

CHILDREN OF VIETNAM

Financial Statements

June 30, 2016 and 2015

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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, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the year ended June 30, 2016 and the eighteen months ended June 30, 2015, 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, 2016 and 2015, and the changes in its net assets and its cash flows for the periods then ended in accordance with U.S. generally accepted accounting principles.

Butler & Burke LLP

Winston-Salem, North Carolina
November 30, 2016

CHILDREN OF VIETNAM
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 419,873	\$ 333,030
Short-term investments	75,646	102,539
Accounts receivable	12,000	-
Prepaid expenses	6,966	7,000
Property and equipment, net	<u>-</u>	<u>-</u>
<u>TOTAL ASSETS</u>	<u>\$ 514,485</u>	<u>\$ 442,569</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses	\$ 15,340	\$ 7,243
<u>Total Liabilities</u>	<u>15,340</u>	<u>7,243</u>
Net Assets		
Unrestricted		
Undesignated	196,807	241,901
Board designated	<u>85,000</u>	<u>50,000</u>
	281,807	291,901
Temporarily restricted	<u>217,338</u>	<u>143,425</u>
<u>Total Net Assets</u>	<u>499,145</u>	<u>435,326</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 514,485</u>	<u>\$ 442,569</u>

CHILDREN OF VIETNAM
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 229,686	\$ 303,963	\$ 533,649
Grants	-	97,220	97,220
Donated goods, materials, and services	441,449	-	441,449
Interest income	925	-	925
	<u>672,060</u>	<u>401,183</u>	<u>1,073,243</u>
Net assets released from restrictions	<u>327,270</u>	<u>(327,270)</u>	<u>-</u>
<u>Total Support and Revenue</u>	<u>999,330</u>	<u>73,913</u>	<u>1,073,243</u>
OPERATING EXPENSES			
Program services	866,579	-	866,579
Management and general	80,489	-	80,489
Fundraising	62,356	-	62,356
<u>Total Operating Expenses</u>	<u>1,009,424</u>	<u>-</u>	<u>1,009,424</u>
CHANGE IN NET ASSETS	(10,094)	73,913	63,819
Net Assets, Beginning	<u>291,901</u>	<u>143,425</u>	<u>435,326</u>
Net Assets, Ending	<u>\$ 281,807</u>	<u>\$ 217,338</u>	<u>\$ 499,145</u>

CHILDREN OF VIETNAM
STATEMENT OF ACTIVITIES
For the Eighteen Months Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 245,722	\$ 278,715	\$ 524,437
Grants	-	153,432	153,432
Donated goods, materials, and services	393,985	-	393,985
Interest income	<u>2,064</u>	<u>-</u>	<u>2,064</u>
	641,771	432,147	1,073,918
Net assets released from restrictions	<u>544,248</u>	<u>(544,248)</u>	<u>-</u>
<u>Total Support and Revenue</u>	<u>1,186,019</u>	<u>(112,101)</u>	<u>1,073,918</u>
OPERATING EXPENSES			
Program services	1,071,344	-	1,071,344
Management and general	91,640	-	91,640
Fundraising	<u>84,861</u>	<u>-</u>	<u>84,861</u>
<u>Total Operating Expenses</u>	<u>1,247,845</u>	<u>-</u>	<u>1,247,845</u>
CHANGE IN NET ASSETS	(61,826)	(112,101)	(173,927)
Net Assets, Beginning	<u>353,727</u>	<u>255,526</u>	<u>609,253</u>
Net Assets, Ending	<u>\$ 291,901</u>	<u>\$ 143,425</u>	<u>\$ 435,326</u>

CHILDREN OF VIETNAM
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 110,587	\$ 37,306	\$ 35,299	\$ 183,192
Education	156,119	-	-	156,119
Housing	9,456	-	-	9,456
Nutrition	461,977	-	-	461,977
Health care	18,413	-	-	18,413
Hope System of Care for Children with Disabilities	39,805	-	-	39,805
Empowering Foundations for Women & Their Children	47,810	-	-	47,810
Travel and meetings	4,532	4,262	2,801	11,595
Professional fees	1,326	19,981	8,130	29,437
Security services	-	1,416	-	1,416
Postage and shipping	7	949	471	1,427
Occupancy	10,657	7,041	5,000	22,698
Office supplies	1,141	1,263	165	2,569
Fundraising	-	-	4,000	4,000
Miscellaneous	-	1,005	5,114	6,119
Insurance	31	1,722	-	1,753
Equipment rental	789	400	111	1,300
Bank fees	-	920	-	920
Telephone and internet	1,395	230	-	1,625
Repairs and maintenance	168	216	-	384
Printing and reproduction	370	1,180	1,178	2,728
Training and development	<u>1,996</u>	<u>2,598</u>	<u>87</u>	<u>4,681</u>
	<u>\$ 866,579</u>	<u>\$ 80,489</u>	<u>\$ 62,356</u>	<u>\$ 1,009,424</u>

CHILDREN OF VIETNAM
STATEMENT OF FUNCTIONAL EXPENSES
For the Eighteen Months Ended June 30, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 128,488	\$ 50,706	\$ 31,970	\$ 211,164
Education	235,748	-	-	235,748
Housing	26,132	-	-	26,132
Nutrition	422,283	-	-	422,283
Health care	26,654	-	-	26,654
Hope System of Care for Children with Disabilities	113,232	-	-	113,232
Empowering Foundations for Women & Their Children	60,312	-	-	60,312
Disaster relief	1,899	-	-	1,899
Travel and meetings	13,257	6,120	4,201	23,578
Professional fees	16,316	15,729	20,247	52,292
Security services	-	1,857	-	1,857
Postage and shipping	1	1,025	710	1,736
Occupancy	18,059	7,200	7,200	32,459
Office supplies	3,703	188	-	3,891
Advertising	-	-	199	199
Fundraising	-	-	12,625	12,625
Miscellaneous	-	2,985	6,024	9,009
Insurance	81	2,010	-	2,091
Equipment rental	1,824	255	-	2,079
Bank fees	-	1,366	-	1,366
Telephone and internet	2,787	192	-	2,979
Repairs and maintenance	513	-	-	513
Printing and reproduction	55	1,995	1,685	3,735
Training and development	-	12	-	12
	<u>\$ 1,071,344</u>	<u>\$ 91,640</u>	<u>\$ 84,861</u>	<u>\$ 1,247,845</u>

CHILDREN OF VIETNAM**STATEMENTS OF CASH FLOWS**For the Year Ended June 30, 2016 and the Eighteen Months Ended June 30, 2015

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 63,819	\$ (173,927)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: (Increase)/decrease in operating assets:		
Grants receivable	-	59,000
Accounts receivable	(12,000)	-
Prepaid expenses	34	7,053
Increase in operating liabilities:		
Accrued expenses	8,097	98
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>59,950</u>	<u>(107,776)</u>
INVESTING ACTIVITIES		
Purchase of short-term investments	(45,254)	(20,000)
Maturity of short-term investments	72,477	99,660
Reinvestment of interest income	(330)	(1,835)
<u>Net Cash Provided by Investing Activities</u>	<u>26,893</u>	<u>77,825</u>
CHANGE IN CASH AND CASH EQUIVALENTS	86,843	(29,951)
Cash and Cash Equivalents, Beginning	<u>333,030</u>	<u>362,981</u>
Cash and Cash Equivalents, Ending	<u>\$ 419,873</u>	<u>\$ 333,030</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, 2016 or 2015.

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 \$441,449 and \$393,985 for the year ended June 30, 2016 and the eighteen months ended June 30, 2015, 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, 2016) 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.

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 repatriation, government price or foreign exchange controls, and restrictions on currency exchange. Net assets of foreign operations are approximately 13% of the Organization's total net assets.

CHILDREN OF VIETNAM
NOTES TO FINANCIAL STATEMENTS

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Furniture and computers	\$ 8,031	\$ 8,031
Vehicles	2,133	2,133
Less accumulated depreciation	<u>(10,164)</u>	<u>(10,164)</u>
	<u>\$ -</u>	<u>\$ -</u>

No depreciation expense was recorded for the year ended June 30, 2016 or the eighteen months ended June 30, 2015 as all assets were fully depreciated.

NOTE E: LEASES

The Organization entered into a one year lease for Vietnam office space that began on February 1, 2016. Future commitments related to this lease as of June 30, 2016 are \$7,000 during the year ended June 30, 2017.

NOTE F: RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Contributions, restricted for		
Education- Hoa Quy	\$ 39,679	\$ -
Health- Facial Surgery	14,655	-
Hope System of Care for Children with Disabilities	93,962	50,682
Empowering Foundations for Women & Their Children	36,958	50,726
Grants, restricted for		
Hope System of Care for Children with Disabilities	18,193	42,017
Empowering Foundations for Women & Their Children	<u>13,891</u>	<u>-</u>
	<u>\$ 217,338</u>	<u>\$ 143,425</u>

NOTE G: RELATED PARTY TRANSACTIONS

The Organization receives contributions from members of the Board of Directors. Contribution revenue from current Board members was \$10,181 and \$13,585 for the year ended June 30, 2016 and the eighteen months ended June 30, 2015, respectively. There were no contributions receivable from Board members at June 30, 2016 or 2015.