

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AND**  
**SUPPLEMENTARY INFORMATION**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES  
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## 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, 2018 and 2017, 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 \$200,549 and \$309,517 as of June 30, 2018 and 2017, respectively, and total revenues of \$418,170 and \$993,960, 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.

Board of Directors  
The Global Fund for Children

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 consolidated financial position of The Global Fund for Children and its Affiliates as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with generally accepted accounting principles in the United States of America.



**CliftonLarsonAllen LLP**

Arlington, Virginia  
November 19, 2018

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2018 AND 2017**

	2018	2017
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 4,225,630	\$ 4,352,207
Promises to Give (Net)	5,497,208	3,041,878
Accounts Receivable - Other	2,665	2,665
Prepaid Expenses	49,307	17,355
Investments	1,815,337	1,704,371
Property and Equipment (Net)	22,556	57,419
Deposits	59,529	16,236
	\$ 11,672,232	\$ 9,192,131
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 67,443	\$ 286,922
Grants Payable	178,299	413,019
Accrued Vacation/Payroll	61,251	80,008
Deferred Lease Obligation	3,845	72,545
Refundable Advance	900,000	-
Capital Lease Obligation	7,729	281
Total Liabilities	1,218,567	852,775
<b>NET ASSETS</b>		
Unrestricted	3,245,280	3,453,114
Temporarily Restricted	7,131,297	4,886,242
Permanently Restricted (Endowment)	77,088	-
Total Net Assets	10,453,665	8,339,356
Total Liabilities and Net Assets	\$ 11,672,232	\$ 9,192,131

See accompanying Notes to Consolidated Financial Statements.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

	2018				2017		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUE</b>							
Gifts and Grants	\$ 2,187,585	\$ 6,669,266	\$ 77,088	\$ 8,933,939	\$ 2,620,571	\$ 6,062,139	\$ 8,682,710
Book Revenues and Royalties	24,156	-	-	24,156	24,685	-	24,685
Investment Income (Net)	115,501	-	-	115,501	221,292	-	221,292
Net Assets Released from Restrictions	4,424,211	(4,424,211)	-	-	4,680,226	(4,680,226)	-
Total Revenue	6,751,453	2,245,055	77,088	9,073,596	7,546,774	1,381,913	8,928,687
<b>EXPENSES</b>							
Program Services:							
Communications	480,528	-	-	480,528	291,610	-	291,610
Programs	4,500,600	-	-	4,500,600	4,652,227	-	4,652,227
Total Program Services	4,981,128	-	-	4,981,128	4,943,837	-	4,943,837
Supporting Services:							
Management and General	630,417	-	-	630,417	636,241	-	636,241
Fundraising	1,347,742	-	-	1,347,742	1,369,470	-	1,369,470
Total Supporting Services	1,978,159	-	-	1,978,159	2,005,711	-	2,005,711
Total Expenses	6,959,287	-	-	6,959,287	6,949,548	-	6,949,548
<b>CHANGE IN NET ASSETS</b>	(207,834)	2,245,055	77,088	2,114,309	597,226	1,381,913	1,979,139
Net Assets - Beginning of Year	3,453,114	4,886,242	-	8,339,356	2,855,888	3,504,329	6,360,217
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,245,280</u>	<u>\$ 7,131,297</u>	<u>\$ 77,088</u>	<u>\$ 10,453,665</u>	<u>\$ 3,453,114</u>	<u>\$ 4,886,242</u>	<u>\$ 8,339,356</u>

See accompanying Notes to Consolidated Financial Statements.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2018**

	Program Services			Supporting Services			Total Expenses
	Communications	Programs	Total	Management and General	Fundraising	Total	
Grants	\$ -	\$ 2,181,730	\$ 2,181,730	\$ -	\$ -	\$ -	\$ 2,181,730
Salaries and Benefits	153,015	1,201,334	1,354,349	285,358	840,914	1,126,272	2,480,621
Consultants and Professional Services	138,855	448,408	587,263	192,485	63,607	256,092	843,355
Intern Program	887	2,240	3,127	-	-	-	3,127
Staff Development/Activities	-	810	810	17,320	229	17,549	18,359
Knowledge Exchanges	-	88,144	88,144	-	-	-	88,144
Fellowships	-	20,000	20,000	-	-	-	20,000
Conferences	-	3,834	3,834	2,572	365	2,937	6,771
Travel	13,971	106,743	120,714	28,019	24,024	52,043	172,757
Annual Report	1,001	-	1,001	2,000	-	2,000	3,001
Fall and Spring Appeals	17,718	-	17,718	-	65	65	17,783
Accounting and Auditing	-	-	-	53,732	-	53,732	53,732
Legal - Donated Services	-	-	-	66,447	-	66,447	66,447
Computers, Software and Technology	92,452	37,540	129,992	51,336	37,288	88,624	218,616
Office Supplies and Stationary	61	1,047	1,108	8,947	86	9,033	10,141
Printing and Photocopying	-	279	279	3,166	1,809	4,975	5,254
Postage and Shipping	1,107	161	1,268	2,147	347	2,494	3,762
Equipment Lease and Maintenance	636	-	636	16,135	-	16,135	16,771
Dues and Subscriptions	75	297	372	1,699	5,711	7,410	7,782
Bank and Payroll Processing	50	5,126	5,176	13,755	3,504	17,259	22,435
State Registration Fees	-	-	-	65	11,032	11,097	11,097
Telephone/Fax/Internet	1,236	6,536	7,772	25,851	1,640	27,491	35,263
Insurance	-	-	-	32,372	-	32,372	32,372
Depreciation	-	-	-	53,526	-	53,526	53,526
Gifts and Flowers	-	-	-	82	219	301	301
Rent	30,951	228,452	259,403	69,820	144,147	213,967	473,370
Foreign Exchange Gain	-	-	-	(6,843)	-	(6,843)	(6,843)
Public Relations and Communications	6,597	-	6,597	306	112,710	113,016	119,613
Direct Expenses	458,612	4,332,681	4,791,293	920,297	1,247,697	2,167,994	6,959,287
Indirect Expenses	21,916	167,919	189,835	(289,880)	100,045	(189,835)	-
Total Expenses	<u>\$ 480,528</u>	<u>\$ 4,500,600</u>	<u>\$ 4,981,128</u>	<u>\$ 630,417</u>	<u>\$ 1,347,742</u>	<u>\$ 1,978,159</u>	<u>\$ 6,959,287</u>

See accompanying Notes to Consolidated Financial Statements.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2017**

	Program Services			Supporting Services			Total Expenses
	Communications	Programs	Total	Management and General	Fundraising	Total	
Grants	\$ -	\$ 2,156,198	\$ 2,156,198	\$ -	\$ -	\$ -	\$ 2,156,198
Salaries and Benefits	90,906	1,231,082	1,321,988	298,980	735,544	1,034,524	2,356,512
Consultants and Professional Services	123,459	384,790	508,249	168,461	241,109	409,570	917,819
Intern Program	-	3,491	3,491	-	500	500	3,991
Staff Development/Activities	151	2,545	2,696	6,430	928	7,358	10,054
Knowledge Exchanges	-	170,697	170,697	-	-	-	170,697
Conferences and Meetings	-	7,138	7,138	-	3,700	3,700	10,838
Events	-	-	-	-	64,214	64,214	64,214
Travel	20	164,794	164,814	22,461	30,967	53,428	218,242
Annual Report	754	14,087	14,841	2,522	6,545	9,067	23,908
Communications and Materials	12,145	-	12,145	-	426	426	12,571
Accounting and Auditing	-	-	-	51,457	-	51,457	51,457
Legal - Donated Services	-	-	-	98,856	-	98,856	98,856
Computers, Software and Technology	27,976	55,422	83,398	63,987	42,488	106,475	189,873
Office Supplies and Stationary	155	86	241	8,251	230	8,481	8,722
Printing and Photocopying	1,072	771	1,843	1,319	666	1,985	3,828
Postage and Shipping	910	754	1,664	1,318	1,374	2,692	4,356
Equipment Leases and Maintenance	(212)	(1,768)	(1,980)	9,126	(929)	8,197	6,217
Dues and Subscriptions	-	307	307	2,849	1,658	4,507	4,814
Bank and Payroll Processing Fees	-	17,731	17,731	12,896	2,795	15,691	33,422
Registration Fees	-	-	-	251	10,259	10,510	10,510
Telephone/Fax/Internet	419	8,304	8,723	31,141	1,502	32,643	41,366
Insurance	-	-	-	31,883	-	31,883	31,883
Unfulfilled Pledges	-	1,500	1,500	-	-	-	1,500
Depreciation	-	-	-	42,655	-	42,655	42,655
Gifts and Flowers	-	25	25	346	52	398	423
Foreign Exchange Loss	-	-	-	1,220	-	1,220	1,220
Rent	16,139	251,165	267,304	71,550	131,295	202,845	470,149
Public Relations and Communications	3,136	-	3,136	-	117	117	3,253
Direct Expenses	277,030	4,469,119	4,746,149	927,959	1,275,440	2,203,399	6,949,548
Indirect Expenses	14,580	183,108	197,688	(291,718)	94,030	(197,688)	-
Total Expenses	<u>\$ 291,610</u>	<u>\$ 4,652,227</u>	<u>\$ 4,943,837</u>	<u>\$ 636,241</u>	<u>\$ 1,369,470</u>	<u>\$ 2,005,711</u>	<u>\$ 6,949,548</u>

See accompanying Notes to Consolidated Financial Statements.



**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
<b>CASH FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 2,114,309	\$ 1,979,139
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities:		
Depreciation and Amortization	53,526	42,655
Provision for Doubtful Accounts	-	(1,500)
Unrealized Gain on Investments	(39,757)	(148,212)
Changes in Assets and Liabilities:		
Accounts Receivable - Promises to Give and Other	(2,430,330)	(1,433,657)
Prepaid Expenses	(31,952)	25,991
Deposits	(43,293)	1,260
Accounts Payable and Accrued Expenses	(219,479)	245,535
Grants Payable	(234,720)	(66,172)
Accrued Vacation/Payroll	(18,757)	(46,825)
Deferred Lease Obligation	(68,700)	(57,060)
Refundable Advance	900,000	-
Contributions Restricted for Long Term Purposes:		
Contributions	(77,088)	-
Net Cash (Used) Provided by Operating Activities	(96,241)	541,154
<b>CASH FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(71,209)	(71,698)
Sale of Investments	-	60,280
Purchases of Property and Equipment	(9,015)	(4,197)
Net Cash Used by Investing Activities	(80,224)	(15,615)
<b>CASH FROM FINANCING ACTIVITIES</b>		
Collection of Contributions Restricted for Long Term Purposes	52,088	-
Principal Payments on Capital Lease Obligation	(2,200)	(3,166)
Net Cash Provided (Used) by Financing Activities	49,888	(3,166)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(126,577)	522,373
Cash and Cash Equivalents - Beginning of Year	4,352,207	3,829,834
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 4,225,630	\$ 4,352,207
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION</b>		
Donated Securities Received	\$ 25,353	\$ 27,510

See accompanying Notes to Consolidated Financial Statements.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**GFC**

The Global Fund for Children (“GFC”) is an international non-profit organization that envisions a future where all children and youth enjoy equal resources and opportunities in society, and live free from violence, discrimination, and exploitation. GFC boldly pursues this vision by partnering with grassroots organizations around the world to help children and youth reach their full potential and advance their rights.

The Global Fund for Children UK Trust (“UK Trust”) is a charity organization that exists to improve the lives of millions of children and youth facing poverty, injustice and discrimination. The UK Trust was officially incorporated as a private limited company in December 2006 and received charity registration in the UK in June 2007. GFC is the sole member of The UK Trust and appoints the trustees; 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, 2018, HK Limited received its tax-exempt charitable status. GFC is the founding member of HK Limited, and the HK Limited board consists of the President and CEO and VP of Programs of GFC; therefore the organizations are consolidated. The financial position and results of operations of HK Limited were not presented in these consolidated financial statements as the activity was not material.

**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 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, 2018, HK Limited received its charity registration. GFC HK Limited is exempt from tax under Section 88 of Inland Revenue Ordinance.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Tax Status (Continued)**

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.

**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, 2018 and 2017.

**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.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value of Financial Instruments (Continued)**

**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.

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**

Property and equipment are recorded at cost and 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.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 – represent funds presently available for use by GFC at its discretion.

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

Permanently Restricted Net Assets – represent funds that require the principal to be maintained in perpetuity and the earnings to be spent on programs specified by donors.

**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 is 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.

**Concentration of Credit Risk**

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

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Refundable Advances**

Conditional contributions are recorded as refundable advances when donor conditions have not been met as of fiscal year end.

**Subsequent Events**

In preparing these financial statements, GFC has evaluated events and transactions for potential recognition or disclosure through November 19, 2018, the date the consolidated financial statements were available to be issued.

**NOTE 2 PROMISES TO GIVE**

Promises to give as of June 30, 2018 and 2017, are unconditional. Amounts due after one year are discounted at the rates of 2.63% and 3.15%, respectively. Promises to give are considered fully collectible and are due as follows at June 30:

	2018	2017
Promises to Give Due in Less Than One Year	\$ 2,825,987	\$ 1,624,040
Promises to Give Due in One to Five Years	2,775,401	1,462,500
	<u>5,601,388</u>	<u>3,086,540</u>
Less: Present Value Discount	(104,180)	(44,662)
Net Promises to Give	<u>\$ 5,497,208</u>	<u>\$ 3,041,878</u>

As of June 30, 2018 and 2017, promises to give consist of pledges from three donors, representing approximately 84% and 83%, respectively, of the net pledges.

**NOTE 3 INVESTMENTS**

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

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Fixed Income Mutual Funds	\$ 443,208	\$ 430,648	\$ 435,928	\$ 432,125
Equity Mutual Funds	1,080,484	1,384,689	1,016,555	1,272,246
Total	<u>\$ 1,523,692</u>	<u>\$ 1,815,337</u>	<u>\$ 1,452,483</u>	<u>\$ 1,704,371</u>

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 3 INVESTMENTS (CONTINUED)**

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

	2018	2017
Interest and Dividends	\$ 75,744	\$ 73,080
Gains on Investments	39,757	148,212
Total Investment Income	\$ 115,501	\$ 221,292

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.

**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:

	2018			
	Level 1	Level 2	Level 3	Total
Fixed Income Mutual Funds	\$ 430,648	\$ -	\$ -	\$ 430,648
Equity Mutual Funds	1,384,689	-	-	1,384,689
Total	\$ 1,815,337	\$ -	\$ -	\$ 1,815,337

	2017			
	Level 1	Level 2	Level 3	Total
Fixed Income Mutual Funds	\$ 432,125	\$ -	\$ -	\$ 432,125
Equity Mutual Funds	1,272,246	-	-	1,272,246
Total	\$ 1,704,371	\$ -	\$ -	\$ 1,704,371

**NOTE 5 TEMPORARILY RESTRICTED NET ASSETS**

At June 30, 2018 and 2017, net assets were temporarily restricted as follows:

	2018	2017
Programs and Time	\$ 7,131,297	\$ 4,886,242

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 5 TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)**

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:

	2018	2017
Programs and Time	\$ 4,424,211	\$ 4,680,226

**NOTE 6 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 courageous grassroots organizations that advance children’s rights around the world. Run by dedicated local leaders, these grassroots partners empower young people facing poverty and injustice to reach their full potential. GFC’s goal is to help these organizations deepen their impact and build their capacity for social change. GFC carries out this work across four core focus areas: Education; Gender Equity; Youth Empowerment; and Freedom from Violence and Exploitation.

For the year ended June 30, 2018, GFC awarded 230 grants to 141 community-based organizations. In addition to these program grants, grantee partners were also able to access other GFC capacity-development support, such as site visit consultations, assistance with applying to other donors, and access to networking and capacity-development initiatives like knowledge exchange workshops.

**Communications**

Through its communications outreach, GFC uses digital media, photography and stories to tell about its efforts dedicated to discovering, funding, and coaching truly grassroots organizations that empower children and youth. By using its website, online outreach and social media, GFC highlights its ability to take smart risks that others won’t, partnering with innovative organizations that are fighting the odds in places like slums, refugee camps, and rural villages. GFC provides a crucial link, connecting community leaders with the professional services and support they need to succeed.



**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 7 CONTRIBUTED SERVICES**

During June 30, 2018 and 2017, GFC received services with an estimated fair value of \$320,981 and \$413,856, respectively in the form of pro bono professional and legal services. The legal services were dedicated to administrative legal advice.

**NOTE 8 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 and the UK Trust totaled \$469,115 and \$470,149 for the years ended June 30, 2018 and 2017, respectively. Rent expense reflected on the consolidated statement of functional expenses and the statement of activities – U. S. Operations for the years ended June 30, 2018 and 2017, 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.

In March 2018, GFC entered into an 89-month non-cancelable operating lease for office space commencing July 2018. The lease includes tenant move-in and leasehold improvements allowances.

Future minimum payments on the office lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 244,710
2020	261,202
2021	267,732
2022	274,425
2023	281,286
Thereafter	724,353
Total	<u>\$ 2,053,708</u>

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 9 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, GFC 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 \$59,771 and \$69,595 for the years ended June 30, 2018 and 2017, respectively.

**NOTE 10 CONTINGENCIES AND COMMITMENTS**

**Collectability of Revenue**

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.

**Employment Agreement**

GFC has an employment agreement with an executive that includes severance payments upon termination without cause.

**NOTE 11 LINE OF CREDIT**

GFC has a revolving line of credit in the amount of \$750,000. The line of credit is due on demand. The interest rate on funds borrowed is Prime plus .54% at June 30, 2018. GFC is subject to certain covenants as defined in the agreement. GFC did not draw down on its line of credit during the years ended June 30, 2018 or 2017.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 12 ENDOWMENT**

**Permanently Restricted**

Permanently restricted net assets of \$77,088 at June 30, 2018, are available for the Juliette Gimon Fund for Courageous Leadership to honor the work Juliette brought to children and young people globally. This amount represents contributions including matching funds received to assist in the creation of a permanent endowment fund.

**Interpretation of Relevant Law**

The Board of Directors of GFC has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the original gift amount 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 assets are appropriated for expenditures by GFC in a manner consistent with the standards of prudence prescribed by UPMIFA.

In accordance with UPMIFA, GFC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of GFC and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of GFC.
- The investment policies of GFC.

**Return Objectives and Risk Parameters**

GFC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to increase its endowment while seeking to maintain the purchasing power of endowment assets. Endowment assets include those assets of donor-restricted funds that GFC must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to preserve principal while earning as much income as possible assuming a conservative level of investing risk.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 12 ENDOWMENT (CONTINUED)**

**Spending Policy**

GFC has also established a spending policy for its endowment funds that allows it to draw 5% of the Fund's total market value based on the 3-year average balance of the portfolio at the end of each calendar year.

Changes in endowment net assets and composition by type of fund for the year ended June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - July 1, 2017	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	77,088	77,088
Endowment Net Assets - June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,088</u>	<u>\$ 77,088</u>

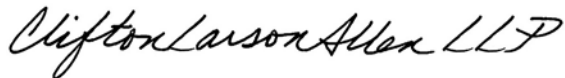
**NOTE 13 RELATED PARTY TRANSACTIONS**

During the years ended June 30, 2018 and 2017, GFC received contributions from Board members totaling \$511,500 and \$768,881, respectively.

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors  
The Global Fund for Children and Affiliates  
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, 2018 and 2017, and our report thereon dated November 19, 2018, 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 20-23, 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**

Arlington, Virginia  
November 19, 2018

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2018**  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

<b>ASSETS</b>	<u>GFC</u>	<u>UK Trust</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 4,135,025	\$ 90,605	\$ -	\$ 4,225,630
Accounts Receivable:				
Promises to Give (Net)	5,391,079	106,129	-	5,497,208
Other	18,522	-	(15,857)	2,665
Prepaid Expenses	49,307	-	-	49,307
Investments	1,815,337	-	-	1,815,337
Property and Equipment (Net)	22,556	-	-	22,556
Deposits	55,714	3,815	-	59,529
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 11,487,540</u>	<u>\$ 200,549</u>	<u>\$ (15,857)</u>	<u>\$ 11,672,232</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts Payable and Accrued Expenses	\$ 43,680	\$ 39,620	\$ (15,857)	\$ 67,443
Grants Payable	178,299	-	-	178,299
Accrued Vacation/Payroll	61,251	-	-	61,251
Deferred Lease Obligation	3,845	-	-	3,845
Refundable Advance	900,000	-	-	900,000
Capital Lease Obligation	7,729	-	-	7,729
Total Liabilities	<u>1,194,804</u>	<u>39,620</u>	<u>(15,857)</u>	<u>1,218,567</u>
<b>NET ASSETS</b>				
Unrestricted	3,084,351	160,929	-	3,245,280
Temporarily Restricted	7,131,297	-	-	7,131,297
Permanently Restricted (Endowment)	77,088	-	-	77,088
Total Net Assets	<u>10,292,736</u>	<u>160,929</u>	<u>-</u>	<u>10,453,665</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities and Net Assets	<u>\$ 11,487,540</u>	<u>\$ 200,549</u>	<u>\$ (15,857)</u>	<u>\$ 11,672,232</u>

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES  
CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	GFC				UK Trust			Elimination	Consolidated			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Total		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE</b>												
Gifts and Grants	\$ 1,836,346	\$ 6,669,266	\$ 77,088	\$ 8,582,700	\$ 418,170	\$ -	\$ 418,170	\$ (66,931)	\$ 2,187,585	\$ 6,669,266	\$ 77,088	\$ 8,933,939
Book Revenues and Royalties	24,156	-	-	24,156	-	-	-	-	24,156	-	-	24,156
Investment Income (Net)	115,501	-	-	115,501	-	-	-	-	115,501	-	-	115,501
Net Assets Released from Restrictions	4,360,072	(4,360,072)	-	-	64,139	(64,139)	-	-	4,424,211	(4,424,211)	-	-
Total Revenue	6,336,075	2,309,194	77,088	8,722,357	482,309	(64,139)	418,170	(66,931)	6,751,453	2,245,055	77,088	9,073,596
<b>EXPENSES</b>												
Program Services:												
Communications	480,528	-	-	480,528	-	-	-	-	480,528	-	-	480,528
Programs	4,424,656	-	-	4,424,656	142,875	-	142,875	(66,931)	4,500,600	-	-	4,500,600
Total Program Services	4,905,184	-	-	4,905,184	142,875	-	142,875	(66,931)	4,981,128	-	-	4,981,128
Supporting Services:												
Management and General	502,598	-	-	502,598	127,819	-	127,819	-	630,417	-	-	630,417
Fundraising	1,082,038	-	-	1,082,038	265,704	-	265,704	-	1,347,742	-	-	1,347,742
Total Supporting Services	1,584,636	-	-	1,584,636	393,523	-	393,523	-	1,978,159	-	-	1,978,159
Total Expenses	6,489,820	-	-	6,489,820	536,398	-	536,398	(66,931)	6,959,287	-	-	6,959,287
<b>CHANGE IN NET ASSETS</b>	(153,745)	2,309,194	77,088	2,232,537	(54,089)	(64,139)	(118,228)	-	(207,834)	2,245,055	77,088	2,114,309
Net Assets - Beginning of Year	3,238,096	4,822,103	-	8,060,199	215,018	64,139	279,157	-	3,453,114	4,886,242	-	8,339,356
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 3,084,351</b>	<b>\$ 7,131,297</b>	<b>\$ 77,088</b>	<b>\$ 10,292,736</b>	<b>\$ 160,929</b>	<b>\$ -</b>	<b>\$ 160,929</b>	<b>\$ -</b>	<b>\$ 3,245,280</b>	<b>\$ 7,131,297</b>	<b>\$ 77,088</b>	<b>\$ 10,453,665</b>

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES**  
**STATEMENT OF FUNCTIONAL EXPENSES – U.S. OPERATIONS**  
**YEAR ENDED JUNE 30, 2018**  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Program Services			Supporting Services			Total Expenses
	Communications	Programs	Total	Management and General	Fundraising	Total	
Grants	\$ -	\$ 2,181,730	\$ 2,181,730	\$ -	\$ -	\$ -	\$ 2,181,730
Salaries and Benefits	153,015	1,133,697	1,286,712	219,124	697,170	916,294	2,203,006
Consultants and Professional Services	138,855	448,408	587,263	175,614	63,607	239,221	826,484
Intern Program	887	2,240	3,127	-	-	-	3,127
Staff Development/Activities	-	810	810	16,059	229	16,288	17,098
Knowledge Exchanges	-	88,144	88,144	-	-	-	88,144
Fellowships	-	20,000	20,000	-	-	-	20,000
Conferences	-	3,834	3,834	2,572	365	2,937	6,771
Travel	13,971	99,899	113,870	28,019	14,905	42,924	156,794
Annual Report	1,001	-	1,001	2,000	-	2,000	3,001
Fall and Spring Appeals	17,718	-	17,718	-	65	65	17,783
Accounting and Auditing	-	-	-	38,696	-	38,696	38,696
Legal - Donated Services	-	-	-	66,447	-	66,447	66,447
Computers, Software and Technology	92,452	37,540	129,992	49,975	37,288	87,263	217,255
Office Supplies and Stationary	61	16	77	4,882	86	4,968	5,045
Printing and Photocopying	-	279	279	1,583	1,809	3,392	3,671
Postage and Shipping	1,107	161	1,268	1,835	347	2,182	3,450
Equipment Lease and Maintenance	636	-	636	16,135	-	16,135	16,771
Dues and Subscriptions	75	254	329	1,699	5,711	7,410	7,739
Bank and Payroll Processing	50	5,126	5,176	11,610	3,504	15,114	20,290
State Registration Fees	-	-	-	-	11,032	11,032	11,032
Telephone/Fax/Internet	1,236	6,147	7,383	25,851	1,640	27,491	34,874
Insurance	-	-	-	30,811	-	30,811	30,811
Depreciation	-	-	-	53,526	-	53,526	53,526
Gifts and Flowers	-	-	-	82	63	145	145
Rent	30,951	228,452	259,403	45,652	144,147	189,799	449,202
Public Relations and Communications	6,597	-	6,597	306	25	331	6,928
Direct Expenses	458,612	4,256,737	4,715,349	792,478	981,993	1,774,471	6,489,820
Indirect Expenses	21,916	167,919	189,835	(289,880)	100,045	(189,835)	-
Total Expenses	\$ 480,528	\$ 4,424,656	\$ 4,905,184	\$ 502,598	\$ 1,082,038	\$ 1,584,636	\$ 6,489,820



**THE GLOBAL FUND FOR CHILDREN AND AFFILIATES**  
**STATEMENTS OF CASH FLOWS – U.S. OPERATIONS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	2018	2017
<b>CASH FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 2,232,537	\$ 1,842,344
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) Provided by Operating Activities:		
Depreciation and Amortization	53,526	42,655
Provision for Doubtful Accounts	-	(1,500)
Unrealized Gain on Investments	(39,757)	(148,212)
Changes in Assets and Liabilities:		
Accounts Receivable - Promises to Give and Other	(2,450,349)	(1,385,351)
Prepaid Expenses	(31,952)	25,230
Deposits	(43,239)	(1,208)
Accounts Payable and Accrued Expenses	(232,007)	235,356
Grants Payable	(234,720)	(66,172)
Accrued Vacation/Payroll	(14,881)	(10,043)
Deferred Lease Obligation	(68,700)	(57,060)
Refundable Advance	900,000	-
Contributions Restricted for Long Term Purposes:		
Contributions	(77,088)	-
Net Cash (Used) Provided by Operating Activities	(6,630)	476,039
<b>CASH FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(71,209)	(71,698)
Proceeds from Sale of Investments	-	60,280
Purchases of Property and Equipment	(9,015)	(4,197)
Net Cash Used by Investing Activities	(80,224)	(15,615)
<b>CASH FROM FINANCING ACTIVITIES</b>		
Collection of Contributions Restricted for Long Term Purposes	52,088	-
Principal Payments on Capital Lease Obligation	(2,200)	(3,166)
Net Cash Provided (Used) by Financing Activities	49,888	(3,166)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(36,966)	457,258
Cash and Cash Equivalents - Beginning of Year	4,171,991	3,714,733
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 4,135,025	\$ 4,171,991
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION</b>		
Donated Securities Received	\$ 25,353	\$ 27,510