



## CHRISTIAN ALLIANCE FOR ORPHANS

Financial Statements  
With Independent Auditors' Report

December 31, 2020 and 2019

# 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, 2020 and 2019, 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, 2020 and 2019, 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*

Woodland Hills, California  
July 2, 2021

# CHRISTIAN ALLIANCE FOR ORPHANS

## Statements of Financial Position

	December 31,	
	2020	2019
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 2,213,267	\$ 1,599,404
Pledges and grants receivable	245,000	125,000
Prepaid expenses and other	1,869	265
Website and equipment—net	15,038	2,815
<b>Total Assets</b>	<b>\$ 2,475,174</b>	<b>\$ 1,727,484</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 30,906	\$ 32,959
Deferred revenue	240,919	119,718
Paycheck Protection Program loan	198,900	-
	470,725	152,677
Net assets:		
Without donor restrictions	961,965	757,284
With donor restrictions	1,042,484	817,523
	2,004,449	1,574,807
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,475,174</b>	<b>\$ 1,727,484</b>

See notes to financial statements

# CHRISTIAN ALLIANCE FOR ORPHANS

## Statements of Activities

	Year Ended December 31,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 578,750	\$ 568,518	\$ 1,147,268	\$ 476,840	\$ 384,909	\$ 861,749
Grant income	75,268	776,496	851,764	2,500	588,000	590,500
Membership dues	206,762	-	206,762	236,524	-	236,524
Sponsorship revenue	103,850	-	103,850	172,339	-	172,339
Registration revenue	73,463	-	73,463	279,144	-	279,144
Other income	65,770	-	65,770	104,840	-	104,840
<b>Total Support and Revenue</b>	<b>1,103,863</b>	<b>1,345,014</b>	<b>2,448,877</b>	<b>1,272,187</b>	<b>972,909</b>	<b>2,245,096</b>
<b>NET ASSETS RELEASED FROM:</b>						
Purpose restrictions	887,837	(887,837)	-	758,043	(758,043)	-
Time restrictions	232,216	(232,216)	-	161,875	(161,875)	-
	<b>1,120,053</b>	<b>(1,120,053)</b>	<b>-</b>	<b>919,918</b>	<b>(919,918)</b>	<b>-</b>
<b>EXPENSES:</b>						
Salaries and benefits	1,558,342	-	1,558,342	1,298,715	-	1,298,715
Scholarships and other	208,392	-	208,392	94,584	-	94,584
Office and professional services	151,371	-	151,371	124,907	-	124,907
Venue and production	45,635	-	45,635	372,158	-	372,158
Media and advertisement	39,118	-	39,118	45,291	-	45,291
Travel and entertainment	16,377	-	16,377	68,748	-	68,748
<b>Total Expenses</b>	<b>2,019,235</b>	<b>-</b>	<b>2,019,235</b>	<b>2,004,403</b>	<b>-</b>	<b>2,004,403</b>
<b>Change in Net Assets</b>	<b>204,681</b>	<b>224,961</b>	<b>429,642</b>	<b>187,702</b>	<b>52,991</b>	<b>240,693</b>
<b>Net Assets, Beginning of Year</b>	<b>757,284</b>	<b>817,523</b>	<b>1,574,807</b>	<b>569,582</b>	<b>764,532</b>	<b>1,334,114</b>
<b>Net Assets, End of Year</b>	<b>\$ 961,965</b>	<b>\$ 1,042,484</b>	<b>\$ 2,004,449</b>	<b>\$ 757,284</b>	<b>\$ 817,523</b>	<b>\$ 1,574,807</b>

See notes to financial statements

# CHRISTIAN ALLIANCE FOR ORPHANS

## Statements of Functional Expenses

Year Ended December 31, 2020

	Program Services:				Supporting Activities:				Total Expenses
	Advocacy & Education	Global Movements	Summit	Total	Admini- stration	Fund- Raising	Member Development	Total	
Salaries and benefits	\$ 1,158,293	\$ 141,170	\$ 122,521	\$ 1,421,984	\$ 66,172	\$ 28,594	\$ 41,592	\$ 136,358	\$ 1,558,342
Scholarships and other	181,038	20,347	1,422	202,807	5,585	-	-	5,585	208,392
Office and professional services	52,712	5,594	5,946	64,252	73,061	13,899	159	87,119	151,371
Venue and production	11,965	2,347	27,701	42,013	3,622	-	-	3,622	45,635
Media and advertisement	32,045	1,974	319	34,338	4,687	64	29	4,780	39,118
Travel and entertainment	9,808	2,025	1,084	12,917	2,758	468	234	3,460	16,377
Total 2020 Expenses	<u>\$ 1,445,861</u>	<u>\$ 173,457</u>	<u>\$ 158,993</u>	<u>\$ 1,778,311</u>	<u>\$ 155,885</u>	<u>\$ 43,025</u>	<u>\$ 42,014</u>	<u>\$ 240,924</u>	<u>\$ 2,019,235</u>

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
Scholarships and other	74,695	15,452	750	90,897	3,687	-	-	3,687	94,584
Office and professional services	38,460	3,108	2,780	44,348	70,756	9,150	653	80,559	124,907
Venue and production	83,861	24,468	261,814	370,143	2,015	-	-	2,015	372,158
Media and advertisement	31,543	7,234	535	39,312	5,838	106	35	5,979	45,291
Travel and entertainment	48,461	3,865	6,716	59,042	5,515	3,589	602	9,706	68,748
Total 2019 Expenses	<u>\$ 1,200,380</u>	<u>\$ 187,895</u>	<u>\$ 394,952</u>	<u>\$ 1,783,227</u>	<u>\$ 137,991</u>	<u>\$ 38,057</u>	<u>\$ 45,128</u>	<u>\$ 221,176</u>	<u>\$ 2,004,403</u>

See notes to financial statements

# CHRISTIAN ALLIANCE FOR ORPHANS

## Statements of Cash Flows

	Year Ended December 31,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 429,642	\$ 240,693
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	2,787	3,799
Recognition of pledges and grants receivable	(245,000)	(125,000)
Proceeds from pledges and grants receivable	125,000	100,000
Changes in operating assets and liabilities:		
Prepaid expenses and other	(1,604)	5,639
Accounts payable and accrued expenses	(2,053)	12,210
Deferred revenue	121,201	(72,372)
Net Cash Provided by Operating Activities	<u>429,973</u>	<u>164,969</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of website and equipment	<u>(15,010)</u>	<u>(2,746)</u>
Net Cash Used by Investing Activities	<u>(15,010)</u>	<u>(2,746)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from Paycheck Protection Program loan	<u>198,900</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>198,900</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	613,863	162,223
Cash and Cash Equivalents, Beginning of Year	<u>1,599,404</u>	<u>1,437,181</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,213,267</u>	<u>\$ 1,599,404</u>

See notes to financial statements



# CHRISTIAN ALLIANCE FOR ORPHANS

## Notes to Financial Statements

December 31, 2020 and 2019

### 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. During the year ended December 31, 2020, due to the Coronavirus (COVID-19) pandemic, the Summit was canceled and a conference was held online.

**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, 2020 and 2019

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, 2020 and 2019, CAFO's cash balances exceeded federally insured limits by approximately \$1,371,000 and \$999,000, respectively. CAFO has not experienced any losses on such accounts.

### PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable are recognized as assets and contributions at the time the pledge or grant is unconditionally promised or is no longer considered conditional. Pledges and grants 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, 2020 and 2019

### 2. SUMMARY OF ACCOUNTING POLICIES, continued:

#### WEBSITE AND EQUIPMENT

Website and equipment consists of a website and computers with a total cost of \$57,366 and \$42,356 and accumulated depreciation and amortization of \$42,328 and \$39,541, as of December 31, 2020 and 2019, 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.

#### 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 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.

#### 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.

# CHRISTIAN ALLIANCE FOR ORPHANS

## Notes to Financial Statements

December 31, 2020 and 2019

2. SUMMARY OF ACCOUNTING POLICIES, continued:

### 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 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*. CAFO adopted the provisions of this new standard during the year ended December 31, 2020. In addition, to changes in methodology for revenue recognition, the standard eliminates the transaction and industry specific revenue recognition guidance under current generally accepted accounting principles and replaces it with a principle based approach for determining revenue recognition. This standard did not have a material impact on the presentation of the December 31, 2020 financial statements nor did it affect change in net assets or net assets in total.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

CAFO had approximately \$2,458,000 and \$1,724,000 of financial assets available within one year of the statements of financial position date as of December 31, 2020 and 2019, respectively. These amounts consist of cash and cash equivalents and pledges and grants 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, 2020 and 2019. Management monitors cash flows closely through monthly detailed financial analysis provided by their outsourced accountant to the chief operating officer, chief financial officer, and treasurer of the board (chair of the finance committee).

# CHRISTIAN ALLIANCE FOR ORPHANS

## Notes to Financial Statements

December 31, 2020 and 2019

4. PAYROLL PROTECTION PROGRAM LOAN:

During the year ended December 31, 2020, CAFO received a \$198,900 loan as part of the Paycheck Protection Program (PPP) from the US Small Business Administration (SBA) due to the COVID-19 pandemic. The loan is fully forgiven if CAFO meets certain spending and employment thresholds. Subsequent to the year ended December 31, 2020, CAFO received notification of the full forgiveness for the PPP loan.

5. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	December 31,	
	2020	2019
Purpose restricted:		
Student Initiative and Applied Research		
and Best Practice Initiative	\$ 492,749	\$ 236,838
National Foster Care Initiative	115,831	109,001
Global Movements Initiative	106,130	183,185
Staff support	85,966	32,385
Discipleship and development	14,808	-
National Church Ministry Initiative	-	31,399
Other	500	2,500
Time restricted	226,500	222,215
	<u>\$ 1,042,484</u>	<u>\$ 817,523</u>

6. 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, 2020 and 2019, CAFO's contributions to the plan were \$23,415 and \$21,318, respectively.

7. CONCENTRATIONS:

During the years ended December 31, 2020 and 2019, five donors gave approximately 41% and 28% of CAFO's total support and revenue, respectively, with one donor's gift providing 21% and 14% of total support and revenue during the years ended December 31, 2020 and 2019, respectively.

# CHRISTIAN ALLIANCE FOR ORPHANS

## Notes to Financial Statements

December 31, 2020 and 2019

8. RELATED PARTY TRANSACTIONS:

During the years ended December 31, 2020 and 2019, CAFO received a significant amount of donations and sponsorships from its board of directors and from family members of management and the board of directors. Total related party donations and sponsorships for the years ended December 31, 2020 and 2019, were approximately \$229,000 and \$234,000, respectively.

9. RISKS AND UNCERTAINTIES:

In March of 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. CAFO was forced to stop certain program activities and travel during the year ended December 31, 2020. PPP loans were obtained during the year ended December 31, 2020 and subsequent to the year ended December 31, 2020 (see Notes 4, and 9). The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of CAFO for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

10. SUBSEQUENT EVENTS:

Subsequent to the year ended December 31, 2020, CAFO received a second PPP loan in the amount of \$198,900. Similar to the first PPP loan, the funds are eligible to be forgiven by the Small Business Association if CAFO meets qualifying conditions present in the loan agreement. Additionally, CAFO is considering applying for a CARES Act Employee Retention Credit, due to the worldwide government shut downs which caused a decrease in support and revenue.

Subsequent events were evaluated through July 2, 2021, which is the date the financial statements were available to be issued.