

August 24, 2021

Board of Directors
Children of Vietnam
Greensboro, North Carolina

We have audited the financial statements of Children of Vietnam (the "Organization") for the year ended June 30, 2021, and have issued our report thereon dated August 24, 2021. Professional standards require that we provide you with information about our responsibilities under U.S. generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 19, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note B to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2021. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of in-kind donations is based on values for similar assets or services if paid for by the Organization.
- Management's allocation of functional expenses is based on periodic time and expense analyses used to determine whether the expenses are related to program and management and general.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements (audit adjustments) identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 24, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Butler + Burke, LLP

Butler + Burke, LLP

CHILDREN OF VIETNAM

Financial Statements

June 30, 2021 and 2020

TABLE OF CONTENTS

Independent Auditors' Report.....	2
Statements of Financial Position	3
Statements of Activities.....	4 - 5
Statements of Functional Expenses.....	6 - 7
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9 - 14

B U T L E R ■ B U R K E

C E R T I F I E D P U B L I C A C C O U N T A N T S

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Butler ■ Burke LLP

Winston-Salem, North Carolina
August 24, 2021

**CHILDREN OF VIETNAM
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 1,161,603	\$ 884,230
Short-term investments	- 30,433	
Promises to give	651 -	
Prepaid expenses	<u>9,029</u>	<u>9,157</u>
<u>TOTAL ASSETS</u>	<u>\$ 1,171,283</u>	<u>\$ 923,820</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses	\$ 1,654	\$ 4,274
<u>Total Liabilities</u>	<u>1,654</u>	<u>4,274</u>
Net Assets		
Without donor restrictions		
Undesignated	769,055	578,246
Board designated	<u>128,502</u>	<u>128,502</u>
	897,557	706,748
With donor restrictions	<u>272,072</u>	<u>212,798</u>
<u>Total Net Assets</u>	<u>1,169,629</u>	<u>919,546</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 1,171,283</u>	<u>\$ 923,820</u>

CHILDREN OF VIETNAM
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 415,184	\$ 311,574	\$ 726,758
Grants	-	53,266	53,266
Donated goods, materials, and services	357,504	-	357,504
Interest income	223	-	223
	<u>772,911</u>	<u>364,840</u>	<u>1,137,751</u>
Net assets released from restrictions	<u>305,566</u>	<u>(305,566)</u>	-
Total Support and Revenue	<u>1,078,477</u>	<u>59,274</u>	<u>1,137,751</u>
EXPENSES			
Program services	702,945	-	702,945
Management and general	87,777	-	87,777
Fundraising	96,946	-	96,946
Total Expenses	<u>887,668</u>	<u>-</u>	<u>887,668</u>
CHANGE IN NET ASSETS	<u>190,809</u>	<u>59,274</u>	<u>250,083</u>
Net Assets, Beginning	<u>706,748</u>	<u>212,798</u>	<u>919,546</u>
Net Assets, Ending	<u>\$ 897,557</u>	<u>\$ 272,072</u>	<u>\$ 1,169,629</u>

**CHILDREN OF VIETNAM
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 342,967	\$ 329,467	\$ 672,434
Grants	-	59,832	59,832
Donated goods, materials, and services	342,648	-	342,648
Interest income	2,835	-	2,835
	688,450	389,299	1,077,749
Net assets released from restrictions	<u>350,012</u>	<u>(350,012)</u>	-
Total Support and Revenue	1,038,462	39,827	1,077,749
EXPENSES			
Program services	809,618	-	809,618
Management and general	76,608	-	76,608
Fundraising	82,889	-	82,889
Total Expenses	969,115	-	969,115
CHANGE IN NET ASSETS			
	69,347	39,287	108,634
Net Assets, Beginning	637,401	173,511	810,912
Net Assets, Ending	\$ 706,748	\$ 212,798	\$ 919,546

CHILDREN OF VIETNAM
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 83,858	\$ 50,440	\$ 69,111	\$ 203,409
Education	132,320	-	-	132,320
Nutrition	370,315	-	-	370,315
Housing	27,305	-	-	27,305
Health care	1,179	-	-	1,179
Hope System of Care for Children with Disabilities	21,046	-	-	21,046
Empowering Foundations for Women & Their Children	65	-	-	65
Disaster and COVID relief	43,679	-	-	43,679
Travel and meetings	2,365	489	-	2,854
Professional fees	1,182	19,227	557	20,966
Security services	-	1,694	-	1,694
Postage and shipping	18	719	436	1,173
Occupancy	12,644	5,273	4,800	22,717
Office supplies	1,188	313	43	1,544
Fundraising	-	-	9,380	9,380
Online processing fees	-	-	10,072	10,072
Miscellaneous	4,036	4,550	1,324	9,910
Insurance	-	2,156	-	2,156
Equipment rental	1,092	-	-	1,092
Bank fees	-	1,397	-	1,397
Telephone and internet	441	62	-	503
Repairs and maintenance	183	375	-	558
Printing and reproduction	29	1,082	1,223	2,334
	\$ 702,945	\$ 87,777	\$ 96,946	\$ 887,668

CHILDREN OF VIETNAM
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 109,393	\$ 37,781	\$ 60,470	\$ 207,644
Education	180,019	-	-	180,019
Nutrition	356,813	-	-	356,813
Housing	24,023	-	-	24,023
Health care	1,266	-	-	1,266
Hope System of Care for Children with Disabilities	50,573	-	-	50,573
Empowering Foundations for Women & Their Children	46,260	-	-	46,260
Disaster relief	7,317	-	-	7,317
Travel and meetings	8,756	3,447	2,230	14,433
Professional fees	548	19,743	-	20,291
Security services	-	1,684	-	1,684
Postage and shipping	-	673	169	842
Occupancy	13,267	5,162	4,800	23,229
Office supplies	3,087	1,518	-	4,605
Fundraising	-	-	3,105	3,105
Online processing fees	-	-	8,324	8,324
Miscellaneous	4,090	2,288	2,387	8,765
Insurance	-	1,954	570	2,524
Equipment rental	3,347	56	-	3,403
Bank fees	-	1,141	-	1,141
Telephone and internet	536	62	-	598
Repairs and maintenance	58	194	-	252
Printing and reproduction	265	905	834	2,004
	\$ 809,618	\$ 76,608	\$ 82,889	\$ 969,115

CHILDREN OF VIETNAM
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2021 and 2020

	2021	2020
OPERATING ACTIVITIES		
Change in net assets	\$ 250,083	\$ 108,634
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(A)crease/(decrease) in operating assets:		
Promises to give	(651)	4,310
Prepaid expenses	128	(700)
(A)crease/(decrease) in operating liabilities:		
Accrued expenses	<u>(2,620)</u>	<u>2,542</u>
Net Cash Provided by Operating Activities	<u>246,940</u>	<u>114,786</u>
INVESTING ACTIVITIES		
Maturity of short-term investments	30,625	97,141
Reinvestment of interest income	<u>(192)</u>	<u>(1,859)</u>
Net Cash Provided by Investing Activities	<u>30,433</u>	<u>95,282</u>
CHANGE IN CASH AND CASH EQUIVALENTS	277,373	210,068
Cash and Cash Equivalents, Beginning	<u>884,230</u>	<u>674,162</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,161,603</u>	<u>\$ 884,230</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 that works to lift children out of poverty by eliminating barriers to fulfilling their potential through comprehensive services that focus on one child, one family, and one community at a time. The Organization envisions a Vietnam in which all children flourish, reach their full potential, and contribute positively to society.

The Organization accomplishes its mission by tackling the many challenges children face in poverty with wraparound services in education, nutrition, and health. It works with vulnerable children, including poor, ethnic children, and those with disabilities (including those negatively affected by Agent Orange/dioxin). Further, it works with single mothers to develop their livelihoods and resiliency and communities to implement early education and provide clean water and sanitation.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles (GAAP). The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions - net assets that are not restricted by donors or for which donor-imposed restrictions have expired. If the board specifies a purpose where none has been stated, such funds are classified as board designated net assets without donor restrictions.

Net assets with donor restrictions - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e. donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

**CHILDREN OF VIETNAM
NOTES TO FINANCIAL STATEMENTS**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Organization considers all demand deposits at financial institutions and all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses on these accounts.

Short-Term Investments

Short-term investments were comprised of certificates of deposit with original maturities ranging from six months to one year. All short-term investments matured during the year ended June 30, 2021.

Promises to Give

Contributions and grants (promises to give) are recognized as revenues in the period the commitment is made. The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contributions and grants revenue in the statements of activities. The Organization determines an allowance for uncollectible promises to give based on historical experience, an assessment of the economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. An allowance for uncollectible promises to give was not considered necessary at June 30, 2021 or 2020. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions upon which they depend are substantially met.

Property and Depreciation

Property and equipment additions are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred.

Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

**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 \$357,504 and \$342,648 for the years ended June 30, 2021 and 2020, 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.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include utilities, occupancy, salaries and personnel related expenses, which are allocated on the basis of estimates of time and effort. Other expenses such as office supplies, telephone and internet, postage, printing, and travel are allocated on the basis of usage.

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.

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)

Subsequent Events

The Organization has evaluated its subsequent events (events occurring after June 30, 2021) 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: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the balance sheet date, comprise the following:

	2021	2020
Cash and cash equivalents	\$ 1,161,603	\$ 884,230
Short-term investments	-	30,433
Promises to give	<u>651</u>	-
 Total financial assets	 1,162,254	914,663
 Less those unavailable for general expenditure within one year due to:		
Purpose restrictions	(272,072)	(212,798)
Board designations	<u>(128,502)</u>	<u>(128,502)</u>
 Financial assets available to meet cash needs for general expenditure within one year	 <u>\$ 761,680</u>	 <u>\$ 573,363</u>

The Organization has a goal to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has substantial board-designated funds to draw upon, if needed.

**CHILDREN OF VIETNAM
NOTES TO FINANCIAL STATEMENTS**

NOTE D: LEASES

The Organization entered into a one year lease for Vietnam office space that began in February 2021. The Organization also entered into a three year lease for a Vietnam food warehouse that began in March 2021. Future minimum payments under noncancelable leases with initial or remaining terms of one year or more are as follows at each June 30:

2022	\$ 12,001
2023	4,301
2024	<u>2,868</u>
	<u>\$ 19,170</u>

Rent expense amounted to \$16,634 and \$16,908 for the years ended June 30, 2021 and 2020, respectively. The Organization received in-kind U.S. office rent expense of \$9,600 for the years ended June 30, 2021 and 2020, respectively.

NOTE E: NET ASSETS WITHOUT DONOR RESTRICTIONS DESIGNATED FOR SPECIAL PURPOSES

The Organization maintains unrestricted funds, some of which are designated by the Board for certain purposes. The amounts of such designated net assets, at June 30, were as follows:

	2021	2020
General support	<u>\$ 128,502</u>	<u>\$ 128,502</u>

CHILDREN OF VIETNAM
NOTES TO FINANCIAL STATEMENTS

NOTE F: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30, 2021 and 2020:

	2021	2020
Subject to expenditure for specified purposes:		
Contributions, restricted for		
Education	\$ 233,796	\$ 159,370
Housing	-	7,500
Nutrition	3,500	-
Empowering Foundations for Women & Their Children	1,749	-
Disaster relief	4,898	-
Grants, restricted for		
Education	2,464	28,515
Hope System of Care for Children with Disabilities	405	17,413
Empowering Foundations for Women & Their Children	15,000	-
Housing	<u>10,260</u>	<u>-</u>
	<u>\$ 272,072</u>	<u>\$ 212,798</u>

NOTE G: RELATED PARTY TRANSACTIONS

The Organization receives contributions from members of the Board of Directors. Support from current Board members was \$98,182 and \$89,123 for the years ended June 30, 2021 and 2020 respectively. There were no contributions receivable from Board members at June 30, 2021 or 2020.

NOTE H: CONCENTRATIONS AND CONTINGENCIES

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, Quang Ngai 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 reparation, government price or foreign exchange controls, and restrictions on currency exchange. Net assets of foreign operations are approximately 2% of the Organization's total net assets at June 30, 2021.