CHRISTIAN OUTREACH FOR AFRICA

AUDIT REPORT
December 31, 2022 and 2021

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Christian Outreach for Africa:

Report on the Financial Statements

Opinion

We have audited the financial statements of Christian Outreach for Africa (the "Organization"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Christian Outreach for Africa as of December 31, 2022 and 2021, and the changes in its net assets, functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

CDH

CDH, P.C.
Itasca, IL
September 6, 2023

Christian Outreach for Africa

Statements of Financial Position
As of December 31,

ASSETS

	2022	2021
Current Assets		
Cash and cash equivalents	$ 156,682	$ 174,805
Investments	197,931	228,554
Prepaid Expenses	2,600	-
Total Current Assets	357,213	403,359
Total Assets	$ 357,213	$ 403,359

LIABILITIES AND NET ASSETS

	2022	2021
Current Liabilities		
Accounts payable	$ 3,455	$ 1,212
Total Current Liabilities	3,455	1,212
Net Assets		
Without donor restrictions	234,140	384,084
With donor restrictions	119,618	18,063
Total Net Assets	353,758	402,147
Total Liabilities and Net Assets	$ 357,213	$ 403,359

The accompanying notes are an integral part of the financial statements.

Christian Outreach for Africa

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2022

	Without Donor Restrictions	Donor Restrictions	Total	Pct.
Operating Revenue				
Contributions	$ 57,849	$ 424,653	$ 482,502	100.0
Grant income	-	-	-	0.0
Support provided by expiring purpose restrictions	323,098	(323,098)	-	0.0
Total Operating Revenue	380,947	101,555	482,502	100.0
Operating Expenses				
Program services	425,900	-	425,900	88.3
General and administrative	73,811	-	73,811	15.3
Fundraising expenses	3,227	-	3,227	0.7
Total program service expenses	502,938	-	502,938	104.2
Total Operating Expenses	502,938	-	502,938	104.2
Change in net assets from operations	(121,991)	101,555	(20,436)	-4.2
Non-Operating Activities				
Unrealized loss from investments	(31,430)	-	(31,430)	-6.5
Investment income	3,477	-	3,477	0.7
Total Non-Operating Income (Loss)	(27,953)	-	(27,953)	-5.8
Change in Net Assets	(149,944)	101,555	(48,389)	-10.0
Net Assets at Beginning of Year	384,084	18,063	402,147	
Net Assets at End of Year	$ 234,140	$ 119,618	$ 353,758	

The accompanying notes are an integral part of the financial statements.

Christian Outreach for Africa

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2021

	Without Donor Restrictions	Donor Restrictions	Total	Pct.
Operating Revenue				
Contributions	$ 160,704	$ 405,988	$ 566,692	97.9
Grant Income	11,917	-	11,917	2.1
Support provided by expiring purpose restrictions	576,821	(576,821)	-	0.0
Total Operating Revenue	749,442	(170,833)	578,609	100.0
Operating Expenses				
Program services	680,320	-	680,320	117.6
General and administrative	70,006	-	70,006	12.1
Fundraising expenses	11,017	-	11,017	1.9
Total program service expenses	761,343	-	761,343	131.6
Total Operating Expenses	761,343	-	761,343	131.6
Change in net assets from operations	(11,901)	(170,833)	(182,734)	-31.6
Non-Operating Activities				
Unrealized gain from investments	23,264	-	23,264	4.0
Investment income	7,711	-	7,711	1.3
Total Non-Operating Income	30,975	-	30,975	5.4
Change in Net Assets	19,074	(170,833)	(151,759)	-26.2
Net Assets at Beginning of Year	365,010	188,896	553,906	
Net Assets at End of Year	$ 384,084	$ 18,063	$ 402,147	

The accompanying notes are an integral part of the financial statements.

Christian Outreach for Africa

Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program-South Africa	Total Program Services	General and Administrative	Fundraising	Total
Programs and support	$ 425,900	$ 425,900	$ -	$ -	$ 425,900
Salaries	-	-	54,344	2,860	57,204
Payroll taxes	-	-	4,197	221	4,418
Legal fees	-	-	479	-	479
Accounting fees	-	-	8,535	-	8,535
Outside contract services	-	-	335	-	335
Advertising and promotion	-		1,526	-	1,526
Office expenses	-	-	-	146	146
Travel	-	-	3,752	-	3,752
Bank fees	-	-	623	-	623
Business registration	-	-	20	-	20
Total Expenses	$ 425,900	$ 425,900	$ 73,811	$ 3,227	$ 502,938

The accompanying notes are an integral part of the financial statements.

Christian Outreach for Africa

Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program-Uganda	Program-South Africa	Total Program Services	General and Administrative	Fundraising	Total
Programs and support	$ 80,000	$ 600,320	$ 680,320	$ -	$ -	$ 680,320
Salaries	-	-	-	54,344	2,860	57,204
Payroll taxes	-	-	-	4,526	238	4,764
Legal	-	-	-	4,602	-	4,602
Accounting fees	-	-	-	8,897	-	8,897
Outside contract services	-	-	-	255	-	255
Advertising and promotion	-	-	-	1,129	-	1,129
Office expenses	-	-	-	-	350	350
Travel	-	-	-	3,159	-	3,159
Bank fees	-	-	-	626	-	626
Business registration	-	-	-	37	-	37
Total Expenses	$ 80,000	$ 600,320	$ 680,320	$ 77,575	$ 3,448	$ 761,343

The accompanying notes are an integral part of the financial statements.

Christian Outreach for Africa

Statements of Cash Flows
For the Years Ended December 31,

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (48,389)	$ (151,759)
Adjustment to reconcile change in net assets to net cash flows used in operating activities:		
Unrealized loss (gain) from investments	31,430	(23,264)
Change in:		
Prepaid expense	(2,600)	-
Accounts payable	2,243	716
Total Adjustments	31,073	(22,548)
Net Cash Used in Operating Activities	(17,316)	(174,307)
CASH FLOWS FROM INVESTING ACTIVITY		
Purchases of investments in securities	(2,896)	(7,660)
Redemption of security investments	2,089	4,111
Net Cash Used in Investing Activities	(807)	(3,549)
Net Decrease in Cash and Cash Equivalents	(18,123)	(177,856)
Cash and Cash Equivalents, Beginning of the Year	174,805	352,661
Cash and Cash Equivalents, End of the Year	$ 156,682	$ 174,805

The accompanying notes are an integral part of the financial statements.

NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS

Christian Outreach for Africa (“COFA”) (the “Organization”) is a not-for-profit corporation organized under the laws of the State of Illinois and has been classified by the Internal Revenue Service as a 501(c)(3) not-for-profit organization. COFA was organized for the purpose of bringing people in Africa to a Christ-centered life through education, job creation, health programs, orphan care and housing. It supports local charities in South Africa and Uganda by supporting a wide range of programs.

The organization specifically provides support and programs in:

- Education – Improving school facilities and providing scholarships and tuition for preschool and K-12 students.
- Jobs – Creating jobs and encouraging entrepreneurship.
- Health Care – Developing health care facilities and services.
- Shelter – Developing safe and affordable shelter.
- Orphan Care – Providing a home for orphans.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF ACCOUNTING

The accompanying financial statements are prepared according to accounting principles generally accepted in the United States of America (“GAAP”), as promulgated by the Financial Accounting Standards Board (“FASB”) in the Accounting Standards Codification (“ASC”).

B. BASIS OF PRESENTATION

The Organization presents its net assets and activities based on the existence or absence of donor-imposed restrictions. The net assets of the Organization are classified according to two classes of net assets:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations and are available for operations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by the actions of the Organization and/or passage of time. Donor-restricted contributions whose restrictions will not be met in the same reporting period.

C. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED) –

D. CASH AND CASH EQUIVALENTS

For purposes of the balance sheet and statement of cash flows, the Organization considers all highly liquid investments which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired to be cash equivalents.

E. CONTRIBUTIONS

Contributions received are recorded as increases in net assets without donor restrictions, or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Contributions that are restricted by donors are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in restricted net assets, depending on the nature of the restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

F. TAX-EXEMPT STATUS

The Organization is exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Organization had no unrelated business income for the years ended December 31, 2022 and 2021.

G. FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the Organization's programs has been summarized on a functional basis in the consolidated statement of functional expenses to these consolidated financial statements. Based on management estimates, costs have been allocated between program, management, and fundraising expenses as they relate to those functions.

Methods Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the organization. Allocations of salaries, outside contract services, office expense, and travel are based on estimates of time and resource allocation. Allocations of advertising, bank fees, business registration fees, and accounting fees are based on cost utilization.

H. ADOPTION OF NEW ACCOUNTING STANDARD

Effective January 1, 2022, the FASB issued Accounting Standards Update No. 2016-02 (“ASU 2016-02”), *Leases* (“Topic 842”), which requires all lessees to recognize leases with a term of greater than 12 months on the balance sheet as right-of-use (“ROU”) assets and lease liabilities.

As of December 31, 2022, the Organization did not have any lease obligations that would be affected by the new standard.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED) –

I. UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which replaces the current incurred loss method used for determining credit losses on financial assets, including trade receivables, with an expected credit loss method. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2022. The Organization will adopt this standard as of January 1, 2023.

J. PAYCHECK PROTECTION PROGRAM LOAN POLICY

Congress established the Paycheck Protection Program (“PPP”) to provide relief to small businesses that were in business on February 15, 2020, during the coronavirus pandemic as part of the $2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. The legislation authorized Treasury to use the SBA’s 7(a) small business lending program to fund loans of up to $10 million per borrower that qualifying businesses could spend to cover payroll, mortgage interest, rent, and utilities. The loans have a 1% fixed interest rate, do not require collateral or guarantees, are due in two years, and are eligible for forgiveness.

According to the AICPA’s Technical Question and Answer 3200.18, if a business entity is nongovernmental and not a nonprofit entity, it may analogize to IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance,* and account for its PPP funds as a government grant.

In accordance with IAS 20, a government grant is recognized only when there is reasonable assurance that (a) the entity will comply with any conditions attached to the grant and (b) the grant will be received. The Organization records the cash receipt as deferred income and then recognizes the grant as income over the period/s necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis. The Organization recognizes the grant in the same period as the relevant expenses. The Organization recognizes the grant as operating revenue and the corresponding expenses are included in the operating expenses in the statement of activities. If a grant becomes repayable, the Organization will treat this as a change in estimate. Where the original grant related to income, the repayment is will be applied first against any related unamortized deferred credit, and any excess is recorded as an expense. The Organization has chosen to treat PPP proceeds as grant income under IAS 20. The Organization also elects to record the cash flows as operating activities in the statement of cash flows.

K. SUBSEQUENT EVENTS

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 6, 2023, the date that the financial statements were available to be issued.

NOTE 3 – CREDIT CONCENTRATION RISK

The Organization maintains cash balances at two financial institutions. The financial institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to $250,000. The organization had no uninsured balances as of December 31, 2022 and 2021, respectively. The Organization is at risk of any uninsured amounts but has realized no losses to date on such uninsured balances.

The Organization also maintains investment accounts with a brokerage firm where the investments are insured up to a maximum of $500,000 per account for each account held in a particular capacity by the Securities Investors Protection Corporation ("SIPC"). As of December 31, 2022 and 2021, the Organization did not have any investments in excess of SIPC-insured limits. The Organization is at risk of any uninsured amounts but has realized no losses to date on such uninsured balances.

Investments are exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these instruments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements of the Organization. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes. At December 31, 2022 and 2021, two investment funds account for 100% of total investments.

NOTE 4 – INVESTMENTS IN SECURITIES

The Organization maintains investments at a financial institution. Investments consisted of the following as of December 31, 2022:

	Cost	Unrealized Gains	Unrealized (Losses)	Total Value
Mutual Funds	$ 182,524	$ 8,487	$ -	$ 191,011
Alternative Investments	5,385	1,535	-	6,920
Total	$ 187,909	$ 10,022	$ -	$ 197,931

Investments consisted of the following as of December 31, 2021:

	Cost	Unrealized Gains	Unrealized (Losses)	Total Value
Mutual Funds	$ 179,629	$ 39,296	$ -	$ 218,924
Alternative Investments	6,887	2,742	-	9,630
Total	$ 186,516	$ 42,038	$ -	$ 228,554

NOTE 4 – INVESTMENTS IN SECURITIES – (CONTINUED) –

The broker's investment cash accounts totaled $115,645 and $139,236 as of December 31, 2022 and 2021, respectively. They are classified under cash and cash equivalents on the statement of financial position.

Investment activities during the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Proceeds on Sales of Securities	$ 2,089	$ 4,111
Gross Realized Gains	$ 1,171	$ 6,648
Net Change in Unrealized (Loss) Gain	$ (31,430)	$ 23,264

NOTE 5 – FAIR VALUE MEASUREMENTS

ASC 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than quoted market prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data and which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of the following three valuation techniques noted in ASC 820:

A. Market Approach: Uses Prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities.

B. Cost Approach: Reflects the amount that would be required currently to replace the service capacity of an asset (current replacement cost).

C. Income Approach: Converts future amounts to a single current amount based on market expectations (including present value techniques, option-pricing models, and the multi-period excess earnings method).

Investment Valuation — the asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 5 – FAIR VALUE MEASUREMENTS – (CONTINUED) –

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used between December 31, 2022 and 2021.

- *Mutual Funds* – Valued at the quoted daily net asset value ("NAV") of shares held by the organization at year-end, which are deemed to be actively traded. Mutual funds held by the organization are open-ended mutual funds that are registered with the U.S. Securities and Exchange Commission ("SEC").

- *Alternative Investments* – The TEI Fund invests substantially all of its assets in the Offshore Fund, which in turn invests substantially all of its assets in the Master Fund. Investments in the Master Fund are recorded at fair value based on the TEI Fund's proportional share of the Master Fund's partners' capital, through the Offshore Fund. Investments in the Master Funds that do not have a readily determinable fair value are carried at fair value, using the net asset value (the "NAV") as a practical expedient, as provided to the Administrator by the investment managers of such Investment Funds or the administrators of such Investment Funds. These Investment Funds value their underlying investments in accordance with policies established. These funds are not required to be included in the fair value hierarchy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table classifies the investments measured at fair value on a recurring basis by level within the fair value hierarchy as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 191,011	$ -	$ -	$ 191,011
Total Investments at Fair Value	$ 191,011	$ -	$ -	191,011
Alternative investments, valued at NAV, practical expedient				6,920
Total Investments				$ 197,931

The following table classifies the investments measured at fair value on a recurring basis by level within the fair value hierarchy as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 218,924	$ -	$ -	$ 218,924
Total Investments at Fair Value	$ 218,924	$ -	$ -	218,924
Alternative investments, valued at NAV, practical expedient				9,630
Total Investments				$ 228,554

NOTE 6 – PPP LOANS PAYABLE

The Organization was granted a PPP loan in the amount of $11,917 in 2021. The entire proceeds of the PPP loan was used to pay for qualifying payroll expenses. The Organization applied for forgiveness in accordance with the requirements of the Program, including the provision of Section 1106 of the CARES Act. The full amount or a portion of the facility may be forgiven in accordance with the program requirements. The Organization met all the requirements and was granted full forgiveness. The proceeds of the PPP loan of $11,917 received in 2021, was included in operating revenue in the accompanying statement of activities for the year ended December 31, 2021.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2022, net assets with donor restrictions are available for the following purposes:

South Africa	
Bethel Operating Costs	$ 100
CLCSA	5,500
Healthcare	856
Mission Trips	3,164
Orphanage Capital Costs	40,948
Orphanage Operating	33,700
Scholarships	7,594
Seminary	700
St. Peter Operating	1,891
St. Peter Capital Costs	10,165
Uganda	
Capital projects	15,000
	$ 119,618

Many of the Organization's donors request their donations be directed to particular purposes. The Organization complies with the restrictions set forth by the donors, typically releasing the funds in the same year as received.

NOTE 8 – RELATED PARTY TRANSACTIONS

The Organization received approximately $260,700 and $316,500 from members of the Board of Directors as donations in 2022 and 2021, respectively.