

Kingdom Channels
Ephrata, Pennsylvania

Financial Statements and Independent Accountant's Review Report
For the Period Ended December 31, 2016

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Independent Accountant's Review Report

Board of Directors
Kingdom Channels
Ephrata, Pennsylvania

We have reviewed the accompanying financial statements of Kingdom Channels, 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 period March 15, 2016 through December 31, 2016, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Payne, White & Schmutz, CPA, PA

Payne, White & Schmutz, CPA, PA

December 8, 2017

FINANCIAL STATEMENTS

Kingdom Channels

Statement of Financial Position

December 31, 2016

Assets:

Cash and Cash Equivalents	\$	15,883
Capital Assets, net of accumulated depreciation of \$-		<u>19,100</u>

Total Assets		<u><u>\$ 34,983</u></u>
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Liabilities and Net Assets:

Accounts Payable	\$	<u>1,459</u>
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Total Liabilities		<u>1,459</u>
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Net Assets:

Unrestricted		33,524
Temporarily Restricted		<u>-</u>

Total Net Assets		<u>33,524</u>
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Total Liabilities and Net Assets	\$	<u><u>34,983</u></u>
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See accompanying notes and Independent Accountant's Review Report.

Kingdom Channels

Statement of Activities

For the Period March 15, 2016 through December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Support and Revenue:			
Contributions	\$ 120,864	\$ 12,350	\$ 133,214
Refunds	113	-	113
Donated Services	65,480	-	65,480
Donated Items	7,650	-	7,650
Gain/(Loss) on Sale of Assets	(8,840)	-	(8,840)
Total Revenue and Support	185,267	12,350	197,617
Reclassifications:			
Satisfaction of Program Restrictions	12,350	(12,350)	-
Total Reclassifications	12,350	(12,350)	-
Expenses:			
Program Services	128,038	-	128,038
Administrative	18,163	-	18,163
Fund Raising	17,892	-	17,892
Total Expenses	164,093	-	164,093
Change in Net Assets	33,524	-	33,524
Net Assets, Beginning	-	-	-
Net Assets, End of Year	\$ 33,524	\$ -	\$ 33,524

See accompanying notes and Independent Accountant's Review Report.

Kingdom Channels

Statement of Functional Expenses

For the Period March 15, 2016 through December 31, 2016

	<u>Program Services</u>	<u>Administrative</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
Donated Services	\$ 41,196	\$ 14,280	\$ 10,004	\$ 65,480
Travel	45,926	-	1,040	46,966
Supplies	9,692	176	5	9,873
Occupancy	6,391	-	-	6,391
Professional Fees	4,292	1,159	-	5,451
Advertising	24	-	5,203	5,227
Orientation and Training	4,500	-	-	4,500
Assistance and Grants	4,256	-	-	4,256
Repairs and Maintenance	2,599	-	413	3,012
Miscellaneous	1,873	800	-	2,673
Office Expense	2,017	474	-	2,491
Utilities	1,998	-	-	1,998
Contract Services	-	1,200	400	1,600
Depreciation	1,010	-	-	1,010
Translation Services	1,242	-	-	1,242
Fees	164	74	763	1,001
Tools	858	-	46	904
Postage and Shipping	-	-	18	18
Total Expenses	<u>\$ 128,038</u>	<u>\$ 18,163</u>	<u>\$ 17,892</u>	<u>\$ 164,093</u>

See accompanying notes and Independent Accountant's Review Report.

Kingdom Channels

Statement of Cash Flows

For the Period March 15, 2016 through December 31, 2016

Cash Flows From Operating Activities:

Change in Net Assets	\$ 33,524
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Depreciation	1,010
Loss/(Gain) on Sale of Capital Assets	8,840
Donated Items Capitalized	(7,650)
Increase/(Decrease) in Accounts Payable and Accrued Expenses	<u>1,459</u>
Net Cash Provided (Used) by Operating Activities	<u>37,183</u>

Cash Flows From Investing Activities:

Purchase of Capital Assets	(34,200)
Proceeds from the Sale of Capital Assets	<u>12,900</u>
Net Cash Provided (Used) by Investing Activities	<u>(21,300)</u>

Net Increase (Decrease) in Cash 15,883

Cash and Cash Equivalents, Beginning of Year	<u>-</u>
Cash and Cash Equivalents, End of Year	<u>\$ 15,883</u>

See accompanying notes and Independent Accountant's Review Report.

NOTES TO FINANCIAL STATEMENTS

KINGDOM CHANNELS

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

General

Kingdom Channels is a non-profit organization that operates as a channel for funds and volunteers primarily in areas of Asia commonly known as the 10/40 window, and was founded in 2016. Kingdom Channels endeavors to facilitate a peaceful, Anabaptist response to the needs of the region by demonstrating the love of God through teaching, self-improvement and mentoring of the people in personal and community improvement and development. Operations are supported by contributions from the public.

Basis of Accounting and Presentation

The accounts of Kingdom Channels are maintained, and these financial statements have been prepared, on the accrual basis of accounting which recognizes income when earned, regardless of when received, and expenses when incurred regardless of when paid. Financial statement presentation is in accordance with generally accepted accounting principles within the United States of America (GAAP). Under GAAP, the organization is required to report information regarding its financial practice and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Income Tax

Kingdom Channels is organized within the tax-exempt status provided by 501 (c) (3) of the Internal Revenue Code. During the year, Kingdom Channels had no sources of unrelated business income. Therefore, no provision is made for federal and state corporate income taxes.

Kingdom Channels has adopted accounting principles related to accounting for uncertainty in income taxes. Kingdom Channels' policy is to record a liability for any tax position taken that is beneficial to Kingdom Channels, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Penalties and interest related to underpayment of income taxes are not recorded as income taxes but as penalties and interest expense. Management believes there are no such positions as of year-end and, accordingly, no liability has been accrued. As the organization was founded in 2016, all years remain subject to examination by federal and state authorities.

Property and Equipment

Property and equipment are recorded at cost for items purchased and recorded at fair market value for donated property. It is Kingdom Channels' policy to capitalize equipment which costs at least \$5,000 per unit item. Depreciation is provided over the estimated useful lives of the related assets. Maintenance and repairs are charged to operations when incurred. Renewals and betterments of a nature considered to materially extend the useful lives of the assets are capitalized. When assets are retired or otherwise disposed of, the assets and related allowances for depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in income. Depreciation is based on the following policies:

<u>Description</u>	<u>Useful Life</u>	<u>Method</u>
Buildings	25-40 Years	Straight Line
Equipment	5-10 Years	Straight Line
Vehicles	5-7 Years	Straight Line

Net Assets

The financial statements report amounts separately by class of net assets:

- a) Unrestricted amounts are those available at the discretion of the board for use in the organization's ministries, and those resources invested in land, buildings and equipment.
- b) Temporarily restricted net assets are those restricted by donors for specific operating purposes or for use in a future reporting period.
- c) Permanently restricted net assets are those restricted by donors in perpetuity as endowments or irrevocable trusts.

KINGDOM CHANNELS

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED:

Unrestricted and Restricted Revenue and Support

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of donated assets is transferred to Kingdom Channels.

Kingdom Channels reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Gifts of property and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Kingdom Channels reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Items

Donated supplies and other items (including securities, real property, and equipment) are recorded at estimated fair value at the date of contribution.

Contributed Services

Contributed services are recognized by Kingdom Channels whenever those services create or enhance nonfinancial assets or require specialized skills and are provided by individuals possessing those skills, provided that Kingdom Channels would otherwise need to secure those services. Services are determined based upon the average fair value of comparable services. The value of all services was determined to be \$65,480 for the current year. Donated services are recognized as both donated services revenue and expense.

Cash Equivalents

For purposes of the statement of cash flows, short-term investments with maturities of three months or less are considered as cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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. The most significant estimate relates to the useful lives of capital assets.

Foreign Currency Translation and Transactions

The functional currency of Kingdom Channels is the U.S. dollar. The transactions of Kingdom Channels' foreign operations are generally transacted in the relevant local currency. Where local currencies are used, assets and liabilities are remeasured at the statement of financial position date at the exchange rate in effect at year-end. Income transactions that occur in foreign currencies are translated using the exchange rate on the date of the transaction. Expense transactions that occur in foreign currencies are translated using the exchange rate on the date that USD funds are exchanged to foreign denominations in order to pay expenses. This exchange rate is deemed to approximate the exchange rate on the date of the transactions. Gains and losses from foreign currency translation are included in the current year change in net assets.

Advertising Costs

Advertising costs are expensed as incurred.

KINGDOM CHANNELS

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED:

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated to program services, administrative, and fund raising.

NOTE 2 – PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following:

<u>Description</u>	<u>2016</u>		
	<u>Basis</u>	<u>Accumulated Depreciation</u>	<u>Carrying Value</u>
Vehicles - Asia	\$ 19,100	\$ -	\$ 19,100
Total	\$ 19,100	\$ -	\$ 19,100

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets represent the unspent balance of donor restricted contributions for specific purposes, such as to support specific volunteers or aid projects. All temporarily restricted amounts had been spent by year end, and thus the temporary restricted net assets balance was zero as of December 31, 2016.

NOTE 4 –RELATED PARTY TRANSACTIONS:

A truck was donated, worth \$7,650, from a related nonprofit. A cash donation of approximately \$8,000 was also received from the same nonprofit. Finally, approximately \$19,000 was paid to the related nonprofit as reimbursement of plane tickets purchased on behalf of Kingdom Channels.

NOTE 5 – SUBSEQUENT EVENTS EVALUATION:

Management has evaluated subsequent events through December 8, 2017, which is the date the financial statements were available to be issued.