Christian Foundation for Children and Aging

Financial Statements as of and for the Years Ended December 31, 2010 and 2009, and Independent Auditors' Report

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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, 2010 and 2009, 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, 2010 and 2009, 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 5, 2011

Deloitte + Touche up

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2010 AND 2009

ASSETS	2010	2009
CASH AND CASH EQUIVALENTS	\$11,888,979	\$13,175,910
INVESTMENTS	20,893,680	17,378,050
RECEIVABLES	101,879	137,742
OTHER ASSETS	574,863	315,012
PROPERTY AND EQUIPMENT — Net	5,108,883	5,321,276
TOTAL	\$38,568,284	\$36,327,990
LIABILITIES AND NET ASSETS		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 1,014,033	\$ 1,110,768
ANNUITY OBLIGATION	199,681	
TOTAL LIABILITIES	1,213,714	1,110,768
COMMITMENTS		
NET ASSETS: Unrestricted: Board designated — operating reserve Board designated — planned giving Board designated — headquarters building additions Board designated — future capital equipment Board designated — CASA and other software upgrades Board designated — program Undesignated (not currently available for expenditure due	2,349,434 100,000 300,000 200,000 300,000 3,617,525	1,889,306
to amounts invested in property and equipment — net)	5,108,883	5,321,276
Total unrestricted net assets	11,975,842	10,321,284
Temporarily restricted net assets	25,378,728	24,895,938
Total net assets	37,354,570	35,217,222
TOTAL	\$38,568,284	\$36,327,990

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2010

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE:			
Public support: Sponsorships Contributions	\$ 73,505,382 3,282,531	\$ 23,387,554 7,452,873	\$ 96,892,936 10,735,404
Total public support	76,787,913	30,840,427	107,628,340
Other revenue	1,085,202	8,279	1,093,481
Unrealized gain on investments	638,114	4,103	642,217
Net assets released from restrictions: Satisfaction of program restrictions Expiration of time restrictions	7,258,857 23,111,162	(7,258,857) (23,111,162)	- -
Total net assets released from restrictions	30,370,019	(30,370,019)	
Total public support and revenue	108,881,248	482,790	109,364,038
EXPENSES: Program expenses	101,095,476		101,095,476
Supporting services: Fund raising General and administrative	2,925,380 3,205,834		2,925,380 3,205,834
Total supporting services	6,131,214		6,131,214
Total expenses	107,226,690		107,226,690
CHANGE IN NET ASSETS	1,654,558	482,790	2,137,348
NET ASSETS — Beginning of year	10,321,284	24,895,938	35,217,222
NET ASSETS — End of year	\$ 11,975,842	\$ 25,378,728	\$ 37,354,570

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2009

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE:			
Public support: Sponsorships Contributions	\$ 72,399,861 2,526,969	\$ 23,111,162 7,356,075	\$ 95,511,023 9,883,044
Total public support	74,926,830	30,467,237	105,394,067
Other revenue	932,487	8,259	940,746
Unrealized gain on investments	1,026,071	6,758	1,032,829
Net assets released from restrictions: Satisfaction of program restrictions Expiration of time restrictions	6,709,597 22,631,379	(6,709,597) (22,631,379)	<u>-</u>
Total net assets released from restrictions	29,340,976	(29,340,976)	
Total public support and revenue	106,226,364	1,141,278	107,367,642
EXPENSES: Program expenses	99,446,951		99,446,951
Supporting services: Fund raising General and administrative	3,026,889 3,135,289		3,026,889 3,135,289
Total supporting services	6,162,178		6,162,178
Total expenses	105,609,129		105,609,129
CHANGE IN NET ASSETS	617,235	1,141,278	1,758,513
NET ASSETS — Beginning of year	9,704,049	23,754,660	33,458,709
NET ASSETS — End of year	\$ 10,321,284	\$ 24,895,938	\$ 35,217,222

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2010

		;	Supporting Service	es	
	Program Services	Fund Raising	General and Administrative	Total Supporting Services	Total
Child, aging, and local outreach support	\$ 93,418,942	\$ -	\$ -	\$ -	\$ 93,418,942
Staff salaries and benefits	4,793,356	1,313,375	1,267,710	2,581,085	7,374,441
Advertising	2,966	175,731	6,430	182,161	185,127
Postage	774,308	123,224	599,480	722,704	1,497,012
Travel	130,129	254,295	3,407	257,702	387,831
Mission appeals stipends	-	553,980	- -	553,980	553,980
Mission awareness and education	924,068	981	124	1,105	925,173
Printing and duplicating	270,790	158,331	202,869	361,200	631,990
Grants to parish missions	-	1,050	-	1,050	1,050
Bank service fees	665	280	832,169	832,449	833,114
Professional services	38,277	110,254	77,193	187,447	225,724
Supplies	73,782	22,619	23,532	46,151	119,933
Telephone	46,076	17,397	9,036	26,433	72,509
Insurance	82,438	18,742	20,020	38,762	121,200
Utilities	51,116	13,166	13,166	26,332	77,448
Facility maintenance	61,898	13,008	12,907	25,915	87,813
Equipment maintenance and purchases	61,755	16,793	14,255	31,048	92,803
Seminars, conferences, and educational					
materials	11,436	27,303	3,674	30,977	42,413
Field audits	22,198	-	-	-	22,198
Photographic materials	17,442	1,944	-	1,944	19,386
Rent	2,853	15,191	352	15,543	18,396
Publications	1,229	1,647	2,962	4,609	5,838
Miscellaneous	14,582	10,485	50,864	61,349	75,931
Total before depreciation	100,800,306	2,849,796	3,140,150	5,989,946	106,790,252
Depreciation	295,170	75,584	65,684	141,268	436,438
TOTAL	\$101,095,476	\$2,925,380	\$3,205,834	\$6,131,214	\$107,226,690

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2009

		:	Supporting Service	es	
			General	Total	_
	Program	Fund	and	Supporting	
	Services	Raising	Administrative	Services	Total
Child, aging, and local outreach support	\$ 92,721,611	\$ -	\$ -	\$ -	\$ 92,721,611
Staff salaries and benefits	4,533,536	1,150,157	1,181,253	2,331,410	6,864,946
Advertising	4,041	148,143	4,512	152,655	156,696
Postage	635,137	235,925	631,376	867,301	1,502,438
Travel	115,377	257,102	1,188	258,290	373,667
Mission appeals stipends	-	560,336	-	560,336	560,336
Mission awareness and education	488,975	12,289	678	12,967	501,942
Printing and duplicating	174,816	353,074	208,025	561,099	735,915
Grants to parish missions	-	3,525	-	3,525	3,525
Bank service fees	667	201	785,396	785,597	786,264
Professional services	59,246	102,488	86,141	188,629	247,875
Supplies	59,738	18,150	16,032	34,182	93,920
Telephone	46,487	18,529	10,214	28,743	75,230
Insurance	84,747	13,650	9,584	23,234	107,981
Utilities	50,449	12,995	12,994	25,989	76,438
Facility maintenance	55,592	12,343	12,189	24,532	80,124
Equipment maintenance and purchases	56,436	13,326	14,814	28,140	84,576
Seminars, conferences, and educational					
materials	26,636	20,951	6,182	27,133	53,769
Field audits	27,468	-	-	-	27,468
Photographic materials	13,572	1,793	-	1,793	15,365
Rent	3,937	16,938	311	17,249	21,186
Publications	783	1,647	1,587	3,234	4,017
Miscellaneous	15,442	10,222	34,534	44,756	60,198
Total before depreciation	99,174,693	2,963,784	3,017,010	5,980,794	105,155,487
Depreciation	272,258	63,105	118,279	181,384	453,642
TOTAL	\$ 99,446,951	\$3,026,889	\$3,135,289	\$6,162,178	\$105,609,129

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES: Change in net assets Adjustments to reconcile change in net assets to net cash provided by operating activities:	\$ 2,137,348	\$ 1,758,513
Unrealized/realized gains on investments Net realized losses on disposition of investments Depreciation	(894,215) 34,406 436,438	(1,032,829) 64,228 453,642
Changes in operating assets and liabilities: Receivables Other assets Liabilities	35,863 (71,801) (96,735)	58,777 16,369 (905,949)
Net cash provided by operating activities	1,581,304	412,751
CASH FLOWS FROM INVESTING ACTIVITIES: Property and equipment additions Proceeds from maturities and sales of investments Purchase of reinsurance agreement Purchases of investments	(224,045) 7,890,582 (188,051) (10,546,402)	(347,785) 5,697,656 (8,562,083)
Net cash used in investing activities	(3,067,916)	(3,212,212)
CASH FLOWS FROM FINANCING ACTIVITIES — Investment subject to annuity agreements	199,681	
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,286,931)	(2,799,461)
CASH AND CASH EQUIVALENTS — Beginning of year	13,175,910	15,975,371
CASH AND CASH EQUIVALENTS — End of year	\$11,888,979	\$13,175,910

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Business — The Christian Foundation for Children and Aging (the "Foundation" or CFCA) 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 has evaluated and determined there are no uncertain tax positions that would need to be analyzed for any of the periods presented.

CFCA's objectives are to provide personal attention and direct benefits to children, their families and the aging living in poverty in developing countries, and to give people in the United States a way to encourage and support them on their path to self-sufficiency and achieving their potential.

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. Market fluctuations and volatility may adversely affect the value of the investments. There is one financial institution that holds 72% of the Foundation's investments. The Foundation has the discretion and ability at any time to sell any of their investments for market value.

Concentrations of Credit Risk — The Foundation maintains its cash accounts with multiple financial institutions. The cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Company has cash on deposit at December 31, 2010, that exceeded the balance insured by the FDIC in the amount of \$11,138,602.

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, 2010 and 2009.

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, where the volunteers were not experts in the field they were providing services. Management estimates the value of the 22,421 hours of services donated in 2010 at \$287,783 and the 17,845 hours of services donated in 2009 at \$202,043. Donated services represent the estimated worth based on the nature of the service and comparable market data for like-kind services.

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 restrictions or donor imposed special purpose restrictions such as support for birthday celebrations, Christmas celebrations or urgent needs. Sponsorship is provided to children, their families and the aging living in poverty in developing countries on a recurring monthly basis; however, some donors elect to pay on a yearly or other basis. For those contributions received where the benefit has not been provided to the children or their families, the Foundation includes those contributions as temporarily restricted net assets until such time that the benefits are provided for donor imposed time or special purpose restrictions. Such restrictions generally expire or are otherwise satisfied within the twelve months following receipt. The Foundation had temporarily restricted net assets of \$25,378,728 and \$24,895,938 as of December 31, 2010 and 2009, respectively. There were \$23,111,162 and \$22,631,379 in sponsorship contributions that were released from restrictions due to the lapse in time for years ended December 31, 2010 and 2009.

Cost Allocations — The Foundation allocates certain fundraising 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. During 2009, CFCA and Child Care

International mutually agreed to discontinue Child Care International sponsorships of children and aged persons facilitated by CFCA.

Annuity Obligations — Annuity obligations consist of contributed amounts subject to obligations to make fixed periodic payments to beneficiaries over their lifetimes or a specified length of time. The annuity liability is recorded at the actuarial present value of the aggregate liability determined by the applicable federal rate and life expectancy tables. No material payments were made to annuity beneficiaries during 2010 or 2009. To reduce the risk that the payments to the beneficiaries will not exceed the amount originally contributed, CFCA purchases annuities to cover the beneficiary payments over the life of the beneficiaries. The annuity investments are included within other assets in the statements of financial position. CFCA evaluates the fair market value of the annuity assets and liabilities on an annual basis.

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 as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. INVESTMENTS

Investments as of December 31, 2010 and 2009, consist of the following:

	2010	2009
Investments carried at fair value:		
Certificates of deposit	\$ -	\$ 250,000
U.S. treasury and agency securities	7,223,996	3,471,148
Corporate bonds	1,921,450	2,360,659
Corporate bonds — U.S. government guaranteed	1,320,687	1,729,465
Common stock	4,314,452	3,214,115
Growth and income mutual funds	205,775	711,687
Total investments carried at fair value	14,986,360	11,737,074
Annuities carried at contract value	5,826,929	5,568,559
Life insurance carried at cash surrender value	80,391	72,417
Total	\$20,893,680	\$17,378,050

Included in other revenue is interest and dividend income and realized losses on investments. Total yield on investments is as follows:

	2010	2009
Interest and dividend income Realized losses Unrealized gains	\$ 455,574 (34,406) 642,217	\$ 333,438 (64,228) 1,032,829
Yield on investments carried at fair value	1,063,385	1,302,039
Yield on investments carried at contract value	251,998	241,280
Total yield on investments	\$1,315,383	\$1,543,319

The Foundation has valued certain assets at fair value on a recurring basis. 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.

As of December 31, 2010, the Foundation's fair value measurements were determined using the inputs on a recurring basis as follows:

		uoted Prices Active Markets (Level 1)	Observ	icant Other /able Inputs .evel 2)	lı	oservable nputs evel 3)
Cash and cash equivalents	\$	11,888,979	\$	-	\$	-
Common stock		4,314,452		-		_
Corporate bonds		1,921,450		-		-
Corporate bonds — U.S. government guaranteed		1,320,687		-		-
U.S. treasury and agency securities			7,2	223,996		-
Growth and income mutual funds	_	205,775		<u>-</u>		
Total	\$	19,651,343	\$7,2	223,996	\$	

As of December 31, 2009, the Foundation's fair value measurements were determined using the inputs as follows:

	Quoted Prices From Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Cash and cash equivalents Investments	\$13,175,910 8,015,926	\$ - _3,721,148	\$ -
Total	\$21,191,836	\$3,721,148	\$ -

As of December 31, 2010, the Company has annuity obligations and investment totaling \$199,681. Due to the lack of observable market information, the Company uses Level 3 inputs such as the applicable federal rate, life expectancy tables, and expected future cash flows to value the obligation and asset at fair value on a recurring basis. There were no annuity obligations or investments as of December 31, 2009.

The following is a reconciliation of beginning and ending balances as of December 31, 2010:

	Annuity Obligations	Annuity Investments
Fair value at January 1, 2010 Additions	\$ - 199,681	\$ - 199,681
Fair value at December 31, 2010	<u>\$199,681</u>	\$199,681

3. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2010 and 2009, consist of the following:

	2010	2009
Land Buildings CASA software Furniture and equipment Construction in progress	\$ 243,128 4,106,095 2,755,623 1,341,598	\$ 243,128 4,060,898 2,755,623 1,376,641 131,480
Total property and equipment	8,446,444	8,567,770
Accumulated depreciation	(3,337,561)	(3,246,494)
Property and equipment — net	\$ 5,108,883	\$ 5,321,276

Depreciation expense was \$436,438 and \$453,642 for the years ended December 31, 2010 and 2009, respectively.

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 \$344,329 and \$320,980 for the years ended December 31, 2010 and 2009, 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 DFCNA amounted to \$498,517 and \$544,042 during the years ended December 31, 2010 and 2009, respectively. During 2009, CFCA and Child Care International mutually agreed to discontinue Child Care International sponsorships of children and aged persons facilitated by CFCA. Total sponsorship contributions received from Child Care International amounted to \$293,791 during the year ended December 31, 2009.

6. OPERATING LEASES

The Foundation leases certain property under annually renewable operating leases. Rental expense under these leases, as well as other month-to-month leases, was \$15,924 and \$18,088 in 2010 and 2009, respectively.

7. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 5, 2011, which is the date the financial statements were available to be issued.

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