

Financial Statements

December 31, 2020



**Kairos Prison Ministry International, Inc.
(Not-For-Profit Corporations)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kairos Prison Ministry International, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Kairos Prison Ministry International, Inc. (KPMI), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information in the Supplemental Schedules is presented for the purpose of additional analysis and it is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

McDermitt Davis

Orlando, Florida
May 7, 2021

Kairos Prison Ministry International, Inc.
Statement of Financial Position
December 31, 2020

Assets

Cash and cash equivalents	\$ 5,281,902
Restricted cash and cash equivalents	<u>188,089</u>
Total cash, cash equivalents, restricted cash and restricted cash equivalents	5,469,991
Investments	2,445,688
Restricted investments	80,000
Contract assets	29,842
Prepaid expenses and other current assets	<u>355,581</u>
Total current assets	8,381,102
Property and equipment, net	<u>407,813</u>
Total assets	<u><u>\$ 8,788,915</u></u>
Liabilities and Net Assets	
Liabilities:	
Accounts payable and accrued expenses	\$ 51,791
Contract liabilities	<u>75</u>
Total liabilities	<u>51,866</u>
Net Assets:	
Net assets without donor restrictions	8,468,960
Net assets with donor restrictions	<u>268,089</u>
Total net assets	<u>8,737,049</u>
Total liabilities and net assets	<u><u>\$ 8,788,915</u></u>

Kairos Prison Ministry International, Inc.
Statement of Activities
Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Changes in Net Assets			
Support and revenue:			
Contributions	\$ 3,149,010	\$ 105,929	\$ 3,254,939
Forgiveness of PPP loans (see Note 6)	137,274	-	137,274
Net investment and other income	93,041	3,298	96,339
Net assets released from restrictions	53,916	(53,916)	-
Total support and revenue	<u>3,433,241</u>	<u>55,311</u>	<u>3,488,552</u>
Expenses			
Program services:			
Prison ministry	1,543,665	-	1,543,665
Total program services	<u>1,543,665</u>	<u>-</u>	<u>1,543,665</u>
Supporting activities:			
Administrative	775,300	-	775,300
Development and fundraising	145,548	-	145,548
Total supporting activities	<u>920,848</u>	<u>-</u>	<u>920,848</u>
Total expenses	<u>2,464,513</u>	<u>-</u>	<u>2,464,513</u>
Unrealized (gain)/loss in investments	(143,358)	(5,631)	(148,989)
Total expenses and losses	<u>2,321,155</u>	<u>(5,631)</u>	<u>2,315,524</u>
Increase (decrease) in net assets	<u>1,112,086</u>	<u>60,942</u>	<u>1,173,028</u>
Net assets, beginning of year	7,356,874	207,147	7,564,021
Net assets, end of year	<u>\$ 8,468,960</u>	<u>\$ 268,089</u>	<u>\$ 8,737,049</u>

Statement of Cash Flows

Year Ended December 31, 2020

Cash Flows from Operating Activities:

Receipts from contributors	\$ 3,256,915
Receipts of training fees, conference fees and other income	133,799
Cash paid to suppliers of materials, employees and other operating cash payments	(2,304,334)
Interest and dividend income received	108,576
Unrealized loss on net investment	(148,989)
	<hr/>
Net cash provided by (used in) operating activities	1,045,967

Cash Flows from Investing Activities:

Purchases of property and equipment	(2,900)
Purchase of investments	(606,017)
Sale of investments	128,026
	<hr/>
Net cash provided by (used in) investing activities	(480,891)

Net increase in cash and cash equivalents; and restricted cash and cash equivalents 565,076

Cash, cash equivalents, restricted cash and cash equivalents, beginning of year

 4,904,915

Cash, cash equivalents, restricted cash and cash equivalents, end of year

\$ 5,469,991

Kairos Prison Ministry International, Inc.
Statement of Functional Expenses
Year Ended December 31, 2020

	Prison Ministry	Administrative	Development and Fundraising	Totals
Personnel Expenses:				
Salaries	\$ 368,663	\$ 360,588	\$ 52,623	\$ 781,874
Payroll taxes	27,705	32,138	3,672	63,515
Employee benefits	56,172	47,738	6,089	109,999
Total personnel expenses	452,540	440,464	62,384	955,388
Direct Expenses:				
Meals/food	237,054	-	-	237,054
Housing/facility rental	148,185	-	-	148,185
Supplies	108,450	21,647	-	130,097
Storage space/PO box rental	108,925	-	18,376	127,301
Retreat/venue	85,777	-	17,142	102,919
Printing and newsletters	90,020	-	10,176	100,196
Computer & software	-	86,437	5,615	92,052
Travel, meals and entertainment	28,697	19,083	-	47,780
Equipment expense/rental	41,788	3,214	-	45,002
Audit services	-	42,000	-	42,000
Royalty fees	41,718	-	-	41,718
Program materials	36,645	-	-	36,645
Depreciation and amortization	25,364	10,638	-	36,002
Postage & shipping	16,709	11,671	6,350	34,730
Telephone	314	31,194	-	31,508
Advertising & promotion	1,886	19,391	9,811	31,088
Miscellaneous	13,353	12,704	4,894	30,951
Insurance	7,875	22,334	-	30,209
Gift to church	27,119	-	-	27,119
Committee meeting	-	26,439	-	26,439
Reunion expense	25,493	-	-	25,493
Vehicle/trailer	23,231	-	-	23,231
Training	191	211	10,800	11,202
Grants	10,960	-	-	10,960
Building utilities	-	8,997	-	8,997
Decorations, flowers, & pictures	7,206	-	-	7,206
Dues & subscriptions	-	7,062	-	7,062
Registration fee	-	6,186	-	6,186
Bank & investment fee	-	5,628	-	5,628
Badges	2,515	-	-	2,515
Bad debt	1,650	-	-	1,650
Total direct expenses	1,091,125	334,836	83,164	1,509,125
Total expenses	\$ 1,543,665	\$ 775,300	\$ 145,548	\$ 2,464,513

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Kairos Prison Ministry International, Inc. (KPMI) was established in 1979 as a not-for-profit Florida corporation. KPMI is dedicated to building Christian communities within the environment of correctional institutions and is headquartered in Volusia County, Florida.

Basis of Accounting

The Ministry's financial statements have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America.

Financial Statements Presentation

The Ministry's financial statements are presented in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (FASB ASC) 958-605, *Accounting for Contributions Received and Contributions Made*, and FASB ASC 958-205, *Financial Statements of Not-for-Profit Organizations*.

FASB ASC 958-605 requires that unconditional promises to give (pledges) be recorded as contributions at fair value at the date the promises are received or made. FASB ASC 958-605 also requires the Ministry to distinguish between promises received for each net asset category in accordance with donor restrictions, if any.

Under FASB ASC 958-205, net assets and revenue, expenses, gains, and losses are classified as with or without donor restrictions based on the existence or absence, respectively, of donor-imposed restriction. Accordingly, the net assets of the Ministry and changes therein are classified as follows:

Net assets without donor restrictions - Net assets available for the support of the Ministry's operations. The net assets without donor restrictions may be used at the discretion of the Ministry's management and Board of Directors.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Ministry or the passage of time. Net assets subject to donor-imposed stipulations may also be maintained permanently by the Ministry. In those situations, donors permit the Ministry to use all or part of the earnings on related investments for the general or specific purposes.

Revenue is reported as an increase in net assets without donor restrictions unless use of the related assets is limited by donor-imposed or contractual restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by contract. Expirations of the temporary donor imposed or contractual restrictions on net assets are reported as reclassifications to net assets without donor restrictions in the period in which the restriction expires. A restriction expires when the stipulated time period has elapsed and/or the stipulated purpose has been fulfilled.

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 that affect the amounts reported of assets and liabilities and disclosure 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.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and amortization, insurance and utilities, which are allocated based on systematic methods and estimates made by management.

Contract Asset and Liability

Pre-paid expenses that relate to conference and training events are including in the accompanying statement of financial position as contract assets. The contract assets at December 31, 2020 and 2019 were \$29,842 and \$29,842, respectively. Fees collected prior to the date of the conference or training are included in the accompanying statement of financial position as contract liabilities. The contract liabilities consist of the deferred conference or training revenue and at December 31, 2020 and 2019 the balances were \$75 and \$3,550, respectively. All inter-company transactions and profits have been eliminated upon consolidation.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Conference and training fees are recognized in the period the conference or training is held.

Contributions

Contributions of assets other than cash are reported at their estimated fair value at the date of the gift. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for uncollectible contributions receivable is provided based on management's judgment including such factors as prior collection history, type of contribution and nature of the fundraising activity. Amounts pledged are recorded as contributions of net assets with donor restrictions, if designated by the donors as such, or until donor restrictions are met.

The Ministry reports non-cash contributions as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Ministry reports expirations of donor restriction when the donated or acquired long-lived assets are placed in service.

Donated Services

Donated services are recognized as contributions in accordance with FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*, if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise have been purchased. In addition, several businesses have donated materials, facilities and services. Many individuals volunteer significant time to the Ministry. No amounts are reflected in the accompanying financial statements for volunteers, as no objective measure is available to measure the value of such contributed services.

Cash and Cash Equivalents

Cash and cash equivalents and restricted cash and cash equivalents include highly liquid investments with an original maturity of three months or less when purchased. Restricted cash and cash equivalents are restricted, by donor-imposed restricted, for the Ministry programs, as designated by the donor.

Investments

The Ministry has adopted FASB ASC 958-320, *Investments - Debt and Equity Securities* and carries investments in equity securities with readily determinable fair values and all investments in equity securities with readily determinable fair value and all investments in debt securities at fair market value. Investment income includes dividends and interest and is recognized as revenue in the period in which it is earned. The amounts are reported as an increase in net assets without donor restrictions. Realized and unrealized gains and losses on investments are classified and recorded as increases or decreases in net assets without donor restrictions. Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possibly that changes in values of investments will occur in the near term and that such changes should be materially different from the amounts reported.

Property and Equipment

Property and equipment is stated at cost if purchased or, if acquired by contribution, at the estimated fair market value on the date of contribution, less accumulated depreciation. The Ministry provides for depreciation on operating property and equipment over the estimated useful lives of the related assets using the straight-line method. The Ministry follows the practice of capitalizing all expenditures for trailers in excess of \$5,000 and other fixed assets in excess of \$1,500 with an estimated useful life of greater than one year. Repairs and maintenance costs are expensed when incurred. Useful lives are summarized in the following table:

	<u>Years</u>
Building	39
Computer equipment	5
Furniture and equipment	5 - 7

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of long-lived assets

The carrying value of property and equipment are reviewed for impairment whenever events or changes in circumstances indicate such value may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The Ministry believes no impairment of its long-lived assets existed at December 31, 2020 and 2019.

Fair Value of Financial Instruments

FASB ASC 825-10, *Accounting Financial Instruments*, provides guidance on financial instruments with off-balance sheet credit risk. The fair value of the Ministry's cash and cash equivalents, restricted cash and restricted cash equivalents, contract assets, prepaid expenses and other current assets, accounts payable and accrued expenses and contract liabilities approximates their carrying values due to the short-term maturities of these instruments.

Income Taxes

The Ministry is exempt from income taxes under Section 501(c)(3) of the Internal Revenue code and from state income taxes under similar state provisions. Although the Ministry was granted income tax exemption, such exemption does not apply to unrelated business income. At December 31, 2020, no liability for unrelated business income tax existed.

The Ministry has adopted the application of uncertain tax position provisions of FASB ASC 740, *Income Taxes*. It prescribes an evaluation process for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on de-recognition, classification, interest and penalties, disclosure and transition. The provisions had no impact on the Ministry's financial statements.

The Internal Revenue Service has issued an exemption letter to KPMI. The exemption states that KPMI is exempt from filing a federal Form 990. Accordingly, no federal (or state) income tax returns are required to be filed.

Advertising

Advertising is expensed as incurred and amounted to approximately \$31,000 for the year ended December 31, 2020, respectively.

COVID-19

The COVID-19 global pandemic has prompted extraordinary action to curtail the spread of the virus. These actions have caused an increased volatility in the financial markets and an enormous impact on businesses in all sectors. The timeframe and outcome of these actions is highly unpredictable and, as such, the financial impact to the Ministry, if any, cannot be determined. The financial statements do not include any adjustments that might result from an outcome of this uncertainty.

New Accounting Pronouncements

FASB and other entities issued new or modifications to, or interpretations of, existing accounting guidance during the year ended December 31, 2020. The Ministry has considered the new pronouncements that altered accounting principals generally accepted in the United States of America, and other than as disclosed in these notes to the financial statements, does not believe that any new or modified principles will have a material impact on the Ministry's reported financial position or operations in the near term.

In February 2016, the FASB issued Accounting Standards Updated 2016-02: Leases, which requires entities to recognize lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. The new standard is effective for the year beginning after December 15, 2021. The Ministry is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

Evaluation of Subsequent Events

The Ministry has evaluated subsequent events through the date of the independent auditor's report, the date which the accompanying financial statements were available to be issued. Based on such evaluation, other than the subsequent PPP loan (see Note 6), no events have occurred that in the opinion of management warrant disclosure in or adjustment to the financial statements.

NOTE 2 LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

As of December 31, 2020, the following reflects the Ministry's financial assets, reduced by amounts not available for general use because of contractual or donor-imposed restrictions, board designations and amounts set aside for operating reserves with one year of December 31, 2020:

Cash and cash equivalents	\$ 5,281,902
Restricted cash and cash equivalents	188,089
Investments	2,445,688
Restricted investments	<u>80,000</u>
Total	7,995,679
Less: donor endowment	(80,000)
Less: board designated net assets	<u>(188,089)</u>
Total	<u>\$ 7,727,590</u>

As part of the Ministry's liquidity management, the Ministry's policy is to make financial assets available as expenses and other liabilities become due. The Ministry keeps assets invested in the related investment strategy until expenses or other liabilities become due. The Ministry uses checking and savings accounts to manage its daily cash needs.

NOTE 3 FAIR VALUE MEASUREMENT

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Market price observability is impacted by a number of factors, including the type of asset or liability and the characteristics specific to the asset or liability. Assets and liabilities with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The type of assets and liabilities included in Level 1 includes listed equities, listed debt instruments, and listed derivatives.

Level 2 - Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models and other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3 - Inputs are unobservable for the asset or liability and include situations where there is little, if any market for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Assets and liabilities that are included in this category generally include equity and debt positions in privately held entities.

In certain cases, the inputs used to measure fair value may fall into different levels of fair value hierarchy. In such cases, an asset or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Ministry's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

For all investments, certificate of deposits with maturities greater than three months, the corporate fixed income and the government securities, the Ministry used significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2).

NOTE 4 INVESTMENTS

A summary of investments, by investment type, at December 31, 2020 are presented as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Investments, at fair value measurement level 2:			
Exchange traded funds:			
Short term-bonds	\$ 275,784	\$ 7,876	\$ 283,660
Large blend	346,604	13,019	359,623
Bond funds:			
Intermediate, term bond	716,652	20,150	736,802
Multisector bond	172,345	4,320	176,665
Equity funds:			
Large value	314,563	11,515	326,078
Foreign large growth	74,459	2,839	77,298
Real estate	100,170	3,740	103,910
Diversified emerging markets	83,508	3,153	86,661
Foreign small/mid blend	88,862	3,365	92,227
Small value	101,660	3,693	105,353
World allocation	98,515	3,724	102,239
Small growth	71,335	2,606	73,941
Large core	182	-	182
Mid core	1,049	-	1,049
	<u>\$ 2,445,688</u>	<u>80,000</u>	<u>\$ 2,525,688</u>

The following schedule summarizes the net investment income on investments for the year ended December 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Trading Securities:			
Dividends and interest	\$ 104,867	\$ 3,709	\$ 108,576
Other income (loss)	5,043	214	5,257
Unrealized gain (loss), net	143,358	5,631	148,989
Investment income (loss)	253,268	9,554	262,822
Less: investment expenses	<u>(16,869)</u>	<u>(625)</u>	<u>(17,494)</u>
Net investment income (loss)	<u>\$ 236,399</u>	<u>\$ 8,929</u>	<u>\$ 245,328</u>

NOTE 5 PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of December 31, 2020:

	<u>2020</u>
Land	\$ 92,348
Building	307,652
Land improvements	19,595
Computer equipment	23,516
Furniture and equipment	<u>264,822</u>
Total property and equipment	707,933
Less: accumulated depreciation	<u>(300,120)</u>
Property and equipment, net	<u><u>\$ 407,813</u></u>

Depreciation expense totaled \$36,002 for the year ended December 31, 2020.

NOTE 6 LONG TERM DEBT

The Ministry had an unsecured note payable in the amount of \$137,545, guaranteed through the U.S. Small Business Administration through the Paycheck Protection Program (the "PPP"), which accrues interest at a fixed rate of interest of 1.00% and is eligible for loan forgiveness in accordance with the PPP. The Ministry was required to pay monthly payments of principal and interest, with any remaining principal and accrued interest due and payable upon maturity on April 30, 2022. There are no unamortized loan origination costs related to this note at December 31, 2020. There was no outstanding balance of this loan at December 31, 2020, as it was forgiven in December 2020. Considering the required uses of these funds, the proceeds and forgiveness of this loan are presented in the accompanying statement of cash flows as operating activities.

In February 2021, the Ministry received an unsecured note payable, guaranteed through the U.S. Small Business Administration through the Paycheck Protection Program (the "PPP") for \$165,507, which accrues interest at a fixed rate of interest of 1.00% and is eligible for loan forgiveness in accordance with the PPP.

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at December 31, 2020:

	International Office	State Affiliate	Total
Subject to expenditure for specific purpose:			
Prison ministry:			
KPMI international programs	\$ 13,170	\$ -	\$ 13,170
General	95,583	-	95,583
Videos/PSA	15,374	-	15,374
Florida, women's programs	13,276	-	13,276
Georgia, KT	8,250	-	8,250
Washington, Norma McCrae estate	11,635	-	11,635
Wisconsin, New starts	9,310	-	9,310
Trailers (TX)	-	21,491	21,491
	<u>\$ 166,598</u>	<u>\$ 21,491</u>	<u>\$ 188,089</u>
Not subject to appropriation or expenditure:			
Donor endowment	<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$ 80,000</u>
Total net assets with donor restrictions	<u>\$ 246,598</u>	<u>\$ 21,491</u>	<u>\$ 268,089</u>

Net assets are released from donor restrictions by incurring costs or expenses satisfying the restricted purposes or by the occurrence of events as specified by the donors. Net assets were released from restrictions during the year ended December 31, 2020 for the following purposes:

	International Office	State Affiliate	Total
Purpose restrictions accomplished:			
Prison ministry:			
KPMI international programs	\$ 10,960	\$ -	\$ 10,960
General	22,900	-	22,900
Investment income from endowment	8,929	-	8,929
Trailers (TX)	-	11,127	11,127
Total restrictions released	<u>\$ 42,789</u>	<u>\$ 11,127</u>	<u>\$ 53,916</u>

NOTE 8 DONOR-RESTRICTED ENDOWMENT

The Ministry's has an endowment of \$80,000 that was contributed in November 2010 with the donor-restricted designation that only the interest income be used for operating expenses and the corpus of the fund to remain intact. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Ministry's disclosure of its interpretation of the law or laws that underlie the Ministry's net asset classification of donor-restricted endowment funds as follows:

Interpretation of Relevant Law

The Ministry is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Trustees of the Ministry has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Ministry considers a fund to be underwater if the fair value of the fund is less than the sum of the original value of initial and subsequent gift amounts donated to the fund and any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Ministry has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Ministry considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the organization;
- (7) The investment policies of the Ministry.

The Ministry's disclosure of its endowment net asset composition by type of fund as of December 31, 2020 follows:

Net Assets with Donor Restrictions

Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor \$ 80,000

The Ministry's disclosure of a reconciliation of the beginning and ending balances of the endowment, in total and by net assets classes, for the fiscal year ended December 31, 2020 follow:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 80,000	\$ 80,000
Investment return, net	-	8,929	8,929
Net assets released from restriction	-	(8,929)	(8,929)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ 80,000</u>

NOTE 8 DONOR-RESTRICTED ENDOWMENT (CONTINUED)

Return Objectives and Risk Parameters

The Ministry has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Ministry expects its endowment funds, over time, to provide an average rate of return of approximately 8 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Ministry relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Ministry targets a diversified asset allocation that places a greater emphasis on equity-based and bond-based investments to achieve its long-term return objectives within prudent risk constraints.

NOTE 9 RETIREMENT PLAN

The Ministry established a 401(k) profit sharing plan (the Plan) covering certain qualified employees in accordance with the provisions of Section 401(k) of the Internal Revenue Code. Under the Plan, employees may elect to defer a portion of their salary, subject to Internal Revenue Service limits. The Plan requires the Ministry to match up to 50% for those employees who defer up to 6% of their salaries. The Ministry's contributions totaled \$26,853 for the year ended December 31, 2020.

NOTE 10 COMMITMENTS AND CONTINGENCIES

Concentration of Credit Risk

Financial instruments that potentially subject the Ministry to concentrations of credit risk consist principally of deposits in banks. The Ministry maintains its cash balances in various financial institutions. The balances of these accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times, such balances may be in excess of the FDIC limit. At December 31, 2020, the Ministry had approximately \$2,555,000 in uninsured cash. The risk is managed by maintaining all deposits in high quality institutions.

Contractual Commitments

The Ministry has reserved convention and hotel accommodations for future annual conference with minimum cancellation fees of approximately \$93,000.

Litigation

From time to time, the Ministry is subject to legal proceedings which arise in the ordinary course of business. Although there can be no assurance as to the ultimate disposition of these matters, management of the Ministry believes that the final disposition of such matters will not have a material adverse effect on the financial position or results of operations of the Ministry.

Supplemental Schedules

Kairos Prison Ministry International, Inc.
Supplemental Schedule - Statement of Financial Position
December 31, 2020

	<u>International Office</u>	<u>State Affiliates</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 286,541	\$ 4,995,361	\$ -	\$ 5,281,902
Restricted cash and cash equivalents	166,598	21,491	-	188,089
Total cash, cash equivalents, restricted cash and restricted cash equivalents	453,139	5,016,852	-	5,469,991
Investments	1,986,420	459,268	-	2,445,688
Restricted investments	80,000	-	-	80,000
Due from (to) affiliates, net	83,617	-	(83,617)	-
Contract assets	29,842	-	-	29,842
Prepaid expenses and other current assets	226,005	129,576	-	355,581
Total current assets	2,859,023	5,605,696	(83,617)	8,381,102
Property and equipment, net	360,276	47,537	-	407,813
Total assets	<u>\$ 3,219,299</u>	<u>\$ 5,653,233</u>	<u>\$ (83,617)</u>	<u>\$ 8,788,915</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$ 51,229	\$ 84,179	\$ (83,617)	\$ 51,791
Contract liabilities	75	-	-	75
Total liabilities	51,304	84,179	(83,617)	51,866
Net Assets:				
Net assets without donor restrictions	2,921,397	5,547,563	-	8,468,960
Net assets with donor restrictions	246,598	21,491	-	268,089
Total net assets	3,167,995	5,569,054	-	8,737,049
Total liabilities and net assets	<u>\$ 3,219,299</u>	<u>\$ 5,653,233</u>	<u>\$ (83,617)</u>	<u>\$ 8,788,915</u>

Kairos Prison Ministry International, Inc.
Supplemental Schedule - Statement of Activities
December 31, 2020

	International Office			State Affiliates		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Changes in Net Assets						
Support and revenue:						
Contributions	\$ 377,649	\$ 81,170	\$ 458,819	\$ 2,771,361	\$ 24,759	\$ 2,796,120
Training	-	-	-	-	-	-
Forgiveness of PPP loans (see Note 6)	137,274	-	137,274	-	-	-
Net investment and other income	75,963	3,298	79,261	17,078	-	17,078
Net assets released from restrictions	42,789	(42,789)	-	11,127	(11,127)	-
Total support and revenue	633,675	41,679	675,354	2,799,566	13,632	2,813,198
Interministry payments received:						
Affiliation fees	459,026	-	459,026	298,878	-	298,878
Blessings	189,963	-	189,963	258,264	-	258,264
Materials	149,574	-	149,574	39,329	-	39,329
Training fees	24,343	-	24,343	72,763	-	72,763
Total interministry payments received	822,906	-	822,906	669,234	-	669,234
Interministry payments made:						
Affiliation fees	-	-	-	757,904	-	757,904
Blessings	2,000	-	2,000	446,227	-	446,227
Materials	39,329	-	39,329	149,574	-	149,574
Training fees	-	-	-	97,106	-	97,106
Total interministry payments made	41,329	-	41,329	1,450,811	-	1,450,811
Total interministry	781,577	-	781,577	(781,577)	-	(781,577)
Expenses						
Program services:						
Prison ministry	557,402	-	557,402	986,263	-	986,263
Total program services	557,402	-	557,402	986,263	-	986,263
Supporting activities:						
Administrative	688,963	-	688,963	86,337	-	86,337
Development and fundraising	86,702	-	86,702	58,846	-	58,846
Total supporting activities	775,665	-	775,665	145,183	-	145,183
Total expenses	1,333,067	-	1,333,067	1,131,446	-	1,131,446
Unrealized (gain)/loss in investments	(129,043)	(5,631)	(134,674)	(14,315)	-	(14,315)
Total expenses and losses	1,204,024	(5,631)	1,198,393	1,117,131	-	1,117,131
Increase (decrease) in net assets	211,228	47,310	258,538	900,858	13,632	914,490
Net assets, beginning of year	2,710,169	199,288	2,909,457	4,646,705	7,859	4,654,564
Net assets, end of year	\$ 2,921,397	\$ 246,598	\$ 3,167,995	\$ 5,547,563	\$ 21,491	\$ 5,569,054

Kairos Prison Ministry International, Inc.
Supplemental Schedule - Statement of Activities
Year Ended December 31, 2020

				Total
	Without Donor Restrictions	With Donor Restrictions	Eliminations	Total
Changes in Net Assets				
Support and revenue:				
Contributions	\$ 3,149,010	\$ 105,929	\$ -	\$ 3,254,939
Training	-	-	-	-
Forgiveness of PPP loans (see Note 6)	137,274	-	-	137,274
Net investment and other income	93,041	3,298	-	96,339
Net assets released from restrictions	53,916	(53,916)	-	-
Total support and revenue	3,433,241	55,311	-	3,488,552
Interministry payments received:				
Affiliation fees	757,904	-	(757,904)	-
Blessings	448,227	-	(448,227)	-
Materials	188,903	-	(188,903)	-
Training fees	97,106	-	(97,106)	-
Total interministry payments received	1,492,140	-	(1,492,140)	-
Interministry payments made:				
Affiliation fees	757,904	-	(757,904)	-
Blessings	448,227	-	(448,227)	-
Materials	188,903	-	(188,903)	-
Training fees	97,106	-	(97,106)	-
Total interministry payments made	1,492,140	-	(1,492,140)	-
Total interministry	-	-	-	-
Expenses				
Program services:				
Prison ministry	1,543,665	-	-	1,543,665
Total program services	1,543,665	-	-	1,543,665
Supporting activities:				
Administrative	775,300	-	-	775,300
Development and fundraising	145,548	-	-	145,548
Total supporting activities	920,848	-	-	920,848
Total expenses	2,464,513	-	-	2,464,513
Unrealized (gain)/loss in investments	(143,358)	(5,631)	-	(148,989)
Total expenses and losses	2,321,155	(5,631)	-	2,315,524
Increase (decrease) in net assets	1,112,086	60,942	-	1,173,028
Net assets, beginning of year	7,356,874	207,147	-	7,564,021
Net assets, end of year	\$ 8,468,960	\$ 268,089	\$ -	\$ 8,737,049