

THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2013 AND 2012

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
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YEARS ENDED JUNE 30, 2013 AND 2012**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Global Fund for Children
Washington, DC

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Global Fund for Children and Affiliate, which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes of 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 \$163,351 and \$145,168 as of June 30, 2013 and 2012, respectively, and total revenues of \$1,094,058 and \$769,237, 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Global Fund for Children and its Affiliate as of June 30, 2013 and 2012, 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.

CliftonLarsonAllen LLP

Arlington, Virginia
November 11, 2013

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012**

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,107,471	\$ 2,919,787
Accounts Receivable:		
Promises to Give	1,100,179	1,749,856
Other	-	4,104
Total Accounts Receivable	1,100,179	1,753,960
Prepaid Expenses	18,234	21,533
Total Current Assets	5,225,884	4,695,280
PROMISES TO GIVE, NET OF CURRENT PORTION	79,217	620,493
INVESTMENTS	1,335,503	1,132,769
PROPERTY AND EQUIPMENT		
Office Equipment	209,668	204,978
Leasehold Improvements	376,030	376,030
Computer Software	-	77,161
Total Property and Equipment	585,698	658,169
Less: Accumulated Depreciation and Amortization	(387,665)	(403,413)
Net Property and Equipment	198,033	254,756
DEPOSITS	12,446	13,373
Total Assets	\$ 6,851,083	\$ 6,716,671
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 325,046	\$ 470,122
Accrued Vacation/Payroll	87,127	71,455
Deferred Revenue	-	7,000
Capital Lease Obligation	512	3,120
Total Current Liabilities	412,685	551,697
NON CURRENT LIABILITIES		
Deferred Lease Obligation	233,755	248,730
Capital Lease Obligation	-	275
Total Non Current Liabilities	233,755	249,005
Total Liabilities	646,440	800,702
NET ASSETS		
Unrestricted	2,586,924	1,231,511
Temporarily Restricted	2,525,990	3,597,941
Permanently Restricted (Endowment)	1,091,729	1,086,517
Total Net Assets	6,204,643	5,915,969
Total Liabilities and Net Assets	\$ 6,851,083	\$ 6,716,671

See accompanying Notes to Consolidated Financial Statements.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2013 AND 2012**

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE								
Gifts and Grants	\$ 5,110,449	\$ 3,590,372	\$ 5,212	\$ 8,706,033	\$ 3,545,024	\$ 2,524,936	\$ 2,812	\$ 6,072,772
Book Revenues and Royalties	29,642	-	-	29,642	34,338	-	-	34,338
Investment Income (Loss)	159,213	-	-	159,213	(25,759)	-	-	(25,759)
Rental Income	1,200	-	-	1,200	9,550	-	-	9,550
Other	1,705	-	-	1,705	-	-	-	-
Net Assets Released from Restrictions	4,662,323	(4,662,323)	-	-	5,317,784	(5,317,784)	-	-
Total Revenue	9,964,532	(1,071,951)	5,212	8,897,793	8,880,937	(2,792,848)	2,812	6,090,901
EXPENSES								
Program Services:								
Communications	369,492	-	-	369,492	384,390	-	-	384,390
Programs	6,411,746	-	-	6,411,746	6,842,096	-	-	6,842,096
Total Program Services	6,781,238	-	-	6,781,238	7,226,486	-	-	7,226,486
Supporting Services:								
Management and General	676,770	-	-	676,770	550,001	-	-	550,001
Fundraising	1,151,111	-	-	1,151,111	1,111,154	-	-	1,111,154
Total Supporting Services	1,827,881	-	-	1,827,881	1,661,155	-	-	1,661,155
Total Expenses	8,609,119	-	-	8,609,119	8,887,641	-	-	8,887,641
CHANGE IN NET ASSETS	1,355,413	(1,071,951)	5,212	288,674	(6,704)	(2,792,848)	2,812	(2,796,740)
Net Assets - Beginning of Year	1,231,511	3,597,941	1,086,517	5,915,969	1,238,215	6,390,789	1,083,705	8,712,709
NET ASSETS - END OF YEAR	\$ 2,586,924	\$ 2,525,990	\$ 1,091,729	\$ 6,204,643	\$ 1,231,511	\$ 3,597,941	\$ 1,086,517	\$ 5,915,969

See accompanying Notes to Consolidated Financial Statements.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013**

	Program Services			Supporting Services			Total Expenses
	Communications	Programs	Total	Management and General	Fundraising	Total	
Grants	\$ -	\$ 4,086,522	\$ 4,086,522	\$ -	\$ -	\$ -	\$ 4,086,522
Salaries and Benefits	168,451	1,318,922	1,487,373	441,066	665,389	1,106,455	2,593,828
Intern Program	-	13,314	13,314	2,070	19,078	21,148	34,462
Staff Development	795	3,928	4,723	10,642	1,665	12,307	17,030
Knowledge Exchanges	-	141,072	141,072	-	-	-	141,072
Conferences and Meetings	23	9,763	9,786	3,489	-	3,489	13,275
Photos	-	13,947	13,947	-	-	-	13,947
Books and Publications	-	132	132	-	-	-	132
Books for Kids	-	2,043	2,043	-	-	-	2,043
Events	-	-	-	-	94,684	94,684	94,684
Travel	7,593	141,585	149,178	46,023	65,628	111,651	260,829
Annual Report	2,820	42,147	44,967	1,857	1,966	3,823	48,790
Communications and Materials	18,077	-	18,077	-	31,957	31,957	50,034
Consultants and Professional Services	88,393	119,052	207,445	5,303	52,346	57,649	265,094
Accounting and Auditing	-	-	-	52,681	-	52,681	52,681
Legal - Donated Services	1,055	24,633	25,688	27,775	6,449	34,224	59,912
Computers, Software and Technology	5,001	3,736	8,737	110,081	3,758	113,839	122,576
Website Development and Media	23,743	38,535	62,278	-	-	-	62,278
Office Supplies and Stationary	-	69	69	21,336	814	22,150	22,219
Printing and Photocopying	1,160	4,003	5,163	7,116	2,038	9,154	14,317
Postage and Shipping	969	2,663	3,632	10,186	7,866	18,052	21,684
Equipment Leases and Maintenance	-	-	-	6,427	-	6,427	6,427
Dues and Subscriptions	243	324	567	1,368	6,004	7,372	7,939
Bank and Payroll Processing Fees	-	8,968	8,968	22,884	6,857	29,741	38,709
State Registration Fees	-	-	-	-	5,881	5,881	5,881
Telephone	-	-	-	28,782	241	29,023	29,023
Insurance	-	390	390	22,674	-	22,674	23,064
Depreciation	-	-	-	61,412	-	61,412	61,412
Foreign Exchange Loss	-	-	-	50,019	6,002	56,021	56,021
Rent	29,286	243,643	272,929	35,124	95,181	130,305	403,234
Direct Expenses	347,609	6,219,391	6,567,000	968,315	1,073,804	2,042,119	8,609,119
Indirect Expenses	21,883	192,355	214,238	(291,545)	77,307	(214,238)	-
Total Expenses	<u>\$ 369,492</u>	<u>\$ 6,411,746</u>	<u>\$ 6,781,238</u>	<u>\$ 676,770</u>	<u>\$ 1,151,111</u>	<u>\$ 1,827,881</u>	<u>\$ 8,609,119</u>

See accompanying Notes to Consolidated Financial Statements.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012**

	Program Services			Supporting Services			Total Expenses
	Communications	Programs	Total	Management and General	Fundraising	Total	
Grants	\$ -	\$ 4,327,559	\$ 4,327,559	\$ -	\$ -	\$ -	\$ 4,327,559
Salaries and Benefits	239,164	1,470,849	1,710,013	353,350	631,695	985,045	2,695,058
Intern Program	-	12,629	12,629	-	6,026	6,026	18,655
Staff Development	81	2,692	2,773	13,652	577	14,229	17,002
Knowledge Exchanges	-	160,025	160,025	-	-	-	160,025
Conferences and Meetings	-	5,145	5,145	2,943	-	2,943	8,088
Donor Supported Activities	3,050	54,243	57,293	-	-	-	57,293
Photos	-	12,349	12,349	-	-	-	12,349
Books and Publications	-	4,683	4,683	-	-	-	4,683
Books for Kids	-	1,200	1,200	-	-	-	1,200
Events	-	-	-	-	171,500	171,500	171,500
Travel	5,421	140,467	145,888	40,340	50,036	90,376	236,264
Annual Report	-	-	-	52,938	-	52,938	52,938
Communications and Materials	18,567	18,961	37,528	2,429	16,665	19,094	56,622
Consultants and Professional Services	26,893	57,887	84,780	81,222	19,143	100,365	185,145
Accounting and Auditing	-	-	-	51,408	-	51,408	51,408
Legal - Donated Services	-	14,736	14,736	8,379	-	8,379	23,115
Computers, Software and Technology	3,829	3,744	7,573	115,051	-	115,051	122,624
Website Development and Media	2,756	4,041	6,797	59,782	99	59,881	66,678
Office Supplies and Stationary	-	356	356	25,787	568	26,355	26,711
Printing and Photocopying	421	3,612	4,033	7,010	103	7,113	11,146
Postage and Shipping	858	1,013	1,871	9,773	17,267	27,040	28,911
Equipment Leases and Maintenance	-	-	-	8,091	-	8,091	8,091
Dues and Subscriptions	1,067	1,571	2,638	1,773	3,067	4,840	7,478
Bank and Payroll Processing Fees	-	6,332	6,332	14,148	3,029	17,177	23,509
State Registration Fees	-	-	-	-	5,476	5,476	5,476
Telephone	-	918	918	23,993	-	23,993	24,911
Insurance	-	3,771	3,771	24,216	-	24,216	27,987
Depreciation	-	-	-	70,949	-	70,949	70,949
Foreign Exchange Loss	-	-	-	15,034	-	15,034	15,034
Rent	33,790	215,418	249,208	44,865	75,159	120,024	369,232
Direct Expenses	335,897	6,524,201	6,860,098	1,027,133	1,000,410	2,027,543	8,887,641
Indirect Expenses	48,493	317,895	366,388	(477,132)	110,744	(366,388)	-
Total Expenses	<u>\$ 384,390</u>	<u>\$ 6,842,096</u>	<u>\$ 7,226,486</u>	<u>\$ 550,001</u>	<u>\$ 1,111,154</u>	<u>\$ 1,661,155</u>	<u>\$ 8,887,641</u>

See accompanying Notes to Consolidated Financial Statements.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012**

	2013	2012
CASH FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 288,674	\$ (2,796,740)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	61,412	70,949
Realized and Unrealized (Gain) Loss on Investments	(101,466)	52,628
Permanently Restricted Contributions	(5,212)	(2,812)
Changes in Assets and Liabilities:		
Accounts Receivable/Promises to Give	1,195,057	3,508,550
Inventory	-	18,455
Prepaid Expenses	3,299	45,972
Deposits	927	4,217
Accounts Payable and Accrued Expenses	(145,076)	142,221
Accrued Vacation/Payroll	15,672	(13,856)
Deferred Revenue	(7,000)	3,530
Deferred Leasehold Allowance	(14,975)	(31,082)
Net Cash Provided by Operating Activities	1,291,312	1,002,032
CASH FROM INVESTING ACTIVITIES		
Purchases of Investments	(295,312)	(26,147)
Sale of Investments	194,044	-
Purchases of Property and Equipment	(4,689)	(14,710)
Net Cash Used in Investing Activities	(105,957)	(40,857)
CASH FROM FINANCING ACTIVITIES		
Proceeds from Permanently Restricted Contributions	5,212	2,812
Principal Payments on Capital Lease	(2,883)	(2,575)
Net Cash Provided by Financing Activities	2,329	237
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,187,684	961,412
Cash and Cash Equivalents - Beginning of Year	2,919,787	1,958,375
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,107,471	\$ 2,919,787
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ 238	\$ 545

See accompanying Notes to Consolidated Financial Statements.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

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; developing books that teach children to value global diversity through its publishing venture, Global Fund for Children Books (formerly Shakti for Children™); and inspiring global citizenship and philanthropy through vibrant community education and outreach efforts.

The Global Fund for Children 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 Global Fund for Children UK Trust was officially incorporated as a private limited company in December 2006 and received charity registration in the UK in June 2007. The Global Fund for Children UK Trust is controlled by the board 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.

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 section 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.

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. GFC’s 2010, 2011 and 2012 tax years are open for examination by the IRS.

Use of Estimates

Management used estimates and assumptions in preparing the 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.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Equivalents

For 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, 2013 and 2012.

Investments

Investments consist of equity securities, equity mutual funds and fixed income mutual funds. 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 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 AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

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 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.

Grants Payable

Grants payable, included in accounts payable and accrued expenses, is recorded when committed by the Board of Directors. Grants payable totaled \$168,750 and \$378,365 for the years ended June 30, 2013 and 2012, respectively.

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 AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible Assets

As of June 30, 2013, GFC owned the intellectual property for 35 titles that are printed as 22 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 Statements of Financial Position of the Organization.

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 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.

Subsequent Events

In preparing these financial statements, GFC has evaluated events and transactions for potential recognition or disclosure through November 11, 2013, the date the financial statements were available to be issued.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 2 PROMISES TO GIVE

Promises to give as of June 30, 2013 and 2012 are unconditional. Amounts due after one year are discounted at the rates of 1% and 5%. Promises to give are considered fully collectible and are due as follows at June 30:

	<u>2013</u>	<u>2012</u>
Promises to Give Due in Less Than One Year	\$ 1,100,179	\$ 1,749,856
Promises to Give Due in One to Five Years	<u>85,000</u>	<u>631,736</u>
	1,185,179	2,381,592
Less Present Value Discount	<u>(5,783)</u>	<u>(11,243)</u>
Net Promises to Give	<u>\$ 1,179,396</u>	<u>\$ 2,370,349</u>

NOTE 3 INVESTMENTS

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

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash	\$ 45,257	\$ 45,257	\$ -	\$ -
Fixed Income Mutual Funds	412,966	410,831	384,364	405,331
Equity Mutual Funds	<u>726,287</u>	<u>879,415</u>	<u>683,245</u>	<u>727,438</u>
	<u>\$ 1,184,510</u>	<u>\$ 1,335,503</u>	<u>\$ 1,067,609</u>	<u>\$ 1,132,769</u>

Investment income for the years ended June 30, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Interest and Dividends	\$ 57,747	\$ 26,869
Realized Gain	14,659	-
Unrealized Gain (Loss)	<u>86,807</u>	<u>(52,628)</u>
Total Investment Income (Loss)	<u>\$ 159,213</u>	<u>\$ (25,759)</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 statement of activities.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

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:

	2013			
	Level 1	Level 2	Level 3	Total
Fixed Income Mutual Funds	\$ 410,831	\$ -	\$ -	\$ 410,831
Equity Mutual Funds	879,415	-	-	879,415
	\$ 1,290,246	\$ -	\$ -	\$ 1,290,246
	2012			
	Level 1	Level 2	Level 3	Total
Fixed Income Mutual Funds	\$ 405,331	\$ -	\$ -	\$ 405,331
Equity Mutual Funds	727,438	-	-	727,438
	\$ 1,132,769	\$ -	\$ -	\$ 1,132,769

NOTE 5 CAPITAL LEASE COMMITMENT

In September 2008, GFC entered into a five-year capital lease obligation for a color copier. The liability under this capital lease at June 30, 2013 is \$512. Future minimum payments for the capital lease obligation total \$520 and become due in fiscal year 2014, \$8 of which represent interest.

The capitalized equipment has a cost of \$11,872 and accumulated amortization of \$11,476 at June 30, 2013. Amortization expense of \$2,374 was recognized on the capitalized equipment for the year ended June 30, 2013.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2013 and 2012, net assets were temporarily restricted as follows:

	2013	2012
Programs	\$ 2,525,990	\$ 3,387,737
Communication	-	11,194
Capacity Building	-	199,010
	\$ 2,525,990	\$ 3,597,941

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:

	2013	2012
Programs	\$ 4,452,119	\$ 5,221,705
Communication	11,194	-
Capacity Building	199,010	96,079
	\$ 4,662,323	\$ 5,317,784

NOTE 7 PROGRAM SERVICES

Program services are segregated by type of activity within the Statements of Activities. The following indicates the specific activities that are included in each program area:

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, 2013, GFC awarded 407 grants to 331 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 will no longer develop and author 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.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 7 PROGRAM SERVICES (CONTINUED)

Communications

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

NOTE 8 CONTRIBUTED SERVICES

During June 30, 2013 and 2012, GFC received services with an estimated fair value of \$59,191 and \$23,115 respectively, in the form of pro-bono 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 amounted to \$403,224 and \$369,232 for the years ended June 30, 2013 and 2012, respectively. A portion of this space is subleased to a tenant and GFC recognized income of \$1,200 and \$9,550 for the years ended June 30, 2013 and 2012, respectively.

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>	<u>Minimum Lease Payment</u>
2014	\$ 432,521
2015	443,355
2016	454,427
2017	465,778
2018	477,418
Thereafter	17,588
Total	<u>\$ 2,291,087</u>

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

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. The Fund may choose to make a discretionary contribution to the Plan. In order to be eligible to receive a discretionary contribution, an eligible employee must complete two eligibility years of service. Pension expense for the Plan totaled \$53,006 and \$69,457 for the years ended June 30, 2013 and 2012, respectively.

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 CONCENTRATIONS OF RISK

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

NOTE 13 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.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 13 ENDOWMENT (CONTINUED)

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

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, July 1, 2012	\$ -	\$ 99,879	\$ 1,086,517	\$ 1,186,396
Contributions	-	-	5,212	5,212
Investment Loss	-	157,734	-	157,734
Endowment net assets, June 30, 2013	<u>\$ -</u>	<u>\$ 257,613</u>	<u>\$ 1,091,729</u>	<u>\$ 1,349,342</u>
	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2011	-	\$ 127,208	\$ 1,083,705	\$ 1,210,913
Contributions	-	-	2,812	2,812
Investment Loss	-	(27,329)	-	(27,329)
Endowment net assets, June 30, 2012	<u>\$ -</u>	<u>\$ 99,879</u>	<u>\$ 1,086,517</u>	<u>\$ 1,186,396</u>

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 14 LINE OF CREDIT

In March of 2013, GFC opened a revolving line of credit in the amount of \$750,000, which expires on April 2, 2014. The interest rate on funds borrowed is Prime plus 50 basis points with a floor of 5 percent. GFC is required to pay down the line to zero for 30 days during a 12 month period. There are no fees or charges associated with this credit line beyond interest on funds borrowed. GFC did not draw down on the line of credit during the year ended June 30, 2013.



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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 Affiliate as of and for the years ended June 30, 2013 and 2012, and our report thereon dated November 11, 2013, which expressed an unqualified opinion on those 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 financial information on pages 19 through 22 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
November 11, 2013

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	<u>GFC</u>	<u>UK Trust</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 3,945,023	\$ 162,448	\$ -	\$ 4,107,471
Accounts Receivable:				
Promises to Give	1,100,179	-	-	1,100,179
Other	19,080	-	(19,080)	-
Total Accounts Receivable	<u>1,119,259</u>	<u>-</u>	<u>(19,080)</u>	<u>1,100,179</u>
Prepaid Expenses	17,331	903	-	18,234
Total Current Assets	<u>5,081,613</u>	<u>163,351</u>	<u>(19,080)</u>	<u>5,225,884</u>
PROMISES TO GIVE, NET OF CURRENT PORTION	79,217	-	-	79,217
INVESTMENTS	1,335,503	-	-	1,335,503
PROPERTY AND EQUIPMENT				
Office Equipment	209,668	-	-	209,668
Leasehold Improvements	376,030	-	-	376,030
Total Property and Equipment	<u>585,698</u>	<u>-</u>	<u>-</u>	<u>585,698</u>
Less: Accumulated Depreciation and Amortization	(387,665)	-	-	(387,665)
Net Property and Equipment	<u>198,033</u>	<u>-</u>	<u>-</u>	<u>198,033</u>
DEPOSITS	<u>12,446</u>	<u>-</u>	<u>-</u>	<u>12,446</u>
Total Assets	<u>\$ 6,706,812</u>	<u>\$ 163,351</u>	<u>\$ (19,080)</u>	<u>\$ 6,851,083</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 308,449	\$ 35,677	\$ (19,080)	\$ 325,046
Accrued Vacation/Payroll	87,127	-	-	87,127
Deferred Revenue	-	-	-	-
Capital Lease Obligation	512	-	-	512
Total Current Liabilities	<u>396,088</u>	<u>35,677</u>	<u>(19,080)</u>	<u>412,685</u>
NON CURRENT LIABILITIES				
Deferred Lease Obligation	233,755	-	-	233,755
Capital Lease Obligation	-	-	-	-
Total Non Current Liabilities	<u>233,755</u>	<u>-</u>	<u>-</u>	<u>233,755</u>
Total Liabilities	629,843	35,677	(19,080)	646,440
NET ASSETS				
Unrestricted	2,459,250	127,674	-	2,586,924
Temporarily Restricted	2,525,990	-	-	2,525,990
Permanently Restricted (Endowment)	1,091,729	-	-	1,091,729
Total Net Assets	<u>6,076,969</u>	<u>127,674</u>	<u>-</u>	<u>6,204,643</u>
Total Liabilities and Net Assets	<u>\$ 6,706,812</u>	<u>\$ 163,351</u>	<u>\$ (19,080)</u>	<u>\$ 6,851,083</u>

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	GFC			Total	UK Trust	Elimination	Consolidated			
	Unrestricted	Temporarily Restricted	Permanently Restricted		Unrestricted		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE										
Gifts and Grants	\$ 4,663,626	\$ 3,590,372	\$ 5,212	\$ 8,259,210	\$ 1,093,913	\$ (647,090)	\$ 5,110,449	\$ 3,590,372	\$ 5,212	\$ 8,706,033
Book Revenues and Royalties	29,642	-	-	29,642	-	-	29,642	-	-	29,642
Investment Income	159,068	-	-	159,068	145	-	159,213	-	-	159,213
Rental Income	1,200	-	-	1,200	-	-	1,200	-	-	1,200
Other	1,705	-	-	1,705	-	-	1,705	-	-	1,705
Net Assets Released from Restrictions	4,662,323	(4,662,323)	-	-	-	-	4,662,323	(4,662,323)	-	-
Total Revenue	9,517,564	(1,071,951)	5,212	8,450,825	1,094,058	(647,090)	9,964,532	(1,071,951)	5,212	8,897,793
EXPENSES										
Program Services:										
Communications	369,492	-	-	369,492	-	-	369,492	-	-	369,492
Programs	6,411,746	-	-	6,411,746	647,090	(647,090)	6,411,746	-	-	6,411,746
Total Program Services	6,781,238	-	-	6,781,238	647,090	(647,090)	6,781,238	-	-	6,781,238
Supporting Services:										
Management and General	528,524	-	-	528,524	148,246	-	676,770	-	-	676,770
Fundraising	882,854	-	-	882,854	268,257	-	1,151,111	-	-	1,151,111
Total Supporting Services	1,411,378	-	-	1,411,378	416,503	-	1,827,881	-	-	1,827,881
Total Expenses	8,192,616	-	-	8,192,616	1,063,593	(647,090)	8,609,119	-	-	8,609,119
CHANGE IN NET ASSETS	1,324,948	(1,071,951)	5,212	258,209	30,465	-	1,355,413	(1,071,951)	5,212	288,674
Net Assets - Beginning of Year	1,134,302	3,597,941	1,086,517	5,818,760	97,209	-	1,231,511	3,597,941	1,086,517	5,915,969
NET ASSETS - END OF YEAR	\$ 2,459,250	\$ 2,525,990	\$ 1,091,729	\$ 6,076,969	\$ 127,674	\$ -	\$ 2,586,924	\$ 2,525,990	\$ 1,091,729	\$ 6,204,643

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
STATEMENT OF FUNCTIONAL EXPENSES – U.S. OPERATIONS
YEAR ENDED JUNE 30, 2013
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	Program Services			Supporting Services			Total Expenses
	Communications	Programs	Total	Management and General	Fundraising	Total	
Grants	\$ -	\$ 4,086,522	\$ 4,086,522	\$ -	\$ -	\$ -	\$ 4,086,522
Salaries and Benefits	168,451	1,318,922	1,487,373	372,557	513,470	886,027	2,373,400
Intern Program	-	13,314	13,314	2,070	19,078	21,148	34,462
Staff Development	795	3,928	4,723	10,642	1,665	12,307	17,030
Knowledge Exchanges	-	141,072	141,072	-	-	-	141,072
Conferences and Meetings	23	9,763	9,786	-	-	-	9,786
Photos	-	13,947	13,947	-	-	-	13,947
Books and Publications	-	132	132	-	-	-	132
Books for Kids	-	2,043	2,043	-	-	-	2,043
Events	-	-	-	-	20,713	20,713	20,713
Travel	7,593	141,585	149,178	46,023	38,975	84,998	234,176
Annual Report	2,820	42,147	44,967	1,857	1,966	3,823	48,790
Communications and Materials	18,077	-	18,077	-	31,957	31,957	50,034
Consultants and Professional Services	88,393	119,052	207,445	5,071	40,828	45,899	253,344
Accounting and Auditing	-	-	-	35,259	-	35,259	35,259
Legal - Donated Services	1,055	24,633	25,688	27,054	6,449	33,503	59,191
Computers, Software and Technology	5,001	3,736	8,737	110,081	3,758	113,839	122,576
Website Development and Media	23,743	38,535	62,278	-	-	-	62,278
Office Supplies and Stationary	-	69	69	13,941	814	14,755	14,824
Printing and Photocopying	1,160	4,003	5,163	7,116	2,038	9,154	14,317
Postage and Shipping	969	2,663	3,632	8,627	7,866	16,493	20,125
Equipment Leases and Maintenance	-	-	-	6,427	-	6,427	6,427
Dues and Subscriptions	243	324	567	1,368	1,808	3,176	3,743
Bank and Payroll Processing Fees	-	8,968	8,968	22,519	6,857	29,376	38,344
State Registration Fees	-	-	-	-	5,881	5,881	5,881
Telephone	-	-	-	26,832	241	27,073	27,073
Insurance	-	390	390	21,535	-	21,535	21,925
Depreciation	-	-	-	61,412	-	61,412	61,412
Foreign Exchange Loss	-	-	-	4,554	6,002	10,556	10,556
Rent	29,286	243,643	272,929	35,124	95,181	130,305	403,234
Direct Expenses	347,609	6,219,391	6,567,000	820,069	805,547	1,625,616	8,192,616
Indirect Expenses	21,883	192,355	214,238	(291,545)	77,307	(214,238)	-
Total Expenses	\$ 369,492	\$ 6,411,746	\$ 6,781,238	\$ 528,524	\$ 882,854	\$ 1,411,378	\$ 8,192,616

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
STATEMENT OF CASH FLOWS – U.S. OPERATIONS
YEAR ENDED JUNE 30, 2013
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

CASH FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 258,209
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	61,412
Realized and Unrealized (Gain) Loss on Investments	(101,466)
Permanently Restricted Contributions	(5,212)
Changes in Assets and Liabilities:	
Accounts Receivable/Promises to Give	1,209,518
Prepaid Expenses	3,473
Deposits	927
Accounts Payable and Accrued Expenses	(151,159)
Accrued Vacation/Payroll	15,672
Deferred Revenue	(7,000)
Deferred Leasehold Allowance	(14,975)
Net Cash Provided by Operating Activities	<u>1,269,399</u>
CASH FROM INVESTING ACTIVITIES	
Purchases of Investments	(295,312)
Proceeds from Sale of Investments	194,044
Purchases of Property and Equipment	(4,689)
Net Cash Used in Investing Activities	<u>(105,957)</u>
CASH FROM FINANCING ACTIVITIES	
Proceeds from Permanently Restricted Contributions	5,212
Principal Payments on Capital Lease	(2,883)
Net Cash Provided by Financing Activities	<u>2,329</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,165,771
Cash and Cash Equivalents - July 1, 2012	<u>2,779,252</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2013	<u><u>\$ 3,945,023</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash Paid During the Year for Interest	<u><u>\$ 238</u></u>