

**CHILDREN OF ARMENIA FUND, INC.
AND SUBSIDIARY**

Consolidating Financial Statements

December 31, 2015 and 2014



INDEPENDENT AUDITORS' REPORT

Board of Directors
Children of Armenia Fund, Inc. and Subsidiary

We have audited the accompanying consolidating statements of financial position of Children of Armenia Fund, Inc. (a not-for-profit corporation) and Subsidiary as of December 31, 2015 and 2014 and the related consolidating statements of activities and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these consolidating financial statements in accordance with accounting principles generally accepted in the United States of America. This includes 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 consolidating financial statements based on our audits. We did not audit the financial statements of COAF Armenia, a foreign wholly-owned subsidiary, which statements reflect total assets of \$1,464,525 and \$452,014 as of December 31, 2015 and 2014, respectively, and total support and revenues of \$2,324,060 and \$1,623,155 for the respective years then ended. Those statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for COAF Armenia, is based solely on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidating financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidating 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 consolidating 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 the overall presentation of the consolidating 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, based on our audits and the reports of the other auditors, the consolidating financial statements referred to above present fairly, in all material respects, the consolidating financial position of Children of Armenia Fund, Inc. and Subsidiary as of December 31, 2015 and 2014 and the changes in their net assets and their cash flows for the years then ended in conformity with generally accepted accounting principles in the United States of America.

RJSacco & Company LLP

Princeton, NJ
November 14, 2016

CHILDREN OF ARMENIA FUND, INC. AND SUBSIDIARY

December 31, 2015 and 2014

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CHILDREN OF ARMENIA FUND, INC. AND SUBSIDIARY

Consolidating Statements of Financial Position

December 31, 2015 and 2014

	2015			2014		
	COAF US	COAF Armenia	Consolidated	COAF US	COAF Armenia	Consolidated
Assets						
Cash and cash equivalents	\$ 1,498,965	\$ 237,823	\$ 1,736,788	\$ 2,157,703	\$ 166,452	\$ 2,324,155
Unconditional promises to give						
Unrestricted	2,491,750	-	2,491,750	1,966,102	-	1,966,102
Other current assets	725	824,052	824,777	725	252,329	253,054
Total current assets	3,991,440	1,061,875	5,053,315	4,124,530	418,781	4,543,311
Property and equipment - net	-	402,549	402,549	-	33,090	33,090
Long-term investments	1,489,105	-	1,489,105	501,355	-	501,355
Investment - gifts in kind	25,000	-	25,000	115,000	-	115,000
Intangible assets - net	-	101	101	-	143	143
Total other assets	1,514,105	101	1,514,206	616,355	143	616,498
Total assets	\$ 5,505,545	\$ 1,464,525	\$ 6,970,070	\$ 4,740,885	\$ 452,014	\$ 5,192,899
Liabilities and net assets						
Accounts payable and accrued expenses	\$ 95,990	\$ 41,451	\$ 137,441	\$ 198,013	\$ 40,578	\$ 238,591
Net assets						
Unrestricted	5,409,555	1,423,074	6,832,629	4,542,872	411,436	4,954,308
Total net assets	5,409,555	1,423,074	6,832,629	4,542,872	411,436	4,954,308
Total liabilities and net assets	\$ 5,505,545	\$ 1,464,525	\$ 6,970,070	\$ 4,740,885	\$ 452,014	\$ 5,192,899

See notes to consolidating financial statements.

CHILDREN OF ARMENIA FUND, INC. AND SUBSIDIARY

Consolidating Statements of Activities

Years Ended December 31, 2015 and 2014

	2015			2014				
	COAF US	COAF Armenia	Eliminations	Consolidated	COAF US	COAF Armenia	Eliminations	Consolidated
Changes in unrestricted net assets								
Support and revenue								
Contributions	\$ 256,161	\$ -	\$ -	\$ 256,161	\$ 251,233	\$ -	\$ -	\$ 251,233
Fundraising benefits	3,461,958	2,324,060	(1,657,514)	4,128,504	2,578,288	1,623,155	(1,477,604)	2,723,839
Direct costs of fundraising	(204,673)	-	-	(204,673)	(183,226)	-	-	(183,226)
Interest income	30,286	-	-	30,286	38,175	-	-	38,175
Unrealized (loss) gain on investments	(131,355)	-	-	(131,355)	104,425	-	-	104,425
Total support and revenue	3,412,377	2,324,060	(1,657,514)	4,078,923	2,788,895	1,623,155	(1,477,604)	2,934,446
Expenses								
Program services	1,790,756	1,280,281	(1,657,514)	1,413,523	1,573,547	1,505,628	(1,477,604)	1,601,571
Supporting services								
Management and general	445,523	-	-	445,523	349,569	-	-	349,569
Fundraising	309,415	(34,500)	-	274,915	247,372	-	-	247,372
Total supporting services	754,938	(34,500)	-	720,438	596,941	-	-	596,941
Total expenses	2,545,694	1,245,781	(1,657,514)	2,133,961	2,170,488	1,505,628	(1,477,604)	2,198,512
Increase in unrestricted net assets before foreign currency exchange loss	866,683	1,078,279	-	1,944,962	618,407	117,527	-	735,934
Foreign currency exchange loss	-	(32,141)	-	(32,141)	-	(54,570)	-	(54,570)
Increase in net assets	866,683	1,046,138	-	1,912,821	618,407	62,957	-	681,364
Net assets - beginning of year	4,542,872	411,436	-	4,954,308	3,924,465	348,479	-	4,272,944
Net assets - end of year	\$ 5,409,555	\$ 1,457,574	\$ -	\$ 6,867,129	\$ 4,542,872	\$ 411,436	\$ -	\$ 4,954,308

NOTE: Eliminations reflect payments made to or on behalf of COAF Armenia from COAF US.

CHILDREN OF ARMENIA FUND, INC. AND SUBSIDIARY

Consolidating Statements of Cash Flows

Years Ended December 31, 2015 and 2014

	2015				2014			
	COAF US	COAF Armenia	Eliminations	Consolidated	COAF US	COAF Armenia	Eliminations	Consolidated
Cash flows from operating activities	\$ 866,683	\$ 1,011,638	\$ -	\$ 1,878,321	\$ 618,407	\$ 62,957	\$ -	\$ 681,364
Increase in net assets	-	16,152	-	16,152	-	14,628	-	14,628
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) provided by operating activities	131,355	-	-	131,355	(104,425)	-	-	(104,425)
Depreciation and amortization	-	6,269	-	6,269	-	4,320	-	4,320
Unrealized loss (gain) on investments	(525,648)	-	-	(525,648)	(432,252)	-	-	(432,252)
Currency gain (loss)	-	(571,723)	-	(571,723)	-	(1,652)	-	(1,652)
(Increase) decrease in Unconditional promises to give	(102,023)	873	-	(101,150)	75,593	(6,678)	-	68,915
Other current assets								
Increase (decrease) in accounts payable								
Net cash (used in) provided by operating activities	370,367	463,209	-	833,576	157,323	73,575	-	230,898
Cash flows from investing activities								
Securities received for contributions	(1,029,105)	-	-	(1,029,105)	(239,920)	-	-	(239,920)
Purchase of property and equipment	-	(391,838)	-	(391,838)	-	(27,750)	-	(27,750)
Net cash provided by (used in) investing activities	(1,029,105)	(391,838)	-	(1,420,943)	(239,920)	(27,750)	-	(267,670)
Net (decrease) increase in cash and cash equivalents	(658,738)	71,371	-	(587,367)	(82,597)	45,825	-	(36,772)
Cash and cash equivalents - beginning of year	2,157,703	166,452	-	2,324,155	2,240,300	120,627	-	2,360,927
Cash and cash equivalents - end of year	\$ 1,498,965	\$ 237,823	\$ -	\$ 1,736,788	\$ 2,157,703	\$ 166,452	\$ -	\$ 2,324,155

See notes to consolidating financial statements.

Children of Armenia Fund, Inc. and Subsidiary

Notes to Consolidating Financial Statements

December 31, 2015 and 2014

Note 1 - Nature of activities and significant accounting policies

Nature of activities

Since its founding in 2000, Children of Armenia Fund, Inc. ("COAF") and Subsidiary (collectively, the "Fund") has worked to improve education, health care, community life and economic conditions for children in Armenia's impoverished rural villages. At their core, the Fund's programs create and sustain opportunities for growth and progress. Partnerships with the United Nations Development Programs (UNDP), United States Agency for International Development (USAID) the World Bank and the US Embassy in Armenia, along with other local and international organizations, have allowed the Fund to further leverage its resources and contribute to the development of one of the most economically disadvantaged regions of the world.

Over the course of several years, the Fund's regional cluster has grown from one to ten villages as the model has evolved and become more effective. Programs are broad and include strategic activity in the areas of Education, Health, Child and Family Services, Community Engagement, Economic Development and Infrastructure Rehabilitation. The Fund's approach to development is holistic and comprehensive, rooted in the belief that long-term results can only be achieved through programs that address the unique issues facing each and every community. Each challenge is addressed from the ground up, working closely with local communities every step of the way.

While the Fund's programs are currently concentrated in rural Armenia, its innovative approach of addressing rural poverty can be applied in any impoverished region of the world. The Fund aspires to form alliances with organizations operating in other regions and to share its methodology in order to eradicate poverty, paving the way for peaceful resolutions to many of the regional conflicts that exist today.

In addition to managing its operations from its headquarters in New York City, the Fund operates through a local entity, Children of Armenia Fund ("COAF Armenia") in order to carry out the implementation of its programs directly on the ground in Armenia.

Principles of consolidation

The accompanying consolidating financial statements include the accounts of COAF and COAF Armenia. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and have original maturities of three months or less that present insignificant risk of changes in value because of changes in interest rates.

Children of Armenia Fund, Inc. and Subsidiary

Notes to Consolidating Financial Statements - Continued

December 31, 2015 and 2014

Note 1 - Nature of activities and significant accounting policies - continued

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the consolidating statements of financial position. Gains and losses on investments are reflected in the consolidating statements of activities. Long-term investments consist of marketable securities not available for sale. Gifts in kind consists of gifts of collectible items and are reported at their donor designated values, which the organization believes is representative of fair values.

Unconditional promises to give and contributions

Contributions are recognized when a donor makes an unconditional promise to give to the Fund. Donor restricted contributions, if any, are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Fund uses the allowance method to reserve for uncollectible promises to give. Based on historical experience and analysis of specific promises made, management has determined that a reserve is not needed at December 31, 2015 and 2014.

Property and equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives as follows

Buildings and improvements	20 years
Automobiles	10 years
Office equipment	3 - 5 years

Intangible assets

Intangible assets are recorded at cost and amortized using the straight-line method over the estimated useful life of the related asset of 5 years. Amortization expense included in the consolidating statements of activities for the years ended December 31, 2015 and 2014 was \$36 and \$41, respectively.

Contributed services

No amounts have been reflected in the consolidating financial statements for donated services or for the use of the Fund's headquarters in New York City. Many individuals volunteer their time and perform a variety of tasks that assist the Fund. These services do not meet the criteria for recognition as contributed services. In addition, management has determined that the incidental use of space is deemed to be immaterial.

Children of Armenia Fund, Inc. and Subsidiary

Notes to Consolidating Financial Statements - Continued

December 31, 2015 and 2014

Note 1 - Nature of activities and significant accounting policies - continued

Revenue recognition

The Fund has three main sources of revenue. Contributions and pledges related to fundraising events are recorded as unconditional promises to give at the time they are made. General contributions and public support are recorded as they are received. Contributions may be recorded as unrestricted, temporarily restricted or permanently restricted depending on the existence and nature of any donor restrictions. In addition, revenue related to attendance at fundraising events is recorded as received.

Tax status

COAF is exempt from federal income taxes as an organization qualifying under Section 501(c) (3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. In accordance with ASB Topic 740, "Income Taxes", the Fund has evaluated all uncertain tax positions and deems that more likely than not all positions would be sustained should an examination occur by a taxing authority. The years 2011 through 2014 remain open to examination by the Internal Revenue Service.

COAF Armenia is subject to the laws of Armenia and has various information reporting requirements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

The 2014 consolidating financial statements have been reclassified to conform to the 2015 presentation. Management believes that the current reporting system is more representative of actual operations and any differences with prior years' presentations is not significant.

Note 2 - Restriction on net assets

Net assets may be restricted, either permanently or temporarily, for future periods and programs. There were no restricted net assets in 2015 and 2014.

Note 3 - Concentrations

The Fund maintains its cash balances and investments in financial institutions located in the United States and Armenia. The cash and investment balances maintained in the United States, at times, may exceed federally insured limits. The Fund has not experienced any losses on these balances.

The majority of fundraising is derived from the annual gala.

Children of Armenia Fund, Inc. and Subsidiary

Notes to Consolidating Financial Statements - Continued

December 31, 2015 and 2014

Note 4 - Unconditional promises to give

Unconditional promises to give are contributions that are receivable in less than one year and may include unrestricted and restricted promises to give designated for future programs. There were no restricted promises to give in 2015 or 2014. Management believes that all promises to give at December 31, 2015 and 2014 will be collected.

Note 5 - Investments

At December 31, 2015 and 2014, long-term investments consist of shares of common stock of Agenus, Inc., a publicly traded company and shares of a privately owned limited liability company. The value of Agenus, Inc. common stock was reported at fair market value as determined by the publicly traded price. The value of the limited liability company was reported based on management's estimate of its liquidity value based on the value of the underlying assets consisting of cash, Agenus, Inc. common stock and notes receivable.

A summary of changes in fair value of the Fund's investments for the years ended December 31, 2015 and 2014 follows

	<u>Long-term Investments</u>
Balance - December 31, 2013	\$ 157,010
Purchase and contribution of investments	239,920
Sale and transfer of investments	-
Unrealized gain	<u>104,425</u>
Balance - December 31, 2014	501,355
Purchase and contribution of investments	1,029,105
Sale and transfer of investments	-
Unrealized loss	<u>(41,355)</u>
Balance - December 31, 2015	<u>\$ 1,489,105</u>

Children of Armenia Fund, Inc. and Subsidiary

Notes to Consolidating Financial Statements - Continued

December 31, 2015 and 2014

Note 6 - Property and equipment

At December 31, 2015 and 2014, property and equipment consist of the following

	2015	2014
Building and improvements	\$ 206,920	\$ 36,136
Automobiles	144,131	54,500
Office equipment	166,843	65,571
Accumulated foreign currency loss	(32,610)	(26,347)
	<u>485,284</u>	<u>129,860</u>
Accumulated depreciation	(82,735)	(96,770)
	<u>\$ 402,549</u>	<u>\$ 33,090</u>

Depreciation expense included in the consolidating statements of activities for the years ended December 31, 2015 and 2014 was \$16,116 and \$14,587, respectively.

Note 7 - Fair value measurements

Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Fair value measurements are not adjusted for transaction costs. The fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels.

Unadjusted quoted prices in active markets for identical assets or liabilities are referred to as Level 1 inputs. Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available are referred to as Level 2 inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the assumptions developed by the Organization based on available information about what market participants would use in valuing the asset or liability and are referred to as Level 3.

An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. Level 3 assets and liabilities involve greater judgment than Level 1 or Level 2 assets or liabilities. Investments in marketable equity securities at December 31, 2015 and 2014 are classified within Level 1 of the fair value hierarchy. Fair value is determined using quoted market values which approximate cost.

Children of Armenia Fund, Inc. and Subsidiary

Notes to Consolidating Financial Statements - Continued

December 31, 2015 and 2014

Note 7 - Fair value measurements - continued

The Fund's receipt of gifts in kind is classified within Level 3 of the fair value hierarchy because the items trade infrequently (or not at all) and, therefore, have little or no readily available pricing. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available. For positions that are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability and such adjustments are generally based on available market information. In the absence of such evidence, management's best estimate is used.

The value assigned to these investments and any unrealized gains or losses reported are based on available information and does not necessarily represent amounts that might be realized if a ready market existed and such differences could be material. The ultimate realization of such amounts depends on future events and circumstances and therefore, valuation estimates may differ from the value realized upon disposition of individual positions.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2015 and 2014 are as follows

<u>Description</u>	<u>Type</u>	<u>2015</u>	<u>2014</u>
Long-term investments			
Marketable securities	Level 1	\$ 1,464,150	\$ 476,400
Privately owned company	Level 3	24,955	24,955
Total long-term investments		<u>\$ 501,355</u>	<u>\$ 501,355</u>
Gifts in kind	Level 3	<u>\$ 25,000</u>	<u>\$ 115,000</u>

The organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended December 31, 2015 and 2014.

Long-term investments are reported at fair value on a recurring basis determined by reference to quoted market prices and other relevant information generated by market transactions.

Children of Armenia Fund, Inc. and Subsidiary

Notes to Consolidating Financial Statements - Continued

December 31, 2015 and 2014

Note 8 - Functional allocation of expenses

The cost of providing the various program and supporting services for COAF has been summarized on a functional basis in the consolidating statements of activities. Accordingly, certain costs have been allocated among the program and its supporting services.

Note 9 - Subsequent events

Management has evaluated subsequent events through November 14, 2016, the date that the consolidating financial statements were available to be issued.

SUPPLEMENTARY INFORMATION



RJSacco & Company LLP
CPAs, TAX AND BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Children of Armenia Fund, Inc. and Subsidiary

We have audited the consolidating financial statements of Children of Armenia Fund, Inc. and Subsidiary as of and for the years ended December 31, 2015 and 2014, and have issued our unqualified report thereon dated October 16, 2015. Our audits were performed for the purpose of forming an opinion on the consolidating financial statements taken as a whole. The Schedule of Functional Expenses - Children of Armenia Fund, Inc. is presented for purposes of additional analysis and is not required as part of the basic consolidating financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the consolidating financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidating financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidating financial statements or to the consolidating financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidating financial statements taken as a whole.

RJSacco & Company LLP

Princeton, NJ
November 14, 2016

CHILDREN OF ARMENIA FUND, INC. AND SUBSIDIARY

Schedule of Functional Expenses - Children of Armenia Fund, Inc.

Years Ended December 31, 2015 and 2014

	2015				2014			
	Program Services	Supporting Services		Total Expenses	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising			Fundraising	Management and General	
Grants	\$ 1,183,002	\$ -	\$ -	\$ 1,183,002	\$ 936,499	\$ -	\$ -	\$ 936,499
Direct programs	464,875	-	-	464,875	541,105	-	-	541,105
Bank and credit card fees	-	18,264	-	18,264	-	-	-	13,983
Consultants	34,000	311,660	30,577	376,237	-	181,268	49,637	230,905
Dues and subscriptions	-	2,090	-	2,090	-	2,675	-	2,675
Event costs	-	-	175,634	175,634	-	-	105,844	105,844
Insurance	-	2,830	-	2,830	-	2,830	-	2,830
Media and other program expenses	-	19,078	18,249	37,327	60	59,256	30,398	89,654
Office supplies	10,967	705	-	11,672	385	4,797	-	4,797
Other administrative expenses	67,884	37,910	68,135	173,929	54,287	15,581	-	15,581
Postage	-	3,923	4,031	7,954	416	3,797	805	4,602
Printing	-	1,819	12,789	14,608	-	26,288	48,186	74,474
Professional fees	-	25,168	-	25,168	-	27,274	-	27,274
State annual fees	-	7,899	-	7,899	-	7,120	-	7,120
Travel	30,028	14,177	-	44,205	40,795	4,700	12,502	57,997
Total expenses	\$ 1,790,756	\$ 445,523	\$ 309,415	\$ 2,545,694	\$ 1,573,547	\$ 349,569	\$ 247,372	\$ 2,170,488

See independent auditors' report on supplementary information.