

CHRISTIAN ALLIANCE FOR ORPHANS

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

Years Ended December 31, 2022 and 2021

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 statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year 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, 2022, and the changes in its net assets and its cash flows for the year 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.

Other Matter

The financial statements of Christian Alliance for Orphans for the year ended December 31, 2021 were audited by another auditor whose report dated August 4, 2022 included an emphasis-of-matter paragraph that described a prior period adjustment relating to the employer retention tax credit discussed in Note 6 to the financial statements, and expressed an unmodified opinion on those statements.

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
July 17, 2023

CHRISTIAN ALLIANCE FOR ORPHANS
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2022 and 2021

ASSETS	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,050,705	\$ 1,031,337
Investments	3,657,127	2,821,171
Pledges and grants receivable	100,000	150,000
Employee retention credit receivable	-	210,418
Prepaid expenses and other assets	3,400	991
Total current assets	4,811,232	4,213,917
PROPERTY AND EQUIPMENT		
Property and equipment, net of accumulated depreciation of \$46,309 and \$40,162 in 2022 and 2021	7,717	15,420
Total property and equipment	7,717	15,420
TOTAL ASSETS	4,818,949	4,229,337
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	123,109	23,537
Accrued expenses	24,248	29,677
Deferred revenue	370,959	133,848
TOTAL LIABILITIES	518,316	187,062
NET ASSETS		
Without donor restrictions		
Without donor restrictions - expendable	3,783,607	3,219,955
Without donor restrictions - net investment in property & equipment	7,717	15,420
Total net assets without donor restrictions	3,791,324	3,235,375
With donor restrictions	509,309	806,900
TOTAL NET ASSETS	4,300,633	4,042,275
TOTAL LIABILITIES AND NET ASSETS	\$ 4,818,949	\$ 4,229,337

See auditors' report and accompanying notes to financial statements

CHRISTIAN ALLIANCE FOR ORPHANS
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions	\$ 1,223,611	\$ 700,068	\$ 1,923,679	\$ 1,754,412	\$ 762,655	\$ 2,517,067
Grant income	170,000	355,725	525,725	126,300	469,865	596,165
Membership dues	291,290	-	291,290	236,002	-	236,002
Sponsorship revenue	314,667	-	314,667	290,629	-	290,629
Registration revenue	356,750	-	356,750	266,072	-	266,072
In-kind contributions	-	-	-	5,601	-	5,601
PPP income	-	-	-	397,800	-	397,800
Other income	103,458	-	103,458	49,507	-	49,507
	<u>2,459,776</u>	<u>1,055,793</u>	<u>3,515,569</u>	<u>3,126,323</u>	<u>1,232,520</u>	<u>4,358,843</u>
Sales revenue	46,105	-	46,105	-	-	-
Cost of goods sold	<u>(12,070)</u>	<u>-</u>	<u>(12,070)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net sales revenue	34,035	-	34,035	-	-	-
Net assets released from restrictions:						
Satisfaction of program restrictions	<u>1,353,384</u>	<u>(1,353,384)</u>	<u>-</u>	<u>1,468,104</u>	<u>(1,468,104)</u>	<u>-</u>
Total support and revenue	<u>3,847,195</u>	<u>(297,591)</u>	<u>3,549,604</u>	<u>4,594,427</u>	<u>(235,584)</u>	<u>4,358,843</u>
EXPENSES						
Program services	2,741,991	-	2,741,991	2,180,448	-	2,180,448
Management and general	440,831	-	440,831	261,627	-	261,627
Fundraising	82,858	-	82,858	43,717	-	43,717
Member development	25,566	-	25,566	45,643	-	45,643
Total expenses	<u>3,291,246</u>	<u>-</u>	<u>3,291,246</u>	<u>2,531,435</u>	<u>-</u>	<u>2,531,435</u>
CHANGE IN NET ASSETS	555,949	(297,591)	258,358	2,062,992	(235,584)	1,827,408
NET ASSETS, Beginning of year	<u>3,235,375</u>	<u>806,900</u>	<u>4,042,275</u>	<u>1,172,383</u>	<u>1,042,484</u>	<u>2,214,867</u>
NET ASSETS, End 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>

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			Total
	Advocacy & Education	Global Movements	Summit	Total Programs	Management and General	Fundraising	Member Development	
Salaries and benefits	\$ 1,616,400	\$ 182,676	\$ 153,631	\$ 1,952,707	\$ 184,722	\$ 51,354	\$ 24,199	\$ 2,212,982
Awards and grants	165,013	27,970	394	193,377	5,739	-	-	199,116
Contributed services and materials	-	-	-	-	-	-	-	-
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
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
Repairs and maintenance	-	-	-	-	-	-	-	-
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 FUNCTIONAL EXPENSES
Year Ended December 31, 2021

2021

	Program Services				Supporting Activities			Total
	Advocacy & Education	Global Movements	Summit	Total Programs	Management and General	Fundraising	Member Development	
Salaries and benefits	\$ 1,379,935	\$ 160,915	\$ 99,719	\$ 1,640,569	\$ 71,293	\$ 28,399	\$ 42,764	\$ 1,783,025
Awards and grants	76,661	53,578	1,134	131,373	11,467	1,058	-	143,898
Contributed services and materials	-	-	5,601	5,601	-	-	-	5,601
Cost of goods sold	-	-	-	-	-	-	-	-
Depreciation	397	-	-	397	7,322	-	-	7,719
Development	231	186	215	632	1,500	-	-	2,132
Insurance	-	-	606	606	4,360	-	-	4,966
Marketing and promotion	5,961	-	6,122	12,083	1,122	2,122	1,122	16,449
Meals and food	5,561	739	31,025	37,325	2,685	88	-	40,098
Miscellaneous	3,225	-	-	3,225	332	57	-	3,614
Occupancy	1,055	-	57	1,112	86	-	-	1,198
Printing and postage	16,668	433	16,941	34,042	12,869	4,557	53	51,521
Professional fees	62,149	17,061	13,385	92,595	108,205	5,880	-	206,680
Repairs and maintenance	21	-	-	21	-	96	-	117
Special events	25,802	300	29,352	55,454	4,734	246	1,408	61,842
Supplies and materials	11,668	337	19,599	31,604	5,369	-	123	37,096
Technology	25,485	9,875	36,397	71,757	22,926	51	-	94,734
Telephone and communications	7,639	663	437	8,739	945	342	173	10,199
Travel	27,711	4,084	21,518	53,313	6,412	821	-	60,546
Total expenses by function	\$ 1,650,169	\$ 248,171	\$ 282,108	\$ 2,180,448	\$ 261,627	\$ 43,717	\$ 45,643	\$ 2,531,435
Less expenses included with revenues in the statement of activities								
Cost of goods sold	-	-	-	-	-	-	-	-
Total expenses included in the expense section in the statement of activities	\$ 1,650,169	\$ 248,171	\$ 282,108	\$ 2,180,448	\$ 261,627	\$ 43,717	\$ 45,643	\$ 2,531,435
<i>Percentage of total expenses</i>	<i>65%</i>	<i>10%</i>	<i>11%</i>	<i>86%</i>	<i>10%</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 CASH FLOWS
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 258,358	\$ 1,827,408
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	7,703	7,718
Net realized and unrealized investment gain	(52,956)	-
Gain on extinguishment of debt	-	(397,800)
Decrease (increase) in assets:		
Pledges and grants receivable	50,000	95,000
Other receivables	210,418	-
Prepaid expenses and other assets	(2,409)	878
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	94,143	22,308
Deferred revenue	237,111	(107,071)
	802,368	1,448,441
CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(8,100)
Net investment purchases	(783,000)	(1,497,916)
	(783,000)	(1,506,016)
CASH USED FOR INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
PPP loan proceeds	-	198,900
	-	198,900
CASH PROVIDED BY FINANCING ACTIVITIES		
NET INCREASE IN CASH	19,368	141,325
CASH AND CASH EQUIVALENTS, Beginning of year	1,031,337	890,012
CASH AND CASH EQUIVALENTS, End of year	\$ 1,050,705	\$ 1,031,337

See auditors' report and accompanying notes to financial statements

CHRISTIAN ALLIANCE FOR ORPHANS
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE 1: NATURE OF ORGANIZATION

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 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 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 is a community united by our faith and committed to helping churches care for children and families in foster care. Facilitated by CAFO, the Community has a shared strategy 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) builds on the legacy of the National Church Ministry Initiative and 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 African American Leadership Council works to inspire and equip African American churches to care for vulnerable children in response to God’s command to “do justice” and care for orphans.

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.

CHRISTIAN ALLIANCE FOR ORPHANS
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE 1: NATURE OF ORGANIZATION (continued)

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.

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 200+ 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.

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, 2022 and 2021

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 \$3,839,554 and \$3,178,144 as of December 31, 2022 and 2021, 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 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. All pledges and grants 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 13 for more details on the calculation of this credit. The receivable was collected in full during the year ended December 31, 2022.

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

CHRISTIAN ALLIANCE FOR ORPHANS
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)

website and computers. Depreciation is computed using the straight-line method over the estimated useful 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 13 for details on the PPP loan forgiveness and ERC income recognized in the prior year.

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, 2022 and 2021 were \$18,523 and \$16,449, respectively.

CHRISTIAN ALLIANCE FOR ORPHANS
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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:

	2022	2021
Financial assets at year-end		
Cash and cash equivalents	\$ 1,050,705	\$ 1,031,337
Investments	3,657,127	2,821,171
Pledges and grants receivable	100,000	150,000
Employee retention credit receivable	-	210,418
Prepaid expenses and other assets	3,400	991
Total financial assets at year-end	4,811,232	4,213,917
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions: restricted by donor with time or purpose restrictions	(509,309)	(806,900)
Financial assets available to meet general expenditures over the next twelve months	\$ 4,301,923	\$ 3,407,017

CHRISTIAN ALLIANCE FOR ORPHANS
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE 3: AVAILABILITY AND LIQUIDITY (continued)

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, 2022 and 2021. In addition to financial assets available to meet general expenditures over the next twelve 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 statement 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:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Bank and money market accounts	\$ 872,942	\$ 872,942	\$ 2,283,384	\$ 2,283,384
Mutual funds	2,784,185	2,784,185	537,787	537,787
	<u>\$ 3,657,127</u>	<u>\$ 3,657,127</u>	<u>\$ 2,821,171</u>	<u>\$ 2,821,171</u>

Investment income consists of interest and dividends of \$52,956 and \$721 for the years ended December 31, 2022 and 2021, respectively.

NOTE 5: PROPERTY AND EQUIPMENT

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

	2022	2021
Equipment	\$ 5,976	\$ 7,532
Website	48,050	48,050
	54,026	55,582
Less accumulated depreciation	(46,309)	(40,162)
Total property and equipment	<u>\$ 7,717</u>	<u>\$ 15,420</u>

Depreciation expense totaled \$7,703 and \$7,719 for the years ended December 31, 2022 and 2021, 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 \$100,000 and \$370,959 were recorded for the period ending December 31, 2022, respectively. Contract assets and liabilities of \$360,418 and \$133,848 were recorded for the period ending December 31, 2021, respectively. See the Revenue and Revenue Recognition section under Note 2 for further information.

Note 13 includes a detailed description of PPP and ERC income recognized for the year ended December 31, 2021.

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

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

	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	<u>\$ 806,900</u>	<u>\$ 1,055,793</u>	<u>\$ (1,353,384)</u>	<u>\$ 509,309</u>

	Year Ended December 31, 2021			
	Balance 12/31/2020	Restricted Revenue	Restrictions Satisfied	Balance 12/31/2021
Student Initiative and Applied Research and Best Practice Initiative	\$ 492,749	\$ 331,590	\$ (491,207)	\$ 333,132
National Foster Care Initiative	115,831	373,318	(281,338)	207,811
Staff support	85,966	91,097	(119,030)	58,033
Global Movements Initiative	106,130	199,437	(248,743)	56,824
Other designations	500	600	-	1,100
Discipleship and development	14,808	86,478	(101,286)	-
Time restricted net assets	226,500	150,000	(226,500)	150,000
Total net assets with donor restrictions	<u>\$ 1,042,484</u>	<u>\$ 1,232,520</u>	<u>\$ (1,468,104)</u>	<u>\$ 806,900</u>

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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, 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	\$ 872,942	\$ 2,784,185	\$ -	\$ 3,657,127

	Fair Value Measurements at December 31, 2021			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 2,283,384	\$ -	\$ -	\$ 2,283,384
Mutual funds	-	537,787	-	537,787
Total assets at fair value	\$ 2,283,384	\$ 537,787	\$ -	\$ 2,821,171

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 \$44,933 and \$40,590 in the years ended December 31, 2022 and 2021, respectively.

NOTE 10: CONCENTRATIONS

There were no donors during the year ended December 31, 2022 with total gifts amounting to 10% or more of total support and revenue, so no concentrations exist in the current period. For the year ending December 31, 2021, the largest donor's gift amounted to 15% of total support and revenue.

NOTE 11: RELATED PARTY TRANSACTIONS

For the years ending December 31, 2022 and 2021, board members, employees, and family members contributed approximately \$385,000 and \$250,000 to CAFO, respectively.

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NOTE 12: RISKS AND UNCERTAINTIES

In December 2019, a novel strain of coronavirus (“COVID-19”) was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a “Public Health Emergency of International Concern.” The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the continued impact of COVID-19 on operational and financial performance depends on certain developments: including the duration and spread of the outbreak, impact on donors, volunteers and vendors, all of which are uncertain and cannot be predicted.

See Note 13 for details on PPP and ERC income received by CAFO relating to COVID-19.

NOTE 13: PPP AND ERC INCOME

As part of the response to the impact of COVID-19, the Organization applied for a Payroll Protection Program (“PPP”) loan, administered by the Small Business Administration (“SBA”), under the Coronavirus Aid, Relief and Economic Security (“CARES”) Act, which was signed into law in March 2020. The Organization was approved for a PPP loan from the SBA of \$198,900 during the year ended December 31, 2020. CAFO applied for and received a second PPP loan in the amount of \$198,900 during the year ended December 31, 2021. The Organization received notification of the forgiveness of both PPP loans during the year ended December 31, 2021 and recorded the forgiveness as a gain from extinguishment of debt in the year received.

In addition, CAFO met the requirements to receive the Employee Retention Tax Credit (“ERC”), under the CARES Act. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter. The credit was recognized in the year ended December 31, 2020 to match the period to the corresponding expenses.

As mentioned in Note 2 under the Employee Retention Credit Receivable section, the Organization applied for the ERC during the year ended December 31, 2021 and received full payment of \$210,418 during the year ended December 31, 2022.

NOTE 14: SUBSEQUENT EVENTS

CAFO has evaluated subsequent events through July 17, 2023, which represents the date the financial statements were available to be issued.