

Kingdom Channels
Ephrata, Pennsylvania

Financial Statements and Independent Auditor's Report
For the Period Ended December 31, 2022

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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, 2022, 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, 2022, 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

June 29, 2023

FINANCIAL STATEMENTS

Kingdom Channels

Statement of Financial Position

December 31, 2022

Assets:

Cash and Cash Equivalents	\$	544,248
Receivables		1,887
Prepaid Expenses		969
Other Assets		23,600
Capital Assets, net of accumulated depreciation of \$100,546		<u>134,157</u>
Total Assets	\$	<u><u>704,861</u></u>

Liabilities and Net Assets:

Accounts Payable	\$	6,024
Accrued Expenses		<u>24,913</u>
Total Liabilities		<u>30,937</u>

Net Assets:

Without Donor Restrictions		
Undesignated		491,063
Board Designated		<u>85,000</u>
Total Without Donor Restrictions		576,063
With Donor Restrictions		<u>97,861</u>
Total Net Assets		<u>673,924</u>
Total Liabilities and Net Assets	\$	<u><u>704,861</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, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue:			
Contributions of Cash and Other Financial Assets	\$ 336,929	\$ 527,696	\$ 864,625
Misc Income	7,467	-	7,467
Contributed Nonfinancial Assets - Services	101,962	-	101,962
Contributed Nonfinancial Assets - Goods	10,157	-	10,157
Training Fees	39,228	-	39,228
Fundraising Income	23,256	-	23,256
Total Revenue and Support	<u>518,999</u>	<u>527,696</u>	<u>1,046,695</u>
Reclassifications:			
Satisfaction of Program Restrictions	471,874	(471,874)	-
Total Reclassifications	<u>471,874</u>	<u>(471,874)</u>	<u>-</u>
Expenses:			
Program Services	746,264	-	746,264
Administrative	188,250	-	188,250
Fund Raising	73,377	-	73,377
Total Expenses	<u>1,007,891</u>	<u>-</u>	<u>1,007,891</u>
Change in Net Assets	(17,018)	55,822	38,804
Net Assets, Beginning	<u>593,081</u>	<u>42,039</u>	<u>635,120</u>
Net Assets, End of Year	<u>\$ 576,063</u>	<u>\$ 97,861</u>	<u>\$ 673,924</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, 2022

	<u>Program Services</u>	<u>Administrative</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
Wages	\$ 172,393	\$ 98,743	\$ 34,995	\$ 306,131
Travel	149,149	8,778	2,742	160,669
Donated Services and Use of Facilities	69,350	32,612	-	101,962
Supplies	59,091	2,122	187	61,400
Orientation and Training	62,100	108	-	62,208
Occupancy	49,864	8,370	-	58,234
Assistance and Grants	55,384	-	-	55,384
Depreciation	36,498	-	-	36,498
Repairs and Maintenance	27,441	-	-	27,441
Utilities	22,893	2,757	-	25,650
Advertising	3,001	7,340	12,144	22,485
Fees	6,936	10,555	3,457	20,948
Event Expense	-	-	19,757	19,757
Payroll Taxes	11,127	-	-	11,127
Professional Fees	4,194	6,500	-	10,694
Miscellaneous	8,033	1,389	(200)	9,222
Office Expense	1,191	3,898	62	5,151
Registrations	-	4,254	233	4,487
Tools	4,145	-	-	4,145
Contract Services	2,948	548	-	3,496
Printing and Literature	508	21	-	529
Postage and Shipping	18	255	-	273
Total Expenses	<u>\$ 746,264</u>	<u>\$ 188,250</u>	<u>\$ 73,377</u>	<u>\$ 1,007,891</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, 2022

Cash Flows From Operating Activities:

Change in Net Assets \$ 38,804

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

Depreciation 36,498

(Increase)/Decrease in Other Assets (15,750)

Increase/(Decrease) in Accounts Payable and Accrued Expenses 4,897

Net Cash Provided (Used) by Operating Activities 62,562

Cash Flows From Investing Activities:

Purchase of Capital Assets (60,274)

Net Cash Provided (Used) by Investing Activities (60,274)

Net Increase (Decrease) in Cash 2,288

Cash and Cash Equivalents, Beginning of Year 541,960

Cash and Cash Equivalents, End of Year \$ 544,248

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

NOTES TO FINANCIAL STATEMENTS

Kingdom Channels

Notes To Financial Statements

December 31, 2022

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, 2022

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.

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.

Advertising Costs

Advertising costs are expensed as incurred.

New Accounting Standard Adopted

Effective January 1, 2022, Kingdom Channels adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, Leases (Topic 842). The new accounting guidance in ASU 2016-02 is intended to improve financial reporting of leasing transactions by requiring organizations that lease to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months on the statement of financial position. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. Kingdom Channels did not elect to apply the adoption retrospectively to each prior reporting period presented in the financial statements, but elected instead to adopt the standard retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment, if needed. No cumulative adjustment was required to beginning net 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. 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, 2022

NOTE 2 – PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following:

<u>Description</u>	<u>2022</u>		
	<u>Basis</u>	<u>Accumulated Depreciation</u>	<u>Carrying Value</u>
Buildings - Asia	\$ 7,500	\$ 1,625	\$ 5,875
Equipment - USA	7,724	772	6,952
Vehicles - Asia	170,200	88,728	81,472
Vehicles - USA	49,279	9,421	39,858
Total	<u>\$ 234,703</u>	<u>\$ 100,546</u>	<u>\$ 134,157</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 maintains an operating reserve of four months’ expenses or greater. If the reserve falls below that, stateside activities will be reduced until the bank balances are brought back to an acceptable level. If the reserve falls below three months’ expenses, stateside employee pay rates will be temporarily lowered. 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 2022, 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>\$ 544,248</u>
Total Financial Assets	544,248
Less those unavailable for general expenditures within one year due to:	
Board Designated Net Assets	(85,000)
Restricted by donor with time or purpose restrictions	<u>(97,861)</u>
Financial Assets available to meet cash needs for general expenditures within one year	<u>\$ 361,387</u>

NOTE 4 – 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 \$109,746. 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 \$8,809. Various other companies owned, or partly-owned, by related parties (employees or those charged with governance) were paid a combined \$1,461 for services provided to Kingdom Channels during the year.

Kingdom Channels

Notes To Financial Statements

December 31, 2022

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS:

Board designated net assets represent net assets without donor restrictions that have been designated by the board, restricting their use. Net assets with donor restrictions represent the unspent balance of donor restricted contributions for specific purposes, such as to support specific aid projects. The amount remaining as of December 31, 2022 was \$85,000 board designated net assets and \$97,861 net assets with donor restrictions, held for the following categories:

Facilities Funds	<u>\$ 85,000</u>
Total Board Designated Net Assets	<u><u>\$ 85,000</u></u>
Field Worker Support	\$ 34,133
Mobile Training	33,578
Alms	7,814
Language & Culture	6,690
Central Asia Assistance	4,680
CS Family Ministry	3,954
Restoration Grant	2,888
Widows Assistance	1,660
Read-a-thon	1,612
TESOL	<u>852</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 97,861</u></u>

NOTE 6 – LEASES:

Kingdom Channels has made an accounting policy election not to recognize right-of-use assets and lease liabilities that arise from short-term leases for all classes of underlying assets. Therefore, the requirements in ASC Topic 842 will not be applied to short-term leases. Instead, lease payments of these short-term leases will be recognized in the statement of activities on a straight-line basis over the lease term.

Kingdom Channels leases several real estate properties located in various areas in the 10/40 window. These properties are used mainly in the conduct of Kingdom Channels' program activities. The leases are either annual leases with no right of renewal or quarter-to-quarter or month-to-month, and thus, are accounted for as short-term leases. Monthly lease payments ranged from approximately \$120 to \$575. Occupancy expense mainly consists of short-term lease payments. For the current reporting period this expense totaled \$58,234 and \$50,487 for the prior reporting period.

NOTE 7 – 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.

Kingdom Channels
Notes To Financial Statements
December 31, 2022

NOTE 8 – CONTRIBUTED NONFINANCIAL ASSETS:

For the current reporting period, contributed nonfinancial assets recognized within the statement of activities included the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Donated Services	\$ 101,962	-
Total Contributed Nonfinancial Assets - Services	<u>101,962</u>	<u>-</u>
Donated Furnishings, Food, and Supplies	2,922	-
Donated Auction Items	7,235	-
Total Contributed Nonfinancial Assets - Goods	<u>10,157</u>	<u>-</u>
Total Contributed Nonfinancial Assets	<u><u>\$ 112,119</u></u>	<u><u>-</u></u>

Contributed nonfinancial assets in the form of goods can be donated supplies, food, and other items (including securities, real property, and equipment) and are recorded at estimated fair value at the date of contribution.

Contributed nonfinancial assets in the form of 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. Contributed services are recognized as both contributed services revenue and expense, unless the service creates or enhances a capital asset, in which case the contributed services would be recognized as contributed service revenue and as part of the capital asset.

Kingdom Channels recognizes contributed nonfinancial assets in the form of donated services, donated goods, and donated use of facilities, as applicable. The amounts donated in the current year have been shown in the above chart. There were no donor-imposed restrictions related to these donations. All donated goods, which are recorded at estimated fair value at the date of contribution, are utilized by the ministry, unless specifically provided for monetization.

Donated services are provided by individuals who possess needed skills. The value of these services is based upon a reasonable estimate of the fair value of the services provided. These services benefited Kingdom Channels' program (\$69,350) and administrative (\$32,612) function.

Donated furnishings, food, and supplies are not monetized and are used in most of Kingdom Channels' administrative, fundraising, or program activities. Items are generally valued at a reasonable retail price, which is deemed to approximate fair value.

Donated auction items are monetized at fundraising auctions and are thus utilized as part of fundraising activities. Items are generally valued at a reasonable retail price, which is deemed to approximate fair value.

NOTE 9 – SUBSEQUENT EVENTS EVALUATION:

Management has evaluated subsequent events through June 29, 2023, which is the date the financial statements were available to be issued.