

CHRISTIAN ALLIANCE FOR ORPHANS

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

Years Ended December 31, 2023 and 2022

CHRISTIAN ALLIANCE FOR ORPHANS

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Independent Auditors' Report

Board of Directors
Christian Alliance for Orphans

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Christian Alliance for Orphans, which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Christian Alliance for Orphans and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Christian Alliance for Orphans' ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Christian Alliance for Orphans' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Christian Alliance for Orphans' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Mersereau, Lazenby & Rockas, LLC

Mersereau, Lazenby & Rockas, LLC
Suwanee, Georgia
August 23, 2024

CHRISTIAN ALLIANCE FOR ORPHANS
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

ASSETS	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,346,788	\$ 1,050,705
Investments	3,551,593	3,657,127
Pledges receivable	325,000	100,000
Prepaid expenses and other assets	3,733	3,400
Total current assets	5,227,114	4,811,232
PROPERTY AND EQUIPMENT		
Property and equipment, net of accumulated depreciation of \$57,825 and \$46,309 in 2023 and 2022	63,103	7,717
TOTAL ASSETS	5,290,217	4,818,949
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	14,124	123,109
Accrued expenses	28,593	24,248
Deferred revenue	504,108	370,959
TOTAL LIABILITIES	546,825	518,316
NET ASSETS		
Without donor restrictions		
Without donor restrictions - expendable	4,011,916	3,783,607
Without donor restrictions - net investment in property & equipment	63,103	7,717
Total net assets without donor restrictions	4,075,019	3,791,324
With donor restrictions	668,373	509,309
TOTAL NET ASSETS	4,743,392	4,300,633
TOTAL LIABILITIES AND NET ASSETS	\$ 5,290,217	\$ 4,818,949

See auditors' report and accompanying notes to financial statements

CHRISTIAN ALLIANCE FOR ORPHANS
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions	\$ 1,567,039	\$ 902,824	\$ 2,469,863	\$ 1,223,611	\$ 700,068	\$ 1,923,679
Grant income	103,100	495,363	598,463	170,000	355,725	525,725
Membership dues	310,782	-	310,782	291,290	-	291,290
Sponsorship revenue	312,546	-	312,546	314,667	-	314,667
Registration revenue	343,334	-	343,334	356,750	-	356,750
In-kind contributions	50,975	-	50,975	-	-	-
Other income	325,115	-	325,115	103,458	-	103,458
	<u>3,012,891</u>	<u>1,398,187</u>	<u>4,411,078</u>	<u>2,459,776</u>	<u>1,055,793</u>	<u>3,515,569</u>
Sales revenue	51,119	-	51,119	46,105	-	46,105
Cost of goods sold	(45,391)	-	(45,391)	(12,070)	-	(12,070)
Net sales revenue	<u>5,728</u>	<u>-</u>	<u>5,728</u>	<u>34,035</u>	<u>-</u>	<u>34,035</u>
Net assets released from restrictions:						
Satisfaction of program restrictions	<u>1,239,123</u>	<u>(1,239,123)</u>	<u>-</u>	<u>1,353,384</u>	<u>(1,353,384)</u>	<u>-</u>
Total support and revenue	<u>4,257,742</u>	<u>159,064</u>	<u>4,416,806</u>	<u>3,847,195</u>	<u>(297,591)</u>	<u>3,549,604</u>
EXPENSES						
Program services	3,201,752	-	3,201,752	2,741,991	-	2,741,991
Management and general	609,487	-	609,487	440,831	-	440,831
Fundraising	70,018	-	70,018	82,858	-	82,858
Member development	92,790	-	92,790	25,566	-	25,566
Total expenses	<u>3,974,047</u>	<u>-</u>	<u>3,974,047</u>	<u>3,291,246</u>	<u>-</u>	<u>3,291,246</u>
CHANGE IN NET ASSETS	283,695	159,064	442,759	555,949	(297,591)	258,358
NET ASSETS, Beginning of year	<u>3,791,324</u>	<u>509,309</u>	<u>4,300,633</u>	<u>3,235,375</u>	<u>806,900</u>	<u>4,042,275</u>
NET ASSETS, End of year	<u>\$ 4,075,019</u>	<u>\$ 668,373</u>	<u>\$ 4,743,392</u>	<u>\$ 3,791,324</u>	<u>\$ 509,309</u>	<u>\$ 4,300,633</u>

See auditors' report and accompanying notes to financial statements

CHRISTIAN ALLIANCE FOR ORPHANS
STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended December 31, 2023

2023

	Program Services				Supporting Activities			
	Advocacy & Education	Global Movements	Summit	Total Programs	Management and General	Fundraising	Member Development	Total
Salaries and benefits	\$ 1,958,768	\$ 189,579	\$ 149,729	\$ 2,298,076	\$ 278,787	\$ 50,558	\$ 89,372	\$ 2,716,793
Awards and grants	203,850	10,792	-	214,642	-	-	-	214,642
Cost of goods sold	232	-	45,159	45,391	-	-	-	45,391
Depreciation	-	-	-	-	13,439	-	-	13,439
Development	1,979	275	-	2,254	18,783	21	-	21,058
Insurance	-	-	460	460	7,988	-	-	8,448
Marketing and promotion	9,089	-	5,977	15,066	30,346	1,500	-	46,912
Meals and food	14,216	2,947	41,812	58,975	6,168	84	-	65,227
Member benefits	1,694	446	2,640	4,780	25,000	167	62	30,009
Miscellaneous	5,253	-	415	5,668	3,891	-	-	9,559
Occupancy	63	-	906	969	128	-	-	1,097
Printing and postage	14,898	1,299	22,521	38,718	8,045	8,020	-	54,783
Professional fees	121,771	45,625	25,150	192,546	149,504	6,635	-	348,685
Special events	44,067	1,232	67,519	112,818	6,328	452	1,206	120,804
Supplies and materials	7,957	1,634	9,165	18,756	6,261	1,049	-	26,066
Technology	68,538	4,703	42,269	115,510	21,516	133	518	137,677
Telephone and communications	14,990	1,607	620	17,217	3,337	318	440	21,312
Travel	63,008	15,667	26,622	105,297	29,966	1,081	1,192	137,536
Total expenses by function	2,530,373	275,806	440,964	3,247,143	609,487	70,018	92,790	4,019,438
Less expenses included with revenues in the statement of activities								
Cost of goods sold	(232)	-	(45,159)	(45,391)	-	-	-	(45,391)
Total expenses included in the expense section in the statement of activities	\$ 2,530,141	\$ 275,806	\$ 395,805	\$ 3,201,752	\$ 609,487	\$ 70,018	\$ 92,790	\$ 3,974,047
<i>Percentage of total expenses</i>	<i>64%</i>	<i>7%</i>	<i>10%</i>	<i>81%</i>	<i>15%</i>	<i>2%</i>	<i>2%</i>	<i>100%</i>

See auditors' report and accompanying notes to financial statements

CHRISTIAN ALLIANCE FOR ORPHANS
STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

2022

	Program Services				Supporting Activities			
	Advocacy & Education	Global Movements	Summit	Total Programs	Management and General	Fundraising	Member Development	Total
Salaries and benefits	\$ 1,616,400	\$ 182,676	\$ 153,631	\$ 1,952,707	\$ 185,598	\$ 51,354	\$ 24,199	\$ 2,213,858
Awards and grants	163,508	27,970	-	191,478	-	-	-	191,478
Cost of goods sold	96	-	11,974	12,070	-	-	-	12,070
Depreciation	-	-	-	-	7,703	-	-	7,703
Development	1,688	-	-	1,688	2,474	92	-	4,254
Insurance	-	-	718	718	3,664	-	-	4,382
Marketing and promotion	2,304	-	2,465	4,769	12,930	180	644	18,523
Meals and food	11,425	3,271	40,716	55,412	5,187	469	-	61,068
Member benefits	1,505	-	394	1,899	4,863	-	-	6,762
Miscellaneous	1,935	300	-	2,235	6,344	-	-	8,579
Occupancy	209	-	33	242	655	5	-	902
Printing and postage	13,164	1,238	22,078	36,480	7,028	3,930	-	47,438
Professional fees	85,112	23,150	-	108,262	141,506	16,155	-	265,923
Special events	82,645	4,452	58,908	146,005	11,343	9,521	644	167,513
Supplies and materials	5,706	1,211	20,629	27,546	6,002	-	-	33,548
Technology	37,623	4,989	39,618	82,230	18,429	-	-	100,659
Telephone and communications	12,935	793	360	14,088	3,014	311	59	17,472
Travel	63,766	9,379	43,087	116,232	24,091	841	20	141,184
Total expenses by function	2,100,021	259,429	394,611	2,754,061	440,831	82,858	25,566	3,303,316
Less expenses included with revenues in the statement of activities								
Cost of goods sold	(96)	-	(11,974)	(12,070)	-	-	-	(12,070)
Total expenses included in the expense section in the statement of activities	\$ 2,099,925	\$ 259,429	\$ 382,637	\$ 2,741,991	\$ 440,831	\$ 82,858	\$ 25,566	\$ 3,291,246
<i>Percentage of total expenses</i>	<i>63%</i>	<i>8%</i>	<i>12%</i>	<i>83%</i>	<i>13%</i>	<i>3%</i>	<i>1%</i>	<i>100%</i>

See auditors' report and accompanying notes to financial statements

CHRISTIAN ALLIANCE FOR ORPHANS
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 442,759	\$ 258,358
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	13,439	7,703
Net realized and unrealized investment gain	(202,466)	(52,956)
Decrease (increase) in assets:		
Pledges receivable	(225,000)	50,000
Other receivables	-	210,418
Prepaid expenses and other assets	(333)	(2,409)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(104,640)	94,143
Deferred revenue	133,149	237,111
CASH PROVIDED BY OPERATING ACTIVITIES	56,908	802,368
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(68,825)	-
Net investment transfers	308,000	(783,000)
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	239,175	(783,000)
NET INCREASE IN CASH	296,083	19,368
CASH AND CASH EQUIVALENTS, Beginning of year	1,050,705	1,031,337
CASH AND CASH EQUIVALENTS, End of year	\$ 1,346,788	\$ 1,050,705

See auditors' report and accompanying notes to financial statements

CHRISTIAN ALLIANCE FOR ORPHANS
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

NOTE 1: NATURE OF ORGANIZATION

The Christian Alliance for Orphans (“CAFO” or “the Organization”) is a ministry that inspires and equips Christians for effective adoption, foster care, and global orphan care ministry. CAFO was established in 2007 under the laws of the State of Texas as a not-for-profit corporation. CAFO’s goal is to have 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 is supported through the contributions of interested individuals, churches, foundations, and businesses.

CAFO represents a model of effective Christian unity, uniting more than 250 respected Christian organizations and a global network of churches to work together in coordinated initiatives that draw upon the strengths of each. These include the following:

The CAFO Summit (“Summit”) is an unforgettable gathering of leaders passionate for adoption, foster care and effective service to the vulnerable worldwide. It serves to both grow and to guide a true movement of Christians who are leading the church to be God’s answer for children who lack family.

More Than Enough works to help start and grow networks of churches and ministries in counties nationwide, working together to provide more than enough well-supported homes for every child in foster care—including foster, adoptive, and supported biological families.

The Pure Religion Project (National Church Ministry Initiative) works year-round to help local churches start and grow effective and sustainable foster care, adoption, and orphan care ministries.

The Pure Religion Project (Awareness/Activation Campaign) rises from the heritage of Orphan Sunday and Stand Sunday, where a small, humble church in Zambia (Orphan Sunday, 2002) and another in Brownwood, TX (Stand Sunday, 2002) responded to God’s call to welcome and care for the vulnerable children of their communities. Over the decades since, tens of thousands of local events have been held in local churches all over the world – often under the name Orphan Sunday or Stand Sunday. Today, churches are encouraged to continue this heritage, and CAFO provides free guidance and resources to make planning events and activities easy.

The CAFO Student Initiative inspires and prepares students for a lifetime of effective service to children in the name of Jesus.

The CAFO Global Network harnesses the strengths of CAFO members and expertise across the field to invest in emerging leaders and networks worldwide. The Global Network serves as a hub for curated knowledge, facilitated community and interconnection among national movements.

The Center on Applied Research for Vulnerable Children and Families improves the quality of care for orphans around the globe. The Center’s programs help child-serving organizations to integrate best practice models and current research into their programs aiding children and families in more than 100 countries.

CHRISTIAN ALLIANCE FOR ORPHANS
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

NOTE 1: NATURE OF ORGANIZATION (continued)

The Development and Discipleship Initiative expands Christian adoption, foster and orphan care worldwide by helping child-serving ministries build more effective fundraising programs. In partnership with Mission Increase, this high-leverage investment provides world-class development training and resources to CAFO's 250+ member organizations. Participating ministries learn to shift from "transactional" fundraising to an approach that truly cares for and nurtures Christian givers as disciples of Jesus.

The Institute for Family-Centered Healing and Health works to help foster and adoptive parents as they care for children who've faced significant adversity. We especially seek to provide parents with a renewed confidence that they have a vital, irreplaceable role to play in the healing and long-term health of their children and also practical resources for doing so -- always grounded in Scripture, scientific research, and the best thinking of the Christian tradition. Effectiveness and Accountability: CAFO helps elevate the quality of care of its members, promotes current research and best practice, and facilitates new partnerships among members. Churches and individuals can partner with CAFO member organizations with confidence, knowing they are committed to fiscal integrity, good governance, effective practice and collaborative work.

Advocacy and Education: CAFO unites its members in a powerful combined voice. From social media to radio to print, CAFO champions children the world often forgets. 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 websites (CAFO's main site, Summit, and the Pure Religion Project); interaction with Federal, state, local and international officials, lawmakers, and other policy leaders; monthly training webinars for church ministries; and much more. The CAFO Summit, Pure Religion Project, Global Networks, and More Than Enough each also have advocacy and education components, as do other efforts.

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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

CHRISTIAN ALLIANCE FOR ORPHANS
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions are subject to stipulations imposed by donors. Some donor restrictions are temporary in nature and will be met by actions of the Organization or with the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor stipulates that the funds be maintained in perpetuity.

Basis of Accounting

The financial statements of CAFO have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in bank accounts, including checking, savings, and money market accounts. These funds are held in banks covered by the Federal Deposit Insurance Corporation up to \$250,000. Deposits in excess of federally insured limits totaled \$771,154 and \$805,369 as of December 31, 2023 and 2022, respectively. Management believes it is not exposed to any significant credit risk on cash, although its balances have exceeded federally insured limits.

Investments

Investments are reported at fair value and realized and unrealized gains and losses are reflected in the statements of activities. Note 8 describes how fair value is determined.

Pledges Receivable

Pledges receivable are recognized as assets and contributions at the time the pledge is unconditionally promised or is no longer considered conditional. All pledges receivable are expected to be collected within one year of the date of the statements of financial position.

Employee Retention Credit Receivable

CAFO received funds of \$210,418 as an employee retention credit related to COVID-19 during the year ended December 31, 2022. See Note 11 for more details on the calculation of this credit.

Prepaid Expenses

Prepaid expenses include insurance premiums for coverage into the following year.

Property and Equipment

CAFO capitalizes all expenditures for property and equipment in excess of \$2,500. The capitalization threshold was raised from \$1,000 to the current level as of April 11, 2022. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. These assets include website and computers. Depreciation is computed using the straight-line method over the estimated useful

CHRISTIAN ALLIANCE FOR ORPHANS
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)

life of the asset, which is set at three years. CAFO charges maintenance and repairs to expense in the current period. Acquisitions are capitalized and depreciated each year. Gains and losses on dispositions are included in earnings in the period of disposition.

Deferred Revenue

Deferred revenue includes 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 are recorded as revenue on the statements of activities.

Revenue and Revenue Recognition

Contributions are recognized when cash, securities, unconditional promises to give, and other assets are received. They are recorded as increases to net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Sponsorship revenue is earned from vendor exhibits and sponsorships at the Summit event, which is recorded when the event takes place. Membership dues are provided from various individuals, churches, not-for-profits, and businesses and are recognized as the benefit obligations are satisfied. The benefit obligations for memberships are generally satisfied over time during an annual term from purchase date of each membership. 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. See Note 6 for more information on revenue recognition.

See Note 11 for details on income from the ERC recognized in 2021.

Marketing and Promotional Events

All costs for marketing and promotional events are expensed in the period they are incurred. Total marketing and promotional expenses for the years ended December 31, 2023 and 2022 were \$46,912 and \$18,523, respectively.

Income Taxes

The Organization is exempt from income taxes under Internal Revenue Code (“the Code”) Section 501(c)(3) and the Georgia Revenue and Taxation Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes

CHRISTIAN ALLIANCE FOR ORPHANS
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

in place to ensure the maintenance of its tax-exempt status, to identify and report unrelated income, to determine its filing and tax obligations in jurisdictions for which it has nexus, and to identify and evaluate other matters that may be considered tax positions. CAFO has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Estimates in the Financial Statements

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Depreciation is estimated using the straight-line method in accordance with US GAAP. Compensation has been allocated based on time and effort estimated by each program. Actual results could differ from those estimates.

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 activities. Compensation has been allocated among the functional expenses based on estimated time and use. All other costs have been allocated based on usage.

NOTE 3: AVAILABILITY AND LIQUIDITY

The following represents the Organization’s financial assets available for general expenditures within one year of December 31:

	2023	2022
Financial assets at year-end		
Cash and cash equivalents	\$ 1,346,788	\$ 1,050,705
Investments	3,551,593	3,657,127
Pledges receivable	325,000	100,000
Prepaid expenses and other assets	3,733	3,400
Total financial assets at year-end	5,227,114	4,811,232
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions: restricted by donor with time or purpose restrictions	(668,373)	(509,309)
Financial assets available to meet general expenditures over the next twelve months	\$ 4,558,741	\$ 4,301,923

The Organization regularly monitors liquidity required to meet operating needs and other commitments. CAFO’s goal is to maintain cash reserves of at least \$500,000, which it exceeded as of December 31, 2023 and 2022. In addition to financial assets available to meet general expenditures over the next twelve

CHRISTIAN ALLIANCE FOR ORPHANS
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

NOTE 3: AVAILABILITY AND LIQUIDITY (continued)

months, CAFO anticipates collecting sufficient revenue to cover general expenditures which are not funded by donor restricted resources. CAFO maintained positive cash flows for the past two years. Refer to the statements of cash flows which identifies the sources and uses of the Organization’s cash.

NOTE 4: INVESTMENTS

Investments as of December 31 were as follows:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Bank and money market accounts	\$ 2,708,297	\$ 2,789,096	\$ 872,942	\$ 872,942
Mutual funds	762,497	762,497	2,784,185	2,784,185
	\$ 3,470,794	\$ 3,551,593	\$ 3,657,127	\$ 3,657,127

Investment income consists of interest and dividends of \$127,563 and \$52,956 for the years ended December 31, 2023 and 2022, respectively.

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	2023	2022
Equipment	\$ 4,053	\$ 5,976
Website	116,875	48,050
	120,928	54,026
Less accumulated depreciation	(57,825)	(46,309)
Total property and equipment	\$ 63,103	\$ 7,717

Depreciation expense totaled \$13,439 and \$7,703 for the years ended December 31, 2023 and 2022, respectively.

NOTE 6: REVENUE FROM CONTRACTS WITH CUSTOMERS

CAFO has adopted Accounting Standards Update (ASU) No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)*, as amended as management believes the standard improves the usefulness and understandability of the Organization’s financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way CAFO recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

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NOTE 6: REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

The disaggregation of revenue by type is depicted on the face of the statements of activities. Contract assets and liabilities of \$325,000 and \$504,108 were recorded for the years ending December 31, 2023 and 2022, respectively. Contract assets and liabilities of \$100,000 and \$370,959 were recorded for the years ending December 31, 2023 and 2022, respectively. Contract assets are significant pledges promised by donors but not yet received. Contract liabilities are recorded for membership fees received but not yet earned. See the Revenue and Revenue Recognition section under Note 2 for further information.

Note 11 includes a detailed description of ERC income recognized for the year ended December 31, 2021 and received during the year ended December 31, 2022.

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions have the following time and purpose restrictions:

	Year Ended December 31, 2023			
	Balance 12/31/2022	Restricted Revenue	Restrictions Satisfied	Balance 12/31/2023
Student Initiative and Applied Research and Best Practice Initiative	\$ 67,915	\$ 180,363	\$ (248,278)	\$ -
National Foster Care Initiative	48,707	160,709	(190,413)	19,004
Staff support	16,938	115,652	(95,299)	37,291
Global Movements Initiative	13,675	244,695	(200,449)	57,921
Other designations	262,074	624,274	(332,191)	554,157
Discipleship and development	-	72,494	(72,494)	-
Time restricted net assets	100,000	-	(100,000)	-
Total net assets with donor restrictions	\$ 509,309	\$ 1,398,187	\$ (1,239,123)	\$ 668,373

	Year Ended December 31, 2022			
	Balance 12/31/2021	Restricted Revenue	Restrictions Satisfied	Balance 12/31/2022
Student Initiative and Applied Research and Best Practice Initiative	\$ 333,132	\$ 106,170	\$ (371,387)	\$ 67,915
National Foster Care Initiative	207,811	120,039	(279,143)	48,707
Staff support	58,033	105,558	(146,653)	16,938
Global Movements Initiative	56,824	213,012	(256,161)	13,675
Other designations	1,100	323,014	(62,040)	262,074
Discipleship and development	-	88,000	(88,000)	-
Time restricted net assets	150,000	100,000	(150,000)	100,000
Total net assets with donor restrictions	\$ 806,900	\$ 1,055,793	\$ (1,353,384)	\$ 509,309

CHRISTIAN ALLIANCE FOR ORPHANS
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

NOTE 8: FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. US GAAP establishes a hierarchy of inputs to valuation of that price using three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Organization can access at the measurement date. Level 2 inputs are those other than Level 1 inputs which are either directly or indirectly observable. Level 3 inputs are unobservable to the Organization.

The fair value of cash and investments approximate the carrying values on the statement of financial position as the nature of the assets held by CAFO are listed below:

	Fair Value Measurements at December 31, 2023			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 2,789,096	\$ -	\$ -	\$ 2,789,096
Mutual funds	762,497	-	-	762,497
Total assets at fair value	\$ 3,551,593	\$ -	\$ -	\$ 3,551,593

	Fair Value Measurements at December 31, 2022			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 872,942	\$ -	\$ -	\$ 872,942
Mutual funds	2,784,185	-	-	2,784,185
Total assets at fair value	\$ 3,657,127	\$ -	\$ -	\$ 3,657,127

NOTE 9: RETIREMENT PLAN

CAFO provides a 403(b) retirement plan administered by MG Trust covering all qualified employees. CAFO's policy is to match 100% of an employee's contribution, up to 3% of their eligible compensation. Employer contributions to the plan totaled \$56,400 and \$44,933 in the years ended December 31, 2023 and 2022, respectively.

NOTE 10: RELATED PARTY TRANSACTIONS

For the years ending December 31, 2023 and 2022, board members, employees, and family members contributed approximately \$506,000 and \$385,000 to CAFO, respectively.

NOTE 11: ERC INCOME

The Organization applied for the Employee Retention Tax Credit ("ERC") during the year ended December 31, 2021, as mentioned in Note 2 under the Employee Retention Credit Receivable section. CAFO met the requirements to receive the ERC under the CARES Act in relation to the COVID-19 pandemic and received full payment of \$210,418 during the year ended December 31, 2022.

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NOTE 12: IN-KIND CONTRIBUTIONS

CAFO has adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Adoption of this standard did not have a significant impact on the financial statements, with the exception of the increased disclosure.

CAFO recognized the in-kind contributions below as a separate line item on the statement of activities. In-kind contributions consist of the following for the year ended December 31, 2023:

<u>Contributed Nonfinancial Assets</u>	<u>Revenue Recognized</u>	<u>Utilization in Programs</u>
Marketing services	\$ 4,925	Advocacy & Education
Media services	13,550	Summit
Language interpretation services	9,500	Summit
Website services	20,000	Advocacy & Education
Accounting services	2,100	Summit
Facilities	900	Summit
Total in-kind contributions	\$ 50,975	

There were no in-kind contributions donated for the year ending December 31, 2022.

The services listed above are valued at the estimated fair value based on historical transactions between CAFO and the donor for similar professional services. The fair value of the donated facilities is based on the cost of using the facilities at the standard rate of use. There are no associated donor restrictions for the contributed nonfinancial assets listed above.

NOTE 13: RECLASSIFICATIONS

Certain items in the prior year financial statements have been reclassified to conform to current year presentation. The reclassification had no effect on the previously reported net assets and changes in net assets with and without donor restrictions.

NOTE 14: SUBSEQUENT EVENTS

CAFO has evaluated subsequent events through August 23, 2024, which represents the date the financial statements were available to be issued.