

Financial Statements

December 31, 2018



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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Kairos Prison Ministry International, Inc. (KPMI), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kairos Prison Ministry International, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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

McDiernit Davis & Company, LLC

Orlando, Florida
May 13, 2019

Kairos Prison Ministry International, Inc.
Statement of Financial Position
December 31, 2018

	<u>2018</u>
Assets	
Cash and cash equivalents	\$ 4,726,824
Restricted cash and cash equivalents	120,028
Receivables	6,000
Investments	1,096,325
Restricted investments	80,000
Prepaid expenses and other current assets	327,208
Total current assets	<u>6,356,385</u>
Property and equipment, net	452,321
Total assets	<u><u>\$ 6,808,706</u></u>
Liabilities and Net Assets	
Liabilities:	
Accounts payable and accrued expenses	\$ 145,972
Deferred revenue	5,625
Total liabilities	<u>151,597</u>
Net Assets:	
Net assets without donor restrictions	6,457,081
Net assets with donor restrictions	200,028
Total net assets	<u>6,657,109</u>
Total liabilities and net assets	<u><u>\$ 6,808,706</u></u>

Kairos Prison Ministry International, Inc.
Statement of Activities
Year Ended December 31, 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Changes in Net Assets			
Support and revenue:			
Contributions	\$ 6,889,483	\$ 140,188	\$ 7,029,671
Training	57,863	-	57,863
Net investment and other income	38,447	-	38,447
Net assets released from restrictions	150,897	(150,897)	-
Total support and revenue	7,136,690	(10,709)	7,125,981
Expenses			
Program services:			
Prison ministry	5,130,810	-	5,130,810
Total program services	5,130,810	-	5,130,810
Supporting activities:			
Administrative	977,150	-	977,150
Development and fundraising	223,172	-	223,172
Total supporting activities	1,200,322	-	1,200,322
Total expenses	6,331,132	-	6,331,132
Unrealized loss in investments	82,819	-	82,819
Total expenses and losses	6,413,951	-	6,413,951
Increase (decrease) in net assets	722,739	(10,709)	712,030
Net assets, beginning of year	5,734,342	210,737	5,945,079
Net assets, end of year	\$ 6,457,081	\$ 200,028	\$ 6,657,109

Kairos Prison Ministry International, Inc.
Statement of Cash Flows
Year Ended December 31, 2018

	<u>2018</u>
Cash Flows From Operating Activities:	
Receipts from contributors	\$ 7,019,113
Receipts of training fees, conference fees and other income	55,006
Cash paid to suppliers of materials, employees and other operating cash payments	(6,426,900)
Interest and dividend income received	44,719
Unrealized loss on net investment	82,819
	<hr/>
Net cash provided by operating activities	774,757
	<hr/>
Cash Flows From Investing Activities:	
Purchases of property and equipment	(46,794)
Proceeds from sale of fixed assets	7,014
Purchase of investments	(827,784)
Sale of investments	308,105
	<hr/>
Net cash used by investing activities	(559,459)
	<hr/>
Net increase in cash and cash equivalents	215,298
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Cash and cash equivalents, beginning of year	4,631,554
	<hr/>
Cash and cash equivalents, end of year	<u><u>\$ 4,846,852</u></u>

Kairos Prison Ministry International, Inc.
Statement of Functional Expenses
Year Ended December 31, 2018

	2018			
	Prison Ministry	Administrative	Development and Fundraising	Totals
Personnel Expenses:				
Salaries	\$ 289,365	\$ 415,820	\$ 36,746	\$ 741,931
Payroll taxes	22,854	32,669	2,888	58,411
Employee benefits	53,855	56,370	3,928	114,153
Total personnel expenses	366,074	504,859	43,562	914,495
Direct Expenses:				
Meals/food	1,732,672	-	-	1,732,672
Housing/facility rental	1,069,230	-	-	1,069,230
Grants	13,620	-	-	13,620
New start expenses	2,110	-	-	2,110
Program materials	129,357	-	-	129,357
Reunion expense	72,636	-	-	72,636
Vehicle/trailer	54,532	-	-	54,532
Badges	11,981	-	-	11,981
Decorations, flowers, & pictures	64,902	-	-	64,902
Royalty fees	50,167	-	-	50,167
Gift to church	71,490	-	-	71,490
Travel, meals and entertainment	172,298	52,809	-	225,107
Equipment expense/rental	125,297	15,796	-	141,093
Training	10,916	61	14,498	25,475
Insurance	12,751	22,469	-	35,220
Printing and newsletters	175,663	-	21,903	197,566
Supplies	340,119	35,106	-	375,225
Depreciation and amortization	33,157	10,333	-	43,490
Retreat/venue	402,514	30,719	64,164	497,397
Telephone	240	27,412	-	27,652
Advertising & promotion	45,778	19,943	35,440	101,161
Storage space/PO box rental	90,713	-	17,034	107,747
Postage & shipping	52,872	15,334	12,732	80,938
Miscellaneous	11,135	13,920	5,586	30,641
Committee meeting	-	62,853	-	62,853
Registration fee	18,586	3,892	-	22,478
Dues & subscriptions	-	5,179	-	5,179
Computer & software	-	83,281	8,253	91,534
Licenses & permits	-	5,141	-	5,141
Audit services	-	41,000	-	41,000
Bank & investment fee	-	18,470	-	18,470
Building utilities	-	8,573	-	8,573
Total direct expenses	4,764,736	472,291	179,610	5,416,637
Total expenses	\$ 5,130,810	\$ 977,150	\$ 223,172	\$ 6,331,132

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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

Basis of Accounting

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

Financial Statements Presentation

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

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

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

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

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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

Donated Services

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

Cash and Cash Equivalents

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

Investments

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

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

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

Income Taxes

The Ministry is exempt from income taxes under Section 501(c)(3) of the Internal Revenue code and from state income taxes under similar state provisions. Although the Ministry was granted income tax exemption, such exemption does not apply to unrelated business income. At December 31, 2018, no liability for unrelated business income tax existed.

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

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

Advertising

Advertising is expensed as incurred and amounted to \$28,369 for the year ended December 31, 2018, 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.

Change in Accounting Principle

In 2018, the Ministry adopted Financial Accounting Standards Board Update 2016-04: "Not-for-Profit Entities (Topic 958): Presentation of Financial Statements." This update primarily affects presentation of net assets subject to donor restrictions and simplifies statement of cash flows presentation. This update is effective for years beginning after December 15, 2017, with retrospective application to all periods presented. Beginning net asset balances were not changed as a result of adopting this standard.

Evaluation of Subsequent Events

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

NOTE 2 INVESTMENTS

A summary of investments, by investment type, at December 31, 2018 are presented as follows:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Exchange traded funds:			
Short term-bonds	\$ 143,527	\$ 15,876	\$ 159,403
Large blend	135,660	5,373	141,033
Large value	123,417	7,150	130,567
Bond funds:			
Intermediate , term bond	267,597	25,848	293,445
Multisector bond	65,552	4,587	70,139
Equity funds:			
Foreign large growth	62,571	1,946	64,517
Real estate	54,778	8,693	63,471
Diversified emerging markets	48,667	-	48,667
Foreign small/mid blend	46,959	1,768	48,727
Small value	42,496	3,311	45,807
World allocation	61,437	3,275	64,712
Small growth	43,664	2,173	45,837
	<u>\$ 1,096,325</u>	<u>\$ 80,000</u>	<u>\$ 1,176,325</u>

The following schedule summarizes the net investment income on investments for the year ended December 31, 2018:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Trading Securities:			
Dividends and interest	\$ 41,980	\$ 2,739	\$ 44,719
Other income	3,196	-	3,196
Investment income (loss)	45,176	2,739	47,915
Less: investment expenses	(9,468)	-	(9,468)
Net investment income (loss)	<u>\$ 35,708</u>	<u>\$ 2,739</u>	<u>\$ 38,447</u>
Unrealized gain (loss), net	<u>\$ (80,080)</u>	<u>\$ (2,739)</u>	<u>\$ (82,819)</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.

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.

NOTE 3 FAIR VALUE MEASUREMENT (CONTINUED)

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, 2018:

December 31, 2018	Fair Value	Fair Value Measurements at the End of the Reporting Period Using:		
		Level 1: Quoted Prices	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs
Exchange traded funds:				
Short term-bonds	\$ 159,403	\$ -	\$ 159,403	\$ -
Large blend	141,033	-	141,033	-
Large value	130,567	-	130,567	-
Bond funds:				
Intermediate- term bond	293,445	-	293,445	-
Multisector bond	70,139	-	70,139	-
Equity funds:				
Foreign large growth	64,517	-	64,517	-
Real estate	63,471	-	63,471	-
Diversified emerging markets	48,667	-	48,667	-
Foreign small/mid blend	48,727	-	48,727	-
Small value	45,807	-	45,807	-
World allocation	64,712	-	64,712	-
Small growth	45,837	-	45,837	-
Total	\$ 1,176,325	\$ -	\$ 1,176,325	\$ -

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

NOTE 4 PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of December 31, 2018:

	2018
Land	\$ 92,348
Building	307,652
Land improvements	12,820
Computer equipment	23,516
Furniture and equipment	239,062
Total fixed assets	675,398
Less: accumulated depreciation	(223,077)
Fixed assets, net	\$ 452,321

Depreciation expense totaled \$44,608 for the year ended December 31, 2018.

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at December 31, 2018:

	2018		
	International Office	State Affiliate	Total
Subject to expenditure for specific purpose:			
Prison ministry:			
KPMI international programs	\$ 12,968	\$ -	\$ 12,968
Videos/PSA	15,374	-	15,374
General	23,387	-	23,387
Torch pilot program	2,161	-	2,161
Ohio	6,453	-	6,453
New starts (WI)	4,310	-	4,310
Georgia KT	11,693	-	11,693
Florida, women's programs	13,276	-	13,276
Norma McCrae estate (WA)	12,131	-	12,131
Trailers (TX)	-	18,275	18,275
	<u>101,753</u>	<u>18,275</u>	<u>120,028</u>
Not subject to appropriation or expenditure:			
Donor endowment	<u>80,000</u>	<u>-</u>	<u>80,000</u>
Total net assets with donor restrictions	<u>\$ 181,753</u>	<u>\$ 18,275</u>	<u>\$ 200,028</u>

Net assets are released from donor restrictions by incurring costs or expenses satisfying the restricted purposes or by the occurrence of events as specified by the donors. Net assets were released from restrictions during the year ended December 31, 2018 for the following purposes:

	2018		
	International Office	State Affiliate	Total
Purpose restrictions accomplished:			
Prison ministry:			
KPMI international programs	\$ 13,620	\$ -	\$ 13,620
Volunteer recruiting	1,330	-	1,330
General	64,849	-	64,849
Video/PSA	3,254	-	3,254
Database	51,000	-	51,000
Kairos torch (GA)	4,033	-	4,033
Trailers (TX)	-	11,440	11,440
New starts (WI)	1,371	-	1,371
Total restrictions released	<u>\$ 139,457</u>	<u>\$ 11,440</u>	<u>\$ 150,897</u>

NOTE 6 DONOR-RESTRICTED ENDOWMENT

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

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

Interpretation of Relevant Law

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

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

The Ministry's disclosure of its endowment net asset composition by type of fund as of December 31, 2018 follows:

	<u>2018</u>
Net Assets with Donor Restrictions	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 80,000
	<u>\$ 80,000</u>

NOTE 6 DONOR-RESTRICTED ENDOWMENT (CONTINUED)

The Ministry's disclosure of a reconciliation of the beginning and ending balances of the endowment, in total and by net assets classes, for the fiscal year ended December 31, 2018 follow:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 80,000	\$ 80,000
Investment return, net	-	2,739	2,739
Net depreciation (realized and unrealized)	-	(2,739)	(2,739)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ 80,000</u>

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

NOTE 7 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 \$24,789 for the year ended December 31, 2018.

NOTE 8 COMMITMENTS AND CONTINGENCIES

Concentration of Credit Risk

Financial instruments that potentially subject the Ministry to concentrations of credit risk consist principally of deposits in banks. The Ministry maintains its cash balances in various financial institutions. The balances of these accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times, such balances may be in excess of the FDIC limit. At December 31, 2018, the Ministry had approximately \$2,440,000 in uninsured cash. The risk is managed by maintaining all deposits in high quality institutions.

Contractual Commitments

The Ministry has reserved convention and hotel accommodations for future annual conference with minimum cancellation fees of approximately \$106,000.

Litigation

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

Consolidating Schedules

Kairos Prison Ministry International, Inc.
Consolidating Schedule - Statement of Financial Position
Year Ended December 31, 2018

				2018
	International Office	State Affiliates	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 345,844	\$ 4,380,980	\$ -	\$ 4,726,824
Restricted cash and cash equivalents	101,753	18,275	-	120,028
Receivables	-	6,000	-	6,000
Investments	1,096,325	-	-	1,096,325
Restricted investments	80,000	-	-	80,000
Due from (to) affiliates, net	233,182	-	(233,182)	-
Prepaid expenses and other current assets	228,240	98,968	-	327,208
Total current assets	2,085,344	4,504,223	(233,182)	6,356,385
Property and equipment, net	373,619	78,702	-	452,321
Total assets	\$ 2,458,963	\$ 4,582,925	\$ (233,182)	\$ 6,808,706
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$ 113,250	\$ 265,904	\$ (233,182)	\$ 145,972
Deferred revenue	125	5,500	-	5,625
Total liabilities	113,375	271,404	(233,182)	151,597
Net Assets:				
Net assets without donor restrictions	2,163,835	4,293,246	-	6,457,081
Net assets with donor restrictions	181,753	18,275	-	200,028
Total net assets	2,345,588	4,311,521	-	6,657,109
Total liabilities and net assets	\$ 2,458,963	\$ 4,582,925	\$ (233,182)	\$ 6,808,706

Kairos Prison Ministry International, Inc.
Consolidating Schedule - Statement of Activities
Year Ended December 31, 2018

	2018					
	International Office			State Affiliates		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Changes in Net Assets						
Support and revenue:						
Contributions	\$ 171,568	\$ 122,450	\$ 294,018	\$ 6,717,915	\$ 17,738	\$ 6,735,653
Training	57,863	-	57,863	-	-	-
Net investment and other income	37,820	-	37,820	627	-	627
Net assets released from restrictions	139,457	(139,457)	-	11,440	(11,440)	-
Total support and revenue	406,708	(17,007)	389,701	6,729,982	6,298	6,736,280
Interministry payments received:						
Affiliation fees	1,037,305	-	1,037,305	435,617	-	435,617
Blessings	76,300	-	76,300	156,905	-	156,905
Materials	380,642	-	380,642	39,169	-	39,169
Training fees	212,871	-	212,871	165,611	-	165,611
Total interministry payments received	1,707,118	-	1,707,118	797,302	-	797,302
Interministry payments made:						
Affiliation fees	-	-	-	1,472,922	-	1,472,922
Blessings	19,500	-	19,500	213,705	-	213,705
Materials	39,169	-	39,169	380,642	-	380,642
Training fees	-	-	-	378,482	-	378,482
Total interministry payments made	58,669	-	58,669	2,445,751	-	2,445,751
Total interministry	1,648,449	-	1,648,449	(1,648,449)	-	(1,648,449)
Expenses						
Program services:						
Prison ministry	925,768	-	925,768	4,205,042	-	4,205,042
Total program services	925,768	-	925,768	4,205,042	-	4,205,042
Supporting activities:						
Administrative	800,532	-	800,532	176,618	-	176,618
Development and fundraising	85,378	-	85,378	137,794	-	137,794
Total supporting activities	885,910	-	885,910	314,412	-	314,412
Total expenses	1,811,678	-	1,811,678	4,519,454	-	4,519,454
Unrealized loss in investments	82,819	-	82,819	-	-	-
Total expenses and losses	1,894,497	-	1,894,497	4,519,454	-	4,519,454
Increase (decrease) in net assets	160,660	(17,007)	143,653	562,079	6,298	568,377
Net Assets - beginning of year	2,003,175	198,760	2,201,935	3,731,167	11,977	3,743,144
Net Assets - end of year	\$ 2,163,835	\$ 181,753	\$ 2,345,588	\$ 4,293,246	\$ 18,275	\$ 4,311,521

Kairos Prison Ministry International, Inc.
Consolidating Schedule - Statement of Activities
Year Ended December 31, 2018

				2018
				Total
	Without Donor Restrictions	With Donor Restrictions	Eliminations	Total
Changes in Net Assets				
Support and revenue:				
Contributions	\$ 6,889,483	\$ 140,188	\$ -	\$ 7,029,671
Training	57,863	-	-	57,863
Net investment and other income	38,447	-	-	38,447
Net assets released from restrictions	150,897	(150,897)	-	-
Total support and revenue	7,136,690	(10,709)	-	7,125,981
Interministry payments received:				
Affiliation fees	1,472,922	-	(1,472,922)	-
Blessings	233,205	-	(233,205)	-
Materials	419,811	-	(419,811)	-
Training fees	378,482	-	(378,482)	-
Total interministry payments received	2,504,420	-	(2,504,420)	-
Interministry payments made:				
Affiliation fees	1,472,922	-	(1,472,922)	-
Blessings	233,205	-	(233,205)	-
Materials	419,811	-	(419,811)	-
Training fees	378,482	-	(378,482)	-
Total interministry payments made	2,504,420	-	(2,504,420)	-
Total interministry	-	-	-	-
Expenses				
Program services:				
Prison ministry	5,130,810	-	-	5,130,810
Total program services	5,130,810	-	-	5,130,810
Supporting activities:				
Administrative	977,150	-	-	977,150
Development and fundraising	223,172	-	-	223,172
Total supporting activities	1,200,322	-	-	1,200,322
Total expenses	6,331,132	-	-	6,331,132
Unrealized loss in investments	82,819	-	-	82,819
Total expenses and losses	6,413,951	-	-	6,413,951
Increase (decrease) in net assets	722,739	(10,709)	-	712,030
Net Assets - beginning of year	5,734,342	210,737	-	5,945,079
Net Assets - end of year	<u>\$ 6,457,081</u>	<u>\$ 200,028</u>	<u>\$ -</u>	<u>\$ 6,657,109</u>