

COPTIC ORPHANS

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021



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	8-26

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, 2022 and 2021, 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, 2022 and 2021, 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
October 10, 2023

COPTIC ORPHANS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,089,027	\$ 6,817,862
Contributions receivable	42,307	23,997
Other receivable	14,741	13,366
Prepaid expenses	308,766	178,624
	<u>7,454,841</u>	<u>7,033,849</u>
NON-CURRENT ASSETS		
Investments at fair value	33,913,369	42,498,274
Deposits and other assets	99,209	104,258
Property and equipment, net	1,581,136	1,685,419
Financing lease right-of-use assets, net	1,857,940	2,077,654
	<u>37,451,654</u>	<u>46,365,605</u>
Total current assets	<u>7,454,841</u>	<u>7,033,849</u>
Total non-current assets	<u>37,451,654</u>	<u>46,365,605</u>
Total assets	<u>\$ 44,906,495</u>	<u>\$ 53,399,454</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and gifts payable	\$ 45,774	\$ 1,575,504
Accrued expenses	246,768	240,572
Financing lease liability, current	168,383	98,073
	<u>460,925</u>	<u>1,914,149</u>
Total current liabilities	<u>460,925</u>	<u>1,914,149</u>
NON-CURRENT LIABILITIES		
Financing lease liability, net of current	1,834,926	2,009,595
	<u>1,834,926</u>	<u>2,009,595</u>
Total liabilities	<u>2,295,851</u>	<u>3,923,744</u>
NET ASSETS		
Without donor restrictions	41,597,335	48,367,245
With donor restrictions	1,013,309	1,108,465
	<u>42,610,644</u>	<u>49,475,710</u>
Total net assets	<u>42,610,644</u>	<u>49,475,710</u>
Total liabilities and net assets	<u>\$ 44,906,495</u>	<u>\$ 53,399,454</u>

See notes to the consolidated financial statements.

COPTIC ORPHANS
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the years ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions	\$ 17,902,884	\$ 474,430	\$ 18,377,314	\$ 16,970,578	\$ 464,956	\$ 17,435,534
Interest and dividends, net of investment fees	727,219	(147,372)	579,847	468,392	-	468,392
Other income (loss)	(4,898)	-	(4,898)	65,396	-	65,396
Net assets released from restrictions	422,214	(422,214)	-	213,496	(213,496)	-
Total revenue and support	19,047,419	(95,156)	18,952,263	17,717,862	251,460	17,969,322
EXPENSES						
Program services:						
Child development	11,902,235	-	11,902,235	10,753,540	-	10,753,540
Community development and other	1,404,605	-	1,404,605	393,013	-	393,013
Total program services	13,306,840	-	13,306,840	11,146,553	-	11,146,553
Supporting services:						
Management and general	991,604	-	991,604	953,744	-	953,744
Fundraising	1,542,117	-	1,542,117	1,490,722	-	1,490,722
Total supporting services	2,533,721	-	2,533,721	2,444,466	-	2,444,466
Total expenses	15,840,561	-	15,840,561	13,591,019	-	13,591,019
Change In Net Assets From Operations	3,206,858	(95,156)	3,111,702	4,126,843	251,460	4,378,303
Other Non-Operating Income (Loss)						
Net unrealized and realized gains (losses) on investments	(9,236,598)	-	(9,236,598)	5,241,200	82,867	5,324,067
Net losses on foreign currency valuation and transactions	(740,170)	-	(740,170)	(211,917)	-	(211,917)
Gain on extinguishment of debt for PPP loan	-	-	-	315,269	-	315,269
Total other non-operating income (loss)	(9,976,768)	-	(9,976,768)	5,344,552	82,867	5,427,419
Change in Net Assets	(6,769,910)	(95,156)	(6,865,066)	9,471,395	334,327	9,805,722
Net Assets, Beginning	48,367,245	1,108,465	49,475,710	38,895,850	774,138	39,669,988
Net Assets, Ending	\$ 41,597,335	\$ 1,013,309	\$ 42,610,644	\$ 48,367,245	\$ 1,108,465	\$ 49,475,710

See notes to the consolidated financial statements.

COPTIC ORPHANS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2022

	<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	\$ 6,867,421	\$ 801,163	\$ 7,668,584	\$ -	\$ -	\$ 7,668,584
Donor-directed gifts	1,363,737	-	1,363,737	-	-	1,363,737
Housing and medical	174,937	-	174,937	-	-	174,937
Meetings, conferences, and training	199,212	52,296	251,508	-	-	251,508
Scholarships and laptops	560,880	10,000	570,880	-	-	570,880
Workshops and field trips	2,385	345,980	348,365	-	-	348,365
Total field operations	<u>9,168,572</u>	<u>1,209,439</u>	<u>10,378,011</u>	<u>-</u>	<u>-</u>	<u>10,378,011</u>
Personnel and benefits	2,116,656	143,252	2,259,908	734,132	958,369	3,952,409
Other expenses:						
Communication and public education	56,897	5,180	62,077	24,852	32,444	119,373
Credit card fees	-	-	-	-	215,915	215,915
Depreciation and amortization	36,449	-	36,449	7,934	10,358	54,741
Events	-	5,579	5,579	241	32,028	37,848
Occupancy	146,628	-	146,628	89,701	117,101	353,430
Office and printing	220,360	8,374	228,734	73,547	96,012	398,293
Professional services	72,381	-	72,381	40,980	53,498	166,859
Travel	84,292	32,781	117,073	20,217	26,392	163,682
Total expenses	<u>\$ 11,902,235</u>	<u>\$ 1,404,605</u>	<u>\$ 13,306,840</u>	<u>\$ 991,604</u>	<u>\$ 1,542,117</u>	<u>\$ 15,840,561</u>

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	\$ 5,415,300	\$ 252,857	\$ 5,668,157	\$ -	\$ -	\$ 5,668,157
Donor-directed gifts	2,192,401	-	2,192,401	-	-	2,192,401
Housing and medical	102,303	-	102,303	-	-	102,303
Meetings, conferences, and training	73,113	25,285	98,398	44	59	98,501
Scholarships and laptops	467,783	-	467,783	-	-	467,783
Workshops and field trips	431	-	431	-	-	431
Total field operations	<u>8,251,331</u>	<u>278,142</u>	<u>8,529,473</u>	<u>44</u>	<u>59</u>	<u>8,529,576</u>
Personnel and benefits	2,047,791	92,404	2,140,195	699,884	947,332	3,787,411
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
Occupancy	71,973	-	71,973	18,127	24,536	114,636
Office and printing	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 STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (6,865,066)	\$ 9,805,722
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	54,741	42,889
Amortization on right of use assets	152,803	210,097
Non-cash contributions received	(80,512)	(47,244)
Contributions restricted for long-term purposes	(28,784)	(67,965)
Realized and unrealized (gains) losses on investments	9,236,598	(5,324,067)
Loss on disposal of property and equipment	4,898	25,198
Gain on early termination of financing lease	-	(61,073)
Payments on operating leases	(104,359)	(183,193)
Decrease (increase) in assets:		
Contributions receivable	(18,310)	(12,194)
Other receivable	(1,375)	(3,413)
Prepaid expenses	(130,142)	(103,408)
Deposits and other assets	5,049	(31,130)
Increase (decrease) in liabilities:		
Accounts payable and gifts payable	(1,529,730)	1,520,236
Accrued expenses	6,196	(16,513)
	<u>702,007</u>	<u>5,753,942</u>
Cash Flows Used in Investing Activities		
Purchases of investments and reinvested earnings	(571,181)	(4,748,523)
Purchases of property and equipment	44,644	(155,995)
	<u>(526,537)</u>	<u>(4,904,518)</u>
Cash Flows Used in Financing Activities		
Collection of contributions restricted for long-term purposes	28,784	67,965
Gain on extinguishment of debt - Paycheck Protection Program loan	-	(315,269)
	<u>28,784</u>	<u>(247,304)</u>
Effect of Changes in Exchange Rate	<u>66,911</u>	<u>2,381</u>
Increase in Cash and Cash Equivalents	271,165	604,501
Cash and Cash Equivalents, Beginning	6,817,862	6,213,361
Cash and Cash Equivalents, Ending	<u>\$ 7,089,027</u>	<u>\$ 6,817,862</u>
Supplemental Disclosures		
Right-of-use assets financed	<u>\$ -</u>	<u>\$ 2,071,685</u>

COPTIC ORPHANS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021

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 14,602 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' 732 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.

COPTIC ORPHANS
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

NOTE 1 - NATURE OF OPERATIONS (Continued)

Child Development (Continued)

Not Alone (Continued)

- 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.

Furthermore, Future Leaders Scholarship is a competitive scholarship initiative 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.

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 over 20 years ago, the project has operated in 184 sites across Egypt and empowered more than 15,000 girls and young women. In the current cycle (2021-2023), the project operates in 20 locations in four governorates, namely Cairo, Minya, Asyut and Qena targeting 2,000 girls and young women and building the capacity of 80 on-site staff members from 20 Community Development Associations (CDAs).

COPTIC ORPHANS
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

NOTE 1 - NATURE OF OPERATIONS (Continued)

Community Development (Continued)

The 21 & 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. After being inactive due to COVID-19 in 2021, the Serve to Learn program resumed in 2022 with 11 volunteers who served in Egypt from January 28 to February 18.

In 2022, The 21 program was launched whereby Egyptian young adults in the diaspora apply for a fully paid trip by Coptic Orphans, unlike Serve to Learn, to Egypt. While in Egypt, they get to participate in Coptic Orphans activities, visit churches and cultural sites and strengthen their ties with their roots and heritage. Participants were selected based on certain criteria. 107 participants went to Egypt during 2022 in two different groups from June 17 to July 11 and from July 15 to August 8.

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, 2022 and 2021

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, the 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 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, 2022 and 2021.

COPTIC ORPHANS
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

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
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (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 amortized 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, 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.

COPTIC ORPHANS
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

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, 2022 and 2021.

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.

COPTIC ORPHANS
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022 and 2021, 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 FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

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, 2022 and 2021 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.

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.

COPTIC ORPHANS
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

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, 2022 and 2021. All investments are considered Level 1 (using quoted prices in active markets for identical assets):

	<u>2022</u>	<u>2021</u>
	Level 1	Level 1
Investments:		
Money market funds	\$ 9,098	\$ 16,668
Mutual Funds:		
Fixed income	9,841,830	11,260,519
Equity	23,912,207	31,052,528
Stocks	<u>150,234</u>	<u>168,559</u>
Total investments	<u>\$ 33,913,369</u>	<u>\$ 42,498,274</u>

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

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 602,614	\$ 492,909
Less investment fees	<u>(22,767)</u>	<u>(24,517)</u>
	579,847	468,392
Realized and unrealized gains (losses)	<u>(9,236,598)</u>	<u>5,324,067</u>
Net investment income	<u>\$ (8,656,751)</u>	<u>\$ 5,792,459</u>

COPTIC ORPHANS
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Apartment, Egypt	\$ 62,000	\$ 62,000
Building, Egypt	111,725	111,725
Equipment	121,776	110,829
Furniture and fixtures	32,156	36,543
Software	56,549	66,603
Vehicles	<u>94,630</u>	<u>95,081</u>
	478,836	482,781
Less accumulated depreciation and amortization	<u>(335,760)</u>	<u>(289,770)</u>
	143,076	193,011
Land	1,343,036	1,343,036
Construction in progress	<u>95,024</u>	<u>149,372</u>
Total property and equipment, net	<u>\$ 1,581,136</u>	<u>\$ 1,685,419</u>

Coptic Orphans planned to construct an office building in Egypt. 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 \$54,741 and \$42,889 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021

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>2022</u>	<u>2021</u>
Assets:		
Long-term finance lease right-of-use assets	\$ 2,127,757	\$ 2,194,668
Accumulated amortization of right-of-use assets	<u>(269,817)</u>	<u>(117,014)</u>
Total assets	<u>\$ 1,857,940</u>	<u>\$ 2,077,654</u>
Liabilities:		
Short-term finance lease liability	\$ 168,383	\$ 98,073
Long-term finance lease liability	<u>1,834,926</u>	<u>2,009,595</u>
Total liabilities	<u>\$ 2,003,309</u>	<u>\$ 2,107,668</u>

In July 2021, Coptic Orphans amended their office lease to expand their office space in the US. 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.

The lease agreement for office space in Canada expires on April 30, 2023 and will not be renewed. The lease provides for minimum monthly rent payments of \$1,311 plus the Canadian CPI rate increases and taxes.

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

2023	\$ 215,004
2024	220,388
2025	225,912
2026	231,505
2027	237,309
Thereafter	<u>1,122,006</u>
Total	2,252,124
Less, imputed interest	<u>(248,815)</u>
Present value of finance lease liabilities	<u>\$ 2,003,309</u>

COPTIC ORPHANS
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

NOTE 5 - LEASES (Continued)

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, 2022 and 2021, interest expense from finance leases totaled \$52,544 and \$48,961, 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, 2022 and 2021, amortization expense totaled \$217,347 and \$210,097, respectively, and is included in occupancy expense on the statement of functional expense. The \$472 and \$5,386 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, 2022 and 2021 totaled \$110,010 and \$114,636, respectively.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Coptic Orphans' net assets with donor restrictions consisted of the following as of December 31, 2022:

	<u>Restricted for Time or Purpose</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Donor-directed gifts to program participants	\$ 357,693	\$ -	\$ 357,693
Maged Atiya scholarship	2,911	-	2,911
St. Kyril Partnership	81,433	-	81,433
Bishop Samuel endowment	98,397	292,019	390,416
Taunt Awatef endowment	<u>(4,927)</u>	<u>185,783</u>	<u>180,856</u>
Total net assets with donor restrictions	<u>\$ 535,507</u>	<u>\$ 477,802</u>	<u>\$ 1,013,309</u>

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
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

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.

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, 2022:

	<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>93,470</u>	\$ <u>477,802</u>	\$ <u>571,272</u>

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>

COPTIC ORPHANS
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

NOTE 7 - ENDOWMENTS (Continued)

Changes in the donor-restricted endowment net assets for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Endowment net assets, beginning of the year	\$ 691,212	\$ 540,379
Contributions	28,784	67,965
Distributions	(1,352)	-
Interest and dividends	6,832	5,776
Net appreciation in fair value	<u>(154,204)</u>	<u>77,092</u>
Endowment net assets, end of the year	<u>\$ 571,272</u>	<u>\$ 691,212</u>

Standard of Investments

The objectives of the endowments are to support Coptic Orphans' mission, as specified in the Endowment Gift Agreements, 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.

COPTIC ORPHANS
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

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 \$48,973 and \$46,790 for the years ended December 31, 2022 and 2021, 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 \$16,604 and \$15,913 for the years ended December 31, 2022 and 2021, respectively.

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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 7,089,027	\$ 6,817,862
Contributions receivable	42,307	23,997
Other receivable	14,741	13,366
Investments at fair value	<u>33,913,369</u>	<u>42,498,274</u>
Total financial assets available within one year	41,059,444	49,353,499
Less, amounts unavailable for general expenditures within one year, due to:		
Donor restrictions	<u>(1,013,309)</u>	<u>(1,108,465)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 40,046,135</u>	<u>\$ 48,245,034</u>

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

COPTIC ORPHANS
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

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 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, 2022 and 2021, cash and cash equivalents totaling approximately \$5.5 million and \$4.5 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, 2022 and 2021, Coptic Orphans' investments in the Vanguard Total Stock Market Index Fund Institutional Shares accounted for 34% and 36% 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 14% and 7% of Coptic Orphans' total net assets for 2022 and 2021, respectively.

COPTIC ORPHANS
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

NOTE 10 - RISKS AND UNCERTAINTIES (Continued)

Foreign Operations (Continued)

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.

NOTE 11 - RELATED PARTY TRANSACTIONS

Coptic Orphans USA, a related organization, charged the Australia affiliate office \$51,598 and \$469,001 for management fees for the years ended December 31, 2022 and 2021, respectively. In addition, Coptic Orphans USA, a related organization, charged the Canada affiliate office \$- and \$416,809 for management fees for the years ended December 31, 2022 and 2021, 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, 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.

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.

COPTIC ORPHANS
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

NOTE 12 - PAYCHECK PROTECTION PROGRAM LOAN (Continued)

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.

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 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 10, 2023, 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. Management has determined that there are no unrecognized subsequent events that require additional disclosure.