

CHRISTIAN WORLD OUTREACH, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Christian World Outreach, Inc.
Littleton, Colorado

We have audited the accompanying financial statements of Christian World Outreach, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets 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.

Auditor's 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 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Christian World Outreach, Inc. as of December 31, 2020 and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Davis + Co., CPAs, P.C.

Highlands Ranch, Colorado
May 7, 2021

CHRISTIAN WORLD OUTREACH, INC.
Statement of Financial Position
December 31, 2020
(With Comparative Totals for 2019)

	December 31,	
	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 668,346	\$ 444,047
Certificate of deposit accounts	325,075	321,429
Prepaid expenses and other	4,413	2,925
Gift-in-kind inventory	<u>25,555</u>	<u>25,555</u>
	1,023,389	793,956
Property and equipment		
Land and buildings	1,805,209	1,909,121
Furnishings and equipment	90,836	97,273
Vehicles	<u>166,317</u>	<u>194,316</u>
	2,062,362	2,200,710
Less: Accumulated depreciation	<u>(778,871)</u>	<u>(796,146)</u>
	<u>1,283,491</u>	<u>1,404,564</u>
	<u>\$2,306,880</u>	<u>\$2,198,520</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 69	\$ 4,027
PPP loan from SBA	37,900	--
Accrued payroll expenses	<u>4,210</u>	<u>4,662</u>
	42,179	8,689
Net assets		
Without donor restrictions	1,904,039	1,845,733
With donor restrictions	<u>360,662</u>	<u>344,098</u>
	<u>2,264,701</u>	<u>2,189,831</u>
	<u>\$2,306,880</u>	<u>\$2,198,520</u>

The accompanying notes are an integral part of this statement.

CHRISTIAN WORLD OUTREACH, INC.
Statement of Activity and Changes in Net Assets
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
Changes in net assets without donor restrictions:		
Support and revenue		
Contributions	\$ 51,732	\$ 64,874
Events, net of donor benefits of \$11,478	52,615	41,463
In-kind contributions	43,862	31,973
Loss on assets transferred	(85,045)	--
Ministry, interest & other income	<u>49,857</u>	<u>48,055</u>
Total support and revenue	113,021	186,365
Net assets released from donor restrictions	<u>832,831</u>	<u>631,392</u>
Total support, revenue and reclassifications	945,852	817,757
Functional expenses		
Program services	765,349	635,341
Supporting services		
General & administrative	69,973	74,420
Financial development	<u>52,224</u>	<u>58,512</u>
Total expenses	<u>887,546</u>	<u>768,273</u>
Change in net assets without donor restrictions	58,306	49,484
Changes in net assets with donor restrictions:		
Restricted contributions	849,395	717,257
Net assets released from restrictions	<u>(832,831)</u>	<u>(631,392)</u>
Change in net assets with donor restrictions	16,564	85,865
Change in net assets, all categories	74,870	135,349
Net assets, beginning of year	<u>2,189,831</u>	<u>2,054,482</u>
Net assets, end of year	<u>\$2,264,701</u>	<u>\$2,189,831</u>

The accompanying notes are an integral part of this statement.

CHRISTIAN WORLD OUTREACH, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	<u>Program</u> <u>Services</u>	<u>General &</u> <u>Administrative</u>	<u>Financial</u> <u>Development</u>	<u>Total Expenses</u>	
				<u>2020</u>	<u>2019</u>
Personnel expenses	\$ 289,352	\$ 30,177	\$ 35,503	\$ 355,032	\$ 390,922
Occupancy costs	67,879	7,079	8,329	83,287	61,526
Client needs & assistance	251,626	--	--	251,626	70,841
Travel, meetings & conferences	36,301	3,786	4,454	44,541	73,145
Program supplies	52,346	--	--	52,346	43,550
Professional fees & services	--	19,916	--	19,916	23,418
Equipment rental & maintenance	14,507	1,513	1,780	17,800	26,008
Office supplies & expenses	10,480	1,092	1,285	12,857	13,400
Telecommunications & technology	7,119	742	873	8,734	10,832
Insurance, taxes & other	--	5,380	--	5,380	9,317
Depreciation	<u>35,739</u>	<u>288</u>	<u>--</u>	<u>36,027</u>	<u>45,314</u>
 Total expenses	 <u>\$765,349</u>	 <u>\$69,973</u>	 <u>\$52,224</u>	 <u>\$887,546</u>	 <u>\$768,273</u>

The accompanying notes are an integral part of this statement.

CHRISTIAN WORLD OUTREACH, INC.
 Statements of Cash Flows
 For the Years Ended December 31, 2020 & 2019

	<u>2020</u>	<u>2019</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 74,870	\$ 135,349
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation expense	36,027	45,314
Loss on asset transfer	85,045	--
Changes in operating assets and liabilities:		
(Increase) in gift-in-kind inventory	--	--
(Increase) in prepaid expenses	(1,487)	(1,042)
(Decrease) increase in accounts payable	(3,958)	2,412
Increase in PPP loan from SBA	37,900	--
(Decrease) increase in accrued payroll expenses	<u>(452)</u>	<u>2</u>
Net cash flow from operating activities	227,945	182,035
CASH FLOW FROM INVESTING ACTIVITIES:		
Additions to certificate of deposit account	(3,646)	(3,940)
Additions to property and equipment	<u>--</u>	<u>(3,415)</u>
	(3,646)	(7,355)
CHANGE IN CASH AND CASH EQUIVALENTS	224,299	174,680
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>444,047</u>	<u>269,367</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$668,346</u>	<u>\$444,047</u>
Supplemental disclosure of cash flow information:		
Interest income – cash basis	<u>\$3,646</u>	<u>\$6,927</u>

The accompanying notes are an integral part of this statement.

CHRISTIAN WORLD OUTREACH, INC.

Notes to Financial Statements

December 31, 2020

Note 1: Organization background and summary of significant accounting policies

a. Organization background

Christian World Outreach, Inc. ("CWO"), based in Littleton, Colorado, was established as a non-profit corporation in 1997 under the laws of the State of Colorado. CWO's over-arching mission is to participate with the body of Christ in responsible evangelism; to bring dignity, self-worth and encouragement through leadership development; and to meet the physical needs of people through humanitarian assistance.

CWO is officially recognized as a non-governmental organization (NGO) in Haiti, Burkina Faso and Zambia. Operations in Zimbabwe are officially recognized as a local organization under the CWO umbrella. Accordingly, these financial statements include the assets, liabilities, net assets, revenues and expenses of the field operations in these countries. During 2020, CWO ceased direct operations in Zambia and transferred its net interest in buildings and equipment to a like-minded local NGO. (See Note 2)

CWO relies primarily on contributions from individuals to carry out its mission.

b. Financial statement presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (USGAAP).

CWO follows the provisions of FASB ASC 958 "*Financial Statements of Not-for-Profit Organizations*". Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets, as follows:

Without donor restrictions - Resources not subject to donor-imposed restrictions.

With donor restrictions - Resources subject to donor-imposed restrictions that will be satisfied either by the spending actions of the CWO or the passage of time. (See Note 5)

c. Revenue recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or specific purposes are reported as increases to "net assets with donor restrictions". When a donor restriction is satisfied, "net assets with donor restrictions" are reclassified to "net assets without restrictions" and reported in the statement of activities as "net assets released from restrictions". Program fee income is recognized in the same time period that CWO fulfills its underlying obligations.

(Continued)

CHRISTIAN WORLD OUTREACH, INC.

Notes to Financial Statements

December 31, 2020

Note 1: Summary of significant accounting policies (continued)

d. Cash and cash equivalents

For purposes of the statement of cash flows, CWO considers all demand and time deposits with maturities of three months or less to be cash equivalents as long as they are not legally restricted as to withdrawal. Accounts may periodically exceed federally insured limits. Aggregate balances at December 31, 2020 exceeded FDIC insured limits by \$300,031. CWO has never experienced any losses by exceeding insured limits and believes it is not exposed to any significant credit risks regarding cash and cash equivalents.

e. Certificate of deposit account

As of December 31, 2019, CWO had purchased (or rolled over) \$321,429 in certificates of deposit in order to earn higher interest on funds that were not immediately needed for operations. Another \$3,646 in earned interest was re-invested during 2020, resulting in an account balance of \$325,075 at December 31, 2020. The accounts mature at various points in 2021 and pay interest rates varying from 2.05 to 2.1%.

f. Donated services, use of space and supplies

CWO records all services which are significant, require technical expertise certification and would have been purchased if not received via donation. There were no contributions meeting these criteria during 2020.

Similarly, donated use of space and supplies are recorded at fair value if they are significant and otherwise would have been purchased. During the current year, CWO received and recorded herein under "occupancy costs", the \$43,862 fair value of its Littleton, CO office space received from a donor's business.

g. Property and equipment

CWO follows the practice of capitalizing all expenditures for property and equipment in excess of \$2,000 at cost. The fair value of donated assets is similarly capitalized. Expenditures for maintenance, repairs and other renewals of items are charged to expense. When items are disposed of, the cost and accumulated depreciation are eliminated from the accounts and any gain or loss is included in the results of its normal operations.

The provision for depreciation is calculated using the straight-line method over estimated useful lives ranging from 3 years for technology to 30 years for buildings. Depreciation expense for the years ended December 31, 2020 and 2019 was \$36,027 and \$45,314, respectively.

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CHRISTIAN WORLD OUTREACH, INC.

Notes to Financial Statements

December 31, 2020

Note 1: Summary of significant accounting policies (continued)

h. Comparative financial information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class, which does not constitute a presentation in conformity with USGAAP. Accordingly, such information should be read in conjunction with our audited financial statements for the year ended December 31, 2019, from which the summarized information was derived.

i. Estimates

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

j. Functional expenses

Expenses directly identified with a functional area are charged to such area. If an expense benefits more than one functional area, it is allocated based either on the time expended or another reasonable basis. As prescribed by USGAAP, fundraising revenues from special events are reported net of any direct donor benefits.

k. Tax status

CWO is exempt from federal and state income taxes under IRS Code Section 501(c)(3), has no items of unrelated business income and believes it has complied with all requirements necessary to maintain its status. Years prior to 2015 are closed for income tax examination purposes.

l. Subsequent events

Management has evaluated subsequent events through May 7, 2021, the date the auditor's opinion on these financial statements was available to be issued. No events requiring disclosure were noted.

Note 2: Foreign Operations and Contingency

Through its foreign field NGOs and the local organization under its umbrella in Zimbabwe (See Note 1a), CWO has certain assets outside the United States of America. Account balances relating to these operations are reflected herein in US dollars. As of December 31, 2020 assets in foreign countries amounted to \$1,304,102. \$23,086 of this amount was cash and cash equivalents in field office working funds and \$1,281,016 was net property and equipment. There were no liabilities in foreign countries at December 31, 2020. Revenue received from foreign sources during 2020 amounted to \$13,322.

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CHRISTIAN WORLD OUTREACH, INC.

Notes to Financial Statements

December 31, 2020

Note 2: Foreign Operations and Contingency (continued)

During 2020, subject to discernment and approval from its board of directors, CWO ceased direct operations in Zambia and transferred its net interest in buildings and equipment to a like-minded and historically known local NGO. The assets had a historical cost-basis of \$138,349 and accumulated depreciation of \$53,304 at the date of the transfer, resulting in a loss of \$85,045 which is recorded herein.

As discussed above, land and buildings and other fixed assets, with a net book value of \$1,281,016, were in the remaining foreign countries at December 31, 2020. Management has reviewed these assets and determined that they are under the control and ownership of CWO. While recognized as assets of CWO herein, it should be noted that the political situation in many countries is subject to rapid change. While CWO believes the assets are reasonably stated herein, subsequent changes could occur that would adversely affect the net realizable value of the assets in other countries.

Note 3: Liquidity and Availability of Financial Resources

CWO's cash flow needs are monitored closely throughout the year by management in conjunction with the board of directors. Financial assets available for general operating expenditure within one year of the balance sheet date consist of the following current assets, less what is needed for donor restrictions, as illustrated on the Statement of Financial Position, herein:

Cash and cash equivalents	\$ 630,446
Certificate of deposit accounts	325,075
Prepaid expenses	4,412
Less: funds subject to donor restrictions	<u>(360,662)</u>
	<u>\$599,271</u>

Note 4: PPP Loan from the Small Business Administration

On May 6, 2020, CWO received a \$37,900 loan through their primary bank under the Small Business Administration's Payroll Protection Program (PPP) intended to help mitigate the financial impact of the COVID 19 pandemic by providing support to meet payroll and related expenses. Recorded as a liability at December 31, 2020, CWO used the proceeds for payroll related costs. Since year end, CWO has submitted an application for forgiveness of this loan through its bank. The amount of forgiveness is dependent upon satisfying all verification requirements. Any loan amounts not forgiven will result in on-going principal with interest payments over 2 years at a 1% interest rate.

(Continued)

CHRISTIAN WORLD OUTREACH, INC.
Notes to Financial Statements
December 31, 2020

Note 5: Net Assets with Donor Restrictions

As of December 31, 2020, CWO's \$360,662 of net assets with donor restrictions were available for future expenditure in the following areas:

<u>Purpose area</u>	<u>Amount</u>
Zimbabwe	\$ 273,077
Haiti	9,372
Burkina Faso	2,949
Zambia	20,121
Staff and missionary support, other	<u>55,143</u>
	<u>\$360,662</u>