 2016

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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 statements of financial position as of December 31, 2016 and 2015, 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; 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. Those standards require that we plan and perform the audits 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, 2016 and 2015, 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.

Peterson Sullivan LLP

May 23, 2017

ALLIANCE FOR CHILDREN EVERYWHERE

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

ASSETS	2016	2015
	<u> </u>	<u> </u>
Current Assets		
Cash and cash equivalents	\$ 516,547	\$ 602,153
Grants and contributions receivable	200,000	450,000
Donated goods inventory	80,912	95,483
Prepaid expenses and other	1,340	745
	<u> </u>	<u> </u>
Total current assets	798,799	1,148,381
Grants and Contributions Receivable, net of current portion	180,000	380,000
Furniture and Equipment, net	1,836	2,804
	<u> </u>	<u> </u>
Total assets	<u>\$ 980,635</u>	<u>\$ 1,531,185</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 9,000	\$ 7,459
Accrued wages and benefits	14,030	14,452
Grants payable	134,785	189,335
	<u> </u>	<u> </u>
Total current liabilities	157,815	211,246
Net Assets		
Unrestricted	152,820	239,939
Temporarily restricted	670,000	1,080,000
	<u> </u>	<u> </u>
Total net assets	822,820	1,319,939
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 980,635</u>	<u>\$ 1,531,185</u>

See Notes to Financial Statements

ALLIANCE FOR CHILDREN EVERYWHERE

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
Grants and contributions	\$ 606,853	\$ 40,000	\$ 646,853	\$ 634,830	\$ 1,280,000	\$ 1,914,830
Bequest				53,347		53,347
In-kind contributions	200,363		200,363	222,487		222,487
Interest and dividends	517		517	2,731		2,731
Net assets released from restrictions	450,000	(450,000)		450,000	(450,000)	
Total support and revenue	1,257,733	(410,000)	847,733	1,363,395	830,000	2,193,395
Expenses						
Program services	945,005		945,005	1,009,748		1,009,748
Management and general	249,673		249,673	342,992		342,992
Fundraising	150,174		150,174	128,427		128,427
Total expenses	1,344,852		1,344,852	1,481,167		1,481,167
Change in net assets	(87,119)	(410,000)	(497,119)	(117,772)	830,000	712,228
Net Assets, beginning of year	239,939	1,080,000	1,319,939	357,711	250,000	607,711
Net Assets, end of year	\$ 152,820	\$ 670,000	\$ 822,820	\$ 239,939	\$ 1,080,000	\$ 1,319,939

See Notes to Financial Statements

ALLIANCE FOR CHILDREN EVERYWHERE

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2016 and 2015

	2016				2015			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Direct cash grants - Zambia program	\$ 674,829	\$ -	\$ -	\$ 674,829	\$ 694,032	\$ -	\$ -	\$ 694,032
Direct non-cash grants - Zambia program	173,185			173,185	222,487			222,487
Salaries, payroll taxes, and benefits	88,516	85,798	88,830	263,144	49,363	218,480	65,011	332,854
Contract services	46	64,798	953	65,797		8,590	1,000	9,590
Office and other miscellaneous	4,672	47,590	6,961	59,223	27,158	44,070	3,656	74,884
Marketing		300	41,497	41,797		13,723	42,234	55,957
Indirect program support		27,178		27,178		16,812		16,812
Meals, travel, and entertainment	3,593	12,567	9,349	25,509	16,577	6,990	257	23,824
Occupancy		8,040		8,040		12,011		12,011
Computing and software	164	931	2,584	3,679	131	1,479	1,269	2,879
Insurance		1,364		1,364		1,819		1,819
Recruiting and continuing education		139		139		17,773	15,000	32,773
Depreciation		968		968		1,245		1,245
Total expenses	\$ 945,005	\$ 249,673	\$ 150,174	\$ 1,344,852	\$ 1,009,748	\$ 342,992	\$ 128,427	\$ 1,481,167

See Notes to Financial Statements

ALLIANCE FOR CHILDREN EVERYWHERE

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (497,119)	\$ 712,228
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	968	1,245
Changes in operating assets and liabilities		
Grants and contributions receivable	450,000	(830,000)
Prepaid expenses and other	(595)	848
Accounts payable	1,541	(63)
Accrued wages and benefits	(422)	10,815
Grants payable	(39,979)	93,852
	<u>(85,606)</u>	<u>(11,075)</u>
Net cash flows from operating activities	(85,606)	(11,075)
Cash Flows from Investing Activity		
Purchases of furniture and equipment		(1,665)
	<u>(85,606)</u>	<u>(12,740)</u>
Net change in cash and cash equivalents	(85,606)	(12,740)
Cash and Cash Equivalents, beginning of year	<u>602,153</u>	<u>614,893</u>
Cash and Cash Equivalents, end of year	<u>\$ 516,547</u>	<u>\$ 602,153</u>

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 \$674,829 and \$694,032 in 2016 and 2015, of which \$53,873 and \$93,852 was awarded in 2016 and 2015, respectively, and unpaid as of year-end. 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 \$173,185 and \$222,487 in 2016 and 2015, of which \$80,912 and \$95,483 had been received by ACE and awarded to CACZ in 2016 and 2015, respectively, but not yet delivered to CACZ as of year-end and, therefore, was 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.

Temporarily restricted net assets consist of the following at December 31:

	2016	2015
Time restricted	\$ 630,000	\$ 1,080,000
Family preservation project	40,000	
	<u>\$ 670,000</u>	<u>\$ 1,080,000</u>

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, 2016 and 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 the outstanding principal balances. Management reviews the collectibility of receivables on a periodic basis and writes off receivables deemed uncollectible. No amounts were considered uncollectible at December 31, 2016 or 2015.

At December 31, 2016 and 2015, all grants and contributions receivable were due from one foundation. \$200,000 is expected to be collected during the year ending December 31, 2017, and the remaining \$180,000 during the year ending December 31, 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 3 to 10 years.

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 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 by ACE. ACE does not recognize bequest revenue until the death of the donor and the amount to be received by ACE is unconditional.

Fee for services type grants are recognized 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, 2016 and 2015, all donated goods inventory has been granted to CACZ, although it 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.

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.

Concentrations

During the year ended December 31, 2016, 38% of total support and revenue was earned from two foundations. During the year ended December 31, 2015, 58% of total support and revenue was earned from one foundation.

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 statements 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 May 23, 2017.

Note 2. Furniture and Equipment

Furniture and equipment consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Furniture	\$ 1,663	\$ 1,663
Equipment	<u>4,238</u>	<u>4,238</u>
	5,901	5,901
Less: accumulated depreciation	<u>(4,065)</u>	<u>(3,097)</u>
	<u><u>\$ 1,836</u></u>	<u><u>\$ 2,804</u></u>