

COPTIC ORPHANS

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2021 and 2020



COPTIC ORPHANS

TABLE OF CONTENTS

	Page
Independent Auditor’s Report	1-2
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5-6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8-27
Independent Auditor’s Report on Supplementary Information	28
Supplementary Information	
Consolidating Schedules of Activities	29-30

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Coptic Orphans Support Association
Fairfax, Virginia

Opinion

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, 2021 and 2020, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Coptic Orphans as of December 31, 2021 and 2020, and the changes in their net assets and their 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. 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 Coptic Orphans 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 Coptic Orphans' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 Coptic Orphans' 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 Coptic Orphans' 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.

UHY LLP

Columbia, Maryland
August 12, 2022

COPTIC ORPHANS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,817,862	\$ 6,213,361
Contributions receivable	23,997	11,803
Other receivable	13,366	9,953
Prepaid expenses	<u>178,624</u>	<u>75,216</u>
Total current assets	<u>7,033,849</u>	<u>6,310,333</u>
NON-CURRENT ASSETS		
Property and equipment, net	1,685,419	1,597,511
Financing lease right-of-use assets, net	2,077,654	644,842
Investments at fair value	42,498,274	32,378,440
Deposits and other assets	<u>104,258</u>	<u>73,128</u>
Total non-current assets	<u>46,365,605</u>	<u>34,693,921</u>
Total assets	<u>\$ 53,399,454</u>	<u>\$ 41,004,254</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,575,504	\$ 55,268
Accrued expenses	240,572	257,085
Financing lease liability, current	<u>98,073</u>	<u>199,761</u>
Total current liabilities	<u>1,914,149</u>	<u>512,114</u>
NON-CURRENT LIABILITIES		
Paycheck Protection Program loan	-	315,269
Financing lease liability, net of current	<u>2,009,595</u>	<u>506,883</u>
Total non-current liabilities	<u>2,009,595</u>	<u>822,152</u>
Total liabilities	<u>3,923,744</u>	<u>1,334,266</u>
NET ASSETS		
Without donor restrictions	48,367,245	38,895,850
With donor restrictions	<u>1,108,465</u>	<u>774,138</u>
Total net assets	<u>49,475,710</u>	<u>39,669,988</u>
Total liabilities and net assets	<u>\$ 53,399,454</u>	<u>\$ 41,004,254</u>

See notes to the consolidated financial statements.

COPTIC ORPHANS
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the years ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions	\$ 16,970,578	\$ 464,956	\$ 17,435,534	\$ 14,843,227	\$ 399,763	\$ 15,242,990
Interest and dividends, net of investment fees	468,392	-	468,392	580,161	11,017	591,178
Other income	65,396	-	65,396	35,602	-	35,602
Net assets released from restrictions	213,496	(213,496)	-	710,746	(710,746)	-
Total revenue and support	17,717,862	251,460	17,969,322	16,169,736	(299,966)	15,869,770
EXPENSES						
Program services:						
Child development	10,753,540	-	10,753,540	8,241,391	-	8,241,391
Community development and other	393,013	-	393,013	111,512	-	111,512
Total program services	11,146,553	-	11,146,553	8,352,903	-	8,352,903
Supporting services:						
Management and general	953,744	-	953,744	709,076	-	709,076
Fundraising	1,490,722	-	1,490,722	1,494,752	-	1,494,752
Total supporting services	2,444,466	-	2,444,466	2,203,828	-	2,203,828
Total expenses	13,591,019	-	13,591,019	10,556,731	-	10,556,731
Change In Net Assets From Operations	4,126,843	251,460	4,378,303	5,613,005	(299,966)	5,313,039
Other Non-Operating Income						
Net unrealized and realized gains on investments	5,241,200	82,867	5,324,067	3,580,137	76,820	3,656,957
Net gains (losses) on foreign currency valuation	(211,917)	-	(211,917)	111,706	-	111,706
Gain on extinguishment of debt for PPP loan	315,269	-	315,269	-	-	-
Total other non-operating income	5,344,552	82,867	5,427,419	3,691,843	76,820	3,768,663
Change in Net Assets	9,471,395	334,327	9,805,722	9,304,848	(223,146)	9,081,702
Net Assets, Beginning	38,895,850	774,138	39,669,988	29,591,002	997,284	30,588,286
Net Assets, Ending	\$ 48,367,245	\$ 1,108,465	\$ 49,475,710	\$ 38,895,850	\$ 774,138	\$ 39,669,988

See notes to the consolidated financial statements.

COPTIC ORPHANS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2021

	<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	\$ 5,829,706	\$ 252,857	\$ 6,082,563	\$ -	\$ -	\$ 6,082,563
Donor-directed gifts	2,192,401	-	2,192,401	-	-	2,192,401
Housing and medical	102,303	-	102,303	-	-	102,303
Scholarships	53,377	-	53,377	-	-	53,377
Workshops and field trips	431	-	431	-	-	431
Total field operations	<u>8,178,218</u>	<u>252,857</u>	<u>8,431,075</u>	<u>-</u>	<u>-</u>	<u>8,431,075</u>
Personnel costs:						
Salaries and compensation	1,831,695	82,653	1,914,348	626,027	847,364	3,387,739
Employee benefits	90,604	4,088	94,692	30,967	41,914	167,573
Payroll taxes	125,492	5,663	131,155	42,890	58,054	232,099
Total personnel costs	<u>2,047,791</u>	<u>92,404</u>	<u>2,140,195</u>	<u>699,884</u>	<u>947,332</u>	<u>3,787,411</u>
Other expenses:						
Communication and public education	12,529	1,629	14,158	231	20,377	34,766
Credit card fees	-	-	-	-	201,756	201,756
Depreciation and amortization	97,746	-	97,746	65,960	89,280	252,986
Events	5,200	-	5,200	-	237	5,437
Meetings, conferences, and training	73,113	25,285	98,398	44	59	98,501
Occupancy	71,973	-	71,973	18,127	24,536	114,636
Office operations	140,485	16,795	157,280	83,144	105,959	346,383
Professional services	92,911	-	92,911	81,128	94,112	268,151
Travel	33,574	4,043	37,617	5,226	7,074	49,917
Total expenses	<u>\$ 10,753,540</u>	<u>\$ 393,013</u>	<u>\$ 11,146,553</u>	<u>\$ 953,744</u>	<u>\$ 1,490,722</u>	<u>\$ 13,591,019</u>

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>5,882,490</u>	<u>-</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>
Other expenses:						
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
Total expenses	<u>\$ 8,241,391</u>	<u>\$ 111,512</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 STATEMENTS OF CASH FLOWS
For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 9,805,722	\$ 9,081,702
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	252,986	248,403
Non-cash contributions received	(47,244)	(30,436)
Contributions restricted for long-term purposes	-	(45,746)
Realized and unrealized gains on investments	(5,324,067)	(3,656,957)
Loss on disposal of property and equipment	25,198	-
Gain on early termination of financing lease	(61,073)	-
Decrease (increase) in assets:		
Contributions receivable	(12,194)	29,325
Other receivable	(3,413)	-
Prepaid expenses	(103,408)	(18,569)
Deposits and other assets	(31,130)	1,966
Increase (decrease) in liabilities:		
Accounts payable	1,520,236	41,622
Accrued expenses	(16,513)	48,973
Net cash provided by operating activities	<u>6,005,100</u>	<u>5,700,283</u>
Cash Flows Used in Investing Activities		
Purchases of investments and reinvested earnings	(4,748,523)	(4,959,419)
Purchases of property and equipment	(155,995)	(102,102)
Net cash used for investing activities	<u>(4,904,518)</u>	<u>(5,061,521)</u>
Cash Flows Used in Financing Activities		
Collection of contributions restricted for long-term purposes	-	45,746
Gain on extinguishment of debt - Paycheck Protection Program loan	(315,269)	315,269
Principal payments for financing lease liability	(183,193)	(178,020)
Net cash provided by (used for) financing activities	<u>(498,462)</u>	<u>182,995</u>
Effect of Changes in Exchange Rate	<u>2,381</u>	<u>(2,068)</u>
Increase in Cash and Cash Equivalents	604,501	819,689
Cash and Cash Equivalents, Beginning	<u>6,213,361</u>	<u>5,393,672</u>
Cash and Cash Equivalents, Ending	<u>\$ 6,817,862</u>	<u>\$ 6,213,361</u>
Supplemental Disclosures		
Cash paid during the year for:		
Interest	<u>\$ 50,280</u>	<u>\$ 61,925</u>
Right-of-use assets financed	<u>\$ 2,071,685</u>	<u>\$ -</u>

COPTIC ORPHANS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2021 and 2020

NOTE 1 - NATURE OF OPERATIONS

The Coptic Orphans Support Association, doing business as Coptic Orphans, is a nonprofit 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 12,403 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' 590 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 the Not Alone program 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, mother, and any 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.

COPTIC ORPHANS
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 1 - NATURE OF OPERATIONS (Continued)

Child Development (Continued)

Not Alone (Continued)

- 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.

In 2019, a new initiative was launched whereby Coptic Orphans outsourced 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.

Future Leaders Scholarship

Future Leaders Scholarship is a competitive scholarship program designed for Not Alone 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 the field of their choice, to develop their leadership skills, and to instill values of volunteerism and service, which will enhance their potential to lead change in their communities. Examples of tailored activities under the Future Leaders Scholarship program include the following: book clubs, leadership camps, and training for community initiatives.

Serve to Learn

Serve to Learn is a dynamic program that strengthens the ties of Coptic Diaspora volunteers (second and third generation Egyptians) with their homeland, Egypt, through serving underprivileged children over a span of three weeks. The program strives to provide youth the hands-on experience and enables them not only to witness the challenges underserved children face, but actively participate in the effort to improve their lives by contributing, albeit short-term, to their education. By living in their villages, teaching in classrooms, visiting their homes, and engaging with their community, the volunteers receive a multi-dimensional view of a Not Alone child. The immersive nature of the experience lets volunteers see a child from multiple vantages to give them a deeper and more insightful understanding of each child beyond the veneer of poverty. Upon their return, they are equipped to advocate as ambassadors for the cause of disadvantaged children in Egypt. Serve to Learn volunteers and alumni then become the driving force for future development of the country. Due to the COVID-19 pandemic, the Serve to Learn program was inactive during 2021 and part of 2020.

COPTIC ORPHANS
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 1 - NATURE OF OPERATIONS (Continued)

Community Development

Valuable Girl Project

The Valuable Girl Project is a multi-faceted development program that targets 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 potentials and empowering them to maximize their influence in their communities. The project brings together Muslim and Christian girls (ages 7-22) in a Big Sister-Little Sister mentorship arrangement that promotes peaceful co-existence, strengthens girls' understanding of their rights, and improves academic retention rates, along with other positive social and economic outcomes for participants. This unique opportunity empowers girls and young women to continue their education, raise their self-esteem, develop decision-making and leadership skills, raise awareness on gender-based violence and most importantly, reduce their social isolation and break the barriers of sectarianism.

Since its inception 18 years ago, the project has operated in over 50 sites across Egypt and empowered more than 13,000 girls. In the past cycle that ended in October 2019, the project operated in 16 sites in three governorates, supporting the capacity building of 64 CDA staff, and introducing new interactive learning techniques and active learning methods among the 1600 participating girls. The current cycle started in October 2021. It is covering 20 sites in 4 governorates and involves 2,000 girls. The current cycle is planned to be completed by September 2023.

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. Fundraising activities also include development and management of various activities involved with soliciting contributions.

COPTIC ORPHANS
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

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). Revenue is 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.

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, 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 Paycheck Protection Program loan debt forgiveness.

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 funds are 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

COPTIC ORPHANS
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions Receivable (Continued)

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 collectable and there is no allowance for doubtful accounts as of December 31, 2021 and 2020.

Property and Equipment

Property and equipment, which includes land, an 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 property and equipment, other than land, is computed using the straight-line method over the estimated useful lives of the assets, which range from three to forty years. Land acquisitions are not depreciated.

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 reported at 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, net of investment management fees, are reported when earned as operating revenue in the statements of activities. Realized and unrealized gains and losses are reported as non-operating gains or losses in 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).

COPTIC ORPHANS
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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) that are used to measure fair value to the extent that observable inputs are not available.

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.

COPTIC ORPHANS
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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

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. The Board may designate 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 revenue without donor restrictions or revenue 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 revenue 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, 2021 and 2020.

COPTIC ORPHANS
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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.

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

In-Kind 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. Donated services were utilized by program. Many volunteers donated their time and performed a variety of tasks that assisted Coptic Orphans in performing its services; however, only those services that met the specified criteria were recognized as revenue. During the years ended December 31, 2021 and 2020, 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 and be significantly affected by the severity and duration of the pandemic, the extent of actions to contain or treat COVID-19, how quickly and to what extent normal economic and operating activity can resume, and the severity and duration of the global economic downturn that results from the pandemic.

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.

COPTIC ORPHANS
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation (Continued)

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.

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, 2021 and 2020 since Coptic Orphans had no taxable income from unrelated business activities.

Coptic Orphans Support Association (Canada) is a nonprofit 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 a 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 nonprofit entity for financial reporting purposes under Australian Accounting Standards. It 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.

COPTIC ORPHANS
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

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' information tax returns are currently under examination.

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, 2021 and 2020. All investments are considered Level 1 (using quoted prices in active markets for identical assets):

	<u>2021</u> Level 1	<u>2020</u> Level 1
Investments:		
Money market funds	\$ 16,668	\$ 1,683,251
Mutual Funds:		
Fixed income	11,260,519	8,823,922
Equity	31,052,528	21,770,912
Stocks	<u>168,559</u>	<u>100,355</u>
Total investments	<u>\$ 42,498,274</u>	<u>\$ 32,378,440</u>

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

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 492,909	\$ 612,600
Less investment fees	<u>(24,517)</u>	<u>(21,422)</u>
	468,392	591,178
Realized and unrealized gains	<u>5,324,067</u>	<u>3,656,957</u>
Net investment income	<u>\$ 5,792,459</u>	<u>\$ 4,248,135</u>

COPTIC ORPHANS
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Apartment, Egypt	\$ 62,000	\$ 62,000
Building, Egypt	111,725	111,725
Equipment	110,829	63,866
Furniture and fixtures	36,543	147,009
Software	66,603	-
Vehicles	<u>95,081</u>	<u>41,920</u>
	482,781	426,520
Less accumulated depreciation and amortization	<u>(289,770)</u>	<u>(332,885)</u>
	193,011	93,635
Land	1,343,036	1,343,036
Construction in progress	<u>149,372</u>	<u>160,840</u>
Total property and equipment, net	<u>\$ 1,685,419</u>	<u>\$ 1,597,511</u>

Coptic Orphans planned to construct an office building in Egypt in 2019. Construction was put on hold in early 2020 due COVID-19 and certain zoning-related issues. Coptic Orphans is currently evaluating its options for a new office building in Egypt. 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 and amortization expense on property and equipment totaled \$42,889 and \$31,157 for the years ended December 31, 2021 and 2020, respectively.

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. The present lease terms range from less than one year to 10 years with an average of four years. 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 statement of financial position.

COPTIC ORPHANS
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 5 - LEASES (Continued)

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>2021</u>	<u>2020</u>
Assets:		
Long-term finance lease right-of-use assets	\$ 2,194,668	\$ 941,067
Accumulated amortization of right-of-use assets	<u>(117,014)</u>	<u>(296,225)</u>
Total assets	<u>\$ 2,077,654</u>	<u>\$ 644,842</u>
Liabilities:		
Short-term finance lease liability	\$ 98,073	\$ 199,761
Long-term finance lease liability	<u>2,009,595</u>	<u>506,883</u>
Total liabilities	<u>\$ 2,107,668</u>	<u>\$ 706,644</u>

In August 2019, Coptic Orphans started a new lease agreement for office space located in Merrifield, Virginia, which also included a right-of-use asset improvement allowance of \$200,785. In July 2021, Coptic Orphans amended their office lease to expand their office space. The lease agreement expires on May 31, 2032. 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 2.5% escalation clause. The lease agreement includes a five-month rent abatement starting December 7, 2021. The security deposit was \$16,867 as per the agreement. As a result of the termination of the August 2019 lease, Coptic Orphans realized a net gain of \$61,703, which is included in other income in the statement of activities.

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.

COPTIC ORPHANS
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 5 - LEASES (Continued)

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

2022	\$ 146,190
2023	221,290
2024	220,388
2025	225,912
2026	231,505
Thereafter	<u>1,359,315</u>
Total	2,404,600
Less, imputed interest	<u>(296,932)</u>
Present value of finance lease liabilities	<u>\$ 2,107,668</u>

The discount rate used to calculate the present value of future lease payments was 2.42% as identified in the lease terms by lessor of U.S. office facility as the default rate. For the years ended December 31, 2021 and 2020, interest expense from finance leases totaled \$50,280 and \$61,295, respectively, which is included in occupancy in the statements of functional expenses.

Coptic Orphans recognizes amortization expense for the right-of-use asset leases on a straight-line basis over the individual lease terms. For the years ended December 31, 2021 and 2020, amortization expense totaled \$210,097 and \$217,246, respectively, and is included in depreciation and amortization expense on the statement of functional expense. The \$5,386 and \$11,124 variance between the accumulated amortization of right-of-use assets and the amortization expense is the effect of the exchange rate during the year ended December 31, 2021 and 2020.

Occupancy expenses, including all taxes, utilities, and operating expenses, for the years ended December 31, 2021 and 2020 totaled \$114,636 and \$97,838, respectively.

COPTIC ORPHANS
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Coptic Orphans' net assets with donor restrictions consisted of the following as of December 31, 2021:

	<u>Restricted for Time or Purpose</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Donor-directed gifts to program participants	\$ 410,862	\$ -	\$ 410,862
Maged Atiya scholarship	6,391	-	6,391
Bishop Samuel endowment	224,472	284,587	509,059
Taunt Awatef endowment	<u>16,370</u>	<u>165,783</u>	<u>182,153</u>
Total net assets with donor restrictions	<u>\$ 658,095</u>	<u>\$ 450,370</u>	<u>\$ 1,108,465</u>

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>

During the year ended December 31, 2020, 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, 2020.

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 FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

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, 2021:

	<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>240,842</u>	\$ <u>450,370</u>	\$ <u>691,212</u>

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>

Changes in the donor-restricted endowment net assets for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Endowment net assets, beginning of the year	\$ 540,379	\$ 406,796
Contributions	67,965	45,746
Interest and dividends	5,776	11,017
Net appreciation in fair value	<u>77,092</u>	<u>76,820</u>
Endowment net assets, end of the year	<u>\$ 691,212</u>	<u>\$ 540,379</u>

COPTIC ORPHANS
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

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 \$46,790 and \$41,804 for the years ended December 31, 2021 and 2020, 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 \$15,913 and \$17,500 for the years ended December 31, 2021 and 2020, respectively.

COPTIC ORPHANS
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 6,817,862	\$ 6,213,361
Contributions receivable	23,997	11,803
Other receivable	13,366	9,953
Investments	<u>42,498,274</u>	<u>32,378,440</u>
 Total financial assets available within one year	 49,353,499	 38,613,557
 Less, amounts unavailable for general expenditures within one year, due to:		
Restricted donor directed-gifts for program participants	(410,862)	(229,577)
Restricted by donor for the Maged Atiya scholarship	(6,391)	(4,182)
Restricted by donors for the Bishop Samuel endowment	(509,059)	(402,476)
Restricted by donors for the Taunt Awatef endowment	<u>(182,153)</u>	<u>(137,903)</u>
 Total financial assets available to management for general expenditures within one year	 <u>\$48,245,034</u>	 <u>\$37,839,419</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 FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 10 - RISKS AND UNCERTAINTIES (Continued)

Cash and Investments (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, 2021 and 2020, cash and cash equivalents totaling approximately \$4.5 million and \$4.8 million, respectively, as converted in U.S. Dollars, 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, 2021 and 2020, Coptic Orphans' investments in the Vanguard Total Stock Market Index Fund Institutional Shares accounted for 36% of total assets and the Vanguard Total Stock Market Index Fund Admiral Shares accounted for 36% of total assets. 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 10% and 12% of Coptic Orphans' total net assets for 2021 and 2020, respectively.

Results of operations for Coptic Orphans' foreign branches are translated from the local (functional) currency to the U.S. Dollars 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. Dollars 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 FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 11 - RELATED PARTY TRANSACTIONS

Coptic Orphans USA, a related organization, charged the Australia affiliate office \$469,001 and \$362,613 for management fees for the years ended December 31, 2021 and 2020, respectively. In addition, Coptic Orphans USA charged the Canada affiliate office \$416,809 and \$335,812 for management fees for the years ended December 31, 2021 and 2020, 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 ("ARES) Act, as administered by the U.S. Small Business Administration (SBA). 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 the 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 the 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; increasing from 8 weeks to 24 weeks the covered period, which is the period eligible costs can qualify for forgiveness; and extending 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. On April 15, 2021, the loan was completely forgiven by the U.S. Small Business Administration. The forgiveness has been recorded for the year ended December 31, 2021 as gain on extinguishment of debt in the consolidated statements of activities.

According to the rules of the SBA, Coptic Orphans is required to retain PPP Loan documentation for six years after the date the loan is forgiven or repaid in full, and permit authorized representatives of the SBA, including representatives of its Office of Inspector General, to access such files upon request.

COPTIC ORPHANS
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 12 - PAYCHECK PROTECTION PROGRAM LOAN (Continued)

Should the SBA conduct such a review and reject all or some of Coptic Orphans' judgments pertaining to satisfying PPP Loan eligibility or forgiveness conditions, Coptic Orphans may be required to adjust previously reported amounts and disclosures in the consolidated financial statements.

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, hence its financial impact on Coptic Orphans' consolidated 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 12 2022, which is the date the consolidated financial statements are available to be issued.

Subsequent to the year-end, Coptic Orphans approved an extension on its office lease in Australia.

The consolidated financial statements include all events or transactions, including estimates, required to be recognized in accordance with U.S. GAAP. Management has determined that there are no unrecognized subsequent events that require additional disclosure.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Coptic Orphans Support Association
Fairfax, Virginia

We have audited the accompanying consolidated financial statements of the Coptic Orphans Support Association (a nonprofit organization), doing business as Coptic Orphans, as of and for the years ended December 31, 2021 and 2020, and have issued our report thereon dated August 12, 2022, which contained an unmodified opinion on those consolidated financial statements and appears on pages 1 - 2. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The consolidating schedules of activities, for the years ended December 31, 2021 and 2020, are presented for the purpose of additional analysis on pages 29 – 30 and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

UHY LLP

Columbia, Maryland
August 12, 2022

COPTIC ORPHANS
CONSOLIDATING SCHEDULE OF ACTIVITIES
For the year ended December 31, 2021
(Currency: USD)

	United States	Egypt	United Kingdom	Canada	Australia	Consolidation Elimination	TOTAL
REVENUE AND SUPPORT							
Contributions	\$ 9,929,240	\$ 72,136	\$ 354,427	\$ 3,423,326	\$ 3,656,405	\$ -	\$ 17,435,534
Interest and dividends, net of investment fees	448,522	19,814	-	-	56	-	468,392
Other income	47,530	-	-	6,772	11,094	-	65,396
Total revenue and support	10,425,292	91,950	354,427	3,430,098	3,667,555	-	17,969,322
EXPENSES							
Field operations:							
Participant support	-	6,082,563	-	-	-	-	6,082,563
Donor-directed gifts	-	2,192,401	-	-	-	-	2,192,401
Housing and medical	-	102,303	-	-	-	-	102,303
Scholarships	10,000	43,377	-	-	-	-	53,377
Workshops and field trips	-	431	-	-	-	-	431
Total field operations	10,000	8,421,075	-	-	-	-	8,431,075
Personnel costs:							
Salaries and compensation	1,736,579	1,089,179	-	262,251	299,730	-	3,387,739
Employee benefits	129,561	2,045	-	1,302	34,665	-	167,573
Payroll taxes	126,390	79,627	-	26,082	-	-	232,099
Total personnel costs	1,992,530	1,170,851	-	289,635	334,395	-	3,787,411
Communication and public education	17,353	14,158	-	1,468	1,787	-	34,766
Credit card fees	123,494	-	-	69,000	9,262	-	201,756
Depreciation and amortization	188,211	27,414	-	16,195	21,166	-	252,986
Events	-	5,200	-	-	237	-	5,437
Meetings, conferences, and training	3,546	94,955	-	-	-	-	98,501
Occupancy	46,245	52,645	-	6,472	9,274	-	114,636
Office operations	242,952	73,902	242	9,951	19,336	-	346,383
Professional services	175,420	18,773	62,330	8,248	3,380	-	268,151
Travel	16,117	29,086	-	-	4,714	-	49,917
Total expenses	2,815,868	9,908,059	62,572	400,969	403,551	-	13,591,019
Change In Net Assets From Operations	7,609,424	(9,816,109)	291,855	3,029,129	3,264,004	-	4,378,303
Other Non-Operating Income							
Net unrealized and realized gains on investments	5,324,067	-	-	-	-	-	5,324,067
Net gains (losses) on foreign currency valuation	-	(35,184)	(8,171)	(28,813)	(128,990)	(10,759)	(211,917)
Branch transfers ins (outs)	(2,554,949)	8,694,000	(280,000)	(3,408,809)	(3,261,001)	810,759	-
Gain on extinguishment of debt (PPP Loan)	315,269	-	-	-	-	-	315,269
Total other non-operating income	3,084,387	8,658,816	(288,171)	(3,437,622)	(3,389,991)	800,000	5,427,419
Change in Net Assets	10,693,811	(1,157,293)	3,684	(408,493)	(125,987)	800,000	9,805,722
Net Assets, Beginning	34,716,741	2,233,285	43,493	1,674,656	1,001,813	-	39,669,988
Net Assets, Ending	\$ 45,410,552	\$ 1,075,992	\$ 47,177	\$ 1,266,163	\$ 875,826	\$ 800,000	\$ 49,475,710

See independent auditor's report on supplementary information.

COPTIC ORPHANS
CONSOLIDATING SCHEDULE OF ACTIVITIES
For the year ended December 31, 2020
(Currency: USD)

	United States	Egypt	United Kingdom	Canada	Australia	Consolidation Elimination	TOTAL
REVENUE AND SUPPORT							
Contributions	\$ 8,796,297	\$ 59,340	\$ 284,615	\$ 3,075,948	\$ 3,026,790	\$ -	\$ 15,242,990
Interest and dividends, net of investment fees	559,417	31,267	-	-	494	-	591,178
Other income	-	-	-	-	35,602	-	35,602
Total revenue and support	9,355,714	90,607	284,615	3,075,948	3,062,886	-	15,869,770
EXPENSES							
Field operations:							
Participant support	-	4,716,564	-	-	-	-	4,716,564
Donor-directed gifts	(1,000)	1,053,975	-	-	-	-	1,052,975
Housing and medical	-	50,199	-	-	-	-	50,199
Scholarships	5,000	49,659	-	-	-	-	54,659
Workshops and field trips	-	8,093	-	-	-	-	8,093
Total field operations	4,000	5,878,490	-	-	-	-	5,882,490
Personnel costs:							
Salaries and compensation	1,663,945	981,801	-	247,454	283,253	-	3,176,453
Employee benefits	120,600	314	-	1,321	30,875	-	153,110
Payroll taxes	123,444	64,656	-	24,668	-	-	212,768
Total personnel costs	1,907,989	1,046,771	-	273,443	314,128	-	3,542,331
Communication and public education	5,886	1,175	-	525	2,146	-	9,732
Credit card fees	133,992	-	322	65,947	9,474	-	209,735
Depreciation and amortization	187,943	14,208	-	28,056	18,196	-	248,403
Events	2,800	-	-	-	1,478	-	4,278
Meetings, conferences, and training	358	169,964	-	-	-	-	170,322
Occupancy	65,080	10,947	-	9,987	11,823	-	97,837
Office operations	123,045	29,181	223	(813)	21,152	-	172,788
Professional services	117,442	14,505	51,361	8,878	4,793	-	196,979
Travel	9,153	12,503	-	180	-	-	21,836
Total expenses	2,557,688	7,177,744	51,906	386,203	383,190	-	10,556,731
Change In Net Assets From Operations	6,798,026	(7,087,137)	232,709	2,689,745	2,679,696	-	5,313,039
Other Non-Operating Income							
Net unrealized and realized gains on investments	3,656,957	-	-	-	-	-	3,656,957
Net gains (losses) on foreign currency valuation	-	59,261	(49,803)	56,467	95,181	(49,400)	111,706
Branch transfer ins (outs)	(2,039,691)	6,269,720	(200,000)	(1,969,518)	(2,109,911)	49,400	-
Total other non-operating income	1,617,266	6,328,981	(249,803)	(1,913,051)	(2,014,730)	-	3,768,663
Change in Net Assets	8,415,292	(758,156)	(17,094)	776,694	664,966	-	9,081,702
Net Assets, Beginning	26,301,449	2,991,441	60,587	897,962	336,847	-	30,588,286
Net Assets, Ending	\$ 34,716,741	\$ 2,233,285	\$ 43,493	\$ 1,674,656	\$ 1,001,813	\$ -	\$ 39,669,988

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