

Kingdom Channels
Ephrata, Pennsylvania

Financial Statements and Independent Accountant's Review Report
For the Period Ended December 31, 2018

Table of Contents

	<u>Page</u>
Financial Statements:	
Independent Accountant’s Review Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-9



PAYNE, WHITE & SCHMUTZ
CERTIFIED PUBLIC ACCOUNTANTS, PA
114 West North First Street, Seneca, SC 29678 (864) 882-1937 (864) 882-0849

Independent Accountant's Review Report

The 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, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, 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

October 11, 2019

FINANCIAL STATEMENTS

Kingdom Channels

Statement of Financial Position

December 31, 2018

Assets:

Cash and Cash Equivalents	\$	71,272
Other Assets		9,000
Capital Assets, net of accumulated depreciation of \$12,845		<u>41,355</u>

Total Assets \$ 121,627

Liabilities and Net Assets:

Accounts Payable	\$	<u>18,294</u>
------------------	----	---------------

Total Liabilities 18,294

Net Assets:

Without Donor Restrictions		72,970
With Donor Restrictions		<u>30,363</u>

Total Net Assets 103,333

Total Liabilities and Net Assets \$ 121,627

See accompanying notes and Independent Accountant's Review Report.

Kingdom Channels

Statement of Activities

For the year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions	\$ 130,487	\$ 234,610	\$ 365,097
Misc Income	2,439	-	2,439
Donated Services	30,750	-	30,750
Donated Items	662	-	662
Gain/(Loss) on Sale of Assets	(313)	-	(313)
Total Revenue and Support	<u>164,025</u>	<u>234,610</u>	<u>398,635</u>
Reclassifications:			
Satisfaction of Program Restrictions	<u>234,239</u>	<u>(234,239)</u>	<u>-</u>
Total Reclassifications	<u>234,239</u>	<u>(234,239)</u>	<u>-</u>
Expenses:			
Program Services	292,632	-	292,632
Administrative	61,072	-	61,072
Fund Raising	42,009	-	42,009
Total Expenses	<u>395,713</u>	<u>-</u>	<u>395,713</u>
Change in Net Assets	2,551	371	2,922
Net Assets, Beginning	<u>70,419</u>	<u>29,992</u>	<u>100,411</u>
Net Assets, End of Year	<u>\$ 72,970</u>	<u>\$ 30,363</u>	<u>\$ 103,333</u>

See accompanying notes and Independent Accountant's Review Report.

Kingdom Channels

Statement of Functional Expenses

For the year ended December 31, 2018

	<u>Program Services</u>	<u>Administrative</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
Travel	\$ 86,876	\$ 1,745	\$ 5,074	\$ 93,695
Wages	35,900	27,798	6,102	69,800
Donated Services	10,750	12,050	7,950	30,750
Orientation and Training	29,888	133	-	30,021
Contract Services	4,113	7,863	13,796	25,772
Supplies	25,226	481	-	25,707
Assistance and Grants	22,177	-	-	22,177
Occupancy	21,762	825	-	22,587
Repairs and Maintenance	13,373	-	-	13,373
Fees	11,393	408	1,280	13,081
Depreciation	9,812	-	-	9,812
Utilities	9,231	-	-	9,231
Translation Services	8,126	-	-	8,126
Advertising	86	679	6,788	7,553
Professional Fees	618	4,954	-	5,572
Office Expense	66	1,889	-	1,955
Tools	1,739	-	68	1,807
Miscellaneous	1,457	274	-	1,731
Payroll Taxes	11	1,629	-	1,640
Registrations	-	-	650	650
Postage and Shipping	28	287	272	587
Printing and Literature	-	57	29	86
Total Expenses	<u>\$ 292,632</u>	<u>\$ 61,072</u>	<u>\$ 42,009</u>	<u>\$ 395,713</u>

See accompanying notes and Independent Accountant's Review Report.

Kingdom Channels

Statement of Cash Flows

For the year ended December 31, 2018

Cash Flows From Operating Activities:

Change in Net Assets \$ 2,922

Adjustments to Reconcile Change in Net Assets

to Net Cash Provided (Used) by Operating Activities:

Depreciation 9,812

Decrease/(Increase) in Other Assets (4,800)

Loss/(Gain) on Sale of Capital Assets 313

Increase/(Decrease) in Accounts Payable and Accrued Expenses 16,153

Net Cash Provided (Used) by Operating Activities 24,400

Cash Flows From Investing Activities:

Purchase of Capital Assets (46,900)

Proceeds from the Sale of Capital Assets 10,700

Net Cash Provided (Used) by Investing Activities (36,200)

Net Increase (Decrease) in Cash (11,800)

Cash and Cash Equivalents, Beginning of Year 83,072

Cash and Cash Equivalents, End of Year \$ 71,272

See accompanying notes and Independent Accountant's Review Report.

NOTES TO FINANCIAL STATEMENTS

Kingdom Channels

Notes To Financial Statements

December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

General

Kingdom Channels, which was founded in 2016, 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. 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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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) Net assets without donor restrictions are those available at the discretion of the board for use in Kingdom Channels' programs and other functions, and those resources invested in land, buildings and equipment.
- b) Net assets with donor restrictions are those restricted by donors for specific operating purposes or for use in a future reporting period. Also included in this category are net assets subject to donor-imposed restrictions to be held in perpetuity such as endowments or irrevocable trusts.

Kingdom Channels

Notes To Financial Statements

December 31, 2018

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.

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as “with donor restrictions” support that increases that net asset class. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as satisfaction of program restrictions.

Gifts of property and equipment are reported as support without donor restrictions 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 \$30,750 for the current year, with \$10,750 related to program activities, \$12,050 related to administrative activities, and \$7,950 related to fund raising activities. 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, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED:

Functional Allocation of Expenses

Expenses are summarized on a functional basis in the statement of functional expenses. Accordingly, expenses have been allocated between program services, administrative, and fund raising based upon their functional purpose. Amounts requiring allocation, such as salaries for individuals who perform both program and administrative functions, have been allocated accordingly. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage or time and effort, as deemed appropriate. In the current year, \$67,800 of costs were allocated related to wages, with \$33,900 allocated to program services, \$27,798 allocated to administrative, and \$6,102 allocated to fund raising.

New Accounting Standard Adopted

Recently, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14 – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, a reporting standard that is applicable to non-profit organizations. This standard became effective in the current reporting period and has been adopted by Kingdom Channels. The main provisions of this new reporting standard include reducing the classification of net assets from three classes to two classes. Net assets are now reported as either net assets with donor restrictions or as net assets without donor restrictions. The standard requires increased disclosures regarding Kingdom Channels' qualitative and quantitative information regarding how it manages its cash liquidity. The standard also requires Kingdom Channels to describe the methods it uses to allocate costs among program and support functions.

A recap of the net assets reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2017 is as follows:

<u>Net Assets Classifications</u>	<u>ASU 2016-14 Classifications</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
As Previously Presented			
Unrestricted	\$ 70,419	\$ -	\$ 70,419
Temporarily Restricted	-	29,992	29,992
Permanently Restricted	-	-	-
Total Net Assets	<u>\$ 70,419</u>	<u>\$ 29,992</u>	<u>\$ 100,411</u>

NOTE 2 – PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following:

<u>Description</u>	<u>2018</u>		
	<u>Basis</u>	<u>Accumulated Depreciation</u>	<u>Carrying Value</u>
Vehicles - Asia	\$ 54,200	\$ 12,845	\$ 41,355
Total	<u>\$ 54,200</u>	<u>\$ 12,845</u>	<u>\$ 41,355</u>

Kingdom Channels

Notes To Financial Statements

December 31, 2018

NOTE 3 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES:

Kingdom Channels' operations are primarily funded by contributions from donors and a portion of these contributions contain restrictions. Those restrictions would require that resources be used for specific program activities. Therefore, Kingdom Channels must maintain resources to meet those responsibilities to its donors and certain assets may not be available for general expenditure within one year. As part of its liquidity management, Kingdom Channels has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. Kingdom Channels does not hold a policy that a minimum balance will be maintained in its operating bank account. If the balances of the operating bank accounts drop below the amount required to meet payments due to vendors, field funding will be limited until bank balances are brought back to an amount that is able to meet these obligations. Kingdom Channels closely monitors cash in its operating account in relation to its general expenditure obligations. The governing board would not consider borrowing funds to meet obligations.

The following schedule reflects Kingdom Channels' financial assets as of its year ended in 2018, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts that are not available also include board designated amounts, if any, that could be utilized if the board of directors approved their use.

Cash and Cash Equivalents	<u>71,272</u>
Total Financial Assets	71,272
Less those unavailable for general expenditures within one year due to:	
Restricted by donor with time or purpose restrictions	<u>(30,363)</u>
Financial Assets available to meet cash needs for general expenditures within one year	<u><u>\$ 40,909</u></u>

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS:

Net assets with donor restrictions represent the unspent balance of donor restricted contributions for specific purposes, such as to support specific volunteers or aid projects. The amount remaining as of December 31, 2018 was \$30,363, held for the following categories:

Field Vehicle	\$ 20,000
Restoration Project	3,281
LIVE Team	3,207
ADVANCE 1040	<u>3,876</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 30,363</u></u>

NOTE 5 – SUBSEQUENT EVENTS EVALUATION:

Management has evaluated subsequent events through October 11, 2019, which is the date the financial statements were available to be issued.

NOTE 6 – RELATED PARTY TRANSACTIONS:

A company owned by a board member provided services to Kingdom Channels during the year. Total amount paid by Kingdom Channels for these services was \$96,891. A company owned by another individual who served during the year as an employee and a board member provided services to Kingdom Channels. Total amounts paid by Kingdom Channels for these services was \$1,941.