

COPTIC ORPHANS

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022



COPTIC ORPHANS

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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, 2023 and 2022, 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, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Coptic Orphans as of December 31, 2023 and 2022, 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.

We did not audit the 2023 financial statements of Coptic Orphans Support Association (Canada), under common control, which statements reflect total assets of \$1,320,522 as of December 31, 2023, and total revenue of \$3,496,786, for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Coptic Orphans Support Association (Canada), as of December 31, 2023, and for the year then ended, is based solely on the report of the other auditors.

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 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.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, handwritten font, with 'LLP' in a smaller, simpler font to the right.

Columbia, Maryland
July 22, 2024

COPTIC ORPHANS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 8,015,418	\$ 7,089,027
Contributions receivable	-	42,307
Other receivable	18,060	14,741
Prepaid expenses	46,729	308,766
	<u>8,080,207</u>	<u>7,454,841</u>
NON-CURRENT ASSETS		
Investments at fair value	43,585,143	33,913,369
Deposits and other assets	178,119	99,209
Property and equipment, net	1,458,262	1,581,136
Finance lease right-of-use assets, net	3,118,730	1,857,940
	<u>48,340,254</u>	<u>37,451,654</u>
Total non-current assets	<u>48,340,254</u>	<u>37,451,654</u>
Total assets	<u>\$ 56,420,461</u>	<u>\$ 44,906,495</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and gifts payable	\$ 33,273	\$ 45,774
Accrued expenses	369,592	246,768
Finance lease liabilities, current	440,156	168,383
	<u>843,021</u>	<u>460,925</u>
Total current liabilities	<u>843,021</u>	<u>460,925</u>
FINANCE LEASE LIABILITIES, NET OF CURRENT	<u>2,931,253</u>	<u>1,834,926</u>
Total liabilities	<u>3,774,274</u>	<u>2,295,851</u>
NET ASSETS		
Without donor restrictions	51,348,949	41,597,335
With donor restrictions	1,297,238	1,013,309
	<u>52,646,187</u>	<u>42,610,644</u>
Total net assets	<u>52,646,187</u>	<u>42,610,644</u>
Total liabilities and net assets	<u>\$ 56,420,461</u>	<u>\$ 44,906,495</u>

See notes to the consolidated financial statements.

COPTIC ORPHANS**CONSOLIDATED STATEMENTS OF ACTIVITIES**

For the years ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions	\$ 19,037,058	\$ 590,534	\$ 19,627,592	\$ 17,902,884	\$ 474,430	\$ 18,377,314
Interest and dividends, net of investment fees	865,733	10,418	876,151	727,219	(147,372)	579,847
Other losses	(7,691)	-	(7,691)	(4,898)	-	(4,898)
Net assets released from restrictions	445,849	(445,849)	-	422,214	(422,214)	-
Total revenue and support	20,340,949	155,103	20,496,052	19,047,419	(95,156)	18,952,263
EXPENSES						
Program services:						
Child development	13,386,260	-	13,386,260	11,902,235	-	11,902,235
Community development	1,024,153	-	1,024,153	1,404,605	-	1,404,605
Total program services	14,410,413	-	14,410,413	13,306,840	-	13,306,840
Supporting services:						
Management and general	818,799	-	818,799	991,604	-	991,604
Fundraising	2,296,028	-	2,296,028	1,542,117	-	1,542,117
Total supporting services	3,114,827	-	3,114,827	2,533,721	-	2,533,721
Total expenses	17,525,240	-	17,525,240	15,840,561	-	15,840,561
Change In Net Assets From Operations	2,815,709	155,103	2,970,812	3,206,858	(95,156)	3,111,702
Other Non-Operating Income (Losses)						
Net unrealized and realized gains (losses) on investments	7,322,629	128,826	7,451,455	(9,236,598)	-	(9,236,598)
Net losses on foreign currency valuation and transactions	(303,733)	-	(303,733)	(740,170)	-	(740,170)
Loss from disposal of construction in progress	(82,991)	-	(82,991)	-	-	-
Total other non-operating income (loss)	6,935,905	128,826	7,064,731	(9,976,768)	-	(9,976,768)
Change in Net Assets	9,751,614	283,929	10,035,543	(6,769,910)	(95,156)	(6,865,066)
Net Assets, Beginning	41,597,335	1,013,309	42,610,644	48,367,245	1,108,465	49,475,710
Net Assets, Ending	\$ 51,348,949	\$ 1,297,238	\$ 52,646,187	\$ 41,597,335	\$ 1,013,309	\$ 42,610,644

See notes to the consolidated financial statements.

COPTIC ORPHANS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2023

	Child Development	Community Development	Total Program Services	Management and General	Fundraising	Total
Field operations:						
Participant support	\$ 7,763,069	\$ 535,088	\$ 8,298,157	\$ -	\$ -	\$ 8,298,157
Donor-directed gifts	1,437,830	-	1,437,830	-	-	1,437,830
Housing and medical	197,648	-	197,648	-	-	197,648
Scholarships and laptops	64,414	15,000	79,414	-	-	79,414
Workshops and field trips	9,184	306,316	315,500	-	-	315,500
Meetings, conferences, and training	45,004	14,896	59,900	-	-	59,900
	<u>9,517,149</u>	<u>871,300</u>	<u>10,388,449</u>	<u>-</u>	<u>-</u>	<u>10,388,449</u>
Personnel costs:						
Salaries and compensation	2,500,536	105,690	2,606,226	546,241	1,214,238	4,366,705
Employee benefits & other	110,492	-	110,492	38,742	86,120	235,354
Payroll taxes	184,217	7,055	191,272	32,296	71,790	295,358
	<u>2,795,245</u>	<u>112,745</u>	<u>2,907,990</u>	<u>617,279</u>	<u>1,372,148</u>	<u>4,897,417</u>
Other expenses:						
Communication and public education	24,358	2,097	26,455	4,511	10,028	40,994
Credit card fees	-	-	-	-	222,430	222,430
Depreciation and amortization	25,517	-	25,517	4,857	10,797	41,171
Events	30,290	9,872	40,162	1,956	257,840	299,958
Occupancy	560,097	-	560,097	76,094	169,149	805,340
Office and printing	265,060	10,512	275,572	67,425	149,879	492,876
Professional services	96,603	13	96,616	34,270	76,178	207,064
Travel	71,941	17,614	89,555	12,407	27,579	129,541
	<u>71,941</u>	<u>17,614</u>	<u>89,555</u>	<u>12,407</u>	<u>27,579</u>	<u>129,541</u>
Total expenses	<u>\$ 13,386,260</u>	<u>\$ 1,024,153</u>	<u>\$ 14,410,413</u>	<u>\$ 818,799</u>	<u>\$ 2,296,028</u>	<u>\$ 17,525,240</u>

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
Scholarships and laptops	560,880	10,000	570,880	-	-	570,880
Workshops and field trips	2,385	345,980	348,365	-	-	348,365
Meetings, conferences, and training	199,212	52,296	251,508	-	-	251,508
	<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 costs:						
Salaries and compensation	1,899,750	137,440	2,037,190	638,965	834,136	3,510,291
Employee benefits & other	69,266	-	69,266	51,276	66,937	187,479
Payroll taxes	147,640	5,812	153,452	43,891	57,296	254,639
	<u>2,116,656</u>	<u>143,252</u>	<u>2,259,908</u>	<u>734,132</u>	<u>958,369</u>	<u>3,952,409</u>
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
	<u>84,292</u>	<u>32,781</u>	<u>117,073</u>	<u>20,217</u>	<u>26,392</u>	<u>163,682</u>
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>

See notes to the consolidated financial statements.

COPTIC ORPHANS
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 10,035,543	\$ (6,865,066)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	41,171	54,741
Amortization on finance lease right-of-use assets	508,548	152,803
Non-cash contributions received	(25,389)	(80,512)
Contributions restricted for long-term purposes	(36,430)	(28,784)
Unrealized and realized (gains) losses on investments	(7,322,629)	9,082,394
Unrealized and realized (gains) losses on endowments	(128,826)	154,204
Loss on disposal of property and equipment	82,991	4,898
Decrease (increase) in assets:		
Contributions receivable	42,307	(18,310)
Other receivable	(3,319)	(1,375)
Prepaid expenses	262,037	(130,142)
Deposits and other assets	(78,910)	5,049
Increase (decrease) in liabilities:		
Accounts payable and gifts payable	(12,501)	(1,529,730)
Accrued expenses	122,824	6,196
Net cash provided by operating activities	<u>3,487,417</u>	<u>806,366</u>
Cash Flows From Investing Activities		
Proceeds from sales of investments	21,670	-
Purchases of investments and reinvested earnings	(2,190,335)	(568,236)
Purchases of property and equipment	(16,843)	(13,758)
Additions to endowments	(26,265)	(2,945)
Net cash used in investing activities	<u>(2,211,773)</u>	<u>(584,939)</u>
Cash Flows From Financing Activities		
Collection of contributions restricted for long-term purposes	36,430	28,784
Payments on principal portion of finance leases	(356,096)	(104,359)
Net cash used in financing activities	<u>(319,666)</u>	<u>(75,575)</u>
Effect of Changes in Exchange Rate	<u>(29,587)</u>	<u>125,313</u>
Increase in Cash and Cash Equivalents	926,391	271,165
Cash and Cash Equivalents, Beginning	<u>7,089,027</u>	<u>6,817,862</u>
Cash and Cash Equivalents, Ending	<u>\$ 8,015,418</u>	<u>\$ 7,089,027</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 246,714</u>	<u>\$ 52,544</u>

See notes to the consolidated financial statements.

COPTIC ORPHANS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

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 15,564 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' 825 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 CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

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 CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

NOTE 1 - NATURE OF OPERATIONS (Continued)

Community Development (Continued)

The 21 & Serve to Learn

The 21 program is a fully paid trip by Coptic Orphans that aims to give Coptic young adults in the diaspora the opportunity to serve in Egypt while learning about their heritage and Coptic identity. While in Egypt, fellows of the 21 Program serve Coptic Orphans children, visit churches and cultural sites, and strengthen their ties with their roots and heritage. Participants were selected based on certain criteria. In 2023, 100 fellows served roughly 2,000 children in Egypt in two different groups from June 8 to July 3 and from July 13 to August 7.

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. In 2023, the Serve to Learn program brought 21 volunteers to serve roughly 500 children in Egypt from January 21 to February 11.

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 CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

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 consolidated 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 and the net losses on foreign currency valuation.

Cash and Cash Equivalents

For purposes of the consolidated 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 credit losses as of December 31, 2023 and 2022.

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

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 \$5,000 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 consolidated 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 consolidated statements of activities. Unrealized and realized gains and losses are reported as non-operating gains or losses in the consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

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 consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

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 consolidated 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, 2023 and 2022.

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 CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

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, 2023 and 2022, the value of all contributed services meeting the requirements for recognition was not considered material, and therefore, has not been recorded in the accompanying consolidated financial statements.

Use of Estimates

The preparation of consolidated 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 consolidated 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 consolidated 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 consolidated 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.

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 consolidated 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 in the consolidated statements of activities.

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2023 and 2022 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.

Reclassifications

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

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

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, 2023 and 2022. All investments are considered Level 1 (using quoted prices in active markets for identical assets):

	<u>2023</u>	<u>2022</u>
	Level 1	Level 1
Investments:		
Money market funds	\$ 158,073	\$ 9,098
Mutual funds:		
Fixed income	10,732,246	9,841,830
Equity	32,501,433	23,912,207
Stocks	<u>193,391</u>	<u>150,234</u>
Total investments	<u>\$ 43,585,143</u>	<u>\$ 33,913,369</u>

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

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 897,821	\$ 602,614
Less investment fees	<u>(21,670)</u>	<u>(22,767)</u>
	876,151	579,847
Unrealized and realized gains (losses)	<u>7,451,455</u>	<u>(9,236,598)</u>
Net investment income (losses)	<u>\$ 8,327,606</u>	<u>\$ (8,656,751)</u>

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Apartment, Egypt	\$ 62,000	\$ 62,000
Building, Egypt	111,725	111,725
Equipment	121,776	121,776
Furniture and fixtures	48,999	32,156
Software	53,058	56,549
Vehicles	<u>94,629</u>	<u>94,630</u>
	492,187	478,836
Less accumulated depreciation and amortization	<u>(376,961)</u>	<u>(335,760)</u>
	115,226	143,076
Land	1,343,036	1,343,036
Construction in progress	<u>-</u>	<u>95,024</u>
Total property and equipment, net	<u>\$ 1,458,262</u>	<u>\$ 1,581,136</u>

Coptic Orphans planned to construct an office building in Egypt. Construction was put on hold in early 2020 due to COVID-19 and certain zoning-related issues. Construction in progress consisted of project costs including entitlements, architect, legal, and any other related fees incurred for the development of the new facility. In 2023, Coptic Orphans determined to rent an office building instead of building a new building for Egypt office and wrote off construction in progress.

Depreciation and amortization expense on property and equipment totaled \$41,171 and \$54,741 for the years ended December 31, 2023 and 2022, respectively.

NOTE 5 - LEASES

Coptic Orphans has noncancelable leases for office space in the United States, Australia and Egypt and has a cancelable lease in Canada. 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 in the consolidated statements of financial position.

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

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

NOTE 5 - LEASES (Continued)

The office lease in Australia commenced in March 2023 and expires in February 2026 with an option to extend for a maximum of six years following the lease expiration date. The monthly payments are AUD 5,000, with an annual escalation of the lesser of 4% or the local Consumer Price Index. Coptic Orphans is entitled to three-month rent abatement, the first two months during the lease year one and the first month during the lease year two.

In October 2022, Coptic Orphans entered an office lease in Egypt, commencing December 2022 and ending November 2027. The monthly payments are USD 28,500, with an annual escalation of 2%.

In July 2021, Coptic Orphans entered an office lease in Canada, commencing November 2023 and ending October 31, 2028. The monthly payments are CAD 1,852 for the first lease year, CAD 2,419 for the second and third lease years and CAD 2,605 thereafter. Coptic Orphans is also responsible for operating costs and realty taxes, which is estimated to be CAD 2,205 per month in calendar year 2023 and CAD 2,276 thereafter.

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

	<u>2023</u>	<u>2022</u>
Finance right-of-use assets:		
Costs	\$ 3,843,177	\$ 2,127,757
Accumulated amortization of right-of-use assets	<u>(724,447)</u>	<u>(269,817)</u>
Total finance right-of-use assets	<u>\$ 3,118,730</u>	<u>\$ 1,857,940</u>
Finance lease liabilities:		
Lease liabilities, current portion	\$ 440,156	\$ 168,383
Lease liabilities, net of current portion	<u>2,931,253</u>	<u>1,834,926</u>
Total finance lease liabilities	<u>\$ 3,371,409</u>	<u>\$ 2,003,309</u>

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

2024	\$ 653,937
2025	671,291
2026	684,330
2027	639,026
2028	321,635
Thereafter	<u>1,008,297</u>
Total	3,978,516
Less, imputed interest	<u>(607,107)</u>
Present value of finance lease liabilities	<u>\$ 3,371,409</u>

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

NOTE 5 - LEASES (Continued)

The weighted-average discount rate and remaining lease term and the components of lease costs are as follows.

	<u>2023</u>	<u>2022</u>
Weighted-average discount rate	<u>7.03%</u>	<u>2.42%</u>
Weighted-average remaining lease term (years)	<u>6.63</u>	<u>9.42</u>
Interest expense	<u>\$ 246,714</u>	<u>\$ 52,544</u>
Amortization expense	<u>\$ 508,548</u>	<u>\$ 217,347</u>

Coptic Orphans recognizes amortization expense for the right-of-use asset leases on a straight-line basis over the individual lease terms and amortization expense was included in occupancy in the consolidated statements of functional expense.

The interest expense was included in occupancy in the consolidated statements of functional expenses.

The \$4,112 and \$472 variance between the accumulated amortization of right-of-use assets and the amortization expense was the effect of the exchange rate during the years ended December 31, 2023 and 2022, respectively. The \$348 variance between the total repayments and the change in lease liabilities was the effect of the exchange rate during the year ended December 31, 2023 and there was none in 2022.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Coptic Orphans' net assets with donor restrictions consisted of the following as of December 31, 2023:

	<u>Restricted for Time or Purpose</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Donor-directed gifts to program participants	\$ 429,040	\$ -	\$ 429,040
St. Kyril Partnership	124,988	-	124,988
Bishop Samuel endowment	227,054	289,283	516,337
Taunt Awatef endowment	<u>5,660</u>	<u>221,213</u>	<u>226,873</u>
Total net assets with donor restrictions	<u>\$ 786,742</u>	<u>\$ 510,496</u>	<u>\$ 1,297,238</u>

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

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</u> <u>Time or Purpose</u>	<u>Restricted</u> <u>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>

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).

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.

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

NOTE 7 - ENDOWMENTS (Continued)

The following represents the availability of the Endowment Fund as of December 31, 2023:

	<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>232,714</u>	\$ <u>510,496</u>	\$ <u>743,210</u>

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>

Changes in the donor-restricted endowment net assets for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Endowment net assets, beginning of the year	\$ 571,272	\$ 691,212
Contributions	36,430	28,784
Distributions	(3,736)	(1,352)
Interest and dividends	10,418	6,832
Net appreciation (depreciation) in fair value	<u>128,826</u>	<u>(154,204)</u>
Endowment net assets, end of the year	<u>\$ 743,210</u>	<u>\$ 571,272</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.

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

NOTE 7 - ENDOWMENTS (Continued)

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 4% of the endowment funds' value based on a three-year moving average of the funds' beginning market value.

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 \$63,788 and \$48,973 for the years ended December 31, 2023 and 2022, respectively, which is reported in employee benefits & other in the consolidated 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 \$21,649 and \$16,604 for the years ended December 31, 2023 and 2022, respectively.

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 8,015,418	\$ 7,089,027
Contributions receivable	-	42,307
Other receivable	18,060	14,741
Investments at fair value	<u>43,585,143</u>	<u>33,913,369</u>
 Total financial assets available within one year	 51,618,621	 41,059,444
 Less, amounts unavailable for general expenditures within one year, due to:		
Donor restrictions	<u>(1,297,238)</u>	<u>(1,013,309)</u>
 Total financial assets available to management for general expenditures within one year	 <u>\$ 50,321,383</u>	 <u>\$ 40,046,135</u>

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

NOTE 10 - RISKS, UNCERTAINTIES AND CONTINGENCIES

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 consolidated financial statements.

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

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

NOTE 10 - RISKS, UNCERTAINTIES AND CONTINGENCIES (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, 2023 and 2022, cash and cash equivalents totaling approximately \$4.2 million and \$5.5 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, 2023 and 2022, Coptic Orphans' investments in the Vanguard Total Stock Market Index Fund Institutional Shares accounted for 36% and 34% 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 8% and 14% of Coptic Orphans' total net assets for 2023 and 2022, 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 consolidated 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 consolidated statements of activities. Subsequent to the year end, there was a devaluation and significant fluctuations in the value of Egyptian Pounds relative to the U.S. dollar. Management has yet been able to determine the effect of the currency devaluation.

COPTIC ORPHANS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

NOTE 10 - RISKS, UNCERTAINTIES AND CONTINGENCIES (Continued)

Paycheck Protection Program

During the year ended December 31, 2020, Coptic Orphans was granted a loan for \$315,269 from a local bank under the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA). The loan was forgiven by the SBA.

According to the rules of the SBA, Coptic Orphans is required to retain documentation for six years after the date of the loan is forgiven, 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 11 - RELATED PARTY TRANSACTIONS

Coptic Orphans, a related organization, charged the Australia affiliate office \$647,606 and \$51,598 for management fees for the years ended December 31, 2023 and 2022, respectively. In addition, Coptic Orphans USA, a related organization, charged the Canada affiliate office \$554,573 for the year ended December 31, 2023 and none for the year ended December 31, 2022. 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 consolidated statements of financial position and activities for reporting purposes.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 22, 2024, 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.