

***Charities Aid Foundation America***

*Financial Statements*

*For the Years Ended April 30, 2008 and 2007*

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**CHARITIES AID FOUNDATION AMERICA  
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FOR THE YEARS ENDED APRIL 30, 2008 AND 2007**

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**REPORT OF INDEPENDENT AUDITORS**

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Board of Directors  
Charities Aid Foundation America  
King Street Station  
1800 Diagonal Road, Suite 150  
Alexandria, VA 22314-2840

We have audited the accompanying statements of financial position of Charities Aid Foundation America as of April 30, 2008 and 2007 and the related statements of activities 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, the financial statements referred to above present fairly, in all material respects, the financial position of Charities Aid Foundation America as of April 30, 2008 and 2007 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.



**A Professional Corporation**  
Alexandria, VA  
June 11, 2008

**CHARITIES AID FOUNDATION AMERICA**  
**STATEMENTS OF FINANCIAL POSITION**  
**APRIL 30, 2008 AND 2007**

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,343,145	\$ 1,433,721
Accounts receivable	233,223	60,235
Prepaid expenses	8,296	10,026
Pledges receivable	<u>2,871,393</u>	<u>1,188,490</u>
	<u>4,456,057</u>	<u>2,692,472</u>
<b>OTHER ASSETS</b>		
Investments	5,153,882	6,875,000
Pledges receivable - net of present value adjustment of \$145,645 and \$106,188	2,207,245	1,456,855
Office furniture and equipment - net of accumulated depreciation of \$23,636 and \$21,555	33,773	11,600
Investment in CAF American Donor Fund	<u>143</u>	<u>143</u>
	<u>7,395,043</u>	<u>8,343,598</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 11,851,100</u></u>	<u><u>\$ 11,036,070</u></u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	<u>\$ 56,184</u>	<u>\$ 90,288</u>
<b>NET ASSETS</b>		
Unrestricted		
Designated donor advised funds	11,239,377	10,267,681
Designated donor advised gifts	457,035	678,271
Other	<u>98,504</u>	<u>(170)</u>
<b>TOTAL NET ASSETS</b>	<u>11,794,916</u>	<u>10,945,782</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 11,851,100</u></u>	<u><u>\$ 11,036,070</u></u>

**CHARITIES AID FOUNDATION AMERICA  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED APRIL 30, 2008 AND 2007**

	<b>2008</b>	<b>2007</b>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>		
Contributions		
Donor advised	\$ 29,903,164	\$ 19,535,675
Other	227,181	124,074
	30,130,345	19,659,749
Investment income	313,377	278,397
Application review fees	704	4,962
Consulting fees	64,000	-
	30,508,426	19,943,108
 <b>EXPENSES</b>		
Program services - grantmaking		
Donor advised grants	28,406,031	14,831,127
Operating expenses	705,300	436,111
	29,111,331	15,267,238
Management and general	243,076	304,037
Fundraising	304,885	137,195
	29,659,292	15,708,470
 <b>CHANGES IN NET ASSETS</b>	 849,134	 4,234,638
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>10,945,782</b>	<b>6,711,144</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 11,794,916</b>	<b>\$ 10,945,782</b>

**CHARITIES AID FOUNDATION AMERICA**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED APRIL 30, 2008 AND 2007**

	<b>2008</b>	<b>2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 849,134	\$ 4,234,638
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities		
Depreciation	14,081	11,870
Unrealized loss on investments	46,118	-
Changes in operating assets and liabilities		
(Increase) decrease in		
Accounts receivable	(172,988)	8,705
Prepaid expenses	1,730	149
Pledges receivable	(2,433,293)	536,005
Increase (decrease) in		
Accounts payable and accrued expenses	(34,104)	(189,796)
	<u>(1,729,322)</u>	<u>4,601,571</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	(36,254)	(5,168)
Purchases of investments	(4,243,149)	(5,900,560)
Proceeds from sales of investments	5,918,149	2,175,560
	<u>1,638,746</u>	<u>(3,730,168)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(90,576)	871,403
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,433,721</u>	<u>562,318</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 1,343,145</u>	<u>\$ 1,433,721</u>

**NOTE 1: NATURE OF ACTIVITIES**

Charities Aid Foundation America (the Foundation) is a public charity whose mission is to help individuals, companies, and family and community foundations make charitable gifts to non-U.S charitable organizations. The Foundation also enables charities to attract funding from the USA. 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 Network of offices in the United Kingdom, Australia, Bulgaria, India, Russia and South Africa.

**NOTE 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.

**Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingencies, if any, at the date of the financial statements and revenue and expenses during the reporting period. Actual results could differ from these estimates.

**Cash and Cash Equivalents**

All highly liquid investments available for current use, with maturity of three months or less at the time of acquisition, are considered cash equivalents.

**Investments**

The investment in CAF American Donor Fund is reflected at its cost of \$143. This stock is not readily marketable and, as explained in Note 5, the Foundation has no economic interest in either the equity or earnings of CAF American Donor Fund. Therefore, the Foundation's investment is carried at cost rather than by the equity method because management believes this results in a more appropriate reflection of the value of this investment.

The fair value of other investments was determined using the discounted cash flow method for fiscal year 2008. The discount rate used was 5%. Management believes that the method used to determine the fair value of the investments is a more appropriate reflection of the value of this investment. This is a change in accounting policy from 2007.

Previously these investments were carried at fair value based upon the reported market price at the end of of the last business day of the Foundation's year for fiscal year 2007.

The change in value during the year (whether realized or unrealized) is recognized as a component of investment income on the statement of activities. The effect of the change in accounting policy resulted in a reduction of the investment income on the statements of activities by \$46,118.

**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 4 years. Depreciation expense for fiscal years 2008 and 2007 was \$14,081 and \$11,870, respectively.

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**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Pledges Receivable**

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 the present value of their net realizable amounts, using risk-free discount rates.

**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, 2008 and 2007, there were no temporarily and permanently restricted net assets.

**NOTE 3: INVESTMENTS**

As of April 30, 2008 and 2007, the Foundation's investments consisted of the following:

	<u>2008</u>	<u>2007</u>
Nuveen Investments - equities	\$ 5,153,882	\$ 6,875,000

Investment income from the investments for the years April 30, 2008 and 2007 was as follows:

Interest and dividends	\$ 359,495	\$ 278,397
Unrealized loss	(46,118)	-
	<u>\$ 313,377</u>	<u>\$ 278,397</u>

**NOTE 4: ACCOUNTS RECEIVABLE**

The Foundation's accounts receivable are comprised of the following as of April 30, 2008 and 2007.

	<u>2008</u>	<u>2007</u>
CAF American Donor Fund	\$ 142,295	\$ 30,737
Donor Advised Funds management fees	32,000	22,000
Due diligence fees	-	6,000
Bank accounts interest receivable	-	1,498
Reimbursable startup costs due from client	51,304	-
Online donations	7,624	-
	<u>\$ 233,223</u>	<u>\$ 60,235</u>

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

**NOTE 5: RELATED PARTY TRANSACTIONS**

**Charities Aid Foundation**

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

The Foundation owed CAF \$0 and \$3,333, for operating surpluses and accounting services which is part of accounts payable and accrued expenses at April 30, 2008 and 2007, respectively. During the years ended April 30, 2008 and 2007 CAF invoiced the Foundation \$22,550 and \$20,000, respectively, for accounting services. During each of the years ended April 30, 2008 and 2007, the Foundation received from CAF operating support of \$85,000 in the form of a grant. The amount is included in the statements of activities as part of contributions - other.

**CAF American Donor Fund**

The CAF American Donor Fund (CADF) is a registered charity in England and Wales, incorporated on December 22, 1999 under the name of Southampton Row Trust Limited. During July 2004, the Secretary of State of the United Kingdom provided approval to change the name to CAF American Donor Fund.

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 accounting principles generally accepted in the United States of America, the financial statements of the Foundation do not include consolidation of the financial position, changes in net assets and cash flows of CADF, because control of and economic interest in CADF does not rest with the Foundation.

CADF owed the Foundation \$11,832 and \$0, for legal services and other operating support which is part of accounts receivable at April 30, 2008 and 2007, respectively. During the years ended April 30, 2008 and 2007, the Foundation received from CADF operating support of \$130,463 and \$30,737, respectively, in the form of a grant. The amounts are included in accounts receivable in the statements of financial position as of April 30, 2008 and 2007 and in the statements of activities as part of contributions - other during the years ended April 30, 2008 and 2007.

**NOTE 6: RETIREMENT PLAN**

The Foundation makes contributions to a simplified employee pension plan (the SEP) for its eligible employees equal to 15% of salary. Retirement plan expenses related to the SEP were \$41,296 and \$33,436, for the years ended April 30, 2008 and 2007, respectively.

**NOTE 7: OPERATING LEASE COMMITMENTS**

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 February 29, 2012. Minimum lease payments required under the non-cancelable lease for the years ended April 30:

2009	\$	48,517
2010		49,978
2011		51,480
2012		44,057
		44,057
	\$	194,032

The Foundation also leases certain equipment under monthly operating leases.

Rent expense for fiscal years 2008 and 2007 was \$67,595 and \$37,965, respectively.

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## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8: PLEDGES RECEIVABLE

Included in pledges receivable are the following unconditional promises to give:

	<u>2008</u>	<u>2007</u>
Amounts receivable in		
Less than one year	\$ 2,871,393	\$ 1,188,490
One to five years	<u>2,352,890</u>	<u>1,563,043</u>
	5,224,283	2,751,533
Present value discount	<u>(145,645)</u>	<u>(106,188)</u>
	<u>\$ 5,078,638</u>	<u>\$ 2,645,345</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 for both 2008 and 2007.

### NOTE 9: MAJOR CONTRIBUTORS

Two contributors represented approximately 33% of total contributions for the year ended April 30, 2008. One contributor represented approximately 28% of total contributions for the year ended April 30, 2007.

### NOTE 10: CONCENTRATION OF RISK

The Foundation maintains three accounts in one bank. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 at each bank. As of April 30, 2008 and 2007, cash in excess of the FDIC limit totaled \$70,314 and \$201,181, respectively.

The Foundation also maintains money market and investment accounts which are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 per customer. As of April 30, 2008 and 2007, money market funds and investments in excess of the SIPC limit totaled \$5,881,375 and \$7,502,621.

### NOTE 11: INCOME TAX STATUS

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated business income. During the years ended April 30, 2008 and 2007, the Foundation had no unrelated business income.

### NOTE 12: CORRECTION OF AN ERROR

During the year ended April 30, 2008, management determined that pledges receivable were understated in previously issued financial statements. This understatement caused net assets as of April 30, 2007 and revenues and changes in net assets for the year then ended to be understated. The effect of this restatement was an increase to pledges receivable and an increase to donor advised contributions in the amount of \$637,000 for the year ended April 30, 2007.

**NOTE 13: CONTINGENCY AND COMMITMENT**

As of April 30, 2008, the Foundation had investments at book value of \$5,200,000, representing the par value of holdings in Nuveen Preferred Stock (Nuveen), an Auction Rate Security offered by Nuveen Investments. The Foundation holds Nuveen stock to maturity, at which point it has historically been redeemed at par value. The liquidity of Nuveen stock (and other Auction Rate Securities) is provided by weekly auctions. These auctions have failed to function normally since mid February, 2008 and the investment securities have been frozen.

Nuveen Investments is in the process of refinancing these investments to restore liquidity, and management expects that the investment will be repaid in full. As of May 30, 2008, \$1,125,000 of these funds have either been fully liquidated (at par) or scheduled for liquidation. To support the Foundation, CAF has provided a loan facility of \$4,075,000 to enable the Foundation to meet obligations as they occur. The loan facility expires on the earlier of June 12, 2009 or the date that Nuveen Preferred Stock is fully redeemed. There was no amount outstanding on the loan facility as of April 30, 2008.