

Kingdom Channels
Ephrata, Pennsylvania

Financial Statements and Independent Auditor's Report
For the Period Ended December 31, 2021

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Independent Auditor's Report

To the Board of Directors
Kingdom Channels
Ephrata, Pennsylvania

Opinion

We have audited the financial statements of Kingdom Channels, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Kingdom Channels as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Kingdom Channels 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 the 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 Kingdom Channels' ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 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 GAAS, 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 Kingdom Channels' 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 Kingdom Channels' 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.

Payne, White & Schmutz, CPA, PA

Payne, White & Schmutz, CPA, PA

November 17, 2022

FINANCIAL STATEMENTS

Kingdom Channels

Statement of Financial Position

December 31, 2021

Assets:

Cash and Cash Equivalents	\$	541,960
Prepaid Expenses		969
Other Assets		7,850
Capital Assets, net of accumulated depreciation of \$64,048		<u>110,381</u>

Total Assets \$ 661,160

Liabilities and Net Assets:

Accounts Payable	\$	25,702
Accrued Expenses		<u>338</u>

Total Liabilities 26,040

Net Assets:

Without Donor Restrictions		593,081
With Donor Restrictions		<u>42,039</u>

Total Net Assets 635,120

Total Liabilities and Net Assets \$ 661,160

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

Kingdom Channels

Statement of Activities

For the year ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue:			
Contributions	\$ 500,235	\$ 518,943	\$ 1,019,178
Misc Income	1,445	-	1,445
Donated Services and Use of Facilities	71,878	-	71,878
Donated Items	14,105	-	14,105
Training Fees	49,012	-	49,012
Gain/(Loss) on Sale of Assets	(288)	-	(288)
Fundraising Income	17,606	-	17,606
Total Revenue and Support	<u>653,993</u>	<u>518,943</u>	<u>1,172,936</u>
Reclassifications:			
Satisfaction of Program Restrictions	482,659	(482,659)	-
Assessments Against Field Donations	41,020	(41,020)	-
Total Reclassifications	<u>523,679</u>	<u>(523,679)</u>	<u>-</u>
Expenses:			
Program Services	647,858	-	647,858
Administrative	139,412	-	139,412
Fund Raising	89,319	-	89,319
Total Expenses	<u>876,589</u>	<u>-</u>	<u>876,589</u>
Change in Net Assets	301,083	(4,736)	296,347
Net Assets, Beginning	<u>291,998</u>	<u>46,775</u>	<u>338,773</u>
Net Assets, End of Year	<u>\$ 593,081</u>	<u>\$ 42,039</u>	<u>\$ 635,120</u>

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

Kingdom Channels

Statement of Functional Expenses

For the year ended December 31, 2021

	<u>Program Services</u>	<u>Administrative</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
Wages	\$ 103,266	\$ 75,598	\$ 44,414	\$ 223,278
Orientation and Training	101,553	758	761	103,072
Travel	83,273	10,613	7,105	100,991
Supplies	67,954	1,359	43	69,356
Donated Services and Use of Facilities	50,000	19,328	-	69,328
Assistance and Grants	63,422	-	-	63,422
Occupancy	47,215	3,272	-	50,487
Contract Services	6,183	882	450	7,515
Depreciation	27,500	-	-	27,500
Repairs and Maintenance	23,098	-	-	23,098
Fees	10,833	4,755	5,071	20,659
Miscellaneous	10,864	5,847	1,718	18,429
Utilities	15,550	1,559	201	17,310
Translation Services	14,283	-	-	14,283
Office Expense	3,254	8,434	621	12,309
Advertising	-	430	13,464	13,894
Professional Fees	2,884	6,205	1,227	10,316
Payroll Taxes	9,501	26	-	9,527
Tools	7,012	-	-	7,012
Registrations	-	142	3,461	3,603
Event Expense	-	-	10,320	10,320
Postage and Shipping	124	204	463	791
Printing and Literature	89	-	-	89
Total Expenses	<u>\$ 647,858</u>	<u>\$ 139,412</u>	<u>\$ 89,319</u>	<u>\$ 876,589</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, 2021

Cash Flows From Operating Activities:

Change in Net Assets \$ 296,347

Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:

Depreciation	27,500
Donated Item Capitalized	(10,000)
(Increase)/Decrease in Receivables	529
(Increase)/Decrease in Prepaid Expenses	129
(Increase)/Decrease in Other Assets	(2,850)
Increase/(Decrease) in Accounts Payable and Accrued Expenses	<u>2,585</u>

Net Cash Provided (Used) by Operating Activities 314,240

Cash Flows From Investing Activities:

Purchase of Capital Assets	(69,129)
Proceeds from the Sale of Capital Assets	<u>6,453</u>

Net Cash Provided (Used) by Investing Activities (62,676)

Net Increase (Decrease) in Cash 251,564

Cash and Cash Equivalents, Beginning of Year 290,396

Cash and Cash Equivalents, End of Year \$ 541,960

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

NOTES TO FINANCIAL STATEMENTS

Kingdom Channels

Notes To Financial Statements

December 31, 2021

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.

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, 2021

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

Kingdom Channels makes a 10% assessment against field donations and publicizes 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 \$41,020 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, \$71,878 of contributed services were recorded to both income 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 estimates relate to the useful lives of capital assets and the value of donated services.

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. 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, 2021

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>2021</u>		
	<u>Basis</u>	<u>Accumulated Depreciation</u>	<u>Carrying Value</u>
Buildings - Asia	\$ 7,500	\$ 1,125	\$ 6,375
Vehicles - Asia	152,500	62,202	90,298
Vehicles - USA	14,429	721	13,708
Total	<u>\$ 174,429</u>	<u>\$ 64,048</u>	<u>\$ 110,381</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 2021, 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>\$ 541,960</u>
Total Financial Assets	541,960
Less those unavailable for general expenditures within one year due to:	
Restricted by donor with time or purpose restrictions	<u>(42,039)</u>
Financial Assets available to meet cash needs for general expenditures within one year	<u><u>\$ 499,921</u></u>

Kingdom Channels

Notes To Financial Statements

December 31, 2021

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, 2021 was \$42,039, held for the following categories:

Restoration Grant	\$	13,516
Central Asia Assistance		9,791
Dan's Family		7,451
Alms		5,197
TESOL		1,544
CS Family Ministry		1,517
Widows Assistance		960
Belarus Assistance		900
Survivor Boys		674
Read-a-thon		489
		<hr/>
Total Net Assets with Donor Restrictions	\$	<u>42,039</u>

NOTE 5 – SUBSEQUENT EVENTS EVALUATION:

Management has evaluated subsequent events through November 17, 2022, 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 \$75,301. An additional company owned by a board member provided services to Kingdom Channels during the year. The total amount paid by Kingdom Channels for these services was \$3,341. Various other companies owned, or partly-owned, by related parties (employees or those charged with governance) were paid a combined \$10,190 for services provided to Kingdom Channels during the year.