

CHILD EVANGELISM FELLOWSHIP, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

**CHILD EVANGELISM FELLOWSHIP, INC.
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YEAR ENDED DECEMBER 31, 2018**

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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, 2018, 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.

Board of Trustees
Child Evangelism Fellowship, Inc.

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, 2018, and the changes in 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 2, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Louis, Missouri
April 25, 2019

CHILD EVANGELISM FELLOWSHIP, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2017)

ASSETS	Without Donor Restrictions	With Donor Restrictions	Totals	
			2018	2017
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 1,336,190	\$ 690,576	\$ 2,026,766	\$ 1,154,068
Cash and Cash Equivalents Held for Contracts Payable	-	-	-	103,637
Investments	6,413	-	6,413	-
Accounts Receivable	606,016	-	606,016	605,318
Inventories	584,344	-	584,344	538,044
Prepaid Expenses and Other Assets	7,290	-	7,290	3,389
Total Current Assets	<u>2,540,253</u>	<u>690,576</u>	<u>3,230,829</u>	<u>2,404,456</u>
OTHER INVESTMENT IN PROPERTY	2,714,500	938	2,715,438	2,137,938
INVESTMENTS HELD FOR CONTRACTS PAYABLE	875,002	-	875,002	907,864
PROPERTY AND EQUIPMENT				
Land	91,800	-	91,800	91,800
Buildings and Improvements	8,518,078	-	8,518,078	8,471,695
Equipment	2,179,282	-	2,179,282	2,409,203
Furniture and Fixtures	67,113	-	67,113	67,113
Missionary Equipment	1,250,216	-	1,250,216	1,448,680
Total	<u>12,106,489</u>	<u>-</u>	<u>12,106,489</u>	<u>12,488,491</u>
Less: Accumulated Depreciation	<u>(7,296,920)</u>	<u>-</u>	<u>(7,296,920)</u>	<u>(7,269,846)</u>
Net Property and Equipment	<u>4,809,569</u>	<u>-</u>	<u>4,809,569</u>	<u>5,218,645</u>
Total Assets	<u>\$ 10,939,324</u>	<u>\$ 691,514</u>	<u>\$ 11,630,838</u>	<u>\$ 10,668,903</u>

See accompanying Notes to Financial Statements.

CHILD EVANGELISM FELLOWSHIP, INC.
STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2018
(WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2017)

LIABILITIES AND NET ASSETS	Without Donor Restrictions	With Donor Restrictions	Totals	
			2018	2017
CURRENT LIABILITIES				
Short-Term Notes Payable	\$ 176,328	\$ -	\$ 176,328	\$ 194,959
Line of Credit	1,175,045	-	1,175,045	1,675,045
Current Maturities of Capital Lease Obligation	54,823	-	54,823	52,154
Current Maturities of Contracts Payable	1,241,126	-	1,241,126	1,567,777
Current Maturities of Long-Term Note Payable	533,328	-	533,328	533,328
Accounts Payable	212,441	-	212,441	227,312
Accrued Vacation and Sick Leave	377,802	-	377,802	348,572
Other Accrued Liabilities	236,795	-	236,795	243,387
Total Current Liabilities	4,007,688	-	4,007,688	4,842,534
LONG-TERM LIABILITIES, LESS CURRENT MATURITIES				
Capital Lease Obligation	18,891	-	18,891	73,713
Contracts Payable	897,044	-	897,044	893,910
Long-Term Note Payable	533,344	-	533,344	1,066,672
Total Liabilities	5,456,967	-	5,456,967	6,876,829
NET ASSETS	5,482,357	691,514	6,173,871	3,792,074
Total Liabilities and Net Assets	\$ 10,939,324	\$ 691,514	\$ 11,630,838	\$ 10,668,903

See accompanying Notes to Financial Statements.

CHILD EVANGELISM FELLOWSHIP, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2018	2017
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 15,943,520	\$ 2,584,265	\$ 18,527,785	\$ 16,515,534
Sales of Literature and Materials	1,625,913	-	1,625,913	1,515,756
Institute and Training Registrations	205,950	-	205,950	215,037
Investment Income (Loss)	(43,627)	-	(43,627)	144,724
Royalty Income	8,811	-	8,811	9,911
Other Income	220,064	-	220,064	413,646
Gain (Loss) on Sale of Fixed Assets	(3,992)	-	(3,992)	884
Loss on Sale of Property Held for Investment	-	-	-	(1,840)
Change in Value of Split-Interest Agreements	(67,609)	-	(67,609)	31,503
Net Assets Released from Restrictions	2,146,195	(2,146,195)	-	-
Total Revenues, Gains, and Other Support	<u>20,035,225</u>	<u>438,070</u>	<u>20,473,295</u>	<u>18,845,155</u>
PROGRAM SERVICES				
International Ministries	6,050,646	-	6,050,646	5,648,461
Sponsor-A-National	2,339,516	-	2,339,516	2,357,303
Box of Books and Other	584,665	-	584,665	867,180
Cost of Literature and Materials	1,826,040	-	1,826,040	1,845,294
Training	817,090	-	817,090	828,055
United States Ministries	3,414,702	-	3,414,702	3,750,721
Military Children's Ministries	41,636	-	41,636	63,574
Good News Across America	-	-	-	96,904
Total Program Services	<u>15,074,295</u>	<u>-</u>	<u>15,074,295</u>	<u>15,457,492</u>
SUPPORTING SERVICES				
General and Administrative	1,599,919	-	1,599,919	1,249,851
Fundraising and Promotion	1,994,784	-	1,994,784	1,843,261
Total Supporting Services	<u>3,594,703</u>	<u>-</u>	<u>3,594,703</u>	<u>3,093,112</u>
Total Functional Expenses	18,668,998	-	18,668,998	18,550,604
OTHER INCOME (EXPENSE)				
Return of Donor Contribution	-	-	-	(1,603,111)
Fair Value Gain Adjustment of Land Held as Other Investment Property	577,500	-	577,500	1,548,000
Total Other Income (Expense)	<u>577,500</u>	<u>-</u>	<u>577,500</u>	<u>(55,111)</u>
CHANGES IN NET ASSETS	1,943,727	438,070	2,381,797	239,440
Net Assets - Beginning of Year	<u>3,538,630</u>	<u>253,444</u>	<u>3,792,074</u>	<u>3,552,634</u>
NET ASSETS - END OF YEAR	<u>\$ 5,482,357</u>	<u>\$ 691,514</u>	<u>\$ 6,173,871</u>	<u>\$ 3,792,074</u>

See accompanying Notes to Financial Statements.

CHILD EVANGELISM FELLOWSHIP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2017)

	Program Services					United States Ministries
	International Ministries	Sponsor-A-National	Boxes of Books and Other	Cost of Literature and Materials	Training	
Salaries	\$ 1,847,226	\$ -	\$ -	\$ 542,069	\$ 323,823	\$ 2,057,837
Employee Benefits	634,577	-	-	117,896	48,641	321,641
Payroll Taxes	125,217	-	-	59,555	23,735	156,698
Cost of Goods Sold	-	-	-	534,077	-	-
Promotion	27,710	-	127	16,382	159	3,139
Telephone	59,305	-	-	173	110	47,289
Dues and Subscriptions	4,625	-	-	3,878	546	13,567
Legal, Professional, and Printing	34,418	-	-	8,478	628	68,193
Postage and Shipping	28,437	-	27,176	169,574	1,412	8,338
Travel	390,618	800	6,970	11,985	2,294	80,869
Conferences and Seminars	166,503	-	-	1,975	-	23,771
Literature	244,936	-	550,392	-	3,716	6,328
Field Development	1,496,079	2,338,716	-	-	7,893	156,884
Taxes	930	-	-	-	-	-
Insurance	11,150	-	-	-	-	33,452
Real Estate	472,732	-	-	-	-	-
Maintenance and Equipment	3,340	-	-	172,042	133,156	16,156
Education	56,985	-	-	-	7,800	9,234
Office Expenses	79,094	-	-	641	582	6,400
Meals and Housing	63,257	-	-	-	71,035	189,770
Information Services	30,226	-	-	51,594	47,646	58,031
Data Systems Expense	25,585	-	-	21,987	15,071	18,857
Miscellaneous	17,165	-	-	180	41	1,063
Interest	-	-	-	-	-	-
Depreciation	230,531	-	-	113,554	128,802	137,185
Total Expenses	\$ 6,050,646	\$ 2,339,516	\$ 584,665	\$ 1,826,040	\$ 817,090	\$ 3,414,702
CURRENT YEAR PERCENTAGES	32.41%	12.53%	3.13%	9.78%	4.38%	18.29%

See accompanying Notes to Financial Statements.

CHILD EVANGELISM FELLOWSHIP, INC.
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2017)

Program Services		Supporting Services			Totals	
Military Children's Ministry	Total	General and Administrative	Fund Raising/ Promotion	Total	2018	2017
\$ 36,186	\$ 4,807,141	\$ 811,955	\$ 558,630	\$ 1,370,585	\$ 6,177,726	\$ 6,116,750
470	1,123,225	111,405	87,231	198,636	1,321,861	1,251,190
2,781	367,986	61,709	41,326	103,035	471,021	435,187
-	534,077	-	-	-	534,077	776,534
-	47,517	436	214,894	215,330	262,847	235,014
-	106,877	6,239	6,309	12,548	119,425	117,667
-	22,616	10,704	17,491	28,195	50,811	30,688
-	111,717	60,402	282,036	342,438	454,155	317,078
93	235,030	4,067	147,410	151,477	386,507	429,131
584	494,120	122,331	176,351	298,682	792,802	837,686
-	192,249	6,017	249,647	255,664	447,913	736,499
-	805,372	446	-	446	805,818	849,414
-	3,999,572	29,822	-	29,822	4,029,394	4,013,765
-	930	10,480	21	10,501	11,431	11,447
-	44,602	73,642	-	73,642	118,244	75,577
-	472,732	-	-	-	472,732	192,659
207	324,901	9,850	24,963	34,813	359,714	403,514
-	74,019	-	-	-	74,019	58,258
-	86,717	-	12,057	12,057	98,774	112,739
-	324,062	-	-	-	324,062	330,492
1,315	188,812	66,538	20,142	86,680	275,492	255,760
-	81,500	28,658	72,105	100,763	182,263	-
-	18,449	30,947	10	30,957	49,406	27,767
-	-	67,871	63,765	131,636	131,636	156,218
-	610,072	86,400	20,396	106,796	716,868	779,570
\$ 41,636	\$ 15,074,295	\$ 1,599,919	\$ 1,994,784	\$ 3,594,703	\$ 18,668,998	\$ 18,550,604
0.22%	80.75%	8.57%	10.69%	19.25%	100.00%	100.00%

See accompanying Notes to Financial Statements.

CHILD EVANGELISM FELLOWSHIP, INC.
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 2,381,797	\$ 239,440
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	716,868	779,570
Annuities Issued	80,000	45,000
(Gain) Loss on Sale of Fixed Assets	3,992	(884)
Change in Value of Split Interest Agreements	67,609	(31,503)
Interest Added to Principal of Contracts Payable	31,024	40,818
Loss on Sale of Property Held for Investment	-	1,840
Realized Gain on Sale of Investments	(25,363)	(30,501)
Unrealized Gain (Loss) on Investments	88,031	(105,785)
Fair Value Gain of Land Held as Other Investment Property	(577,500)	(1,548,000)
Trust Gifted as a Contribution	(278,386)	-
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	(698)	(36,780)
Inventories	(46,300)	50,534
Prepaid Expenses	(3,901)	12,776
Accounts Payable	(14,871)	(164,419)
Accrued Vacation and Sick Leave	29,230	8,747
Other Accrued Liabilities	(6,593)	(52,789)
Net Cash Provided (Used) by Operating Activities	2,444,939	(791,936)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Building Improvements and Equipment	(325,903)	(221,605)
Proceeds from Sale of Vehicles and Equipment	14,120	12,236
Proceeds from Sale of Property Held for Other Investment	-	1,160
Proceeds from Sale of Investments	45,916	306,536
Payments for Purchases of Investments	(82,135)	(96,549)
Net Cash Provided (Used) by Investing Activities	(348,002)	1,778
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Line of Credit	(500,000)	-
Payments on Notes Payable	(18,631)	(14,423)
Payments on Capital Lease Obligation	(52,153)	(49,616)
Payments to Annuitants	(144,865)	(311,515)
Proceeds from Long Term Note Payable	-	1,600,000
Payments on Long Term Note Payable	(533,328)	-
Payments on Contracts Payable	(78,899)	(181,634)
Net Cash Provided (Used) by Financing Activities	(1,327,876)	1,042,812
NET INCREASE IN CASH AND CASH EQUIVALENTS	769,061	252,654
Cash and Cash Equivalents - Beginning of Year	1,257,705	1,005,051
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,026,766	\$ 1,257,705

See accompanying Notes to Financial Statements.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2017, from which the summarized information was derived. Reclassifications of certain summarized 2017 information have been made to present the information consistent with the 2018 financial statement presentation. There was no effect to the 2017 summarized change in net assets as a result of these reclassifications.

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, 2018

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, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Program and Supporting Services (Continued)

Program Services (Continued)

Good News Across America®

Good News Across America® is an opportunity for all members of the *CEF* family to come together for two weeks of outreach in a target city. Ministry teams partner with local churches to impact their communities for Christ. Each year thousands of children are reached with the Gospel and many new after-school Good News Clubs are launched. This ministry was discontinued in January, 2017.

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. At various times during the year ended December 31, 2018, deposits at this bank may have exceeded the Federal Deposit Insurance Corporation's maximum insurable balance. At December 31, 2018, deposits at this bank in excess of federally insured limits were \$1,832,644. 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.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable (Continued)

Accounts receivable are stated at the amount management expects to collect from outstanding balances. 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, 2018, related U.S. chapters owe approximately \$72,000 and the Canadian chapter owes approximately \$531,000 of accounts receivable.

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.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 publishes and distributes instructional literature and materials for use within the Organization and for sale to outside customers.

Shipping and Handling

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

Expense Allocation

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

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement of Cash Flows

Interest of \$97,311 was paid for the year ended December 31, 2018.

Noncash investing transactions that occurred during the year ended December 31, 2018 included the retirement of fully depreciated equipment for \$671,868.

A parcel of nonoperating land was valued at \$2,137,000 at December 31, 2017. A 105-acre parcel was re-zoned, and a new appraisal was completed in 2018. The other investment in property now has a fair value of \$2,714,500 with a current existing cost value of \$589,000. Hence a noncash adjustment to fair value of land of \$577,500 was made during the year ended December 31, 2018.

Income Taxes

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

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

Recent Accounting Pronouncements

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which is a principles-based standard that replaces all existing guidance under accounting principles generally accepted in the United States of America. It requires different judgements and estimates and additional financial statement disclosures. It also requires entities to review the terms of their agreements with their customers and sources of revenue to assess how they should be accounted for under the new standard. The Organization is evaluating the potential impact of this standard on its financial statements. The guidance will be required for the fiscal year beginning after December 15, 2018.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

Leases

The FASB has issued new guidance on the recognition of lease assets and lease liabilities by lessees for those leases previously classified as operating leases. The guidance requires a lessee to recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. When measuring assets and liabilities arising from a lease, a lessee (and a lessor) should include payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. Similarly, optional payments to purchase the underlying asset should be included in the measurement of lease assets and lease liabilities only if the lessee is reasonably certain to exercise that purchase option.

For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous accounting principles generally accepted in the United States of America. There continues to be a differentiation between finance leases and operating leases. However, the principal difference from previous guidance is that the lease assets and lease liabilities arising from operating leases should be recognized in the statement of financial position. The guidance will be required for the first fiscal year beginning after December 15, 2019.

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 revenue 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.

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets and Contributions (Continued)

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 April 25, 2019, the date that the financial statements were available for issue

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, 2018.

Investments consist of the following at December 31, 2018:

	Fair Value	Net Asset Value	Net Realizable Value	Total
Investments: Equities	\$ 6,413	\$ -	\$ -	6,413
Investments Held For Contracts Payable:				
Barnabas Long-Term Growth Fund	-	875,002	-	875,002
Total Investments Held for Contracts Payable	\$ -	\$ 875,002	\$ -	\$ 875,002
Other Investment in Property:				
Fair Value	\$ 2,714,500	\$ -	\$ -	\$ 2,714,500
Net Realizable Value	-	-	938	938
Total Other Investment in Property	\$ 2,714,500	\$ -	\$ 938	\$ 2,715,438
Total Investments	\$ 2,720,913	\$ 875,002	\$ 938	\$ 3,596,853

Investment loss for the year ending December 31, 2018 consists of the following:

Realized Gain on Sales of Investments	\$ 25,363
Unrealized Loss on Investments	(88,031)
Dividend and Interest Income	19,041
Total	<u>\$ (43,627)</u>

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 INVESTMENTS (CONTINUED)

During the year, 105 acres of a 589 parcel of land classified as other investment in property and measured at fair value was re-zoned. The 589 acres of had been recorded at fair value based on an appraisal of \$2,137,000 in the prior year. Due to the re-zoning and re-appraisal resulted in a fair value of \$2,714,500. The cost value of the 589 acres was \$589,000. The fair value gain on this re-appraisal follows:

December 31, 2017 Fair Value of 589 Acres of Land Held for Investment	\$ 2,137,000
Fair Value Gain Adjustment of Land due to Re-Zoning of 105 acres	<u>577,500</u>
December 31, 2018 Fair Value of 589 Acres of Land Classified as Other Investment in Property	<u><u>\$ 2,714,500</u></u>

NOTE 3 INVENTORIES

Inventories consist of the following at December 31, 2018:

Raw Materials	\$ 38,483
Work in Process	106,024
Finished Goods	<u>439,837</u>
Total	<u><u>\$ 584,344</u></u>

NOTE 4 LINE OF CREDIT

During the year ended December 31, 2018, the Organization maintained a revolving loan agreement with a bank with a \$2,500,000 maximum credit limit. Borrowings under the revolving loan are due on June 19, 2019, with interest payable monthly at 5% or prime plus 0.5%, whichever is greater (6% at December 31, 2018). 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 \$1,175,045 at December 31, 2018.

**CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 NOTES PAYABLE

Long-term note payable at December 31, 2018 consists of the following:

<u>Description</u>	<u>Amount</u>
The Organization entered into a note with a related party for a \$1,600,000 loan on September 1, 2017. This is a no interest unsecured loan and will be paid with 35 payments of \$44,444 beginning in January, 2018 and a final payment of \$44,460 in December, 2020.	\$ 1,066,672
Total	<u>\$ 1,066,672</u>

Future maturities of long-term note payable are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 533,328
2020	533,344
Total	<u>\$ 1,066,672</u>

Short-term notes payable at December 31, 2018, 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 ranging from 0% to 7-1/2%.	\$ 171,816
To various chapter organizations; unsecured demand notes payable requiring 60-90 days notice; no maturity date; bearing interest rates ranging from 0% to 3.25%.	4,512
Total	<u>\$ 176,328</u>

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 6 CONTRACTS PAYABLE

Contracts payable at December 31, 2018, consist of the following:

	Current Maturities	Long-Term Portion	Total
Revocable Trusts	\$ 795,161	\$ -	\$ 795,161
Irrevocable Trusts	19,934	-	19,934
Deposit Agreements	250	-	250
Annuity Agreements	113,252	897,044	1,010,296
Revocable Gifts	311,429	-	311,429
Literature Revolving Fund	1,100	-	1,100
Total	<u>\$ 1,241,126</u>	<u>\$ 897,044</u>	<u>\$ 2,138,170</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, 2018, the Organization was listed as the beneficiary for \$466,045 of the revocable and irrevocable trusts.

Deposit agreements are payable on demand of the depositor. Interest is payable on the amount deposited with the Organization at rates ranging from 4% to 9%. These agreements terminate upon the depositor's death. At December 31, 2018, deposit agreements totaling \$250 were written with the Organization as the beneficiary.

Annuity agreements represent the present value of future annuities payable to the annuitants as of December 31, 2018, as determined by the terms of the annuity agreement and present value factors provided by the Internal Revenue Service. The gift portion of the annuity agreement is calculated using methods and rates provided by the Internal Revenue Service and is recognized upon receipt. The actuarial loss related to these agreements is \$67,609 for the year ended December 31, 2018. The Organization has segregated \$875,002 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, 2018**

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 range from 3.25% to 6%. 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.

Retirement growth certificates represent amounts deposited with the Organization on which interest is accrued at 5%, but only payable upon the depositor's demand. Certificates may be cancelled on the depositor's demand. The deposit and all accrued interest revert to the Organization upon the depositor's death.

The literature revolving fund represents interest-free amounts deposited with the Organization for the purpose of producing low cost items for under-developed nations.

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, 2018, the expense charged to operations for employer matching contributions was \$293,847.

NOTE 8 NET ASSETS

Net assets with donor restrictions at December 31, 2018, are available for the following purposes:

Program Services:	
Boxes of Books/International Literature	\$ 141,803
National Directors Institute	31,799
Serbia-Camp Good News Scholarships	27,800
North America/Caribbean Literature	5,540
India Training Center	200,000
Life of Christ in Bible Language	65,213
USA-Camp Good News	998
Scholarships	40,000
Countries	123,902
Missionaries	16,821
Total Program Services	<u>653,876</u>
Other Time Restrictions-Investment in Property	938
Total	<u><u>\$ 654,814</u></u>

**CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8 NET ASSETS (CONTINUED)

Net assets with donor restriction at December 31, 2018 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, 2018 but with a designation established by the board have been established for the following purposes:

Annuity Reserve	\$ 875,002
Encouragement Fund	80,296
Operating Reserve	500,000
Translations	84,753
Healthcare Reimbursements	39,837
HQ Building Projects	47,800
India Project	71,000
Total	<u>\$ 1,698,688</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, 2018. 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>\$ 2,146,195</u>
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CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018, 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:				
Equities	\$ 6,413	\$ 6,413	\$ -	\$ -
Other Investment in Property	2,714,500	-	2,714,500	-
Total Assets	<u>\$ 2,720,913</u>	<u>\$ 6,413</u>	<u>\$ 2,714,500</u>	<u>\$ -</u>
Liabilities:				
Annuity Agreements	\$ (1,010,296)	\$ -	\$ (1,010,296)	\$ -
Irrevocable Trusts	(19,934)	-	(19,934)	-
Total Liabilities	<u>\$ (1,030,230)</u>	<u>\$ -</u>	<u>\$ (1,030,230)</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, 2018:

<u>Investments</u>	<u>Net Asset Value</u>
Barnabas Long-Term Growth Fund	<u>\$ 875,002</u>

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 10 FAIR VALUE MEASUREMENT AND NET ASSET VALUE

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. The net asset value is determined based on the Fund's December 31, 2017 audited financial statements.

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.

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, 2018, \$1,325,000 is available to draw upon from the line of credit if needed. In addition, certain board designated asset are set aside for certain purposes, but could be redirected with board approval.

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

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

As of December 31, 2018, 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:

Cash and Cash Equivalents	\$ 2,026,766
Accounts Receivable, Net	75,016
Investments	6,413
Total	\$ 2,108,195
Less Donor Restricted Net Assets	(690,576)
Less Board Designated Net Assets	(323,686)
Total	\$ 1,093,933

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

CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 8,000 for the year ended December 31, 2018.

NOTE 13 COMMITMENTS

Operating Leases

The Organization leases office equipment under operating leases. These leases expire between September 2019 and September 2022. Total rent expense was \$28,186 for the year ended December 31, 2018.

Future minimum lease payments for these operating leases are as follows at December 31, 2018:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 17,008
2020	6,442
2021	6,442
2022	4,048
Total	<u>\$ 33,940</u>

Capital Lease

The Organization leases certain assets under a noncancelable capital lease arrangement. This lease expires May 2020. The following is a schedule of leased property under capital lease as of December 31, 2018.

Equipment, at Cost	\$ 252,868
Less: Accumulated Amortization	<u>177,009</u>
Net Leased Equipment Under Capital Lease	<u>\$ 75,859</u>

Depreciation expense includes \$50,574 for the equipment under capital lease for the year ended December 31, 2018.

**CHILD EVANGELISM FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 13 COMMITMENTS (CONTINUED)

Capital Lease (Continued)

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, 2018:

Total Minimum Lease Payments Due	\$	76,351
Less: Amount Representing Interest		<u>(2,637)</u>
Present Value of Future Minimum Lease Payments		73,714
Less: Current Maturities		<u>(54,823)</u>
Long-Term Portion	\$	<u><u>18,891</u></u>

The present value of the future minimum lease payments is included in the maturities of capital lease obligation.

The aggregate maturities for long-term capital lease obligations at December 31, 2018 are as follows:

<u>Year Ending December 31,</u>	<u>Gross Payment Amount</u>	<u>Principal Amount</u>
2019	\$ 57,263	\$ 54,823
2020	<u>19,088</u>	<u>18,891</u>
Total	<u><u>\$ 76,351</u></u>	<u><u>\$ 73,714</u></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, 2018.