

Christian Foundation for Children and Aging

Financial Statements for the Years
Ended December 31, 2007 and 2006, and
Independent Auditors' Report

CHRISTIAN FOUNDATION FOR CHILDREN AND AGING

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of the Christian Foundation for Children and Aging (the "Foundation") as of December 31, 2007 and 2006, 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, 2007 and 2006, 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.



May 16, 2008

CHRISTIAN FOUNDATION FOR CHILDREN AND AGING

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2007 AND 2006

	2007	2006
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 15,235,790	\$ 13,978,977
INVESTMENTS	15,322,995	14,778,915
RECEIVABLES	168,353	153,345
OTHER ASSETS	177,720	263,195
PROPERTY AND EQUIPMENT — Net	<u>5,694,596</u>	<u>6,052,058</u>
TOTAL	<u>\$36,599,454</u>	<u>\$35,226,490</u>
LIABILITIES AND NET ASSETS		
LIABILITIES — Accounts payable and accrued expenses	<u>\$ 1,195,224</u>	<u>\$ 1,287,899</u>
COMMITMENTS		
NET ASSETS:		
Unrestricted:		
Board designated — operating reserve	2,100,288	1,904,661
Board designated — headquarters building additions	375,786	403,816
Board designated — future capital equipment	200,000	200,000
Board designated — CASA and other software upgrades	628,342	691,089
Board designated — program and scholarship	3,739,300	2,566,259
Undesignated (not currently available for expenditure due to amounts invested in property and equipment — net)	<u>5,694,596</u>	<u>6,052,058</u>
Total unrestricted net assets	12,738,312	11,817,883
Temporarily restricted net assets	<u>22,665,918</u>	<u>22,120,708</u>
Total net assets	<u>35,404,230</u>	<u>33,938,591</u>
TOTAL	<u>\$36,599,454</u>	<u>\$35,226,490</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:			
USA sponsorships	\$ 67,403,928	\$ 21,743,610	\$ 89,147,538
Canada and Spain sponsorships	987,406	93,828	1,081,234
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>1,758,252</u>	<u>4,653</u>	<u>1,762,905</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:			
USA program services	93,858,280		93,858,280
Canada program services	537,393		537,393
Spain program services	<u>537,863</u>		<u>537,863</u>
Total program expenses	<u>94,933,536</u>	<u>-</u>	<u>94,933,536</u>
Supporting services:			
Fund raising	2,284,810		2,284,810
General and administrative	<u>3,045,506</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 FROM OPERATIONS	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 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	<u>2,633,828</u>	<u>7,234,580</u>	<u>9,868,408</u>
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	<u>17,019,413</u>	<u>(17,019,413)</u>	<u>-</u>
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	<u>517,541</u>		<u>517,541</u>
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	<u>3,133,484</u>		<u>3,133,484</u>
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 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

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
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

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 1,465,639	\$ 1,069,987
Adjustments to reconcile net assets to net cash provided by operating activities:		
Change in net unrealized gains on investments	34,486	(325,419)
Net realized gains on disposition of investments	(356,537)	(69,064)
Depreciation	448,240	473,634
Changes in operating assets and liabilities:		
Receivables	(15,008)	(35,910)
Other assets	85,475	19,572
Accounts payable and accrued expenses	<u>(92,675)</u>	<u>378,701</u>
Net cash provided by operating activities	<u>1,569,620</u>	<u>1,511,501</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments on note receivable		85,453
Property and equipment additions	(90,778)	(178,209)
Proceeds from maturities and sales of investments	6,958,731	5,191,269
Purchases of investments	<u>(7,180,760)</u>	<u>(6,971,098)</u>
Net cash used in investing activities	<u>(312,807)</u>	<u>(1,872,585)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,256,813	(361,084)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>13,978,977</u>	<u>14,340,061</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$15,235,790</u>	<u>\$13,978,977</u>

See notes to financial statements.

CHRISTIAN FOUNDATION FOR CHILDREN AND AGING

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2007 AND 2006

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, 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 15 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, 2007 and 2006.

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 12,786 hours of services donated in 2007 at approximately \$153,757 and 11,253 hours of services donated in 2006 at approximately \$148,971.

Contributions — Amounts received 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 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 \$22,665,918 and \$22,120,708 as of December 31, 2007 and 2006, 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), 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 DFCNA, 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.

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 disclosure 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 is effective

for all financial instruments acquired or issued after January 1, 2008. The Foundation does not expect the adoption of this Statement to have a material effect on its 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 Statement is effective for all financial instruments acquired or issued after January 1, 2008. The Foundation does not expect the adoption of this Statement to have a material effect on its financial statements.

2. INVESTMENTS

Investments as of December 31, 2007 and 2006, consist of the following:

	2007		2006	
	Cost	Carrying Value	Cost	Carrying Value
Investments carried at fair value:				
U.S. Treasury and Agency securities	\$ 6,840,423	\$ 6,963,219	\$ 6,935,945	\$ 6,917,031
Corporate bonds	99,882	99,428	99,725	95,905
Common stock	2,347,146	2,841,722	2,766,410	3,349,979
Growth and income mutual funds	814,307	795,195	307,436	378,893
Investments carried at contract value:				
Annuities	4,566,337	4,566,337	3,987,265	3,987,265
Life insurance — cash surrender value	<u>57,094</u>	<u>57,094</u>	<u>49,842</u>	<u>49,842</u>
Total	<u>\$ 14,725,189</u>	<u>\$ 15,322,995</u>	<u>\$ 14,146,623</u>	<u>\$ 14,778,915</u>

Included in other revenue are interest and dividend income aggregating \$1,128,993 and \$1,013,357, net unrealized (losses) gains aggregating \$(34,486) and \$325,419, and realized gains aggregating \$356,537 and \$69,064 for the years ended December 31, 2007 and 2006, respectively.

3. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2007 and 2006, consist of the following:

	2007	2006
Land	\$ 243,128	\$ 243,128
Buildings	3,981,588	3,953,558
CASA Software	2,755,623	2,755,623
Furniture and equipment	<u>1,057,181</u>	<u>994,434</u>
Total property and equipment	8,037,520	7,946,743
Accumulated depreciation	<u>(2,342,924)</u>	<u>(1,894,685)</u>
Property and equipment — net	<u>\$ 5,694,596</u>	<u>\$ 6,052,058</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 \$269,317 and \$264,834 for the years ended December 31, 2007 and 2006, 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 \$537,576 and \$544,079 during the years ended December 31, 2007 and 2006, respectively. Total sponsorship contributions received from DFCNA amounted to \$543,658 and \$458,397 during the years ended December 31, 2007 and 2006, 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 \$19,401 and \$15,954 in 2007 and 2006, respectively. Future minimum rental commitments at December 31, 2007, are as follows:

Year Ending December 31, 2008	\$ 7,476
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