

CHILD EVANGELISM FELLOWSHIP, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

CHILD EVANGELISM FELLOWSHIP, INC.
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YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Child Evangelism Fellowship, Inc. (a Missouri nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited Child Evangelism Fellowship, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 29, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

St. Louis, Missouri
May 10, 2021

CHILD EVANGELISM FELLOWSHIP, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2020	2019
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 3,579,666	\$ 1,620,800	\$ 5,200,466	\$ 3,438,768
Investments	-	-	-	726
Accounts Receivable	31,112	-	31,112	87,901
Promise to Give	578,544	-	578,544	-
Inventories	603,906	-	603,906	583,875
Prepaid Expenses and Other Assets	4,334	-	4,334	4,251
Total Current Assets	4,797,562	1,620,800	6,418,362	4,115,521
OTHER INVESTMENT IN PROPERTY	1,703,875	-	1,703,875	1,703,875
ACCOUNTS RECEIVABLE CANADA	567,789	-	567,789	563,257
INVESTMENTS HELD FOR CONTRACTS PAYABLE	1,055,265	-	1,055,265	1,020,633
PROPERTY AND EQUIPMENT				
Land	91,800	-	91,800	91,800
Buildings and Improvements	8,719,213	-	8,719,213	8,393,732
Equipment	1,757,433	-	1,757,433	1,801,610
Furniture and Fixtures	58,467	-	58,467	67,113
Missionary Equipment	1,210,292	-	1,210,292	1,181,292
Total	11,837,205	-	11,837,205	11,535,547
Less: Accumulated Depreciation	(7,150,192)	-	(7,150,192)	(7,105,691)
Net Property and Equipment	4,687,013	-	4,687,013	4,429,856
Total Assets	\$ 12,811,504	\$ 1,620,800	\$ 14,432,304	\$ 11,833,142

See accompanying Notes to Financial Statements.

CHILD EVANGELISM FELLOWSHIP, INC.
STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2020
(WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2019)

LIABILITIES AND NET ASSETS	Without Donor Restrictions	With Donor Restrictions	Totals	
			2020	2019
CURRENT LIABILITIES				
Short-Term Notes Payable	\$ 125,000	\$ -	\$ 125,000	\$ 125,000
Line of Credit	445,898	-	445,898	546,642
Current Maturities of Capital Lease Obligation	64,437	-	64,437	18,891
Current Maturities of Contracts Payable	995,298	-	995,298	1,135,338
Current Maturities of Long-Term Note Payable	-	-	-	533,344
Accounts Payable	224,977	-	224,977	193,512
Accrued Vacation and Sick Leave	422,654	-	422,654	392,997
Other Accrued Liabilities	92,276	-	92,276	106,752
Deferred Revenue	13,423	-	13,423	-
Total Current Liabilities	2,383,963	-	2,383,963	3,052,476
LONG-TERM LIABILITIES, LESS CURRENT MATURITIES				
Capital Lease Obligation	243,334	-	243,334	-
Contracts Payable	803,333	-	803,333	869,429
Total Liabilities	3,430,630	-	3,430,630	3,921,905
NET ASSETS	9,380,874	1,620,800	11,001,674	7,911,237
Total Liabilities and Net Assets	<u>\$ 12,811,504</u>	<u>\$ 1,620,800</u>	<u>\$ 14,432,304</u>	<u>\$ 11,833,142</u>

See accompanying Notes to Financial Statements.

CHILD EVANGELISM FELLOWSHIP, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2020	2019
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 12,276,535	\$ 4,335,453	\$ 16,611,988	\$ 16,838,440
Sales of Literature and Materials	957,701	-	957,701	1,677,669
Institute and Training Registrations	194,490	-	194,490	297,429
Investment Income	141,103	-	141,103	201,077
Royalty Income	5,952	-	5,952	4,951
Other Income	34,429	-	34,429	488,765
Gain on Extinguishment of PPP Loan	1,311,719	-	1,311,719	-
Gain on Sale of Fixed Assets	12,607	-	12,607	2,700
Gain on Sale of Property Held for Investment	-	-	-	145,994
Change in Value of Split-Interest Agreements	(17,537)	-	(17,537)	(56,464)
Net Assets Released from Restrictions	<u>3,916,777</u>	<u>(3,916,777)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains, and Other Support	18,833,776	418,676	19,252,452	19,600,561
PROGRAM SERVICES				
International Ministries	4,992,951	-	4,992,951	5,539,684
Sponsor-A-National	2,562,315	-	2,562,315	2,464,932
Box of Books and Other	444,266	-	444,266	469,199
Cost of Literature and Materials	1,485,839	-	1,485,839	1,854,247
Training	650,351	-	650,351	807,332
United States Ministries	1,963,462	-	1,963,462	2,572,909
Military Children's Ministries	<u>43,876</u>	<u>-</u>	<u>43,876</u>	<u>38,485</u>
Total Program Services	12,143,060	-	12,143,060	13,746,788
SUPPORTING SERVICES				
General and Administrative	2,240,775	-	2,240,775	2,119,212
Fundraising and Promotion	<u>1,778,180</u>	<u>-</u>	<u>1,778,180</u>	<u>2,021,570</u>
Total Supporting Services	4,018,955	-	4,018,955	4,140,782
Total Functional Expenses	16,162,015	-	16,162,015	17,887,570
OTHER INCOME				
Fair Value Gain Adjustment of Land Held as Other Investment Property	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,375</u>
CHANGES IN NET ASSETS	2,671,761	418,676	3,090,437	1,737,366
Net Assets - Beginning of Year	<u>6,709,113</u>	<u>1,202,124</u>	<u>7,911,237</u>	<u>6,173,871</u>
NET ASSETS - END OF YEAR	<u>\$ 9,380,874</u>	<u>\$ 1,620,800</u>	<u>\$ 11,001,674</u>	<u>\$ 7,911,237</u>

See accompanying Notes to Financial Statements.

CHILD EVANGELISM FELLOWSHIP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2019)

	Program Services					
	International Ministries	Sponsor-A- National	Boxes of Books and Other	Cost of Literature and Materials	Training	United States Ministries
Salaries	\$ 1,832,895	\$ -	\$ -	\$ 579,598	\$ 358,856	\$ 1,035,756
Employee Benefits	477,317	-	-	106,067	67,224	210,545
Payroll Taxes	132,475	-	-	50,423	27,255	79,551
Cost of Goods Sold	-	-	-	485,825	-	-
Promotion	16,479	-	-	20,419	11	170,367
Telephone	54,010	-	-	-	-	32,017
Dues and Subscriptions	10,096	-	-	6,099	567	12,670
Legal, Professional, and Printing	89,682	-	-	11,618	446	64,280
Postage and Shipping	20,847	-	4,456	100,765	935	2,400
Travel	123,556	-	612	197	-	11,947
Conferences and Seminars	4,240	-	-	260	-	4,220
Literature	225,853	-	437,169	-	4,288	2,138
Field Development	1,452,241	2,562,315	2,000	-	23,008	49,433
Taxes	2,247	-	-	-	-	-
Insurance	26,922	-	-	-	-	37,080
Real Estate	40,228	-	-	-	-	-
Maintenance and Equipment	41,158	-	-	-	-	57,125
Guest Services	-	-	-	-	-	-
Education	57,976	-	-	-	1,756	12,653
Office Expenses	68,134	-	29	6,614	463	1,502
Meals and Housing	32,226	-	-	-	43,699	21,679
Information Services	23,021	-	-	8,862	-	22,000
Data Systems Expense	78,646	-	-	6,334	-	31,844
Miscellaneous	11,052	-	-	-	724	2,689
Interest	-	-	-	-	-	-
Depreciation	171,650	-	-	102,758	121,119	101,566
Total Expenses	\$ 4,992,951	\$ 2,562,315	\$ 444,266	\$ 1,485,839	\$ 650,351	\$ 1,963,462
CURRENT YEAR PERCENTAGES	30.89%	15.85%	2.75%	9.19%	4.02%	12.15%

See accompanying Notes to Financial Statements.

CHILD EVANGELISM FELLOWSHIP, INC.
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2019)

Program Services		Supporting Services			Totals	
Military Children's Ministry	Total	General and Administrative	Fund Raising and Promotion	Total	2020	2019
\$ 34,604	\$ 3,841,709	\$ 935,603	\$ 588,982	\$ 1,524,585	\$ 5,366,294	\$ 5,801,252
982	862,135	208,692	128,447	337,139	1,199,274	1,308,617
2,680	292,384	68,759	43,472	112,231	404,615	437,195
-	485,825	-	-	-	485,825	562,496
-	207,276	1,411	338,532	339,943	547,219	530,535
-	86,027	5,894	6,659	12,553	98,580	122,758
55	29,487	11,543	10,147	21,690	51,177	43,134
-	166,026	108,720	155,302	264,022	430,048	203,731
56	129,459	2,209	145,419	147,628	277,087	320,732
3,917	140,229	49,454	77,387	126,841	267,070	786,813
-	8,720	1,308	142,220	143,528	152,248	493,292
-	669,448	623	-	623	670,071	728,741
-	4,088,997	20,084	-	20,084	4,109,081	3,984,820
-	2,247	11,789	-	11,789	14,036	15,005
-	64,002	74,973	-	74,973	138,975	122,594
-	40,228	-	-	-	40,228	222,640
89	98,372	281,769	4,336	286,105	384,477	586,205
-	-	92,958	-	92,958	92,958	-
-	72,385	-	-	-	72,385	84,410
-	76,742	3,704	256	3,960	80,702	78,387
-	97,604	-	-	-	97,604	132,276
1,493	55,376	44,795	28,757	73,552	128,928	243,690
-	116,824	97,319	72,440	169,759	286,583	226,818
-	14,465	72,948	70	73,018	87,483	87,917
-	-	27,645	31,489	59,134	59,134	114,162
-	497,093	118,575	4,265	122,840	619,933	649,350
<u>\$ 43,876</u>	<u>\$ 12,143,060</u>	<u>\$ 2,240,775</u>	<u>\$ 1,778,180</u>	<u>\$ 4,018,955</u>	<u>\$ 16,162,015</u>	<u>\$ 17,887,570</u>
0.27%	75.13%	13.87%	11.00%	24.87%	100.00%	100.00%

See accompanying Notes to Financial Statements.

CHILD EVANGELISM FELLOWSHIP, INC.
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 3,090,437	\$ 1,737,366
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	619,933	649,350
Annuities Issued	25,000	52,000
Gain on Sale of Fixed Assets	(12,607)	(2,700)
Change in Value of Split Interest Agreements	17,537	56,464
Interest Added to Principal of Contracts Payable	10,009	7,809
Gain on Sale of Property Held for Investment	-	(145,994)
Realized Gain on Sale of Investments	(47,580)	(27,311)
Unrealized Gain on Investments	(67,575)	(123,166)
Fair Value Gain of Land Held as Other Investment Property	-	(24,375)
Gain on Extinguishment of PPP Loan	(1,311,719)	-
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	52,257	(45,142)
Promise to Give	(578,544)	-
Inventories	(20,031)	469
Prepaid Expenses	(83)	3,039
Accounts Payable	31,465	(18,929)
Accrued Vacation and Sick Leave	29,657	15,195
Other Accrued Liabilities	(8,946)	-
Deferred Revenue	13,423	(130,043)
Net Cash Provided by Operating Activities	1,842,633	2,004,032
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Building Improvements and Equipment	(538,243)	(270,977)
Proceeds from Sale of Vehicles and Equipment	17,802	4,722
Proceeds from Sale of Property Held for Other Investment	-	1,181,250
Proceeds from Sale of Investments	81,250	67,916
Payments for Purchases of Investments	-	(57,383)
Net Cash Provided (Used) by Investing Activities	(439,191)	925,528
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Line of Credit	(100,744)	(628,403)
Payments on Notes Payable	-	(51,328)
Payments on Capital Lease Obligation	(55,163)	(54,823)
Payments to Annuitants	(122,531)	(140,042)
Proceeds from PPP Loan	1,311,719	-
Payments on Long Term Note Payable	(533,344)	(533,328)
Payments on Contracts Payable	(141,681)	(109,634)
Net Cash Provided (Used) by Financing Activities	358,256	(1,517,558)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,761,698	1,412,002
Cash and Cash Equivalents - Beginning of Year	3,438,768	2,026,766
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,200,466	\$ 3,438,768

See accompanying Notes to Financial Statements.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2019, 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, 2020

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, 2020

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, 2020, deposits at this bank may have exceeded the FDIC's maximum insurable balance. At December 31, 2020, deposits at this bank in excess of federally insured limits were \$4,979,019. 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, 2020, related U.S. chapters owe approximately \$30,000 and the Canadian chapter owes \$567,789 of accounts receivable.

Promises to Give

There was approximately \$579,000 of promises to give from donations made in December 2020 that were received in January 2021 due to an issue with the credit card processor.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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.

Paycheck Protection Program Loan

In April 2020, the Organization obtained a Paycheck Protection Program loan (the "PPP" loan) in the amount of \$1,311,719 to fund payroll, rent and utilities. The Organization classified this as a loan in accordance with the terms of the law. The Organization applied for forgiveness, and on December 7, 2020, the principal amount of \$1,311,719 and accrued interest of \$8,781 was forgiven. A gain on extinguishment of PPP loan was recorded as revenue within the December 31, 2020 statement of activities.

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, 2020

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.

Reclassification

Certain prior year summarized amounts have been reclassified for consistency with the current year presentation. The reclassification had no effect on net assets.

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, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement of Cash Flows

Interest of \$56,757 was paid for the year ended December 31, 2020.

Noncash investing transactions that occurred during the year ended December 31, 2020 included the retirement of fully depreciated equipment for \$550,681.

The organization entered into a new capital lease for printers and copiers during the year ended December 31, 2020 adding \$344,043 to fixed assets and debt.

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.

Subsequent Events

Management has evaluated subsequent events through May 10, 2021, the date that the financial statements were available for issue.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, net asset value, or net realizable value depending on the type of investment at December 31, 2020.

Investments consist of the following at December 31, 2020:

	Fair Value	Net Asset Value	Net Realizable Value	Total
Investments Held For Contracts Payable:				
Barnabas Long-Term Growth Fund	\$ -	\$ 1,055,265	\$ -	\$ 1,055,265
Other Investment in Property:				
Fair Value	1,703,875	-	-	1,703,875
Total Investments	<u>\$ 1,703,875</u>	<u>\$ 1,055,265</u>	<u>\$ -</u>	<u>\$ 2,759,140</u>

Investment gain for the year ended December 31, 2020 consists of the following:

Realized Gain on Sales of Investments	\$ 47,580
Unrealized Gain on Investments	67,575
Dividend and Interest Income, Net	25,948
Total	<u>\$ 141,103</u>

NOTE 3 INVENTORIES

Inventories consist of the following at December 31, 2020:

Raw Materials	\$ 40,462
Work in Process	178,548
Finished Goods	384,896
Total	<u>\$ 603,906</u>

NOTE 4 LINE OF CREDIT

During the year ended December 31, 2020, 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, 2021, with interest payable monthly at 4.5% as of December 31, 2020. 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 \$445,898 at December 31, 2020.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 NOTES PAYABLE

Short-term notes payable at December 31, 2020 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>\$ 125,000</u>

NOTE 6 CONTRACTS PAYABLE

Contracts payable at December 31, 2020 consist of the following:

	Current Maturities	Long-Term Portion	Total
Revocable Trusts	\$ 671,272	\$ -	\$ 671,272
Irrevocable Trusts	16,864	-	16,864
Annuity Agreements	104,498	803,333	907,831
Revocable Gifts	202,664	-	202,664
Total	<u>\$ 995,298</u>	<u>\$ 803,333</u>	<u>\$ 1,798,631</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, 2020, the Organization was listed as the beneficiary for \$442,688 of the revocable and irrevocable trusts.

Annuity agreements represent the present value of future annuities payable to the annuitants as of December 31, 2020, which is calculated annually based on actuarial assumptions. The change in value of split interest agreements is (\$17,537) for the year ended December 31, 2020. The Organization has segregated \$1,055,265 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, 2020

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, 2020, the expense charged to operations for employer matching contributions was \$262,994.

NOTE 8 NET ASSETS

Net assets with donor restrictions at December 31, 2020 are available for the following purposes:

Program Services:

Digital Content Platform	\$ 500,000
SPAN	163,518
Countries	137,325
India Training Center	137,531
Good News Expansion Club	145,068
Good News Club TV	135,200
Encouragement Fund - Executive	63,468
Boxes of Books/International Literature	129,530
Translations	34,025
International Conference	5,475
Jamaica Partnership	17,356
Scholarships	18,191
Missionaries	13,038
National Directors Institute	42,601
Serbia-Camp Good News Scholarships	17,995
Headquarters Capital Assets	18,976
Encouragement Fund - USA	3,805
USA-Camp Good News	998
Total Program Services	<u><u>\$ 1,584,100</u></u>

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 NET ASSETS (CONTINUED)

Net assets with donor restriction at December 31, 2020 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, 2020 but with a designation established by the board have been established for the following purposes:

Annuity Reserve	\$ 1,055,265
Operating Reserve	554,860
Cash Reserve	402,479
Demand Note Reserve	87,522
HQ Building Projects	<u>1,272</u>
Total	<u>\$ 2,101,398</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, 2020. 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>\$ 3,916,777</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, 2020, are as follows:

	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	<u>\$ 1,703,875</u>	<u>\$ -</u>	<u>\$ 1,703,875</u>	<u>\$ -</u>

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

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, 2020:

<u>Investments</u>	<u>Net Asset Value</u>
Barnabas Long-Term Growth Fund	<u>\$ 1,055,265</u>

The investments that are recorded at net asset value are in the Barnabas Long-Term Growth Fund, which is a component fund of the Barnabas Foundation Common Trust Fund. The Barnabas Long Term Growth Fund invests 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, 2020.

There are no unfunded commitments required for the Barnabas Long-Term Growth Fund. 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, 2020

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, 2020, \$1,054,102 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, 2020:

Cash and Cash Equivalents	\$ 5,200,466
Accounts Receivable, Net	31,112
Promises to Give	578,544
Total	<u>5,810,122</u>
Less: Donor Restricted Net Assets	(1,620,800)
Less: Board Designated Net Assets	(491,273)
Total	<u><u>\$ 3,698,049</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, 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 4,750 for the year ended December 31, 2020.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 13 COMMITMENTS

Operating Leases

The Organization leases office equipment under operating leases. These leases expire between June 2022 and September 2022. Total rent expense was \$17,008 for the year ended December 31, 2020.

Future minimum lease payments for these operating leases are as follows at December 31, 2020:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 6,442
2022	3,221
Total	<u>\$ 9,663</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, 2020.

Equipment, at Cost	\$ 344,043
Less: Accumulated Amortization	40,138
Net Leased Equipment Under Capital Lease	<u>\$ 303,905</u>

Depreciation expense includes \$40,138 for the equipment under capital lease for the year ended December 31, 2020.

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, 2020:

Total Minimum Lease Payments Due	\$ 339,942
Less: Amount Representing Interest	(32,171)
Present Value of Future Minimum Lease Payments	307,771
Less: Current Maturities	(64,437)
Long-Term Portion	<u>\$ 243,334</u>

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 13 COMMITMENTS (CONTINUED)

Capital Lease (Continued)

The aggregate maturities for long-term capital lease obligations at December 31, 2020 are as follows:

<u>Year Ending December 31,</u>	<u>Gross Payment Amount</u>	<u>Principal Amount</u>
2021	\$ 76,968	\$ 64,437
2022	76,968	67,397
2023	76,968	70,493
2024	76,968	73,731
2025	32,070	31,713
Total	<u>\$ 339,942</u>	<u>\$ 307,771</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, 2020.

NOTE 15 RISKS AND UNCERTAINTIES

In March of 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of CEF for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.