

CHILD EVANGELISM FELLOWSHIP, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021



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CHILD EVANGELISM FELLOWSHIP, INC.
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YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Child Evangelism Fellowship, Inc.
Warrenton, Missouri

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Child Evangelism Fellowship, Inc., a nonprofit organization, which comprise the statements of financial position as of December 31, 2021 and the related statements of activities, functional expenses, and cash flows for the year 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 Child Evangelism Fellowship, Inc. as of December 31, 2021 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 (GAAS). 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 Child Evangelism Fellowship, 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.

Responsibilities 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 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 Child Evangelism Fellowship, Inc.'s ability to continue as a going concern for one year after the date 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 GAAS 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 GAAS, 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 Child Evangelism Fellowship, Inc.'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 Child Evangelism Fellowship, Inc.'s 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.

Report on Summarized Comparative Information

We have previously audited Child Evangelism Fellowship, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 10, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Board of Trustees
Child Evangelism Fellowship, Inc.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Louis, Missouri
May 9, 2022

CHILD EVANGELISM FELLOWSHIP, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
(WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 4,393,747	\$ 2,745,895	\$ 7,139,642	\$ 5,200,466
Investments	2,088,285	-	2,088,285	-
Accounts Receivable	54,006	-	54,006	31,112
Promise to Give	-	-	-	578,544
Inventories	437,147	-	437,147	603,906
Prepaid Expenses and Other Assets	3,538	-	3,538	4,334
Total Current Assets	6,976,723	2,745,895	9,722,618	6,418,362
OTHER INVESTMENT IN PROPERTY	2,109,337	-	2,109,337	1,703,875
ACCOUNTS RECEIVABLE CANADA , Net of Allowance for Doubtful Accounts of \$543,629 at December 31, 2021	27,228	-	27,228	567,789
INVESTMENTS HELD FOR CONTRACTS PAYABLE	1,123,721	-	1,123,721	1,055,265
PROPERTY AND EQUIPMENT				
Land	91,800	-	91,800	91,800
Buildings and Improvements	8,719,213	-	8,719,213	8,719,213
Equipment	2,080,958	-	2,080,958	1,757,433
Furniture and Fixtures	64,089	-	64,089	58,467
Missionary Equipment	1,410,907	-	1,410,907	1,210,292
Construction in Progress	259,920	-	259,920	-
Total	12,626,887	-	12,626,887	11,837,205
Less: Accumulated Depreciation	(7,753,942)	-	(7,753,942)	(7,150,192)
Net Property and Equipment	4,872,945	-	4,872,945	4,687,013
Total Assets	\$ 15,109,954	\$ 2,745,895	\$ 17,855,849	\$ 14,432,304

See accompanying Notes to Financial Statements.

CHILD EVANGELISM FELLOWSHIP, INC.
STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2021
(WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Short-Term Notes Payable	\$ 120,000	\$ -	\$ 120,000	\$ 125,000
Line of Credit	-	-	-	445,898
Current Maturities of Capital Lease Obligation	67,397	-	67,397	64,437
Current Maturities of Contracts Payable	783,760	-	783,760	995,298
Accounts Payable	344,872	-	344,872	224,977
Accrued Vacation and Sick Leave	397,304	-	397,304	422,654
Other Accrued Liabilities	83,980	-	83,980	92,276
Deferred Revenue	9,541	-	9,541	13,423
Total Current Liabilities	1,806,854	-	1,806,854	2,383,963
LONG-TERM LIABILITIES, LESS				
CURRENT MATURITIES				
Capital Lease Obligation	175,937	-	175,937	243,334
Contracts Payable	772,202	-	772,202	803,333
Total Liabilities	2,754,993	-	2,754,993	3,430,630
NET ASSETS	12,354,961	2,745,895	15,100,856	11,001,674
Total Liabilities and Net Assets	\$ 15,109,954	\$ 2,745,895	\$ 17,855,849	\$ 14,432,304

See accompanying Notes to Financial Statements.

CHILD EVANGELISM FELLOWSHIP, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 13,948,267	\$ 6,524,570	\$ 20,472,837	\$ 16,711,988
Sales of Literature and Materials	1,004,570	-	1,004,570	957,701
Institute and Training Registrations	146,105	-	146,105	194,490
Investment Income	246,588	-	246,588	141,103
Royalty Income	8,689	-	8,689	5,952
Other Income	182,267	-	182,267	34,429
Gain on Extinguishment of PPP Loan	-	-	-	1,311,719
Loss on Sale of Fixed Assets	(795)	-	(795)	12,607
Change in Value of Split-Interest Agreements	(50,483)	-	(50,483)	(17,537)
Net Assets Released from Restrictions	5,399,475	(5,399,475)	-	-
Total Revenues, Gains, and Other Support	20,884,683	1,125,095	22,009,778	19,352,452
PROGRAM SERVICES				
International Ministries	5,869,744	-	5,869,744	5,017,951
Sponsor-A-National	2,608,458	-	2,608,458	2,562,315
Box of Books and Other	515,099	-	515,099	444,266
Cost of Literature and Materials	1,852,000	-	1,852,000	1,485,839
Training	819,973	-	819,973	650,351
United States Ministries	1,912,195	-	1,912,195	1,978,462
Military Children's Ministries	37,188	-	37,188	43,876
Total Program Services	13,614,657	-	13,614,657	12,183,060
SUPPORTING SERVICES				
General and Administrative	2,335,617	-	2,335,617	2,275,775
Fundraising and Promotion	2,365,784	-	2,365,784	1,803,180
Total Supporting Services	4,701,401	-	4,701,401	4,078,955
Total Functional Expenses	18,316,058	-	18,316,058	16,262,015
OTHER INCOME				
Fair Value Gain Adjustment of Land Held as Other Investment Property	405,462	-	405,462	-
CHANGES IN NET ASSETS	2,974,087	1,125,095	4,099,182	3,090,437
Net Assets - Beginning of Year	9,380,874	1,620,800	11,001,674	7,911,237
NET ASSETS - END OF YEAR	<u>\$ 12,354,961</u>	<u>\$ 2,745,895</u>	<u>\$ 15,100,856</u>	<u>\$ 11,001,674</u>

See accompanying Notes to Financial Statements.

CHILD EVANGELISM FELLOWSHIP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2020)

	Program Services					
	International Ministries	Sponsor-A- National	Boxes of Books and Other	Cost of Literature and Materials	Training	United States Ministries
Salaries	\$ 1,916,227	\$ -	\$ -	\$ 761,411	\$ 430,205	\$ 1,051,414
Employee Benefits	369,237	-	-	111,376	45,341	183,187
Payroll Taxes	137,132	-	-	56,486	33,067	78,719
Cost of Goods Sold	-	-	-	372,639	-	-
Promotion	140,846	-	184	5,625	194	124,582
Telephone	81,493	-	-	1,329	-	32,173
Dues and Subscriptions	17,810	-	-	14,747	1,096	13,246
Legal, Professional, and Printing	93,111	-	-	3,000	330	77,338
Postage and Shipping	15,235	-	4,454	133,905	906	857
Travel	136,667	-	4,163	917	1,054	6,945
Conferences and Seminars	60,770	-	-	-	-	7,929
Literature	228,880	-	506,249	23,640	4,706	288
Field Development	1,621,841	2,608,458	-	-	-	109,331
Bad Debts Expense	-	-	-	-	-	-
Taxes	866	-	-	2,438	-	-
Insurance	9,333	-	-	-	-	26,530
Real Estate	227,041	-	-	-	-	-
Maintenance and Equipment	307,703	-	-	143,747	73,141	15,817
Guest Services	-	-	-	3,310	-	9,418
Education	119,617	-	-	-	18,147	-
Office Expenses	53,105	-	24	15,512	4,652	3,848
Meals and Housing	41,487	-	-	-	26,862	-
Information Services	22,309	-	-	63,816	43,515	23,295
Data Systems Expense	27,184	-	-	25,853	7,938	15,957
Miscellaneous	42,165	-	25	2,850	3,123	9,085
Interest	-	-	-	-	-	-
Depreciation	199,685	-	-	109,399	125,696	122,236
Total Expenses	\$ 5,869,744	\$ 2,608,458	\$ 515,099	\$ 1,852,000	\$ 819,973	\$ 1,912,195
CURRENT YEAR PERCENTAGES	32.05%	14.24%	2.81%	10.11%	4.48%	10.44%

See accompanying Notes to Financial Statements.

CHILD EVANGELISM FELLOWSHIP, INC.
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2020)

	Program Services		Supporting Services			Totals	
	Military Children's Ministry	Total	General and Administrative	Fund Raising and Promotion	Total	2021	2020
Salaries	\$ 27,672	\$ 4,186,929	\$ 1,132,281	\$ 658,697	\$ 1,790,978	\$ 5,977,907	\$ 5,466,294
Employee Benefits	588	709,729	161,768	83,942	245,710	955,439	1,199,274
Payroll Taxes	1,942	307,346	83,425	49,069	132,494	439,840	404,615
Cost of Goods Sold	-	372,639	-	-	-	372,639	485,825
Promotion	-	271,431	1,949	78,120	80,069	351,500	547,219
Telephone	-	114,995	6,977	6,829	13,806	128,801	98,580
Dues and Subscriptions	46	46,945	16,832	3,417	20,249	67,194	51,177
Legal, Professional, and Printing	-	173,779	81,591	205,473	287,064	460,843	430,048
Postage and Shipping	29	155,386	2,511	144,566	147,077	302,463	277,087
Travel	5,016	154,762	43,968	121,959	165,927	320,689	267,070
Conferences and Seminars	-	68,699	10,100	342,122	352,222	420,921	152,248
Literature	-	763,763	207	233	440	764,203	670,071
Field Development	-	4,339,630	23,047	-	23,047	4,362,677	4,109,081
Bad Debts Expense	-	-	-	543,629	543,629	543,629	-
Taxes	-	3,304	11,442	-	11,442	14,746	14,036
Insurance	10	35,873	79,155	64	79,219	115,092	138,975
Real Estate	-	227,041	-	-	-	227,041	40,228
Maintenance and Equipment	-	540,408	172,475	8,350	180,825	721,233	384,477
Guest Services	-	12,728	-	-	-	12,728	92,958
Education	-	137,764	6,921	-	6,921	144,685	72,385
Office Expenses	-	77,141	7,639	4,616	12,255	89,396	80,702
Meals and Housing	-	68,349	-	-	-	68,349	97,604
Information Services	1,885	154,820	50,177	30,227	80,404	235,224	128,928
Data Systems Expense	-	76,932	261,176	54,870	316,046	392,978	286,583
Miscellaneous	-	57,248	87,390	667	88,057	145,305	87,483
Interest	-	-	2,324	24,353	26,677	26,677	59,134
Depreciation	-	557,016	92,262	4,581	96,843	653,859	619,933
Total Expenses	<u>\$ 37,188</u>	<u>\$ 13,614,657</u>	<u>\$ 2,335,617</u>	<u>\$ 2,365,784</u>	<u>\$ 4,701,401</u>	<u>\$ 18,316,058</u>	<u>\$ 16,262,015</u>
CURRENT YEAR PERCENTAGES	0.20%	74.33%	13.87%	12.92%	25.67%	100.00%	100.00%

See accompanying Notes to Financial Statements.

CHILD EVANGELISM FELLOWSHIP, INC.
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 4,099,182	\$ 3,090,437
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	653,859	619,933
Annuities Issued	25,000	25,000
(Gain) Loss on Sale of Fixed Assets	795	(12,607)
Change in Value of Split Interest Agreements	50,483	17,537
Interest Added to Principal of Contracts Payable	4,773	10,009
Realized Gain on Sale of Investments	(136,078)	(47,580)
Unrealized Gain on Investments	(72,967)	(67,575)
Fair Value Gain of Land Held as Other Investment Property	(405,462)	-
Bad Debt Expense	543,629	-
Gain on Extinguishment of PPP Loan	-	(1,311,719)
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	(25,962)	52,257
Promise to Give	578,544	(578,544)
Inventories	166,759	(20,031)
Prepaid Expenses	796	(83)
Accounts Payable	119,895	31,465
Accrued Vacation and Sick Leave	(25,350)	29,657
Other Accrued Liabilities	(8,113)	(8,946)
Deferred Revenue	(3,882)	13,423
Net Cash Provided by Operating Activities	5,565,901	1,842,633
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Building Improvements and Equipment	(841,814)	(538,243)
Proceeds from Sale of Vehicles and Equipment	892	17,802
Purchases of Investments	(2,030,465)	-
Proceeds from Sale of Investments	82,922	81,250
Net Cash Used by Investing Activities	(2,788,465)	(439,191)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Line of Credit, Net	(445,898)	(100,744)
Payments on Capital Lease Obligation	(64,437)	(55,163)
Payments to Annuitants	(111,247)	(122,531)
Proceeds from PPP Loan	-	1,311,719
Payments on Long Term Note Payable	(5,000)	(533,344)
Payments on Contracts Payable	(211,678)	(141,681)
Net Cash Provided (Used) by Financing Activities	(838,260)	358,256
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,939,176	1,761,698
Cash and Cash Equivalents - Beginning of Year	5,200,466	3,438,768
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 7,139,642	\$ 5,200,466

See accompanying Notes to Financial Statements.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Child Evangelism Fellowship, Inc. (the Organization or CEF®) is a nonprofit organization incorporated under the Michigan General Not-For-Profit Corporation Act. The purpose of the Organization is to evangelize children with the gospel of the Lord Jesus Christ. The financial statements include the accounts of Child Evangelism Fellowship, Inc., but do not include the various foreign, state, and local chapters which the Organization may support.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

Financial statement presentation follows guidance set forth by accounting principles generally accepted for nonprofit organizations, which requires the Organization to report information regarding its financial position and activities according to two classes of net assets: without donor restriction and with donor restriction.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Estimates and Assumptions

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

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements.

Program Services

International Ministries

The International Ministries department provides leadership, administration, and financial support for CEF® offices and missionaries around the world. CEF is working toward a goal of having a CEF ministry in every country of the world.

Sponsor-A-National™ (SPAN)™

The *Sponsor-A-National™* program provides financial assistance to CEF national workers so they can begin full-time service with CEF while learning to raise support.

Boxes of Books

The Boxes of Books program provides boxes of teaching materials free of charge to CEF ministries in over 100 countries.

Literature and Materials

CEF Press® publishes and distributes Bible lesson curriculum, teaching tools, and supporting materials to help CEF accomplish ministry goals. CEF Studios™ produces videos to promote the work of CEF, recruit workers, and in other ways further the ministry of reaching boys and girls for Christ.

Training

Children's Ministries Institute® (CMI®) offers one of the most innovative, practical training programs available for leaders in children's ministry. Students receive training in direct ministries to children, teacher training, and ministry organization and leadership. CMI® also offers classes online through CMI Online.

United States Ministries (U.S.A. Ministries)

The U.S.A. Ministries department provides leadership, administration, and financial support for CEF affiliate chapters throughout the United States.

CEF Military Children's Ministry™

The *CEF Military Children's Ministry™* reaches the children on U.S. military installations and military communities through CEF programs like after-school *Good News Club®*, *5-Day Club®*, *Truth Chasers Club*, teaching training, and *Christian Youth In Action®*.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Program and Supporting Services (Continued)

Supporting Services

General and Administrative

These expenses include the functions necessary to support the ministry programs and to maintain the facilities at the Organization's International Headquarters campus.

Fundraising and Promotion

These expenses provide the structure necessary to encourage and secure financial support for CEF through contributions.

Concentration of Credit Risk

The majority of the Organization's cash and cash equivalents are maintained at one bank. The bank provides a maximum protection under regulations issued by the Federal Deposit Insurance Corporation (FDIC). At various times during the year ended December 31, 2021, deposits at this bank may have exceeded the FDIC's maximum insurable balance. At December 31, 2021, deposits at this bank in excess of federally insured limits were \$6,785,394. Also, the Organization's investments are subject to the inherent risks with the securities market.

Cash and Cash Equivalents

Cash and cash equivalents represent cash and money market funds held at a bank and at a foundation.

Accounts Receivable

Accounts receivable consist primarily of sales of literature and materials to customers and related chapter organizations throughout the world and are uncollateralized obligations due under normal trade terms generally requiring payment within 30 days from the invoice date.

Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoice. Accounts receivable are stated at the amount management expects to collect from outstanding balances at the time the right to consideration is unconditional. Management individually reviews all accounts receivable balances that exceed the due date by several days and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense and a credit to accounts receivable.

As of December 31, 2021, related U.S. chapters owe approximately \$48,000 and the Canadian chapter owes \$27,000 of accounts receivable.

Related Party Payables

As of December 31, 2021, related the Organization owes various U.S. chapters approximately \$45,000 within accounts payable.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges

Pledges are recorded as gift revenue when the related cash is collected. Pledges are obtained as an intention to give by the donor and not as an unconditional promise to give.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Inventory costs include materials, labor, and production overhead.

Property and Equipment

Property and equipment is recorded at cost if purchased and fair value if contributed and depreciated using the straight-line method based on the estimated useful lives of the assets ranging from 5 to 40 years. The Organization capitalizes property and equipment when the cost or fair value is greater than \$1,000.

Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Recognition of Donor Restrictions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Because missionary work is the primary mission of the Organization, contributions for missionary work are considered contributions without donor restrictions. The Organization makes every effort to honor the contribution restrictions of the donor, but the contributions remain under the direction and control of the Organization. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as Net Assets Released from Restrictions. Investment income on assets with donor restriction whose restrictions are met in the same period are shown as increases in support without donor restriction.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of Donor Restrictions (Continued)

The Organization reports gifts of long-lived assets 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 and gifts of cash that must be used to acquire long-lived assets are reported as support with donor restriction. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Sales of Literature and Materials

The Organization enters into contracts with customers to publish and provide instructional literature and materials for use within the Organization and for sale to outside customers, which is typically the only performance obligation. The pricing and payment terms for contracts are based on the Organization's standard terms and conditions or the result of specific negotiations with each customer. Contracts do not contain a significant financing component as the Organization's standard terms and conditions generally require payment within 30 days from the invoice date.

Revenue is recognized when control of literature and materials has transferred to customers. Control typically transfers to customers at a point in time, when the product has been shipped as that is generally when legal title, physical possession and risk and rewards transfer to the customer.

Shipping and Handling

The Organization has standard shipping and handling rates that are based on the sales price of the shipment. Shipping and handling charges are billed on the customer's invoice and included in sales of literature and materials. Shipping and handling charged by the carrier to transport products to the buyer's destination are included in cost of literature and materials sold.

Expense Allocation

Expenses are charged to programs and supporting services on the basis of actual costs incurred by the specific program or supporting service, as well as on the basis of periodic time and expense studies and square footage usage. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement of Cash Flows

Interest of \$22,087 was paid for the year ended December 31, 2021.

Noncash investing transactions that occurred during the year ended December 31, 2021 included the retirement of fully depreciated equipment for \$51,353. Construction in process in the amount of \$153,000 was funded through accounts payable at December 31, 2021.

Income Taxes

The Organization is exempt from United States federal income taxes under the provisions of the Internal Revenue Code, Section 501(c)(3).

Net Assets and Contributions

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

Net Assets Without Donor Restrictions – Net Assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net Assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restriction when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as Net Assets Released from Restrictions. The Organization has adopted the policy of reporting net assets released from restrictions upon completion of the donor purpose restriction, regardless of whether the related cash has been received.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

Management has evaluated subsequent events through May 9, 2022, the date that the financial statements were available for issue.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 INVESTMENTS

Investments are valued at fair value at the date of purchase or donation. Investment income includes realized and unrealized gains and losses, dividends, and interest. Realized gains and losses are computed on the average cost basis at the trade date. Unrealized gains and losses are computed based on historical cost and quoted market values. The Organization values investments either at fair value or net asset value, depending on the type of investment at December 31, 2021.

Investments consist of the following at December 31, 2021:

	Fair Value	Net Asset Value	Total
Investments Held For Contracts Payable:			
Barnabas Long-Term Growth Fund	\$ -	\$ 1,123,721	\$ 1,123,721
Barnabas Investment Fund	-	2,082,892	2,082,892
Equities	5,393	-	5,393
Other Investment in Property:			
Fair Value	2,109,337	-	2,109,337
Total Investments	<u>\$ 2,114,730</u>	<u>\$ 3,206,613</u>	<u>\$ 5,321,343</u>

Investment gain for the year ended December 31, 2021 consists of the following:

Realized Gain on Sales of Investments	\$ 136,078
Unrealized Gain on Investments	72,967
Dividend and Interest Income, Net	37,543
Total	<u>\$ 246,588</u>

During the year, an appraisal was performed and the 499 acres of land that are held for investment increased in fair value by \$405,462.

NOTE 3 INVENTORIES

Inventories consist of the following at December 31, 2021:

Raw Materials	\$ 44,464
Work in Process	98,016
Finished Goods	294,667
Total	<u>\$ 437,147</u>

NOTE 4 LINE OF CREDIT

During the year ended December 31, 2021, the Organization maintained a revolving loan agreement with a bank with a \$1,500,000 maximum credit limit. Borrowings under the revolving loan are due on June 19, 2022, with interest payable monthly at 4.5% as of December 31, 2021. This line of credit is secured by a deed of trust of property, inventory, furniture, fixtures, and equipment. The Organization had an outstanding balance on this line of credit of \$-0- at December 31, 2021.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 NOTES PAYABLE

Short-term notes payable at December 31, 2021 consist of the following:

<u>Description</u>	<u>Amount</u>
To various individuals; unsecured demand notes payable requiring 60-90 days notice; no maturity date; bearing interest at rates are 3.25%.	<u>\$ 120,000</u>

NOTE 6 CONTRACTS PAYABLE

Contracts payable at December 31, 2021 consist of the following:

	Current Maturities	Long-Term Portion	Total
Revocable Trusts	\$ 466,944	\$ -	\$ 466,944
Irrevocable Trusts	12,904	-	12,904
Annuity Agreements	103,826	772,202	876,028
Revocable Gifts	200,086	-	200,086
Total	<u>\$ 783,760</u>	<u>\$ 772,202</u>	<u>\$ 1,555,962</u>

Revocable trusts represent assets placed in trust with the Organization. Periodic interest payments are made using interest rates ranging from 3.25% to 6%. The agreements may be cancelled upon written notification of the grantor, with the requirement that all assets be distributed to the grantor within 30 to 90 days, depending on the individual agreement. All of the agreements terminate with the death of the survivor of the grantor or other beneficiaries; beneficiaries include other organizations and individuals, as well as the Organization.

Irrevocable trusts represent assets placed in trust with the Organization. Periodic interest payments are made using interest rates in the range from 3.25% to 8.5%. All agreements terminate with the death of the survivor of the grantor or other beneficiaries; beneficiaries include other individuals as well as the Organization.

At December 31, 2021, the Organization was listed as the beneficiary for \$344,245 of the revocable and irrevocable trusts.

Annuity agreements represent the present value of future annuities payable to the annuitants as of December 31, 2021, which is calculated annually based on actuarial assumptions. The change in value of split interest agreements is (\$50,483) for the year ended December 31, 2021. The Organization has segregated \$1,123,721 of investment as separate and designated funds to be used for no purpose other than annuity benefits.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 6 CONTRACTS PAYABLE (CONTINUED)

Revocable gifts represent assets deposited with the Organization on which interest is accrued and paid either monthly, quarterly, semi-annually, or annually. Interest rates are at 3.25%. These agreements are cancelable upon written notification of the donor. Upon the donor's death, all assets under the agreement become the property of the Organization.

NOTE 7 RETIREMENT PLAN

The Organization maintains a defined contribution plan with a 401(k) feature. Under this retirement plan, the Organization may make a discretionary matching contribution equal to a uniform percentage of participant salary deferrals. During the year ended December 31, 2021, the expense charged to operations for employer matching contributions was \$290,329.

NOTE 8 NET ASSETS

Net assets with donor restrictions at December 31, 2021 are available for the following purposes:

Program Services:

USA Ministries Expansion	\$ 948,920
Digital Content Platform	427,214
Digital Creative Center	316,972
India Training Center	237,521
SPAN	168,900
Boxes of Books/International Literature	105,843
Countries	89,235
Jamaica Partnership	61,081
International Conference	59,206
Encouragement Fund - Executive	54,583
National Directors Institute	42,766
Good News Expansion Club	38,404
International Training	34,834
Translations	33,560
Scholarships	30,636
Missionaries	23,446
Headquarters Capital Assets	18,976
Serbia-Camp Good News Scholarships	13,295
Encouragement Fund - USA	2,805
USA-Camp Good News	998
Total Program Services	<u><u>\$ 2,709,195</u></u>

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 8 NET ASSETS (CONTINUED)

Net assets with donor restriction at December 31, 2021 that are restricted to investments in perpetuity, the income from which is expendable to support as follows:

Missionaries in Greece and the Philippines	<u>\$ 36,700</u>
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Net assets without donor restrictions at December 31, 2021 but with a designation established by the board have been established for the following purposes:

Annuity Reserve	\$ 1,123,721
Operating Reserve	554,860
Cash Reserve	346,246
Demand Note Reserve	196,482
HQ Building Projects	75,467
Severance	165,000
Crisis Management Fund	52,087
Christmas Bonus	12,453
Total	<u>\$ 2,526,316</u>

NOTE 9 NET ASSETS RELEASED FROM DONOR RESTRICTIONS

The following net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the year ended December 31, 2021. It is the Organization's policy to recognize the release of donor restrictions for gifts received for long-lived assets when the long-lived asset is received or purchased and placed in service.

Purpose restrictions accomplished:

Program Services	<u>\$ 5,399,475</u>
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NOTE 10 FAIR VALUE MEASUREMENT AND NET ASSET VALUE

In accordance with Accounting Standards Codification (ASC) 820-10, *Fair Value Measurement*, the Organization reports at fair value financial assets and liabilities that are measured on a recurring basis. The fair values of significant financial assets and liabilities that are measured on a recurring basis at December 31, 2021, are as follows:

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 10 FAIR VALUE MEASUREMENT AND NET ASSET VALUE (CONTINUED)

	Fair Value Measurements at Reporting Date Using			
	Total at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Other Investment in Property -				
Nonrecurring	\$ 2,109,337	\$ -	\$ 2,109,337	\$ -
Equities	5,393	5,393	-	-
Total Assets	<u>\$ 2,114,730</u>	<u>\$ 5,393</u>	<u>\$ 2,109,337</u>	<u>\$ -</u>

Investment earnings and losses are presented within the statement of activities. In accordance with ASC 820-10, the investments are valued based on Levels 1, 2, and 3 inputs in the determination of fair value. Inputs for asset values are defined as follows:

Level 1 – Fair value is determined through quoted prices in active (public) markets for identical assets.

Level 2 – Fair value is determined through inputs other than quoted prices included within Level 1 that are observable for the asset either directly or indirectly, including appraisal of property (land).

Level 3 – Fair value is determined through unobservable inputs.

Investments Valued at Net Asset Value

The following table sets forth a summary of the investments of the Organization valued at net asset value as of December 31, 2021:

<u>Investments</u>	Net Asset Value
Barnabas Long-Term Growth Fund and Investment Fund	<u>\$ 3,206,613</u>

The investments that are recorded at net asset value are in the Barnabas Long-Term Growth Fund and the Barnabas Endowment Fund, which are component funds of the Barnabas Foundation Common Trust Fund. The Barnabas Long Term Growth and Endowment Funds invest primarily in value stocks, growth stocks, international stocks, mid to small cap stocks, U.S. and non-U.S. real estate investment trusts, U.S. treasuries, U.S. agencies, corporate debt, foreign debt, high yield bonds, managed futures, fund of funds hedge funds, and money market investments. The investment objective is to gain long-term capital appreciation while managing risk through investment allocation to a broad diversification of investments. There are no unfunded commitments as of December 31, 2021. Redemption is allowed once a month and, generally, 15-day notice for a full redemption is required.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 11 LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization has various sources of liquidity at its disposal, including ongoing donations, cash on hand, and an outside line of credit. As of December 31, 2021, \$1,500,000 is available to draw upon from the line of credit if needed. In addition, certain board designated asset are set aside for certain purposes but could be redirected with board approval.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be undertaken and supported by general expenditures of:

- Training volunteers and missionaries,
- Literature creation and distribution,
- Translations of languages,
- Supporting a National (SPAN), and
- Field support of local and worldwide operations.

The following table shows the financial assets held by the Organization and the amounts of those financial assets that could be made available within one year of the statement of financial position date to meet general expenditures, as of December 31, 2021:

Cash and Cash Equivalents	\$ 7,139,642
Accounts Receivable, Net	54,006
Investments	2,088,285
Total	<u>9,281,933</u>
Less: Donor Restricted Net Assets	(2,745,895)
Less: Board-Designated Net Assets	(847,734)
Total	<u><u>\$ 5,688,304</u></u>

These assets are shown net of purpose related donor restrictions and board designations.

NOTE 12 IN-KIND CONTRIBUTIONS

The Organization receives various printed materials, food products, professional services, and other goods which support the accomplishment of its mission. These donations are recorded in the financial statements as in-kind revenue at their estimated fair market value.

Numerous unpaid volunteers have contributed their time to the Organization, principally in program and administrative services. The value of this contributed time is not reflected in these financial statements since it does not meet the criteria for recognition under ASC 958-25-16, *Contributed Services*. Total volunteer hours were approximately 9,660 for the year ended December 31, 2021.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 13 COMMITMENTS

Operating Leases

The Organization leases office equipment under operating leases. These leases expire between June 2022 and May 2025. Total rent expense was \$6,442 for the year ended December 31, 2021.

Future minimum lease payments for these operating leases are as follows at December 31, 2021:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 3,673
2023	452
2024	452
2025	188
Total	<u>\$ 4,765</u>

Capital Lease

The Organization leases certain assets under a noncancelable capital lease arrangement. This lease expires May 2025. The following is a schedule of leased property under capital lease as of December 31, 2021.

Equipment, at Cost	\$ 344,043
Less: Accumulated Amortization	<u>108,947</u>
Net Leased Equipment Under Capital Lease	<u>\$ 235,096</u>

Depreciation expense includes \$67,397 for the equipment under capital lease for the year ended December 31, 2021.

The following is a schedule of future minimum lease payments under capital lease obligation, together with the present value of the net minimum lease payments as of December 31, 2021:

Total Minimum Lease Payments Due	\$ 262,974
Less: Amount Representing Interest	<u>(19,640)</u>
Present Value of Future Minimum Lease Payments	243,334
Less: Current Maturities	<u>(67,397)</u>
Long-Term Portion	<u>\$ 175,937</u>

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 13 COMMITMENTS (CONTINUED)

Capital Lease (Continued)

The aggregate maturities for long-term capital lease obligations at December 31, 2021 are as follows:

<u>Year Ending December 31,</u>	<u>Gross Payment Amount</u>	<u>Principal Amount</u>
2022	\$ 76,968	\$ 67,397
2023	76,968	70,493
2024	76,968	73,731
2025	32,070	31,713
Total	<u>\$ 262,974</u>	<u>\$ 243,334</u>

NOTE 14 INCOME TAXES

The Organization has adopted ASC 740-10, *Income Taxes*, as it relates to uncertain tax positions and has evaluated its tax positions taken for all open tax years.

Based on the evaluation of the Organization's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded at December 31, 2021.

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