

Christian Foundation for Children and Aging

Financial Statements for the
Years Ended December 31, 2008 and 2007,
and Independent Auditors' Report

CHRISTIAN FOUNDATION FOR CHILDREN AND AGING

TABLE OF CONTENTS

	Pages
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007:	
Statements of Financial Position	2
Statements of Activities	3-4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-12

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Christian Foundation for Children and Aging
Kansas City, Kansas

We have audited the accompanying statements of financial position of the Christian Foundation for Children and Aging (the "Foundation") as of December 31, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte + Touche LLP

April 20, 2009

CHRISTIAN FOUNDATION FOR CHILDREN AND AGING

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2008 AND 2007

	2008	2007
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 15,975,371	\$ 15,235,790
INVESTMENTS	13,545,022	15,322,995
RECEIVABLES	196,519	168,353
OTHER ASSETS	331,381	177,720
PROPERTY AND EQUIPMENT — Net	<u>5,427,133</u>	<u>5,694,596</u>
TOTAL	<u>\$35,475,426</u>	<u>\$36,599,454</u>
LIABILITIES AND NET ASSETS		
LIABILITIES — Accounts payable and accrued expenses	<u>\$ 2,016,717</u>	<u>\$ 1,195,224</u>
COMMITMENTS		
NET ASSETS:		
Unrestricted:		
Board designated — operating reserve	1,745,262	2,100,288
Board designated — headquarters building additions	356,275	375,786
Board designated — future capital equipment	200,000	200,000
Board designated — CASA and other software upgrades	467,424	628,342
Board designated — program and scholarship	1,507,955	3,739,300
Undesignated (not currently available for expenditure due to amounts invested in property and equipment — net)	<u>5,427,133</u>	<u>5,694,596</u>
Total unrestricted net assets	9,704,049	12,738,312
Temporarily restricted net assets	<u>23,754,660</u>	<u>22,665,918</u>
Total net assets	<u>33,458,709</u>	<u>35,404,230</u>
TOTAL	<u>\$35,475,426</u>	<u>\$36,599,454</u>

See notes to financial statements.

CHRISTIAN FOUNDATION FOR CHILDREN AND AGING

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2008

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE:			
Public support:			
Sponsorships	\$ 71,232,439	\$ 22,631,379	\$ 93,863,818
Contributions	<u>3,173,738</u>	<u>7,131,611</u>	<u>10,305,349</u>
Total public support	<u>74,406,177</u>	<u>29,762,990</u>	<u>104,169,167</u>
Other revenue	<u>1,237,228</u>	<u>8,055</u>	<u>1,245,283</u>
Unrealized loss on investments	<u>(1,464,820)</u>	<u>(16,004)</u>	<u>(1,480,824)</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	6,828,861	(6,828,861)	-
Expiration of time restrictions	<u>21,837,438</u>	<u>(21,837,438)</u>	<u>-</u>
Total net assets released from restrictions	<u>28,666,299</u>	<u>(28,666,299)</u>	<u>-</u>
Total public support and revenue	<u>102,844,884</u>	<u>1,088,742</u>	<u>103,933,626</u>
EXPENSES:			
Program expenses	100,136,415	-	100,136,415
Supporting services:			
Fund raising	2,658,437	-	2,658,437
General and administrative	<u>3,084,295</u>	<u>-</u>	<u>3,084,295</u>
Total supporting services	<u>5,742,732</u>	<u>-</u>	<u>5,742,732</u>
Total expenses	<u>105,879,147</u>	<u>-</u>	<u>105,879,147</u>
CHANGE IN NET ASSETS	(3,034,263)	1,088,742	(1,945,521)
NET ASSETS — Beginning of year	<u>12,738,312</u>	<u>22,665,918</u>	<u>35,404,230</u>
NET ASSETS — End of year	<u>\$ 9,704,049</u>	<u>\$ 23,754,660</u>	<u>\$ 33,458,709</u>

See notes to financial statements.

CHRISTIAN FOUNDATION FOR CHILDREN AND AGING

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2007

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE:			
Public support:			
Sponsorships	\$ 68,391,334	\$ 21,837,438	\$ 90,228,772
Contributions	<u>2,510,371</u>	<u>7,227,443</u>	<u>9,737,814</u>
Total public support	<u>70,901,705</u>	<u>29,064,881</u>	<u>99,966,586</u>
Other revenue	<u>1,783,490</u>	<u>13,901</u>	<u>1,797,391</u>
Unrealized loss on investments	<u>(25,238)</u>	<u>(9,248)</u>	<u>(34,486)</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	8,265,637	(8,265,637)	-
Expiration of time restrictions	<u>20,258,687</u>	<u>(20,258,687)</u>	<u>-</u>
Total net assets released from restrictions	<u>28,524,324</u>	<u>(28,524,324)</u>	<u>-</u>
Total public support and revenue	<u>101,184,281</u>	<u>545,210</u>	<u>101,729,491</u>
EXPENSES:			
Program expenses	94,933,536	-	94,933,536
Supporting services:			
Fund raising	2,284,810	-	2,284,810
General and administrative	<u>3,045,506</u>	<u>-</u>	<u>3,045,506</u>
Total supporting services	<u>5,330,316</u>	<u>-</u>	<u>5,330,316</u>
Total expenses	<u>100,263,852</u>	<u>-</u>	<u>100,263,852</u>
CHANGE IN NET ASSETS	920,429	545,210	1,465,639
NET ASSETS — Beginning of year	<u>11,817,883</u>	<u>22,120,708</u>	<u>33,938,591</u>
NET ASSETS — End of year	<u>\$ 12,738,312</u>	<u>\$ 22,665,918</u>	<u>\$ 35,404,230</u>

See notes to financial statements.

CHRISTIAN FOUNDATION FOR CHILDREN AND AGING

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2008

	Program Services	Supporting Services			Total
		Fund Raising	General and Administrative	Total Supporting Services	
Child, aging, and local outreach support	\$ 93,583,804	\$ -	\$ -	\$ -	\$ 93,583,804
Staff salaries and benefits	4,153,382	1,012,256	1,089,039	2,101,295	6,254,677
Advertising	6,631	245,199	2,064	247,263	253,894
Postage	696,688	135,757	635,406	771,163	1,467,851
Travel	182,591	248,991	1,912	250,903	433,494
Mission appeals stipends	-	515,421	-	515,421	515,421
Mission awareness and education	490,693	8,627	-	8,627	499,320
Printing and duplicating	295,776	176,367	226,796	403,163	698,939
Grants to parish missions	-	3,225	-	3,225	3,225
Bank service fees	450	223	797,148	797,371	797,821
Professional services	18,722	147,858	88,118	235,976	254,698
Supplies	57,850	11,139	15,890	27,029	84,879
Telephone	44,758	15,157	11,220	26,377	71,135
Insurance	71,386	13,873	14,800	28,673	100,059
Utilities	52,997	8,328	14,385	22,713	75,710
Facility maintenance	54,790	12,098	13,834	25,932	80,722
Equipment maintenance and purchases	47,937	8,040	13,844	21,884	69,821
Seminars, conferences, and educational materials	13,184	24,564	4,393	28,957	42,141
Field audits	37,591	-	-	-	37,591
Photographic materials	22,290	2,451	5	2,456	24,746
Rent	3,737	16,541	330	16,871	20,608
Publications	459	1,258	2,117	3,375	3,834
Miscellaneous	11,108	9,436	29,118	38,554	49,662
Total before depreciation	99,846,824	2,616,809	2,960,419	5,577,228	105,424,052
Depreciation	289,591	41,628	123,876	165,504	455,095
TOTAL	\$ 100,136,415	\$ 2,658,437	\$ 3,084,295	\$ 5,742,732	\$ 105,879,147

See notes to financial statements.

CHRISTIAN FOUNDATION FOR CHILDREN AND AGING

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2007

	Program Services	Supporting Services			Total
		Fund Raising	General and Administrative	Total Supporting Services	
Child, aging, and local outreach support	\$ 88,925,533	\$ -	\$ -	\$ -	\$ 88,925,533
Staff salaries and benefits	3,970,846	659,234	1,072,861	1,732,095	5,702,941
Advertising	10,937	352,335	10,542	362,877	373,814
Postage	611,197	164,879	632,366	797,245	1,408,442
Travel	130,111	225,992	3,214	229,206	359,317
Mission appeals stipends	-	501,917	-	501,917	501,917
Mission awareness and education	399,821	4,214	239	4,453	404,274
Printing and duplicating	216,100	162,591	244,700	407,291	623,391
Grants to parish missions	-	7,050	-	7,050	7,050
Bank service fees	-	-	763,351	763,351	763,351
Professional services	20,040	58,260	71,369	129,629	149,669
Supplies	58,832	10,262	15,352	25,614	84,446
Telephone	40,624	16,657	10,954	27,611	68,235
Insurance	54,267	9,151	11,507	20,658	74,925
Utilities	46,637	7,330	12,668	19,998	66,635
Facility maintenance	56,132	8,548	13,202	21,750	77,882
Equipment maintenance and purchases	39,694	6,519	11,856	18,375	58,069
Seminars, conferences, and educational materials	13,887	24,763	5,635	30,398	44,285
Field audits	7,562	-	-	-	7,562
Photographic materials	36,537	86	-	86	36,623
Rent	3,318	17,855	282	18,137	21,455
Publications	670	4,156	2,666	6,822	7,492
Miscellaneous	4,744	1,940	41,620	43,560	48,304
Total before depreciation	94,647,489	2,243,739	2,924,384	5,168,123	99,815,612
Depreciation	286,047	41,071	121,122	162,193	448,240
TOTAL	\$ 94,933,536	\$ 2,284,810	\$ 3,045,506	\$ 5,330,316	\$ 100,263,852

See notes to financial statements.

CHRISTIAN FOUNDATION FOR CHILDREN AND AGING

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Decrease) increase in net assets	\$ (1,945,521)	\$ 1,465,639
Adjustments to reconcile net assets to net cash provided by operating activities:		
Unrealized losses on investments	1,480,824	34,486
Net realized losses (gains) on disposition of investments	2,338	(356,537)
Depreciation	455,095	448,240
Changes in operating assets and liabilities:		
Receivables	(28,166)	(15,008)
Other assets	(153,661)	85,475
Accounts payable and accrued expenses	<u>(150,297)</u>	<u>(92,675)</u>
Net cash (used in) provided by operating activities	<u>(339,388)</u>	<u>1,569,620</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment additions	(187,632)	(90,778)
Proceeds from maturities and sales of investments	6,368,704	6,958,731
Purchases of investments	<u>(5,102,103)</u>	<u>(7,180,760)</u>
Net provided by (used in) investing activities	<u>1,078,969</u>	<u>(312,807)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	739,581	1,256,813
CASH AND CASH EQUIVALENTS — Beginning of year	<u>15,235,790</u>	<u>13,978,977</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 15,975,371</u>	<u>\$ 15,235,790</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Noncash investing activities:		
Pending security purchases	<u>\$ 971,789</u>	<u>\$ -</u>

See notes to financial statements.

CHRISTIAN FOUNDATION FOR CHILDREN AND AGING

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Business — The Christian Foundation for Children and Aging (the “Foundation”) was organized on November 20, 1981, under the general not-for-profit laws of the State of Missouri and is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Foundation’s objectives are to promote the physical, mental, spiritual and social welfare of the poor, especially children and aging adults, and to educate the public as to the living conditions, needs and potential of children and aging in economically developing countries.

Cash and Cash Equivalents — Cash and cash equivalents include cash on hand, amounts due from banks and highly liquid investments with original maturities of 90 days or less.

Investments — Investments include U.S. Treasury and Agency securities, investment-grade corporate bonds, mutual funds, annuities, life insurance contracts, certificates of deposit, and common stock. Investments, other than annuities and life insurance contracts, are carried at fair value based on quoted market prices for those or similar securities, with unrealized and realized gains and losses recorded in the statements of activities. Annuities are carried at contract value plus accrued interest. Life insurance contracts are recorded at the cash surrender value of the policy.

Property and Equipment — Property and equipment is stated at cost and is depreciated using the straight-line method over estimated lives of forty years for the buildings and three to fifteen years for furniture, equipment and software.

The Foundation capitalizes costs associated with software development when the preliminary application stage is completed. Capitalization of such costs ceases no later than the point at which the application is substantially complete and ready for its intended purposes. Research and other preliminary costs related to software development, as well as computer software maintenance costs, are expensed as incurred.

Using its best estimates based on reasonable and supportable assumptions and projections, the Foundation reviews long-lived assets to be held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of its assets might not be recoverable, and has concluded no financial statement adjustment is required as of December 31, 2008 and 2007.

Donated Services — No amounts have been reflected in the financial statements for donated services. However, time and resources have been contributed by volunteers in furtherance of the Foundation’s objectives. Management estimates the value of the 15,919 hours of services donated in 2008 at approximately \$181,715 and the 12,786 hours of services donated in 2007 at approximately \$153,757.

Contributions — Amounts received for sponsorship are recognized as revenue when received. The Foundation reports sponsorships and donations as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or its purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. The Foundation reports monthly recurring sponsorship gifts as unrestricted support if the objective was met in the same annual reporting period the gift was made.

The Foundation reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Without explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unrestricted Net Assets — Unrestricted net assets represent sponsorship and support services associated with funding the Foundation's operating needs and for which all donor imposed restrictions, if any, have been satisfied. Additionally, certain unrestricted net assets have been designated by the Board of Directors for specific purposes and are included in the statements of financial position as Board designated, unrestricted net assets.

Temporarily Restricted Net Assets — Temporarily restricted net assets represent sponsorship payments and other contributions which are restricted due to donor-imposed time or other restrictions. Such restrictions generally expire or are otherwise satisfied within the twelve months following receipt. The Foundation had temporarily restricted net assets of \$23,754,660 and \$22,665,918 as of December 31, 2008 and 2007, respectively.

Cost Allocations — The Foundation allocates certain fund raising costs based on the criteria of purpose, audience and content. If any of the criteria are not met, all costs of the activity are reported as fund raising costs.

Foreign Affiliations — The Foundation has expended monies in prior years to assist in the start-up of similar organizations in Canada and Spain. Such amounts were expensed when incurred. Contributions are received from Child Care International (formerly CFCA-Canada) and DFCNA (formerly CFCA-Spain). Such contributions are disbursed by the Foundation as child and aging support. Because the Foundation does not exercise any control over Child Care International and DFCNA, the operations of these entities are not consolidated in these financial statements.

Management Estimates — 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. Actual results could differ from those estimates.

Recent Accounting Pronouncements — In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*. The Statement establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement is applicable under other accounting pronouncements that require fair value recognition. It does not create new fair value measurements; however, it provides increased consistency in the application of various fair value measurements. This Statement was adopted by the Foundation on January 1, 2008. The adoption of this Statement did not have a material effect on the financial statements.

In February 2007, the FASB issued SFAS No. 159 *The Fair Value Option for Financial Assets and Financial Liabilities — including an amendment of FASB Statement No. 115*. This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The Foundation has not elected the fair value option for any item since the adoption of this statement on January 1, 2008.

In May 2008, the FASB issued FASB Staff Position (“FSP”) No. SOP 94-3-1 *Omnibus Changes to Consolidation and Equity Method Guidance for Not-For-Profit Organizations*. This FSP eliminates the temporary control exception to consolidation that currently exists for certain not-for-profit relationships and makes related changes to certain definitions in existing guidance. Additionally, the FSP addresses the applicability to not-for-profit of existing guidance on consolidating certain Limited-Liability Companies and Special Purpose Entities. This FSP will be effective for the Foundation January 1, 2009. The Foundation has not yet completed evaluating the effect of this FSP on its financial statements.

Reclassifications — Certain amounts in the 2007 financial statements have been reclassified to conform to the current year presentation.

2. INVESTMENTS

Investments as of December 31, 2008 and 2007, consist of the following:

	2008		2007	
	Cost	Carrying Value	Cost	Carrying Value
Investments carried at fair value:				
Certificates of deposit	\$ 250,000	\$ 248,260	\$ -	\$ -
U.S. Treasury and Agency securities	3,495,175	3,648,288	6,840,423	6,963,219
Corporate bonds	1,321,326	1,168,749	99,882	99,428
Corporate bonds — US Government guaranteed	700,000	716,950	-	-
Common stock	2,562,635	2,052,282	2,347,146	2,841,722
Growth and income mutual funds	1,150,308	762,326	814,307	795,195
Investments carried at contract value:				
Annuities	4,883,655	4,883,655	4,566,337	4,566,337
Life insurance — cash surrender value	64,512	64,512	57,094	57,094
Total	<u>\$ 14,427,611</u>	<u>\$ 13,545,022</u>	<u>\$ 14,725,189</u>	<u>\$ 15,322,995</u>

Included in other revenue are interest and dividend income aggregating \$864,265 and \$1,128,993, and realized (losses) gains aggregating \$(2,338) and \$356,537 for the years ended December 31, 2008 and 2007, respectively.

The Foundation has valued certain assets in accordance with SFAS No. 157. Fair values determined by Level 1 inputs utilize quoted prices in active markets for identical assets and liabilities that the Foundation has the ability to access. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the hierarchy. In such cases, the fair value is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The Foundation's fair value measurements were determined using the following inputs as of December 31, 2008:

	Quoted Prices from Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 15,975,371	\$ -	\$ -
Investments	<u>4,700,307</u>	<u>3,896,548</u>	<u> </u>
Total	<u>\$20,675,678</u>	<u>\$3,896,548</u>	<u>\$ -</u>

3. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2008 and 2007, consist of the following:

	2008	2007
Land	\$ 243,128	\$ 243,128
Buildings	4,001,099	3,981,588
CASA Software	2,755,623	2,755,623
Furniture and equipment	<u>1,222,147</u>	<u>1,057,181</u>
Total property and equipment	8,221,997	8,037,520
Accumulated depreciation	<u>(2,794,864)</u>	<u>(2,342,924)</u>
Property and equipment — net	<u>\$ 5,427,133</u>	<u>\$ 5,694,596</u>

4. RETIREMENT PLAN

The Foundation's defined contribution plan (the "Plan") covers all eligible employees 18 years of age and older. Under the Plan, the Foundation contributes an amount equal to 6% of each participant's compensation. Participants are fully vested upon entry into the Plan. Total Plan expense was \$288,585 and \$269,317 for the years ended December 31, 2008 and 2007, respectively.

5. RELATED PARTIES

Child Care International and DFCNA send sponsorship contributions to the Foundation for distribution to the various Foundation missions. These funds are included in sponsorship support. Total sponsorship contributions received from Child Care International amounted to \$485,718 and \$537,576 during the years ended December 31, 2008 and 2007, respectively. Total sponsorship contributions received from DFCNA amounted to \$583,559 and \$543,658 during the years ended December 31, 2008 and 2007, respectively.

6. OPERATING LEASES

The Foundation leases certain property under operating leases. Rental expense under these leases, as well as other month-to-month leases, was \$17,956 and \$19,401 in 2008 and 2007, respectively. Future minimum rental commitments at December 31, 2008, are as follows:

**Year Ending
December 31**

2009	\$ 13,742
2010	13,783

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