



Christian Alliance for Orphans

Financial Statements
With Independent Auditors' Report

December 31, 2017 and 2016

CHRISTIAN ALLIANCE FOR ORPHANS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Christian Alliance for Orphans
McLean, Virginia

We have audited the accompanying financial statements of Christian Alliance for Orphans (CAFO), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities 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 accounting principles generally accepted in the United States of America; 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.

Auditors' Responsibility

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 from 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 CAFO'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 CAFO'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.

Board of Directors
Christian Alliance for Orphans
McLean, Virginia

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Christian Alliance for Orphans as of December 31, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Centennial, Colorado
August 31, 2018

CHRISTIAN ALLIANCE FOR ORPHANS

Statements of Financial Position

	December 31,	
	2017	2016
ASSETS:		
Cash	\$ 1,271,332	\$ 792,341
Pledges receivable	50,000	50,000
Prepaid expenses and other	6,023	18,013
Website and equipment—net	8,742	18,511
Total Assets	<u>\$ 1,336,097</u>	<u>\$ 878,865</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 20,574	\$ 23,077
Deferred revenue	226,839	144,131
	<u>247,413</u>	<u>167,208</u>
Net assets:		
Unrestricted:		
Operating	517,743	408,026
Equity in website and equipment—net	8,742	18,511
	<u>526,485</u>	<u>426,537</u>
Temporarily restricted	562,199	285,120
	<u>1,088,684</u>	<u>711,657</u>
Total Liabilities and Net Assets	<u>\$ 1,336,097</u>	<u>\$ 878,865</u>

See notes to financial statements

CHRISTIAN ALLIANCE FOR ORPHANS

Statements of Activities

	Year Ended December 31,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Grant income	\$ 340,000	\$ 320,000	\$ 660,000	\$ 27,725	\$ 172,525	\$ 200,250
Contributions	214,063	351,587	565,650	350,359	203,245	553,604
Registration revenue	269,217	-	269,217	223,043	-	223,043
Sponsorship revenue	173,284	-	173,284	280,299	-	280,299
Membership dues	154,439	-	154,439	134,852	-	134,852
Other income	41,354	-	41,354	25,155	-	25,155
Total Support and Revenue	1,192,357	671,587	1,863,944	1,041,433	375,770	1,417,203
NET ASSETS RELEASED:						
Purpose restrictions	394,508	(394,508)	-	390,969	(390,969)	-
EXPENSES:						
Salaries and benefits	1,011,460	-	1,011,460	834,527	-	834,527
Travel and entertainment	167,051	-	167,051	44,820	-	44,820
Events and program	136,034	-	136,034	261,686	-	261,686
Office and professional fees	121,890	-	121,890	107,098	-	107,098
Communication	50,482	-	50,482	15,970	-	15,970
Total Expenses	1,486,917	-	1,486,917	1,264,101	-	1,264,101
Change in Net Assets	99,948	277,079	377,027	168,301	(15,199)	153,102
Net Assets, Beginning of Year	426,537	285,120	711,657	258,236	300,319	558,555
Net Assets, End of Year	\$ 526,485	\$ 562,199	\$ 1,088,684	\$ 426,537	\$ 285,120	\$ 711,657

See notes to financial statements

CHRISTIAN ALLIANCE FOR ORPHANS

Statements of Cash Flows

	Year Ended December 31,	
	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 377,027	\$ 153,102
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	9,769	8,796
Recognition of pledges receivable	(50,000)	(50,000)
Proceeds from pledges receivable	50,000	50,000
Changes in operating assets and liabilities:		
Prepaid expenses and other	11,990	12,822
Accounts payable and accrued expenses	(2,503)	1,074
Deferred revenue	82,708	63,862
Net Cash Provided by Operating Activities	<u>478,991</u>	<u>239,656</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of website and equipment	-	(8,046)
Net Cash Used by Investing Activities	<u>-</u>	<u>(8,046)</u>
Net Change in Cash	478,991	231,610
Cash, Beginning of Year	<u>792,341</u>	<u>560,731</u>
Cash, End of Year	<u>\$ 1,271,332</u>	<u>\$ 792,341</u>

See notes to financial statements

CHRISTIAN ALLIANCE FOR ORPHANS

Notes to Financial Statements

December 31, 2017 and 2016

1. NATURE OF ORGANIZATION:

Christian Alliance for Orphans (CAFO) inspires and equips Christians for effective adoption, foster care, and global orphan care ministry. We work to see the local church in every nation known as the primary answer for the orphan in distress, with the vision that every orphan will experience God's unfailing love through His people.

CAFO represents an uncommon unity of many of the nation's most respected Christian organizations and churches, laboring together in coordinated initiatives that draw upon the strengths of each. These include the following:

The annual CAFO Summit (Summit) has become the hub for what Christianity Today called "the burgeoning orphan care movement." Summit has drawn more than 2,000 people from 30 countries: church leaders, orphan advocates, adoptive and foster parents, and veterans of global orphan care. Summit offers extensive training and resources for well-informed, highly-effective ministry.

Orphan Sunday is usually the first or second Sunday each November. What began in a small church in Zambia is now a catalyst for awareness and action across the U.S. and in more than 85 countries worldwide. A network of more than 197 volunteer regional coordinators help stimulate and resource locally-led events around the globe.

The CAFO Global Movements Initiative (GMI) invests in emerging leaders worldwide, providing technical support, leadership training and more. The GMI serves the church in developing countries with the resources of the entire CAFO community, working toward the day when the local church in every nation is known as the primary answer for the global orphan crisis.

The National Foster Care Initiative (NFCI) inspires involvement on behalf of children and families in foster care by connecting emerging church ministries, networks and families with the best models and resources nationwide.

Advocacy and Education. These diverse efforts include regular interviews with both Christian and mainstream media; articles and opinion editorials on orphan issues; speaking and teaching at conferences and other events nationwide; the CAFO blog; CAFO monthly newsletter and other listserv communications; strategic use of Facebook, Twitter and other social media; videos and other visual media products; phone and in-person meetings with thought leaders, pastors, grassroots advocates and other influencers; email and phone response to a wide range of inquiries regarding orphan-related issues; three resource-rich websites (CAFO's main site, Summit, and Orphan Sunday); monthly training webinars for church ministries; and much more. The CAFO Summit, Orphan Sunday, GMI and NFCI each also have strong Advocacy and Education components, as do the CAFO Aging Out Initiative and the African American Church Initiative.

CHRISTIAN ALLIANCE FOR ORPHANS

Notes to Financial Statements

December 31, 2017 and 2016

1. NATURE OF ORGANIZATION, continued:

CAFO focuses primarily on the responsibility of the Church, not government, in meeting the needs of orphans. However, CAFO recognizes that government plays a vital complementary role, and so works to keep the Christian community well-informed and engaged regarding key public policy issues. CAFO does not engage in traditional lobbying, but is called upon regularly by government institutions and leaders to provide insight and guidance on policy matters.

Effectiveness & Accountability. CAFO helps elevate the quality of care of its members, promotes current research and best practice findings, facilitates new partnerships among members, and requires good governance and fiscal accountability of all organizations desiring to join. Churches and individuals can partner with trustworthy CAFO member organizations with confidence.

CAFO is a nonprofit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code (IRC) and comparable state laws. However, CAFO is subject to federal income tax on any unrelated business taxable income. In addition, CAFO is not classified as a private foundation within the meaning of Section 509(c) of the IRC. The primary sources of support and revenue include contributions and registration revenue.

2. SUMMARY OF ACCOUNTING POLICIES:

CAFO maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of any contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH

Cash consists of cash held in checking and savings accounts. As of December 31, 2017 and 2016, CAFO's cash balances exceeded federally insured limits by approximately \$1,021,000 and \$542,000, respectively. CAFO has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk.

PLEDGES RECEIVABLE

Pledges receivable are conditional promises to give based on a matching grant. The pledges receivable are recognized as assets and contributions at the time the match is no longer considered conditional. Pledges receivable as of December 31, 2017 and 2016, were \$50,000. Management has determined that no allowance for doubtful accounts is considered necessary.

CHRISTIAN ALLIANCE FOR ORPHANS

Notes to Financial Statements

December 31, 2017 and 2016

2. SUMMARY OF ACCOUNTING POLICIES, continued:

WEBSITE AND EQUIPMENT

Website and equipment consists of a website and computers with a total cost of \$39,156 and accumulated depreciation and amortization of \$30,414 and \$20,645, as of December 31, 2017 and 2016, respectively. CAFO capitalizes website and equipment purchases exceeding \$1,000 and purchases are recorded at cost. Donated items are recorded at their fair market value on the date of the gift. Depreciation and amortization are computed on a straight-line method over the estimated useful lives of the assets of three years. Depreciation expense for the years ended December 31, 2017 and 2016, was \$1,456 and \$1,771, respectively. Amortization expense, related to the website, for the years ended December 31, 2017 and 2016, was \$8,313 and \$7,025, respectively.

DEFERRED REVENUE

Deferred revenue is for memberships, registrations, and sponsorships that have been received during the year but are not considered earned until the upcoming Summit event. At that time, they will be considered earned and will be recorded as revenue on the statements of activities.

NET ASSETS

Unrestricted net assets are those resources currently available to support operations and those resources invested in website and equipment—net.

Temporarily restricted net assets are those resources that are donor-restricted for the support of projects and ministries. Temporarily restricted net assets consist of:

	December 31,	
	2017	2016
GMI	\$ 81,597	\$ 137,403
NFCI	41,860	75,113
Staff support	78,321	63,338
Other projects	40,421	9,266
	<u>242,199</u>	<u>285,120</u>
Time restricted	320,000	-
	<u>\$ 562,199</u>	<u>\$ 285,120</u>

CHRISTIAN ALLIANCE FOR ORPHANS

Notes to Financial Statements

December 31, 2017 and 2016

2. SUMMARY OF ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES

Contributions and gift-in-kind income are recorded when made, which may be when cash or other assets are received or unconditionally promised. CAFO receives the majority of its support in the form of voluntary contributions, membership dues, and conference registrations. Contributions restricted by the donor for a specific purpose and are recorded as temporarily restricted class of net assets until funds have been expended by CAFO for the purposes specified. Upon satisfaction of the restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from purpose restrictions. Donated goods are recorded at fair value at the date of gift.

Sponsorship revenue is for vendor exhibits and sponsorships at the Summit event, which is recorded when the event takes place. Membership dues are provided from various churches, not-for-profits, and businesses. During the year ended December 31, 2017, CAFO changed its membership dues model. In previous years, all memberships were treated as contributions as no substantial benefit was received. Beginning January 1, 2017, membership dues are recorded when benefits are received by the members, which is when the Summit event occurs. Registration revenue is primarily for the Summit event and is recorded as income when the event takes place. Other income is also recorded when earned.

Expenses are recognized when an obligation is incurred.

3. PENSION PLAN:

CAFO has in place a retirement plan under section 403(b) of the Internal Revenue Code for its employees. CAFO will match 100% of an employee's contribution up to 3% of their compensation. During the years ended December 31, 2017 and 2016, CAFO's contributions to the plan were \$18,993 and \$16,243, respectively.

CHRISTIAN ALLIANCE FOR ORPHANS

Notes to Financial Statements

December 31, 2017 and 2016

4. FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing program services and supporting activities have been summarized on a functional basis below. Accordingly, certain costs, such as salaries, relating to more than one function have been allocated among the program services and supporting activities benefited. Functional expenses are:

	Year Ended December 31,	
	2017	2016
Program services:		
Advocacy and education	\$ 753,210	\$ 831,390
Summit	404,989	163,775
Global Movements	146,977	95,239
	<u>1,305,176</u>	<u>1,090,404</u>
Supporting activities:		
General and administrative	105,975	110,606
Fund-raising	47,718	40,293
Membership development	28,048	22,798
	<u>181,741</u>	<u>173,697</u>
	<u>\$ 1,486,917</u>	<u>\$ 1,264,101</u>

5. SUBSEQUENT EVENTS:

Subsequent events were evaluated through August 31, 2018, which is the date the financial statements were available to be issued.