

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

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7
Consolidating Schedules:	
Consolidating Schedule - Statements of Financial Position	18
Consolidating Schedule - Statements of Activities	20

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, 2015 and 2014, 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 consolidated 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 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 consolidated 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

934 North Magnolia Avenue, Suite 100 Orlando, Florida 32803

TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in the Consolidating Schedules is presented for the purpose of additional analysis and it is not a required part of the consolidated 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 consolidated financial statements. The information have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements taken as a whole.

McDiernit Davis & Company, LLC

Orlando, Florida
May 2, 2016

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

	2015	2014
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,284,397	\$ 3,765,889
Restricted investments	82,500	84,172
Accounts receivable, net	1,875	-
Prepaid expenses and other current assets	138,764	158,514
Total current assets	4,507,536	4,008,575
Property and Equipment, net	471,218	486,823
Total assets	\$ 4,978,754	\$ 4,495,398
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 43,354	\$ 69,098
Total liabilities	43,354	69,098
Net Assets:		
Unrestricted	4,739,865	4,264,573
Temporarily restricted	115,535	81,727
Permanently restricted	80,000	80,000
Total net assets	4,935,400	4,426,300
Total liabilities and net assets	\$ 4,978,754	\$ 4,495,398

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, 2015 and 2014

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Changes in Net Assets:				
Support and Revenue:				
Contributions	\$ 6,104,388	\$ 77,705	\$ -	\$ 6,182,093
Training	44,825	-	-	44,825
Other income	3,752	-	-	3,752
Net assets released from restrictions	43,897	(43,897)	-	-
Total support and revenue	6,196,862	33,808	-	6,230,670
Expenses:				
Program services:				
Prison ministry	4,576,965	-	-	4,576,965
Total program services	4,576,965	-	-	4,576,965
Supporting activities:				
Administrative	991,959	-	-	991,959
Development and fundraising	152,646	-	-	152,646
Total supporting activities	1,144,605	-	-	1,144,605
Total expenses	5,721,570	-	-	5,721,570
Increase in Net Assets	475,292	33,808	-	509,100
Net Assets - beginning of year	4,264,573	81,727	80,000	4,426,300
Net Assets - end of year	\$ 4,739,865	\$ 115,535	\$ 80,000	\$ 4,935,400

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, 2015 and 2014

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Changes in Net Assets:				
Support and Revenue:				
Contributions	\$ 6,213,805	\$ 65,831	\$ -	\$ 6,279,636
Training	69,852	-	-	69,852
Other income	3,786	-	-	3,786
Net assets released from restrictions	59,140	(59,140)	-	-
Total support and revenue	<u>6,346,583</u>	<u>6,691</u>	<u>-</u>	<u>6,353,274</u>
Expenses:				
Program services:				
Prison ministry	4,386,043	-	-	4,386,043
Total program services	<u>4,386,043</u>	<u>-</u>	<u>-</u>	<u>4,386,043</u>
Supporting activities:				
Administrative	1,056,829	-	-	1,056,829
Development and fundraising	168,839	-	-	168,839
Total supporting activities	<u>1,225,668</u>	<u>-</u>	<u>-</u>	<u>1,225,668</u>
Total expenses	<u>5,611,711</u>	<u>-</u>	<u>-</u>	<u>5,611,711</u>
Increase (Decrease) in Net Assets	734,872	6,691	-	741,563
Net Assets - beginning of year	<u>3,529,701</u>	<u>75,036</u>	<u>80,000</u>	<u>3,684,737</u>
Net Assets - end of year	<u>\$ 4,264,573</u>	<u>\$ 81,727</u>	<u>\$ 80,000</u>	<u>\$ 4,426,300</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 CASH FLOWS

For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities:		
Receipts from contributors	\$ 6,180,218	\$ 6,279,636
Receipts of training fees, conference fees and other income	48,577	73,638
Cash paid to suppliers of materials, employees and other operating cash payments	(5,682,104)	(5,690,026)
Net Cash Provided by Operating Activities	546,691	663,248
Cash Flows From Investing Activities:		
Purchases of property and equipment	(29,855)	(41,453)
(Purchase) sale of investments	1,672	(2,175)
Net Cash Used by Investing Activities	(28,183)	(43,628)
Net Increase in Cash and Cash Equivalents	518,508	619,620
Cash and Cash Equivalents - beginning of year	3,765,889	3,146,269
Cash and Cash Equivalents - end of year	\$ 4,284,397	\$ 3,765,889
Reconciliation of Net Increase in Net Assets to Net Cash Provided by Operating Activities:		
Increase in net assets	\$ 509,100	\$ 741,563
Adjustments to reconcile net increase in net assets to net cash provided by operating activities:		
Depreciation	45,460	38,513
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Prepaid expenses and other current assets	19,750	(62,827)
Increase (decrease) in:		
Accounts payable and accrued expenses	(25,744)	(54,001)
Net cash provided by operating activities	\$ 546,691	\$ 663,248

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)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2015 and 2014

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Years Ended December 31, 2015 and 2014

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Years Ended December 31, 2015 and 2014

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, 2015 and 2014.

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, 2015 and 2014

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, 2015 and 2014, 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 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 \$57,489 and \$44,242 for the years ended December 31, 2015 and 2014, 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 2014 financial statements have been reclassified to conform to the 2015 presentation. The effect of this change did not impact the overall increase in net assets for the year ended December 31, 2015.

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Years Ended December 31, 2015 and 2014

Note 2 - Investments:

A summary of investments, by investment type, at December 31, 2015 and 2014 are presented as follows:

	2015	2014
Marketable Equity Securities:		
Corporate fixed income:		
Conglomerates	\$ 11,500	\$ 11,700
Financial & investing	33,370	34,090
Government securities:		
Municipal bonds	37,630	38,382
	\$ 82,500	\$ 84,172

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
(Not-For-Profit Corporations)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Years Ended December 31, 2015 and 2014

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, 2015 and 2014:

		Fair Value Measurements at the End of the Reporting Period Using:		
		Level 1:	Level 2:	Level 3:
December 31, 2015	Fair Value	Quoted Prices	Significant Other Observable Inputs	Significant Unobservable Inputs
Investments:				
Marketable equity securities:				
Corporate fixed income:				
	\$ 11,500	-	\$ 11,500	-
	33,370	-	33,370	-
Government securities:				
	37,630	-	37,630	-
	<u>\$ 82,500</u>	<u>-</u>	<u>\$ 82,500</u>	<u>-</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Years Ended December 31, 2015 and 2014

Note 3 - Fair Value Measurement (Continued):

<u>December 31, 2014</u>	<u>Fair Value</u>	Fair Value Measurements at the End of the Reporting Period Using:		
		<u>Level 1:</u> Quoted Prices	<u>Level 2:</u> Significant Other Observable Inputs	<u>Level 3:</u> Significant unobservable inputs
Investments:				
Marketable equity securities:				
Corporate fixed income:				
Conglomerates	\$ 11,700	-	\$ 11,700	-
Financial & investing	34,090	-	34,090	-
Government securities:				
Municipal bonds	<u>38,382</u>	<u>-</u>	<u>38,382</u>	<u>-</u>
	<u>\$ 84,172</u>	<u>-</u>	<u>\$ 84,172</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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Land	\$ 94,970	\$ 94,970
Building	307,652	307,652
Computer Equipment	125,574	39,557
Furniture and Equipment	<u>105,990</u>	<u>167,993</u>
	634,186	610,172
Less: accumulated depreciation	<u>(166,805)</u>	<u>(123,349)</u>
Property and Equipment, net	<u>\$ 467,381</u>	<u>\$ 486,823</u>

Depreciation expense totaled \$45,438 and \$38,513, respectively, for the years ended December 31, 2015 and 2014.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Years Ended December 31, 2015 and 2014

Note 5 - Description of Leasing Arrangements:

The international office of the Ministry leases certain office space. The lease automatically renews on a year to year basis until canceled. The international office is also obligated under non-cancelable operating leases for various equipment. Total rentals under operating leases amounted to \$20,590 and \$25,016, respectively, for the years ended December 31, 2015 and 2014.

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 \$221,192 and \$195,346, respectively, for the years ended December 31, 2015 and 2014.

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, 2015:

<u>Year Ending December 31,</u>	<u>International Office</u>
2016	\$ 16,176
2017	10,784
	<u>\$ 26,960</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Years Ended December 31, 2015 and 2014

Note 6 - Temporarily Restricted Net Assets:

Temporarily restricted net assets were available to support the following purposes at December 31, 2015 and 2014:

	2015			
	International Office	Foundation	State Affiliate	Total
Purpose of Restriction:				
KPML international programs	\$ 10,801	\$ -	\$ -	\$ 10,801
Volunteer recruiting	1,330	-	-	1,330
Database	50,400			50,400
Project building fund	-	6,031	-	6,031
Ohio	-	6,453	-	6,453
Wisconsin	-	7,681	-	7,681
Georgia KT	-	20,707	-	20,707
Norma McCrae estate (WA)	-	-	12,132	12,132
	<u>\$ 62,531</u>	<u>\$ 40,872</u>	<u>\$ 12,132</u>	<u>\$ 115,535</u>
	2014			
	International Office	Foundation	State Affiliate	Total
Purpose of Restriction:				
New computer equipment	\$ 1,480	\$ -	\$ -	\$ 1,480
Appeal training	9,069	-	-	9,069
KPML international programs	12,456	-	-	12,456
Kairos train the trainers	1,111	-	-	1,111
Volunteer recruiting	1,300	-	-	1,300
Project building fund	-	6,031	-	6,031
Ohio	-	6,453	-	6,453
Wisconsin	-	9,681	-	9,681
Georgia KT	-	20,707	-	20,707
Norma McCrae estate (WA)	-	-	13,439	13,439
	<u>\$ 25,416</u>	<u>\$ 42,872</u>	<u>\$ 13,439</u>	<u>\$ 81,727</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Years Ended December 31, 2015 and 2014

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, 2015 and 2014 for the following purposes:

Purpose of Restriction:	2015			
	International Office	Foundation	State Affiliate	Total
	New computer equipment	\$ 1,480	\$ -	\$ -
KPML international programs	17,830	-	-	17,830
Appeal training	9,469	-	-	9,469
Kairos train the trainers	1,111	-	-	1,111
Database	7,100	-	-	7,100
Furniture	3,600	-	-	3,600
Wisconsin	-	2,000	-	2,000
Norma McCrae estate (WA)	-	-	1,307	1,307
	\$ 40,590	\$ 2,000	\$ 1,307	\$ 43,897

Purpose of Restriction:	2014			
	International Office	Foundation	State Affiliate	Total
	New computer equipment	\$ 15,520	\$ -	\$ -
KPML international programs	13,183	-	-	13,183
Appeal training	10,444	-	-	10,444
Kairos train the trainers	1,546	-	-	1,546
Outreach	1,318	-	-	1,318
Training grant	190	-	-	190
CPA MOMS Sparro	-	7,500	-	7,500
Ohio	-	3,228	-	3,228
Project building fund	-	3,214	-	3,214
Georgia KT	-	797	-	797
Stockton torch - CA	-	-	2,200	2,200
	\$ 42,201	\$ 14,739	\$ 2,200	\$ 59,140

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Years Ended December 31, 2015 and 2014

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.

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 \$15,887 and \$12,416, respectively, for the years ended December 31, 2015 and 2014.

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, 2015 and 2014, the Ministry had approximately \$244,000 in uninsured cash and no uninsured cash balance, respectively. 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.

CONSOLIDATED FINANCIAL STATEMENTS

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

CONSOLIDATING SCHEDULE - STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

	2015				Total
	International Office	Foundation	State Affiliates	Eliminations	
Assets:					
Current assets:					
Cash and cash equivalents	\$ 506,332	\$ 358,445	\$ 3,419,620	\$ -	\$ 4,284,397
Restricted investments	-	82,500	-	-	82,500
Accounts receivable, net	-	-	20,147	(18,272)	1,875
Due from (to) affiliates, net	315,292	-	-	(315,292)	-
Prepaid expenses and other current assets	64,263	4,561	69,940	-	138,764
Total current assets	885,887	445,506	3,509,707	(333,564)	4,507,536
Property and Equipment, net	10,900	382,593	77,725	-	471,218
Total assets	\$ 896,787	\$ 828,099	\$ 3,587,432	\$ (333,564)	\$ 4,978,754
Liabilities:					
Accounts payable and accrued expenses	\$ 40,483	\$ 1,445	\$ 334,990	\$ (333,564)	\$ 43,354
Total liabilities	40,483	1,445	334,990	(333,564)	43,354
Net Assets:					
Unrestricted	793,773	705,782	3,240,310	-	4,739,865
Temporarily restricted	62,531	40,872	12,132	-	115,535
Permanently restricted	-	80,000	-	-	80,000
Total net assets	856,304	826,654	3,252,442	-	4,935,400
Total liabilities and net assets	\$ 896,787	\$ 828,099	\$ 3,587,432	\$ (333,564)	\$ 4,978,754

See Independent Auditor's Report

This page intentionally left blank.



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

CONSOLIDATING SCHEDULE - STATEMENTS OF FINANCIAL POSITION (CONTINUED)

December 31, 2015 and 2014

	2014				Total
	International Office	Foundation	State Affiliates	Eliminations	
Assets:					
Current assets:					
Cash and cash equivalents	\$ 276,218	\$ 135,708	\$ 3,353,963	\$ -	\$ 3,765,889
Restricted investments	-	84,172	-	-	84,172
Accounts receivable, net	-	-	8,340	(8,340)	-
Due from (to) affiliates, net	432,075	-	-	(432,075)	-
Prepaid expenses and other current assets	40,135	14,100	104,279	-	158,514
Total current assets	748,428	233,980	3,466,582	(440,415)	4,008,575
Property and equipment, net	21,979	390,481	74,363	-	486,823
Total assets	\$ 770,407	\$ 624,461	\$ 3,540,945	\$ (440,415)	\$ 4,495,398
Liabilities:					
Accounts payable and accrued expenses	\$ 37,595	\$ 3,260	\$ 468,658	\$ (440,415)	\$ 69,098
Total liabilities	37,595	3,260	468,658	(440,415)	69,098
Net Assets:					
Unrestricted	707,396	498,329	3,058,848	-	4,264,573
Temporarily restricted	25,416	42,872	13,439	-	81,727
Permanently restricted	-	80,000	-	-	80,000
Total net assets	732,812	621,201	3,072,287	-	4,426,300
Total liabilities and net assets	\$ 770,407	\$ 624,461	\$ 3,540,945	\$ (440,415)	\$ 4,495,398

See Independent Auditor's Report

This page intentionally left blank.



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

CONSOLIDATING SCHEDULE - STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2015 and 2014

	2015			
	International Office			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in Net Assets:				
Support and revenue:				
Contributions	\$ 127,358	\$ 77,705	\$ -	\$ 205,063
Training	44,825	-	-	44,825
Grant income	-	-	-	-
Other income (expense)	587	-	-	587
Net assets released from restrictions	40,590	(40,590)	-	-
Total support and revenue	<u>213,360</u>	<u>37,115</u>	<u>-</u>	<u>250,475</u>
Interministry payments received:				
Affiliation fees	945,667	-	-	945,667
Blessings	80,350	-	-	80,350
Materials	392,294	-	-	392,294
Training fees	166,031	-	-	166,031
Total Interministry payments received	<u>1,584,342</u>	<u>-</u>	<u>-</u>	<u>1,584,342</u>
Interministry payments made:				
Affiliation fees	-	-	-	-
Blessings	-	-	-	-
Training fees	-	-	-	-
Materials	33,223	-	-	33,223
Total Interministry payments made	<u>33,223</u>	<u>-</u>	<u>-</u>	<u>33,223</u>
Total Interministry	<u>1,551,119</u>	<u>-</u>	<u>-</u>	<u>1,551,119</u>
Expenses:				
Program services:				
Prison ministry	885,246	-	-	885,246
Total program services	<u>885,246</u>	<u>-</u>	<u>-</u>	<u>885,246</u>
Supporting activities:				
Administrative	740,372	-	-	740,372
Development and fundraising	52,484	-	-	52,484
Total supporting activities	<u>792,856</u>	<u>-</u>	<u>-</u>	<u>792,856</u>
Total Expenses	<u>1,678,102</u>	<u>-</u>	<u>-</u>	<u>1,678,102</u>
Increase (Decrease) in Net Assets	86,377	37,115	-	123,492
Net Assets - beginning of year	707,396	25,416	-	732,812
Net Assets - end of year	<u>\$ 793,773</u>	<u>\$ 62,531</u>	<u>\$ -</u>	<u>\$ 856,304</u>

See Independent Auditor's Report

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

CONSOLIDATING SCHEDULE - STATEMENTS OF ACTIVITIES (CONTINUED)

For the Years Ended December 31, 2015 and 2014

				2015			
Foundation				State Affiliates			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 40,860	\$ -	\$ -	\$ 40,860	\$ 5,936,170	\$ -	\$ -	\$ 5,936,170
-	-	-	-	-	-	-	-
200,000	-	-	200,000	-	-	-	-
2,310	-	-	2,310	855	-	-	855
2,000	(2,000)	-	-	1,307	(1,307)	-	-
245,170	(2,000)	-	243,170	5,938,332	(1,307)	-	5,937,025
-	-	-	-	451,419	-	-	451,419
-	-	-	-	71,881	-	-	71,881
-	-	-	-	33,224	-	-	33,224
-	-	-	-	135,614	-	-	135,614
-	-	-	-	692,138	-	-	692,138
-	-	-	-	1,397,083	-	-	1,397,083
-	-	-	-	152,231	-	-	152,231
-	-	-	-	301,645	-	-	301,645
-	-	-	-	392,298	-	-	392,298
-	-	-	-	2,243,257	-	-	2,243,257
-	-	-	-	(1,551,119)	-	-	(1,551,119)
6,363	-	-	6,363	3,885,356	-	-	3,885,356
6,363	-	-	6,363	3,885,356	-	-	3,885,356
31,135	-	-	31,135	220,452	-	-	220,452
219	-	-	219	99,943	-	-	99,943
31,354	-	-	31,354	320,395	-	-	320,395
37,717	-	-	37,717	4,205,751	-	-	4,205,751
207,453	(2,000)	-	205,453	181,462	(1,307)	-	180,155
498,329	42,872	80,000	621,201	3,058,848	13,439	-	3,072,287
\$ 705,782	\$ 40,872	\$ 80,000	\$ 826,654	\$ 3,240,310	\$ 12,132	\$ -	\$ 3,252,442

See Independent Auditor's Report

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

CONSOLIDATING SCHEDULE - STATEMENTS OF ACTIVITIES (CONTINUED)

For The Years Ended December 31, 2015 and 2014

	2015				Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Eliminations	
Changes in Net Assets:					
Support and revenue:					
Contributions	\$ 6,104,388	\$ 77,705	\$ -	\$ -	\$ 6,182,093
Training	44,825	-	-	-	44,825
Grant income	200,000	-	-	(200,000)	-
Other income (expense)	3,752	-	-	-	3,752
Net assets released from restrictions	43,897	(43,897)	-	-	-
Total support and revenue	6,396,862	33,808	-	(200,000)	6,230,670
Interministry payments received:					
Affiliation fees	1,397,086	-	-	(1,397,086)	-
Blessings	152,231	-	-	(152,231)	-
Materials	425,518	-	-	(425,518)	-
Training fees	301,645	-	-	(301,645)	-
Total Interministry payments received	2,276,480	-	-	(2,276,480)	-
Interministry payments made:					
Affiliation fees	1,397,083	-	-	(1,397,083)	-
Blessings	152,231	-	-	(152,231)	-
Training fees	301,645	-	-	(301,645)	-
Materials	425,521	-	-	(425,521)	-
Total Interministry payments made	2,276,480	-	-	(2,276,480)	-
Total Interministry	-	-	-	-	-
Expenses:					
Program services:					
Prison ministry	4,776,965	-	-	(200,000)	4,576,965
Total program services	4,776,965	-	-	(200,000)	4,576,965
Supporting activities:					
Administrative	991,959	-	-	-	991,959
Development and fundraising	152,646	-	-	-	152,646
Total supporting activities	1,144,605	-	-	-	1,144,605
Total Expenses	5,921,570	-	-	(200,000)	5,721,570
Increase (Decrease) in Net Assets	475,292	33,808	-	-	509,100
Net Assets - beginning of year	4,264,573	81,727	80,000	-	4,426,300
Net Assets - end of year	\$ 4,739,865	\$ 115,535	\$ 80,000	\$ -	\$ 4,935,400

See Independent Auditor's Report

This page intentionally left blank.



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

CONSOLIDATING SCHEDULE - STATEMENTS OF ACTIVITIES (CONTINUED)

For The Years Ended December 31, 2015 and 2014

	2014			
	<u>International Office</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Changes in Net Assets:				
Support and revenue:				
Contributions	\$ 153,483	\$ 44,395	\$ -	\$ 197,878
Training	69,852	-	-	69,852
Other income (expense)	230	-	-	230
Net assets released from restrictions	42,201	(42,201)	-	-
Total support and revenue	<u>265,766</u>	<u>2,194</u>	<u>-</u>	<u>267,960</u>
Interministry payment received:				
Affiliation fees	962,723	-	-	962,723
Blessings	53,000	-	-	53,000
Materials	403,227	-	-	403,227
Training fees	129,341	-	-	129,341
Total Interministry payments received	<u>1,548,291</u>	<u>-</u>	<u>-</u>	<u>1,548,291</u>
Interministry payment made:				
Affiliation fees	-	-	-	-
Blessings	8,200	-	-	8,200
Training fees	-	-	-	-
Materials	30,036	-	-	30,036
Total Interministry payments made	<u>38,236</u>	<u>-</u>	<u>-</u>	<u>38,236</u>
Total Interministry	<u>1,510,055</u>	<u>-</u>	<u>-</u>	<u>1,510,055</u>
Expenses:				
Program services:				
Prison ministry	667,879	-	-	667,879
Total program services	<u>667,879</u>	<u>-</u>	<u>-</u>	<u>667,879</u>
Supporting activities:				
Administrative	751,620	-	-	751,620
Development and fundraising	46,990	-	-	46,990
Total supporting activities	<u>798,610</u>	<u>-</u>	<u>-</u>	<u>798,610</u>
Total Expenses	<u>1,466,489</u>	<u>-</u>	<u>-</u>	<u>1,466,489</u>
Increase (Decrease) in Net Assets	309,332	2,194	-	311,526
Net Assets - beginning of year	398,064	23,222	-	421,286
Net Assets - end of year	<u>\$ 707,396</u>	<u>\$ 25,416</u>	<u>\$ -</u>	<u>\$ 732,812</u>

(Continued)

See Independent Auditor's Report

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

CONSOLIDATING SCHEDULE - STATEMENTS OF ACTIVITIES (CONTINUED)

For The Years Ended December 31, 2015 and 2014

2014							
Foundation				State Affiliates			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 69,374	\$ 21,436	\$ -	\$ 90,810	\$ 5,990,948	\$ -	\$ -	\$ 5,990,948
-	-	-	-	-	-	-	-
5,943	-	-	5,943	(2,387)	-	-	(2,387)
14,739	(14,739)	-	-	2,200	(2,200)	-	-
<u>90,056</u>	<u>6,697</u>	<u>-</u>	<u>96,753</u>	<u>5,990,761</u>	<u>(2,200)</u>	<u>-</u>	<u>5,988,561</u>
-	-	-	-	466,233	-	-	466,233
-	-	-	-	116,339	-	-	116,339
-	-	-	-	30,036	-	-	30,036
-	-	-	-	128,747	-	-	128,747
-	-	-	-	<u>741,355</u>	-	-	<u>741,355</u>
-	-	-	-	1,428,955	-	-	1,428,955
-	-	-	-	161,140	-	-	161,140
-	-	-	-	258,088	-	-	258,088
-	-	-	-	403,227	-	-	403,227
-	-	-	-	<u>2,251,410</u>	-	-	<u>2,251,410</u>
-	-	-	-	(1,510,055)	-	-	(1,510,055)
<u>10,728</u>	<u>-</u>	<u>-</u>	<u>10,728</u>	<u>3,707,436</u>	<u>-</u>	<u>-</u>	<u>3,707,436</u>
<u>10,728</u>	<u>-</u>	<u>-</u>	<u>10,728</u>	<u>3,707,436</u>	<u>-</u>	<u>-</u>	<u>3,707,436</u>
24,329	-	-	24,329	280,880	-	-	280,880
240	-	-	240	121,609	-	-	121,609
<u>24,569</u>	<u>-</u>	<u>-</u>	<u>24,569</u>	<u>402,489</u>	<u>-</u>	<u>-</u>	<u>402,489</u>
<u>35,297</u>	<u>-</u>	<u>-</u>	<u>35,297</u>	<u>4,109,925</u>	<u>-</u>	<u>-</u>	<u>4,109,925</u>
54,759	6,697	-	61,456	370,781	(2,200)	-	368,581
<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>
<u>\$ 498,329</u>	<u>\$ 42,872</u>	<u>\$ 80,000</u>	<u>\$ 621,201</u>	<u>\$ 3,058,848</u>	<u>\$ 13,439</u>	<u>\$ -</u>	<u>\$ 3,072,287</u>

(Continued)

See Independent Auditor's Report

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

CONSOLIDATING SCHEDULE - STATEMENTS OF ACTIVITIES (CONTINUED)

For The Years Ended December 31, 2015 and 2014

	2014				Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Eliminations	
Changes in Net Assets:					
Support and revenue:					
Contributions	\$ 6,213,805	\$ 65,831	\$ -	\$ -	\$ 6,279,636
Training	69,852	-	-	-	69,852
Other income (expense)	3,786	-	-	-	3,786
Net assets released from restrictions	59,140	(59,140)	-	-	-
Total support and revenue	6,346,583	6,691	-	-	6,353,274
Interministry payment received:					
Affiliation fees	1,428,956	-	-	(1,428,956)	-
Blessings	169,339	-	-	(169,339)	-
Materials	433,263	-	-	(433,263)	-
Training fees	258,088	-	-	(258,088)	-
Total Interministry payments received	2,289,646	-	-	(2,289,646)	-
Interministry payment made:					
Affiliation fees	1,428,955	-	-	(1,428,955)	-
Blessings	169,340	-	-	(169,340)	-
Training fees	258,088	-	-	(258,088)	-
Materials	433,263	-	-	(433,263)	-
Total Interministry payments made	2,289,646	-	-	(2,289,646)	-
Total Interministry	-	-	-	-	-
Expenses:					
Program services:					
Prison ministry	4,386,043	-	-	-	4,386,043
Total program services	4,386,043	-	-	-	4,386,043
Supporting activities:					
Administrative	1,056,829	-	-	-	1,056,829
Development and fundraising	168,839	-	-	-	168,839
Total supporting activities	1,225,668	-	-	-	1,225,668
Total Expenses	5,611,711	-	-	-	5,611,711
Increase (Decrease) in Net Assets	734,872	6,691	-	-	741,563
Net Assets - beginning of year	3,529,701	75,036	80,000	-	3,684,737
Net Assets - end of year	\$ 4,264,573	\$ 81,727	\$ 80,000	\$ -	\$ 4,426,300

See Independent Auditor's Report

This page intentionally left blank.

