

THE GLOBAL FUND FOR CHILDREN AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2016 AND 2015

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2016 AND 2015**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENTS OF ACTIVITIES	4
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES – 2016	5
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES – 2015	6
CONSOLIDATED STATEMENTS OF CASH FLOWS	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION	18
SUPPLEMENTARY INFORMATION	
CONSOLIDATING STATEMENT OF FINANCIAL POSITION	19
CONSOLIDATING STATEMENT OF ACTIVITIES	20
STATEMENT OF FUNCTIONAL EXPENSES – U.S. OPERATIONS	21
STATEMENT OF CASH FLOWS – U.S. OPERATIONS	22

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Global Fund for Children
Washington, DC

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Global Fund for Children and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated 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 consolidated 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 consolidated 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 consolidated financial statements based on our audits. We did not audit the financial statements of The Global Fund for Children UK Trust, a wholly owned affiliate, which statements reflect total assets of \$188,381 and \$204,490 as of June 30, 2016 and 2015, respectively, and total revenues of \$823,766 and \$1,140,315, respectively, for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for The Global Fund for Children UK Trust, is based solely on the report of the other auditors. 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Global Fund for Children

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Global Fund for Children and its Affiliates as of June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles in the United States of America.

Emphasis of Matter Regarding Correction of an Error

As described in Note 15 to the consolidated financial statements, an error was discovered during the year resulting in an understatement of previously reported unrestricted net assets and an overstatement of previously reported permanently restricted net assets. Accordingly, these balances have been restated in the 2015 consolidated financial statements now presented, and an adjustment has been made to net assets as of June 30, 2015 to correct the error. Our opinion is not modified with respect to that matter.



CliftonLarsonAllen LLP

Arlington, Virginia
October 31, 2016

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015**

	2016	Restated 2015
ASSETS		
ASSETS		
Cash and Cash Equivalents	\$ 3,829,834	\$ 3,708,342
Promises to Give (Net)	1,606,067	540,407
Accounts Receivable - Other	3,319	8,037
Prepaid Expenses	43,346	7,363
Investments	1,544,741	1,598,512
Property and Equipment (Net)	95,877	134,016
Deposits	17,496	16,617
Total Assets	\$ 7,140,680	\$ 6,013,294
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	41,387	91,566
Grants Payable	479,191	112,256
Accrued Vacation/Payroll	126,833	111,363
Deferred Lease Obligation	129,605	175,315
Capital Lease Obligation	3,447	6,257
Total Liabilities	780,463	496,757
NET ASSETS		
Unrestricted	2,855,888	3,294,038
Temporarily Restricted	3,504,329	2,222,499
Total Net Assets	6,360,217	5,516,537
Total Liabilities and Net Assets	\$ 7,140,680	\$ 6,013,294

See accompanying Notes to Consolidated Financial Statements.

THE GLOBAL FUND FOR CHILDREN AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015

	2016			2015 (Restated)			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE							
Gifts and Grants	\$ 2,411,770	\$ 5,352,386	\$ 7,764,156	\$ 1,689,865	\$ 5,078,900	\$ -	\$ 6,768,765
Book Revenues and Royalties	19,579	-	19,579	20,912	-	-	20,912
Investment Income (Net)	(53,276)	-	(53,276)	21,904	-	-	21,904
Net Assets Released from Restrictions	4,070,556	(4,070,556)	-	6,641,365	(5,550,233)	(1,091,132)	-
Total Revenue	<u>6,448,629</u>	<u>1,281,830</u>	<u>7,730,459</u>	<u>8,374,046</u>	<u>(471,333)</u>	<u>(1,091,132)</u>	<u>6,811,581</u>
EXPENSES							
Program Services:							
Communications	397,946	-	397,946	255,034	-	-	255,034
Programs	4,424,178	-	4,424,178	4,452,722	-	-	4,452,722
Total Program Services	<u>4,822,124</u>	<u>-</u>	<u>4,822,124</u>	<u>4,707,756</u>	<u>-</u>	<u>-</u>	<u>4,707,756</u>
Supporting Services:							
Management and General	657,621	-	657,621	496,555	-	-	496,555
Fundraising	1,407,034	-	1,407,034	1,361,947	-	-	1,361,947
Total Supporting Services	<u>2,064,655</u>	<u>-</u>	<u>2,064,655</u>	<u>1,858,502</u>	<u>-</u>	<u>-</u>	<u>1,858,502</u>
Total Expenses	<u>6,886,779</u>	<u>-</u>	<u>6,886,779</u>	<u>6,566,258</u>	<u>-</u>	<u>-</u>	<u>6,566,258</u>
CHANGE IN NET ASSETS	(438,150)	1,281,830	843,680	1,807,788	(471,333)	(1,091,132)	245,323
Net Assets - Beginning of Year	3,294,038	2,222,499	5,516,537	1,490,506	2,693,832	1,086,876	5,271,214
Net Asset Reclassification	-	-	-	(4,256)	-	4,256	-
NET ASSETS - END OF YEAR	<u>\$ 2,855,888</u>	<u>\$ 3,504,329</u>	<u>\$ 6,360,217</u>	<u>\$ 3,294,038</u>	<u>\$ 2,222,499</u>	<u>\$ -</u>	<u>\$ 5,516,537</u>

See accompanying Notes to Consolidated Financial Statements.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016**

	Program Services			Supporting Services			Total Expenses
	Communications	Programs	Total	Management and General	Fundraising	Total	
Grants	\$ -	\$ 2,450,762	\$ 2,450,762	\$ -	\$ -	\$ -	\$ 2,450,762
Salaries and Benefits	130,208	1,167,076	1,297,284	309,258	934,801	1,244,059	2,541,343
Consultants and Professional Services	169,638	112,135	281,773	118,915	118,321	237,236	519,009
Intern Program	5,518	14,131	19,649	-	10,836	10,836	30,485
Staff Development/Activities	24	5,000	5,024	5,921	3,088	9,009	14,033
Knowledge Exchanges	-	144,069	144,069	-	-	-	144,069
Conferences and Meetings	-	2,053	2,053	-	824	824	2,877
Events	-	-	-	-	1,202	1,202	1,202
Travel	1,083	108,759	109,842	17,767	43,631	61,398	171,240
Annual Report	9,899	6,144	16,043	1,525	5,495	7,020	23,063
Communications and Materials	21,294	-	21,294	-	2,867	2,867	24,161
Accounting and Auditing	-	-	-	48,892	-	48,892	48,892
Legal - Donated Services	-	-	-	84,679	-	84,679	84,679
Computers, Software and Technology	16,206	27,318	43,524	75,198	35,962	111,160	154,684
Office Supplies and Stationary	-	38	38	8,827	494	9,321	9,359
Printing and Photocopying	-	1,942	1,942	2,871	1,927	4,798	6,740
Postage and Shipping	-	-	-	8,634	874	9,508	9,508
Equipment Leases and Maintenance	(78)	(1,479)	(1,557)	8,206	100	8,306	6,749
Dues and Subscriptions	361	165	526	1,106	1,869	2,975	3,501
Bank and Payroll Processing Fees	-	14,130	14,130	8,182	3,497	11,679	25,809
Registration Fees	-	-	-	132	10,119	10,251	10,251
Telephone	-	1,421	1,421	34,666	2,130	36,796	38,217
Insurance	-	-	-	30,522	-	30,522	30,522
Unfulfilled Pledges	-	-	-	-	985	985	985
Depreciation	-	-	-	44,590	-	44,590	44,590
Foreign Exchange Gain	-	121	121	33,863	5,024	38,887	39,008
Rent	27,869	225,589	253,458	61,810	135,773	197,583	451,041
Direct Expenses	382,022	4,279,374	4,661,396	905,564	1,319,819	2,225,383	6,886,779
Indirect Expenses	15,924	144,804	160,728	(247,943)	87,215	(160,728)	-
Total Expenses	\$ 397,946	\$ 4,424,178	\$ 4,822,124	\$ 657,621	\$ 1,407,034	\$ 2,064,655	\$ 6,886,779

See accompanying Notes to Consolidated Financial Statements.

THE GLOBAL FUND FOR CHILDREN AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	Program Services			Supporting Services			Total Expenses
	Communications	Programs	Total	Management and General	Fundraising	Total	
Grants	\$ -	\$ 2,304,477	\$ 2,304,477	\$ -	\$ -	\$ -	\$ 2,304,477
Salaries and Benefits	96,473	1,250,991	1,347,464	271,308	810,851	1,082,159	2,429,623
Consultants and Professional Services	103,407	135,051	238,458	39,909	92,746	132,655	371,113
Intern Program	-	11,150	11,150	-	4,464	4,464	15,614
Staff Development/Activities	-	4,778	4,778	10,908	1,956	12,864	17,642
Knowledge Exchanges	-	144,511	144,511	-	-	-	144,511
Conferences and Meetings	48	10,093	10,141	-	1,406	1,406	11,547
Events	-	-	-	-	70,401	70,401	70,401
Travel	4,621	156,989	161,610	40,663	24,287	64,950	226,560
Annual Report	6,731	12,469	19,200	1,346	5,314	6,660	25,860
Communication and Materials	-	-	-	-	17,230	17,230	17,230
Accounting and Auditing	-	-	-	39,326	-	39,326	39,326
Legal - Donated Services	-	-	-	39,616	-	39,616	39,616
Computers, Software and Technology	6,654	30,146	36,800	69,913	53,735	123,648	160,448
Office Supplies and Stationary	8	606	614	9,799	229	10,028	10,642
Printing and Photocopying	-	1,789	1,789	7,224	-	7,224	9,013
Postage and Shipping	-	292	292	4,745	52	4,797	5,089
Equipment Leases and Maintenance	(183)	(1,417)	(1,600)	10,175	(699)	9,476	7,876
Dues and Subscriptions	160	214	374	1,421	1,220	2,641	3,015
Bank and Payroll Processing Fees	-	12,738	12,738	14,926	5,348	20,274	33,012
Registration Fees	-	-	-	141	11,012	11,153	11,153
Telephone	-	217	217	33,226	966	34,192	34,409
Insurance	-	276	276	27,553	-	27,553	27,829
Unfulfilled Pledges	-	-	-	-	59,070	59,070	59,070
Depreciation	-	-	-	57,293	-	57,293	57,293
Foreign Exchange Gain	-	-	-	18,975	-	18,975	18,975
Rent	24,305	225,373	249,678	33,878	131,358	165,236	414,914
Direct Expenses	242,224	4,300,743	4,542,967	732,345	1,290,946	2,023,291	6,566,258
Indirect Expenses	12,810	151,979	164,789	(235,790)	71,001	(164,789)	-
Total Expenses	\$ 255,034	\$ 4,452,722	\$ 4,707,756	\$ 496,555	\$ 1,361,947	\$ 1,858,502	\$ 6,566,258

See accompanying Notes to Consolidated Financial Statements.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 843,680	\$ 245,323
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	44,590	57,293
Bad Debt Expense	(985)	(59,070)
Unrealized Loss on Investments	147,011	72,264
Donated Securities	(27,659)	-
Changes in Assets and Liabilities:		
Accounts Receivable - Promises to Give and Other	(1,059,957)	1,734,518
Prepaid Expenses	(35,983)	20,003
Deposits	(879)	(2,785)
Accounts Payable and Accrued Expenses	(50,179)	(75,422)
Grants Payable	366,935	(540,100)
Accrued Vacation/Payroll	15,470	25,148
Deferred Lease Obligation	(45,710)	(34,637)
Net Cash Provided by Operating Activities	<u>196,334</u>	<u>1,442,535</u>
CASH FROM INVESTING ACTIVITIES		
Purchases of Investments	(65,581)	(108,934)
Purchases of Property and Equipment	(6,451)	(6,832)
Net Cash Used in Investing Activities	<u>(72,032)</u>	<u>(115,766)</u>
CASH FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease	(2,810)	(2,495)
Net Cash Used in Financing Activities	<u>(2,810)</u>	<u>(2,495)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	121,492	1,324,274
Cash and Cash Equivalents - Beginning of Year	<u>3,708,342</u>	<u>2,384,068</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,829,834</u>	<u>\$ 3,708,342</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	<u>\$ 598</u>	<u>\$ 913</u>

See accompanying Notes to Consolidated Financial Statements.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Global Fund for Children (“GFC”) is an international non-profit organization that advances the education and dignity of young people around the world. GFC pursues its mission by strengthening innovative community-based educational organizations that serve some of the world’s most vulnerable children, selling books, and inspiring global citizenship and philanthropy through vibrant community education and outreach efforts.

The Global Fund for Children UK Trust (“UK Trust”) is a charity organization that exists to improve the lives of vulnerable children and youth in our world, primarily in Asia, Africa, Latin America, and to a lesser extent, in the London community where the office is based. The UK Trust was officially incorporated as a private limited company in December 2006 and received charity registration in the UK in June 2007. The UK Trust is controlled by the board of GFC; therefore the Organizations are consolidated.

The Global Fund for Children HK Limited (“HK Limited”) is a charity organization that exists to advance education of children and young people through promotion and funding of community education and outreach programs primarily in Hong Kong. HK Limited was officially incorporated as a private limited company in May 2016. As of June 30, 2016, they are still in the process of receiving charity registration. GFC is the founding member of HK Limited, and the HK Limited board consists of the CEO and Vice President, Finance of GFC; therefore the Organizations are consolidated.

Principles of Consolidation

The consolidated financial statements include the accounts of The Global Fund for Children and The Global Fund for Children UK Trust. Significant inter-company accounts and transactions have been eliminated in consolidation.

There was no activity in The Global Fund for Children HK Limited as of June 30, 2016.

Basis of Presentation

GFC is required to report 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.

Income Tax Status

GFC is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Internal Revenue Service has classified GFC as a publicly supported foundation under sections 509(a)(1) and 170(b)(1)(A)(VI) of the IRC. The Global Fund for Children UK Trust is exempt from tax in the UK under Section 505 of the Taxes Act of 1988. As of June 30, 2016, HK Limited is still in the process of receiving charity registration. There was no activity in HK Limited as of June 30, 2016.

GFC has adopted the guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The implementation of this guidance had no impact on GFC’s financial statements. GFC believes it has appropriate support for unrelated trade or business positions and, as a result, does not have uncertain income tax positions that have a material impact on the financial statements. GFC files as a tax-exempt organization.

THE GLOBAL FUND FOR CHILDREN AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

Management used estimates and assumptions in preparing the consolidated financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash Equivalents

For consolidated financial statement purposes, GFC considers its money market funds to be cash equivalents. Restricted cash is maintained in a separate bank account as a depository for donor-restricted contributions and grants. These funds are released after satisfying the purposes and conditions of the restrictions.

Accounts Receivable

Accounts receivable are recorded at their net realizable value. Accounts 90 days past due are analyzed for collectability and when all collection efforts have been exhausted, the account is written off to bad debts.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. There were no conditional promises to give at June 30, 2016 and 2015.

Investments

Investments consist of equity securities, equity mutual funds and fixed income mutual funds. Investments also include cash held in the Endowment Fund, as it is not available for operations but is restricted for investment purposes. These investments are recorded in the accompanying financial statements at fair market value. Interest, dividends and realized gains or losses are recorded when earned. Fluctuations in the fair value of the portfolio are recorded as unrealized gains or losses.

Fair Value of Financial Instruments

Fair Value Measurements

GFC accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. GFC accounts for certain financial assets and liabilities at fair value under various accounting literature. GFC also accounts for certain assets at fair value under applicable industry guidance.

Fair Value Hierarchy

GFC has categorized its consolidated financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Hierarchy (Continued)

Financial assets and liabilities recorded on the consolidated statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that GFC has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include among others, quoted prices for similar assets or liabilities in active market or non-active market.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Property and Equipment

Furniture and equipment are recorded at cost and are depreciated on the straight-line basis over the estimated useful lives of the assets of three to five years. Leasehold improvements are amortized over the life of the lease. GFC capitalizes all purchases of long-lived assets in excess of \$1,000, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Intangible Assets

As of June 30, 2016, GFC owned the intellectual property for 36 titles that are printed as 23 hardcover books, 15 paperback books, 5 board books and 5 resource guides. These books and curricula, which are authored and published under the brand "Global Fund for Children Books" (formerly Shakti for Children™), represent intellectual property which belongs to GFC, and upon which it earns copyright royalties. The value of the intangible assets has not been determined or recorded on the consolidated statements of financial position of the Organization.

Net Assets

Net assets are classified for accounting and reporting purposes according to their nature and purpose and based upon the existence or absence of any restrictions thereon. A description of each net asset group is as follows:

Unrestricted Net Assets – represents funds presently available for use by GFC at its discretion.

Temporarily Restricted Net Assets – represents unspent contributions and grants that are restricted for use in certain GFC programs or by time.

Permanently Restricted Net Assets – represents contributions that are to be held by GFC in perpetuity.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Payable

Grants payable are recorded when committed by the Board of Directors.

Contributions and Grants

Contributions and grants are recorded as revenue in the year notification is received from the donor. Support that is donor-restricted, either by program or by time, is reported as an increase in temporarily restricted net assets. When the restriction expires, that is, when a time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets as net assets released from restrictions.

Contributed Services

Contributed services are recorded at their fair market value.

Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, salary and other overhead costs have been allocated among the programs and supporting services benefited based on time expended.

Foreign Exchange Transactions

Assets, liabilities and transactions related to the Global Fund for Children UK Trust which are included in the consolidated financial statements are converted to US dollars. Assets and liabilities are converted at year-end using the spot exchange rate. Operations throughout the year are converted using the average exchange rate.

Uniform Prudent Management of Institutional Funds Act

During 2008, Washington DC enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Under UPMIFA all unappropriated endowment fund assets are considered restricted.

Concentration of Credit Risk

GFC maintains demand deposits which may, at times, exceed federally insured limits.

Reclassification

Certain amounts in the year 2015 have been reclassified for comparative purposes to conform to the presentation in year 2016. These reclassifications have no effect on the previously reported change in net assets.

Subsequent Events

In preparing these financial statements, GFC has evaluated events and transactions for potential recognition or disclosure through October 31, 2016, the date the consolidated financial statements were available to be issued.

THE GLOBAL FUND FOR CHILDREN AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 PROMISES TO GIVE

Promises to give as of June 30, 2016 and 2015, are unconditional. Amounts due after one year are discounted at the rates of 2.5% and 0%. Promises to give are considered fully collectible and are due as follows at June 30:

	2016	2015
Promises to Give Due in Less Than One Year	\$ 1,049,969	\$ 440,574
Promises to Give Due in One to Five Years	570,000	99,833
	<u>1,619,969</u>	<u>540,407</u>
Less Present Value Discount	(13,902)	-
Net Promises to Give	<u>\$ 1,606,067</u>	<u>\$ 540,407</u>

As of June 30, 2016 and 2015, the pledges receivable consists of pledges from three donors, representing approximately 85% and 79%, respectively, of the net pledges.

NOTE 3 INVESTMENTS

Investments are recorded at fair value and are comprised of the following at June 30:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Cash	\$ 60,272	\$ 60,272	\$ 60,266	\$ 60,266
Fixed Income Mutual Funds	429,674	432,342	423,860	422,050
Equity Mutual Funds	951,119	1,052,127	\$ 863,699	1,116,196
	<u>\$ 1,441,065</u>	<u>\$ 1,544,741</u>	<u>\$ 1,347,825</u>	<u>\$ 1,598,512</u>

Investment income consisted of the following for the years ended June 30:

	2016	2015
Interest and Dividends	\$ 93,735	\$ 94,168
Unrealized Loss	(147,011)	(72,264)
Total Investment Income (Loss)	<u>\$ (53,276)</u>	<u>\$ 21,904</u>

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect amounts reported in future consolidated statements of activities.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 4 FAIR VALUE MEASUREMENTS

The following table presents GFC's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30:

	2016			
	Level 1	Level 2	Level 3	Total
Cash	\$ 60,272	\$ -	\$ -	\$ 60,272
Fixed Income Mutual Funds	432,342	-	-	432,342
Equity Mutual Funds	1,052,127	-	-	1,052,127
	\$ 1,544,741	\$ -	\$ -	\$ 1,544,741
	2015			
	Level 1	Level 2	Level 3	Total
Cash	\$ 60,266	\$ -	\$ -	\$ 60,266
Fixed Income Mutual Funds	422,050	-	-	422,050
Equity Mutual Funds	1,116,196	-	-	1,116,196
	\$ 1,598,512	\$ -	\$ -	\$ 1,598,512

NOTE 5 CAPITAL LEASE OBLIGATION

GFC has capital lease obligation for a copier terminating in 2018. The liability under this capital lease at June 30, 2016, is \$3,447. Future minimum payments for the capital lease obligation are as follows:

<u>Year Ending June 30,</u>	
2017	\$ 3,408
2018	284
Total	3,692
Less: Amount Representing Interest	(245)
Total	\$ 3,447

The capitalized equipment has a cost of \$10,900 at June 30, 2016 and 2015. The capitalized equipment has accumulated amortization of \$7,948 and \$5,223 for the years ended June 30, 2016 and 2015, respectively. Amortization expense of \$2,725 was recognized on the capitalized equipment for each of the years ended June 30, 2016 and 2015.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2016 and 2015, net assets were temporarily restricted as follows:

	2016	2015
Programs	\$ 3,504,329	\$ 2,222,499

The following is a summary of net assets released from donor restrictions that satisfied the restricted purposes specified by the donors and net assets released due to the passage of time for the years ended June 30:

	2016	2015
Programs	\$ 4,070,556	5,550,233

NOTE 7 PROGRAM SERVICES

Program services are segregated by type of activity within the consolidated statements of activities. The specific activities that are included in each program area are as follows:

Programs

Grantmaking

The Global Fund for Children identifies and invests in community-based organizations around the world that use education as a vehicle to protect and expand the rights of vulnerable or marginalized children. GFC's grants are allocated into four major portfolios – Learning, Enterprise, Safety, and Health – and two smaller ones, Responding to Crises and Creative Opportunities.

In addition to these program grants, grantee partners are also able to access other value-added services, such as assistance in organizational development, and access to various knowledge initiatives like the knowledge exchange workshops. For the year ended June 30, 2016, GFC awarded 386 grants to 263 community-based organizations.

Books

Since 1994, GFC has developed internally an award-winning collection of books to teach children the value of diversity and help them to be aware, caring citizens of the world. With 35 children's books, and over 2 million copies in circulation, GFC's books have reached a wide audience. As of June 30, 2013, GFC ceased development of additional titles. GFC will retain the rights and royalties on existing titles and will participate in future royalty agreements for books produced on its behalf using the GFC name.

Communications

Through its communications efforts, GFC uses digital media, photography and stories to tell the about its work and that of its grantee partners to transform the lives of children born into hardship and hopelessness. Through its issues and regional briefs, through leadership efforts, and its website, GFC promotes grassroots organizations making a real difference.

THE GLOBAL FUND FOR CHILDREN AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 8 CONTRIBUTED SERVICES

During June 30, 2016 and 2015, GFC received services with an estimated fair value of \$226,144 and \$119,076 respectively, in the form of pro bono professional and legal services. These services were dedicated to administrative legal advice.

NOTE 9 OFFICE LEASE

GFC rents office space for its headquarters under a non-cancelable operating lease. GFC entered into a 123-month non-cancelable operating lease to expand the headquarters office space effective in April 2008. Rent expense related to this office space amounted to \$451,041 and \$414,914 for the years ended June 30, 2016 and 2015, respectively. Rent expense reflected on the consolidated statement of functional expense and the statement of activities – U. S. Operations for the years ended June 30, 2016 and 2015 includes the expense of storage space.

Rent for the operating lease is recognized on a straight line basis over the term of the lease. Tenant allowances have been recorded as leasehold improvements and a liability for deferred lease obligation. The leasehold improvements and related liability have been amortized over the term of the lease. The liability related to the straight line rent and unamortized portion of the tenant allowances are recorded in the accompanying consolidated statements of financial position as deferred lease obligation.

Future minimum payments on the office lease are as follows:

<u>Year Ending June 30,</u>	
2017	\$ 465,778
2018	477,418
2019	17,588
Total	<u>\$ 960,784</u>

NOTE 10 TAX SHELTERED ANNUITY PLAN

GFC maintains a contributory defined contribution plan under Section 403(b) of the Internal Revenue Code for the benefit of its employees. All employees, except for part-time employees who normally work less than 20 hours per week, may participate in the Plan. Following three months of service, the Organization is required to match participant contributions as defined in the agreement, but not to exceed 4% of total gross salary. In addition, GFC may choose to make a discretionary contribution to the Plan. In order to be eligible to receive a discretionary contribution, an employee must complete two years of service.

Pension expense for the Plan totaled \$59,751 and \$59,801 for the years ended June 30, 2016 and 2015, respectively.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 11 CONTINGENCIES

GFC receives a portion of its revenue from grants and contracts. The ultimate determinations of amounts received under these programs often are based upon allowable costs, reported to the donor. In some instances, the donor reserves the right to audit the program costs. Until the final settlement is reached with each donor, there exists a contingency to refund any amount received for costs deemed unallowable in an audit conducted by a donor. Such settlements, if any, will be recognized as revenue or expense in the period the amount is determined.

NOTE 12 ENDOWMENT

GFC has donor-restricted endowment funds. As required by GAAP, net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. GFC has interpreted the District of Columbia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, GFC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by GFC in a manner consistent with the standard of prudence prescribed by UPMIFA. GFC considered all amounts earned on the endowment fund to be appropriated for current use.

Investment Objectives and Strategies

To insure preservation of its long-term endowment investments, GFC established an investment policy which reflects a "total return policy." Total return is defined as a combination of realized and unrealized capital appreciation. The investment objective is focused on preservation of capital and diversification of investments across various asset classes and numerous industries and sectors to minimize volatility and risk.

Spending Policy

UPMIFA's spending provisions apply to endowment funds. Unless specifically directed to the contrary by the donor, under UPMIFA GFC may expend so much of the endowment fund as an ordinary prudent person in a like position would spend for the uses, benefits, purposes, and duration for which the endowment fund was established. GFC has adopted an expenditure policy to comply with the provisions of UPMIFA in its spending from endowment funds. The funds are to support ongoing operations. The corpus will be permanently restricted, and earnings will be temporarily restricted until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence described by UPMIFA.

During the year ended June 30, 2015 the permanently restricted corpus was released by the donors to support ongoing operations.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 12 ENDOWMENT (CONTINUED)

The following is a summary of endowment funds subject to UPMIFA for the year ended June 30:

	2015 (Restated)			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, July 1, 2014	\$ -	\$ -	\$ 1,086,876	\$ 1,086,876
Donor Reallocations/Reclassifications	-	-	(1,086,876)	(1,086,876)
Endowment net assets, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 13 LINE OF CREDIT

The Organization has a revolving line of credit in the amount of \$750,000, which expires in January 2017. The interest rate on funds borrowed is Prime plus .5% with a floor of 3.75% (4.0% as of June 30, 2016). GFC is subject to certain covenants as defined in the agreement. GFC did not draw down on the line of credit during the years ended June 30, 2016 or June 30, 2015.

NOTE 14 SEVERANCE AGREEMENT

GFC has an employment agreement with its Chief Executive Officer (CEO). Should the CEO be terminated without cause, the agreement requires GFC to pay a severance amount according to the terms in the employment agreement.

NOTE 15 PRIOR PERIOD ADJUSTMENT

At June 30, 2015, unrestricted net assets were understated by \$1,042,062 and permanently restricted net assets were overstated by the same amount. This was the result of endowment funds released as of May 15, 2015, at the request of the donors for unrestricted operating use. This amount was restated during the year ended June 30, 2015 to increase unrestricted net assets by \$1,042,062 and decrease permanently restricted net assets by the same amount. These restatements had no impact upon the previously reported consolidated change in net assets as of June 30, 2015.



CliftonLarsonAllen

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
The Global Fund for Children
Washington, DC

We have audited the consolidated financial statements of The Global Fund for Children and Affiliates as of and for the years ended June 30, 2016 and 2015, and our report thereon dated October 31, 2016, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 19-22, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
October 31, 2016

THE GLOBAL FUND FOR CHILDREN AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

ASSETS	2016			
	GFC	UK Trust	Eliminations	Consolidated
ASSETS				
Cash and Cash Equivalents	\$ 3,714,733	\$ 115,101	\$ -	\$ 3,829,834
Accounts Receivable:				
Promises to Give (Net)	1,540,431	65,636	-	1,606,067
Other	6,970	654	(4,305)	3,319
Prepaid Expenses	42,585	761	-	43,346
Investments	1,544,741	-	-	1,544,741
Property and Equipment (Net)	95,877	-	-	95,877
Deposits	11,267	6,229	-	17,496
	<u>\$ 6,956,604</u>	<u>\$ 188,381</u>	<u>\$ (4,305)</u>	<u>\$ 7,140,680</u>
Total Assets				
LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 40,331	\$ 5,361	\$ (4,305)	\$ 41,387
Grants Payable	479,191	-	-	479,191
Accrued Vacation/Payroll	86,175	40,658	-	126,833
Deferred Lease Obligation	129,605	-	-	129,605
Capital Lease Obligation	3,447	-	-	3,447
	<u>738,749</u>	<u>46,019</u>	<u>(4,305)</u>	<u>780,463</u>
Total Liabilities				
NET ASSETS				
Unrestricted	2,715,395	140,493	-	2,855,888
Temporarily Restricted	3,502,460	1,869	-	3,504,329
	<u>6,217,855</u>	<u>142,362</u>	<u>-</u>	<u>6,360,217</u>
Total Net Assets				
Total Liabilities and Net Assets	<u>\$ 6,956,604</u>	<u>\$ 188,381</u>	<u>\$ (4,305)</u>	<u>\$ 7,140,680</u>

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	GFC			UK Trust			Elimination	Consolidated		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total		Unrestricted	Temporarily Restricted	Total
REVENUE										
Gifts and Grants	\$ 2,403,562	\$ 4,976,359	\$ 7,379,921	\$ 447,739	\$ 376,027	\$ 823,766	\$ (439,531)	\$ 2,411,770	\$ 5,352,386	\$ 7,764,156
Book Revenues and Royalties	19,579	-	19,579	-	-	-	-	19,579	-	19,579
Investment Income (Net)	(53,276)	-	(53,276)	-	-	-	-	(53,276)	-	(53,276)
Net Assets Released from Restrictions	3,581,590	(3,581,590)	-	488,966	(488,966)	-	-	4,070,556	(4,070,556)	-
Total Revenue	5,951,455	1,394,769	7,346,224	936,705	(112,939)	823,766	(439,531)	6,448,629	1,281,830	7,730,459
EXPENSES										
Program Services:										
Communications	397,946	-	397,946	-	-	-	-	397,946	-	397,946
Programs	4,424,178	-	4,424,178	439,531	-	439,531	(439,531)	4,424,178	-	4,424,178
Total Program Services	4,822,124	-	4,822,124	439,531	-	439,531	(439,531)	4,822,124	-	4,822,124
Supporting Services:										
Management and General	515,993	-	515,993	141,628	-	141,628	-	657,621	-	657,621
Fundraising	1,166,067	-	1,166,067	240,967	-	240,967	-	1,407,034	-	1,407,034
Total Supporting Services	1,682,060	-	1,682,060	382,595	-	382,595	-	2,064,655	-	2,064,655
Total Expenses	6,504,184	-	6,504,184	822,126	-	822,126	(439,531)	6,886,779	-	6,886,779
CHANGE IN NET ASSETS	(552,729)	1,394,769	842,040	114,579	(112,939)	1,640	-	(438,150)	1,281,830	843,680
Net Assets - Beginning of Year (Restated)	3,268,124	2,107,691	5,375,815	25,914	114,808	140,722	-	3,294,038	2,222,499	5,516,537
NET ASSETS - END OF YEAR	<u>\$ 2,715,395</u>	<u>\$ 3,502,460</u>	<u>\$ 6,217,855</u>	<u>\$ 140,493</u>	<u>\$ 1,869</u>	<u>\$ 142,362</u>	<u>\$ -</u>	<u>\$ 2,855,888</u>	<u>\$ 3,504,329</u>	<u>\$ 6,360,217</u>

THE GLOBAL FUND FOR CHILDREN AND AFFILIATES
STATEMENT OF FUNCTIONAL EXPENSES – U.S. OPERATIONS
YEAR ENDED JUNE 30, 2016
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Program Services			Supporting Services			Total Expenses
	Communications	Programs	Total	Management and General	Fundraising	Total	
Grants	\$ -	\$ 2,450,762	\$ 2,450,762	\$ -	\$ -	\$ -	\$ 2,450,762
Salaries and Benefits	130,208	1,167,076	1,297,284	248,474	707,715	956,189	2,253,473
Consultants and Professional Services	169,638	112,135	281,773	118,915	118,321	237,236	519,009
Intern Program	5,518	14,131	19,649	-	10,836	10,836	30,485
Staff Development/Activities	24	5,000	5,024	4,758	2,285	7,043	12,067
Knowledge Exchanges	-	144,069	144,069	-	-	-	144,069
Conferences	-	2,053	2,053	-	-	-	2,053
Travel	1,083	108,759	109,842	17,767	32,579	50,346	160,188
Annual Report	9,899	6,144	16,043	1,525	5,495	7,020	23,063
Communication and Materials	21,294	-	21,294	-	2,867	2,867	24,161
Accounting & Auditing	-	-	-	36,440	-	36,440	36,440
Legal - Donated Services	-	-	-	84,679	-	84,679	84,679
Computers, Software and Technology	16,206	27,318	43,524	74,726	35,962	110,688	154,212
Office Supplies and Stationary	-	38	38	6,692	494	7,186	7,224
Printing and Photocopying	-	1,942	1,942	1,603	1,927	3,530	5,472
Postage and Shipping	-	-	-	7,225	874	8,099	8,099
Equipment Lease and Maintenance	(78)	(1,479)	(1,557)	8,206	100	8,306	6,749
Dues & Subscriptions	361	165	526	884	1,869	2,753	3,279
Bank and Payroll Processing	-	14,130	14,130	6,136	3,497	9,633	23,763
State Registration Fees	-	-	-	80	10,119	10,199	10,199
Telephone/Fax/Internet	-	1,421	1,421	33,124	2,130	35,254	36,675
Insurance	-	-	-	28,583	-	28,583	28,583
Unfulfilled Pledges	-	-	-	-	985	985	985
Depreciation	-	-	-	44,590	-	44,590	44,590
FX (Gain)/Loss	-	121	121	-	5,024	5,024	5,145
Rent	27,869	225,589	253,458	39,529	135,773	175,302	428,760
Direct Expenses	382,022	4,279,374	4,661,396	763,936	1,078,852	1,842,788	6,504,184
Indirect Expenses	15,924	144,804	160,728	(247,943)	87,215	(160,728)	-
Total Expenses	\$ 397,946	\$ 4,424,178	\$ 4,822,124	\$ 515,993	\$ 1,166,067	\$ 1,682,060	\$ 6,504,184

THE GLOBAL FUND FOR CHILDREN AND AFFILIATES
STATEMENT OF CASH FLOWS – U.S. OPERATIONS
YEARS ENDED JUNE 30, 2016 AND 2015
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	2016	2015
CASH FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 842,040	\$ 252,845
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	44,590	57,293
Bad Debt Expense	(985)	(59,070)
Unrealized Loss on Investments	147,011	72,264
Donated Securities Received	(27,659)	-
Changes in Assets and Liabilities:		
Accounts Receivable - Promises to Give and Other	(1,000,709)	1,661,217
Prepaid Expenses	(36,012)	19,798
Deposits	1,931	634
Accounts Payable and Accrued Expenses	(18,686)	(71,612)
Grants Payable	366,935	(540,100)
Accrued Vacation/Payroll	731	10,420
Deferred Lease Obligation	(45,710)	(34,637)
Net Cash Provided by Operating Activities	273,477	1,369,052
CASH FROM INVESTING ACTIVITIES		
Purchases of Investments	(65,581)	(108,934)
Purchases of Property and Equipment	(6,451)	(6,832)
Net Cash Used in Investing Activities	(72,032)	(115,766)
CASH FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease	(2,810)	(2,495)
Net Cash Used in Financing Activities	(2,810)	(2,495)
NET INCREASE IN CASH AND CASH EQUIVALENTS	198,635	1,250,791
Cash and Cash Equivalents - Beginning of Year	3,516,098	2,265,307
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,714,733	\$ 3,516,098
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ 598	\$ 913