



Christian Alliance for Orphans

CHRISTIAN ALLIANCE FOR ORPHANS

Financial Statements
With Independent Auditors' Report

December 31, 2019 and 2018

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, 2019 and 2018, 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 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, 2019 and 2018, 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

Tarzana, California
June 18, 2020

CHRISTIAN ALLIANCE FOR ORPHANS

Statements of Financial Position

	December 31,	
	2019	2018
ASSETS:		
Cash and cash equivalents	\$ 1,599,404	\$ 1,437,181
Pledges receivable	125,000	100,000
Prepaid expenses and other	265	5,904
Website and equipment—net	2,815	3,868
	<u>2,815</u>	<u>3,868</u>
Total Assets	<u>\$ 1,727,484</u>	<u>\$ 1,546,953</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 32,959	\$ 20,749
Deferred revenue	119,718	192,090
	<u>152,677</u>	<u>212,839</u>
Net assets:		
Without donor restrictions	757,384	569,582
With donor restrictions	817,423	764,532
	<u>1,574,807</u>	<u>1,334,114</u>
Total Liabilities and Net Assets	<u>\$ 1,727,484</u>	<u>\$ 1,546,953</u>

See notes to financial statements

CHRISTIAN ALLIANCE FOR ORPHANS

Statements of Activities

	Year Ended December 31,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 476,840	\$ 384,909	\$ 861,749	\$ 48,930	\$ 564,116	\$ 613,046
Grant income	2,500	588,000	590,500	71,100	493,900	565,000
Registration revenue	279,144	-	279,144	282,648	-	282,648
Membership dues	236,524	-	236,524	191,304	-	191,304
Sponsorship revenue	172,339	-	172,339	235,790	-	235,790
Other income	104,840	-	104,840	59,760	-	59,760
Total Support and Revenue	1,272,187	972,909	2,245,096	889,532	1,058,016	1,947,548
NET ASSETS RELEASED FROM:						
Purpose restrictions	758,043	(758,043)	-	535,683	(535,683)	-
Time restrictions	161,875	(161,875)	-	320,000	(320,000)	-
	919,918	(919,918)	-	855,683	(855,683)	-
EXPENSES:						
Salaries and benefits	1,298,715	-	1,298,715	1,066,816	-	1,066,816
Events	372,158	-	372,158	267,182	-	267,182
Office and professional services	124,907	-	124,907	121,508	-	121,508
Scholarships and other	94,584	-	94,584	97,010	-	97,010
Travel and entertainment	68,748	-	68,748	112,953	-	112,953
Media and advertisement	45,291	-	45,291	36,649	-	36,649
Total Expenses	2,004,403	-	2,004,403	1,702,118	-	1,702,118
Change in Net Assets	187,702	52,991	240,693	43,097	202,333	245,430
Net Assets, Beginning of Year	569,582	764,532	1,334,114	526,485	562,199	1,088,684
Net Assets, End of Year	\$ 757,284	\$ 817,523	\$ 1,574,807	\$ 569,582	\$ 764,532	\$ 1,334,114

See notes to financial statements

CHRISTIAN ALLIANCE FOR ORPHANS

Statements of Functional Expenses

Year Ended December 31, 2019

	Program Services:				Supporting Activities:				Total Expenses
	Advocacy & Education	Global Movements	Summit	Total	Admini- stration	Fund- Raising	Member Development	Total	
Salaries and benefits	\$ 923,360	\$ 133,768	\$ 122,357	\$ 1,179,485	\$ 50,180	\$ 25,212	\$ 43,838	\$ 119,230	\$ 1,298,715
Venue and production	83,861	24,468	261,814	370,143	2,015	-	-	2,015	372,158
Office and professional	38,460	3,108	2,780	44,348	70,756	9,150	653	80,559	124,907
Scholarships and other	74,695	15,452	750	90,897	3,687	-	-	3,687	94,584
Travel and entertainment services	48,461	3,865	6,716	59,042	5,515	3,589	602	9,706	68,748
Media and advertisement	31,543	7,234	535	39,312	5,838	106	35	5,979	45,291
Total Expenses	\$ 1,200,380	\$ 187,895	\$ 394,952	\$ 1,783,227	\$ 137,991	\$ 38,057	\$ 45,128	\$ 221,176	\$ 2,004,403

Year Ended December 31, 2018

	Program Services:				Supporting Activities:				Total Expenses
	Advocacy & Education	Global Movements	Summit	Total	Admini- stration	Fund- Raising	Member Development	Total	
Salaries and benefits	\$ 737,799	\$ 112,143	\$ 104,881	\$ 954,823	\$ 43,937	\$ 29,015	\$ 39,041	\$ 111,993	\$ 1,066,816
Venue and production	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
Scholarships and other	81,133	14,614	149	95,896	637	473	4	1,114	97,010
Travel and entertainment services	77,087	5,812	15,467	98,366	8,552	4,785	1,250	14,587	112,953
Media and advertisement	23,530	1,321	1,232	26,083	10,359	142	65	10,566	36,649
Total Expenses	\$ 1,007,048	\$ 144,014	\$ 326,010	\$ 1,477,072	\$ 130,807	\$ 51,387	\$ 42,852	\$ 225,046	\$ 1,702,118

See notes to financial statements

CHRISTIAN ALLIANCE FOR ORPHANS

Statements of Cash Flows

	Year Ended December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 240,693	\$ 245,430
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	3,799	7,828
Recognition of pledges receivable	(125,000)	(100,000)
Proceeds from pledges receivable	100,000	50,000
Changes in operating assets and liabilities:		
Prepaid expenses and other	5,639	119
Accounts payable and accrued expenses	12,210	175
Deferred revenue	(72,372)	(34,749)
Net Cash Provided by Operating Activities	164,969	168,803
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of website and equipment	(2,746)	(2,954)
Net Cash Used by Investing Activities	(2,746)	(2,954)
Net Change in Cash and Cash Equivalents	162,223	165,849
Cash and Cash Equivalents, Beginning of Year	1,437,181	1,271,332
Cash and Cash Equivalents, End of Year	\$ 1,599,404	\$ 1,437,181

See notes to financial statements

CHRISTIAN ALLIANCE FOR ORPHANS

Notes to Financial Statements

December 31, 2019 and 2018

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, 2019 and 2018

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 grant income.

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 AND CASH EQUIVALENTS

Cash and cash equivalents consists of cash held in checking, savings, and money market accounts. As of December 31, 2019 and 2018, CAFO's cash balances exceeded federally insured limits by approximately \$999,000 and \$1,119,000 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, 2019 and 2018

2. SUMMARY OF ACCOUNTING POLICIES, continued:

WEBSITE AND EQUIPMENT

Website and equipment consists of a website and computers with a total cost of \$42,356 and \$40,610 and accumulated depreciation and amortization of \$39,541 and \$36,742, as of December 31, 2019 and 2018, respectively. CAFO capitalizes website and equipment purchases exceeding \$1,000 and purchases are recorded at cost. Donated items are recorded at their fair 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, 2019 and 2018, was \$1,900 and \$1,595, respectively. Amortization expense, related to the website, for the years ended December 31, 2019 and 2018, was \$1,899 and \$6,233, respectively.

DEFERRED REVENUE

Deferred revenue is for memberships, registrations, and sponsorships that have been received during the year and are recognized throughout the year and after the summit event as earned. Once they are considered earned they 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,	
	2019	2018
Purpose restricted:		
Student Initiative and Applied Research and Best Practice Initiative	\$ 236,738	\$ 35,180
Global Movements Initiative	183,185	226,845
National Foster Care Initiative	109,001	138,707
Staff support	32,385	75,656
National Church Ministry Initiative	31,399	73,144
Other	2,500	-
Time restricted for future operations	222,215	215,000
	<u>\$ 817,423</u>	<u>\$ 764,532</u>

CHRISTIAN ALLIANCE FOR ORPHANS

Notes to Financial Statements

December 31, 2019 and 2018

2. SUMMARY OF ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES

Contributions and grant 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 and are recorded when benefits are received by the members. 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 statements of functional expenses. Accordingly, costs, such as salaries and benefits, have been allocated among the program services and supporting activities based on estimates of time and effort. Other expenses have been allocated based on direct expense ratios.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. CAFO adopted the provisions of this new standard during the year ended December 31, 2019. The new standard clarifies and improves current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or exchange transaction. Adoption of this standard had no effect on change in net assets or net assets in total for the years ended December 31, 2019 and 2018.

CHRISTIAN ALLIANCE FOR ORPHANS

Notes to Financial Statements

December 31, 2019 and 2018

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

CAFO had approximately \$1,724,000 and \$1,537,000 of financial assets available within one year of the statements of financial position date as of December 31, 2019 and 2018, 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, 2019 and 2018. 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, 2019 and 2018, CAFO's contributions to the plan were \$21,318 and \$20,054, respectively.

5. SUBSEQUENT EVENTS:

CAFO's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. At this time CAFO has received funds for a payroll protection loan and delayed the annual Summit conference originally scheduled for May 6-8, 2020. CAFO will monitor the pandemic and follow the guidelines set by the World Health Organization in determining if the 2020 Summit event will be rescheduled or canceled. CAFO historically receives approximately \$650,000 in revenue from this event. If CAFO is able to hold the 2020 Summit they expect a decrease in net income of up to \$400,000 due to the pandemic. CAFO will continue to monitor the situation closely and will implement measures to protect the organization and their employees as needed.

Subsequent events were evaluated through June 18, 2020, which is the date the financial statements were available to be issued.