

Kids for the Kingdom, Inc.
(A Not-for-Profit Corporation)

Financial Statements
For the Years Ended December 31, 2021 and 2020

Together with Independent Auditors' Report

Kids for the Kingdom, Inc.

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175 Concourse Blvd, Suite A
Santa Rosa, CA 95403
t: (707) 577-8806
f: (707) 577-1417
www.dbmcpa.com

Independent Auditors' Report

To the Board of Directors of
Kids for the Kingdom, Inc.
Graton, California

Opinion

We have audited the financial statements of Kids for the Kingdom, Inc. (a Delaware not-for-profit corporation), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and changes in net assets, 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 Kids for the Kingdom, Inc. 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kids for the Kingdom, Inc. 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.

Other Matter

The financial statements of Kids for the Kingdom, Inc. for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on December 6, 2021.

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 Kids for the Kingdom, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' 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 auditors' 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 Kids for the Kingdom, Inc.'s 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 Kids for the Kingdom, Inc.'s 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.

Dillwood Burkeel & Millar, LLP

Santa Rosa, California
May 6, 2022

Kids for the Kingdom, Inc.

Statement of Financial Position

As of December 31, 2021

	<u>Operating Fund</u>	<u>Endowmnet Fund</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 261,910	\$ -	\$ 261,910
Other receivable	9,218	-	9,218
Prepaid expenses and other current assets	77,699	-	77,699
Total current assets	348,827	-	348,827
Restricted cash and cash equivalents	457,807	-	457,807
Investments, net	202,757	65,009,768	65,212,525
Property and equipment, net	15,943	-	15,943
Total assets	<u>\$ 1,025,334</u>	<u>\$ 65,009,768</u>	<u>\$ 66,035,102</u>
Liabilities and net assets			
Current liabilities			
Accounts payable	\$ 78,433	\$ -	\$ 78,433
Accrued expenses	32,131	-	32,131
Total current liabilities	110,564	-	110,564
Net assets			
Net assets without donor restrictions	671,069	11,996,852	12,667,921
Net assets with donor restrictions			
With temporary restrictions	243,701	-	243,701
With permanent restrictions	-	53,012,916	53,012,916
Total net assets	<u>914,770</u>	<u>65,009,768</u>	<u>65,924,538</u>
Total liabilities and net assets	<u>\$ 1,025,334</u>	<u>\$ 65,009,768</u>	<u>\$ 66,035,102</u>

See accompanying Notes to Financial Statements

Kids for the Kingdom, Inc.

Statement of Financial Position

As of December 31, 2020

	<u>Operating Fund</u>	<u>Endowment Fund</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 54,031	\$ -	\$ 54,031
Bequest receivable	-	842,652	842,652
Other receivable	6,972	-	6,972
Prepaid expenses and other current assets	78,643	-	78,643
Total current assets	139,646	842,652	982,298
Restricted cash and cash equivalents	-	1,559,235	1,559,235
Investments, net	325,480	58,283,991	58,609,471
Noncurrent contributions receivable		-	-
Property and improvements, net	17,440	-	17,440
Total assets	<u>\$ 482,566</u>	<u>\$ 60,685,878</u>	<u>\$ 61,168,444</u>
Liabilities and net assets			
Current liabilities			
Accounts payable	\$ 76,942	\$ -	\$ 76,942
Accrued employee expenses	28,042	-	28,042
Total current liabilities	104,984	-	104,984
Government forgivable loan	44,089	-	44,089
Total liabilities	149,073	-	149,073
Net assets			
Net assets without donor restrictions	238,219	7,672,963	7,911,182
Net assets with donor restrictions			
With temporary restrictions	95,273	-	95,273
With permanent restrictions	-	53,012,916	53,012,916
Total net assets	333,492	60,685,879	61,019,371
Total liabilities and net assets	<u>\$ 482,565</u>	<u>\$ 60,685,879</u>	<u>\$ 61,168,444</u>

See accompanying Notes to Financial Statements

Kids for the Kingdom, Inc.

Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2021

	Without Donor Restrictions		With Donor Restrictions		Total
	Operations	Endowment	Operations	Endowment	
Support and revenue					
Contributions	\$ 161,797	\$ -	\$ -	\$ -	\$ 161,797
Grants	12,105	-	392,885	-	404,990
Government grants	44,089	-	-	-	44,089
Investment income, <i>net</i>	58,394	6,309,814	-	-	6,368,208
Net assets released from restrictions	244,457	-	(244,457)	-	-
Endowment draw down	1,985,925	(1,985,925)	-	-	-
Total support and revenue	2,506,767	4,323,889	148,428	-	6,979,084
Expenses					
Program services	1,843,597	-	-	-	1,843,597
General and administration	230,320	-	-	-	230,320
Fundraising	-	-	-	-	-
Total expenses	2,073,917	-	-	-	2,073,917
Changes in net assets	432,850	4,323,889	148,428	-	4,905,167
Net assets, beginning of year	238,219	7,672,963	95,273	53,012,916	61,019,371
Net assets, end of year	\$ 671,069	\$ 11,996,852	\$ 243,701	\$ 53,012,916	\$ 65,924,538

See accompanying Notes to Financial Statements

Kids for the Kingdom, Inc.

Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2020

	Without Donor Restrictions		With Donor Restrictions		Total
	Operations	Endowment	Operations	Endowment	
Support and revenue					
Contributions	\$ 149,418	\$ -	\$ 146,241	\$ -	\$ 295,659
In-kind contributions	1,000	-	-	-	1,000
Bequest	-	464	-	842,188	842,652
Investment income, <i>net</i>	28,111	5,702,059	-	-	5,730,170
Net assets released from restrictions	138,134	-	(138,134)	-	-
Endowment draw down	1,383,000	(1,383,000)	-	-	-
Total support and revenue	1,699,663	4,319,523	8,107	842,188	6,869,481
Expenses					
Program services	1,221,206	-	-	-	1,221,206
General and administration	243,733	-	-	-	243,733
Fundraising	-	-	-	-	-
Total expenses	1,464,939	-	-	-	1,221,206
Changes in net assets	234,724	4,319,523	8,107	842,188	5,404,542
Net assets, beginning of year	3,495	3,353,440	87,166	52,170,728	55,614,829
Net assets, end of year	\$ 238,219	\$ 7,672,963	\$ 95,273	\$ 53,012,916	\$ 61,019,371

See accompanying Notes to Financial Statements

Kids for the Kingdom, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2021

	<u>Program Services</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>Total</u>
Direct program expense	\$ 1,382,422	\$ 3,132	\$ -	\$ 1,385,554
Payroll expenses	249,861	114,229	-	364,090
Employee benefits	51,989	36,500	-	88,489
Communications	65,727	9,444	-	75,171
Travel	32,610	-	-	32,610
Professional services	-	30,954	-	30,954
Bank and credit card charges	13,892	4,366	-	18,258
Printing and publications	15,600	537	-	16,137
Occupancy	10,348	5,552	-	15,900
Supplies	7,532	7,684	-	15,216
Marketing	3,468	6,717	-	10,185
Dues and subscriptions	1,906	4,417	-	6,323
Postage and delivery	3,701	450	-	4,151
Miscellaneous	2,799	653	-	3,452
Insurance, taxes and permits	1,428	1,358	-	2,786
Professional development	202	1,493	-	1,695
Depreciation	-	1,497	-	1,497
Repairs and maintenance	112	1,337	-	1,449
Total expenses	<u>\$ 1,843,597</u>	<u>\$ 230,320</u>	<u>\$ -</u>	<u>\$ 2,073,917</u>

See accompanying Notes to Financial Statements

Kids for the Kingdom, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2020

	<u>Program Services</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>Total</u>
Direct program expense	\$ 867,354	\$ -	\$ -	\$ 867,354
Payroll expenses	190,133	105,677	-	295,810
Employee benefits	39,537	37,848	-	77,385
Communications	38,553	23,452	-	62,005
Office supplies and expenses	19,791	13,260	-	33,051
Marketing	15,672	12,825	-	28,497
Professional services	-	24,283	-	24,283
Payroll taxes	13,921	8,517	-	22,438
Occupancy	9,974	5,926	-	15,900
Bank and credit card charges	12,611	2,802	-	15,413
Travel	7,795	338	-	8,133
Repairs and maintenance	2,522	2,135	-	4,657
Dues and subscriptions	1,843	2,466	-	4,309
Insurance	1,500	1,343	-	2,843
Depreciation	-	1,497	-	1,497
Professional development	-	736	-	736
Miscellaneous	-	370	-	370
Interest expense	-	258	-	258
Total expenses	<u><u>\$ 1,221,206</u></u>	<u><u>\$ 243,733</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,464,939</u></u>

See accompanying Notes to Financial Statements

Kids for the Kingdom, Inc.

Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
	<i>Increase (decrease) in cash and cash equivalents</i>	
Cash flows from operating activities		
Changes in net assets	\$ 4,905,167	\$ 5,404,542
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Realized and unrealized gain on investments	(6,639,832)	(5,674,179)
Depreciation	1,497	1,497
Forgiveness of government forgivable loan	(44,089)	-
Changes in assets and liabilities affecting operating activities:		
Decrease (increase) in assets:		
Bequest receivable	842,652	(842,652)
Other receivable	(2,246)	(6,972)
Prepaid expense and other current assets	944	(78,643)
Increase in liabilities:		
Accounts payable	1,491	45,612
Accrued expenses	4,089	16,772
Net cash used in operating activities	(930,327)	(1,134,023)
Cash flows from investing activities		
Proceeds from sale of investments	36,778	2,648,143
Acquisition of property and equipment	-	(13,711)
Net cash provided by investing activities	36,778	2,634,432
Cash flows from financing activities		
Proceeds from government forgivable loan	-	44,089
Net cash provided by financing activities	-	44,089
Net change in cash and cash equivalents	(893,549)	1,544,498
Cash and cash equivalents, beginning of year	1,613,266	68,768
Cash and cash equivalents, end of year	<u>\$ 719,717</u>	<u>\$ 1,613,266</u>
Unrestricted cash and cash equivalents	\$ 261,910	\$ 54,031
Restricted cash and cash equivalents	457,807	1,559,235
Total cash and cash equivalents	<u>\$ 719,717</u>	<u>\$ 1,613,266</u>
Supplementary Cash Flows Information		
Cash paid for interest	<u>\$ -</u>	<u>\$ 258</u>

See accompanying Notes to Financial Statements

Kids for the Kingdom, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

Note 1. Nature of Activities

Kids for the Kingdom, Inc. (the "Organization") is a not-for-profit organization whose mission is to transform the living conditions and spiritual lives of children and families, especially in third-world and war-torn countries, so that they can transform their nations for Christ.

Programs

The Organization's primary purposes and objectives are to provide support for Christian nationals (indigenous workers) and foreign NGO's (non-government organizations) that are committed to meeting the physical and spiritual needs of children and families around the world, especially in third world countries, war-torn nations, and disaster sites. The Organization's programs support activities such as the provision of food, medicines, medical services, clothing, blankets, education, schools, Bible training, vocational-training, and the fulfilling of the Great Commission and spreading of the Word of God as described in the Bible.

Program Accomplishments

During the year ended December 31, 2021, the Organization provided funding, logistical support and oversight for the following programs:

China – The Organization provided and delivered services to 9,665 children, widows, and families including orphan care, handicapped and widow care services, education and school services, social services, and distribution of blankets, medicines, and food. For security reasons exact location of the project (interior China) is not published. Total cash grant funding for projects and support in China during 2021 was \$23,955.

Costa Rica – The Organization provided and delivered services to 3,450 children, widows and families. Total cash grant funding for projects and support in Costa Rica during 2021 was \$11,560.

El Salvador – The Organization provided and delivered services to 3,473 children, widows, and families including feeding and nutrition programs, Bible Clubs, and job-training in San Salvador, Cangrejera, and Quezalapa. Total cash grant funding for projects and support in El Salvador during 2021 was \$37,855.

Germany – The Organization provided and delivered services to 8,340 children, widows, and families including children's Bible Clubs, Youth Clubs, community outreach, summer camp experience, refugee support, job-training, food distribution in Hellersdorf-East Berlin. Total cash grant funding for projects and support in Germany during 2021 was \$17,870.

Kids for the Kingdom, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

Note 1. Nature of Activities, *continued*

Program Accomplishments, *continued*

Ghana - The Organization provided and delivered services to 1,894 children, widows, and families including feeding programs, job-training programs, Bible Clubs, medical clinic, and a community water project in Accra, Jasikan, and the Volta Region. Total cash grant funding for projects and support in Ghana during 2021 was \$81,985.

Guatemala - The Organization provided and delivered services to 122,659 children, widows, and families including operation of medical clinics, dental clinics, schools, job-training, feeding program, nutrition programs, sports training, family counseling, community pharmacy, and eye clinic in Guatemala City and Zacapa. Total cash grant funding for projects and support in Guatemala during 2021 was \$26,235.

India - The Organization provided and delivered services to 50,024 children, widows, and families including Bible Clubs and hot dinner/lunch feeding programs in sixty-eight locations throughout Chennai, Manapakkam, Nandambakkam, Coimbatore, Bhopal, Erode, Salem, and Maduravoil; job-training programs, income-generation projects, tuition centers, Christmas outreach programs, and outreach to poor and needy. Total cash grant funding for projects and support in India during 2021 was \$96,820.

Kenya - The Organization provided and delivered services to 52,403 children, widows, and families including operation and maintenance of community water wells, projects, and systems throughout the Nakuru Region; job-training and self-sufficiency programs; feeding programs, Bible Clubs, health clinic, immunization programs, mercy projects, and children's homes in Nakuru and Nairobi. Total cash grant funding for projects and support in Kenya during 2021 was \$181,434.

Malawi - The Organization provided and delivered services to 15,630 children, widows, and families including education, feeding, skill-training, and mercy projects in Lilongwe. Total cash grant funding for projects and support in Malawi during 2021 was \$14,290.

Nepal - The Organization provided and delivered services to support an orphanage, and provide disaster relief for various local villages for 1,548 children as well as provide community outreach programs in the local area during 2021 was \$6,705.

Nicaragua - The Organization provided and delivered services to 7,466 children, widows, and families including orphanages, job-training programs, ethics classes, operation of schools, feeding programs, business training, mercy projects, and parenting classes in Managua, Leon, Los Braziles, La Concha, El Corozal, and Nueva Guinea. Total cash grant funding for projects and support in Nicaragua during 2021 was \$107,833.

Kids for the Kingdom, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

Note 1. Nature of Activities, *continued*

Program Accomplishments, *continued*

Russia - The Organization provided and delivered services to 18,269 children, widows, and families including counseling, medical services, food supplies; weekly visits to children's psychiatric hospital in Maikop to provide counseling services, medical intervention, clothing to children; provide food and counseling services to babies and toddlers at children's orphanage in Maikop; programming and foods/medicines for children at orphanages in Sevastopol and Krasnodar and COVID relief in Maikop. Total cash grant funding for projects and support in Russia during 2021 was \$85,015.

South Sudan - The Organization provided and delivered services to 110,440 children, widows, and families including orphan care, water wells, emergency medical care, and distribution of flood relief supplies. Total cash grant funding for projects and support in South Sudan during 2021 was \$186,649.

Sri Lanka and Pakistan - The Organization provided and delivered services to 6,339 children, widows, and families including orphan care, earthquake relief, distribution of relief supplies, and persecution relief. For security reasons the exact location of projects inside Sri Lanka is not published. Total cash grant funding for projects and support in Pakistan during 2021 was \$52,805.

USA - The Organization provided and delivered services to 5,537 children through a partnership with a children's bible retreat camp in Sebastopol, CA. Total cash grant funding for projects and support in the USA during 2021 was \$22,000.

Zambia - The Organization delivered services to 57,185 children, widows, and families affected by HIV/AIDS in Lusaka with a locally run school, farm, job-skills training programs, and feeding program. We also are in the final stages of completing a new high school to be opened in 2022. Total cash support for programs in Zambia during 2021 was \$429,005.

Note 2. Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Kids for the Kingdom, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

Note 2. Significant Accounting Policies, *continued*

Basis of Presentation, *continued*

Net assets with donor restrictions – The Organization reports contributions, gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of restrictions is accomplished, the associated net assets with donor restrictions are classified to net assets without donor restrictions in the Statements of Activities and Changes in Net Assets.

Net assets without donor restrictions – Net assets without donor restrictions include those revenues and expenses associated with program and supporting services which do not have donor imposed restrictions on their use.

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accompanying financial statements are presented in separate funds for operating and endowment. The restrictions on such funds are consistent with the classifications described above.

Fundraising

The Organization does not perform fundraising activities as defined under generally accepted accounting principles or Internal Revenue Service. Accordingly, no fundraising expenses are reported in the Statements of Activities and Changes in Net Assets and the Statements of Functional Expenses.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, except when a restriction is imposed, in which case they would be reported as restricted cash and cash equivalents on the Statements of Financial Position. Cash is held in demand accounts at banks, and cash balances may exceed the federally insured amounts during the year. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

As of December 31, 2021 and 2020, the Organization held cash and cash equivalents received from donors who placed purpose or time restrictions on their use.

Kids for the Kingdom, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

Note 2. Significant Accounting Policies, *continued*

Investments

Investments, which include equity securities, mutual funds, fixed income securities, and alternative investments are carried at fair value. Unrealized gains and losses are included in the Statements of Activities and Changes in Net Assets.

Realized and unrealized gains and losses are reflected as an increase or decrease in the unrestricted class of net assets, unless donors place restrictions on the manner of use of such gains and losses.

Fair Value Measurements

Fair value of an investment is the amount that would be received to sell the investment in an orderly transaction between market participants at the measurement date. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1: Valuations based on quoted market prices in active markets for identical assets or liabilities that the Organization has the ability to access.
- Level 2: Valuations based on pricing inputs that are other than quoted prices in active markets which are either directly or indirectly observable.
- Level 3: Valuations are derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques.

The categorization of an investment within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to the Organization's perceived risk of that investment.

Grants and Contributions Receivable

Grants and contributions receivable represent unconditional promises to be received in future period and are recognized as revenue in the year the promise is made by the donor. Grants and contributions receivable in one year are stated at their net realizable amount that management expects to collect. Management uses the allowance method for recording uncollectable receivables. The amount of the allowance is determined based on past experience and periodic review of outstanding grants and pledges receivable. Management believes all outstanding balances are collectable and allowance reserve is deemed unnecessary at December 31, 2021 and 2020, respectively.

Kids for the Kingdom, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

Note 2. Significant Accounting Policies, *continued*

Property and Equipment

It is the Organization's policy to capitalize all property and equipment with an original cost of \$5,000 or more. Property and equipment are stated on the basis of cost, or in the case of donated items, on a basis of fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five to seven years.

Accrued Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Organization and are included in accrued expenses on the Statements of Financial Position. The employees do not have a vested right to accumulated sick leave. Sick leave benefits are recorded as expenses in the period taken and not accrued as a liability.

Contributions and Support

All unconditional contributions and grants are considered to be available for unrestricted 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 increases in net assets with donor restrictions.

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated fair value at date of receipt. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the year received.

Functional Expense Allocation

Expenses are charged to programs and supporting services on the basis of direct expenditures incurred. Certain costs have been allocated among programs and supporting services benefited. The expenses that are allocated include payroll and payroll related expenses, employee benefits, occupancy costs, communications, office supplies and expenses. The allocation is based upon estimates and assumptions made by management which consider employee time spent on various functions, and square footage of occupied space. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Kids for the Kingdom, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

Note 2. Significant Accounting Policies, *continued*

Income Taxes

The Organization is a not-for-profit organization and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and California Revenue and Taxation Code Section 23701(d). However, the Organization is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption, commonly referred to as unrelated business income. For the years ended December 31, 2021 and 2020, the Organization did not generate such income. Accordingly, no provision has been made for income taxes in the Statements of Activities and Changes in Net Assets.

The Organization determines whether its tax positions are "more-likely-than-not" to be sustained upon examination by the applicable taxing authority based on the technical merits of the positions. As of December 31, 2021, the Organization has reviewed its tax positions and has concluded no reserve for uncertain tax positions is required. The Organization's exempt organization information returns are subject to review through three years after the date of filing for federal and four years after the date of filing for California.

Endowment Funds

The Organization's endowment consists of donor restricted funds whose purpose is to provide support in meeting the operating and program needs of the Organization. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

The Board of Directors of the Organization has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund amounts not in the above description, may be appropriated for expenditure by the organization in a manner consistent with the standard prudence prescribed by the State of California in its enacted version of UPMIFA.

Kids for the Kingdom, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

Note 2. Significant Accounting Policies, *continued*

Endowment Funds, *continued*

Spending policy – In accordance with UPMIFA, the Board of Directors adopted a spending policy to appropriate for distribution each year up to 4% of the endowment fund's average fair value based on a 12-quarter rolling average. During the year ended December 31, 2021 and 2020, the Board of Directors appropriated and transferred to operating fund \$1,985,925 and \$1,383,000 of the endowment balance for spending, respectively.

Investment policy – The endowment assets are invested according to the Organization's investment policy, which is designed to preserve principal while earning returns relative to the overall market consistent with a prudent level of risk. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the spending rate, plus aggregated cost of portfolio management plus market fluctuations. To satisfy its long-term rate of return objectives, the Organization relies on a total-return strategy in which returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on capital appreciation

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. Net unrealized losses on permanently restricted endowment funds are classified as a reduction to unrestricted net assets until such time as the fair value equals or exceeds book value.

The fair value of the permanently restricted endowment fund, which is required to be maintained in perpetuity, had no deficiency as of December 31, 2021 and 2020, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions based on management's knowledge and experience. Those estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue, support and expenses. The use of management's estimates primarily relates to the collectability of grants and contributions receivable, fair market value of alternative investment, and depreciable lives of property and improvements. Actual results could differ from those estimates.

Kids for the Kingdom, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

Note 2. Summary of Significant Accounting Policies, *continued*

Accounting Pronouncements Effective in the Future

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"), to increase transparency and comparability among organizations by requiring contributed nonfinancial assets to be presented as a separate line item in the Statements of Activities and Changes in Net Assets, and additional disclosures. The adoption of ASU 2020-07 is effective for the Organization beginning January 1, 2022. Management is currently evaluating the impact of the provisions of ASU 2020-07 on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The adoption of ASU 2016-02 is effective for the Organization beginning January 1, 2022. Management is currently evaluating the impact of the provisions of ASU 2016-02 on the financial statements.

Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. The reclassifications had no effect on previously reported results of operations or net asset balances.

Note 3. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets reduced by amounts not available for general use because of contractual, donor imposed or board designated restrictions within one year of the balance sheet date, as of December 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 261,910	\$ 54,031
Restricted cash and equivalents	457,807	1,559,235
Accounts receivable	9,218	849,624
Investments	<u>65,212,525</u>	<u>58,609,471</u>
Total financial assets, at year end	65,941,460	61,072,361
Less those unavailable for general expenditures within one year, due to:		
Donor restricted funds	(243,701)	(95,273)
Endowment and designated assets	<u>(65,009,768)</u>	<u>(60,685,879)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 687,991</u>	<u>\$ 291,209</u>

Kids for the Kingdom, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

Note 3. Liquidity and Availability of Financial Assets, *continued*

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Note 4. Investments

Investments stated at fair value, as of December 31, include:

	2021		2020	
	Cost	Fair Market Value	Cost	Fair Market Value
Exchange traded funds	\$ 43,428	\$ 80,242	\$ 119,343	\$ 123,996
Equity securities	1,562,091	1,865,932	871,763	1,013,563
Mutual funds	5,108,196	5,686,926	7,227,043	7,833,068
Fixed income securities	1,098,031	1,095,894	1,679,047	1,721,106
Alternative investments	46,827,998	56,483,531	42,251,144	47,917,738
	<u>\$ 54,639,744</u>	<u>\$ 65,212,525</u>	<u>\$ 52,148,340</u>	<u>\$ 58,609,471</u>

Investment returns are comprised of the following for the years ended December 31:

	2021	2020
Dividends and interest	\$ 288,600	\$ 387,630
Realized gain (losses)	2,563,873	(33,866)
Unrealized gain	3,878,485	5,708,048
Investment fees	<u>(362,750)</u>	<u>(331,642)</u>
Investment income, net	<u>\$ 6,368,208</u>	<u>\$ 5,730,170</u>

As described above, the Organization invests in various investment securities. Investment securities are exposed to interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the fair value of the investment balance.

Note 5. Fair Value Measurement

Investments stated at fair value as of December 31, 2021 include the following:

	Fair Value	Level 1	Level 2	Level 3
Exchange traded funds	\$ 80,242	\$ 80,242	\$ -	\$ -
Equity securities	1,865,932	1,865,932	-	-
Mutual funds	5,686,926	-	5,686,926	-
Fixed income securities	1,095,894	-	1,095,894	-
Alternative investments	56,483,531	-	-	56,483,531
	<u>\$ 65,212,525</u>	<u>\$ 1,946,174</u>	<u>\$ 6,782,820</u>	<u>\$ 56,483,531</u>

Kids for the Kingdom, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

Note 5. Fair Value Measurement, *continued*

Investments stated at fair value as of December 31, 2020 include the following:

	Fair Value	Level 1	Level 2	Level 3
Exchange traded funds	\$ 123,996	\$ 123,996	\$ -	\$ -
Equity securities	1,013,563	1,013,563		
Mutual funds	7,833,068		7,833,068	
Fixed income securities	1,721,106	-	1,721,106	-
Alternative investments	47,917,738	-	-	47,917,738
	<u>\$ 58,609,471</u>	<u>\$ 1,137,559</u>	<u>\$ 9,554,174</u>	<u>\$ 47,917,738</u>

The value of most of the alternative investments is determined based on quotes in active markets on a monthly basis. For more illiquid securities that are not traded as actively, the value is determined by a third-party administrator on a monthly basis based on pricing inputs that are either directly or indirectly observable. The alternative investments have tiered liquidity ranges from monthly with written notice 10 days in advance, to no liquidity available with payouts of income and distributions over time.

The following is a reconciliation of the opening and closing balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2021:

	Partnerships/ Joint Ventures	Collective Investment Funds	Total Level 3 Investments
Opening balance	\$ 20,134,641	\$ 27,783,097	\$ 47,917,738
Sales	(8,727,568)	(7,553,461)	(16,281,029)
Purchases	6,900,000	11,650,000	18,550,000
Realized gain	592,433	1,715,452	2,307,885
Unrealized gain	185,883	3,803,054	3,988,937
Ending balance	<u>\$ 19,085,389</u>	<u>\$ 37,398,142</u>	<u>\$ 56,483,531</u>

The following is a reconciliation of the opening and closing balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2020:

	Partnerships/ Joint Ventures	Collective Investment Funds	Total Level 3 Investments
Opening balance	\$ -	\$ 7,495,742	\$ 7,495,742
Sales	(6,159,385)	(7,355,449)	(13,514,834)
Purchases	24,900,000	23,825,000	48,725,000
Realized gain	85,637	(1,117)	(84,520)
Unrealized gain	1,308,839	3,818,921	5,127,310
Ending balance	<u>\$ 20,134,641</u>	<u>\$ 27,783,097</u>	<u>\$ 47,917,738</u>

Kids for the Kingdom, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

Note 6. Property and Equipment

Property and equipment consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Computers and equipment	\$ 14,710	\$ 14,710
Leasehold improvements	13,711	13,711
	<u>28,421</u>	<u>28,421</u>
Less: accumulated depreciation	<u>(12,478)</u>	<u>(10,981)</u>
	<u>\$ 15,943</u>	<u>\$ 17,440</u>

Depreciation expense totaled \$1,497 for both the years ended December 31, 2021 and 2020.

Note 7. Accrued Expenses

Accrued expenses consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Vacation	\$ 18,232	\$ 16,923
Salaries and wages	13,899	11,119
	<u>\$ 32,131</u>	<u>\$ 28,042</u>

Note 8. Government Forgivable Loan and Grant revenue

In April 2020, the Organization applied for and received a Paycheck Protection Program (“PPP”) loan in the amount of \$43,831 through the Small Business Administration in relation to the coronavirus pandemic (See Note 15). The loan bears annual interest of 1% and matures 2 years from issuance with payments deferred for the first 10 months. The loan is a forgivable loan if certain criteria are met.

In August 2021, the loan was forgiven in full. The Organization reported the loan amount of \$43,831 and the accrued interest of \$258 as government grants on the Statements of Activities and Changes in Net Assets for the year ended December 31, 2021.

Kids for the Kingdom, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

Note 9. Net Assets with Donor Restrictions

Net Assets with Temporary Donor Restrictions

Net assets with temporary donor restrictions are restricted for specific programmatic purposes or until specific events occur. Net assets are released from restrictions when expenses are incurred or specific events occur. Net assets released from restrictions amounted to \$244,457 and \$138,134 for the years ended December 31, 2021 and 2020, respectively.

Net assets with temporary donor restrictions consisted of contributions to be used for various relief programs around the world totaling \$243,701 and \$95,273 as of December 31, 2021 and 2020, respectively.

Net assets with temporary donor restrictions are included on the Statements of Financial Position as restricted cash and cash equivalents for the years ending December 31, 2021 and 2020.

Net Assets with Permanent Donor Restrictions

Net assets with permanent donor restrictions consist of endowment funds permanently restricted by donors. Permanently restricted net assets totaled \$53,012,916 for both years ending December 31, 2021 and 2020. Net assets with permanent donor restrictions are included on the Statements of Financial Position at December 31 as follows:

	<u>2021</u>	<u>2020</u>
Grants and contributions receivable	\$ -	\$ 842,188
Investments	<u>53,012,916</u>	<u>52,170,728</u>
Total	<u>\$ 53,012,916</u>	<u>\$ 53,012,916</u>

Note 10. Endowment Fund

The composition and activities of the Organization's endowment fund as of and for the year ended December 31, 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Permanent Restrictions</u>	<u>Total Endowment Funds</u>
Beginning balance	\$ 7,672,963	\$ 53,012,916	\$ 60,685,879
Interest and dividends	288,600	-	288,600
Realized and unrealized gains	6,380,638	-	6,380,638
Investment related fees	(359,424)	-	(359,424)
Transfers to operating funds	<u>(1,985,925)</u>	-	<u>(1,985,925)</u>
Ending balance	<u>\$ 11,996,852</u>	<u>\$ 53,012,916</u>	<u>\$ 65,009,768</u>

Kids for the Kingdom, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

Note 10. Endowment Fund, *continued*

The activities of the Organization's endowment funds as of December 31, 2020 are presented as follows:

	Without Donor Restrictions	With Permanent Restrictions	Total Endowment Funds
Beginning balance	\$ 3,353,440	\$ 52,170,728	\$ 55,524,168
Disbursements from trust	464	842,188	842,652
Interest and dividends	387,630	-	387,630
Realized and unrealized gains	5,644,270	-	5,644,270
Investment related fees	(329,841)	-	(329,841)
Transfers to operating funds	(1,383,000)	-	(1,383,000)
Ending balance	\$ 7,672,963	\$ 53,012,916	\$ 60,685,879

Note 11. Pension Plan

Effective January 1, 2020, the Organization started offering a 403b retirement plan to its employees. All employees are eligible to participate in the retirement plan upon hire and the Organization provides a contribution to each employee's account in an amount equal to 6% of their annual compensation. In addition, the Organization's board votes on an annual basis to fund an additional contribution via a profit sharing plan to eligible employees. Employees must have worked 1000 hours to become eligible and the amount of contribution is weighted amongst all qualifying employees based on their salaries. The Organization's contributions to the employees' retirement plans totaled \$24,464 and \$15,559 for the years ended December 31, 2021 and 2020, respectively.

Note 12. Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk include cash deposits and investments maintained in excess of Federal Deposit Insurance Corporation ("FDIC") and Securities Investor Protection Corporation ("SIPC") limits throughout the year. December 31, 2021, the Organization held deposits of approximately \$8,000 in excess of FDIC limit and no funds in excess of SIPC limit. At December 31, 2020, the Organization had no deposits in excess of FDIC limit and approximately \$900,000 in excess of SIPC insurance limit.

Note 13. Bequest

In 2018, the Organization was notified of a bequest from the Rouse Family Living Trust totaling \$53,721,399. As of December 31, 2021 the trustee has distributed a total of \$56,211,727 of which \$53,012,917 is permanently restricted.

Kids for the Kingdom, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

Note 14. Related Party Transactions

The Organization rents office space from an entity where a board member is an owner. The lease agreement was approved by the board. It is on a month-to-month basis and requires monthly rent of \$1,325. The Organization paid \$14,400 in rent during both the years ended December 31, 2021 and 2020.

Note 15. Contingency

On March 11, 2020, The World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide.

Although not directly impacted through December 31, 2021, operations and business results of the Organization could be materially adversely affected in the future, including a reduction in grant and contribution revenues, or an impact to the timing of cash flows. Further, some significant estimates, such as the fair value of investments may be materially adversely impacted by national, state and local events necessary to contain the coronavirus. Throughout the pandemic, the Organization has implemented safety measures to protect employees and will continue to review them as needed.

It is at least reasonably possible that this matter will negatively impact the Organization. However, the financial impact and duration cannot be reasonably estimated at this time.

Note 16. Subsequent Events

The Organization evaluated subsequent events from January 1, 2022 through May 6, 2022, the date at which the financial statements were available to be issued, and determined that there are no material subsequent events that required recognition or additional disclosure in these financial statements.