

**KAIROS PRISON MINISTRY INTERNATIONAL, INC.  
AND AFFILIATE**  
(Not-For-Profit Corporations)

**CONSOLIDATED FINANCIAL STATEMENTS**  
(With Independent Auditor's Report Thereon)

**Years Ended December 31, 2013 and 2012**

KAIROS PRISON MINISTRY INTERNATIONAL, INC. AND AFFILIATE  
(Not-For-Profit Corporations)

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
*Kairos Prison Ministry International, Inc. and affiliate*  
DeBary, Florida

We have audited the accompanying consolidated financial statements of Kairos Prison Ministry International, Inc. and affiliate (Not-for-Profit Corporations) (KPMI), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years 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 consolidated 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 misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements.

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

**MCDIRMIT DAVIS & COMPANY, LLC**

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## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kairos Prison Ministry International, Inc. and affiliate as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*McDiernit Davis & Company, LLC*

Orlando, Florida

July 10, 2014

KAIROS PRISON MINISTRY INTERNATIONAL, INC. AND AFFILIATE  
(Not-For-Profit Corporations)

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

December 31, 2013 and 2012

|   | 2013         | 2012         |
|---|--------------|--------------|
| <b>ASSETS</b>                             |              |              |
| Current Assets:                           |              |              |
| Cash and cash equivalents                 | \$ 3,146,269 | \$ 2,913,101 |
| Restricted investments                    | 81,997       | 85,507       |
| Accounts receivable, net                  | -            | 3,160        |
| Prepaid expenses and other current assets | 95,687       | 141,139      |
| Total current assets                      | 3,323,953    | 3,142,907    |
| Property and Equipment, net               | 483,883      | 84,770       |
| Total assets                              | \$ 3,807,836 | \$ 3,227,677 |
| <b>LIABILITIES AND NET ASSETS</b>         |              |              |
| Liabilities:                              |              |              |
| Accounts payable and accrued expenses     | \$ 123,099   | \$ 186,817   |
| Deferred revenue                          | -            | 9,270        |
| Total liabilities                         | 123,099      | 196,087      |
| Net Assets:                               |              |              |
| Unrestricted                              | 3,529,701    | 2,609,101    |
| Temporarily restricted                    | 75,036       | 342,489      |
| Permanently restricted                    | 80,000       | 80,000       |
| Total net assets                          | 3,684,737    | 3,031,590    |
| Total liabilities and net assets          | \$ 3,807,836 | \$ 3,227,677 |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

KAIROS PRISON MINISTRY INTERNATIONAL, INC. AND AFFILIATE  
(Not-For-Profit Corporations)

**CONSOLIDATED STATEMENTS OF ACTIVITIES**

For the Years Ended December 31, 2013 and 2012

|                                       | 2013                |                           |                           | Total               |
|---------------------------------------|---------------------|---------------------------|---------------------------|---------------------|
|                                       | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted |                     |
| Changes in Net Assets:                |                     |                           |                           |                     |
| Support and Revenue:                  |                     |                           |                           |                     |
| Contributions                         | \$ 5,985,089        | \$ 369,035                | \$ -                      | \$ 6,354,124        |
| Training                              | 107,963             | -                         | -                         | 107,963             |
| Other income                          | 1,427               | -                         | -                         | 1,427               |
| Net assets released from restrictions | <u>636,488</u>      | <u>(636,488)</u>          | <u>-</u>                  | <u>-</u>            |
| Total support and revenue             | <u>6,730,967</u>    | <u>(267,453)</u>          | <u>-</u>                  | <u>6,463,514</u>    |
| Expenses:                             |                     |                           |                           |                     |
| Program services:                     |                     |                           |                           |                     |
| Prison ministry                       | <u>4,207,204</u>    | <u>-</u>                  | <u>-</u>                  | <u>4,207,204</u>    |
| Total program services                | <u>4,207,204</u>    | <u>-</u>                  | <u>-</u>                  | <u>4,207,204</u>    |
| Supporting activities:                |                     |                           |                           |                     |
| Administrative                        | 1,454,164           | -                         | -                         | 1,454,164           |
| Development and fundraising           | <u>148,999</u>      | <u>-</u>                  | <u>-</u>                  | <u>148,999</u>      |
| Total supporting activities           | <u>1,603,163</u>    | <u>-</u>                  | <u>-</u>                  | <u>1,603,163</u>    |
| Total expenses                        | <u>5,810,367</u>    | <u>-</u>                  | <u>-</u>                  | <u>5,810,367</u>    |
| Increase (Decrease) in Net Assets     | 920,600             | (267,453)                 | -                         | 653,147             |
| Net Assets - Beginning of Year        | <u>2,609,101</u>    | <u>342,489</u>            | <u>80,000</u>             | <u>3,031,590</u>    |
| Net Assets - End of Year              | <u>\$ 3,529,701</u> | <u>\$ 75,036</u>          | <u>\$ 80,000</u>          | <u>\$ 3,684,737</u> |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

KAIROS PRISON MINISTRY INTERNATIONAL, INC. AND AFFILIATE  
(Not-For-Profit Corporations)

**CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)**

For the Years Ended December 31, 2013 and 2012

|                                       | 2012         |                           |                           | Total        |
|---------------------------------------|--------------|---------------------------|---------------------------|--------------|
|                                       | Unrestricted | Temporarily<br>Restricted | Permanently<br>Restricted |              |
| Changes in Net Assets:                |              |                           |                           |              |
| Support and Revenue:                  |              |                           |                           |              |
| Contributions                         | \$ 5,862,050 | \$ 174,491                | \$ -                      | \$ 6,036,541 |
| Training                              | 109,535      | -                         | -                         | 109,535      |
| Other income                          | 25,760       | -                         | -                         | 25,760       |
| Net assets released from restrictions | 121,550      | (121,550)                 | -                         | -            |
| Total support and revenue             | 6,118,895    | 52,941                    | -                         | 6,171,836    |
| Expenses:                             |              |                           |                           |              |
| Program services:                     |              |                           |                           |              |
| Prison ministry                       | 4,555,557    | -                         | -                         | 4,555,557    |
| Conferences                           | 625          | -                         | -                         | 625          |
| Total program services                | 4,556,182    | -                         | -                         | 4,556,182    |
| Supporting activities:                |              |                           |                           |              |
| Administrative                        | 1,463,775    | -                         | -                         | 1,463,775    |
| Development and fundraising           | 134,663      | -                         | -                         | 134,663      |
| Total supporting activities           | 1,598,438    | -                         | -                         | 1,598,438    |
| Total expenses                        | 6,154,620    | -                         | -                         | 6,154,620    |
| Increase (Decrease) in Net Assets     | (35,725)     | 52,941                    | -                         | 17,216       |
| Net Assets - Beginning of Year        | 2,644,826    | 289,548                   | 80,000                    | 3,014,374    |
| Net Assets - End of Year              | \$ 2,609,101 | \$ 342,489                | \$ 80,000                 | \$ 3,031,590 |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

KAIROS PRISON MINISTRY INTERNATIONAL, INC. AND AFFILIATE  
(Not-For-Profit Corporations)

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the Years Ended December 31, 2013 and 2012

|   | 2013         | 2012         |
|---|--------------|--------------|
| Cash Flows From Operating Activities:   |              |              |
| Receipts from contributors  | \$ 6,357,284 | \$ 6,040,781 |
| Receipts of training fees, conference fees and other income                                       | 100,120      | 127,606      |
| Cash paid to suppliers of materials, employees and other operating cash payments                  | (5,801,669)  | (5,941,802)  |
| Net cash provided by operating activities   | 655,735      | 226,585      |
| Cash Flows From Investing Activities:   |              |              |
| Purchases of property and equipment   | (426,077)    | (47,698)     |
| Sale of investments   | 3,510        | 782          |
| Net cash used by investing activities   | (422,567)    | (46,916)     |
| Net increase in cash and cash equivalents   | 233,168      | 179,669      |
| Cash and Cash Equivalents - Beginning of Year   | 2,913,101    | 2,733,432    |
| Cash and Cash Equivalents - End of Year   | \$ 3,146,269 | \$ 2,913,101 |
| Reconciliation of Net Increase in Net Assets to Net Cash Provided by Operating Activities:        |              |              |
| Increase in net assets  | \$ 653,147   | \$ 17,216    |
| Adjustments to reconcile net increase in net assets to net cash provided by operating activities: |              |              |
| Depreciation  | 26,964       | 20,936       |
| Unrealized gain on investments  | -            | (6,289)      |
| Changes in operating assets and liabilities:  |              |              |
| (Increase) decrease in:   |              |              |
| Accounts receivable   | 3,160        | 4,240        |
| Inventories   | -            | 54,049       |
| Prepaid expenses and other current assets   | 45,452       | 6,862        |
| Increase (decrease) in:   |              |              |
| Accounts payable and accrued expenses   | (63,718)     | 130,971      |
| Deferred revenue  | (9,270)      | (1,400)      |
| Net cash provided by operating activities   | \$ 655,735   | \$ 226,585   |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Years Ended December 31, 2013 and 2012

**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.

The accompanying financial statements include the accounts of KPMI and its affiliate, Kairos Prison Ministry International Foundation, Inc. (the Foundation) (collectively referred to as the Ministry). The Foundation was formed primarily to operate for the benefit of, and to carry out the purposes of, KPMI.

Principles of consolidation - The accompanying consolidated financial statements reflect the accounts of KPMI's international office and state affiliates. The international office performs various administrative functions for its thirty-five state affiliates which are part of the same legal entity as KPMI and are located throughout the United States. The purpose of the state affiliates is to primarily operate for the benefit of, and to carry out the purposes of, KPMI throughout the United States. All significant inter-company accounts, transactions and profits have been eliminated upon consolidation.

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*.

Under FASB ASC 958-205, net assets and revenue, expenses, gains and losses are classified as temporarily restricted, permanently restricted, or unrestricted based on the existence or absence, respectively, of donor-imposed restrictions. Accordingly, the net assets of the Ministry and changes therein are classified as follows:

**Unrestricted net assets** - Net assets available for the support of the Ministry's operations. The unrestricted net assets may be used at the discretion of the Ministry's management and Board of Directors and are not subject to any donor restrictions.

**Temporarily restricted net assets** - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Ministry or the passage of time.

KAIROS PRISON MINISTRY INTERNATIONAL, INC. AND AFFILIATE  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

Years Ended December 31, 2013 and 2012

**Note 1 - Summary of Significant Accounting Policies (Continued):**

Financial statements presentation (continued)

**Permanently restricted net assets** - Net assets subject to donor-imposed stipulations to be maintained permanently by the Ministry. Generally, the donors of these assets 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 unrestricted net assets unless use of the related assets is limited by donor-imposed or contractual restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets 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 unrestricted net assets 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.

Revenue recognition - Conference and training fees are recognized in the period the conference or training is held. Fees collected prior to the date of the conference or training are included in deferred revenues. All inter-company transactions and profits with affiliates have been eliminated upon consolidation.

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 permanently restricted net assets, if designated by the donors as such, or temporarily restricted net assets until donor restrictions are met.

The Ministry reports non-cash contributions as unrestricted net assets 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

Years Ended December 31, 2013 and 2012

**Note 1 - Summary of Significant Accounting Policies (Continued):**

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 consolidated 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 include highly liquid investments with an original maturity of three months or less when purchased.

Restricted 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 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 unrestricted net assets unless otherwise restricted by the donor. Realized and unrealized gains and losses on investments are classified and recorded as increases or decreases in unrestricted net assets, unless otherwise restricted by the donor. 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 possible that changes in values of investments will occur in the near term and that such changes should be materially different from the amounts reported.

Accounts receivable - Accounts receivable is stated at the amount of the uncollected balance less an allowance for doubtful accounts, if needed. Management's periodic evaluation of the adequacy of the allowance is based on past experience and adverse situations that may affect the customer's ability to pay. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. There were zero amounts recorded for allowance for the years ended December 31, 2013 and 2012.

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:

|                         |             |
|-------------------------|-------------|
| Building                | 39 years    |
| Computer equipment      | 5 years     |
| Furniture and equipment | 5 - 7 years |

KAIROS PRISON MINISTRY INTERNATIONAL, INC. AND AFFILIATE  
(Not-For-Profit Corporations)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

Years Ended December 31, 2013 and 2012

**Note 1 - Summary of Significant Accounting Policies (Continued):**

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 provisions of the Florida Statutes. Although the Ministry was granted income tax exemption, such exemption does not apply to unrelated business. At December 31, 2013 and 2012, 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 consolidated financial statements.

The Internal Revenue Service has issued an exemption letter to KPML. The exemption states that KPML 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 \$43,096 and \$90,952 for the years ended December 31, 2013 and 2012, respectively.

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, accounts receivable, prepaid expenses and other current assets, and liabilities approximates their carrying values due to the short-term maturities of these instruments.

Functional allocation of expenses - The costs of providing the various programs and other activities of the Ministry have been allocated on a functional basis among the program services and supporting activities benefited based on systematic methods and estimates made by management.

Reclassifications - Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 presentation. The effect of this change did not impact the overall increase in net assets for the year ended December 31, 2013.

KAIROS PRISON MINISTRY INTERNATIONAL, INC. AND AFFILIATE  
(Not-For-Profit Corporations)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

Years Ended December 31, 2013 and 2012

**Note 2 - Investments:**

A summary of investments, by investment type, at December 31, 2013 and 2012 are presented as follows:

|                               | <u>2013</u>      | <u>2012</u>      |
|-------------------------------|------------------|------------------|
| Marketable Equity Securities: |                  |                  |
| Corporate fixed income:       |                  |                  |
| Conglomerates                 | \$ 11,233        | \$ 11,693        |
| Financial & investing         | 34,027           | 34,615           |
| Government securities:        |                  |                  |
| Municipal bonds               | <u>36,737</u>    | <u>39,199</u>    |
|                               | <u>\$ 81,997</u> | <u>\$ 85,507</u> |

**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.

KAIROS PRISON MINISTRY INTERNATIONAL, INC. AND AFFILIATE  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

Years Ended December 31, 2013 and 2012

**Note 3 - Fair Value Measurement (Continued):**

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.

The following tables summarize the Ministry's investments reported at fair value based on the valuation methodology applied by the Ministry as of December 31, 2013 and 2012:

|                               |                  | Fair Value Measurements at the End of the<br>Reporting Period Using: |  |                                       |
|-------------------------------|------------------|--|--|---------------------------------------|
|                               |                  | Level 1:   | Level 2:                                     | Level 3:                              |
| December 31, 2013             | Fair Value       | Quoted<br>prices   | Significant<br>other<br>observable<br>inputs | Significant<br>unobservable<br>inputs |
| Investments:                  |                  |  |  |                                       |
| Marketable equity securities: |                  |  |  |                                       |
| Corporate fixed income:       |                  |  |  |                                       |
| Conglomerates                 | \$ 11,233        | -  | \$ 11,233                                    | -                                     |
| Financial & investing         | 34,027           | -  | 34,027                                       | -                                     |
| Government securities:        |                  |  |  |                                       |
| Municipal bonds               | 36,737           | -  | 36,737                                       | -                                     |
|                               | <u>\$ 81,997</u> | <u>-</u>   | <u>\$ 81,997</u>                             | <u>-</u>                              |

KAIROS PRISON MINISTRY INTERNATIONAL, INC. AND AFFILIATE  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

Years Ended December 31, 2013 and 2012

**Note 3 - Fair Value Measurement (Continued):**

|                               |                  | Fair Value Measurements at the End of the<br>Reporting Period Using: |  |                                       |
|-------------------------------|------------------|--|--|---------------------------------------|
|                               |                  | Level 1:   | Level 2:                                     | Level 3:                              |
| December 31, 2012             | Fair Value       | Quoted<br>prices   | Significant<br>other<br>observable<br>inputs | Significant<br>unobservable<br>inputs |
| Investments:                  |                  |  |  |                                       |
| Marketable equity securities: |                  |  |  |                                       |
| Corporate fixed income:       |                  |  |  |                                       |
| Conglomerates                 | \$ 11,693        | -  | \$ 11,693                                    | -                                     |
| Financial & investing         | 34,615           | -  | 34,615                                       | -                                     |
| Government securities:        |                  |  |  |                                       |
| Municipal bonds               | 39,199           | -  | 39,199                                       | -                                     |
|                               | <u>\$ 85,507</u> | <u>-</u>   | <u>\$ 85,507</u>                             | <u>-</u>                              |

For both, 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 - Property and Equipment:**

The following is a summary of property and equipment as of December 31, 2013 and 2012:

|                                | 2013              | 2012             |
|--------------------------------|-------------------|------------------|
| Land                           | \$ 94,970         | \$ 2,622         |
| Building                       | 307,652           | -                |
| Computer equipment             | 39,557            | 31,581           |
| Furniture and equipment        | 131,627           | 115,152          |
|                                | 573,806           | 149,355          |
| Less: accumulated depreciation | (89,923)          | (64,585)         |
| Property and equipment, net    | <u>\$ 483,883</u> | <u>\$ 84,770</u> |

Depreciation expense totaled \$26,964 and \$20,936, respectively, for the years ended December 31, 2013 and 2012.

KAIROS PRISON MINISTRY INTERNATIONAL, INC. AND AFFILIATE  
(Not-For-Profit Corporations)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

Years Ended December 31, 2013 and 2012

**Note 5 - Description of Leasing Arrangements:**

The international office of the Ministry leases certain office space pursuant to an operating lease agreement which expired in 2013. The international office is also obligated under non-cancelable operating leases for various equipment. Total rentals under operating leases amounted to \$76,640 and \$65,409, respectively, for the years ended December 31, 2013 and 2012.

State affiliates of the Ministry lease certain storage space, equipment and housing facilities in order to carry out the purposes of the Ministry. Total rentals under such leases amounted to \$184,342 and \$204,267, respectively, for the years ended December 31, 2013 and 2012.

The following table presents future minimum lease payments due under operating leases with initial or remaining non-cancelable lease terms in excess of one year at December 31, 2013:

| <u>Year Ending December 31,</u> | <u>International<br/>Office</u> |
|---------------------------------|---------------------------------|
| 2014                            | \$ 48,542                       |
| 2015                            | 16,176                          |
| 2016                            | 16,176                          |
| 2017                            | 10,784                          |
|                                 | <u>\$ 91,678</u>                |



KAIROS PRISON MINISTRY INTERNATIONAL, INC. AND AFFILIATE  
(Not-For-Profit Corporations)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

Years Ended December 31, 2013 and 2012

**Note 6 - Temporarily Restricted Net Assets:**

Temporarily restricted net assets were available to support the following purposes at December 31, 2013 and 2012:

|                             | 2013                    |            |                    |            |
|-----------------------------|-------------------------|------------|--------------------|------------|
|                             | International<br>Office | Foundation | State<br>Affiliate | Total      |
| Purpose of Restriction:     |                         |            |                    |            |
| New computer equipment      | \$ 17,000               | \$ -       | \$ -               | \$ 17,000  |
| Kairos train the trainers   | 701                     | -          | -                  | 701        |
| KPMI international programs | 4,203                   | -          | -                  | 4,203      |
| Outreach                    | 1,318                   | -          | -                  | 1,318      |
| Project Goliath             | -                       | 7,170      | -                  | 7,170      |
| CPA MOMS Sparro             | -                       | 7,500      | -                  | 7,500      |
| Georgia KT                  | -                       | 21,505     | -                  | 21,505     |
| Stockton torch (CA)         | -                       | -          | 2,200              | 2,200      |
| Norma McCrae estate (WA)    | -                       | -          | 13,439             | 13,439     |
|                             | \$ 23,222               | \$ 36,175  | \$ 15,639          | \$ 75,036  |
|                             |                         |            |                    |            |
|                             | 2012                    |            |                    |            |
|                             | International<br>Office | Foundation | State<br>Affiliate | Total      |
| Purpose of Restriction:     |                         |            |                    |            |
| Kairos train the trainers   | \$ 1,736                | \$ -       | \$ -               | \$ 1,736   |
| KPMI international programs | 9,296                   | -          | -                  | 9,296      |
| Project Goliath             | -                       | 223,612    | -                  | 223,612    |
| KPMI                        | -                       | 61,000     | -                  | 61,000     |
| Georgia KT                  | -                       | 28,662     | -                  | 28,662     |
| Stockton torch (CA)         | -                       | -          | 2,200              | 2,200      |
| Norma McCrae estate (WA)    | -                       | -          | 14,824             | 14,824     |
| KOT KO (TX)                 | -                       | -          | 1,159              | 1,159      |
|                             | \$ 11,032               | \$ 313,274 | \$ 18,183          | \$ 342,489 |

KAIROS PRISON MINISTRY INTERNATIONAL, INC. AND AFFILIATE  
(Not-For-Profit Corporations)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

Years Ended December 31, 2013 and 2012

**Note 6 - Temporarily Restricted Net Assets (Continued):**

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, 2013 and 2012 for the following purposes:

|                                    | 2013             |                   |                 |                   |
|------------------------------------|------------------|-------------------|-----------------|-------------------|
|                                    | International    | State             |                 | Total             |
|                                    | Office           | Foundation        | Affiliate       |                   |
| Purpose of Restriction:            |                  |                   |                 |                   |
| Financial system                   | \$ 52,500        | \$ -              | \$ -            | \$ 52,500         |
| In Christ Communications           | 4,200            | -                 | -               | 4,200             |
| Kairos train the trainers          | 1,035            | -                 | -               | 1,035             |
| Board retreats                     | 4,383            | -                 | -               | 4,383             |
| KPMI international programs        | 14,136           | -                 | -               | 14,136            |
| Outreach                           | 982              | -                 | -               | 982               |
| Executive Director moving expenses | 10,500           | -                 | -               | 10,500            |
| Project Goliath                    | -                | 478,051           | -               | 478,051           |
| KPMI                               | -                | 61,000            | -               | 61,000            |
| Georgia KT                         | -                | 7,157             | -               | 7,157             |
| KOT KO (TX)                        | -                | -                 | 1,159           | 1,159             |
| Norma McCrae Estate (WA)           | -                | -                 | 1,385           | 1,385             |
|                                    | <u>\$ 87,736</u> | <u>\$ 546,208</u> | <u>\$ 2,544</u> | <u>\$ 636,488</u> |

|                           | 2012             |                  |                 |                   |
|---------------------------|------------------|------------------|-----------------|-------------------|
|                           | International    | State            |                 | Total             |
|                           | Office           | Foundation       | Affiliate       |                   |
| Purpose of Restriction:   |                  |                  |                 |                   |
| Calvin Edwards            | \$ 19,326        | \$ 23,850        | \$ -            | \$ 43,176         |
| New building fund         | 27,955           | -                | -               | 27,955            |
| Kairos train the trainers | 6,553            | -                | -               | 6,553             |
| Keystone Consulting       | 20,000           | 20,000           | -               | 40,000            |
| Stockton Torch            | -                | -                | 3,866           | 3,866             |
|                           | <u>\$ 73,834</u> | <u>\$ 43,850</u> | <u>\$ 3,866</u> | <u>\$ 121,550</u> |

**Note 7 - Permanently Restricted Net Assets:**

Permanently restricted net assets are restricted to investment in perpetuity, the income of which is expendable to support the operating fund.

KAIROS PRISON MINISTRY INTERNATIONAL, INC. AND AFFILIATE  
(Not-For-Profit Corporations)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

Years Ended December 31, 2013 and 2012

**Note 8 - 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 \$11,341 and \$16,739, respectively, for the years ended December 31, 2013 and 2012.

**Note 9 - 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, 2013 and 2012, the Ministry had no uninsured cash balance. The risk is managed by maintaining all deposits in high quality institutions.

**Note 10 - Commitments and Contingencies:**

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.

**Note 11 - Evaluation of Subsequent Events:**

The Ministry has evaluated subsequent events through the date of the independent auditor's report, the date which the accompanying consolidated financial statements were available to be issued.

**CONSOLIDATED FINANCIAL STATEMENTS**

KAIROS PRISON MINISTRY INTERNATIONAL, INC. AND AFFILIATE  
(Not-For-Profit Corporations)

**CONSOLIDATING SCHEDULE - STATEMENTS OF FINANCIAL POSITION**

December 31, 2013 and 2012

|   | 2013                    |                   |                     |                     | Total               |
|---|-------------------------|-------------------|---------------------|---------------------|---------------------|
|   | International<br>Office | Foundation        | State<br>Affiliates | Eliminations        |                     |
| <b>Assets:</b>                            |                         |                   |                     |                     |                     |
| <b>Current assets:</b>                    |                         |                   |                     |                     |                     |
| Cash and cash equivalents                 | \$ 138,046              | \$ 81,093         | \$ 2,927,130        | \$ -                | \$ 3,146,269        |
| Restricted investments                    | -                       | 81,997            | -                   | -                   | 81,997              |
| Accounts receivable, net                  | -                       | -                 | 6,913               | (6,913)             | -                   |
| Due (to) from affiliates, net             | 287,077                 | -                 | -                   | (287,077)           | -                   |
| Prepaid expenses and other current assets | 43,442                  | 10,422            | 41,823              | -                   | 95,687              |
| <b>Total current assets</b>               | <b>468,565</b>          | <b>173,512</b>    | <b>2,975,866</b>    | <b>(293,990)</b>    | <b>3,323,953</b>    |
| Property and Equipment, net               | 34,496                  | 398,370           | 51,017              | -                   | 483,883             |
| <b>Total assets</b>                       | <b>\$ 503,061</b>       | <b>\$ 571,882</b> | <b>\$ 3,026,883</b> | <b>\$ (293,990)</b> | <b>\$ 3,807,836</b> |
| <b>Liabilities:</b>                       |                         |                   |                     |                     |                     |
| Accounts payable and accrued expenses     | \$ 81,775               | \$ 12,137         | \$ 323,177          | \$ (293,990)        | \$ 123,099          |
| <b>Total liabilities</b>                  | <b>81,775</b>           | <b>12,137</b>     | <b>323,177</b>      | <b>(293,990)</b>    | <b>123,099</b>      |
| <b>Net Assets:</b>                        |                         |                   |                     |                     |                     |
| Unrestricted                              | 398,064                 | 443,570           | 2,688,067           | -                   | 3,529,701           |
| Temporarily restricted                    | 23,222                  | 36,175            | 15,639              | -                   | 75,036              |
| Permanently restricted                    | -                       | 80,000            | -                   | -                   | 80,000              |
| <b>Total net assets</b>                   | <b>421,286</b>          | <b>559,745</b>    | <b>2,703,706</b>    | <b>-</b>            | <b>3,684,737</b>    |
| <b>Total liabilities and net assets</b>   | <b>\$ 503,061</b>       | <b>\$ 571,882</b> | <b>\$ 3,026,883</b> | <b>\$ (293,990)</b> | <b>\$ 3,807,836</b> |

See Independent Auditor's Report

KAIROS PRISON MINISTRY INTERNATIONAL, INC. AND AFFILIATE  
(Not-For-Profit Corporations)

**STATE CONSOLIDATING SCHEDULE - STATEMENTS OF FINANCIAL POSITION**

December 31, 2013 and 2012

|   | 2012                    |                   |                     |                     | Total               |
|---|-------------------------|-------------------|---------------------|---------------------|---------------------|
|   | International<br>Office | Foundation        | State<br>Affiliates | Eliminations        |                     |
| <b>Assets:</b>                            |                         |                   |                     |                     |                     |
| <b>Current assets:</b>                    |                         |                   |                     |                     |                     |
| Cash and cash equivalents                 | \$ 53,938               | \$ 336,327        | \$ 2,522,836        | \$ -                | \$ 2,913,101        |
| Restricted investments                    | 85,507                  | -                 | -                   | -                   | 85,507              |
| Accounts receivable, net                  | 30                      | -                 | 11,705              | (8,575)             | 3,160               |
| Due (to) from affiliates, net             | 300,388                 | 1,190             | -                   | (301,578)           | -                   |
| Prepaid expenses and other current assets | 77,335                  | -                 | 63,804              | -                   | 141,139             |
| <b>Total current assets</b>               | <b>517,198</b>          | <b>337,517</b>    | <b>2,598,345</b>    | <b>(310,153)</b>    | <b>3,142,907</b>    |
| Property and equipment, net               | 38,999                  | -                 | 45,771              | -                   | 84,770              |
| <b>Total assets</b>                       | <b>\$ 556,197</b>       | <b>\$ 337,517</b> | <b>\$ 2,644,116</b> | <b>\$ (310,153)</b> | <b>\$ 3,227,677</b> |
| <b>Liabilities:</b>                       |                         |                   |                     |                     |                     |
| Accounts payable and accrued expenses     | \$ 160,664              | \$ 3,323          | \$ 332,983          | \$ (310,153)        | \$ 186,817          |
| Deferred revenue                          | 9,270                   | -                 | -                   | -                   | 9,270               |
| <b>Total liabilities</b>                  | <b>169,934</b>          | <b>3,323</b>      | <b>332,983</b>      | <b>(310,153)</b>    | <b>196,087</b>      |
| <b>Net assets:</b>                        |                         |                   |                     |                     |                     |
| Unrestricted                              | 295,231                 | 20,920            | 2,292,950           | -                   | 2,609,101           |
| Temporarily restricted                    | 11,032                  | 313,274           | 18,183              | -                   | 342,489             |
| Permanently restricted                    | 80,000                  | -                 | -                   | -                   | 80,000              |
| <b>Total net assets</b>                   | <b>386,263</b>          | <b>334,194</b>    | <b>2,311,133</b>    | <b>-</b>            | <b>3,031,590</b>    |
| <b>Total liabilities and net assets</b>   | <b>\$ 556,197</b>       | <b>\$ 337,517</b> | <b>\$ 2,644,116</b> | <b>\$ (310,153)</b> | <b>\$ 3,227,677</b> |

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KAIROS PRISON MINISTRY INTERNATIONAL, INC. AND AFFILIATE  
(Not-For-Profit Corporations)

**CONSOLIDATING SCHEDULE - STATEMENTS OF ACTIVITIES**

For the Years Ended December 31, 2013 and 2012

|                                       | 2013                        |                           |                           |                   |
|---------------------------------------|-----------------------------|---------------------------|---------------------------|-------------------|
|                                       | <b>International Office</b> |                           |                           |                   |
|                                       | Unrestricted                | Temporarily<br>Restricted | Permanently<br>Restricted | Total             |
| Changes in Net Assets:                |                             |                           |                           |                   |
| Support and revenue:                  |                             |                           |                           |                   |
| Contributions                         | \$ 280,722                  | \$ 99,926                 | \$ -                      | \$ 380,648        |
| Training                              | 107,957                     | -                         | -                         | 107,957           |
| Other income (expense)                | (5,125)                     | -                         | -                         | (5,125)           |
| Net assets released from restrictions | 87,736                      | (87,736)                  | -                         | -                 |
| Total support and revenue             | <u>471,290</u>              | <u>12,190</u>             | <u>-</u>                  | <u>483,480</u>    |
| Interministry payments received:      |                             |                           |                           |                   |
| Affiliation fees                      | 935,834                     | -                         | -                         | 935,834           |
| Blessings                             | 58,231                      | -                         | -                         | 58,231            |
| Materials                             | 328,107                     | -                         | -                         | 328,107           |
| Training fees                         | 97,295                      | -                         | -                         | 97,295            |
| Total interministry payments received | <u>1,419,467</u>            | <u>-</u>                  | <u>-</u>                  | <u>1,419,467</u>  |
| Interministry payments made:          |                             |                           |                           |                   |
| Affiliation fees                      | -                           | -                         | -                         | -                 |
| Blessings                             | 11,000                      | -                         | -                         | 11,000            |
| Training fees                         | -                           | -                         | -                         | -                 |
| Materials                             | 10,894                      | -                         | -                         | 10,894            |
| Total interministry payments made     | <u>21,894</u>               | <u>-</u>                  | <u>-</u>                  | <u>21,894</u>     |
| Total interministry                   | <u>1,397,573</u>            | <u>-</u>                  | <u>-</u>                  | <u>1,397,573</u>  |
| Expenses:                             |                             |                           |                           |                   |
| Program services:                     |                             |                           |                           |                   |
| Prison ministry                       | 601,767                     | -                         | -                         | 601,767           |
| Total program services                | <u>601,767</u>              | <u>-</u>                  | <u>-</u>                  | <u>601,767</u>    |
| Supporting activities:                |                             |                           |                           |                   |
| Administrative                        | 1,115,289                   | -                         | -                         | 1,115,289         |
| Development and fundraising           | 48,974                      | -                         | -                         | 48,974            |
| Total supporting activities           | <u>1,164,263</u>            | <u>-</u>                  | <u>-</u>                  | <u>1,164,263</u>  |
| Total Expenses                        | <u>1,766,030</u>            | <u>-</u>                  | <u>-</u>                  | <u>1,766,030</u>  |
| Increase (Decrease) in Net Assets     | 102,833                     | 12,190                    | -                         | 115,023           |
| Net Assets - Beginning of Year        | 295,231                     | 11,032                    | -                         | 306,263           |
| Net Assets - End of Year              | <u>\$ 398,064</u>           | <u>\$ 23,222</u>          | <u>\$ -</u>               | <u>\$ 421,286</u> |

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KAIROS PRISON MINISTRY INTERNATIONAL, INC. AND AFFILIATE  
(Not-For-Profit Corporations)

**CONSOLIDATING SCHEDULE - STATEMENTS OF ACTIVITIES (CONTINUED)**

For the Years Ended December 31, 2013 and 2012

| 2013              |                           |                           |                   |                     |                           |                           |                     |
|-------------------|---------------------------|---------------------------|-------------------|---------------------|---------------------------|---------------------------|---------------------|
| Foundation        |                           |                           |                   | State Affiliates    |                           |                           |                     |
| Unrestricted      | Temporarily<br>Restricted | Permanently<br>Restricted | Total             | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | Total               |
| \$ 101,987        | \$ 269,109                | \$ -                      | \$ 371,096        | \$ 5,602,380        | \$ -                      | \$ -                      | \$ 5,602,380        |
| -                 | -                         | -                         | -                 | 6                   | -                         | -                         | 6                   |
| 4,020             | -                         | -                         | 4,020             | 2,532               | -                         | -                         | 2,532               |
| 546,208           | (546,208)                 | -                         | -                 | 2,544               | (2,544)                   | -                         | -                   |
| 652,215           | (277,099)                 | -                         | 375,116           | 5,607,462           | (2,544)                   | -                         | 5,604,918           |
| -                 | -                         | -                         | -                 | 503,949             | -                         | -                         | 503,949             |
| -                 | -                         | -                         | -                 | 99,659              | -                         | -                         | 99,659              |
| -                 | -                         | -                         | -                 | 10,893              | -                         | -                         | 10,893              |
| -                 | -                         | -                         | -                 | 99,549              | -                         | -                         | 99,549              |
| -                 | -                         | -                         | -                 | 714,050             | -                         | -                         | 714,050             |
| -                 | -                         | -                         | -                 | 1,440,788           | -                         | -                         | 1,440,788           |
| -                 | -                         | -                         | -                 | 146,876             | -                         | -                         | 146,876             |
| -                 | -                         | -                         | -                 | 195,844             | -                         | -                         | 195,844             |
| -                 | -                         | -                         | -                 | 328,115             | -                         | -                         | 328,115             |
| -                 | -                         | -                         | -                 | 2,111,623           | -                         | -                         | 2,111,623           |
| -                 | -                         | -                         | -                 | (1,397,573)         | -                         | -                         | (1,397,573)         |
| 207,988           | -                         | -                         | 207,988           | 3,397,449           | -                         | -                         | 3,397,449           |
| 207,988           | -                         | -                         | 207,988           | 3,397,449           | -                         | -                         | 3,397,449           |
| 21,185            | -                         | -                         | 21,185            | 317,690             | -                         | -                         | 317,690             |
| 392               | -                         | -                         | 392               | 99,633              | -                         | -                         | 99,633              |
| 21,577            | -                         | -                         | 21,577            | 417,323             | -                         | -                         | 417,323             |
| 229,565           | -                         | -                         | 229,565           | 3,814,772           | -                         | -                         | 3,814,772           |
| 422,650           | (277,099)                 | -                         | 145,551           | 395,117             | (2,544)                   | -                         | 392,573             |
| 20,920            | 313,274                   | 80,000                    | 414,194           | 2,292,950           | 18,183                    | -                         | 2,311,133           |
| <u>\$ 443,570</u> | <u>\$ 36,175</u>          | <u>\$ 80,000</u>          | <u>\$ 559,745</u> | <u>\$ 2,688,067</u> | <u>\$ 15,639</u>          | <u>\$ -</u>               | <u>\$ 2,703,706</u> |

(Continued)

KAIROS PRISON MINISTRY INTERNATIONAL, INC. AND AFFILIATE  
(Not-For-Profit Corporations)

**CONSOLIDATING SCHEDULE - STATEMENTS OF ACTIVITIES (CONTINUED)**

For The Years Ended December 31, 2013 and 2012

|  | 2013                |                           |                           |                       | Total               |
|--|---------------------|---------------------------|---------------------------|-----------------------|---------------------|
|  | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | Eliminations          |                     |
| <b>Changes in Net Assets:</b>                |                     |                           |                           |                       |                     |
| <b>Support and revenue:</b>                  |                     |                           |                           |                       |                     |
| Contributions                                | \$ 5,985,089        | \$ 369,035                | \$ -                      | \$ -                  | \$ 6,354,124        |
| Training                                     | 107,963             | -                         | -                         | -                     | 107,963             |
| Other income (expense)                       | 1,427               | -                         | -                         | -                     | 1,427               |
| Net assets released from restrictions        | 636,488             | (636,488)                 | -                         | -                     | -                   |
| <b>Total support and revenue</b>             | <b>6,730,967</b>    | <b>(267,453)</b>          | <b>-</b>                  | <b>-</b>              | <b>6,463,514</b>    |
| <b>Interministry payments received:</b>      |                     |                           |                           |                       |                     |
| Affiliation fees                             | 1,439,783           | -                         | -                         | (1,439,783)           | -                   |
| Blessings                                    | 157,890             | -                         | -                         | (157,890)             | -                   |
| Materials                                    | 339,000             | -                         | -                         | (339,000)             | -                   |
| Training fees                                | 196,844             | -                         | -                         | (196,844)             | -                   |
| <b>Total interministry payments received</b> | <b>2,133,517</b>    | <b>-</b>                  | <b>-</b>                  | <b>(2,133,517)</b>    | <b>-</b>            |
| <b>Interministry payments made:</b>          |                     |                           |                           |                       |                     |
| Affiliation fees                             | 1,440,788           | -                         | -                         | (1,440,788)           | -                   |
| Blessings                                    | 157,876             | -                         | -                         | (157,876)             | -                   |
| Training fees                                | 195,844             | -                         | -                         | (195,844)             | -                   |
| Materials                                    | 339,009             | -                         | -                         | (339,009)             | -                   |
| <b>Total interministry payments made</b>     | <b>2,133,517</b>    | <b>-</b>                  | <b>-</b>                  | <b>(2,133,517)</b>    | <b>-</b>            |
| <b>Total interministry</b>                   | <b>4,267,034</b>    | <b>-</b>                  | <b>-</b>                  | <b>(4,267,034)</b>    | <b>-</b>            |
| <b>Expenses:</b>                             |                     |                           |                           |                       |                     |
| <b>Program services:</b>                     |                     |                           |                           |                       |                     |
| Prison ministry                              | 4,207,204           | -                         | -                         | -                     | 4,207,204           |
| <b>Total program services</b>                | <b>4,207,204</b>    | <b>-</b>                  | <b>-</b>                  | <b>-</b>              | <b>4,207,204</b>    |
| <b>Supporting activities:</b>                |                     |                           |                           |                       |                     |
| Administrative                               | 1,454,164           | -                         | -                         | -                     | 1,454,164           |
| Development and fundraising                  | 148,999             | -                         | -                         | -                     | 148,999             |
| <b>Total supporting activities</b>           | <b>1,603,163</b>    | <b>-</b>                  | <b>-</b>                  | <b>-</b>              | <b>1,603,163</b>    |
| <b>Total Expenses</b>                        | <b>5,810,367</b>    | <b>-</b>                  | <b>-</b>                  | <b>-</b>              | <b>5,810,367</b>    |
| Increase (Decrease) in Net Assets            | 5,187,634           | (267,453)                 | -                         | (4,267,034)           | 653,147             |
| Net Assets - Beginning of Year               | 2,609,101           | 342,489                   | 80,000                    | -                     | 3,031,590           |
| Net Assets - End of Year                     | <u>\$ 7,796,735</u> | <u>\$ 75,036</u>          | <u>\$ 80,000</u>          | <u>\$ (4,267,034)</u> | <u>\$ 3,684,737</u> |

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KAIROS PRISON MINISTRY INTERNATIONAL, INC. AND AFFILIATE  
(Not-For-Profit Corporations)

**CONSOLIDATING SCHEDULE - STATEMENTS OF ACTIVITIES (CONTINUED)**

For The Years Ended December 31, 2013 and 2012

|                                       | 2012                        |                           |                           |                   |
|---------------------------------------|-----------------------------|---------------------------|---------------------------|-------------------|
|                                       | <b>International Office</b> |                           |                           |                   |
|                                       | Unrestricted                | Temporarily<br>Restricted | Permanently<br>Restricted | Total             |
| Changes in Net Assets:                |                             |                           |                           |                   |
| Support and revenue:                  |                             |                           |                           |                   |
| Contributions                         | \$ 353,573                  | \$ 52,622                 | \$ -                      | \$ 406,195        |
| Training                              | 106,170                     | -                         | -                         | 106,170           |
| Other income (expense)                | 123,574                     | -                         | -                         | 123,574           |
| Net assets released from restrictions | 73,834                      | (73,834)                  | -                         | -                 |
| Total support and revenue             | <u>657,151</u>              | <u>(21,212)</u>           | <u>-</u>                  | <u>635,939</u>    |
| Interministry payment received:       |                             |                           |                           |                   |
| Affiliation fees                      | 888,700                     | -                         | -                         | 888,700           |
| Blessings                             | 30,750                      | -                         | -                         | 30,750            |
| Materials                             | 240,564                     | -                         | -                         | 240,564           |
| Training fees                         | 93,763                      | -                         | -                         | 93,763            |
| Total interministry payments received | <u>1,253,777</u>            | <u>-</u>                  | <u>-</u>                  | <u>1,253,777</u>  |
| Interministry payment made:           |                             |                           |                           |                   |
| Affiliation fees                      | -                           | -                         | -                         | -                 |
| Blessings                             | -                           | -                         | -                         | -                 |
| Training fees                         | -                           | -                         | -                         | -                 |
| Materials                             | -                           | -                         | -                         | -                 |
| Total interministry payments made     | <u>-</u>                    | <u>-</u>                  | <u>-</u>                  | <u>-</u>          |
| Total interministry                   | <u>1,253,777</u>            | <u>-</u>                  | <u>-</u>                  | <u>1,253,777</u>  |
| Expenses:                             |                             |                           |                           |                   |
| Program services:                     |                             |                           |                           |                   |
| Prison ministry                       | 736,056                     | -                         | -                         | 736,056           |
| Conferences                           | 625                         | -                         | -                         | 625               |
| Total program services                | <u>736,681</u>              | <u>-</u>                  | <u>-</u>                  | <u>736,681</u>    |
| Supporting activities:                |                             |                           |                           |                   |
| Administrative                        | 1,217,733                   | -                         | -                         | 1,217,733         |
| Development and fundraising           | 46,219                      | -                         | -                         | 46,219            |
| Total supporting activities           | <u>1,263,952</u>            | <u>-</u>                  | <u>-</u>                  | <u>1,263,952</u>  |
| Total Expenses                        | <u>2,000,633</u>            | <u>-</u>                  | <u>-</u>                  | <u>2,000,633</u>  |
| Increase (Decrease) in Net Assets     | (89,705)                    | (21,212)                  | -                         | (110,917)         |
| Net Assets - Beginning of Year        | <u>384,936</u>              | <u>32,244</u>             | <u>80,000</u>             | <u>497,180</u>    |
| Net Assets - End of Year              | <u>\$ 295,231</u>           | <u>\$ 11,032</u>          | <u>\$ 80,000</u>          | <u>\$ 386,263</u> |

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KAIROS PRISON MINISTRY INTERNATIONAL, INC. AND AFFILIATE  
(Not-For-Profit Corporations)

**CONSOLIDATING SCHEDULE - STATEMENTS OF ACTIVITIES (CONTINUED)**

For The Years Ended December 31, 2013 and 2012

| 2012         |                           |                           |            |                  |                           |                           |              |
|--------------|---------------------------|---------------------------|------------|------------------|---------------------------|---------------------------|--------------|
| Foundation   |                           |                           |            | State Affiliates |                           |                           |              |
| Unrestricted | Temporarily<br>Restricted | Permanently<br>Restricted | Total      | Unrestricted     | Temporarily<br>Restricted | Permanently<br>Restricted | Total        |
| \$ 85,652    | \$ 105,886                | \$ -                      | \$ 191,538 | \$ 5,422,825     | \$ 15,983                 | \$ -                      | \$ 5,438,808 |
| -            | -                         | -                         | -          | 3,365            | -                         | -                         | 3,365        |
| 1,213        | -                         | -                         | 1,213      | (99,027)         | -                         | -                         | (99,027)     |
| 43,850       | (43,850)                  | -                         | -          | 3,866            | (3,866)                   | -                         | -            |
| 130,715      | 62,036                    | -                         | 192,751    | 5,331,029        | 12,117                    | -                         | 5,343,146    |
| -            | -                         | -                         | -          | 269,823          | -                         | -                         | 269,823      |
| -            | -                         | -                         | -          | 72,388           | -                         | -                         | 72,388       |
| -            | -                         | -                         | -          | -                | -                         | -                         | -            |
| -            | -                         | -                         | -          | 98,662           | -                         | -                         | 98,662       |
| -            | -                         | -                         | -          | 440,873          | -                         | -                         | 440,873      |
| -            | -                         | -                         | -          | 1,158,524        | -                         | -                         | 1,158,524    |
| -            | -                         | -                         | -          | 103,138          | -                         | -                         | 103,138      |
| -            | -                         | -                         | -          | 192,425          | -                         | -                         | 192,425      |
| -            | -                         | -                         | -          | 240,563          | -                         | -                         | 240,563      |
| -            | -                         | -                         | -          | 1,694,650        | -                         | -                         | 1,694,650    |
| -            | -                         | -                         | -          | (1,253,777)      | -                         | -                         | (1,253,777)  |
| 123,883      | -                         | -                         | 123,883    | 3,695,618        | -                         | -                         | 3,695,618    |
| -            | -                         | -                         | -          | -                | -                         | -                         | -            |
| 123,883      | -                         | -                         | 123,883    | 3,695,618        | -                         | -                         | 3,695,618    |
| 54,489       | -                         | -                         | 54,489     | 191,553          | -                         | -                         | 191,553      |
| 8,012        | -                         | -                         | 8,012      | 80,432           | -                         | -                         | 80,432       |
| 62,501       | -                         | -                         | 62,501     | 271,985          | -                         | -                         | 271,985      |
| 186,384      | -                         | -                         | 186,384    | 3,967,603        | -                         | -                         | 3,967,603    |
| (55,669)     | 62,036                    | -                         | 6,367      | 109,649          | 12,117                    | -                         | 121,766      |
| 76,589       | 251,238                   | -                         | 327,827    | 2,183,301        | 6,066                     | -                         | 2,189,367    |
| \$ 20,920    | \$ 313,274                | \$ -                      | \$ 334,194 | \$ 2,292,950     | \$ 18,183                 | \$ -                      | \$ 2,311,133 |

(Continued)

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KAIROS PRISON MINISTRY INTERNATIONAL, INC. AND AFFILIATE  
(Not-For-Profit Corporations)

**CONSOLIDATING SCHEDULE - STATEMENTS OF ACTIVITIES (CONTINUED)**

For The Years Ended December 31, 2013 and 2012

|  | 2012                |                           |                           |                       | Total               |
|--|---------------------|---------------------------|---------------------------|-----------------------|---------------------|
|  | <b>Total</b>        |                           |                           |                       |                     |
|  | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | Eliminations          |                     |
| <b>Changes in Net Assets:</b>          |                     |                           |                           |                       |                     |
| <b>Support and revenue:</b>            |                     |                           |                           |                       |                     |
| Contributions                          | \$ 5,862,050        | \$ 174,491                | \$ -                      | \$ -                  | \$ 6,036,541        |
| Training                               | 109,535             | -                         | -                         | -                     | 109,535             |
| Other income (expense)                 | 25,760              | -                         | -                         | -                     | 25,760              |
| Net assets released from restrictions  | 121,550             | (121,550)                 | -                         | -                     | -                   |
| Total support and revenue              | <u>6,118,895</u>    | <u>52,941</u>             | <u>-</u>                  | <u>-</u>              | <u>6,171,836</u>    |
| <b>Interministry payment received:</b> |                     |                           |                           |                       |                     |
| Affiliation fees                       | 1,158,523           | -                         | -                         | (1,158,523)           | -                   |
| Blessings                              | 103,138             | -                         | -                         | (103,138)             | -                   |
| Materials                              | 240,564             | -                         | -                         | (240,564)             | -                   |
| Training fees                          | 192,425             | -                         | -                         | (192,425)             | -                   |
| Total interministry payments received  | <u>1,694,650</u>    | <u>-</u>                  | <u>-</u>                  | <u>(1,694,650)</u>    | <u>-</u>            |
| <b>Interministry payment made:</b>     |                     |                           |                           |                       |                     |
| Affiliation fees                       | 1,158,524           | -                         | -                         | (1,158,524)           | -                   |
| Blessings                              | 103,138             | -                         | -                         | (103,138)             | -                   |
| Training fees                          | 192,425             | -                         | -                         | (192,425)             | -                   |
| Materials                              | 240,563             | -                         | -                         | (240,563)             | -                   |
| Total interministry payments made      | <u>1,694,650</u>    | <u>-</u>                  | <u>-</u>                  | <u>(1,694,650)</u>    | <u>-</u>            |
| Total interministry                    | <u>3,389,300</u>    | <u>-</u>                  | <u>-</u>                  | <u>(3,389,300)</u>    | <u>-</u>            |
| <b>Expenses:</b>                       |                     |                           |                           |                       |                     |
| <b>Program services:</b>               |                     |                           |                           |                       |                     |
| Prison ministry                        | 4,555,557           | -                         | -                         | -                     | 4,555,557           |
| Conferences                            | 625                 | -                         | -                         | -                     | 625                 |
| Total program services                 | <u>4,556,182</u>    | <u>-</u>                  | <u>-</u>                  | <u>-</u>              | <u>4,556,182</u>    |
| <b>Supporting activities:</b>          |                     |                           |                           |                       |                     |
| Administrative                         | 1,463,775           | -                         | -                         | -                     | 1,463,775           |
| Development and fundraising            | 134,663             | -                         | -                         | -                     | 134,663             |
| Total supporting activities            | <u>1,598,438</u>    | <u>-</u>                  | <u>-</u>                  | <u>-</u>              | <u>1,598,438</u>    |
| Total Expenses                         | <u>6,154,620</u>    | <u>-</u>                  | <u>-</u>                  | <u>-</u>              | <u>6,154,620</u>    |
| Increase (Decrease) in Net Assets      | 3,353,575           | 52,941                    | -                         | (3,389,300)           | 17,216              |
| Net Assets - Beginning of Year         | <u>2,644,826</u>    | <u>289,548</u>            | <u>80,000</u>             | <u>-</u>              | <u>3,014,374</u>    |
| Net Assets - End of Year               | <u>\$ 5,998,401</u> | <u>\$ 342,489</u>         | <u>\$ 80,000</u>          | <u>\$ (3,389,300)</u> | <u>\$ 3,031,590</u> |

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