

CHILD EVANGELISM FELLOWSHIP, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022



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**CHILD EVANGELISM FELLOWSHIP, INC.
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YEAR ENDED DECEMBER 31, 2022**

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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 statement of financial position as of December 31, 2022 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, 2022 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.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022 Child Evangelism Fellowship, Inc. adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

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.

Board of Trustees
Child Evangelism Fellowship, Inc.

Report on Summarized Comparative Information

We have previously audited Child Evangelism Fellowship, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 9, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, 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 12, 2023

CHILD EVANGELISM FELLOWSHIP, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022
(WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2022	2021
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 2,082,823	\$ 3,587,069	\$ 5,669,892	\$ 7,139,642
Investments	2,868,812	-	2,868,812	2,088,285
Accounts Receivable	107,277	-	107,277	54,006
Accounts Receivable Canada, Net of Allowance for Doubtful Accounts of \$503,617 at December 31, 2022	26,826	-	26,826	27,228
Inventories	414,572	-	414,572	437,147
Prepaid Expenses and Other Assets	5,569	-	5,569	3,538
Total Current Assets	5,505,879	3,587,069	9,092,948	9,749,846
OTHER INVESTMENT IN PROPERTY	1,919,736	-	1,919,736	2,109,337
INVESTMENTS HELD FOR CONTRACTS PAYABLE	910,090	-	910,090	1,123,721
FINANCING RIGHT OF USE ASSET	172,022	-	172,022	-
PROPERTY AND EQUIPMENT				
Land	91,800	-	91,800	91,800
Buildings and Improvements	9,434,907	-	9,434,907	8,719,213
Equipment	2,149,227	-	2,149,227	2,080,958
Furniture and Fixtures	93,329	-	93,329	64,089
Missionary Equipment	1,638,145	-	1,638,145	1,410,907
Construction in Progress	-	-	-	259,920
Total	13,407,408	-	13,407,408	12,626,887
Less: Accumulated Depreciation	(8,195,955)	-	(8,195,955)	(7,753,942)
Net Property and Equipment	5,211,453	-	5,211,453	4,872,945
Total Assets	\$ 13,719,180	\$ 3,587,069	\$ 17,306,249	\$ 17,855,849

See accompanying Notes to Financial Statements.

CHILD EVANGELISM FELLOWSHIP, INC.
STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2022
(WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2022	2021
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Short-Term Notes Payable	\$ 120,000	\$ -	\$ 120,000	\$ 120,000
Current Lease Liability - Financing	70,493	-	70,493	67,397
Current Maturities of Contracts Payable	740,936	-	740,936	783,760
Accounts Payable	211,615	-	211,615	344,872
Accrued Vacation and Sick Leave	352,272	-	352,272	397,304
Other Accrued Liabilities	162,913	-	162,913	83,980
Deferred Revenue	31,901	-	31,901	9,541
Total Current Liabilities	1,690,130	-	1,690,130	1,806,854
 LONG-TERM LIABILITIES, LESS				
CURRENT MATURITIES				
Lease Liability - Financing	105,444	-	105,444	175,937
Contracts Payable	712,049	-	712,049	772,202
Total Liabilities	2,507,623	-	2,507,623	2,754,993
 NET ASSETS	11,211,557	3,587,069	14,798,626	15,100,856
 Total Liabilities and Net Assets	<u>\$ 13,719,180</u>	<u>\$ 3,587,069</u>	<u>\$ 17,306,249</u>	<u>\$ 17,855,849</u>

See accompanying Notes to Financial Statements.

CHILD EVANGELISM FELLOWSHIP, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2022	2021
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions of Cash and Other Financial Assets	\$ 11,730,395	\$ 9,304,503	\$ 21,034,898	\$ 20,234,721
Contributions of Nonfinancial Assets	182,871	-	182,871	238,116
Sales of Literature and Materials	1,244,274	-	1,244,274	1,004,570
Institute and Training Registrations	163,261	-	163,261	146,105
Investment Income	(324,697)	-	(324,697)	246,588
Royalty Income	7,409	-	7,409	8,689
Other Income	261,331	-	261,331	182,267
Gain (Loss) on Sale of Fixed Assets	10,712	-	10,712	(795)
Loss on Sale of Property Held for Investment	(82,101)	-	(82,101)	-
Change in Value of Split-Interest Agreements	(32,973)	-	(32,973)	(50,483)
Net Assets Released from Restrictions	8,463,329	(8,463,329)	-	-
Total Revenues, Gains, and Other Support	21,623,811	841,174	22,464,985	22,009,778
PROGRAM SERVICES				
International Ministries	8,556,905	-	8,556,905	5,869,744
Sponsor-A-National	2,979,247	-	2,979,247	2,608,458
Box of Books and Other	416,166	-	416,166	515,099
Cost of Literature and Materials	2,988,138	-	2,988,138	1,852,000
Training	1,180,351	-	1,180,351	819,973
United States Ministries	2,807,673	-	2,807,673	1,912,195
Military Children's Ministries	88,860	-	88,860	37,188
Total Program Services	19,017,340	-	19,017,340	13,614,657
SUPPORTING SERVICES				
General and Administrative	1,689,619	-	1,689,619	2,335,617
Fundraising and Promotion	2,060,256	-	2,060,256	2,365,784
Total Supporting Services	3,749,875	-	3,749,875	4,701,401
Total Functional Expenses	22,767,215	-	22,767,215	18,316,058
OTHER INCOME				
Fair Value Gain Adjustment of Land Held as Other Investment Property	-	-	-	405,462
CHANGES IN NET ASSETS	(1,143,404)	841,174	(302,230)	4,099,182
Net Assets - Beginning of Year	12,354,961	2,745,895	15,100,856	11,001,674
NET ASSETS - END OF YEAR	<u>\$ 11,211,557</u>	<u>\$ 3,587,069</u>	<u>\$ 14,798,626</u>	<u>\$ 15,100,856</u>

See accompanying Notes to Financial Statements.

CHILD EVANGELISM FELLOWSHIP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2021)

	Program Services					
	International Ministries	Sponsor-A- National	Boxes of Books and Other	Cost of Literature and Materials	Training	United States Ministries
Salaries	\$ 1,999,902	\$ -	\$ -	\$ 1,022,954	\$ 362,370	\$ 1,194,560
Employee Benefits	366,085	-	-	146,081	44,894	205,061
Payroll Taxes	142,360	-	-	77,237	27,078	89,995
Cost of Goods Sold	-	-	-	419,638	446	-
Promotion	26,563	-	474	9,666	446	14,966
Telephone	55,168	-	-	1,067	-	28,961
Dues and Subscriptions	21,461	-	42	48,320	922	15,418
Legal, Professional, and Printing	191,166	-	-	71,818	-	272,106
Postage and Shipping	105,687	-	3,497	245,195	806	2,024
Travel	429,760	-	8,127	9,488	2,077	23,751
Conferences and Seminars	28,310	-	136	-	-	22,741
Literature	1,894,036	-	401,712	26,564	8,143	2,017
Field Development	1,725,107	2,977,582	2,161	-	-	323,245
Bad Debts Expense	-	-	-	-	-	-
Taxes	2,939	-	-	-	-	-
Insurance	15,109	-	-	-	-	29,137
Real Estate	363,356	-	-	-	-	-
Provision for Furlough	14,100	-	-	-	-	-
Maintenance and Equipment	307,794	-	-	447,399	312,972	96,798
Guest Services	127,045	-	-	22,879	32,397	274,838
Education	363,299	-	-	970	31,148	24,182
Office Expenses	101,208	1,665	17	13,641	3,912	2,825
Meals and Housing	-	-	-	-	26,884	-
Information Services	-	-	-	-	-	-
Data Systems Expense	67,030	-	-	285,471	189,003	95,512
Miscellaneous	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Depreciation and Amortization	209,420	-	-	139,750	136,853	89,536
Total Expenses	\$ 8,556,905	\$ 2,979,247	\$ 416,166	\$ 2,988,138	\$ 1,180,351	\$ 2,807,673
CURRENT YEAR PERCENTAGES	37.58%	13.09%	1.83%	13.12%	5.18%	12.33%

See accompanying Notes to Financial Statements.

CHILD EVANGELISM FELLOWSHIP, INC.
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2021)

	Program Services		Supporting Services			Totals	
	Military Children's Ministry	Total	General and Administrative	Fund Raising and Promotion	Total	2022	2021
Salaries	\$ 62,104	\$ 4,641,890	\$ 1,024,376	\$ 635,327	\$ 1,659,703	\$ 6,301,593	\$ 5,977,907
Employee Benefits	742	762,863	124,786	82,397	207,183	970,046	955,439
Payroll Taxes	4,764	341,434	78,365	47,624	125,989	467,423	439,840
Cost of Goods Sold	-	420,084	-	-	-	420,084	372,639
Promotion	416	52,531	487	383,549	384,036	436,567	351,500
Telephone	-	85,196	9,394	11,238	20,632	105,828	128,801
Dues and Subscriptions	-	86,163	10,880	5,790	16,670	102,833	67,194
Legal, Professional, and Printing	-	535,090	81,707	9,379	91,086	626,176	460,843
Postage and Shipping	290	357,499	2,517	178,575	181,092	538,591	302,463
Travel	14,129	487,332	50,945	116,823	167,768	655,100	320,689
Conferences and Seminars	199	51,386	7,099	419,784	426,883	478,269	420,921
Literature	185	2,332,657	617	128	745	2,333,402	764,203
Field Development	-	5,028,095	-	-	-	5,028,095	4,362,677
Bad Debts Expense	-	-	-	-	-	-	543,629
Taxes	-	2,939	13,179	-	13,179	16,118	14,746
Insurance	58	44,304	83,321	94	83,415	127,719	115,092
Real Estate	-	363,356	-	-	-	363,356	227,041
Provision for Furlough	-	14,100	-	-	-	14,100	-
Maintenance and Equipment	-	1,164,963	-	7,010	7,010	1,171,973	721,233
Guest Services	-	457,159	-	2,752	2,752	459,911	12,728
Education	126	419,725	1,008	-	1,008	420,733	144,685
Office Expenses	253	123,521	2,743	9,772	12,515	136,036	89,396
Meals and Housing	-	26,884	-	-	-	26,884	68,349
Information Services	5,594	5,594	-	-	-	5,594	235,224
Data Systems Expense	-	637,016	65,086	121,742	186,828	823,844	392,978
Miscellaneous	-	-	201	504	705	705	145,305
Interest	-	-	-	23,052	23,052	23,052	26,677
Depreciation and Amortization	-	575,559	132,908	4,716	137,624	713,183	653,859
Total Expenses	\$ 88,860	\$ 19,017,340	\$ 1,689,619	\$ 2,060,256	\$ 3,749,875	\$ 22,767,215	\$ 18,316,058
CURRENT YEAR PERCENTAGES	0.39%	83.53%	7.42%	9.05%	16.47%	100.00%	100.00%

See accompanying Notes to Financial Statements.

CHILD EVANGELISM FELLOWSHIP, INC.
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ (302,230)	\$ 4,099,182
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	644,374	653,859
Amortization of Right of Use Asset	68,809	-
Annuities Issued	25,000	25,000
(Gain) Loss on Sale of Fixed Assets	(10,712)	795
Change in Value of Split Interest Agreements	32,973	50,483
Loss on Sale of Property Held for Investment	82,101	-
Interest Added to Principal of Contracts Payable	11,280	4,773
Realized Gain on Sale of Investments	(21,810)	(136,078)
Unrealized (Gain) Loss on Investments	397,858	(72,967)
Fair Value Gain of Land Held as Other Investment Property	-	(405,462)
Bad Debt Expense	(40,012)	543,629
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	(12,857)	(25,962)
Promise to Give	-	578,544
Inventories	22,575	166,759
Prepaid Expenses	(2,031)	796
Accounts Payable	(133,257)	119,895
Accrued Vacation and Sick Leave	(45,032)	(25,350)
Other Accrued Liabilities	75,477	(8,113)
Deferred Revenue	22,360	(3,882)
Net Cash Provided by Operating Activities	814,866	5,565,901
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Building Improvements and Equipment	(1,224,944)	(841,814)
Proceeds from Sale of Vehicles and Equipment	11,943	892
Purchases of Investments	(1,000,000)	(2,030,465)
Proceeds from Sale of Investments	164,556	82,922
Net Cash Used by Investing Activities	(2,048,445)	(2,788,465)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Line of Credit, Net	-	(445,898)
Payments on Finance Leases	(67,397)	(64,437)
Payments to Annuitants	(130,870)	(111,247)
Payments on Long-Term Note Payable	-	(5,000)
Payments on Contracts Payable	(37,904)	(211,678)
Net Cash Used by Financing Activities	(236,171)	(838,260)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,469,750)	1,939,176
Cash and Cash Equivalents - Beginning of Year	7,139,642	5,200,466
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,669,892</u>	<u>\$ 7,139,642</u>

See accompanying Notes to Financial Statements.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2021, 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.

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.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Program and Supporting Services (Continued)

Program Services (Continued)

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®*.

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.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022, deposits at this bank may have exceeded the FDIC's maximum insurable balance. At December 31, 2022, deposits at all banks in excess of federally insured limits were \$4,884,757. 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, 2022, related U.S. chapters owe approximately \$101,000 and the Canadian chapter owes \$26,826 of accounts receivable.

Related Party Payables

As of December 31, 2022, related the Organization owes various U.S. chapters approximately \$9,000 within accounts payable and owes USA Affiliates approximately \$52,000 of accrued expenses.

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.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sales of Literature and Materials (Continued)

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.

Statement of Cash Flows

Interest of \$11,772 was paid for the year ended December 31, 2022.

Noncash investing transactions that occurred during the year ended December 31, 2022 included the retirement of fully depreciated equipment for \$100,380.

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.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets and Contributions (Continued)

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.

Adoption of New Accounting Standards

In September 2020, FASB issued Accounting Standards (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU was issued to improve the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The amendment to this ASU requires Not-for-Profits to (1) present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and (2) include a disclosure of the disaggregation of the amount of contributed nonfinancial assets recognized by category that depicts the type of contributed nonfinancial assets. No cumulative-effect adjustment in net assets was recorded as a result of the adoption.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective January 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets.

Leases

The Organization leases office equipment. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the statement of financial position. Finance leases are included in financing lease right-of-use (ROU) assets, other current liabilities, and other long-term liabilities on our statement of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Organization uses its incremental borrowing rate or a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheet.

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

Subsequent Events

Management has evaluated subsequent events through May 12, 2023, the date that the financial statements were available for issue.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022.

Investments consist of the following at December 31, 2022:

	Fair Value	Net Asset Value	Total
Investments Held For Contracts Payable:			
Barnabas Long-Term Growth Fund	\$ -	\$ 910,090	\$ 910,090
Barnabas Investment Fund	-	1,863,396	1,863,396
Barnabas Operating Income Fund	-	1,005,416	1,005,416
Other Investment in Property:			
Fair Value	1,919,736	-	1,919,736
Total Investments	<u>\$ 1,919,736</u>	<u>\$ 3,778,902</u>	<u>\$ 5,698,638</u>

Investment gain for the year ended December 31, 2022 consists of the following:

Realized Gain on Sales of Investments	\$ 21,810
Unrealized Loss on Investments	(397,858)
Dividend and Interest Income, Net	51,351
Total	<u>\$ (324,697)</u>

During the year, there was a sale of 17 acres of land with a fair market value of \$189,601, that was sold for \$107,500, resulting in a decrease in the fair value of the land that is held for investment and a loss on the sale.

NOTE 3 INVENTORIES

Inventories consist of the following at December 31, 2022:

Raw Materials	\$ 110,510
Work in Process	22,549
Finished Goods	281,513
Total	<u>\$ 414,572</u>

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 LINE OF CREDIT

During the year ended December 31, 2022, 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, 2023, with interest payable monthly at 8.25% as of December 31, 2022. 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, 2022.

NOTE 5 NOTES PAYABLE

Short-term notes payable at December 31, 2022 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, 2022 consist of the following:

	Current Maturities	Long-Term Portion	Total
Revocable Trusts	\$ 439,078	\$ -	\$ 439,078
Irrevocable Trusts	8,775	-	8,775
Annuity Agreements	101,897	712,049	813,946
Revocable Gifts	191,186	-	191,186
Total	<u>\$ 740,936</u>	<u>\$ 712,049</u>	<u>\$ 1,452,985</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, 2022, the Organization was listed as the beneficiary for \$324,078 of the revocable and irrevocable trusts.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 CONTRACTS PAYABLE (CONTINUED)

Annuity agreements represent the present value of future annuities payable to the annuitants as of December 31, 2022, which is calculated annually based on actuarial assumptions. The change in value of split interest agreements is (\$32,973) for the year ended December 31, 2022. The Organization has segregated \$910,090 of investment as separate and designated funds to be used for no purpose other than annuity benefits.

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, 2022, the expense charged to operations for employer matching contributions was \$295,788.

NOTE 8 NET ASSETS

Net assets with donor restrictions at December 31, 2022 are available for the following purposes:

Program Services:	
Ukraine Project	\$ 1,222,070
USA Ministries Expansion	804,583
SPAN	612,134
Digital Ministry Project	180,000
Countries	142,878
Digital Content Platform	133,050
National Directors Institute	83,684
Christmas Party Clubs	71,282
City Growth	62,081
India Training Center	49,873
Kauffman Innovation Award	40,000
Jamaica Partnership	29,830
Scholarships	25,511
Translations	25,268
Communications - Ad Campaign	25,000
Missionaries	20,008
Serbia-Camp Good News Scholarships	13,295
International Training	6,019
Encouragement Fund - USA	2,805
USA-Camp Good News	998
Total Program Services	<u><u>\$ 3,550,369</u></u>

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 8 NET ASSETS (CONTINUED)

Net assets with donor restriction at December 31, 2022 that are restricted to investments in perpetuity, the income from which is expendable to support as follows:

Missionaries in Greece and the Philippines	\$ 36,700
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Net assets without donor restrictions at December 31, 2022 but with a designation established by the board have been established for the following purposes:

Annuity Reserve	\$ 910,090
Operating Reserve	1,400,000
Cash Reserve	251,194
Demand Note Reserve	198,478
Severance	81,695
Crisis Management Fund	55,217
Total	<u>\$ 2,896,674</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, 2022. 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>\$ 8,463,329</u>
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CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022, 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	\$ 1,919,736	\$ -	\$ 1,919,736	\$ -
Total Assets	<u>\$ 1,919,736</u>	<u>\$ -</u>	<u>\$ 1,919,736</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, 2022:

<u>Investments</u>	<u>Net Asset Value</u>
Barnabas Long-Term Growth Fund, Investment Fund, and Operating Income Fund	<u>\$ 3,778,902</u>

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

Investments Valued at Net Asset Value (Continued)

The investments that are recorded at net asset value are in the Barnabas Long-Term Growth Fund, the Barnabas Endowment Fund, and the Barnabas Operating Income 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 Barnabas Operating Income Fund is currently in a cash equivalents fund. 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, 2022. Redemption is allowed once a month and, generally, 15-day notice for a full redemption is required.

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, 2022, \$1,500,000 is available to draw upon from the line of credit if needed. In addition, certain board designated assets 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, 2022:

Cash and Cash Equivalents	\$ 5,669,892
Accounts Receivable, Net	107,277
Accounts Receivable Canada	26,826
Investments	2,868,812
Total	<u>8,672,807</u>
Less: Donor Restricted Net Assets	(3,587,069)
Less: Board-Designated Net Assets	<u>(586,584)</u>
Total	<u>\$ 4,499,154</u>

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

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 12 CONTRIBUTIONS ON NONFINANCIAL ASSETS

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. Contributed goods are utilized by the Organization.

For the fair value techniques for nonfinancial contributions, printed materials are valued by taking the weight of the materials and multiplying by a multiplier of 1551 British pounds, which is a predetermined amount. Vehicle contributions are determined by taking an average of trade in values and private party values from a valuation guide for vehicles. Stock donations are based on the fair market value of the stock when donated. Contributed services are valued based on comparable salary rates.

In-kind goods were received in the form of printed materials, vehicles, and stock donations. During the years ended December 31, 2022 and 2021, the Organization received \$126,046 and \$124,466, respectively, of in-kind goods.

	2022	2021
Contributed Goods:		
Printed Materials	\$ 68,802	\$ 109,270
Vehicles	57,244	-
Stock Donation	-	15,196
Total Contributed Goods	<u>126,046</u>	<u>124,466</u>
Contributed Services		
Salaries	56,825	113,650
Total Contributed Nonfinancial Assets	<u>\$ 182,871</u>	<u>\$ 238,116</u>

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 12,600 for the year ended December 31, 2022.

NOTE 13 LEASES – ASC 842

The Organization leases equipment for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2025. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 13 LEASES – ASC 842 (CONTINUED)

The following table provides quantitative information concerning the Organization's leases.

Lease Costs:

Finance Lease Costs:

Amortization of Right-of-Use Assets	\$ 68,809
Interest on Lease Liabilities	9,571
Short-term lease costs	9,463
Variable lease costs	37,140
	<hr/>
Total Lease Costs	\$ 124,983
	<hr/>

Other Information:

Cash Paid for Amounts Included in the

Measurement of Lease Liabilities:

Operating Cash Flow from Financing Leases	\$ 9,571
Financing Cash Flows from Finance Leases	67,397
Weighted-Average Remaining Lease Term - Financing Leases	2.4 years
Weighted-Average Discount Rate - Financing	5.00%

The Organization classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities is as follows:

<u>Year Ending December 31,</u>	<u>Financing Leases</u>
2023	\$ 76,968
2024	76,968
2025	32,070
Total Lease Payments	<hr/> 186,006
Less: Imputed Interest	(10,069)
Present Value of Lease Liabilities	<hr/> \$ 175,937
	<hr/>

The Organization elected to apply the provisions of FASB ASC 842 to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021, are made under prior lease guidance in FASB ASC 840.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022.

