

CHILDREN OF VIETNAM

Financial Statements

June 30, 2018 and 2017

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Board of Directors
Children of Vietnam
Greensboro, North Carolina

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Children of Vietnam (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children of Vietnam as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Winston-Salem, North Carolina
November 26, 2018

CHILDREN OF VIETNAM
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 385,954	\$ 367,436
Short-term investments	100,534	75,461
Grants receivable	2,644	69,756
Prepaid expenses	<u>7,001</u>	<u>8,108</u>
<u>TOTAL ASSETS</u>	<u>\$ 496,133</u>	<u>\$ 520,761</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses	\$ <u>7,295</u>	\$ <u>9,134</u>
<u>Total Liabilities</u>	<u>7,295</u>	<u>9,134</u>
Net Assets		
Unrestricted		
Undesignated	222,249	170,497
Board designated	<u>100,253</u>	<u>100,180</u>
	322,502	270,677
Temporarily restricted	<u>166,336</u>	<u>240,950</u>
<u>Total Net Assets</u>	<u>488,838</u>	<u>511,627</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 496,133</u>	<u>\$ 520,761</u>

CHILDREN OF VIETNAM
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 272,974	\$ 291,053	\$ 564,027
Grants	-	67,557	67,557
Donated goods, materials, and services	340,370	-	340,370
Interest income	<u>84</u>	<u>-</u>	<u>84</u>
	613,428	358,610	972,038
Net assets released from restrictions	<u>433,224</u>	<u>(433,224)</u>	<u>-</u>
<u>Total Support and Revenue</u>	<u>1,046,652</u>	<u>(74,614)</u>	<u>972,038</u>
EXPENSES			
Program services	829,476	-	829,476
Management and general	83,541	-	83,541
Fundraising	<u>81,810</u>	<u>-</u>	<u>81,810</u>
<u>Total Expenses</u>	<u>994,827</u>	<u>-</u>	<u>994,827</u>
CHANGE IN NET ASSETS	51,825	(74,614)	(22,789)
Net Assets, Beginning	<u>270,677</u>	<u>240,950</u>	<u>511,627</u>
Net Assets, Ending	<u>\$ 322,502</u>	<u>\$ 166,336</u>	<u>\$ 488,838</u>

CHILDREN OF VIETNAM
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 227,806	\$ 262,676	\$ 490,482
Grants	15,000	144,693	159,693
Donated goods, materials, and services	351,674	-	351,674
Interest income	<u>1,047</u>	<u>-</u>	<u>1,047</u>
	595,527	407,369	1,002,896
Net assets released from restrictions	<u>383,757</u>	<u>(383,757)</u>	<u>-</u>
<u>Total Support and Revenue</u>	<u>979,284</u>	<u>23,612</u>	<u>1,002,896</u>
EXPENSES			
Program services	841,211	-	841,211
Management and general	75,652	-	75,652
Fundraising	<u>73,551</u>	<u>-</u>	<u>73,551</u>
<u>Total Expenses</u>	<u>990,414</u>	<u>-</u>	<u>990,414</u>
CHANGE IN NET ASSETS	(11,130)	23,612	12,482
Net Assets, Beginning	<u>281,807</u>	<u>217,338</u>	<u>499,145</u>
Net Assets, Ending	<u>\$ 270,677</u>	<u>\$ 240,950</u>	<u>\$ 511,627</u>

CHILDREN OF VIETNAM
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 93,292	\$ 43,110	\$ 51,110	\$ 187,512
Education	193,165	-	-	193,165
Housing	3,044	-	-	3,044
Nutrition	360,600	-	-	360,600
Health care	9,735	-	-	9,735
Hope System of Care for Children with Disabilities	56,905	-	-	56,905
Empowering Foundations for Women & Their Children	49,523	-	-	49,523
Disaster relief	21,906	-	-	21,906
Travel and meetings	7,907	2,356	4,855	15,118
Professional fees	6,165	19,341	-	25,506
Security services	-	1,433	-	1,433
Postage and shipping	12	986	297	1,295
Occupancy	11,077	6,605	4,800	22,482
Office supplies	1,562	1,092	148	2,802
Fundraising	-	-	9,446	9,446
Online processing fees	-	-	7,855	7,855
Miscellaneous	2,460	2,574	552	5,586
Insurance	-	1,774	677	2,451
Equipment rental	3,964	102	-	4,066
Bank fees	-	1,141	51	1,192
Telephone and internet	750	175	31	956
Repairs and maintenance	4,950	982	-	5,932
Printing and reproduction	299	1,870	1,988	4,157
Training and development	2,160	-	-	2,160
	<u>\$ 829,476</u>	<u>\$ 83,541</u>	<u>\$ 81,810</u>	<u>\$ 994,827</u>

CHILDREN OF VIETNAM
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 89,366	\$ 38,818	\$ 51,363	\$ 179,547
Education	183,164	-	-	183,164
Housing	11,774	-	-	11,774
Nutrition	368,403	-	-	368,403
Health care	29,553	-	-	29,553
Hope System of Care for Children with Disabilities	80,583	-	-	80,583
Empowering Foundations for Women & Their Children	41,988	-	-	41,988
Travel and meetings	6,495	3,298	4,228	14,021
Professional fees	1,763	16,120	3,095	20,978
Security services	-	1,445	-	1,445
Postage and shipping	-	1,057	432	1,489
Occupancy	10,291	7,108	4,800	22,199
Office supplies	5,245	1,457	58	6,760
Fundraising	-	-	1,156	1,156
Online processing fees	-	-	5,806	5,806
Miscellaneous	936	295	725	1,956
Insurance	-	1,359	420	1,779
Equipment rental	2,626	42	-	2,668
Bank fees	-	1,052	-	1,052
Telephone and internet	842	345	-	1,187
Repairs and maintenance	3,797	932	-	4,729
Printing and reproduction	394	1,624	1,468	3,486
Training and development	<u>3,991</u>	<u>700</u>	<u>-</u>	<u>4,691</u>
	<u>\$ 841,211</u>	<u>\$ 75,652</u>	<u>\$ 73,551</u>	<u>\$ 990,414</u>

CHILDREN OF VIETNAM
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (22,789)	\$ 12,482
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
(Increase)/decrease in operating assets:		
Grants receivable	67,112	(69,756)
Accounts receivable	-	12,000
Prepaid expenses	1,107	(1,142)
Increase/(decrease) in operating liabilities:		
Accrued expenses	(1,839)	(6,206)
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>43,591</u>	<u>(52,622)</u>
INVESTING ACTIVITIES		
Purchase of short-term investments	(25,000)	(10,000)
Maturity of short-term investments	-	10,337
Reinvestment of interest income	(73)	(152)
<u>Net Cash Provided by (Used in) Investing Activities</u>	<u>(25,073)</u>	<u>185</u>
CHANGE IN CASH AND CASH EQUIVALENTS	18,518	(52,437)
Cash and Cash Equivalents, Beginning	<u>367,436</u>	<u>419,873</u>
Cash and Cash Equivalents, Ending	<u>\$ 385,954</u>	<u>\$ 367,436</u>

CHILDREN OF VIETNAM

NOTES TO FINANCIAL STATEMENTS

NOTE A: ORGANIZATION AND NATURE OF ACTIVITIES

Children of Vietnam (the "Organization") is a nonprofit corporation established in 1998 to assist children and families in breaking the cycle of poverty, ill health, and homelessness; and to provide immediate aid to children and families in crisis. The Organization accomplishes their mission through six initiatives: Healthcare, Education, Housing, Nutrition, Empowering Foundations for Women & Their Children, and Hope System of Care for Children with Disabilities including those negatively affected by Agent Orange/dioxin.

Four initiatives, healthcare, education, housing, and nutrition, address specific needs required to nurture a child to adulthood. On many occasions a child may receive services in several of these initiatives.

Two special initiatives, the Hope System of Care for Children with Disabilities and the Empowering Foundations for Women & Their Children target specific vulnerable populations and offer comprehensive services utilizing the Organization's four core initiatives and the support is coordinated into a fabric of services.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles (GAAP), and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization presents its net assets and its support and revenue based upon the absence or existence of donor-imposed restrictions as follows:

Unrestricted net assets – net assets that are not restricted by donors or for which donor-imposed restrictions have expired.

Temporarily restricted net assets – net assets that contain donor-imposed time or purpose restrictions that have not currently been met.

Permanently restricted net assets – net assets that contain donor-imposed restrictions stipulating that amounts be maintained in perpetuity. Part or all of the income earned may be expended according to donor stipulations. The Organization does not have any permanently restricted net assets.

Expenses are reported as decreases in unrestricted net assets. Expiration of temporary restrictions on net assets (i.e., the stipulated time period has elapsed or purpose was satisfied) are reported as net assets released from restrictions.

Contributions

Contributions, which include unconditional promises to give (pledges and grants), are recognized as revenues in the period the commitment is made. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions upon which they depend are substantially met. The Organization determines an allowance for uncollectible accounts based upon management's judgment about such factors as prior collections history, type of contribution, and nature of fundraising activity. No allowance was deemed necessary at June 30, 2018 or 2017.

CHILDREN OF VIETNAM

NOTES TO FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Goods, Materials, and Services

Donated goods, materials, and office space are recorded in the financial statements at their estimated fair value at the date of the gift totaling \$340,370 and \$351,674 for the years ended June 30, 2018 and 2017, respectively.

Additionally, a substantial number of volunteers and charitable companies have donated significant time and services to further assist in the operations of the Organization; however, the value of these services have not been recognized in the accompanying financial statements since they do not meet the recognition criteria under GAAP.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers deposits with initial maturities of three months or less to be cash equivalents. Cash consists solely of cash on deposit with banks.

Short-Term Investments

Short-term investments are comprised of certificates of deposit with original maturities ranging from six months to one year.

Property and Equipment

Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of the gift. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, generally from 3 to 5 years for furniture, equipment, and vehicles.

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Directly identifiable expenses are charged to the appropriate programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of estimates made by management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CHILDREN OF VIETNAM

NOTES TO FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax-Exempt Status

The Organization is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income tax expense is limited to activities that are deemed by the Internal Revenue Service to be unrelated to their exempt purpose.

The Organization's primary tax positions relate to its status as a not-for-profit entity exempt from income taxes and classification of activities related to its exempt purpose. It is the opinion of management that the Organization has no uncertain tax positions that would be subject to change upon examination.

The Organization is required to file a federal exempt organization tax return (Form 990) annually to retain its exempt status. The Organization is also required to file an exempt organization business income tax return (Form 990-T) for any year gross unrelated business income exceeds \$1,000. The Organization's Form 990 filings are generally subject to examination by the Internal Revenue Service for three years after they are filed.

Subsequent Events

The Organization has evaluated its subsequent events (events occurring after June 30, 2018) through the date of this report, which represents the date the financial statements were available to be issued and determined that all significant events and disclosures are included in the financial statements.

New Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which significantly amends the standards for the presentation and accompanying disclosures of the financial statements of nonprofit organizations.

The following are the most significant changes to the standards:

- Only two classes of net assets are reported in the statement of financial position—net assets with donor restrictions and net assets without donor restrictions.
- All nonprofit organizations, not just voluntary health and welfare organizations, are required to present an analysis of expenses by both nature and function in one location.
- Nonprofit organizations are required to describe the methods used to allocate costs among the program and support functions.
- Nonprofit organizations are still permitted to report cash flows from operating activities using either the direct or the indirect methods. However, a reconciliation to the indirect method is no longer required when the direct method is used.
- Investment return is reported net of external and direct internal investment expenses on the statement of activities in the net asset category in which the net investment return is reported.

CHILDREN OF VIETNAM

NOTES TO FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement (Continued)

- The release of restrictions on donor-restricted gifts of cash or assets to be used to acquire or construct capital assets is recognized when the assets are placed in service, unless the donor places a time restriction on the use of the asset.
- Nonprofit organizations are required to provide more information about liquidity of its financial assets and how the availability of the financial assets is limited by donor-imposed restrictions, legal restrictions, and governing board designations.
- Disclosures about designations of net assets made by the governing board are required.
- ASU 2016-14 defines the term *underwater endowment* and changes the net asset classification of the deficit when the fair value of the assets of an endowment is less than the original gift (or other amount that the organization must maintain in perpetuity).

The amendments in ASU 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017.

NOTE C: CONCENTRATIONS AND CONTINGENCIES

The Organization has demand deposit accounts in which the balance, at times, may exceed federally insured amounts. The Organization has not experienced any losses on these deposits and does not believe it is exposed to significant credit and market risk.

A significant amount of support has been provided by a few major contributors. While these contributors have been consistent in their support, it is always a reasonable possibility that contributors might be lost in the near term.

In addition, certain grantors reserve the right to review expenditures and request funds of amounts determined not to qualify under the grant agreements.

The Organization's program services operate in Da Nang, Quang Nam Province and occasionally in other provinces in Vietnam. Foreign operations are subject to risks inherent in operating under a different legal system and economic and political environment. Among the risks are changes in existing tax laws, possible limitations on foreign income reparation, government price or foreign exchange controls, and restrictions on currency exchange. Net assets of foreign operations are approximately 17% of the Organization's total net assets at June 30, 2018.

CHILDREN OF VIETNAM
NOTES TO FINANCIAL STATEMENTS

NOTE D: LEASES

The Organization entered into a one year lease for Vietnam office space that began on February 1, 2018. The Organization also entered into a five year lease for a Vietnam food warehouse that began on June 20, 2017. Future minimum payments under noncancellable leases with initial or remaining terms of one year or more are as follows:

<u>Year Ended June 30,</u>		
2019	\$	9,354
2020		2,354
2021		2,354
2022		<u>2,158</u>
	\$	<u>16,220</u>

Rent expense amounted to \$14,852 and \$12,911 for the years ended June 30, 2018 and 2017, respectively. The Organization received in-kind rent expense of \$9,600 for the years ended June 30, 2018 and 2017, respectively.

NOTE E: RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Contributions, restricted for		
Education - Hoa Quy	\$ 45,598	\$ 30,277
Housing	153	-
Hope System of Care for Children with Disabilities	25,291	73,214
Empowering Foundations for Women & Their Children	20,784	25,483
Disaster relief	3,189	952
Grants, restricted for		
Education	14,852	18,130
Housing	-	1,233
Hope System of Care for Children with Disabilities	14,077	11,424
Empowering Foundations for Women & Their Children	<u>42,392</u>	<u>80,237</u>
	<u>\$ 166,336</u>	<u>\$ 240,950</u>

NOTE F: RELATED PARTY TRANSACTIONS

The Organization receives contributions from members of the Board of Directors. Revenue from current Board members was \$76,106 and \$70,492 for the years ended June 30, 2018 and 2017 respectively. There were no contributions receivable from Board members at June 30, 2018 or 2017.