

COPTIC ORPHANS

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019



COPTIC ORPHANS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Coptic Orphans Support Association
Fairfax, VA

We have audited the accompanying consolidated financial statements of the Coptic Orphans Support Association (a nonprofit organization), doing business as Coptic Orphans, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Coptic Orphans' preparation and fair presentation of the consolidated financial statements 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 Coptic Orphans' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Coptic Orphans as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

UHY LLP

Columbia, Maryland
August 13, 2021

COPTIC ORPHANS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,213,361	\$ 5,393,672
Contributions receivable	21,756	51,081
Prepaid expenses	<u>75,216</u>	<u>56,647</u>
Total current assets	<u>6,310,333</u>	<u>5,501,400</u>
NON-CURRENT ASSETS		
Property and equipment, net	1,597,511	1,526,566
Financing lease right-of-use assets, net	644,842	850,964
Investments at fair value	32,378,440	23,731,628
Deposits and other assets	<u>73,128</u>	<u>75,094</u>
Total other assets	<u>34,693,921</u>	<u>26,184,252</u>
	<u>\$ 41,004,254</u>	<u>\$ 31,685,652</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 55,268	\$ 13,646
Accrued expenses	257,085	208,112
Financing lease liability, current	<u>199,761</u>	<u>171,665</u>
Total current liabilities	<u>512,114</u>	<u>393,423</u>
NON-CURRENT LIABILITIES		
Paycheck protection program loan	315,269	-
Financing lease liability, net of current	<u>506,883</u>	<u>703,943</u>
Total liabilities	<u>1,334,266</u>	<u>1,097,366</u>
NET ASSETS		
Without donor restrictions	38,895,850	29,591,002
With donor restrictions	<u>774,138</u>	<u>997,284</u>
Total net assets	<u>39,669,988</u>	<u>30,588,286</u>
	<u>\$ 41,004,254</u>	<u>\$ 31,685,652</u>

See notes to the consolidated financial statements.

COPTIC ORPHANS
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the years ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions	\$ 14,843,227	\$ 399,763	\$ 15,242,990	\$ 11,911,754	\$ 483,308	\$ 12,395,062
Interest and dividends, net of investment fees	580,161	11,017	591,178	510,987	6,231	517,218
Net assets released from restrictions	710,746	(710,746)	-	412,199	(412,199)	-
Total revenue and support	16,134,134	(299,966)	15,834,168	12,834,940	77,340	12,912,280
EXPENSES						
Program services:						
Child development	8,233,298	-	8,233,298	7,455,111	-	7,455,111
Community development and other	119,605	-	119,605	456,076	-	456,076
Total program services	8,352,903	-	8,352,903	7,911,187	-	7,911,187
Supporting services:						
Management and general	709,076	-	709,076	800,168	-	800,168
Fundraising	1,494,752	-	1,494,752	1,390,485	-	1,390,485
Total supporting services	2,203,828	-	2,203,828	2,190,653	-	2,190,653
Total expenses	10,556,731	-	10,556,731	10,101,840	-	10,101,840
Change In Net Assets From Operations	5,577,403	(299,966)	5,277,437	2,733,100	77,340	2,810,440
Other Non-Operating Income						
Net unrealized and realized gains on investments	3,580,137	76,820	3,656,957	2,589,173	63,715	2,652,888
Other income	35,602	-	35,602	-	-	-
Net gain on foreign currency valuation	111,706	-	111,706	209,503	-	209,503
Gain on lease termination	-	-	-	77,783	-	77,783
Total other non-operating income	3,727,445	76,820	3,804,265	2,876,459	63,715	2,940,174
Change in Net Assets	9,304,848	(223,146)	9,081,702	5,609,559	141,055	5,750,614
Net Assets, Beginning	29,591,002	997,284	30,588,286	23,981,443	856,229	24,837,672
Net Assets, Ending	\$ 38,895,850	\$ 774,138	\$ 39,669,988	\$ 29,591,002	\$ 997,284	\$ 30,588,286

See notes to the consolidated financial statements.

COPTIC ORPHANS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2020

	<u>Child Development</u>	<u>Community Development</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Field operations:						
Participant support	\$ 4,716,564	\$ -	\$ 4,716,564	\$ -	\$ -	\$ 4,716,564
Donor-directed gifts	1,052,975	-	1,052,975	-	-	1,052,975
Housing and medical	50,199	-	50,199	-	-	50,199
Scholarships	54,659	-	54,659	-	-	54,659
Workshops and field trips	-	8,093	8,093	-	-	8,093
Total field operations	<u>5,874,397</u>	<u>8,093</u>	<u>5,882,490</u>	<u>-</u>	<u>-</u>	<u>5,882,490</u>
Personnel costs:						
Salaries and compensation	1,651,756	95,294	1,747,050	508,232	921,171	3,176,453
Employee benefits	79,617	4,593	84,210	24,498	44,402	153,110
Payroll taxes	110,639	6,383	117,022	34,043	61,703	212,768
Total personnel costs	<u>1,842,012</u>	<u>106,270</u>	<u>1,948,282</u>	<u>566,773</u>	<u>1,027,276</u>	<u>3,542,331</u>
Communication and public education	1,175		1,175	194	8,363	9,732
Credit card fees	-	-	-	-	209,735	209,735
Depreciation and amortization	136,622	-	136,622	39,844	71,937	248,403
Events	-	-	-	-	4,278	4,278
Meetings, conferences, and training	168,686	1,405	170,091	82	149	170,322
Occupancy	37,178	-	37,178	21,524	39,135	97,837
Office operations	80,739	1,796	82,535	28,555	61,698	172,788
Professional services	78,683	-	78,683	49,969	68,327	196,979
Travel	13,806	2,041	15,847	2,135	3,854	21,836
	<u>\$ 8,233,298</u>	<u>\$ 119,605</u>	<u>\$ 8,352,903</u>	<u>\$ 709,076</u>	<u>\$ 1,494,752</u>	<u>\$ 10,556,731</u>

See notes to the consolidated financial statements.

COPTIC ORPHANS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2019

	<u>Child Development</u>	<u>Community Development</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Field operations:						
Participant support	\$ 4,311,303	\$ 343,359	\$ 4,654,662	\$ -	\$ -	\$ 4,654,662
Donor-directed gifts	926,029	-	926,029	-	-	926,029
Housing and medical	75,676	-	75,676	-	-	75,676
Scholarships and education	47,057	-	47,057	-	-	47,057
Workshops and field trips	-	15,167	15,167	-	-	15,167
Total field operations	<u>5,360,065</u>	<u>358,526</u>	<u>5,718,591</u>	<u>-</u>	<u>-</u>	<u>5,718,591</u>
Personnel costs:						
Salaries and compensation	1,487,962	71,776	1,559,738	566,195	819,974	2,945,907
Employee benefits	57,330	-	57,330	37,324	54,084	148,738
Payroll taxes	100,185	2,306	102,491	38,682	55,960	197,133
Total personnel costs	<u>1,645,477</u>	<u>74,082</u>	<u>1,719,559</u>	<u>642,201</u>	<u>930,018</u>	<u>3,291,778</u>
Communication and public education	16,057	503	16,560	194	34,255	51,009
Credit card fees	-	-	-	-	148,898	148,898
Depreciation and amortization	44,987	-	44,987	24,977	36,142	106,106
Events	-	-	-	-	49,488	49,488
Meetings, conferences, and training	131,867	15,658	147,525	3,624	5,244	156,393
Occupancy	51,838	5	51,843	28,095	37,153	117,091
Office operations	102,385	1,519	103,904	52,382	73,244	229,530
Professional services	56,830	-	56,830	38,812	61,197	156,839
Travel	45,605	5,783	51,388	9,883	14,846	76,117
Total expenses	<u>\$ 7,455,111</u>	<u>\$ 456,076</u>	<u>\$ 7,911,187</u>	<u>\$ 800,168</u>	<u>\$ 1,390,485</u>	<u>\$ 10,101,840</u>

See notes to the consolidated financial statements.

COPTIC ORPHANS
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Change in net assets	\$ 9,081,702	\$ 5,750,614
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	248,403	106,106
Non-cash contributions received	(30,436)	(82,849)
Contributions restricted for long-term purposes	(45,746)	(46,200)
Realized and unrealized gains on investments	(3,656,957)	(2,652,888)
Gain on termination of lease	-	(77,783)
Decrease (increase) in assets:		
Contributions receivable	29,325	600,450
Prepaid expenses	(18,569)	(4,381)
Deposits and other assets	1,966	11,615
Increase (decrease) in liabilities:		
Accounts payable	41,622	(529,877)
Accrued expenses	48,973	11,167
Deferred lease benefit	-	(8,559)
Net cash provided by operating activities	5,700,283	3,077,415
Cash Flows Used in Investing Activities		
Proceeds from sales of investments	-	1,378,646
Purchases of investments and reinvested earnings	(4,959,419)	(8,720,083)
Purchases of property and equipment	(102,102)	(150,939)
Net cash used in investing activities	(5,061,521)	(7,492,376)
Cash Flows Used in Financing Activities		
Collection of contributions restricted for long-term purposes	45,746	46,200
Proceeds from Paycheck protection program loan	315,269	-
Principal payments for right of use liability	(178,020)	(65,459)
Net cash provided by / (used in) financing activities	182,995	(19,259)
Effect of Changes in Exchange Rate	(2,068)	542
Increase (Decrease) in Cash and Cash Equivalents	819,689	(4,433,678)
Cash and Cash Equivalents, Beginning	5,393,672	9,827,350
Cash and Cash Equivalents, Ending	\$ 6,213,361	\$ 5,393,672
Supplemental Disclosures		
Cash paid during the year for:		
Interest	\$ 61,925	\$ 25,197
Right of use assets financed	\$ -	\$ 941,067

COPTIC ORPHANS

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

NOTE 1 - NATURE OF OPERATIONS

The Coptic Orphans Support Association, doing business as Coptic Orphans, is a non-profit organization incorporated in 1992 under the laws of the Commonwealth of Virginia. Coptic Orphans is headquartered in Virginia, with field offices in Egypt, Australia, Canada, and the United Kingdom. Coptic Orphans improves the lives of orphans and other vulnerable children in Egypt by providing basic needs, education, and mentoring so that they may realize their potential to become productive members of society. In addition, Coptic Orphans raises public awareness about poverty in Egypt and promotes cultural understanding. Coptic Orphans' vision is to see that every vulnerable child in Egypt confidently faces the future with a renewed sense of hope and a life enriched with education, health, and equality.

A summary of Coptic Orphans' programs and initiatives is as follows:

Child development

Not Alone - Coptic Orphans' flagship program, Not Alone, serves over 11,180 orphans and their families in 60 dioceses in Egypt. Each child in Not Alone, through a mentoring and nurturing relationship with one of Coptic Orphans' more than 550 church-based volunteer representatives, or "Reps," receives the protection, support, and confidence that was lost when their father died or abandoned them. The emphasis of Not Alone is not on charity, but rather on the transformation of children and those around them. Program participants gain the resources to break the cycle of poverty, as well as the courage to become change-makers in their own communities. Coptic Orphans addresses both immediate and long-term needs so that Not Alone children can deal successfully with the academic, social, and emotional challenges they face.

Because Coptic Orphans focuses on education as the primary tool to empower children to become self-sufficient, well-adjusted adults, Not Alone prioritizes giving them literacy and other skills that help them succeed in school. The children are encouraged to develop their God-given talents so that they can overcome their own circumstances and transform future generations. Each of the Reps is nominated by their bishop in the Coptic Orthodox Church. The Reps work with fatherless families in some of the most impoverished communities in Egypt, from the slums of Cairo to remote rural villages. Each Rep has relationships with 15-25 children, and serves each by:

- Visiting the child on a regular basis in their home to assess and provide for basic needs and address underlying problems rooted in the home life of the child.
- Connecting the child and their mother and siblings to assistance in areas such as academic tutoring and mentoring for special talents or needs.
- Educating and advocating for families to access civil rights such as birth certificates, government-provided widows' pensions, land rights, and government IDs.
- Gathering children and their mothers in specialized workshops that build skills in literacy, leadership, computers, household finance, relationship-building, cultural appreciation, job readiness, and income generation, as well as covering critical topics in effective parenting, disease prevention, and preventing female genital mutilation.

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 1 - NATURE OF OPERATIONS (Continued)

Coptic Orphans outsources therapy counseling services from a specialized nonprofit in Egypt called Tawseela. The counseling helps children and mothers deal with past trauma, heal from psychological and emotional wounds, and go through life equipped with new and effective coping mechanisms.

B'edaya Initiative - The Be'daya (Arabic for "with my own hands") micro-lending initiative is an offshoot of Coptic Orphans' Not Alone program. Be'daya helps fatherless children continue their education by economically empowering their widowed mothers. Be'daya takes a holistic approach that empowers women to become agents of their own development and lift themselves and their families out of poverty. To that end, Be'daya provides loans that allow each mother to harness her own inner drive and abilities, and, in the process, be transformed from a helpless, house-bound widow into a self-sufficient businesswoman. Egypt's widows are often severely restricted by traditions, and cannot leave their house to work – even if their families are in dire need. Be'daya is tailored to handle these hostile conditions, especially in the poorest, most remote villages in Egypt. Be'daya offers small loans for mothers, allowing them to start or expand a business in anything from animal husbandry to sewing to selling groceries. The mothers receive coaching and workshops to give them the proper tools to run their businesses and have the best chance to succeed.

Future Leaders Scholarship - The Future Leaders Scholarship is designed for Not Alone general high school graduates who are distinguished for their academic, personal, leadership, and volunteering accomplishments. It aims to provide the participants with financial, moral, and social support to pursue higher education in their chosen field, develop their leadership skills, instill values of volunteerism and service, and enable them to lead change in their communities. Scholarship activities include leadership camps and trainings in how to develop and guide community initiatives.

Community Development and Other Projects

Valuable Girl Project - The Valuable Girl Project is a multi-faceted development program that empowers marginalized girls and young women in high-poverty areas in Egypt. Valuable Girl's main goal is to empower girls on the intrapersonal, interactional, and behavioral levels by investing in their potential and empowering them to maximize their influence in their communities. The project brings together Muslim and Christian girls (ages 7-22) in Big Sister-Little Sister mentorship arrangements that promote peaceful co-existence, strengthen their understanding of their rights, and support their academic excellence.

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 1 - NATURE OF OPERATIONS (Continued)

This, in turn, empowers girls and young women to continue their education, raise their self-esteem, develop decision-making and leadership skills, and raise awareness on gender-based violence. Most importantly, the Valuable Girl Project reduces their social isolation and breaks down barriers of sectarianism.

Serve to Learn - Serve to Learn is a dynamic three-week program that strengthens the ties of Coptic Diaspora volunteers (second- and third-generation Egyptians) with their homeland through serving underprivileged children. The program provides youths with hands-on experience and enables them not only to witness the challenges faced by underserved children, but also to actively improve the children's lives by contributing to their education. By living in the children's villages, teaching in their classrooms, visiting their homes, and engaging with their communities, the volunteers receive a multi-dimensional view and understanding of the children participating in *Not Alone*. The volunteers return home equipped to serve as ambassadors for the children they met in Egypt, and to advocate on their behalf. Serve to Learn volunteers and alumni thus become a driving force for Egypt's development.

Supporting services include the following functional categories:

Management and General - Activities include preservation and program oversight, business management, general record-keeping, budgeting, and related administrative activities.

Fundraising Activities and Events - Coptic Orphans solicits contributions from individuals, foundations, and governments. Coptic Orphans also hosts special fund-raising events, including the bi-annual Gala. Fundraising activities also include development and management of various activities involved with soliciting contributions.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). Revenues are reported as increases in net assets without donor restrictions, unless there are donor-imposed purposes and/or time restrictions on the gifted assets. Expenses are reported as decreases in net assets without donor restrictions. Gains or losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Consolidation

The consolidated financial statements include the accounts of the Coptic Orphans Support Organization (USA), the Coptic Orphans Support Association (Canada), Coptic Orphans UK, Coptic Orphans Egypt, and the Coptic Orphans Australia Limited, which are under common control. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are referred to as Coptic Orphans.

Measure of Operations

The accompanying statements of activities distinguish between operating and non-operating activities. Operating activities principally include all revenue, support, interest and dividends, and expenses that are an integral part of Coptic Orphans' programs. Non-operating activities principally include the unrealized and realized gains (losses) on investments, net gain (loss) on foreign currency valuation, and gain on lease termination.

Cash and Cash Equivalents

For purposes of the statements of cash flows, Coptic Orphans considers unrestricted checking, money market, savings, cash on hand, and highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. Money market funds held in professionally managed investment accounts are reported with investments.

Contributions Receivable

Contributions receivable consist of unconditional promises to give and are recorded at the earlier of the date received or the date of receipt of a donor's non-contingent promise or pledge. Unconditional promises to give that are expected to be collected in one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. All contributions receivable are considered to be fully collectible and there is no allowance for doubtful accounts as of December 31, 2020 and 2019, respectively.

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment, which includes land, apartment, building, equipment, furniture and fixtures, and vehicles purchased with a cost of \$1,000 or more and with a useful life of greater than one year are capitalized and recorded at acquisition cost. Depreciation for apartment, building, equipment, furniture and fixtures, and vehicles is computed using the straight-line method over the estimated useful lives of the assets, which range from three to forty years. Upon the sale or other disposition of property, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the change in net assets. Construction in progress is not depreciated until the asset is fully completed and placed into service. Expenditures for ordinary maintenance and repair items are charged to operations as incurred.

Investments

Investments are included in these statements at their fair value on the date of the statements of financial position, which may differ from the amount ultimately realized at the time of sale. The difference may be material. Donated securities are recorded at fair value on the date the securities are received. Interest and dividend income, realized and unrealized gains and losses, and investment management fees are reflected in investment income on the statements of activities.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, established 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 the unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- *Level 1*: Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date (e. g., equity securities traded on the New York Stock Exchange).
- *Level 2*: Inputs from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (e. g., quoted market prices of similar assets or liabilities in active markets, or quoted market prices for identical or similar assets or liabilities in markets that are not active).
- *Level 3*: Unobservable inputs (e. g., a company's own data) and are used to measure fair value to the extent that observable inputs are not available.

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Coptic Orphans invests in money market and mutual funds, which are exposed to various risks such as market and credit fluctuations. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Following is a description of the valuation methodologies used for assets measured at fair value.

Money Market Funds: Money market funds are funds held as short-term investments that are carried at cost, which approximates fair value.

Mutual Funds, Stocks, and Exchange Traded Products: Equity and fixed income mutual funds, stocks, and exchange traded products are valued at the closing price reported in the active market in which the individual securities are traded.

When observable price quotations are not available, fair value is determined based on the present value of the stream of cash flows it is expected to generate. Such securities are classified as Level 1 in the valuation hierarchy.

The 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 used should maximize the use of the observable inputs and minimize the use of the unobservable inputs. All assets have been valued using a market approach. There were no changes in the valuation techniques during the current year.

The carrying amounts for cash and cash equivalents, prepaid expenses, receivables, accounts payable, accrued liabilities, and deferred lease benefit approximate fair market value because of the short maturity of these instruments.

Leases

Coptic Orphans has adopted ASU No. 2016-02, "Leases (Topic 842)" on January 1, 2019 using the additional transition method noted in ASU 2018-11. The adoption of the new standard resulted in recording a lease right-of-use asset and related lease liability of \$941,067 as of January 1, 2019. The cumulative effect of initially applying the new guidance had an immaterial impact on the opening balance of net assets. However, this modified retrospective approach required a reduction to occupancy expense totaling \$98,697 for the year ended December 31, 2019. As a result of applying this approach, occupancy expense for 2019 will not be comparative to prior periods. Coptic Orphans elected the package of practical expedients permitted under the transition guidance within the new standard, which provided for a reclassification of the leases to finance leases, among other things.

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net assets, revenue, gains, and losses are classified based on the existence or absence of contributions with donor-imposed restrictions. Accordingly, net assets of Coptic Orphans and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net assets with donor restrictions - Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. Coptic Orphans reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting Coptic Orphans to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved spending policy.

See Notes 6 and 7 for more information on the composition of net assets with donor restrictions.

Revenue Recognition

Contributions received, including unconditional contributions receivable, are reported as revenue in the year that notification or cash is received from the donor. Contributions are reported as either revenues without donor restrictions or revenues with donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the grant and contribution is received are recognized as revenues without donor restrictions. Conditional contributions, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. There were no conditional promises to give for the years ended December 31, 2020 and 2019.

Coptic Orphans reports gifts of goods and securities as support without donor restriction 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 are reported as restricted support. Absent explicit donor stipulations as to how long those long-lived assets must be maintained, Coptic Orphans reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other gains (losses) on sales are recognized as unconditional revenue when the cash is received from the sale.

In-Kind Goods and Services

Contributions of donated services that enhance a non-financial asset or contributed services that are considered specialized and can be estimated, and would have been purchased if not donated, are measured at their fair values as of the date of the donation. During the years ended December 31, 2020 and 2019, the value of all contributed services meeting the requirements for recognition was not considered material, and therefore has not been recorded in the accompanying financial statements.

Use of 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 and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue, support and expenses during the reporting period. Actual results could differ from those estimates.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Expenses that can be identified with a specific program or supporting service are charged directly to that program or supporting service.

The financial statements report expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated on the basis of estimates of time and effort except for direct costs associated with specific programs, which are recorded as expenses for the program benefited.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to correspond to current year format and standards. Total net assets and changes in net assets are unchanged due to these reclassifications.

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Transactions in Currency Other than the U.S. Dollar

The U.S. Dollar is the reporting currency for Coptic Orphans. Coptic Orphans has operations in countries other than the United States of America that are translated to Coptic Orphans' reporting currency. Transaction gains or losses are reflected in program services expenses in the statements of activities. Gains or losses upon translation of field office activities to U.S. Dollar reporting are reflected as non-operating adjustments to the change in net assets, as reported on the statements of activities.

Income Taxes

Coptic Orphans is exempt from federal and state income taxes (except taxes on unrelated business income) under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as *other than a private foundation*. No provision for income taxes is required for the years ended December 31, 2020 and 2019 since Coptic Orphans had no taxable income from unrelated business activities.

Coptic Orphans Support Association (Canada) is a non-profit organization incorporated under Part II of *Canada Corporations Act* on May 30, 2001 and continued on September 29, 2014 under the Federal Not-For-Profit Corporations Act. It is registered charity under the Income Tax Act in Canada and is exempt from income taxes.

Coptic Orphans Australia Limited, a company limited by guarantee, was incorporated and is domiciled in Australia. Coptic Orphans Australia Limited is a non-profit entity for financial reporting purposes under Australian Accounting Standards, is a registered charity under the *Australian Charities and Not-For-Profits Commission Act 2012*, and is exempt from income taxes.

Coptic Orphans UK, an international development organization is incorporated under the *UK Charities Act*. It is a registered organization with the Charity Commission and is exempt from income taxes.

The income tax positions taken by Coptic Orphans for any years open under the various statutes of limitations are that Coptic Orphans continues to be exempt from income taxes and that they have properly reported unrelated business income that is subject to income taxes. Coptic Orphans believes that there are no tax positions taken or expected to be taken that would significantly increase unrecognized tax benefits within 12 months of the reporting date. None of Coptic Orphans' income tax returns are currently under examination.

Recent Accounting Pronouncements

In September 2020, the FASB issued ASU No. 2020-07 - Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in the ASU improves the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The ASU should be applied on a retrospective basis. The ASU is effective for the year ending December 31, 2021. Early adoption is permitted. Coptic Orphans does not anticipate that this ASU will have a material impact on the consolidated financial statements.

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENT

The following are the major categories of assets measured at fair value on a recurring basis during the years ended December 31, 2020 and 2019. All investments are considered Level 1 (using quoted prices in active markets for identical assets):

	<u>2020</u>	<u>2019</u>
Investments:		
Money market funds	\$ 1,683,251	\$ 2,039,413
Mutual Funds:		
Fixed income	8,823,922	7,777,121
Equity	21,770,912	13,871,955
Stocks	<u>100,355</u>	<u>43,139</u>
Total investments	<u>\$ 32,378,440</u>	<u>\$ 23,731,628</u>

Net investment income (loss) is comprised of the following for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Dividends and interest	\$ 612,600	\$ 533,859
Less investment fees	<u>(21,422)</u>	<u>(16,641)</u>
	<u>591,178</u>	<u>517,218</u>
Realized gains (losses)	-	(33,607)
Unrealized gains	<u>3,656,957</u>	<u>2,686,495</u>
	<u>3,656,957</u>	<u>2,652,888</u>
Net investment income	<u>\$ 4,248,135</u>	<u>\$ 3,170,106</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Apartment, Egypt	\$ 62,000	\$ 62,000
Building, Egypt	111,725	111,725
Equipment	63,866	61,830
Furniture and fixtures	147,009	137,052
Vehicles	<u>41,920</u>	<u>41,416</u>
	426,520	414,023
Less accumulated depreciation	<u>(332,885)</u>	<u>(299,553)</u>
	93,635	114,470
Land	1,343,036	1,343,036
Construction in progress	<u>160,840</u>	<u>69,060</u>
Net value of property and equipment	<u>\$ 1,597,511</u>	<u>\$ 1,526,566</u>

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 4 - PROPERTY AND EQUIPMENT (Continued)

Coptic Orphans is getting an office building constructed in Egypt. Construction of the building commenced in 2019 and it is expected that the construction of the new facility will be completed by the end of 2023. Construction in progress consists of project costs including entitlements, architect, legal, and any other related fees incurred for the development of the new facility.

Depreciation expense on property and equipment totaled \$31,157 and \$16,545 for the years ended December 31, 2020 and 2019, respectively, and is included in depreciation and amortization expense on the statements of functional expense.

NOTE 5 - LEASES

Coptic Orphans has noncancelable leases for office space in the United States, Canada, and Australia, and has month-to-month leases in Egypt and the United Kingdom. Several leases have an option to renew for an additional term. All long-term leases for office space are classified as finance leases, while leases with an initial term of twelve months or less are not recorded on the statements of financial position.

The following table summarizes the balance sheet classification of the finance lease asset and related finance lease liability for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Assets:		
Long-term finance lease right-of-use assets	\$ 941,067	\$ 941,067
Accumulated amortization of right-of-use assets	<u>(296,225)</u>	<u>(90,103)</u>
Total assets	<u>\$ 644,842</u>	<u>\$ 850,964</u>
Liabilities:		
Short-term finance lease liability	\$ 199,761	\$ 199,761
Long-term finance lease liability	<u>506,883</u>	<u>703,943</u>
Total liabilities	<u>\$ 706,644</u>	<u>\$ 903,704</u>

In April 2019, Coptic Orphans terminated the existing lease agreement for office space located in Merrifield, Virginia to expand the amount of office space available. The new lease agreement expires on May 31, 2024. The lease provides for minimum rental payments and additional charges for a proportionate share of the building's real estate tax and operating expenses. The lease is subject to an annual 2.75% escalation clause.

The new lease agreement includes a four-month rent abatement starting August 1, 2019, and a right-of-use asset improvement allowance of \$200,785, which is included in right-of-use assets on the statement of financial position. Coptic Orphans has paid an additional security deposit of \$7,336 for the expanded premises, for a combined security deposit totaling \$16,867 for office space in accordance with the terms of the new agreement.

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 5 - LEASES (Continued)

The lease agreement for office space in Canada expires on April 30, 2023. The lease provides for minimum monthly rent payments of \$1,311 plus the Canadian CPI rate increases and taxes.

The amended lease agreement for office space in Australia expires on February 28, 2022. The lease specifies a monthly rent of \$1,464 plus taxes, operating expenses, and annual CPI rate increases.

Future minimum rental payments for office facilities under Coptic's noncancelable finance leases are as follows for the years ending December 31:

2021	\$	248,992
2022		238,672
2023		226,318
2024		<u>93,090</u>
Total		807,072
Less, imputed interest		<u>(100,428)</u>
Present value of finance lease liabilities	\$	<u><u>706,644</u></u>

The discount rate used to calculate the present value of future lease payments was 8.0% as identified in the lease terms by lessor of US office facility as the default rate. For the year ended December 31, 2020, interest expense from finance leases totaled \$61,295.

Coptic Orphans recognizes amortization expense for the right-of-use asset leases on a straight-line basis over the individual lease terms. For the year ended December 31, 2020, amortization expense totaled \$217,246 and is included in depreciation and amortization expense on the statement of functional expense. The \$11,124 variance between the accumulated amortization of right-of-use assets and the amortization expense is the effect of the exchange rate.

Occupancy expenses, including all taxes, utilities, and operating expenses, for the years ended December 31, 2020 and 2019 totaled \$97,838 and \$91,894, respectively.

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Coptic Orphans' net assets with donor restrictions consisted of the following as of December 31, 2020:

	<u>Restricted for Time or Purpose</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Donor directed gifts to program participants	\$ 229,577	\$ -	\$ 229,577
Maged Atiya scholarship	4,182	-	4,182
Bishop Samuel endowment	141,502	260,974	402,476
Taunt Awatef endowment	<u>16,472</u>	<u>121,431</u>	<u>137,903</u>
Total net assets with donor restrictions	<u>\$ 391,733</u>	<u>\$ 382,405</u>	<u>\$ 774,138</u>

Coptic Orphans' net assets with donor restrictions consisted of the following as of December 31, 2019:

	<u>Restricted for Time or Purpose</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Donor directed gifts to program participants	\$ 581,487	\$ -	\$ 581,487
Maged Atiya scholarship	9,001	-	9,001
Bishop Samuel endowment	61,652	215,228	276,880
Taunt Awatef endowment	<u>8,485</u>	<u>121,431</u>	<u>129,916</u>
Total net assets with donor restrictions	<u>\$ 660,625</u>	<u>\$ 336,659</u>	<u>\$ 997,284</u>

During the year ended December 31, 2019, Coptic Orphans obtained a change in donor intent regarding contributions previously recorded for the Bishop Samuel fund totaling \$195,470. This resulted in a reclassification of net assets restricted for purpose to net assets restricted in perpetuity for endowments. The effective date of the change in donor intent was January 1, 2019.

NOTE 7 - ENDOWMENTS

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The statement of investment policies and objectives governs the investment management of Coptic Orphans' Endowment Funds ("the Endowment Fund"). With respect to the Endowment Fund, all investment earnings and realized and unrealized gains and losses are returned to the corpus after transfer of investment earnings to operations in accordance with the spending policy.

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 7 - ENDOWMENTS (Continued)

In accordance with UPMIFA, Coptic Orphans considers the following factors in making a determination to appropriate or accumulate endowment funds with donor restrictions:

- The duration and preservation of the fund;
- The purpose of Coptic Orphans and the endowment funds with donor restrictions;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of Coptic Orphans.

The following represents the availability of the endowment fund as of December 31, 2020:

	<u>Without Donor Restrictions</u>	<u>Restricted for Time or Purpose</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Donor-restricted endowments	\$ <u>-</u>	\$ <u>157,974</u>	\$ <u>382,405</u>	\$ <u>540,379</u>

The following represents the availability of the endowment fund as of December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>Restricted for Time or Purpose</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Donor-restricted endowments	\$ <u>-</u>	\$ <u>70,137</u>	\$ <u>336,659</u>	\$ <u>406,796</u>

Changes in the donor-restricted endowment net assets for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Endowment net assets, beginning of the year	\$ 406,796	\$ 95,180
Change in donor intent	-	195,470
Contributions	45,746	46,200
Interest and dividends	11,017	6,231
Net appreciation in fair value	<u>76,820</u>	<u>63,715</u>
Endowment net assets, end of the year	<u>\$ 540,379</u>	<u>\$ 406,796</u>

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 7 - ENDOWMENTS (Continued)

Standard of Investments

The objectives of the endowments are to support the continued education in combination with the contributions to Coptic Orphans and to preserve the purchasing power of the principal. The endowment funds' investments will be determined in conjunction with the review of Coptic Orphans' financial circumstances. This review is undertaken periodically and the primary investment objective is updated accordingly. The current primary investment objectives of the endowment funds are to attain an average annual real total return, net of investment management fees, of at least 5% over the long-term (running five-year periods) to obtain the highest yield possible in the investment accounts without putting the endowment principal at risk.

Spending Policy and Accumulation of Income and Principal

The Board shall recommend the expenditure of income and/or principal from the endowments or the accumulation of such income. The Board shall, as necessary, establish and revise standards for expenditures or accumulation. No expenditures from the income or principal of the endowment shall be made for any purpose (1) which is inconsistent with the purposes of Coptic Orphans and the principle and policies established by it, (2) which, if made with respect to any special fund or other restricted contribution or transfer, is in conflict or fails to comply with the express conditions, limitations, or restrictions subject to which the contribution or transfer was made, received, and accepted, or (3) which will or may adversely affect or prejudice the tax-exempt status of Coptic Orphans or the tax deductibility of any contribution to Coptic Orphans.

It is the policy of Coptic Orphans to transfer to operations no more than 5% of the endowment funds' value based on a three-year moving average of the funds' beginning market value. Withdrawals from the endowment funds' investment income to Coptic Orphans are to be made on a monthly basis in accordance with the spending policy established.

NOTE 8 - RETIREMENT PLAN

In accordance with foreign compensation requirements, Coptic Orphans maintains retirement plans for employees located in Australia and Canada. Employer contributions totaled \$59,304 and \$41,189 for the years ended December 31, 2020 and 2019, respectively, which is reported in employee benefits in the statements of functional expenses.

Coptic Orphans maintains individual custodial accounts, in accordance with Internal Revenue Code Section 403(b)(7) for the benefit of the eligible employees located in the United States. Employer contributions made to these accounts totaled \$17,500 and \$6,725 for the years ended December 31, 2020 and 2019, respectively.

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 9 - LIQUIDITY AND AVAILABILITY OF RESOURCES

Coptic Orphans' financial assets available for operating expenditures within one year of the statement of financial position date are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 6,213,361	\$ 5,393,672
Contributions receivable	21,756	51,081
Investments	<u>32,378,440</u>	<u>23,731,628</u>
 Total financial assets available within one year	 38,613,557	 29,176,381
 Less, amounts unavailable for general expenditures within one year, due to:		
Restricted donor directed gifts for program participants	(229,577)	(581,487)
Restricted by donor for the Maged Atiya Scholarship	(4,182)	(9,001)
Restricted by donors for the Bishop Samuel Endowment	(402,476)	(276,880)
Restricted by donors for the Taunt Awatef Endowment	<u>(137,903)</u>	<u>(129,916)</u>
 Total financial assets available to management for general expenditures within one year	 <u>\$37,839,419</u>	 <u>\$28,179,097</u>

Coptic Orphans maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 10 - RISKS AND UNCERTAINTIES

Cash and Investments

Financial instruments that potentially subject Coptic Orphans to significant concentrations of credit risk consist of cash and investments. Such investments are exposed to various risks such as market and credit fluctuation. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Coptic Orphans maintains the cash and investment accounts with financial institutions for U.S. operating activity that from time to time may exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC). Coptic Orphans has not experienced any credit losses on its cash and investments to date held for U.S. operating activity, as it relates to FDIC and SIPC insurance limits. Coptic Orphans assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 10 - RISKS AND UNCERTAINTIES (Continued)

Coptic Orphans also maintains significant liquid assets in the countries in which it operates. These assets are generally comprised of cash and cash equivalents that are used for programs. At December 31, 2020 and 2019, cash and cash equivalents totaling approximately \$4.8 million and \$4.5 million, as converted in US\$, was held by banks in foreign countries.

Cash balances that are held in the denominations of the foreign country are subject to valuation adjustments based on exchange rates in effect at any given time. Transfers of funds back to the United States of America may be restricted due to local market conditions or the laws governing such transactions in the country where the assets are maintained. Coptic Orphans limits their risk by only using foreign banks that are either government sponsored banks or commercially insured and has not experienced any losses.

As of December 31, 2020 and 2019, Coptic Orphans' investments in the Vanguard Total Stock Market Index Fund Admiral Shares accounted for 36% and 27% of total assets, respectively, and investments in the Vanguard GNMA Fund Admiral Shares was 15% and 18% of total assets, respectively. The Board of Directors has established an investment policy and guidelines that cover asset allocations and performance objectives.

Foreign Operations

Coptic Orphans has operations outside the United States including branches in Australia, Canada, Egypt, and the United Kingdom. Foreign operations are subject to risks inherent in operating under different legal systems and various political and economic environments. Among the risks are changes in existing tax laws, possible limitations on foreign investment and income repatriation, government price or foreign exchange controls, and restrictions on currency exchange. Net assets of foreign operations approximate 12% & 14% of Coptic Orphans' total net assets for 2020 and 2019, respectively.

Results of operations for Coptic Orphans' foreign branches are translated from the local (functional) currency to the U.S. dollar using average exchange rates during the period, while assets and liabilities are translated at the exchange rate in effect at the reporting date. The financial statements of Coptic Orphans' are prepared using the U.S. dollar as the functional currency. As a result, the transactions of those operations that are denominated in foreign currencies are remeasured into U.S. dollars, and any resulting gains or losses are included net in the caption "Gains and losses from foreign currency transactions" in the statements of activities.

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 11 - RELATED PARTY TRANSACTIONS

Coptic Orphans USA, a related organization, charged the Australia affiliate office \$362,613 and \$322,794 for management fees for the years ended December 31, 2020 and 2019, respectively. In addition, Coptic Orphans USA charged the Canada affiliate office \$335,812 and \$278,167 for management fees for the years ended December 31, 2020 and 2019, respectively. Management fees include program services as well as support services such as accounting and bookkeeping services, payroll services, information technology services, and other such administrative support and services.

These related party transactions are eliminated from the statements of financial position and activities for reporting purposes.

NOTE 12 - PAYCHECK PROTECTION PROGRAM LOAN

On May 28, 2020, Coptic Orphans received loan proceeds of \$315,269 from a promissory note issued by BB&T Bank, under the Paycheck Protection Program (“PPP”) which was established under the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, as administered by the U.S. Small Business Administration. The term on the loan is two years and the annual interest rate is 1.00%. Payments and principal and interest are deferred for the first six months of the loan. Under the terms of the CARES Act, PPP Loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds and payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations.

On June 5, 2020, the Paycheck Protection Program Flexibility Act (“PPPFA”) was signed into law and was followed by revised forgiveness applications on June 16, 2020 and revised interim final rules (“IFRs”) on June 22, 2020. The enactment of PPPFA and subsequent releases of the related IFRs and forgiveness applications provided several structural changes to the program aimed to provide businesses with added flexibility to utilize the funds and to be able to obtain forgiveness. The primary modifications include: reducing from 75% to 60% the percent of a borrower’s loan proceeds which must be used for payroll costs; increases from 8 weeks to 24 weeks the covered period, which is the period eligible costs can qualify for forgiveness; extended the deferral period for principal and interest on the loan to the date SBA remits the loan forgiveness amount to the lender or ten months after the loan forgiveness covered period if the borrower has not applied for forgiveness.

Coptic Orphans accounts for the PPP proceeds received under the accounting guidance for debt. Before year ended December 31, 2020, Coptic Orphans applied for forgiveness of the loan. On April 15, 2021, the loan was completely forgiven by the U.S. Small Business Administration. In 2021, the forgiven amount will be recognized in the statement of activities as a gain on debt extinguishment.

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 13 - IMPACT OF COVID-19 VIRUS

In the first quarter of 2020, a Coronavirus Disease 2019 (COVID-19) outbreak affected markets, businesses and other organizations worldwide. Negative impacts include record declines in financial markets, and other business interruptions, resulting in financial losses to many businesses. The extent to which this event may affect the Coptic Orphans operations and cash flows going forward remains uncertain. Coptic Orphans will continue to monitor its investments and foreign cash balances as it has successfully done in the past, but has no immediate plans to change its investment portfolio or foreign operations.

It is not possible to reliably estimate the length or severity of this outbreak and hence its financial impact on Coptic Orphans' financial statements do not include adjustments to fair value that may have resulted from any declines. Except as previously disclosed, management has determined that there are no other subsequent events which require disclosure.

NOTE 14 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 13, 2021, which is the date the consolidated financial statements are available to be issued. The consolidated financial statements include all events or transactions, including estimates, required to be recognized in accordance with U.S. GAAP. Except as disclosed in Note 12, Management has determined that there are no unrecognized subsequent events that require additional disclosure.