

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

*Financial Statements for the Years Ended
December 31, 2006 and 2005, 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, 2006 and 2005, 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, 2006 and 2005, 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 20, 2007

CHRISTIAN FOUNDATION FOR CHILDREN AND AGING

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2006 AND 2005

	2006	2005
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 13,978,977	\$ 14,340,061
INVESTMENTS	14,778,915	12,604,603
RECEIVABLES:		
Note receivable	-	85,453
Interest and other	153,345	117,435
OTHER ASSETS	263,195	282,767
PROPERTY AND EQUIPMENT—Net	<u>6,052,058</u>	<u>6,347,483</u>
TOTAL	<u>\$ 35,226,490</u>	<u>\$ 33,777,802</u>
LIABILITIES AND NET ASSETS		
LIABILITIES—Accounts payable and accrued expenses	<u>\$ 1,287,899</u>	<u>\$ 909,198</u>
COMMITMENTS		
NET ASSETS:		
Unrestricted:		
Board designated—operating reserve	1,904,661	2,000,000
Board designated—headquarters building additions	403,816	539,470
Board designated—future capital equipment	200,000	200,000
Board designated—CASA and other software upgrades	691,089	733,643
Board designated—program and scholarship	2,566,259	2,070,439
Undesignated (not currently available for expenditure due to amounts invested in property and equipment—net)	<u>6,052,058</u>	<u>6,347,483</u>
Total unrestricted net assets	11,817,883	11,891,035
Temporarily restricted net assets	<u>22,120,708</u>	<u>20,977,569</u>
Total net assets	<u>33,938,591</u>	<u>32,868,604</u>
TOTAL	<u>\$ 35,226,490</u>	<u>\$ 33,777,802</u>

See notes to financial statements.

CHRISTIAN FOUNDATION FOR CHILDREN AND AGING

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2006

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE:			
Public support:			
USA sponsorships	\$ 59,526,767	\$ 20,174,996	\$ 79,701,763
Canada and Spain sponsorships	918,784	83,692	1,002,476
Contributions	2,633,828	7,234,580	9,868,408
Total public support	<u>63,079,379</u>	<u>27,493,268</u>	<u>90,572,647</u>
Other revenue	<u>1,651,017</u>	<u>13,353</u>	<u>1,664,370</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	9,344,069	(9,344,069)	-
Expiration of time restrictions	17,019,413	(17,019,413)	-
Total net assets released from restrictions	<u>26,363,482</u>	<u>(26,363,482)</u>	<u>-</u>
Total public support and revenue	<u>91,093,878</u>	<u>1,143,139</u>	<u>92,237,017</u>
EXPENSES:			
Program expenses:			
USA program services	84,401,898	-	84,401,898
Canada program services	581,446	-	581,446
Spain program services	517,541	-	517,541
Total program expenses	<u>85,500,885</u>	<u>-</u>	<u>85,500,885</u>
Supporting services:			
Fund raising	2,532,661	-	2,532,661
General and administrative	3,133,484	-	3,133,484
Total supporting services	<u>5,666,145</u>	<u>-</u>	<u>5,666,145</u>
Total expenses	<u>91,167,030</u>	<u>-</u>	<u>91,167,030</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(73,152)	1,143,139	1,069,987
NET ASSETS—Beginning of year	<u>11,891,035</u>	<u>20,977,569</u>	<u>32,868,604</u>
NET ASSETS—End of year	<u>\$ 11,817,883</u>	<u>\$ 22,120,708</u>	<u>\$ 33,938,591</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 FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2006

	Program Services	Supporting Services			Total
		Fund Raising	General and Administrative	Total Supporting Services	
Child, aging, and local outreach support	\$ 79,597,533	\$ -	\$ -	\$ -	\$ 79,597,533
Staff salaries and benefits	3,866,607	615,331	1,084,637	1,699,968	5,566,575
Advertising	269	460,601	5,064	465,665	465,934
Postage	665,096	225,577	620,227	845,804	1,510,900
Travel	125,933	248,509	981	249,490	375,423
Mission appeals stipends	-	544,259	-	544,259	544,259
Mission awareness and education	294,926	7,402	-	7,402	302,328
Printing and duplicating	284,826	211,706	263,639	475,345	760,171
Grants to parish missions	-	24,825	-	24,825	24,825
Bank service fees	-	-	825,200	825,200	825,200
Professional services	7,457	44,166	58,548	102,714	110,171
Supplies	43,091	11,451	15,621	27,072	70,163
Telephone	32,762	14,338	11,116	25,454	58,216
Insurance	50,871	7,921	12,486	20,407	71,278
Utilities	40,096	6,683	13,972	20,655	60,751
Facility maintenance	52,308	8,571	15,510	24,081	76,389
Equipment maintenance and purchases	37,254	6,726	14,938	21,664	58,918
Seminars, conferences, and educational materials	13,056	29,451	10,789	40,240	53,296
Project retreats	-	-	-	-	-
Field audits	15,446	-	-	-	15,446
Photographic materials	75,693	234	14	248	75,941
Rent	3,685	14,262	350	14,612	18,297
Publications	81	4,662	1,368	6,030	6,111
Miscellaneous	3,071	2,961	39,239	42,200	45,271
Total before depreciation	85,210,061	2,489,636	2,993,699	5,483,335	90,693,396
Depreciation	290,824	43,025	139,785	182,810	473,634
TOTAL	\$ 85,500,885	\$ 2,532,661	\$ 3,133,484	\$ 5,666,145	\$ 91,167,030

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

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 1,069,987	\$ 1,764,320
Adjustments to reconcile net assets to net cash provided by operating activities:		
Change in net unrealized gains on investments	(325,419)	40,234
Net realized gains on disposition of investments	(69,064)	(61,739)
Net loss on disposition of property and equipment	-	1,976
Depreciation	473,634	440,725
Changes in operating assets and liabilities:		
Interest and other receivables	(35,910)	(44,538)
Other assets	19,572	(96,732)
Accounts payable and accrued expenses	<u>378,701</u>	<u>379,023</u>
Net cash provided by operating activities	<u>1,511,501</u>	<u>2,423,269</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments on note receivable	85,453	77,282
Property and equipment additions	(178,209)	(1,149,968)
Proceeds from maturities and sales of investments	5,191,269	5,808,950
Purchases of investments	<u>(6,971,098)</u>	<u>(4,758,850)</u>
Net cash used in investing activities	<u>(1,872,585)</u>	<u>(22,586)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(361,084)	2,400,683
CASH AND CASH EQUIVALENTS—Beginning of year	<u>14,340,061</u>	<u>11,939,378</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 13,978,977</u>	<u>\$ 14,340,061</u>

See notes to financial statements.

CHRISTIAN FOUNDATION FOR CHILDREN AND AGING

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2006 AND 2005

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 3 to 15 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.

The Foundation, using its best estimates based on reasonable and supportable assumptions and projections, 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, 2006 and 2005.

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 11,253 hours of services donated in 2006 at approximately \$148,971 and 7,537 hours of services donated in 2005 at approximately \$76,637.

