

# Charities Aid Foundation America

Financial Statements as of and for the  
Year Ended April 30, 2009, and  
Independent Auditors' Report

# CHARITIES AID FOUNDATION AMERICA

## TABLE OF CONTENTS

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|  | <b>Page</b> |
|--|-------------|
| INDEPENDENT AUDITORS' REPORT   | 1           |
| FINANCIAL STATEMENTS:  |             |
| Statement of Financial Position as of April 30, 2009                                   | 2           |
| Statement of Activities and Changes in Net Assets for the<br>Year Ended April 30, 2009 | 3           |
| Statement of Cash Flows for the Year Ended April 30, 2009                              | 4           |
| Notes to Financial Statements as of and for the Year Ended April 30, 2009              | 5-10        |

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Charities Aid Foundation America  
Alexandria, Virginia

We have audited the accompanying statement of financial position of Charities Aid Foundation America (the Foundation) as of April 30, 2009, and the related statements of activities and changes in net assets and of cash flows for the year ended April 30, 2009. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Foundation as of April 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Deloitte & Touche LLP*

July 15, 2009

# CHARITIES AID FOUNDATION AMERICA

## STATEMENT OF FINANCIAL POSITION AS OF APRIL 30, 2009

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### ASSETS

#### CURRENT ASSETS:

|                           |                  |
|---------------------------|------------------|
| Cash and cash equivalents | \$2,806,247      |
| Short-term investments    | 1,584,223        |
| Accounts receivable       | 59,917           |
| Related party receivables | 116,116          |
| Prepaid expenses          | 31,796           |
| Pledges receivable        | <u>1,730,890</u> |
| Total current assets      | <u>6,329,189</u> |

#### OTHER ASSETS:

|                                       |                |
|---------------------------------------|----------------|
| Pledges receivable — net              | 665,000        |
| Fixed assets — net                    | 64,658         |
| Investment in CAF American Donor Fund | <u>143</u>     |
| Total other assets                    | <u>729,801</u> |

TOTAL \$7,058,990

### LIABILITIES AND NET ASSETS

#### CURRENT LIABILITIES:

|                                       |                |
|---------------------------------------|----------------|
| Accounts payable and accrued expenses | \$ 83,087      |
| Deferred revenue                      | <u>50,000</u>  |
| Total current liabilities             | <u>133,087</u> |

LONG-TERM LIABILITY — Deferred rent 22,622

#### COMMITMENTS AND CONTINGENCIES (Note 10)

#### NET ASSETS:

|                                |                |
|--------------------------------|----------------|
| Unrestricted:                  |                |
| Designated donor advised funds | 4,197,628      |
| Designated donor advised gifts | 93,393         |
| Other                          | <u>216,370</u> |

Total unrestricted net assets 4,507,391

Temporarily restricted — designated donor advised funds 2,395,890

Total net assets 6,903,281

TOTAL \$7,058,990

See notes to financial statements.

# CHARITIES AID FOUNDATION AMERICA

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED APRIL 30, 2009

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### CHANGES IN UNRESTRICTED NET ASSETS:

#### Revenues and Support:

##### Contributions:

|                                      |                  |
|--------------------------------------|------------------|
| Donor advised                        | \$20,831,059     |
| Other                                | 103,283          |
| Net assets released from restriction | <u>2,682,748</u> |

Total contributions 23,617,090

|                         |                |
|-------------------------|----------------|
| Investment income       | 145,517        |
| Application review fees | 565            |
| Program services fees   | <u>345,318</u> |

Total unrestricted revenues and support 24,108,490

#### Expenses:

##### Program services:

|                    |                |
|--------------------|----------------|
| Grants             | 25,085,165     |
| Operating expenses | <u>772,353</u> |

Total program services 25,857,518

|                        |                |
|------------------------|----------------|
| Management and general | 402,936        |
| Fundraising            | <u>252,923</u> |

Total expenses 26,513,377

Decrease in unrestricted net assets (2,404,887)

### CHANGES IN TEMPORARILY RESTRICTED NET ASSETS — Net assets released from restriction

(2,682,748)

Decrease in temporarily restricted net assets (2,682,748)

CHANGES IN NET ASSETS (5,087,635)

BEGINNING NET ASSETS — As previously reported 11,794,916

PRIOR PERIOD ADJUSTMENTS TO CORRECT ERRORS (Note 12) 196,000

BEGINNING NET ASSETS — As restated 11,990,916

NET ASSETS — End of year \$ 6,903,281

See notes to financial statements.

# CHARITIES AID FOUNDATION AMERICA

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED APRIL 30, 2009

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|  |                     |
|--|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:  |                     |
| Changes in net assets  | \$(5,087,635)       |
| Adjustments to reconcile changes in net assets to net cash used in operating activities: |                     |
| Depreciation and amortization  | 26,524              |
| Amortization of deferred rent  | (7,756)             |
| Realized gain on investments   | (46,118)            |
| Changes in operating assets and liabilities:   |                     |
| Decrease (increase) in:  |                     |
| Accounts receivable  | 227,011             |
| Related party receivables  | 26,179              |
| Prepaid expenses   | (23,500)            |
| Pledges receivable   | 2,682,748           |
| Accrued interest   | (5,223)             |
| Decrease in:   |                     |
| Accounts payable and accrued expenses  | 26,902              |
| Deferred revenue   | 50,000              |
|  | <hr/>               |
| Net cash used in operating activities  | <u>(2,130,868)</u>  |
| CASH FLOWS FROM INVESTING ACTIVITIES:  |                     |
| Purchase of fixed assets   | (27,030)            |
| Proceeds from sales of investments   | 5,200,000           |
| Purchases of short-term investments  | <u>(1,579,000)</u>  |
|  | <hr/>               |
| Net cash provided by investing activities  | <u>3,593,970</u>    |
| NET INCREASE IN CASH AND CASH EQUIVALENTS  | 1,463,102           |
| CASH AND CASH EQUIVALENTS — Beginning of year  | <u>1,343,145</u>    |
| CASH AND CASH EQUIVALENTS — End of year  | <u>\$ 2,806,247</u> |

See notes to financial statements.

# CHARITIES AID FOUNDATION AMERICA

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED APRIL 30, 2009

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### 1. NATURE OF ACTIVITIES

Charities Aid Foundation America (the Foundation) is a public charity whose mission is to help individuals, companies, and family, private, and community foundations make charitable gifts to non-United States (U.S.) charitable organizations. The Foundation also enables non-U.S. charities to attract funding from the U.S. In addition to international giving, the Foundation offers donors advisory and due diligence services and local knowledge of charitable organizations throughout the world through its affiliation with the Charities Aid Foundation (CAF) Network of offices in the United Kingdom, Australia, Bulgaria, India, Russia, and South Africa and its affiliate partner in Brazil, IDIS.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** — The Foundation's financial statements are presented using the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

**Accounting 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, the 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 these estimates.

**Cash and Cash Equivalents** — Money market funds and all highly liquid investments available for current use with maturities of three months or less at the time of acquisition are considered cash equivalents.

The Foundation maintains accounts at several banks insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each bank. As of April 30, 2009, cash in excess of the FDIC limit totaled \$702,356.

The Foundation has one money market account that is insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 per customer. As of April 30, 2009, short-term investments in excess of the SIPC limit totaled \$525,658.

**Short-Term Investments** — Short-term investments include certificates of deposit with maturities of less than one year, consistent with the investment policy of the Foundation.

**Investment in CAF American Donor Fund** — The investment in CAF American Donor Fund (CADF) is reflected at its cost of \$143. This stock is not readily marketable and, as explained in Note 8, the Foundation has no economic interest in either the equity or earnings of CADF.

**Fixed Assets** — Fixed assets are capitalized at cost. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets, generally four years. Leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the remaining applicable lease term.

**Net Assets** — Unrestricted net assets are the portion of net assets that are neither temporarily nor permanently restricted by donor stipulations on their use. Temporarily restricted net assets are the portion of net assets resulting from contributions or other inflows of assets whose use is limited by donor imposed stipulations that can be removed by the passage of time or action of the organization pursuant to those stipulations. If a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the contribution as unrestricted. Permanently restricted net assets are the portion of net assets whose use is limited by donor imposed stipulations that cannot be removed by the passage of time or action of the organization. As of April 30, 2009, there were no permanently restricted net assets. Net assets consist of the following types of internally developed funds:

*Designated Donor Advised Funds* — The Foundation maintains donor advised funds in which donors are given the opportunity to make recommendations for grants to charities to be paid from the fund. The Foundation keeps control over these funds and makes grants at its sole discretion.

*Designated Donor Advised Gifts* — The Foundation offers donors the ability to make one-time gifts with a recommendation for a grant to a charity. The Foundation keeps control over these gifts and makes grants at its sole discretion.

*Other* — Net assets not designated as donor advised funds or donor advised gifts are designated as other net assets.

**Deferred Revenue** — The Foundation has an annual fixed cost agreement with a grant maker to provide grant-related due diligence services. Deferred revenue represents amounts received under this agreement in advance of the period in which these services will be provided.

**Revenue Recognition** — Donor advised and other contributions are recorded in the period received. Pledges receivable represent unconditional promises from donors to contribute monies to the Foundation. Unconditional promises are recorded when received. Unconditional promises to give where payments are due in the next year are reflected as current pledges receivable and are recorded at their net realizable amounts. Unconditional promises to give where payments are due in subsequent years are reflected as long-term pledges receivable and are reflected at their net realizable amounts, using a present value technique. Unconditional promises are classified as temporarily restricted net assets.

During the year ended April 30, 2009, one contributor represented approximately 21% of total contributions.

**Grants** — Grants to other parties are recognized as expenses and liabilities when the Foundation makes an unconditional promise to fund an individual or another organization.

### 3. FAIR VALUE MEASUREMENT

Effective May 1, 2008, the Foundation adopted Financial Accounting Standards Board (FASB) Statement No. 157, *Fair Value Measurement*, for measuring and reporting financial assets and liabilities at fair value. FASB Statement No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

FASB Statement No. 157 establishes a three-level disclosure hierarchy to indicate the level of judgment used to estimate fair value measurements.

*Level 1* — Quoted prices in active markets for identical assets or liabilities as of the reporting date.

*Level 2* — Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; and inputs other than quoted prices (such as interest rate and yield curves).

*Level 3* — Uses inputs that are unobservable, supported by little or no market activity and reflect significant management judgment.

During the year ended April 30, 2009, the Foundation sold its investment in auction rate securities, which was previously measured at fair value on a recurring basis using Level 3 inputs as defined within the fair value hierarchy under FASB Statement No. 157. As required by FASB Statement No. 157, a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3), is as follows:

|  |               |
|--|---------------|
| Investment in auction rate securities — April 30, 2008 | \$ 5,153,882  |
| Sales  | (5,200,000)   |
| Realized gains   | <u>46,118</u> |
| Investment in auction rate securities — April 30, 2009 | <u>\$ -</u>   |

Financial assets and liabilities, by level, for items measured at fair value on a recurring basis as of April 30, 2009, are as follows:

|  | Level 1             | Level 2     | Level 3     | Total               |
|--|---------------------|-------------|-------------|---------------------|
| Cash and cash equivalents — money market account | \$ 1,025,658        | \$ -        | \$ -        | \$ 1,025,658        |
| Short-term investments — certificates of deposit | <u>1,579,000</u>    | <u>-</u>    | <u>-</u>    | <u>1,579,000</u>    |
|  | <u>\$ 2,604,658</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,604,658</u> |

#### 4. SHORT-TERM INVESTMENTS

Short-term investments consist of the following as of April 30, 2009:

|                         |                     |
|-------------------------|---------------------|
| Certificates of deposit | \$ 1,579,000        |
| Accrued interest        | <u>5,223</u>        |
|                         | <u>\$ 1,584,223</u> |

The certificates of deposit approximate fair value as of April 30, 2009.

Investment income for the year ended April 30, 2009 was as follows:

|                                      |                   |
|--------------------------------------|-------------------|
| Interest and dividends               | \$ 99,399         |
| Realized gain on sale of investments | <u>46,118</u>     |
|                                      | <u>\$ 145,517</u> |

## 5. ACCOUNTS RECEIVABLE

The Foundation's accounts receivable as of April 30, 2009 consist of the following:

|                                     |                  |
|-------------------------------------|------------------|
| Donor advised funds management fees | \$ 48,000        |
| Administration fees                 | <u>11,917</u>    |
|                                     | <u>\$ 59,917</u> |

No allowance for uncollectible receivables has been established since the Foundation believes that all accounts receivable are fully collectible.

## 6. PLEDGES RECEIVABLE

Pledges receivable as of April 30, 2009, include the following unconditional promises to give:

|                        |                     |
|------------------------|---------------------|
| Amounts receivable in: |                     |
| Less than one year     | \$ 1,730,890        |
| One to five years      | <u>700,000</u>      |
|                        | 2,430,890           |
| Present value discount | <u>(35,000)</u>     |
|                        | <u>\$ 2,395,890</u> |

No allowance for uncollectible contributions has been established since the Foundation believes that all pledges are fully collectible. The receivables have been discounted to their present value, using a 5% rate as of April 30, 2009.

## 7. FIXED ASSETS

Fixed assets as of April 30, 2009, consist of the following:

|  |                  |
|--|------------------|
| Furniture and fixtures                         | \$ 14,816        |
| Computer equipment and software                | 81,624           |
| Leasehold improvements                         | <u>38,780</u>    |
|  | 135,220          |
| Less accumulated depreciation and amortization | <u>(70,562)</u>  |
| Fixed assets — net                             | <u>\$ 64,658</u> |

Depreciation and amortization expense was \$26,524 for the year ended April 30, 2009.

## 8. RELATED PARTY TRANSACTIONS

**Charities Aid Foundation** — The Foundation fulfills its mission through its affiliation with the CAF network, a registered charity in England and Wales.

During the year ended April 30, 2009, the Foundation received from CAF operating support in the form of a grant of \$20,000. The amount is included in related party receivables in the statement of financial position and in the statement of activities as part of contributions — other.

To support the Foundation, CAF provided a loan facility of \$4,075,000 to enable the Foundation to meet obligations as they occur. The loan facility expired on October 17, 2008. There were no amounts borrowed on the loan facility.

**CAF American Donor Fund** — The CADF is a registered charity in England and Wales, incorporated on December 22, 1999, under the name of Southampton Row Trust Limited, trading as CAF American Donor Fund. CADF was created as a giving solution for individuals paying income tax both in the U.S. and the United Kingdom. Individuals making donations to CADF are eligible to receive the appropriate tax benefits in both countries, as allowed by law.

On June 26, 2000, CADF became a wholly owned subsidiary of the Foundation, but effective control of CADF rests with CAF, which appoints the trustees of CADF. In addition, economic interest in the net assets and revenue of CADF rests with CAF. In accordance with Statement of Position 94-3, *Reporting of Related Entities by Not-for-Profit Organizations*, the financial statements of the Foundation do not include consolidation of the financial position, changes in net assets, or cash flows of CADF because control of and economic interest in CADF does not rest with the Foundation.

CADF owed the Foundation \$16,762 for legal services and other operating support which is part of operating expenses in the statement of activities and related party receivables in the statement of financial position at April 30, 2009. During the year ended April 30, 2009, the Foundation received from CADF operating support of \$79,354 in the form of a grant. The amount is included in related party receivables in the statement of financial position and in the statement of activities as part of contributions — other.

## 9. RETIREMENT PLAN

The Foundation makes contributions to a simplified employee pension plan (SEP) for its eligible employees. The SEP is a defined contribution plan. Full-time, permanent employees become eligible to receive contributions into their SEP account after three months of employment. Contributions for each employee are equal to 15% of salary. Retirement plan expenses related to the SEP were \$74,932 for the year ended April 30, 2009.

## 10. COMMITMENTS AND CONTINGENCIES

**Operating Lease** — On October 20, 2006, the Foundation extended its non-cancelable operating lease for office space for a period of five years. The lease expires on March 31, 2012. The lease provided for leasehold improvement incentives, which have been recorded as deferred rent and included in accounts payable and accrued expenses on the statement of financial position and are amortized as a reduction to rent expense over the lease term. Minimum lease payments required under the non-cancelable lease, are as follows:

| <b>Years Ending<br/>April 30</b> |                   |
|----------------------------------|-------------------|
| 2010                             | \$ 49,978         |
| 2011                             | 51,480            |
| 2012                             | 48,541            |
|                                  | <u>\$ 149,999</u> |

The Foundation also leases certain equipment under monthly operating leases.

Rent expense for the year ended April 30, 2009 was \$51,245.

#### **11. INCOME TAX STATUS**

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated business income. During the year ended April 30, 2009, the Foundation had no unrelated business income.

#### **12. PRIOR PERIOD ADJUSTMENTS TO CORRECT ERRORS**

Subsequent to the issuance of the Foundation's 2008 financial statements, management determined that contribution revenue in the amount of \$196,000 had been incorrectly omitted from the financial statements. Accordingly, net assets as of April 30, 2008 have been restated to correct this error. Additionally, unrestricted net assets — designated donor advised funds was overstated and temporarily restricted net assets — designated donor advised funds was understated by \$5,078,638.

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