

***Christian Foundation for
Children and Aging***

*Financial Statements as of and for the Years
Ended December 31, 2005 and 2004, and
Independent Auditors' Report*

CHRISTIAN FOUNDATION FOR CHILDREN AND AGING

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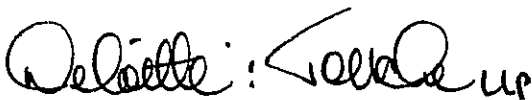
INDEPENDENT AUDITORS' REPORT

Board of Directors
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, 2005 and 2004, 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 Company'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, 2005 and 2004, 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.



April 12, 2006

CHRISTIAN FOUNDATION FOR CHILDREN AND AGING

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2005 AND 2004

	2005	2004
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 14,340,061	\$ 11,939,378
INVESTMENTS	12,604,603	13,633,198
RECEIVABLES:		
Note receivable	85,453	162,735
Interest and other	117,435	72,897
OTHER ASSETS	282,767	186,035
PROPERTY AND EQUIPMENT—Net	<u>6,347,483</u>	<u>5,640,216</u>
TOTAL	<u><u>\$ 33,777,802</u></u>	<u><u>\$ 31,634,459</u></u>
 LIABILITIES AND NET ASSETS		
LIABILITIES—Accounts payable and accrued expenses	<u>\$ 909,198</u>	<u>\$ 530,175</u>
Total liabilities	<u>909,198</u>	<u>530,175</u>
 COMMITMENTS		
NET ASSETS:		
Unrestricted:		
Board designated—operating reserve	2,000,000	2,000,000
Board designated—headquarters building additions	539,470	1,536,986
Board designated—future capital equipment	200,000	200,000
Board designated—CASA and other software upgrades	733,643	879,770
Board designated—program and scholarship	2,070,439	2,338,018
Undesignated (not currently available for expenditure due to amounts invested in property and equipment—net)	<u>6,347,483</u>	<u>5,640,216</u>
Total unrestricted net assets	11,891,035	12,594,990
Temporarily restricted net assets	<u>20,977,569</u>	<u>18,509,294</u>
Total net assets	<u>32,868,604</u>	<u>31,104,284</u>
TOTAL	<u><u>\$ 33,777,802</u></u>	<u><u>\$ 31,634,459</u></u>

See notes to financial statements.

CHRISTIAN FOUNDATION FOR CHILDREN AND AGING

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2005

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE:			
Public support:			
USA sponsorships	\$ 51,499,018	\$ 16,937,087	\$ 68,436,105
Canada and Spain sponsorships	908,259	82,326	990,585
Contributions	<u>2,558,152</u>	<u>7,889,345</u>	<u>10,447,497</u>
Total public support	<u>54,965,429</u>	<u>24,908,758</u>	<u>79,874,187</u>
Other revenue	<u>985,138</u>	<u>9,006</u>	<u>994,144</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	7,169,936	(7,169,936)	-
Expiration of time restrictions	<u>15,279,553</u>	<u>(15,279,553)</u>	<u>-</u>
Total net assets released from restrictions	<u>22,449,489</u>	<u>(22,449,489)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>78,400,056</u>	<u>2,468,275</u>	<u>80,868,331</u>
EXPENSES:			
Program expenses:			
USA program services	72,429,000	-	72,429,000
Canada program services	588,455	-	588,455
Spain program services	<u>450,454</u>	<u>-</u>	<u>450,454</u>
Total program expenses	<u>73,467,909</u>	<u>-</u>	<u>73,467,909</u>
Supporting services:			
Fund raising	2,567,623	-	2,567,623
General and administrative	<u>3,068,479</u>	<u>-</u>	<u>3,068,479</u>
Total supporting services	<u>5,636,102</u>	<u>-</u>	<u>5,636,102</u>
TOTAL EXPENSES	<u>79,104,011</u>	<u>-</u>	<u>79,104,011</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(703,955)	2,468,275	1,764,320
NET ASSETS—Beginning of year	<u>12,594,990</u>	<u>18,509,294</u>	<u>31,104,284</u>
NET ASSETS—End of year	<u>\$ 11,891,035</u>	<u>\$ 20,977,569</u>	<u>\$ 32,868,604</u>

See notes to financial statements.

CHRISTIAN FOUNDATION FOR CHILDREN AND AGING

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2004

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE:			
Public support:			
USA sponsorships	\$ 48,461,176	\$ 15,193,838	\$ 63,655,014
Canada and Spain sponsorships	887,840	85,162	973,002
Contributions	<u>1,811,500</u>	<u>6,593,230</u>	<u>8,404,730</u>
Total public support	<u>51,160,516</u>	<u>21,872,230</u>	<u>73,032,746</u>
Other revenue	<u>675,378</u>	<u>9,807</u>	<u>685,185</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	5,977,559	(5,977,559)	-
Expiration of time restrictions	<u>13,501,451</u>	<u>(13,501,451)</u>	<u>-</u>
Total net assets released from restrictions	<u>19,479,010</u>	<u>(19,479,010)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>71,314,904</u>	<u>2,403,027</u>	<u>73,717,931</u>
EXPENSES:			
Program expenses:			
USA program services	65,285,052	-	65,285,052
Canada program services	518,347	-	518,347
Spain program services	<u>372,980</u>	<u>-</u>	<u>372,980</u>
Total program expenses	<u>66,176,379</u>	<u>-</u>	<u>66,176,379</u>
Supporting services:			
Fund raising	2,276,415	-	2,276,415
General and administrative	<u>2,925,635</u>	<u>-</u>	<u>2,925,635</u>
Total supporting services	<u>5,202,050</u>	<u>-</u>	<u>5,202,050</u>
TOTAL EXPENSES	<u>71,378,429</u>	<u>-</u>	<u>71,378,429</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(63,525)	2,403,027	2,339,502
OTHER ACTIVITIES— Reclassification of net assets (Note 1)	(555,827)	555,827	-
NET ASSETS— Beginning of year	<u>13,214,342</u>	<u>15,550,440</u>	<u>28,764,782</u>
NET ASSETS— End of year	<u>\$ 12,594,990</u>	<u>\$ 18,509,294</u>	<u>\$ 31,104,284</u>

See notes to financial statements.

CHRISTIAN FOUNDATION FOR CHILDREN AND AGING

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2005

	Program Services	Supporting Services			Total
		Fund Raising	General and Administrative	Total Supporting Services	
Child, aging, and local outreach support	\$ 67,968,251				\$ 67,968,251
Staff salaries and benefits	3,619,153	\$ 534,460	\$ 1,035,800	\$ 1,570,260	5,189,413
Advertising	473	658,613	3,168	661,781	662,254
Postage	619,434	136,098	639,221	775,319	1,394,753
Travel	103,445	287,463	8,107	295,570	399,015
Mission appeals stipends	-	569,534	-	569,534	569,534
Mission awareness and education	252,069	2,650	-	2,650	254,719
Printing and duplicating	277,116	146,979	263,932	410,911	688,027
Grants to parish missions	-	60,669	-	60,669	60,669
Bank service fees	80	-	824,071	824,071	824,151
Professional services	5,565	34,346	61,781	96,127	101,692
Supplies	60,016	23,285	13,501	36,786	96,802
Telephone	40,531	13,785	14,596	28,381	68,912
Insurance	43,850	6,771	8,773	15,544	59,394
Utilities	43,435	7,239	15,141	22,380	65,815
Facility maintenance	45,196	7,321	14,408	21,729	66,925
Equipment maintenance and purchases	19,807	3,082	8,130	11,212	31,019
Seminars, conferences, and educational materials	1,387	13,115	2,083	15,198	16,585
Project retreats	11,550	-	-	-	11,550
Field audits	9,019	-	-	-	9,019
Photographic materials	73,204	771	-	771	73,975
Rent	4,124	15,158	632	15,790	19,914
Publications	455	1,153	1,063	2,216	2,671
Miscellaneous	2,193	5,044	20,990	26,034	28,227
Total before depreciation	73,200,353	2,527,536	2,935,397	5,462,933	78,663,286
Depreciation	267,556	40,087	133,082	173,169	440,725
TOTAL	\$ 73,467,909	\$ 2,567,623	\$ 3,068,479	\$ 5,636,102	\$ 79,104,011

See notes to financial statements.

CHRISTIAN FOUNDATION FOR CHILDREN AND AGING

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2004

	Program Services	Supporting Services			Total
		Fund Raising	General and Administrative	Total Supporting Services	
Child, aging, and local outreach support	\$ 61,000,355				\$ 61,000,355
Staff salaries and benefits	3,411,296	\$ 562,481	\$ 1,081,431	\$ 1,643,912	5,055,208
Advertising	2,303	358,173	4,027	362,200	364,503
Postage	596,994	61,498	613,845	675,343	1,272,337
Travel	104,845	259,404	1,339	260,743	365,588
Mission appeals stipends	-	586,453	-	586,453	586,453
Mission awareness and education	210,668	1,754	124	1,878	212,546
Printing and duplicating	315,985	92,903	285,859	378,762	694,747
Grants to parish missions	-	200,880	-	200,880	200,880
Bank service fees	139	133	735,329	735,462	735,601
Professional services	15,536	27,531	44,490	72,021	87,557
Supplies	40,411	30,470	15,138	45,608	86,019
Telephone	40,880	16,737	13,994	30,731	71,611
Insurance	26,444	4,557	9,355	13,912	40,356
Utilities	41,174	6,876	14,353	21,229	62,403
Facility maintenance	50,974	7,649	15,672	23,321	74,295
Equipment maintenance and purchases	31,782	5,915	11,747	17,662	49,444
Seminars, conferences, and educational materials	3,701	5,946	2,637	8,583	12,284
Project retreats	5,706	-	-	-	5,706
Field audits	645	-	-	-	645
Photographic materials	54,628	673	-	673	55,301
Rent	17,651	17,695	5,759	23,454	41,105
Publications	309	982	1,480	2,462	2,771
Miscellaneous	825	537	7,058	7,595	8,420
Total before depreciation	65,973,251	2,249,247	2,863,637	5,112,884	71,086,135
Depreciation	203,128	27,168	61,998	89,166	292,294
TOTAL	\$ 66,176,379	\$ 2,276,415	\$ 2,925,635	\$ 5,202,050	\$ 71,378,429

See notes to financial statements.

CHRISTIAN FOUNDATION FOR CHILDREN AND AGING

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 1,764,320	\$ 2,339,502
Adjustments to reconcile net assets to net cash provided by operating activities:		
Change in net unrealized gains on investments	40,234	50,746
Net realized gains on disposition of investments	(61,739)	(76,697)
Net loss (gain) on disposition of property and equipment	1,976	(143)
Depreciation	440,725	292,294
Changes in operating assets and liabilities:		
Interest and other receivables	(44,538)	56,393
Other assets	(96,732)	4,709,928
Accounts payable and accrued expenses	<u>379,023</u>	<u>(304,239)</u>
Net cash provided by operating activities	<u>2,423,269</u>	<u>7,067,784</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments on note receivable	77,282	69,854
Property and equipment additions	(1,149,968)	(985,503)
Proceeds from sale of property and equipment	-	193
Proceeds from maturities and sales of investments	5,808,950	9,215,097
Purchases of investments	<u>(4,758,850)</u>	<u>(7,502,974)</u>
Net cash (used in) provided by investing activities	<u>(22,586)</u>	<u>796,667</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,400,683	7,864,451
CASH AND CASH EQUIVALENTS—Beginning of year	<u>11,939,378</u>	<u>4,074,927</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 14,340,061</u>	<u>\$ 11,939,378</u>

See notes to financial statements.

CHRISTIAN FOUNDATION FOR CHILDREN AND AGING

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2005 AND 2004

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 needy 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 bonds and notes, investment-grade corporate bonds, mutual funds, life insurance contracts, annuities, 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 40 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 project stage is completed. Capitalization of such costs ceases no later than the point at which the project 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.

Construction in progress represents capitalized building improvements not yet completed at December 31, 2005 and 2004.

The Foundation, using its best estimates based on reasonable and supportable assumptions and projections, reviews for impairment of long-lived assets to be held and used 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, 2005 and 2004.

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 7,537 hours of services donated in 2005 at approximately \$76,637 and 11,611 hours of services donated in 2004 at approximately \$147,192.

Contributions—Amounts received or promised for the sponsorship of individual children 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 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.

During 2004, the Foundation performed an analysis of its net assets to determine whether they were appropriately classified between unrestricted and temporarily restricted. As a result of this analysis the Foundation reclassified \$555,827 from unrestricted net assets to temporarily restricted 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 \$20,977,569 and \$18,509,294 as of December 31, 2005 and 2004, 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 CFCA/Spain, the Spanish affiliate. 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 CFCA/Spain, the operations of these entities are not included 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 that affect: the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support and revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. INVESTMENTS

Investments as of December 31, 2005 and 2004, consist of the following:

	2005		2004	
	Cost	Carrying Value	Cost	Carrying Value
Investments carried at fair value:				
U.S. Treasury bonds and notes	\$ 5,439,847	\$ 5,396,249	\$ 6,443,348	\$ 6,473,581
Corporate bonds	99,568	96,503	99,410	98,921
Common stock	2,786,386	3,093,880	2,838,992	3,141,489
Growth and income mutual funds	300,050	346,092	148,371	163,237
Investments carried at contract value:				
Annuities	3,629,222	3,629,222	3,720,081	3,720,081
Life Insurance—cash surrender value	42,657	42,657	35,889	35,889
Total	<u>\$ 12,297,730</u>	<u>\$ 12,604,603</u>	<u>\$ 13,286,091</u>	<u>\$ 13,633,198</u>

Included in other revenue are interest and dividend income aggregating \$747,067 and \$485,580, net unrealized losses aggregating \$40,234 and \$50,746, and realized gains aggregating \$61,739 and \$76,697 for the years ended December 31, 2005 and 2004, respectively.

3. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2005 and 2004, consist of the following:

	2005	2004
Land	\$ 243,128	\$ 92,913
Buildings	3,196,514	2,940,653
CASA Software	2,755,623	2,755,623
Furniture and equipment	955,963	861,562
Construction in progress	621,389	29,949
	<u>7,772,617</u>	<u>6,680,700</u>
Accumulated depreciation	<u>(1,425,134)</u>	<u>(1,040,484)</u>
	<u>\$ 6,347,483</u>	<u>\$ 5,640,216</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 \$240,291 and \$239,419 for the years ended December 31, 2005 and 2004, respectively.

5. RELATED PARTIES

Child Care International and CFCA/Spain 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 \$558,981 and \$570,254

during the years ended December 31, 2005 and 2004, respectively. Total sponsorship contributions received from CFCA/Spain amounted to \$431,604 and \$402,748 during the years ended December 31, 2005 and 2004, 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 \$16,271 and \$38,421 in 2005 and 2004, respectively. Future minimum rental commitments are as follows:

2006	\$ 14,094
2007	14,664
2008	7,476
Total	<u>\$ 36,234</u>

7. SPECIAL GIFTS AND CONCENTRATION OF CREDIT RISK

During 1995, the Foundation received a contribution in the form of a third-party note receivable. The note was recorded as a contribution equal to \$606,505, which represented the unpaid principal amount of the note which management believes approximated fair value at the date of contribution. The note is secured by real estate, bears interest at 10% and is payable in monthly installments of \$7,522 through December 1, 2006. The unpaid principal balance as of December 31, 2005 and 2004, was \$85,453 and \$162,735, respectively. While management believes that the third-party note receivable will be fully collectible based on timely receipt of payments and past fulfillment of obligations, the amount the Foundation will ultimately realize may differ from management's expectation.

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