

CABC USA, INC.
FINANCIAL STATEMENTS

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)

CABC USA, INC.
December 31, 2022 and 2021

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditors' Report on Financial Statements.....	1-2
<u>Exhibit</u>	
A Statements of Financial Position.....	3
B Statements of Activities.....	4
C Statements of Functional Expenses.....	5-6
D Statements of Cash Flows.....	7
Notes to Financial Statements.....	8-10



MARTIN · SMITH

& COMPANY CPAs

INDEPENDENT AUDITORS' REPORT

Board of Directors
CABC USA, Inc.
New Berlin, Wisconsin

Opinion

We have audited the accompanying statements of financial position of CABC USA, Inc. (“the Organization”) as of December 31, 2022 and 2021, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CABC USA, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibility of Management for the Financial Statements

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

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

Auditors’ Responsibilities for the Audit of the Financial Statements

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

Other Matter

The financial statements for the year ended December 31, 2021, were audited by another auditor. That audit report was dated September 14, 2022, and contained an unmodified opinion.

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.

Martin Smith and Company CPAs PA

Greenville, South Carolina
July 17, 2023

CABC USA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ <u>2,554,363</u>	\$ <u>1,500,182</u>
Total assets	\$ <u><u>2,554,363</u></u>	\$ <u><u>1,500,182</u></u>
 NET ASSETS		
Without donor restrictions	<u>2,554,363</u>	<u>1,500,182</u>
With donor restrictions	<u>-</u>	<u>-</u>
Total net assets	<u>2,554,363</u>	<u>1,500,182</u>
Total net assets	\$ <u><u>2,554,363</u></u>	\$ <u><u>1,500,182</u></u>

See accompanying notes to financial statements.

CABC USA, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
SUPPORT AND REVENUE		
Contributions	\$ 2,345,930	\$ 1,697,542
Investment income	\$ 6	\$ -
Total support and revenues	<u>2,345,936</u>	<u>1,697,542</u>
EXPENSES		
Program services	1,216,519	976,280
General and administrative	39,235	23,860
Fundraising	<u>36,000</u>	<u>19,500</u>
Total expenses	<u>1,291,754</u>	<u>1,019,640</u>
CHANGE IN NET ASSETS		
Change in net assets without donor restrictions	1,054,182	677,902
Net assets without donor restrictions at beginning of year	<u>1,500,182</u>	<u>822,280</u>
Net assets without donor restrictions at end of year	<u>\$ 2,554,364</u>	<u>\$ 1,500,182</u>

See accompanying notes to financial statements.

CABC USA, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 1,054,181	\$ 677,902
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	-	-
Net cash provided by operating activities	1,054,181	677,902
Net increase in cash and cash equivalents	1,054,181	677,902
Cash and cash equivalents at beginning of year	1,500,182	822,280
Cash and cash equivalents at end of year	\$ 2,554,363	\$ 1,500,182

Schedule of non-cash financing and investing activities:

During the years ended December 31, 2022 and 2021, the amount of interest and income taxes paid is zero.

See accompanying notes to financial statements.

CABC USA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Accounting	\$ -	\$ 12,000	\$ -	\$ 12,000
Bank service charges	-	2,917	-	2,917
Grants to Central Africa Baptist University	1,216,519	-	-	1,216,519
Miscellaneous	-	9,424	-	9,424
Professional fees	-	13,225	36,000	49,225
Travel	-	1,669	-	1,669
	<u>-</u>	<u>1,669</u>	<u>-</u>	<u>1,669</u>
Total expenses	<u>\$ 1,216,519</u>	<u>\$ 39,235</u>	<u>\$ 36,000</u>	<u>\$ 1,291,754</u>

See accompanying notes to financial statements.

CABC USA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Accounting	\$ -	\$ 19,915	\$ -	\$ 19,915
Bank service charges	-	2,072	-	2,072
Educational courses	5,900	-	-	5,900
Equipment	7,693	-	-	7,693
Grants to Central Africa Baptist University	957,689	-	-	957,689
Information technology	160	-	-	160
Miscellaneous	4,838	10	-	4,848
Printing and postage	-	259	-	259
Professional fees	-	-	19,500	19,500
Travel	-	1,604	-	1,604
	<u>-</u>	<u>1,604</u>	<u>-</u>	<u>1,604</u>
Total expenses	<u>\$ 976,280</u>	<u>\$ 23,860</u>	<u>\$ 19,500</u>	<u>\$ 1,019,640</u>

See accompanying notes to financial statements.

CABC USA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Nature of Organization

The mission of CABC USA, Inc. (“the Organization”) is to facilitate the training of the next generation of servant-leaders for Great Commission living. In furtherance of this Great Commission, the Organization intends to advance the Gospel of the Lord Jesus Christ by equipping servant-leaders to be pastors, evangelists, educators, and trainers of Christian leaders for service to Christ our King across Africa. The Organization’s mission is best served by working closely with Central Africa Baptist University, formerly known as Central Africa Baptist College & Seminary, Ltd. (“the University”), an independent nonprofit, non-governmental organization based in Zambia, Africa. The Organization provides funding for specific grant requests from the University.

b. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

c. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (“FASB”) in the *Accounting Standards Codification* (“ASC”). Under FASB ASC, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations and currently available for operating purposes under the direction of the Board of Directors (“the Board”), designated by the Board for specific purposes, or invested in property and equipment.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. At December 31, 2022 and 2021, the Organization had no net assets with donor restrictions.

d. Revenue Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged. Contributions received are recorded as support with or without donor-restrictions, depending on the existence and or nature of any donor restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. Upon the expiration of restrictions on net assets (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are classified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. It is the Organization’s policy to record restricted contributions received whose restrictions are met during the same year as support without donor restrictions.

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services, because they do not meet recognition criteria prescribed by generally accepted accounting principles in the United States of America (“GAAP”). GAAP allows recognition of contributed services only if (a) the services create or enhance nonfinancial assets, or (b) the services would have been purchases if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated professional services are recorded at the respective fair values of the services received. Contributed goods are recorded at fair value at the date of donation. No significant contributions of such goods or services were received during the years ended December 31, 2022 and 2021, respectively.

CABC USA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

e. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values, using the three-level hierarchy established under the *Fair Value Measurement* topic of the FASB ASC. Unrealized gains and losses are recognized for the change in fair value between reporting periods. Net realized and unrealized gains and losses on investments generally are reported as increases and decreases in net assets without donor restrictions unless explicit donor stipulations restrict their use. Interest and dividend income is recognized when earned. Investments consisted of money market funds at December 31, 2022.

f. Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

g. Income Taxes

The Organization has been recognized by the Internal Revenue Service (“IRS”) as exempt from federal income taxes under Internal Revenue Code (“IRC”) Section 501(a) as an organization described in IRC Section 502(c)(3), qualifies for charitable contribution deductions, and has been determined not to be a private foundation. The Organization is annually required to file a Return of Organization Exempt from Income Tax (“Form 990”) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. In 2022 and 2021, the Organization was not subject to unrelated business income tax and did not file an Exempt Organization Business Income Tax Return (“Form 990-T”) with the IRS.

h. Functional Allocation of Expenditures

The costs of programs and supporting activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification detail of expenses by function. Certain categories of expenses are attributed to more than one program or supporting function. Accordingly, certain costs have been allocated among the programs and supporting services benefited on a reasonable basis that is consistently applied. In 2022 and 2021, all expenses were directly charged to the functional categories. As much of the Organization’s fundraising efforts were performed by volunteers in 2022 and 2021, minimal fundraising expenses were reported in the financial statements.

i. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, which include:

- Depreciable lives of assets and methods of depreciation;
- An allowance for uncollectible accounts; and
- Fair value of investments.

CABC USA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization has adopted the provisions of the *Fair Value Measurements and Disclosures* topic of FASB ASC. This guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value. Level 1 inputs represent fair values obtained using quoted prices in active markets. Level 2 inputs represent fair values obtained from observable market data but not from quoted market prices. Level 3 inputs represent unobservable inputs that are supported by little or no market activity and are generally based on the entity's own assumptions.

The following methods and assumptions are used to estimate the fair value of each financial instrument:

Cash and accounts payable – the carrying values approximate fair value due to their short maturities.

3. RELATED PARTY TRANSACTION

During 2022 and 2021, a member of the Board of Directors (“the Board”) was also an advancement director consultant for the Organization. The agreement was approved by the Board, and in 2022 and 2021, the Organization paid approximately \$36,000 and \$16,000, respectively, to the Board member in this capacity.

4. CONCENTRATION OF CREDIT RISK

The Organization has cash and cash equivalents of \$2,554,363 deposited in three financial institutions on December 31, 2022. Balances in one financial institution were \$1,693,408 in excess of the Federal Deposit Insurance Corporation's \$250,000 insured amount and were not collateralized.

The Organization is supported by philanthropic contributions from the public. During the years ended December 31, 2022 and 2021, funding from two contributors accounted for 58% and 57% of total revenue, respectively.

5. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As part of its liquidity plan, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Organization maintains a line of credit that is available for general expenditures.

Financial assets, without donor or other restrictions limiting their use, available for general expenditures within one year of the Statements of Financial Position date are comprised of the following on December 31, 2022 and 2021:

	2022	2021
Financial assets:		
Cash and cash equivalents	\$ <u>2,554,363</u>	\$ <u>1,500,182</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>2,554,363</u>	\$ <u>1,500,182</u>

6. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 17, 2023, the date the financial statements were available to be issued. There were no such events requiring recording for the year ended December 31, 2022.