

CHRISTIAN WORLD OUTREACH, INC.

FINANCIAL STATEMENTS

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DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

Member, AICPA and Colorado Society of CPAs

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

Opinion

We have audited the accompanying financial statements of Christian World Outreach (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activity and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Christian World Outreach as of December 31, 2021 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Christian World Outreach and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control; relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Christian World Outreach's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Christian World Outreach's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Christian World Outreach's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Davis + Co., CPAs, P.C.

Highlands Ranch, Colorado
May 5, 2022

CHRISTIAN WORLD OUTREACH, INC.
Statement of Financial Position
December 31, 2021
(With Comparative Totals for 2020)

	December 31,	
	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 886,412	\$ 668,346
Certificate of deposit accounts	429,617	325,075
Prepaid expenses and other	8,463	4,413
Gift-in-kind inventory	<u>23,546</u>	<u>25,555</u>
	1,348,038	1,023,389
Property and equipment		
Land and buildings	1,805,208	1,805,209
Furnishings and equipment	89,417	90,836
Vehicles	<u>166,317</u>	<u>166,317</u>
	2,060,942	2,062,362
Less: Accumulated depreciation	<u>(814,203)</u>	<u>(778,871)</u>
	<u>1,246,739</u>	<u>1,283,491</u>
	<u>\$2,594,777</u>	<u>\$2,306,880</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 2,026	\$ 69
PPP loan from SBA	--	37,900
Accrued payroll expenses	<u>5,312</u>	<u>4,210</u>
	7,338	42,179
Net assets		
Without donor restrictions	2,134,356	1,904,039
With donor restrictions	<u>453,083</u>	<u>360,662</u>
	<u>2,587,439</u>	<u>2,264,701</u>
	<u>\$2,594,777</u>	<u>\$2,306,880</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, 2021
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Changes in net assets without donor restrictions:		
Support and revenue		
Contributions	\$ 206,830	\$ 51,732
Events, net of donor benefits of \$34,170	47,124	52,615
In-kind contributions	45,393	43,862
Debt forgiveness income	37,900	--
Income from foreign field	20,571	13,322
Loss on assets transferred	--	(85,045)
Ministry, interest & other income	<u>18,302</u>	<u>36,535</u>
Total support and revenue	376,120	113,021
Net assets released from donor restrictions	<u>646,332</u>	<u>832,831</u>
Total support, revenue and reclassifications	1,022,452	945,852
Functional expenses		
Program services	668,867	765,349
Supporting services		
General & administrative	73,421	69,973
Financial development	<u>49,847</u>	<u>52,224</u>
Total expenses	<u>792,135</u>	<u>887,546</u>
Change in net assets without donor restrictions	230,317	58,306
Changes in net assets with donor restrictions:		
Restricted contributions	738,753	849,395
Net assets released from restrictions	<u>(646,332)</u>	<u>(832,831)</u>
Change in net assets with donor restrictions	92,421	16,564
Change in net assets, all categories	322,738	74,870
Net assets, beginning of year	<u>2,264,701</u>	<u>2,189,831</u>
Net assets, end of year	<u>\$2,587,439</u>	<u>\$2,264,701</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, 2021
(With Comparative Totals for 2020)

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Financial Development</u>	<u>Total Expenses</u>	
				<u>2021</u>	<u>2020</u>
Personnel expenses	\$ 273,200	\$ 28,492	\$ 33,521	\$ 335,213	\$ 355,032
Occupancy costs	66,471	6,932	8,156	81,559	83,287
Client needs & assistance	178,083	--	--	178,083	251,626
Travel, meetings & conferences	12,636	3,886	3,186	19,688	44,541
Program supplies	62,833	--	--	62,833	52,346
Professional fees & services	--	23,649	--	23,649	19,916
Equipment rental & maintenance	25,106	2,618	3,080	30,804	17,800
Office supplies & expenses	10,464	1,091	1,284	12,839	12,857
Telecommunications & technology	5,050	527	620	6,197	8,734
Insurance & other	--	5,938	--	5,938	5,380
Depreciation	<u>35,044</u>	<u>288</u>	<u>--</u>	<u>35,332</u>	<u>36,027</u>
 Total expenses	 <u>\$668,867</u>	 <u>\$73,421</u>	 <u>\$49,847</u>	 <u>\$792,135</u>	 <u>\$887,546</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, 2021 & 2020

	<u>2021</u>	<u>2020</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 322,738	\$ 74,870
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation expense	35,332	36,027
Loss on asset transfer	--	85,045
Debt forgiveness income	(37,900)	--
Changes in operating assets and liabilities:		
Decrease in gift-in-kind inventory	2,009	--
(Increase) in prepaid expenses	(4,050)	(1,487)
(Decrease) increase in accounts payable	1,957	(3,958)
Increase in PPP loan from SBA	--	37,900
(Decrease) increase in accrued payroll expenses	<u>1,102</u>	<u>(452)</u>
Net cash flow from operating activities	321,188	227,945
CASH FLOW FROM INVESTING ACTIVITIES:		
Additions to certificate of deposit account	(104,542)	(3,646)
Property and equipment dispositions	<u>1,420</u>	<u>--</u>
	(103,122)	(3,646)
CHANGE IN CASH AND CASH EQUIVALENTS	218,066	224,299
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>668,346</u>	<u>444,047</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$886,412</u>	<u>\$668,346</u>
Supplemental disclosure of cash flow information:		
Interest income – cash basis	<u>\$4,516</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, 2021

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, Sri Lanka and South Africa. 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 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 passed through from the field and is not significant and is recognized on a cash basis.

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CHRISTIAN WORLD OUTREACH, INC.

Notes to Financial Statements

December 31, 2021

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, 2021 exceeded FDIC insured limits by \$544,165. 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, 2020, CWO had purchased (or rolled over) \$325,075 in certificates of deposit in order to earn higher interest on funds that were not immediately needed for operations. Another \$100,000 deposit and \$4,542 in earned interest was added and re-invested during 2021, respectively, resulting in an account balance of \$429,617 at December 31, 2021. The accounts mature at various points in 2022 and pay interest rates varying from 1.65 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 2021.

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 \$44,098 fair value of its Littleton, CO office space received from a donor's business and \$1,295 of goods for events..

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, 2021 and 2020 was \$35,332 and \$36,027, respectively.

(Continued)

CHRISTIAN WORLD OUTREACH, INC.
Notes to Financial Statements
December 31, 2021

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, 2020, 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 which directly benefit a specific functional area are charged to such area. If an expense benefits more than one functional area, it is allocated based either on the estimated 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 2016 are closed for income tax examination purposes.

l. Subsequent events

Management has evaluated subsequent events through May 5, 2022, 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, 2021 assets in foreign countries amounted to \$1,267,738. \$21,766 of this amount was cash and cash equivalents in field office working funds and \$1,245,972 was net property and equipment. There were no liabilities in foreign countries at December 31, 2021. Revenue received from foreign field sources during 2021 amounted to \$20,571.

(Continued)

CHRISTIAN WORLD OUTREACH, INC.

Notes to Financial Statements

December 31, 2021

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 was recorded herein during 2020..

As discussed above, land and buildings and other fixed assets, with a net book value of \$1,245,972, were in the remaining foreign countries at December 31, 2021. 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 foreign countries. No reserve has been accrued herein for such a loss.

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	\$ 819,550
Certificate of deposit accounts	429,617
Prepaid expenses	8,463
Less: funds subject to donor restrictions	<u>(453,083)</u>
	<u>\$804,547</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. During 2021 CWO submitted an application for forgiveness of this loan through its bank. On April 22, 2021 CWO was notified by the SBA, through its bank, that the loan was fully forgiven. Accordingly, it has been reclassified herein during 2021 as "Debt forgiveness income".

(Continued)

CHRISTIAN WORLD OUTREACH, INC.
Notes to Financial Statements
December 31, 2021

Note 5: Net Assets with Donor Restrictions

As of December 31, 2021, CWO's \$453,083 of net assets with donor restrictions was available for future expenditure in the following areas:

<u>Purpose area</u>	<u>Amount</u>
Zimbabwe	\$ 337,151
Haiti	33,685
Burkina Faso	4,192
Zambia	22,159
Sri Lanka	10,236
South Africa	2,121
Staff and missionary support, other	<u>43,539</u>
	<u>\$453,083</u>