

Financial Statements

December 31, 2021



**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.

Opinion

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, 2021, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Kairos Prison Ministry International, Inc. as of December 31, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kairos Prison Ministry International, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kairos Prison Ministry International, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kairos Prison Ministry International, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kairos Prison Ministry International, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information in the Supplemental Schedules is presented for the purposes 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.

McDiarmid Davis

Orlando, Florida
June 11, 2022

Kairos Prison Ministry International, Inc.
Statement of Financial Position
December 31, 2021

Assets

Cash and cash equivalents	\$ 5,244,442
Restricted cash and cash equivalents	<u>173,372</u>
Total cash, cash equivalents, restricted cash and restricted cash equivalents	5,417,814
Investments	3,108,193
Restricted investments	80,000
Prepaid expenses and other current assets	<u>309,404</u>
Total current assets	8,915,411
Property and equipment, net	<u>395,727</u>
Total assets	<u>\$ 9,311,138</u>

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$ 72,637
Contract liabilities	<u>75</u>
Total liabilities	<u>72,712</u>

Net Assets:

Net assets without donor restrictions	8,985,054
Net assets with donor restrictions	<u>253,372</u>
Total net assets	<u>9,238,426</u>
Total liabilities and net assets	<u>\$ 9,311,138</u>

Kairos Prison Ministry International, Inc.
Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Changes in Net Assets			
Support and revenue:			
Contributions	\$ 2,474,104	\$ 79,673	\$ 2,553,777
Forgiveness of PPP loans (see Note 6)	165,507	-	165,507
Net investment and other income	271,735	4,942	276,677
Net assets released from restrictions	102,812	(102,812)	-
Total support and revenue	3,014,158	(18,197)	2,995,961
Expenses			
Program services:			
Prison ministry	1,723,106	-	1,723,106
Total program services	1,723,106	-	1,723,106
Supporting activities:			
Administrative	707,120	-	707,120
Development and fundraising	160,858	-	160,858
Total supporting activities	867,978	-	867,978
Total expenses	2,591,084	-	2,591,084
Unrealized (gain) loss on investments	(93,020)	(3,480)	(96,500)
Total expenses, gains and losses	2,498,064	(3,480)	2,494,584
Increase (decrease) in net assets	516,094	(14,717)	501,377
Net assets, beginning of year	8,468,960	268,089	8,737,049
Net assets, end of year	\$ 8,985,054	\$ 253,372	\$ 9,238,426

Statement of Cash Flows

Year Ended December 31, 2021

Cash Flows from Operating Activities:

Receipts from contributors	\$ 2,576,264
Receipts of training fees, conference fees and other income	165,507
Cash paid to suppliers of materials, employees and other operating cash payments	(2,490,346)
Interest, dividend and other income received	276,677
	<u>528,102</u>

Net cash provided by (used in) operating activities**Cash Flows from Investing Activities:**

Purchases of property and equipment	(21,629)
Purchase of investments	(851,456)
Sale of investments	292,806
	<u>(580,279)</u>

Net cash provided by (used in) investing activities**Net increase in cash and cash equivalents; and restricted cash and cash equivalents**

Cash, cash equivalents, restricted cash and cash equivalents, beginning of year	<u>5,469,991</u>
Cash, cash equivalents, restricted cash and cash equivalents, end of year	<u><u>\$ 5,417,814</u></u>

Kairos Prison Ministry International, Inc.
Statement of Functional Expenses
Year Ended December 31, 2021

	Prison Ministry	Administrative	Development and Fundraising	Totals
Personnel Expenses:				
Salaries	\$ 349,493	\$ 316,499	\$ 52,467	\$ 718,459
Payroll taxes	26,350	24,282	3,693	54,325
Employee benefits	43,886	37,210	5,299	86,395
Total personnel expenses	419,729	377,991	61,459	859,179
Direct Expenses:				
Travel, meals and entertainment	328,374	39,601	-	367,975
Housing/facility rental	198,317	-	-	198,317
Meals/food	186,175	-	-	186,175
Storage space/PO box rental	124,928	-	23,498	148,426
Retreat/venue	56,044	-	42,327	98,371
Supplies	82,248	12,066	-	94,314
Computer & software	-	71,727	7,230	78,957
Printing and newsletters	63,813	-	10,032	73,845
Advertising & promotion	1,253	40,647	5,344	47,244
Reunion expense	44,127	-	-	44,127
Royalty fees	42,223	-	-	42,223
Audit services	-	36,000	-	36,000
Insurance	10,203	23,725	-	33,928
Depreciation and amortization	22,568	11,147	-	33,715
Vehicle/trailer	32,805	-	-	32,805
Equipment expense/rental	27,133	5,401	-	32,534
Miscellaneous	12,003	13,784	4,786	30,573
Committee meeting	-	26,740	-	26,740
Postage & shipping	9,320	5,434	6,182	20,936
Gift to church	16,760	-	-	16,760
Program materials	15,345	-	-	15,345
Telephone	233	13,903	-	14,136
Decorations, flowers, & pictures	12,841	-	-	12,841
Building utilities	-	9,864	-	9,864
Training	7,875	151	-	8,026
Grants	7,260	-	-	7,260
Bank & investment fee	-	6,851	-	6,851
Registration fee	842	5,867	-	6,709
Dues & subscriptions	-	6,221	-	6,221
Badges	687	-	-	687
Total direct expenses	1,303,377	329,129	99,399	1,731,905
Total expenses	\$ 1,723,106	\$ 707,120	\$ 160,858	\$ 2,591,084

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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

Basis of Accounting

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

Financial Statements Presentation

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

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

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

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

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

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

Use of Estimates

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

Functional Allocation of Expenses

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract Asset and Liability

Pre-paid expenses that relate to conference and training events are included in the accompanying statement of financial position as contract assets. The contract assets at December 31, 2021 and 2020 were \$0 and \$29,842, respectively. The contract liabilities consist of the deferred conference or training revenue and at December 31, 2021 and 2020 the balances were \$75 and \$75, respectively.

Revenue Recognition

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

Contributions

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

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

Donated Services

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

Cash and Cash Equivalents

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

Investments

The Ministry has adopted FASB ASC 958-320, *Investments - Debt and Equity Securities* and carries investments in equity securities with readily determinable fair values and all investments in equity securities with readily determinable fair value and all investments in debt securities at fair market value. Investment income includes dividends and interest and is recognized as revenue in the period in which it is earned. The amounts are reported as an increase in net assets without donor restrictions. Realized and unrealized gains and losses on investments are classified and recorded as increases or decreases in net assets without donor restrictions. Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably 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
Land improvement	15

Impairment of Long-Lived Assets

The carrying value of property and equipment are reviewed for impairment whenever events or changes in circumstances indicate such value may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The Ministry believes no impairment of its long-lived assets existed at December 31, 2021 and 2020.

Fair Value of Financial Instruments

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

Income Taxes

The Ministry is exempt from income taxes under Section 501(c)(3) of the Internal Revenue code and from state income taxes under similar state provisions. Although the Ministry was granted income tax exemption, such exemption does not apply to unrelated business income. At December 31, 2021, no liability for unrelated business income tax existed.

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

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

Advertising

Advertising is expensed as incurred and amounted to approximately \$47,000 for the year ended December 31, 2021, respectively.

New Accounting Pronouncements

FASB and other entities issued new or modifications to, or interpretations of, existing accounting guidance during the year ended December 31, 2021. The Ministry has considered the new pronouncements that altered accounting principals generally accepted in the United States of America, and other than as disclosed in these notes to the financial statements, does not believe that any new or modified principles will have a material impact on the Ministry's reported financial position or operations in the near term.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk and Uncertainties

The Ministry is continually evaluating various risks, including changes in the economy, supply chain disruptions, labor shortages, and the COVID-19 global pandemic, and has concluded that while it is reasonably possible that the Ministry could experience a negative financial effect, no specific impact is readily determinable as of the date of the financial statements nor as of the date they were available to be issued. The financial statements do not include any adjustment that might result from the outcome of any uncertainty.

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 LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

As of December 31, 2021, the following reflects the Ministry's financial assets, reduced by amounts not available for general use because of contractual or donor-imposed restrictions, board designations and amounts set aside for operating reserves with one year of December 31, 2021:

Cash and cash equivalents	\$ 5,244,442
Restricted cash and cash equivalents	173,372
Investments	3,108,193
Restricted investments	<u>80,000</u>
Total	8,606,007
Less: donor endowment	(80,000)
Less: donor restricted net assets	<u>(173,372)</u>
Total	<u>\$ 8,352,635</u>

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

NOTE 3 FAIR VALUE MEASUREMENT

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

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

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

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

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.

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

NOTE 4 INVESTMENTS

A summary of investments, by investment type, at December 31, 2021 are presented as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Investments, at fair value measurement level 2:			
Exchange traded funds:			
Short term-bonds	\$ 255,427	\$ 4,898	\$ 260,325
Large blend	292,057	9,430	301,487
Bond funds:			
Intermediate, term bond	889,506	17,798	907,304
Multisector bond	490,926	10,450	501,376
Equity funds:			
Large value	402,666	12,630	415,296
Foreign large growth	81,236	2,608	83,844
Real estate	147,345	4,618	151,963
Diversified emerging markets	104,965	3,401	108,366
Foreign small/mid blend	106,712	3,477	110,189
Small value	133,009	4,190	137,199
World allocation	118,761	3,828	122,589
Small growth	84,559	2,672	87,231
Mid core	1,025	-	1,025
	<u>\$ 3,108,194</u>	<u>80,000</u>	<u>\$ 3,188,194</u>

NOTE 4 INVESTMENTS (CONTINUED)

The following schedule summarizes the net investment income on investments for the year ended December 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Trading Securities:			
Dividends, interest, and realized gains (losses)	\$ 174,884	\$ 5,574	\$ 180,458
Unrealized gain (loss), net	93,020	3,480	96,500
Investment income (loss)	<u>267,904</u>	<u>9,054</u>	<u>276,958</u>
Less: investment expenses	(21,315)	(632)	(21,947)
Net investment income (loss)	<u>\$ 246,589</u>	<u>\$ 8,422</u>	<u>\$ 255,011</u>

NOTE 5 PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of December 31, 2021:

	<u>2021</u>
Land	\$ 92,348
Building	307,652
Land improvements	19,595
Computer equipment	36,275
Furniture and equipment	<u>273,693</u>
Total property and equipment	729,563
Less: accumulated depreciation	<u>(333,836)</u>
Property and equipment, net	<u>\$ 395,727</u>

Depreciation expense totaled \$33,715 for the year ended December 31, 2021.

NOTE 6 LONG TERM DEBT

In February 2021, the Ministry received an unsecured note payable, guaranteed through the U.S. Small Business Administration through the Paycheck Protection Program (the "PPP") for \$165,507, which accrues interest at a fixed rate of interest of 1.00% and is eligible for loan forgiveness in accordance with the PPP. There are no unamortized loan origination costs related to this note at December 31, 2021. There was no outstanding balance of this loan at December 31, 2021, as it was forgiven in September 2021. Considering the required uses of these funds, the proceeds and forgiveness of this loan are presented in the accompanying statement of cash flows as operating activities.

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at December 31, 2021:

	<u>International Office</u>	<u>State Affiliate</u>	<u>Total</u>
Subject to expenditure for specific purpose:			
Prison ministry:			
KPMI international programs	\$ 10,950	\$ -	\$ 10,950
General	81,603	-	81,603
Videos/PSA	15,374	-	15,374
Florida, women's programs	13,276	-	13,276
Georgia, KT	8,250	-	8,250
Washington, Norma McCrae estate	10,914	-	10,914
Wisconsin, New starts	9,310	-	9,310
Trailers (TX)	-	23,695	23,695
	<u>\$ 149,677</u>	<u>\$ 23,695</u>	<u>\$ 173,372</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>\$ 229,677</u>	<u>\$ 23,695</u>	<u>\$ 253,372</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, 2021 for the following purposes:

	<u>International Office</u>	<u>State Affiliate</u>	<u>Total</u>
Purpose restrictions accomplished:			
Prison ministry:			
KPMI international programs	\$ 7,920	\$ -	\$ 7,920
General	79,601	-	79,601
Investment income from endowment	8,422	-	8,422
WA: Norma McCraw	721	-	721
Trailers (TX)	-	6,148	6,148
Total restrictions released	<u>\$ 96,664</u>	<u>\$ 6,148</u>	<u>\$ 102,812</u>

NOTE 8 DONOR-RESTRICTED ENDOWMENT

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

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

Interpretation of Relevant Law

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

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

The Ministry's disclosure of its endowment net asset composition by type of fund as of December 31, 2021 follows:

Net Assets with Donor Restrictions

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

The Ministry's disclosure of a reconciliation of the beginning and ending balances of the endowment, in total and by net assets classes, for the fiscal year ended December 31, 2021 follow:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 80,000	\$ 80,000
Investment return, net	-	8,422	8,422
Net assets released from restriction	-	(8,422)	(8,422)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ 80,000</u>

NOTE 8 DONOR-RESTRICTED ENDOWMENT (CONTINUED)

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

NOTE 9 RETIREMENT PLAN

The Ministry established a 401(k) profit sharing plan (the Plan) covering certain qualified employees in accordance with the provisions of Section 401(k) of the Internal Revenue Code. Under the Plan, employees may elect to defer a portion of their salary, subject to Internal Revenue Service limits. The Plan requires the Ministry to match up to 50% for those employees who defer up to 6% of their salaries. The Ministry's contributions totaled \$24,994 for the year ended December 31, 2021.

NOTE 10 COMMITMENTS AND CONTINGENCIES

Concentration of Credit Risk

Financial instruments that potentially subject the Ministry to concentrations of credit risk consist principally of deposits in banks. The Ministry maintains its cash balances in various financial institutions. The balances of these accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times, such balances may be in excess of the FDIC limit. At December 31, 2021, the Ministry had approximately \$2,999,000 in uninsured cash. The risk is managed by maintaining all deposits in high quality institutions.

Contractual Commitments

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

Litigation

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

Supplemental Schedules

Kairos Prison Ministry International, Inc.
Supplemental Schedule - Statement of Financial Position
December 31, 2021

	International Office	State Affiliates	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 410,098	\$ 4,834,344	\$ -	\$ 5,244,442
Restricted cash and cash equivalents	149,677	23,695	-	173,372
Total cash, cash equivalents, restricted cash and restricted cash equivalents	559,775	4,858,039	-	5,417,814
Investments	2,206,391	901,802	-	3,108,193
Restricted investments	80,000	-	-	80,000
Due from (to) affiliates, net	139,288	-	(139,288)	-
Prepaid expenses and other current assets	215,977	93,427	-	309,404
Total current assets	3,201,431	5,853,268	(139,288)	8,915,411
Property and equipment, net	357,265	38,462	-	395,727
Total assets	\$ 3,558,696	\$ 5,891,730	\$ (139,288)	\$ 9,311,138
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$ 65,609	\$ 146,316	\$ (139,288)	\$ 72,637
Contract liabilities	75	-	-	75
Total liabilities	65,684	146,316	(139,288)	72,712
Net Assets:				
Net assets without donor restrictions	3,263,335	5,721,719	-	8,985,054
Net assets with donor restrictions	229,677	23,695	-	253,372
Total net assets	3,493,012	5,745,414	-	9,238,426
Total liabilities and net assets	\$ 3,558,696	\$ 5,891,730	\$ (139,288)	\$ 9,311,138

Kairos Prison Ministry International, Inc.
Supplemental Schedule - Statement of Activities
Year Ended December 31, 2021

	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	\$ 320,865	\$ 71,321	\$ 392,186	\$ 2,153,239	\$ 8,352	\$ 2,161,591
Forgiveness of PPP loans (see Note 6)	165,507	-	165,507	-	-	-
Net investment and other income	248,674	4,942	253,616	23,061	-	23,061
Net assets released from restrictions	96,664	(96,664)	-	6,148	(6,148)	-
Total support and revenue	831,710	(20,401)	811,309	2,182,448	2,204	2,184,652
Interministry payments received:						
Affiliation fees	362,042	-	362,042	170,610	-	170,610
Blessings	203,066	-	203,066	80,340	-	80,340
Materials	89,255	-	89,255	42,564	-	42,564
Training fees	267,730	-	267,730	38,187	-	38,187
Total interministry payments received	922,093	-	922,093	331,701	-	331,701
Interministry payments made:						
Affiliation fees	-	-	-	532,652	-	532,652
Blessings	2,221	-	2,221	281,185	-	281,185
Materials	42,564	-	42,564	89,255	-	89,255
Training fees	20,035	-	20,035	285,882	-	285,882
Total interministry payments made	64,820	-	64,820	1,188,974	-	1,188,974
Total interministry	857,273	-	857,273	(857,273)	-	(857,273)
Expenses						
Program services:						
Prison ministry	723,070	-	723,070	1,000,036	-	1,000,036
Total program services	723,070	-	723,070	1,000,036	-	1,000,036
Supporting activities:						
Administrative	639,976	-	639,976	67,144	-	67,144
Development and fundraising	75,148	-	75,148	85,710	-	85,710
Total supporting activities	715,124	-	715,124	152,854	-	152,854
Total expenses	1,438,194	-	1,438,194	1,152,890	-	1,152,890
Unrealized (gain)/loss in investments	(91,149)	(3,480)	(94,629)	(1,871)	-	(1,871)
Total expenses and losses	1,347,045	(3,480)	1,343,565	1,151,019	-	1,151,019
Increase (decrease) in net assets	341,938	(16,921)	325,017	174,156	2,204	176,360
Net assets, beginning of year	2,921,397	246,598	3,167,995	5,547,563	21,491	5,569,054
Net assets, end of year	\$ 3,263,335	\$ 229,677	\$ 3,493,012	\$ 5,721,719	\$ 23,695	\$ 5,745,414

Kairos Prison Ministry International, Inc.
Supplemental Schedule - Statement of Activities
Year Ended December 31, 2021

				Total
	Without Donor Restrictions	With Donor Restrictions	Eliminations	Total
Changes in Net Assets				
Support and revenue:				
Contributions	\$ 2,474,104	\$ 79,673	\$ -	\$ 2,553,777
Forgiveness of PPP loans (see Note 6)	165,507	-	-	165,507
Net investment and other income	271,735	4,942	-	276,677
Net assets released from restrictions	102,812	(102,812)	-	-
Total support and revenue	3,014,158	(18,197)	-	2,995,961
Interministry payments received:				
Affiliation fees	532,652	-	(532,652)	-
Blessings	283,406	-	(283,406)	-
Materials	131,819	-	(131,819)	-
Training fees	305,917	-	(305,917)	-
Total interministry payments received	1,253,794	-	(1,253,794)	-
Interministry payments made:				
Affiliation fees	532,652	-	(532,652)	-
Blessings	283,406	-	(283,406)	-
Materials	131,819	-	(131,819)	-
Training fees	305,917	-	(305,917)	-
Total interministry payments made	1,253,794	-	(1,253,794)	-
Total interministry	-	-	-	-
Expenses				
Program services:				
Prison ministry	1,723,106	-	-	1,723,106
Total program services	1,723,106	-	-	1,723,106
Supporting activities:				
Administrative	707,120	-	-	707,120
Development and fundraising	160,858	-	-	160,858
Total supporting activities	867,978	-	-	867,978
Total expenses	2,591,084	-	-	2,591,084
Unrealized (gain)/loss in investments	(93,020)	(3,480)	-	(96,500)
Total expenses and losses	2,498,064	(3,480)	-	2,494,584
Increase (decrease) in net assets	516,094	(14,717)	-	501,377
Net assets, beginning of year	8,468,960	268,089	-	8,737,049
Net assets, end of year	\$ 8,985,054	\$ 253,372	\$ -	\$ 9,238,426