

**CHILD EVANGELISM FELLOWSHIP INC.  
WARRENTON, MISSOURI**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2016**

**CHILD EVANGELISM FELLOWSHIP INC.  
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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Child Evangelism Fellowship Inc.  
Warrenton, Missouri

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Child Evangelism Fellowship Inc. (a Missouri not-for-profit organization) which comprise the statement of financial position as of December 31, 2016, 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 audits. We conducted our audits 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 of 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, 2016, and the changes in net assets and 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 25, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



**CliftonLarsonAllen LLP**

St. Louis, Missouri  
May 4, 2017

**CHILD EVANGELISM FELLOWSHIP INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2016**  
(WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2015)

ASSETS	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
	2016	2015	2016	2015	2015
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	\$ 28	\$ 968,323	\$ 36,700	\$ 1,005,051	\$ 279,871
Investments	-	96,378	-	96,378	19,702
Accounts Receivable	568,538	-	-	568,538	580,670
Inventories	588,578	-	-	588,578	472,713
Prepaid Expenses & Other Assets	16,165	-	-	16,165	38,634
Due from Unrestricted Net Assets	(104,064)	104,064	-	-	-
Total Current Assets	1,069,245	1,168,765	36,700	2,274,710	1,391,590
<b>INVESTMENT IN PROPERTY</b>	-	3,938	-	3,938	82,938
<b>INVESTMENTS HELD FOR CONTRACTS PAYABLE</b>	885,188	-	-	885,188	889,132
<b>PROPERTY AND EQUIPMENT</b>					
Land	680,800	-	-	680,800	680,800
Buildings and Improvements	8,492,486	-	-	8,492,486	8,561,078
Equipment	2,462,596	-	-	2,462,596	2,520,644
Furniture and Fixtures	65,404	-	-	65,404	66,947
Missionary Equipment	1,458,524	-	-	1,458,524	1,392,409
Total	13,159,810	-	-	13,159,810	13,221,878
Less: Accumulated Depreciation	(6,782,848)	-	-	(6,782,848)	(6,276,487)
Net Property and Equipment	6,376,962	-	-	6,376,962	6,945,391
Total Assets	\$ 8,331,395	\$ 1,172,703	\$ 36,700	\$ 9,540,798	\$ 9,309,051

See accompanying Notes to Financial Statements.

LIABILITIES AND NET ASSETS	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2016	2015
<b>CURRENT LIABILITIES</b>					
Notes Payable	\$ 209,382	\$ -	\$ -	\$ 209,382	\$ 233,353
Lines of Credit	1,675,045	-	-	1,675,045	2,099,800
Current Maturities of Capital Lease Obligation	49,616	-	-	49,616	47,201
Current Maturities of Contracts Payable	1,742,506	-	-	1,742,506	1,835,038
Accounts Payable	391,731	-	-	391,731	447,857
Accrued Vacation and Sick Leave	339,825	-	-	339,825	366,168
Other Accrued Liabilities	296,819	-	-	296,819	479,010
Total Current Liabilities	4,704,924	-	-	4,704,924	5,508,427
<b>LONG-TERM LIABILITIES, LESS CURRENT MATURITIES</b>					
Capital Lease Obligation	125,867	-	-	125,867	175,483
Contracts Payable	1,157,373	-	-	1,157,373	860,395
Total Liabilities	5,988,164	-	-	5,988,164	6,544,305
<b>NET ASSETS</b>	2,343,231	1,172,703	36,700	3,552,634	2,764,746
Total Liabilities and Net Assets	\$ 8,331,395	\$ 1,172,703	\$ 36,700	\$ 9,540,798	\$ 9,309,051

**CHILD EVANGELISM FELLOWSHIP INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2016**  
(WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2016	2015
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>					
Contributions	\$ 14,497,167	\$ 2,643,180	\$ -	\$ 17,140,347	\$ 16,629,018
Sales of Literature and Materials	1,672,340	-	-	1,672,340	1,690,968
Institute and Training Registrations	316,169	-	-	316,169	338,490
Investment Income (Loss)	41,067	-	-	41,067	(21,666)
Royalty Income	5,604	-	-	5,604	8,048
Other Income	234,577	-	-	234,577	328,957
Gain (Loss) on Sale of Fixed Assets	4,298	-	-	4,298	(5,063)
Gain (Loss) on Sale of Property Held for Investment	15,000	-	-	15,000	(65,000)
Change in Value of Split-Interest Agreements	(291,582)	-	-	(291,582)	(100,709)
Net Assets Released from Restrictions	4,897,563	(4,897,563)	-	-	-
Total Revenues, Gains, and Other Support	21,392,203	(2,254,383)	-	19,137,820	18,803,043
<b>PROGRAM SERVICES</b>					
International Ministries	5,366,039	-	-	5,366,039	5,464,236
Sponsor-A-National	2,516,023	-	-	2,516,023	2,137,887
Box of Books & Other	1,067,607	-	-	1,067,607	1,521,707
Cost of Literature and Materials	1,656,773	-	-	1,656,773	1,763,241
Training	853,501	-	-	853,501	1,069,182
United States Ministries	3,663,742	-	-	3,663,742	3,437,881
Truth Chasers Club	83,534	-	-	83,534	999,518
Military Children's Ministries	65,727	-	-	65,727	58,623
Good News Across America	36,441	-	-	36,441	134,010
Prison Ministry	8,670	-	-	8,670	95,237
Ministry Preparation	-	-	-	-	108,552
Total Program Services	15,318,057	-	-	15,318,057	16,790,074
<b>SUPPORTING SERVICES</b>					
General and Administrative	1,538,805	-	-	1,538,805	1,308,959
Fundraising and Promotion	1,493,070	-	-	1,493,070	2,474,897
Total Supporting Services	3,031,875	-	-	3,031,875	3,783,856
Total Functional Expenses	18,349,932	-	-	18,349,932	20,573,930
<b>ENVIRONMENTAL REMEDIATION RECOVERY OF EXPENSES</b>	-	-	-	-	(73,318)
Total Expenses	18,349,932	-	-	18,349,932	20,500,612
<b>CHANGES IN NET ASSETS (DEFICIT)</b>	3,042,271	(2,254,383)	-	787,888	(1,697,569)
Net Assets (Deficit) - Beginning of Year	(699,040)	3,427,086	36,700	2,764,746	4,462,315
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,343,231</u>	<u>\$ 1,172,703</u>	<u>\$ 36,700</u>	<u>\$ 3,552,634</u>	<u>\$ 2,764,746</u>

See accompanying Notes to Financial Statements.

**CHILD EVANGELISM FELLOWSHIP INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2016**  
**(WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2015)**

	Program Services						
	International Ministries	Sponsor-A- National	Boxes of Books & Other	Cost of Literature and Materials	Training	United States Ministries	Truth Chasers Club
<b>EXPENSES</b>							
Salaries	\$ 1,828,659	\$ -	\$ 73,448	\$ 552,791	\$ 331,653	\$ 2,098,163	\$ 49,500
Employee Benefits	792,234	-	656	96,588	50,196	316,846	4,943
Payroll Taxes	127,086	-	749	53,372	24,601	161,600	3,744
Cost of Goods Sold	-	-	12,218	594,357	-	-	-
Promotion	22,828	-	-	15,717	611	6,604	-
Telephone	58,049	-	20	208	324	52,018	106
Dues and Subscriptions	1,741	-	-	3,908	1,417	13,169	-
Legal and Professional	2,888	-	-	-	-	12,475	-
Postage and Shipping	21,238	-	9,412	120,571	1,208	7,395	16,875
Travel	307,394	10,565	12,859	7,750	5,361	121,461	-
Conferences and Seminars	42,997	-	245	2,336	1,555	60,232	-
Literature	52,479	-	901,661	25,201	11,575	24,232	297
Field Development	1,482,052	2,505,438	30,071	-	-	240,492	-
Taxes	-	-	-	-	-	-	-
Insurance	113	-	-	-	-	-	-
Real Estate	110,076	-	-	-	-	-	-
Maintenance and Equipment	79,935	-	26,208	13,935	140,727	128,452	2,860
Education	31,898	-	-	494	20,476	15,656	-
Office Expenses	65,693	-	-	7,660	767	10,189	252
Meals and Housing	56,090	-	-	-	77,443	168,270	-
Information Technology	25,126	-	-	21,139	24,866	43,952	4,957
Miscellaneous	41,167	20	60	53	98	703	-
Interest	-	-	-	-	-	-	-
Depreciation	216,296	-	-	140,693	160,623	181,833	-
<b>TOTAL EXPENSES</b>	<b>\$ 5,366,039</b>	<b>\$ 2,516,023</b>	<b>\$ 1,067,607</b>	<b>\$ 1,656,773</b>	<b>\$ 853,501</b>	<b>\$ 3,663,742</b>	<b>\$ 83,534</b>
<b>CURRENT YEAR PERCENTAGES</b>	29.24%	13.71%	5.82%	9.03%	4.65%	19.97%	0.46%

See accompanying Notes to Financial Statements.



Program Services				Supporting Services			Totals	
Military Children's Ministry	Good News Across America	Prison Ministry	Total	General and Administrative	Fund Raising/ Promotion	Total	2016	2015
\$ 44,490	\$ 23,725	\$ 7,219	\$ 5,009,648	\$ 742,798	\$ 424,980	\$ 1,167,778	\$ 6,177,426	\$ 6,501,700
10,352	1,130	738	1,273,683	110,085	65,375	175,460	1,449,143	1,486,340
3,435	1,826	540	376,953	1,222	31,523	32,745	409,698	488,569
-	-	-	606,575	-	-	-	606,575	658,645
717	250	-	46,727	552	207,055	207,607	254,334	413,146
840	-	35	111,600	5,055	6,050	11,105	122,705	132,890
35	-	-	20,270	5,587	9,246	14,833	35,103	23,870
-	-	-	15,363	149,893	92,684	242,577	257,940	337,582
259	124	138	177,220	4,676	113,805	118,481	295,701	558,769
3,625	6,248	-	475,263	63,367	146,490	209,857	685,120	804,576
1,275	-	-	108,640	3,300	279,326	282,626	391,266	572,816
-	3,132	-	1,018,577	-	-	-	1,018,577	1,550,026
-	-	-	4,258,053	-	600	600	4,258,653	3,949,930
-	-	-	-	12,866	-	12,866	12,866	15,698
-	-	-	113	168,679	-	168,679	168,792	141,211
-	-	-	110,076	-	-	-	110,076	154,106
150	-	-	392,267	-	8,595	8,595	400,862	680,818
-	-	-	68,524	-	-	-	68,524	111,716
-	6	-	84,567	3,869	8,984	12,853	97,420	86,177
-	-	-	301,803	-	-	-	301,803	370,657
549	-	-	120,589	42,575	14,893	57,468	178,057	563,252
-	-	-	42,101	-	-	-	42,101	31,200
-	-	-	-	113,638	74,931	188,569	188,569	168,463
-	-	-	699,445	110,643	8,533	119,176	818,621	771,773
<u>\$ 65,727</u>	<u>\$ 36,441</u>	<u>\$ 8,670</u>	<u>\$ 15,318,057</u>	<u>\$ 1,538,805</u>	<u>\$ 1,493,070</u>	<u>\$ 3,031,875</u>	<u>\$ 18,349,932</u>	<u>\$ 20,573,930</u>
0.36%	0.20%	0.05%	83.48%	8.39%	8.14%	16.52%	100.00%	100.00%

**CHILD EVANGELISM FELLOWSHIP INC.**  
**STATEMENT OF CASH FLOWS**  
**DECEMBER 31, 2016**  
(WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2015)

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 787,888	\$ (1,697,569)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	818,621	771,773
Annuities Issued	225,000	192,279
(Gain) Loss on Sale of Fixed Assets	(4,298)	5,063
Change in Value of Split Interest Agreements	291,582	100,709
Interest Added to Principal of Contracts Payable	41,713	40,751
(Gain) Loss on Sale of Property Held for Investment	(15,000)	65,000
Gain on Sale of Investments	(3,987)	-
Unrealized (Gain) Loss on Investments	(30,334)	28,835
Effects of Changes in Operating Assets and Liabilities		
Accounts Receivable	12,132	1,346
Promises to Give	-	500,000
Inventories	(115,865)	(42,290)
Prepaid Expenses	22,469	(23,614)
Accounts Payable	(56,126)	145,028
Accrued Vacation and Sick Leave	(26,343)	8,149
Accrued Environmental Obligation	-	(73,318)
Other Accrued Liabilities	(180,466)	(16,720)
Net Cash Provided (Used) by Operating Activities	1,766,986	5,422
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Building Improvements and Equipment	(265,619)	(605,210)
Proceeds from Sale of Vehicles and Equipment	18,000	29,403
Proceeds from Sale of Property Held for Investment	94,000	150,000
Proceeds from Sale of Investments	122,875	20,065
Payments for Purchases of Investments	(161,286)	(850,597)
Net Cash Used in Investing Activities	(192,030)	(1,256,340)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Borrowings (Payments) on Lines of Credit	(424,755)	1,009,800
Payments on Notes Payable	(23,971)	(35,000)
Payments on Capital Lease Obligation	(47,201)	(66,892)
Payments to Annuitants	(192,788)	(174,289)
Payments on Contracts Payable	(161,061)	(4,000)
Net Cash Provided (Used) by Financing Activities	(849,776)	729,619
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	725,180	(521,299)
Cash and Cash Equivalents - Beginning of Year	279,871	801,170
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,005,051	\$ 279,871

See accompanying Notes to Financial Statements.

**CHILD EVANGELISM FELLOWSHIP INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

Child Evangelism Fellowship Inc. (the Organization or CEF®) is a not-for-profit 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 but over which it has no legal or direct control.

**Basis of Accounting**

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

**Basis of Presentation**

The financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets includes all net assets which are neither temporarily nor permanently restricted. Temporarily restricted net assets includes contributed net assets for which donor imposed time and purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted. Permanently restricted net assets includes contributed net assets which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

**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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived. Reclassifications of certain summarized 2015 information have been made to present the information consistent with the 2016 financial statement presentation. There was no effect to the 2015 summarized change in net assets (deficit) 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, 2016**

**NOTE 1 NATURE OF ORGANIZATION AND 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 by 2017.

*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.

*Truth Chasers Club™*

The *Truth Chasers Club™* is an effective through-the-mail discipleship ministry for children and adults. This ministry was discontinued in January, 2016.

*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, 2016**

**NOTE 1 NATURE OF ORGANIZATION AND 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.

*Prison Ministry*

The Prison Ministry program provides the ministry of *CEF* to prisoners and their children. The prisoners receive a *What Went Wrong?* booklet and are able to enroll themselves and their children in the *Truth Chasers Club*. This ministry was discontinued in January, 2016.

***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, 2016, deposits at this bank may have exceeded the Federal Deposit Insurance Corporation's maximum insurable balance. At December 31, 2016, deposits at this bank in excess of federally insured limits were \$896,139. 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 a brokerage company.

**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, 2016**

**NOTE 1 NATURE OF ORGANIZATION AND 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, 2016, related U.S. chapters owe approximately \$116,000 and the Canadian chapter owes approximately \$443,000 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 market. 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 - 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, 2016**

**NOTE 1 NATURE OF ORGANIZATION AND 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 except for support of missionaries. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Investment income on restricted assets whose restrictions are met in the same period are shown as increases in unrestricted support.

The Organization reports gifts of long-lived assets as unrestricted support 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 restricted support. 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.

**Statement of Cash Flows**

Interest of \$144,209 was paid for the year ended December 31, 2016.

*Noncash Investing Transactions*

Noncash investing transactions that occurred during the year ended December 31, 2016, included the retirement of fully depreciated equipment for \$308,403.

**CHILD EVANGELISM FELLOWSHIP INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

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

**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, 2016.

Investments consist of the following at December 31, 2016:

	Fair Value	Net Asset Value	Net Realizable Value	Total
Investments-Temporarily Restricted				
Equities	\$ 45,984	\$ -	\$ -	\$ 45,984
Fixed Income	50,394	-	-	50,394
Total Investments-Temporarily Restricted	<u>\$ 96,378</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,378</u>
Investments Held For Contracts Payable				
Barnabas Long-Term Growth Fund	\$ -	\$ 885,188	\$ -	\$ 885,188
Total Investments Held For Contracts Payable	<u>\$ -</u>	<u>\$ 885,188</u>	<u>\$ -</u>	<u>\$ 885,188</u>
Investment in Property - Land Held for Resale, Net Realizable Value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,938</u>	<u>\$ 3,938</u>
Total Investments, Including Land Held for Resale	<u>\$ 96,378</u>	<u>\$ 885,188</u>	<u>\$ 3,938</u>	<u>\$ 985,504</u>

Investment income for the year ending December 31, 2016 consists of the following:

Realized Gain on Sales of Investments	\$ 3,987
Unrealized Gain on Investments	30,334
Dividend and Interest Income	6,746
Total	<u>\$ 41,067</u>



**CHILD EVANGELISM FELLOWSHIP INC.  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3 INVENTORIES**

Inventories consist of the following at December 31, 2016:

Raw Materials	\$ 50,138
Work in Process	112,486
Finished Goods	425,954
Total	<u>\$ 588,578</u>

**NOTE 4 LINES OF CREDIT**

During the year ended December 31, 2016, 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 30, 2017, with interest payable monthly at 5% or prime plus 0.5%, whichever is greater (5% at December 31, 2016). 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 \$1,675,045 at December 31, 2016.

The Organization maintained a revolving loan agreement, unsecured, with another bank with a \$200,000 maximum credit limit. Borrowings under the revolving loan were due May 27, 2016, with interest payable monthly at 1.5%. No outstanding balance on this revolving loan agreement at December 31, 2016, as it was not renewed.

**NOTE 5 NOTES PAYABLE**

Short-term notes payable at December 31, 2016, consist of the following:

<u>Description</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%	\$ 185,178
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%	<u>24,204</u>
Total	<u>\$ 209,382</u>

**CHILD EVANGELISM FELLOWSHIP INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 6 CONTRACTS PAYABLE**

Contracts payable at December 31, 2016, consist of the following:

	Current Maturities	Long-Term Portion	Total
Revocable Trusts	\$ 1,151,364	\$ -	\$ 1,151,364
Irrevocable Trusts	24,990	-	24,990
Deposit Agreements	250	-	250
Annuity Agreements	143,141	1,157,373	1,300,514
Revocable Gifts	421,661	-	421,661
Literature Revolving Fund	1,100	-	1,100
Total	<u>\$ 1,742,506</u>	<u>\$ 1,157,373</u>	<u>\$ 2,899,879</u>

Revocable trusts represent assets placed in trust with the Organization. Periodic interest payments are made using interest rates ranging from 0% 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 thirty to ninety 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 three and one-fourth to eight and ½%. 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, 2016, the Organization was listed as the beneficiary for \$504,066 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 four to 9%. These agreements terminate upon the depositor's death. At December 31, 2016, 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, 2016, 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 \$291,582 for the year ended December 31, 2016. The Organization has segregated \$885,188 of investment reserves (Investments Held for Contracts Payable see Note 2) and \$28 in cash and cash equivalents 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 range from 0% to 9%. These agreements are cancelable upon written notification of the donor.

**CHILD EVANGELISM FELLOWSHIP INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 6 CONTRACTS PAYABLE (CONTINUED)**

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, 2016, the expense charged to operations for employer matching contributions was \$768,888.

**NOTE 8 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2016, are available for the following purposes:

Program Services-Boxes of Books/International Literature	\$ 768,969
Program Services-International Training	4,840
Program Services-Sponsor-A-National (SPAN)	71,863
Program Services-Matching Gift Fund	323,093
Other Time Restrictions-Investment in Property	3,938
Total	<u>\$ 1,172,703</u>

**NOTE 9 PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets at December 31, 2016 are restricted to Investments in perpetuity, the income from which is expendable to support:

Missionaries in Greece and the Philippines	<u>\$ 36,700</u>
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**CHILD EVANGELISM FELLOWSHIP INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10 NET ASSETS RELEASED FROM 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, 2016. 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>\$ 4,897,563</u>
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**NOTE 11 FAIR VALUE MEASUREMENT**

In accordance with 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, 2016, 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)
Investments:				
Equities	\$ 45,984	\$ 45,984	\$ -	\$ -
Fixed Income	50,394	50,394	-	-
Total Investments	\$ 96,378	\$ 96,378	\$ -	\$ -
Liabilities:				
Annuity Agreements	\$ (1,300,514)	\$ -	\$ (1,300,514)	\$ -
Irrevocable Trusts	(24,990)	-	(24,990)	-
Total Liabilities	\$ (1,325,504)	\$ -	\$ (1,325,504)	\$ -

Investment earnings and losses are presented within the consolidated statements of earnings. In accordance with ASC 820-10, *Fair Value Measurements*, 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.

*Level 3* – Fair value is determined through unobservable inputs.

**CHILD EVANGELISM FELLOWSHIP INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 FAIR VALUE MEASUREMENT (CONTINUED)**

**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, 2016:

	Net Asset Value
Investments:	
Barnabas Long-Term Growth Fund	<u>\$ 885,188</u>

**Investments Valued at 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, 2015 audited financial statements.

There are no unfunded commitments required for the Barnabas Long-Term Growth Fund. Redemption is allowed once a month and, generally, fifteen days notice for a full redemption is required.

**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 Accounting Standards Codification 958-25-16, *Contributed Services*. Total volunteer hours were approximately 7,500 for the year ended December 31, 2016.

**CHILD EVANGELISM FELLOWSHIP INC.  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 13 COMMITMENTS**

**Operating Leases**

The Organization leases office equipment under operating leases. These leases expire between April 2017 and September 2018. Total rent expense was \$39,143 for the year ended December 31, 2016.

Future minimum lease payments for these operating leases are as follows at December 31, 2016:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 29,823
2018	19,005
Total	<u>\$ 48,828</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, 2016.

Equipment, at Cost	\$ 252,868
Less: Accumulated Amortization	75,861
Net Leased Equipment Under Capital Lease	<u>\$ 177,007</u>

Depreciation expense includes \$50,574 for the equipment under capital lease for the year ended December 31, 2016.

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, 2016:

Total Minimum Lease Payments Due	\$ 190,877
Less: Amount Representing Interest	<u>(15,394)</u>
Present Value of Future Minimum Lease Payments	175,483
Less: Current Maturities	<u>(49,616)</u>
Long-Term Portion	<u>\$ 125,867</u>

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

**CHILD EVANGELISM FELLOWSHIP INC.  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 13 COMMITMENTS (CONTINUED)**

The aggregate maturities for long-term capital lease obligations at December 31, 2016 are as follows:

<u>Year Ending December 31,</u>	<u>Gross Payment Amount</u>	<u>Principal Amount</u>
2017	\$ 57,263	\$ 49,616
2018	57,263	52,154
2019	57,263	54,822
2020	19,088	18,891
Total	<u>\$ 190,877</u>	<u>\$ 175,483</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. Currently, the 2013 and subsequent tax years are open and subject to examination by the Internal Revenue Service. In March of 2015, the Organization was contacted by the Internal Revenue Service. The Organization's 2012 tax return was under audit by the Internal Revenue Service in 2016. A notice was received completing the examination with a \$1,700 penalty that was paid on January 9, 2017.

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, 2016.

**NOTE 15 SUBSEQUENT EVENTS**

Management evaluated subsequent events through May 4, 2017, the date which the financial statements were available to be issued.