

THE GLOBAL FUND FOR CHILDREN

FINANCIAL STATEMENTS AND
AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2002

THE GLOBAL FUND FOR CHILDREN

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
THE GLOBAL FUND FOR CHILDREN

We have audited the accompanying statement of financial position of THE GLOBAL FUND FOR CHILDREN as of June 30, 2002 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 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 audit provides 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 THE GLOBAL FUND FOR CHILDREN as of June 30, 2002 and the changes in net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Rockville, Maryland
July 26, 2002

THE GLOBAL FUND FOR CHILDREN
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2002

ASSETS

CURRENT ASSETS

Cash and cash equivalents (NOTE 2)	\$ 204,267
Accounts receivable	5,000
Prepaid expenses	<u>16,016</u>

Total Current Assets	225,283
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PROPERTY AND EQUIPMENT, net (NOTE 3)	<u>10,127</u>
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TOTAL ASSETS	<u>\$ 235,410</u>
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LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 5,251
Accrued vacation	<u>8,952</u>

Total Liabilities	<u>14,203</u>
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NET ASSETS

Unrestricted Net Assets	135,647
Temporarily Restricted Net Assets (NOTE 4)	<u>85,560</u>

Total Net Assets	<u>221,207</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 235,410</u>
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The accompanying notes are an integral part
of these financial statements.

THE GLOBAL FUND FOR CHILDREN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2002

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUES AND OTHER SUPPORT			
Gifts and grants	\$ 316,447	\$ 503,535	\$ 819,982
Book revenues and royalties	17,756	-	17,756
Interest income	7,455	-	7,455
Other	<u>1,535</u>	<u>-</u>	<u>1,535</u>
TOTAL REVENUES AND OTHER SUPPORT	343,193	503,535	846,728
NET ASSETS RELEASED FROM RESTRICTIONS (NOTE 4)	<u>472,975</u>	<u>(472,975)</u>	<u>-</u>
TOTAL REVENUES, SUPPORT AND RECLASSIFICATIONS	<u>816,168</u>	<u>30,560</u>	<u>846,728</u>

The accompanying notes are an integral part
of these financial statements.

THE GLOBAL FUND FOR CHILDREN
STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2002

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
EXPENSES			
Program services (NOTE 5)	610,765	-	610,765
Management and general	76,942	-	76,942
Fundraising (NOTE 7)	<u>86,808</u>	<u>-</u>	<u>86,808</u>
TOTAL EXPENSES	<u>774,515</u>	<u>-</u>	<u>774,515</u>
CHANGE IN NET ASSETS	41,653	30,560	72,213
NET ASSETS			
Beginning of year	<u>93,994</u>	<u>55,000</u>	<u>148,994</u>
End of year	<u>\$ 135,647</u>	<u>\$ 85,560</u>	<u>\$ 221,207</u>

The accompanying notes are an integral part
of these financial statements.

THE GLOBAL FUND FOR CHILDREN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from contributors and grants	\$ 839,273
Interest received	7,455
Cash paid to employees and suppliers	<u>(781,521)</u>
Net Cash Provided By Operating Activities	<u>65,207</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	<u>(2,612)</u>
Net Cash Used For Investing Activities	<u>(2,612)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	62,595
CASH	
Beginning of period	<u>141,672</u>
End of Period	<u>\$ 204,267</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Change in net assets	\$ 72,213
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	2,424
(Increase) in accounts receivable	(5,000)
(Increase) in prepaid expenses	(13,063)
(Decrease) in accounts payable	(319)
Increase in accrued vacation	<u>8,952</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 65,207</u>

The accompanying notes are an integral part
of these financial statements.

THE GLOBAL FUND FOR CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002

1. ORGANIZATION AND PURPOSE

The Global Fund for Children is a national non-profit organization that helps young people develop the knowledge and skills they need to become productive, caring members of our global society. The organization identifies and invests in community-based programs around the world to enhance the lives of children. The organization is particularly sensitive to the needs of street children, child laborers, AIDS orphans, girls, and other vulnerable groups of children.

The Global Fund for Children recognizes that promoting global understanding is essential to helping children become responsible and caring citizens of the world. The organization's children's book publishing venture, Shakti for Children™, offers children insight into cultural, social, and environmental diversity. These award-winning books are powerful educational and advocacy tools to inform children and adults everywhere about the lives of young people. By combining thoughtful grant making and an innovative communications strategy, the Global Fund for Children is helping to expand opportunities for children around the world.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization's financial statements are prepared on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

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

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

THE GLOBAL FUND FOR CHILDREN
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services and Materials

A substantial number of volunteers have donated significant amounts of their time in program services. However, these services are not reflected in the financial statements since they do not require specialized skills.

Donated services requiring specialized skills are reflected at their fair market value. The total amount of these donated services for the year ended June 30, 2002 was \$6,335.

Cash and Cash Equivalents

Cash and cash equivalents for the statement of cash flows includes cash on hand, cash held in checking accounts and cash held in money market funds.

Pursuant to Financial Accounting Standards Board Statement No. 105, the following summarizes the Organization's cash as of year ended June 30, 2002 that was not covered by insurance provided by the federal government.

Money market account	<u>\$ 208,788</u>
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The funds in this account are protected through alternative coverage.

Income Taxes

The Organization is exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. All donations received by the Foundation qualify as charitable contributions.

Intangible Assets

The Organization has internally developed the trademark, Shakti for Children™. Since the trademark has been internally developed, costs associated with the trademark have been expensed when incurred. The value of the trademark, along with its useful life, is neither infinite nor specifically limited, but is indeterminate. Consequently, the trademark has not been capitalized and no amortization has been recognized. Books and curricula, which are authored and published under this trademark, represent intellectual property which belongs to the Organization, and upon which it earns copyright royalties. As of June 30, 2002 the Organization owned the intellectual property for 18 of these books and curricula.

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost at the date of acquisition or, in the case of gifts, fair market value at the date of the donation. Depreciation is recorded over the estimated useful lives of the respective assets (5 years) using the straight-line method.

THE GLOBAL FUND FOR CHILDREN
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2002

3. PROPERTY AND EQUIPMENT (CONTINUED)

A summary of property, plant and equipment follows:

Office equipment	\$ 14,296
Less accumulated depreciation	<u>(4,169)</u>
Property, plant and equipment, net	<u>\$ 10,127</u>

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the development of children's books and grants for children's education programs, and organizational capacity building. Temporarily restricted net assets were released from grantor-imposed restrictions for research and development of new products and impact services, and for fundraising and development expenses.

5. PROGRAM SERVICES

Program services are segregated by type of activity within the statement of activities. The following indicates the specific activities, which are included in each program area:

Since 1996, **Shakti for Children™** has developed a range of innovative books that give children insight into cultural, social, and environmental diversity. Award-winning books include: *Children from Australia to Zimbabwe*, *To Be a Kid*, *Extraordinary Girls*, *Let the Games Begin* and *Come Out and Play*. Through its Books for Kids Project, **Shakti for Children™** donates books to community organizations that serve children in need. For many children, the books they receive through this program are the first books they have ever owned. The Books for Kids project has donated more than 45,000 books to schools and organizations in the U.S. and around the world.

Grant Making – The Global Fund for Children makes grants to small community-based organizations around the world that help young people develop the knowledge and skills they need to become productive, caring members of our global society. These grants support nonformal education programs that focus primarily on the needs of street children, child laborers, AIDS orphans, girls and other vulnerable groups of children. The Global Fund for Children has no geographic limitations. These grants have helped children from Afghanistan to Zambia. Since 1997, the Organization has given over \$469,000 to community groups doing vital work with children in eighteen countries.

THE GLOBAL FUND FOR CHILDREN
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2002

5. PROGRAM SERVICES (CONTINUED)

Social Marketing – The Global Fund for Children’s social marketing program uses traditional marketing techniques to “sell” ideas, attitudes and behaviors, seeking to benefit the society in general. As an example, the 2002 Take Our Daughters to Work Day featured GFC’s book, Extraordinary Girls as the official book of the event. Through information posted on the event’s Web site and a specially designed piece that was inserted in every book sold through the Web site, GFC used these opportunities to raise awareness of the link between **Shakti for Children™** books, philanthropy and global children’s issues generally.

6. MINIMUM FUTURE LEASE PAYMENTS

Real Property Lease

The Organization is obligated under a new lease agreement for larger office space. This lease expires in July 2007. Future minimum rental payments under this operating lease are as follows:

2003	\$ 85,400
2004	95,298
2005	97,681
2006	100,123
2007	102,626
Thereafter	<u>8,570</u>
	<u>\$ 489,698</u>

Rent expense for the year ended June 30, 2002 was \$23,352.

7. FUNDRAISING

In August 2001 the Organization was awarded a three-year grant in the amount of \$400,000 from the Omidyar Foundation for the specific charitable purpose of building organizational capacity. Payment is conditional upon the organization meeting several reporting and other requirements. During the year ended June 30, 2002 the organization received \$160,000 to cover fundraising and development expenses.

8. PROMISES TO GIVE

Unconditional promises to give are recognized as receivables and as revenues in the period in which the Organization is notified by the donor of his or her commitment to make a contribution. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

At June 30, 2002 the Organization had \$435,000 in promises to give contingent upon certain grantmaking activities, and had a \$240,000 promise to give contingent upon the achievement of building organizational capacity and participating in the grantor’s communication management system (See NOTE 7). The Organization expects to fulfill these conditions over the next two years.

