

Charities Aid Foundation America

Financial Statements as of and for the
Years Ended April 30, 2010 and 2009, and
Independent Auditors' Report

CHARITIES AID FOUNDATION AMERICA

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Charities Aid Foundation America (the "Foundation") as of April 30, 2010 and 2009, and the related statements of activities and changes in net assets and cash flows for the years then ended. 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 audits.

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 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 audits provide 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

June 30, 2010

CHARITIES AID FOUNDATION AMERICA

STATEMENTS OF FINANCIAL POSITION AS OF APRIL 30, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,075,462	\$ 2,806,247
Short-term investments	681,208	1,584,223
Accounts receivable	160,417	59,917
Related party receivables	83,166	116,116
Prepaid expenses	30,768	31,796
Pledges receivable	-	1,730,890
Total current assets	<u>4,031,021</u>	<u>6,329,189</u>
OTHER ASSETS:		
Pledges receivable — net	-	665,000
Long-term investments	100,401	-
Fixed assets — net	44,634	64,658
Investment in CAF American Donor Fund	143	143
Total other assets	<u>145,178</u>	<u>729,801</u>
TOTAL	<u>\$ 4,176,199</u>	<u>\$ 7,058,990</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 91,974	\$ 83,087
Deferred revenue	50,000	50,000
Total current liabilities	141,974	133,087
LONG-TERM LIABILITY — Deferred rent	14,866	22,622
Total liabilities	<u>156,840</u>	<u>155,709</u>
COMMITMENTS AND CONTINGENCIES (Note 10)		
NET ASSETS:		
Unrestricted:		
Designated donor advised funds	3,551,116	4,197,628
Designated donor advised gifts	176,116	93,393
Other	292,127	216,370
Total unrestricted net assets	4,019,359	4,507,391
Temporarily restricted — designated donor advised funds	-	2,395,890
Total net assets	<u>4,019,359</u>	<u>6,903,281</u>
TOTAL	<u>\$ 4,176,199</u>	<u>\$ 7,058,990</u>

See notes to financial statements.

CHARITIES AID FOUNDATION AMERICA

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED APRIL 30, 2010 AND 2009

	2010	2009
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenues and Support:		
Contributions:		
Donor advised	\$ 16,309,148	\$ 20,831,059
Other	81,366	103,283
Net assets released from restriction	<u>1,030,890</u>	<u>2,682,748</u>
Total contributions	17,421,404	23,617,090
Investment income	24,317	145,517
Other income	37,031	-
Application review fees	29,750	565
Program services fees	<u>311,917</u>	<u>345,318</u>
Total unrestricted revenues and support	<u>17,824,419</u>	<u>24,108,490</u>
Expenses:		
Program services:		
Grants	17,031,592	25,085,165
Operating expenses	<u>628,865</u>	<u>772,353</u>
Total program services	17,660,457	25,857,518
Management and general	417,046	402,936
Fundraising	<u>234,948</u>	<u>252,923</u>
Total expenses	<u>18,312,451</u>	<u>26,513,377</u>
Decrease in unrestricted net assets	<u>(488,032)</u>	<u>(2,404,887)</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Loss on uncollectible pledges receivable	(1,365,000)	-
Net assets released from restriction	<u>(1,030,890)</u>	<u>(2,682,748)</u>
Decrease in temporarily restricted net assets	<u>(2,395,890)</u>	<u>(2,682,748)</u>
CHANGES IN NET ASSETS	(2,883,922)	(5,087,635)
NET ASSETS — Beginning of year	<u>6,903,281</u>	<u>11,990,916</u>
NET ASSETS — End of year	<u>\$ 4,019,359</u>	<u>\$ 6,903,281</u>

See notes to financial statements.

CHARITIES AID FOUNDATION AMERICA

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED APRIL 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (2,883,922)	\$ (5,087,635)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	25,329	26,524
Loss on uncollectible pledges receivable	1,365,000	-
Amortization of deferred rent	(7,756)	(7,756)
Realized gain on investments	-	(46,118)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(100,500)	227,011
Related party receivables	32,950	26,179
Prepaid expenses	1,028	(23,500)
Pledges receivable	1,030,890	2,682,748
Accrued interest	(1,386)	(5,223)
Increase in:		
Accounts payable and accrued expenses	8,887	26,902
Deferred revenue	-	50,000
Net cash used in operating activities	<u>(529,480)</u>	<u>(2,130,868)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(5,305)	(27,030)
Proceeds from sales of investments	1,938,000	5,200,000
Purchases of investments	<u>(1,134,000)</u>	<u>(1,579,000)</u>
Net cash provided by investing activities	<u>798,695</u>	<u>3,593,970</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	269,215	1,463,102
CASH AND CASH EQUIVALENTS — Beginning of year	<u>2,806,247</u>	<u>1,343,145</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 3,075,462</u>	<u>\$ 2,806,247</u>

See notes to financial statements.

CHARITIES AID FOUNDATION AMERICA

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED APRIL 30, 2010 AND 2009

1. NATURE OF ACTIVITIES

Charities Aid Foundation America (the “Foundation”) is a public charity whose mission is to help North American donors create thoughtful and effective philanthropy throughout the world. Individuals, corporations, charities, and their advisors rely on the Foundation to develop, manage, and monitor their philanthropy; from goals to grants, from research to results. The Foundation works with other Charities Aid Foundation (CAF) offices in the United Kingdom, Australia, Bulgaria, India, Russia, and South Africa, its affiliate partner in Brazil, IDIS, and in Singapore, Centre for Asian Philanthropy.

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, 2010 and 2009, cash in excess of the FDIC limit totaled \$2,322,795 and \$702,356, respectively.

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, 2010 and 2009, short-term investments in excess of the SIPC limit totaled \$0 and \$525,658, respectively.

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

Long-Term Investments — Long-term investments include certificates of deposit with maturities greater 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, 2010 and 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 contributions from the donors are held by the Foundation for an indefinite period of time. The 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, who do not have a fund opened with the Foundation, 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.

Temporarily Restricted Designated Donor Advised Funds — At April 30, 2009, the Foundation had donor advised funds that are temporarily restricted due to time (Note 6). As of April 30, 2010, there were no temporarily restricted 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 years ended April 30, 2010 and 2009, two contributors represented approximately 23% and one contributor represented approximately 21%, respectively, 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.

Foreign Currency Transactions — Transactions in foreign currency are recorded at the prevailing rate of exchange at the date of the transaction. Foreign currency gains (losses) of \$19,818 and \$(21,986) were recognized for the years ended April 30, 2010 and 2009, respectively. Such gains (losses) were included in other income and operating expenses in the statements of activities, respectively.

Recent Accounting Pronouncements — Effective July 1, 2009, the Financial Accounting Standards Board Accounting Standards Codification (“ASC”) became the single source of authoritative nongovernmental GAAP. The historical GAAP hierarchy was eliminated and the ASC became the only level of authoritative GAAP, other than guidance issued by the Securities and Exchange Commission. The ASC does not change GAAP, however, it significantly changes the way in which the accounting literature is organized. The adoption of this standard did not have a material effect on the Foundation’s financial statements.

In 2009, the Foundation adopted accounting guidance for uncertainty in income taxes, which prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on the recognition of income tax assets and liabilities, accounting for interest and penalties associated with tax positions and income tax disclosures. The adoption resulted in no change to the beginning net assets and did not have an impact on the statement of activities. There are no material tax positions that the Foundation believes will significantly change within 12 months of April 30, 2010.

In 2009, the Foundation adopted authoritative guidance for subsequent events, which provides general standards of accounting for and disclosure of events that occur after the statement of financial position date but before financial statements are issued. The adoption did not have a material effect on the Foundation’s financial position, changes in net assets, or cash flows.

3. INVESTMENTS

Short-term investments as of April 30, 2010 and 2009, consist of the following:

	2010	2009
Certificates of deposit	\$ 675,000	\$ 1,579,000
Accrued interest	<u>6,208</u>	<u>5,223</u>
	<u>\$ 681,208</u>	<u>\$ 1,584,223</u>

Long-term investments as of April 30, 2010 and 2009, consist of the following:

	2010	2009
Certificates of deposit	\$ 100,000	\$ -
Accrued interest	<u>401</u>	<u>-</u>
	<u>\$ 100,401</u>	<u>\$ -</u>

The certificates of deposit approximate fair value as of April 30, 2010 and 2009.

Investment income for the years ended April 30, 2010 and 2009, was as follows:

	2010	2009
Interest and dividends	\$ 24,317	\$ 99,399
Realized gain on sale of investments	<u>-</u>	<u>46,118</u>
	<u>\$ 24,317</u>	<u>\$ 145,517</u>

4. FAIR VALUE MEASUREMENT

Effective May 1, 2008, the Foundation adopted accounting guidance for measuring and reporting financial assets and liabilities at fair value. Accounting guidance 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.

The Foundation maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value, which enables a reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

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.

Financial assets and liabilities, by level, for items measured at fair value on a recurring basis as of April 30, 2010 and 2009, are as follows:

2010	Level 1	Level 2	Level 3	Total
Short-term investments — certificates of deposit	\$ 675,000	\$ -	\$ -	\$ 675,000
Long-term investments — certificates of deposit	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
	<u>\$ 775,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 775,000</u>
2009				
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>

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 accounting guidance for fair value measurement. 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>

5. ACCOUNTS RECEIVABLE

The Foundation's accounts receivable as of April 30, 2010 and 2009, consist of the following:

	2010	2009
Donor advised funds management fees	\$ 148,500	\$ 48,000
Administration fees	<u>11,917</u>	<u>11,917</u>
	<u>\$ 160,417</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, 2010 and 2009, include the following unconditional promises to give:

	2010	2009
Amounts receivable in:		
Less than one year	\$ -	\$ 1,730,890
One to five years	<u>-</u>	<u>700,000</u>
	-	2,430,890
Present value discount	<u>-</u>	<u>(35,000)</u>
	<u>\$ -</u>	<u>\$ 2,395,890</u>

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

On May 20, 2010, the Foundation was notified by a funder that the funder was rescinding the final two payments of a multi-year pledge to the Foundation. The present value of this pledge as of April 30, 2010 was \$1,365,000. Accordingly, pledges receivable were written off with a corresponding loss on uncollectible pledges receivable recorded in temporarily restricted net assets in the statement of activities.

7. FIXED ASSETS

Fixed assets as of April 30, 2010 and 2009, consist of the following:

	2010	2009
Furniture and fixtures	\$ 20,121	\$ 14,816
Computer equipment and software	81,624	81,624
Leasehold improvements	<u>38,780</u>	<u>38,780</u>
	140,525	135,220
Less accumulated depreciation and amortization	<u>(95,891)</u>	<u>(70,562)</u>
Fixed assets — net	<u>\$ 44,634</u>	<u>\$ 64,658</u>

Depreciation and amortization expense was \$25,329 and \$26,524 for the years ended April 30, 2010 and 2009, respectively.

8. RELATED PARTY TRANSACTIONS

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

During the years ended April 30, 2010 and 2009, the Foundation received from CAF operating support in the form of grants of \$20,000 and \$20,000, respectively. The amount is included in related party receivables in the statements of financial position and in the statements of activities as part of contributions — other.

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 the accounting guidance for 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 \$1,800 and \$16,762 for legal services and other operating support which is included in related party receivables in the statements of financial position at April 30, 2010 and 2009, respectively. During the years ended April 30, 2010 and 2009, the Foundation received from CADF operating support of \$61,366 and \$79,354, respectively, in the form of a grant. The amount is included in related party receivables in the statements of financial position and in the statements 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 \$78,869 and \$74,932 for the years ended April 30, 2010 and 2009, respectively.

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 statements 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:

Years Ending April 30	
2011	\$ 51,480
2012	<u>48,541</u>
	<u>\$ 100,021</u>

The Foundation also leases certain equipment under monthly operating leases.

Rent expense for the years ended April 30, 2010 and 2009, was \$48,641 and \$51,245, respectively.

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 years ended April 30, 2010 and 2009, the Foundation had no unrelated business income.

12. SUBSEQUENT EVENTS

The Foundation has evaluated all events or transactions that occurred after April 30, 2010 through June 30, 2010, the date the financial statements were issued. During this period, there were no material subsequent events.

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