



Financial Statements
With Independent Auditors' Report

December 31, 2018 and 2017

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, which comprise the statements of financial position as of December 31, 2018 and 2017, the related statements of activities and cash flows for the years then ended, the related statement of functional expenses for the year ended December 31, 2018, 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 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.

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, 2018 and 2017, 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.

Emphasis of Matter

Christian Alliance for Orphans has adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in note 2. This has had a material effect on the presentation of the December 31, 2018 and 2017, financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Tarzana, California
August 27, 2019

CHRISTIAN ALLIANCE FOR ORPHANS

Statements of Financial Position

	December 31,	
	<u>2018</u>	<u>2017</u>
ASSETS:		
Cash and cash equivalents	\$ 1,437,181	\$ 1,271,332
Pledges receivable	100,000	50,000
Prepaid expenses and other	5,904	6,023
Website and equipment—net	<u>3,868</u>	<u>8,742</u>
Total Assets	<u>\$ 1,546,953</u>	<u>\$ 1,336,097</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 20,749	\$ 20,574
Deferred revenue	<u>192,090</u>	<u>226,839</u>
	<u>212,839</u>	<u>247,413</u>
Net assets:		
Without donor restrictions	569,582	526,485
With donor restrictions	<u>764,532</u>	<u>562,199</u>
	<u>1,334,114</u>	<u>1,088,684</u>
Total Liabilities and Net Assets	<u>\$ 1,546,953</u>	<u>\$ 1,336,097</u>

See notes to financial statements

CHRISTIAN ALLIANCE FOR ORPHANS

Statements of Activities

	Year Ended December 31,					
	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Grant income	\$ 71,100	\$ 493,900	\$ 565,000	\$ 340,000	\$ 320,000	\$ 660,000
Contributions	48,930	564,116	613,046	214,063	351,587	565,650
Registration revenue	282,648	-	282,648	269,217	-	269,217
Sponsorship revenue	235,790	-	235,790	173,284	-	173,284
Membership dues	191,304	-	191,304	154,439	-	154,439
Other income	59,760	-	59,760	41,354	-	41,354
Total Support and Revenue	889,532	1,058,016	1,947,548	1,192,357	671,587	1,863,944
NET ASSETS RELEASED						
FROM:						
Purpose restrictions	535,683	(535,683)	-	394,508	(394,508)	-
Time restrictions	320,000	(320,000)	-	-	-	-
	855,683	(855,683)	-	394,508	(394,508)	-
EXPENSES:						
Salaries and benefits	1,066,816	-	1,066,816	1,011,460	-	1,011,460
Events	267,182	-	267,182	254,581	-	254,581
Office and professional services	121,508	-	121,508	97,909	-	97,909
Travel and entertainment	112,953	-	112,953	58,714	-	58,714
Scholarships and other	97,010	-	97,010	27,419	-	27,419
Media and advertisement	36,649	-	36,649	36,834	-	36,834
Total Expenses	1,702,118	-	1,702,118	1,486,917	-	1,486,917
Change in Net Assets	43,097	202,333	245,430	99,948	277,079	377,027
Net Assets, Beginning of Year	526,485	562,199	1,088,684	426,537	285,120	711,657
Net Assets, End of Year	\$ 569,582	\$ 764,532	\$ 1,334,114	\$ 526,485	\$ 562,199	\$ 1,088,684

See notes to financial statements

CHRISTIAN ALLIANCE FOR ORPHANS

Statement of Functional Expenses

Year Ended December 31, 2018

(With comparative information for December 31, 2017)

	Program Services				Supporting Activities				Total Expenses
	Advocacy & Education	Global Movements	Summit	Total	Admini- stration	Fund- Raising	Member Development	Total	
2018:									
Salaries and benefits	\$ 737,799	\$ 112,143	\$ 104,881	\$ 954,823	\$ 43,937	\$ 29,015	\$ 39,041	\$ 111,993	\$ 1,066,816
Events	55,690	6,597	194,324	256,611	9,430	127	1,014	10,571	267,182
Office and professional	31,809	3,527	9,957	45,293	57,892	16,845	1,478	76,215	121,508
Travel and entertainment services	77,087	5,812	15,467	98,366	8,552	4,785	1,250	14,587	112,953
Scholarships and other	81,133	14,614	149	95,896	637	473	4	1,114	97,010
Media and advertisement	23,530	1,321	1,232	26,083	10,359	142	65	10,566	36,649
Total Expenses	<u>\$ 1,007,048</u>	<u>\$ 144,014</u>	<u>\$ 326,010</u>	<u>\$ 1,477,072</u>	<u>\$ 130,807</u>	<u>\$ 51,387</u>	<u>\$ 42,852</u>	<u>\$ 225,046</u>	<u>\$ 1,702,118</u>
2017:									
Total Expenses	<u>\$ 753,210</u>	<u>\$ 146,977</u>	<u>\$ 404,989</u>	<u>\$ 1,305,176</u>	<u>\$ 105,975</u>	<u>\$ 47,718</u>	<u>\$ 28,048</u>	<u>\$ 181,741</u>	<u>\$ 1,486,917</u>

See notes to financial statements

CHRISTIAN ALLIANCE FOR ORPHANS

Statements of Cash Flows

	Year Ended December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 245,430	\$ 377,027
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	7,828	9,769
Recognition of pledges receivable	(100,000)	(50,000)
Proceeds from pledges receivable	50,000	50,000
Changes in operating assets and liabilities:		
Prepaid expenses and other	119	11,990
Accounts payable and accrued expenses	175	(2,503)
Deferred revenue	(34,749)	82,708
Net Cash Provided by Operating Activities	168,803	478,991
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of website and equipment	(2,954)	-
Net Cash Used by Investing Activities	(2,954)	-
Net Change in Cash and Cash Equivalents	165,849	478,991
Cash and Cash Equivalents, Beginning of Year	1,271,332	792,341
Cash and Cash Equivalents, End of Year	\$ 1,437,181	\$ 1,271,332

See notes to financial statements

CHRISTIAN ALLIANCE FOR ORPHANS

Notes to Financial Statements

December 31, 2018 and 2017

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 serves church leaders, orphan advocates, adoptive and foster parents, and veterans of global orphan care by offering 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 worldwide. A network of 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 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, 2018 and 2017

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 and facilitates new partnerships among members. 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(a) 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, 2018 and 2017, CAFO's cash balances exceeded federally insured limits by approximately \$1,119,000 and \$452,000, respectively. CAFO has not experienced any losses on such accounts.

PLEDGES RECEIVABLE

Pledges receivable are recognized as assets and contributions at the time the pledge is no longer considered conditional. Pledges receivable are all expected to be collected within one year of the statements of financial position date. Management has determined that no allowance for doubtful accounts is considered necessary.

CHRISTIAN ALLIANCE FOR ORPHANS

Notes to Financial Statements

December 31, 2018 and 2017

2. SUMMARY OF ACCOUNTING POLICIES, continued:

WEBSITE AND EQUIPMENT

Website and equipment consists of a website and computers with a total cost of \$40,610 and \$39,156 and accumulated depreciation and amortization of \$36,742 and \$30,414, as of December 31, 2018 and 2017, 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, 2018 and 2017, was \$1,595 and \$1,456, respectively. Amortization expense, related to the website, for the years ended December 31, 2018 and 2017, was \$6,233 and \$8,313, 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

Net assets without donor restrictions are those resources currently available to support operations.

Net assets with donor restrictions are those resources that are donor-restricted for the support of projects and ministries. Net assets with donor restrictions consist of:

	December 31,	
	2018	2017
Purpose restricted:		
Global Movements Initiative	\$ 226,845	\$ 81,597
National Foster Care Initiative	138,707	41,860
Staff support	75,656	78,321
National Church Ministry Initiative	73,144	40,421
Student Initiative and ARBPI	35,180	-
Time restricted	215,000	320,000
	<u>\$ 764,532</u>	<u>\$ 562,199</u>

CHRISTIAN ALLIANCE FOR ORPHANS

Notes to Financial Statements

December 31, 2018 and 2017

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. Contributions restricted by the donor for a specific purpose or time period are recorded as net assets with donor restrictions until funds have been expended by CAFO for the purposes specified or until the specified time expires. Upon satisfaction of the restriction, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from purpose or time 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. Membership dues are recorded when benefits are received by the members, which is primarily 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.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various program services and supporting activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, costs, such as salaries and benefits, have been allocated among the program services and supporting activities based on direct expense ratios and specific personnel positions.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. CAFO adopted the provisions of this new standard during the year ended December 31, 2018. In addition to the changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources (note 3) and disclosures related to functional allocation of expenses were expanded (noted above). Adoption of this standard had no effect on the change in net assets by class of net assets or in total.

CHRISTIAN ALLIANCE FOR ORPHANS

Notes to Financial Statements

December 31, 2018 and 2017

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

CAFO had approximately \$1,537,000 and \$1,321,000 of financial assets available within one year of the statements of financial position date as of December 31, 2018 and 2017, respectively. These amounts consist of cash and cash equivalents and pledges receivable. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statements of financial position date.

CAFO structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. CAFO's goal is to maintain cash reserves of at least \$500,000 which it exceeded as of December 31, 2018 and 2017. Management monitors cash flows closely through monthly detailed financial analysis provided by their outsourced accountant to the COO, CFO and Treasurer of the Board (Chair of the Finance Committee).

4. DEFINED CONTRIBUTION PLAN:

CAFO has in place a defined contribution 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 eligible compensation. During the years ended December 31, 2018 and 2017, CAFO's contributions to the plan were \$20,054 and \$18,993, respectively.

5. SUBSEQUENT EVENTS:

Subsequent events were evaluated through August 27, 2019, which is the date the financial statements were available to be issued.