

ALLIANCE FOR CHILDREN EVERYWHERE

FINANCIAL REPORT

DECEMBER 31, 2017

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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, 2017 and 2016, 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 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, 2017 and 2016, 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

July 6, 2018

ALLIANCE FOR CHILDREN EVERYWHERE

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

ASSETS	2017	2016
Current Assets		
Cash and cash equivalents	\$ 604,135	\$ 516,547
Grants and contributions receivable	430,000	200,000
Donated goods inventory	98,482	80,912
Prepaid expenses and other	1,314	1,340
Total current assets	1,133,931	798,799
Grants and Contributions Receivable, net of current portion		180,000
Furniture and Equipment, net	1,477	1,836
Total assets	<u>\$ 1,135,408</u>	<u>\$ 980,635</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 7,552	\$ 9,000
Accrued wages and benefits	13,022	14,030
Grants payable	208,957	134,785
Total current liabilities	229,531	157,815
Net Assets		
Unrestricted	165,877	152,820
Temporarily restricted	740,000	670,000
Total net assets	905,877	822,820
Total liabilities and net assets	<u>\$ 1,135,408</u>	<u>\$ 980,635</u>

See Notes to Financial Statements

ALLIANCE FOR CHILDREN EVERYWHERE

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
Grants and contributions	\$ 701,612	\$ 560,000	\$ 1,261,612	\$ 606,853	\$ 40,000	\$ 646,853
In-kind contributions	257,838		257,838	200,363		200,363
Interest and dividends	203		203	517		517
Net assets released from restrictions	490,000	(490,000)		450,000	(450,000)	
Total support and revenue	1,449,653	70,000	1,519,653	1,257,733	(410,000)	847,733
Expenses						
Program services	1,090,604		1,090,604	956,383		956,383
Management and general	220,809		220,809	238,295		238,295
Fundraising	125,183		125,183	150,174		150,174
Total expenses	1,436,596		1,436,596	1,344,852		1,344,852
Change in net assets	13,057	70,000	83,057	(87,119)	(410,000)	(497,119)
Net Assets, beginning of year	152,820	670,000	822,820	239,939	1,080,000	1,319,939
Net Assets, end of year	\$ 165,877	\$ 740,000	\$ 905,877	\$ 152,820	\$ 670,000	\$ 822,820

See Notes to Financial Statements

ALLIANCE FOR CHILDREN EVERYWHERE

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2017 and 2016

	2017				2016			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Direct cash grants - Zambia program	\$ 718,104	\$ -	\$ -	\$ 718,104	\$ 674,829	\$ -	\$ -	\$ 674,829
Direct noncash grants - Zambia program	240,501	461		240,962	184,563			184,563
Salaries, payroll taxes, and benefits	113,088	55,493	82,490	251,071	88,516	85,798	88,830	263,144
Office and other miscellaneous	8,974	54,296	2,126	65,396	4,672	47,590	6,961	59,223
Contract services		59,693		59,693	46	64,798	953	65,797
Marketing		9,872	37,232	47,104		300	41,497	41,797
Meals, travel, and entertainment	9,790	11,105	1,476	22,371	3,593	12,567	9,349	25,509
Indirect program support		16,876		16,876		15,800		15,800
Occupancy		9,212		9,212		8,040		8,040
Computing and software	147	2,023	1,859	4,029	164	931	2,584	3,679
Insurance		1,364		1,364		1,364		1,364
Recruiting and continuing education		55		55		139		139
Depreciation		359		359		968		968
Total expenses	\$ 1,090,604	\$ 220,809	\$ 125,183	\$ 1,436,596	\$ 956,383	\$ 238,295	\$ 150,174	\$ 1,344,852

See Notes to Financial Statements

ALLIANCE FOR CHILDREN EVERYWHERE

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 83,057	\$ (497,119)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	359	968
Changes in operating assets and liabilities		
Grants and contributions receivable	(50,000)	450,000
Prepaid expenses and other	26	(595)
Accounts payable	(1,448)	1,541
Accrued wages and benefits	(1,008)	(422)
Grants payable	56,602	(39,979)
	<u>56,602</u>	<u>(39,979)</u>
Net cash flows from operating activities and change in cash and cash equivalents	87,588	(85,606)
Cash and Cash Equivalents, beginning of year	<u>516,547</u>	<u>602,153</u>
Cash and Cash Equivalents, end of year	<u>\$ 604,135</u>	<u>\$ 516,547</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 \$718,104 and \$674,829 in 2017 and 2016, of which \$110,475 and \$53,873 was awarded in 2017 and 2016, 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 \$257,838 and \$173,185 in 2017 and 2016, of which \$98,482 and \$80,912 had been received by ACE and awarded to CACZ in 2017 and 2016, 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.

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.

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:

	2017	2016
Time-restricted	\$ 680,000	\$ 630,000
Botswana expansion program	45,000	
Abandoned infants care	15,000	
Family preservation project		40,000
	\$ 740,000	\$ 670,000

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. There were no long-term grants and contributions receivable at December 31, 2017. At December 31, 2016, no discount or allowance was recorded as management determined that the discount and allowance would be immaterial to these financial statements.

Management reviews the collectibility of receivables on a periodic basis and writes off receivables deemed uncollectible. No amounts were considered uncollectible at December 31, 2017 or 2016.

At December 31, 2017 and 2016, all grants and contributions receivable were due from one foundation.

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.

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, 2017 and 2016, 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, 2017, 78% of total support and revenue was earned from three donors. During the year ended December 31, 2016, 38% of total support and revenue was earned from two donors.

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.

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.

Reclassifications

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

Subsequent Events

ACE has evaluated subsequent events through the date these financial statements were available to be issued, which was July 6, 2018.

Note 2. Furniture and Equipment

Furniture and equipment consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Furniture	\$ 1,663	\$ 1,663
Equipment	4,238	4,238
	5,901	5,901
Less: accumulated depreciation	<u>(4,424)</u>	<u>(4,065)</u>
	<u>\$ 1,477</u>	<u>\$ 1,836</u>