



Christian Alliance for Orphans

Financial Statements
With Independent Auditors' Report

December 31, 2016 (Audited) and
2015 (Compiled)

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 statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 the Christian Alliance for Orphans as of December 31, 2016, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adjustments to Prior Period Financial Statements

The 2015 financial statements were compiled by us, and our report thereon, dated April 20, 2016, stated we did not audit or review those financial statements and, accordingly, express no opinion or other form of assurance on them. However, we did become aware of a departure from accounting principles generally accepted in the United States of America because of our auditing procedures on the 2016 financial statements. As disclosed in note 3 to the financial statements the 2015 financial statements have been restated to be in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Centennial, Colorado
October 17, 2017

CHRISTIAN ALLIANCE FOR ORPHANS

Statements of Financial Position

	December 31,	
	2016	2015
	(Audited)	(Compiled)
ASSETS:		
Cash	\$ 792,341	\$ 560,731
Pledges receivable	50,000	50,000
Prepaid expenses and other	18,013	30,835
Website and equipment–net	18,511	19,261
Total Assets	\$ 878,865	\$ 660,827
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 23,077	\$ 22,003
Deferred revenue	144,131	80,269
	<u>167,208</u>	<u>102,272</u>
Net assets:		
Unrestricted:		
Operating	408,026	238,975
Equity in website and equipment–net	18,511	19,261
	<u>426,537</u>	<u>258,236</u>
Temporarily restricted	285,120	300,319
	<u>711,657</u>	<u>558,555</u>
Total Liabilities and Net Assets	\$ 878,865	\$ 660,827

See notes to financial statements

CHRISTIAN ALLIANCE FOR ORPHANS

Statements of Activities

	Year Ended December 31,					
	2016 (Audited)			2015 (Compiled)		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 350,359	\$ 203,245	\$ 553,604	\$ 322,618	\$ 210,228	\$ 532,846
Sponsorship revenue	280,299	-	280,299	266,110	-	266,110
Registration revenue	223,043	-	223,043	289,095	-	289,095
Grant income	27,725	172,525	200,250	80,000	239,500	319,500
Membership dues	134,852	-	134,852	-	-	-
Other income	25,155	-	25,155	27,030	-	27,030
Total Support and Revenue	1,041,433	375,770	1,417,203	984,853	449,728	1,434,581
NET ASSETS RELEASED:						
Purpose restrictions	390,969	(390,969)	-	276,693	(276,693)	-
EXPENSES:						
Salaries and benefits	834,527	-	834,527	761,594	-	761,594
Events and program	261,686	-	261,686	258,249	-	258,249
Office and professional fees	107,098	-	107,098	87,201	-	87,201
Travel and entertainment	44,820	-	44,820	52,911	-	52,911
Communication	15,970	-	15,970	24,429	-	24,429
Total Expenses	1,264,101	-	1,264,101	1,184,384	-	1,184,384
Change in Net Assets	168,301	(15,199)	153,102	77,162	173,035	250,197
Net Assets, Beginning of Year	258,236	300,319	558,555	181,074	127,284	308,358
Net Assets, End of Year	\$ 426,537	\$ 285,120	\$ 711,657	\$ 258,236	\$ 300,319	\$ 558,555

See notes to financial statements

CHRISTIAN ALLIANCE FOR ORPHANS

Statements of Cash Flows

	Year Ended December 31,	
	2016	2015
	(Audited)	(Compiled)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 153,102	\$ 250,197
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	8,796	4,392
Recognition of pledges receivable	(50,000)	(50,000)
Proceeds from pledges receivable	50,000	-
Changes in operating assets and liabilities:		
Prepaid expenses and other	12,822	(13,423)
Accounts payable and accrued expenses	1,074	16,472
Deferred revenue	63,862	(442)
Net Cash Provided by Operating Activities	<u>239,656</u>	<u>207,196</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of website and equipment	<u>(8,046)</u>	<u>(18,725)</u>
Net Cash Used by Investing Activities	<u>(8,046)</u>	<u>(18,725)</u>
Net Change in Cash	231,610	188,471
Cash, Beginning of Year	<u>560,731</u>	<u>372,260</u>
Cash, End of Year	<u>\$ 792,341</u>	<u>\$ 560,731</u>

See notes to financial statements

CHRISTIAN ALLIANCE FOR ORPHANS

Notes to Financial Statements

December 31, 2016 (audited) and 2015 (compiled)

1. NATURE OF ORGANIZATION:

The 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 in 2016 drew 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, 2016 (audited) and 2015 (compiled)

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 law(s). 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. These accounts, at times, may exceed federally insured limits. 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 for both the years ended December 31, 2016 and 2015, 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, 2016 (audited) and 2015 (compiled)

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 \$31,110 and accumulated depreciation and amortization of \$20,645 and \$11,849 as of December 31, 2016 and 2015, 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, 2016 and 2015, was \$1,771 and \$2,311, respectively. Amortization expense, related to the website, for the years ended December 31, 2016 and 2015, was \$7,025 and \$2,081, 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,	
	2016	2015
	(Audited)	(Compiled)
GMI	\$ 137,403	\$ 127,858
NFCI	75,113	59,985
Staff support	63,338	86,107
Other projects	9,266	26,369
	<u>\$ 285,120</u>	<u>\$ 300,319</u>

CHRISTIAN ALLIANCE FOR ORPHANS

Notes to Financial Statements

December 31, 2016 (audited) and 2015 (compiled)

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. During the year ended December 31, 2016, CAFO changed its membership dues model. In previous years, all memberships were treated as contributions as no substantial benefit was received. 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 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.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified in order to conform with current year presentation.

CHRISTIAN ALLIANCE FOR ORPHANS

Notes to Financial Statements

December 31, 2016 (audited) and 2015 (compiled)

3. PRIOR PERIOD ADJUSTMENT:

During the audit of the 2016 financial statements, we identified a pledge receivable that was not recorded as of December 31, 2015, which caused support and revenue and temporarily restricted net assets to be understated. The effects of the prior period adjustment for the 2015 financial statements are as follows:

	<u>As Previously Stated</u>	<u>Prior Period Adjustment</u>	<u>As Restated</u>
Statements of financial position:			
Pledges receivable	\$ -	\$ 50,000	\$ 50,000
Temporarily restricted net assets	250,319	50,000	300,319
Statements of activities:			
Temporarily restricted grant income	269,500	50,000	319,500
Total support and revenue	1,384,581	50,000	1,434,581
Change in net assets	200,197	50,000	250,197
Statements of cash flows:			
Recognition of pledges receivable	-	(50,000)	(50,000)

4. 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, 2016 and 2015, CAFO's contributions to the plan were \$16,243 and \$16,161, respectively.

CHRISTIAN ALLIANCE FOR ORPHANS

Notes to Financial Statements

December 31, 2016 (audited) and 2015 (compiled)

5. FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing program services and supporting activities have been summarized on a functional basis in the statements of activities. 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:

	December 31,	
	2016	2015
	(Audited)	(Compiled)
Program services:		
Advocacy and education	\$ 831,390	\$ 778,510
Summit	163,775	160,568
Global Movements	95,239	88,489
	<u>1,090,404</u>	<u>1,027,567</u>
Supporting activities:		
General and administrative	110,606	101,606
Fund-raising	40,293	36,180
Membership development	22,798	19,031
	<u>173,697</u>	<u>156,817</u>
	<u>\$ 1,264,101</u>	<u>\$ 1,184,384</u>

6. SUBSEQUENT EVENTS:

Subsequent events were evaluated through October 17, 2017, which is the date the financial statements were available to be issued.