

CHILDREN OF CHARACTER, INC., DBA
CHILDREN IN CHRIST
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Children of Character, Inc., dba Children in Christ

We have audited the accompanying financial statements of Children of Character, Inc., dba Children in Christ (a nonprofit organization), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, cash flows, and functional expenses for the years 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 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 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children of Character, Inc., dba Children in Christ as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Conklin, Gilpin & Wertz, P.L.L.C.

CONKLIN, GILPIN, & WERTZ, P.L.L.C.
Certified Public Accountants

May 15, 2021
Tulsa, Oklahoma

CHILDREN OF CHARACTER, INC., DBA CHILDREN IN CHRIST
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash	\$ 534,583	\$ 463,651
Prepaid foreign grants	<u>22,857</u>	<u>-</u>
Total assets	<u>\$ 557,440</u>	<u>\$ 463,651</u>
Liabilities and net assets		
Liabilities:		
Accrued wages and labor	<u>\$ 1,687</u>	<u>\$ 9,402</u>
Total liabilities	<u>1,687</u>	<u>9,402</u>
Net assets:		
Without donor restrictions	<u>555,753</u>	<u>454,249</u>
Total net assets	<u>555,753</u>	<u>454,249</u>
Total liabilities and net assets	<u>\$ 557,440</u>	<u>\$ 463,651</u>

CHILDREN OF CHARACTER, INC., DBA CHILDREN IN CHRIST
STATEMENTS OF ACTIVITIES
 SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Revenue:		
Donations	\$ 326,604	\$ 347,221
Grants	563,890	337,515
Other income	7,435	112,343
Noncash contributions	<u>120,000</u>	<u>125,000</u>
Total revenue	<u>1,017,929</u>	<u>922,079</u>
Expenses:		
Program	825,457	983,198
Management	29,658	45,959
Fundraising	<u>61,310</u>	<u>68,853</u>
Total expenses	<u>916,425</u>	<u>1,098,010</u>
Change in net assets	101,504	(175,931)
Net assets without donor restrictions, beginning of year	<u>454,249</u>	<u>630,180</u>
Net assets without donor restrictions, end of year	<u><u>\$ 555,753</u></u>	<u><u>\$ 454,249</u></u>

CHILDREN OF CHARACTER, INC., DBA CHILDREN IN CHRIST
STATEMENTS OF CASH FLOWS
 SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 101,504	\$ (175,931)
Changes in assets and liabilities:		
Other receivable	-	2,088
Prepaid foreign grants	(22,857)	111,725
Accounts payable	-	-
Accrued wages and labor	<u>(7,715)</u>	<u>160</u>
Net cash provided by (used in) operating activities	<u>70,932</u>	<u>(61,958)</u>
Net change in cash	70,932	(61,958)
Cash, beginning of year	<u>463,651</u>	<u>525,609</u>
Cash, end of year	<u><u>\$ 534,583</u></u>	<u><u>\$ 463,651</u></u>

CHILDREN OF CHARACTER, INC., DBA CHILDREN IN CHRIST
STATEMENT OF FUNCTIONAL EXPENSES
 SEPTEMBER 30, 2020

	Program	Supporting services		Total
		Management	Fundraising	
Accounting fees	\$ -	\$ 11,372	\$ -	\$ 11,372
Bank charges	2,646	262	3,193	6,101
Donated services	96,000	4,800	19,200	120,000
Foreign aid	620,367	-	-	620,367
Dues, subscriptions and fees	4,800	3,333	2,555	10,688
Independent labor	14,000	2,000	4,000	20,000
Legal fees	337	-	337	674
Professional fees	-	-	3,768	3,768
Salaries and wages	73,800	7,650	26,550	108,000
Travel	10,615	-	20	10,635
Payroll taxes	2,892	241	1,687	4,820
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Total expenses	<u>\$ 825,457</u>	<u>\$ 29,658</u>	<u>\$ 61,310</u>	<u>\$ 916,425</u>

CHILDREN OF CHARACTER, INC., DBA CHILDREN IN CHRIST
STATEMENT OF FUNCTIONAL EXPENSES
 SEPTEMBER 30, 2019

	Program	Supporting services		Total
		Management	Fundraising	
Accounting fees	\$ -	\$ 24,690	\$ -	\$ 24,690
Bank charges	2,018	315	2,385	4,718
Donated services	101,000	4,800	19,200	125,000
Foreign aid	733,844	-	-	733,844
Dues, subscriptions and fees	1,770	5,765	3,112	10,647
Independent labor	14,000	2,000	4,000	20,000
Legal fees	123	-	123	246
Professional fees	-	-	16,014	16,014
Salaries and wages	86,212	8,086	22,433	116,731
Travel	40,000	-	75	40,075
Payroll taxes	4,231	303	1,511	6,045
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Total expenses	<u>\$ 983,198</u>	<u>\$ 45,959</u>	<u>\$ 68,853</u>	<u>\$ 1,098,010</u>

CHILDREN OF CHARACTER, INC., DBA CHILDREN IN CHRIST
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Principal business activity

Children of Character, Inc., dba Children in Christ (CIC, the Organization) is a qualified tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code. The Organization reaches and disciples over 250,000 children in the most unreached people groups of Sub-Saharan Africa (24 countries) ministering to these children weekly through over 22,000 inspired, equipped, and mobilized indigenous volunteers from local churches, trained by CIC. The Organization also focuses on developing child leadership, through discipleship and training activities, and empowers child leaders to co-lead CIC Clubs and contribute meaningfully in all areas of the ministry. The Organization's cash funding needs are primarily supported by donations and grants, though indigenous communities contribute cash and non-cash gifts and in a typical year provide over two million hours of indigenous volunteer labor which is equivalent to over 20 million child-hours of discipleship (in 2020 indigenous volunteer labor was less due to fewer months of active club ministry as a result of COVID-19 restrictions. See page eight for further details) .

Basis of presentation

The accompanying financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets are classified in the financial statements based on the existence or absence of donor-imposed restrictions, as follows:

- Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. Net assets may be designated for specific purposes by action of the Board of Directors (the Board) or otherwise limited by contractual arrangements with outside parties.
- Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes. Donor-restricted contributions whose restrictions expire in the same reporting period are reported as increases in net assets without donor restrictions.

Cash

The Organization defines cash to be all cash on hand and cash in bank accounts. The Organization does not hold any cash equivalents.

Revenue recognition

Contributions are recorded when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

CHILDREN OF CHARACTER, INC., DBA CHILDREN IN CHRIST
NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2020 AND 2019

NOTE 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated services

During the years ended September 30, 2020 and 2019, the Organization received an estimated 750,580 and 2,483,232 hours, respectively, of donated services from foreign and domestic volunteers. The reduction in foreign donated services in 2020 was due to COVID-19 related restrictions of club gatherings for several months in 2020. These performed services are not reflected in the financial statements as the services did not require specialized skills as specified by Generally Accepted Accounting Principles (U.S. GAAP).

If the Organization is the recipient of donated services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills and would need to be purchased if not provided by volunteers, the services are recorded at their fair value in the year they are performed. The Organization received donated, specialized consulting services and recognized noncash contributions for such services. Recognized services were provided by the Chief Executive Officer (CEO) in both 2020 and 2019, and by a board member in 2019 only, and are disclosed as noncash contributions on the Statements of Activities.

Functional expenses

The Organization allocates indirect costs to various programs and supporting services. Except for certain expenses, which are specifically identified with a particular service as listed below, expenses are allocated by function based on estimates of time or space devoted to each function. Below is a listing of how expenses are classified within the statements of functional expenses.

<u>Expenses</u>	<u>Method of Allocation</u>
Accounting fees	Specific identification
Bank charges	Specific identification
Donated services	Time and effort
Foreign aid	Specific identification
Dues, subscriptions and fees	Specific identification
Independent labor	Time and effort
Legal fees	Specific identification
Professional fees	Specific identification
Salaries and wages	Time and effort
Travel	Specific identification
Payroll taxes	Time and effort

Income taxes

The Organization is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization has been classified as a publicly-supported organization which is not a private foundation under Section 509(a) of the code. The Organization has adopted FASB ASC 740-10-25, Accounting for Uncertainty in Income Taxes. The Organization will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority. The Organization's evaluation as of September 30, 2020 and 2019, revealed no uncertain tax positions that would have a material impact on the financial statements. The Organization will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense, if incurred. Federal exempt organization returns for the past three tax years are subject to examination by taxing authorities.

CHILDREN OF CHARACTER, INC., DBA CHILDREN IN CHRIST
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of 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 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.

Subsequent events

Subsequent events have been evaluated through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

Recently adopted accounting principles

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. This update is designed to assist not-for-profit entities in (a) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transactions (b) and determining whether a contribution is conditional. The effective date of ASU 2018-08 for entities that serve as the resource recipient (as defined by the update) is for annual reporting periods beginning after December 15, 2018, and shall be implemented on a modified prospective basis. The Organization has determined that the adoption of this standard had no impact on total beginning net assets.

New accounting pronouncements

In September 2020, the FASB issued ASU 2020-07, which amended ASC 958-605, to require non-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets and disclose contributed nonfinancial assets. The ASU is intended to show the measurement of contributed nonfinancial assets and the amount of the contributed assets used in the not-for-profit's programs and activities. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021, and interim periods within fiscal years beginning after June 15, 2022. The Organization has determined the current method of reporting is consistent with the requirement of the standard, therefore the new pronouncement will not impact the Organization's financial statements.

NOTE 2 – CONCENTRATIONS

The Organization's financial instruments exposed to concentrations of credit risk consists primarily of cash. The Organization maintains its cash balances at local banks. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at September 30, 2020 and 2019. At times, the Organization's balances may exceed the insured limit. Management believes credit risk related to these deposits is minimal.

For the year ended September 30, 2020, the Organization received 58% of its total donations and grants from four different grantors. For the year ended September 30, 2019, the Organization received 46% of its total donations and grants from four different grantors. Should the Organization lose support from any of its key donors, the Organization's ability to fund foreign aid at its current level could be impacted.

CHILDREN OF CHARACTER, INC., DBA CHILDREN IN CHRIST
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available for general expenditures within one year of the September 30, 2020 and 2019 statement of financial position date consist of cash of \$534,583 and \$463,651, respectively. The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 4 – CURRENT ECONOMIC CONDITIONS

The Organization receives substantially all of its revenues from contributions and grants from other publicly supported organizations, churches, and individuals. The global pandemic occurring in 2020 and ongoing in 2021 continues to have uncertainty surrounding the duration and impact on the Organization. The Organization acknowledges the continued spread of COVID-19 could potentially impact the economy and those currently supporting the Organization. As of the date of the independent auditor's report, the impact of these conditions on the Organization's future revenues and operations cannot be reasonably estimated.

NOTE 5 – FUNCTIONAL EXPENSES

The classification of expenses by function in accordance with U.S. GAAP have been previously included on pages five and six. The classification of expenses by function, excluding the fair market value of contributed services, is as follows:

	2020	2019
Program Services	\$ 729,457	\$ 882,198
Management and general	24,858	41,159
Fundraising	42,110	49,653
	<u>\$ 796,425</u>	<u>\$ 973,010</u>