

Kingdom Channels
Ephrata, Pennsylvania

Financial Statements and Independent Auditor's Report
For the Period Ended December 31, 2020

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Independent Auditor's Report

Board of Directors
Kingdom Channels

We have audited the accompanying financial statements of Kingdom Channels, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, 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 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 audit opinion.

Opinion

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

Payne, White & Schmutz, CPA, PA

Payne, White & Schmutz, CPA, PA

July 15, 2021

FINANCIAL STATEMENTS

Kingdom Channels

Statement of Financial Position

December 31, 2020

Assets:

Cash and Cash Equivalents	\$	290,396
Receivables		529
Prepaid Expenses		1,098
Other Assets		5,000
Capital Assets, net of accumulated depreciation of \$42,195		<u>65,205</u>
Total Assets	\$	<u><u>362,228</u></u>

Liabilities and Net Assets:

Accounts Payable	\$	23,258
Accrued Expenses		<u>197</u>
Total Liabilities		<u>23,455</u>

Net Assets:

Without Donor Restrictions		291,998
With Donor Restrictions		<u>46,775</u>
Total Net Assets		<u>338,773</u>
Total Liabilities and Net Assets	\$	<u><u>362,228</u></u>

The notes to financial statements are an integral part of these statements.

Kingdom Channels

Statement of Activities

For the year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions	\$ 273,113	\$ 339,880	\$ 612,993
Misc Income	4,898	-	4,898
Donated Items	45	-	45
Training Fees	33,270	-	33,270
Fundraising Income	12,405	-	12,405
Total Revenue and Support	323,731	339,880	663,611
Reclassifications:			
Satisfaction of Program Restrictions	301,349	(301,349)	-
Assessments Against Field Donations	27,960	(27,960)	-
Total Reclassifications	329,309	(329,309)	-
Expenses:			
Program Services	361,997	-	361,997
Administrative	78,829	-	78,829
Fund Raising	68,107	-	68,107
Total Expenses	508,933	-	508,933
Change in Net Assets	144,107	10,571	154,678
Net Assets, Beginning	147,891	36,204	184,095
Net Assets, End of Year	\$ 291,998	\$ 46,775	\$ 338,773

The notes to financial statements are an integral part of these statements.

Kingdom Channels

Statement of Functional Expenses

For the year ended December 31, 2020

	<u>Program Services</u>	<u>Administrative</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
Wages	\$ 79,241	\$ 42,110	\$ 18,071	\$ 139,422
Travel	59,394	3,573	6,647	69,614
Supplies	35,808	83	7,359	43,250
Occupancy	36,717	3,658	-	40,375
Orientation and Training	35,963	-	-	35,963
Contract Services	17,396	4,429	9,566	31,391
Assistance and Grants	23,840	-	-	23,840
Fees	12,173	2,803	4,503	19,479
Advertising	167	5,041	14,090	19,298
Repairs and Maintenance	18,772	-	-	18,772
Depreciation	16,685	-	-	16,685
Utilities	12,254	468	-	12,722
Miscellaneous	1,116	5,614	179	6,909
Professional Fees	-	6,200	-	6,200
Office Expense	783	3,435	1,591	5,809
Translation Services	5,396	-	-	5,396
Registrations	-	-	5,182	5,182
Payroll Taxes	3,323	1,345	-	4,668
Tools	2,918	-	-	2,918
Postage and Shipping	51	18	811	880
Printing and Literature	-	52	108	160
Total Expenses	<u>\$ 361,997</u>	<u>\$ 78,829</u>	<u>\$ 68,107</u>	<u>\$ 508,933</u>

The notes to financial statements are an integral part of these statements.

Kingdom Channels

Statement of Cash Flows

For the year ended December 31, 2020

Cash Flows From Operating Activities:

Change in Net Assets \$ 154,678

Adjustments to Reconcile Change in Net Assets

to Net Cash Provided (Used) by Operating Activities:

Depreciation	16,685
(Increase)/Decrease in Receivables	131
(Increase)/Decrease in Prepaid Expenses	(1,098)
(Increase)/Decrease in Other Assets	4,000
Increase/(Decrease) in Accounts Payable and Accrued Expenses	7,594

Net Cash Provided (Used) by Operating Activities 181,990

Cash Flows From Investing Activities:

Purchase of Capital Assets (25,300)

Net Cash Provided (Used) by Investing Activities (25,300)

Net Increase (Decrease) in Cash 156,690

Cash and Cash Equivalents, Beginning of Year 133,706

Cash and Cash Equivalents, End of Year \$ 290,396

The notes to financial statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

Kingdom Channels

Notes To Financial Statements

December 31, 2020

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. Fiscal years ending on or after December 31, 2017, 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, 2020

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.

Assessments against Field Donations

In the current year, Kingdom Channels began making a 10% assessments against field donations after publicizing its intentions to do so. Since Kingdom Channels incurs overhead costs related to the soliciting and processing of field donations, the governing board authorized these assessments. Total assessments of \$27,960 were recorded and were reported in the statement of activities.

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. Donated services are recognized as both donated services revenue and expense. In the current year, no contributed services were recorded.

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 and expense transactions that occur in foreign currencies are translated using the exchange rate on the date of the transaction. 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.

Kingdom Channels
Notes To Financial Statements
December 31, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED:

Advertising Costs

Advertising costs are expensed as incurred.

NOTE 2 – PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following:

<u>Description</u>	<u>2020</u>		
	<u>Basis</u>	<u>Accumulated Depreciation</u>	<u>Carrying Value</u>
Buildings - Asia	\$ 7,500	\$ 625	\$ 6,875
Vehicles - Asia	99,900	41,570	58,330
Total	<u>\$ 107,400</u>	<u>\$ 42,195</u>	<u>\$ 65,205</u>

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 2020, 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>\$ 290,396</u>
Total Financial Assets	290,396
Less those unavailable for general expenditures within one year due to:	
Restricted by donor with time or purpose restrictions	<u>(46,775)</u>
Financial Assets available to meet cash needs for general expenditures within one year	<u>\$ 243,621</u>

Kingdom Channels

Notes To Financial Statements

December 31, 2020

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, 2020 was \$46,775, held for the following categories:

Synergy	\$	10,309
ADVANCE1040		8,471
K Family Base		7,425
Village Vehicle		4,500
Survivor Boys		3,048
Training Fund		2,350
Demining		2,250
Jordan Language Study		2,000
TESOL		1,838
Ministry to a Specific Nationality		2,019
Translation		1,228
LIVE Team		760
T4 Training		474
FOCUS Training		103
		<hr/>
Total Net Assets with Donor Restrictions	\$	<u>46,775</u>

NOTE 5 – SUBSEQUENT EVENTS EVALUATION:

Management has evaluated subsequent events through July 15, 2021, which is the date the financial statements were available to be issued.

NOTE 6 – REVENUE FROM CONTRACTS WITH CUSTOMERS:

Revenue from contracts with customers should be recognized when Kingdom Channels fulfills its performance obligations to its customers. The sources of revenue from contracts with customers are as follows:

Training fees – training fees are earned on the date of the training and are collected no later than that date. A \$50 non-refundable deposit is required at the time of application, and is recorded as revenue upon receipt. At year end, there were no contract assets or liabilities associated with these revenue sources.

Fundraising income – Fundraising income is recorded at the time the funds are received. Auction sales contain implied contracts rather than formal written agreements. The performance obligation is met at the time the goods or services related to the fundraising event has been provided to the individual partaking in the event. Credit is not extended for fundraising events. Although funds or auction items could be received prior to the fundraising event, there would be no material cross-period transactions that would require contract assets or contract liabilities to be recorded.

NOTE 7 – RELATED PARTY TRANSACTIONS:

A company owned by two board members provided services to Kingdom Channels during the year. The total amount paid by Kingdom Channels for these services was \$90,064. In addition, various other companies owned, or partly-owned, by related parties (employees or those charged with governance) were paid a combined \$11,637 for services provided to Kingdom Channels during the year.