

KIDS FOR THE KINGDOM, INC.

Financial Statements
December 31, 2020 and 2019

VICTORIA MWANGI, CPA
dba VM ACCOUNTING SERVICES

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Victoria W. Mwangi, CPA
dba VM Accounting Services

INDEPENDENT AUDITOR'S REPORT

December 6, 2021

Board of Directors
Kids for the Kingdom, Inc.
Graton, California

I have audited the accompanying statements of **Kids for the Kingdom, Inc.** (a not-for-profit corporation), which comprise the statements of financial position as of December 31, 2020, and 2019, and the related statements of activities, cash flows and functional expenses 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 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 statement, 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 circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.


INDEPENDENT AUDITOR'S REPORT

December 6, 2021

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Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Kids for the Kingdom, Inc.** as of December 31, 2020, and 2019, 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.



Victoria Mwangi, CPA
dba VM Accounting Services.
Certified Public Accountant

KIDS FOR THE KINGDOM

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2020 AND 2019

	<u>ASSETS</u>	
	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 54,031	\$ 68,768
Bequest receivable	842,652	-
Other receivable	6,972	-
Prepaid expenses	78,643	-
Investments	6,447,307	3,412,706
Total current assets	<u>7,429,605</u>	<u>3,481,474</u>
NON-CURRENT ASSETS		
Investments, endowment	53,721,399	52,170,728
Fixed assets, net	17,440	5,227
	<u>53,738,839</u>	<u>52,175,955</u>
TOTAL ASSETS	<u>\$ 61,168,444</u>	<u>\$ 55,657,429</u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES		
Accounts payable	\$ 76,942	31,330
Accrued employee expenses	28,042	11,270
Payroll Protection Program loan, (PPP)	44,089	-
Total current liabilities	<u>149,073</u>	<u>42,600</u>
NET ASSETS		
Without donor restrictions	8,753,370	3,357,208
With donor restrictions	52,266,001	52,257,621
	<u>61,019,371</u>	<u>55,614,829</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 61,168,444</u>	<u>\$ 55,657,429</u>

The accompanying notes are an integral part of these financial statements

KIDS FOR THE KINGDOM

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2020

	Without donor restrictions	With donor restrictions	2020 Total
REVENUES AND SUPPORT			
Contributions	\$ 143,818	\$ 151,841	\$ 295,659
Contributions - in-kind	1,000	-	1,000
Bequest	842,652	-	842,652
Investment income, net	120,933	5,609,237	5,730,170
Net assets released from restriction	5,752,698	(5,752,698)	-
	<u>6,861,101</u>	<u>8,380</u>	<u>6,869,481</u>
EXPENSES			
Programs	1,261,465	-	1,261,465
Supporting Services			
Administration and general	203,474	-	203,474
Fundraising	-	-	-
	<u>1,464,939</u>	<u>-</u>	<u>1,464,939</u>
CHANGE IN NET ASSETS	5,396,162	8,380	5,404,542
NET ASSETS, beginning of year	<u>3,357,208</u>	<u>52,257,621</u>	<u>55,614,829</u>
NET ASSETS, end of year	<u>\$ 8,753,370</u>	<u>\$ 52,266,001</u>	<u>\$ 61,019,371</u>

The accompanying notes are an integral part of these financial statements

KIDS FOR THE KINGDOM

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2019

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT			
Contributions	\$ 119,323	\$ 110,388	\$ 229,711
Bequest	-	37,170,455	37,170,455
Investment income, net	562,067	931,574	1,493,641
Net assets released from restriction	3,606,627	(3,606,627)	-
	<u>4,288,017</u>	<u>34,605,790</u>	<u>38,893,807</u>
EXPENSES			
Programs	731,876	-	731,876
Supporting Services			
Administration and general	119,243	-	119,243
Fundraising	-	-	-
	<u>851,119</u>	<u>-</u>	<u>851,119</u>
CHANGE IN NET ASSETS	3,436,898	34,605,790	38,042,688
NET ASSETS, beginning of year	<u>(79,690)</u>	<u>17,651,831</u>	<u>17,572,141</u>
NET ASSETS, end of year	<u>\$ 3,357,208</u>	<u>\$ 52,257,621</u>	<u>\$ 55,614,829</u>

The accompanying notes are an integral part of these financial statements

KIDS FOR THE KINGDOM

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,404,542	38,042,688
Adjustments to reconcile change in net assets to cash flows provided by operating activities,		
Depreciation	1,498	764
Net realized and unrealized gain on investments	(5,674,179)	(652,909)
Decrease in current assets:		
Bequest receivable	(842,652)	15,000,000
Other Receivable	(6,972)	-
Prepaid expenses	(78,643)	-
Investment income receivable	-	2,564,239
Increase in current liabilities in:		
Accounts payable	45,612	20,668
Accrued employee expense	16,772	7,930
NET CASH (USED)/PROVIDED BY OPERATING ACTIVITIES	(1,134,022)	54,983,380
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	95,504,619	662,188
Purchases of investments	(94,415,712)	(55,592,713)
Acquisition of fixed assets	(13,711)	(5,521)
NET CASH (USED)/PROVIDED BY INVESTING ACTIVITIES	1,075,196	(54,936,046)
CASH FLOWS FROM FINANCING ACTIVITIES		
Debt, Payroll Protection Program (PPP)	44,089	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	44,089	-
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(14,737)	47,334
CASH & CASH EQUIVALENTS, beginning of year	68,768	21,434
CASH & CASH EQUIVALENTS, end of year	\$ 54,031	\$ 68,768
INTEREST EXPENSE	\$ 258	\$ -

The accompanying notes are an integral part of these financial statements

KIDS FOR THE KINGDOM

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2020

	<u>Programs</u>	<u>Administration & General</u>	<u>Fundraising</u>	<u>2020 Total</u>
Wages	\$ 190,133	\$ 105,677	\$ -	\$ 295,810
Employee benefits	39,537	37,848	-	77,385
Payroll taxes	13,921	8,517	-	22,438
Grants	867,354	-	-	867,354
Marketing	15,672	12,825	-	28,497
Travel	7,795	338	-	8,133
Office supplies & expenses	19,791	13,260	-	33,051
Insurance	1,500	1,343	-	2,843
Miscellaneous	-	369	-	369
Occupancy	9,974	5,926	-	15,900
Repairs & maintenance	2,522	2,135	-	4,657
Professional development	-	736	-	736
Membership & dues	1,843	2,466	-	4,309
Professional services	-	24,283	-	24,283
Communications	38,553	23,452	-	62,005
Bank & credit card charges	12,611	2,802	-	15,413
Interest expense	-	258	-	258
Depreciation	-	1,498	-	1,498
Allocated costs	40,259	(40,259)	-	-
Total	<u>\$ 1,261,465</u>	<u>\$ 203,474</u>	<u>-</u>	<u>\$ 1,464,939</u>

The accompanying notes are an integral part of these financial statements

KIDS FOR THE KINGDOM

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2019

	<u>Programs</u>	<u>Administration & General</u>	<u>Fundraising</u>	<u>2019 Total</u>
Wages	\$ 138,212	\$ 80,580	\$ -	\$ 218,792
Employee benefits	31,633	7,576	-	39,209
Payroll taxes	10,807	5,814	-	16,621
Grants	397,907	-	-	397,907
Marketing	51,132	901	-	52,033
Travel	23,364	-	-	23,364
Office supplies & expenses	16,665	11,325	-	27,990
Insurance	3,890	-	-	3,890
Miscellaneous	-	600	-	600
Occupancy	10,430	5,291	-	15,721
Repairs & maintenance	6,697	3,325	-	10,022
Professional development	-	1,086	-	1,086
Membership & dues	2,632	1,726	-	4,358
Professional services	-	30,138	-	30,138
Communications	4,922	2,102	-	7,024
Bank & credit card charges	141	1,459	-	1,600
Depreciation	-	764	-	764
Allocated costs	33,444	(33,444)	-	-
Total	<u>\$ 731,876</u>	<u>\$ 119,243</u>	<u>-</u>	<u>\$ 851,119</u>

The accompanying notes are an integral part of these financial statements

KIDS FOR THE KINGDOM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020, and 2019

Note 1. Nature of business and significant accounting policies

- a. Kids for the Kingdom, Inc. (the Organization) is a non-profit organization whose mission is to transform the living conditions and spiritual lives of children and families, especially in third world and war-torn countries, so that they can transform their nations for Christ.

Programs

The Organization's primary purposes and objectives are to provide support for Christian nationals (indigenous workers) and foreign NGO's (non-government organizations) committed to meeting the physical and spiritual needs of children and families around the world, especially in third-world countries, war-torn nations, and disaster sites, including such activities as the provision of food, medicines, medical services, clothing, blankets, education, schools, Bible training, vocational-training, micro-enterprise loans, and the fulfilling of the Great Commission and spreading of the work of God as described in the Bible.

In 2020, as a result of the Covid-19 pandemic, the Organization increased financial support to all the missionary centers to assist in efforts to control the spread of the pandemic by purchasing covid related personal protective equipment such as masks, gloves, sanitary products, etc. Travel to these centers was also eliminated in compliance with United States of America and international travel restrictions.

Program Accomplishments

During the year ended December 31, 2020, the Organization provided funding, logistical support and oversight for the following programs:

- China – The Organization provided and delivered services to 4,615 children, widows, and families including orphan care, handicapped and widow care services, education and school services, and distribution of blankets, medicines, and food. For security reason's exact location of the project is not published. Total cash grant funding for projects and support in China during 2020 was \$13,050.
- Costa Rica – The Organization provided and delivered services to 3,750 children, widows, and families including feeding programs and emergency feeding and aid. Total cash grant funding for projects and support in Costa Rico during 2020 was \$1,150.

KIDS FOR THE KINGDOM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020, and 2019

Note 1. Nature of business and significant accounting policies
(Cont.)

- El Salvador – The Organization provided and delivered services to 3,973 children, widows, and families including feeding and nutrition programs, Bible Clubs, and job-training in San Salvador, Cangrejera, and Quezalapa. Total cash grant funding for projects and support in El Salvador during 2020 was \$56,670.
- Germany – The Organization provided and delivered services to 13,210 children, widows, and families including children’s Bible Clubs, Youth Clubs, community outreach, summer camp experience, job-training, food distribution in Hellersdorf-East Berlin. Total cash grant funding for projects and support in Germany during 2020 was \$9,779.
- Ghana - The Organization provided and delivered services to 3,030 children, widows, and families including feeding programs, job-training programs, Bible Clubs, medical clinic, community water project. Total cash grant funding for projects and support in Ghana during 2020 was \$30,515.
- Guatemala – The Organization provided and delivered services to 139,921 children, widows, and families including operation of medical clinic, dental clinics, schools, job-training, feeding (breakfast) program, nutrition programs, sports training, family counseling, community pharmacy, and eye clinic in Guatemala City and Zacapa. Total cash grant funding for projects and support in Guatemala during 2020 was \$54,222.
- India – The Organization provided and delivered services to 104,632 children, widows, and families including Bible Clubs and hot dinner/lunch feeding programs in sixty-eight locations throughout Chennai, Manapakkam, Nandambakkam, Coimbatore, Bhopal, Erode, Salem, and Maduravoil: job-training programs, income-generation projects, tuition centers, Christmas outreach programs, and outreach to poor and needy. Total cash grant funding for projects and support in India during 2020 was \$115,661.
- Kenya – The Organization provided and delivered services to 26,177 children, widows, and families including operation and maintenance of community water wells and systems throughout the Nakuru Region; job-training and self-sufficiency programs; feeding programs, Bible Clubs, health clinic, immunization programs, mercy projects, and children’s homes in Nakuru and Nairobi. Total cash grant funding for projects and support in Kenya during 2020 was \$129,735.

KIDS FOR THE KINGDOM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020, and 2019

Note 1. Nature of business and significant accounting policies
(Cont.)

- Malawi – The Organization provided and delivered services to 16,198 children, widows, and families including education, feeding, skill-training, and mercy projects in Lilongwe. Total cash grant funding for projects and support in Malawi during 2020 was \$20,264.
- Nepal - The Organization provided and delivered services to support and help construct a new orphanage for 1,198 children as well as provide community outreach programs in the local area. Total cash grant funding to support this work in Nepal during 2020 was \$3,970.
- Nicaragua – The Organization provided and delivered services to 11,403 children, widows, and families including orphanages, job-training programs, ethics classes, operation of schools, feeding programs, micro-enterprise loan project, business training, mercy projects, and parenting classes in Managua, Leon, Los Braziles, La Concha, El Corozal, and Nueva Guinea. Total cash grant funding for projects and support in Nicaragua during 2020 was \$53,827.
- Russia – The Organization provided and delivered services to 17,586 children, widows, and families including counseling, medical services, food supplies; weekly visits to children’s psychiatric hospital in Maikop to provide counseling services, medical intervention, clothing to children; provide food and counseling services to babies and toddlers at children’s orphanage in Maikop; programming and foods/medicines for children at orphanages in Sevastopol and Krasnodar. Total cash grant funding for projects and support in Russia during 2020 was \$55,250.
- South Sudan – The Organization provided and delivered services to 82,380 children, widows, and families including orphan care, 2 deep water wells, emergency medical care, and distribution of flood relief supplies. Total cash grant funding for projects and support in South Sudan during 2020 was \$63,650.
- Sri Lanka - The Organization provided and delivered services to 9,840 children, widows, and families including orphan care, earthquake relief, distribution of relief supplies, and persecution relief. For security reasons the exact location of projects inside Sri Lanka is not published. Total cash grant funding for projects and support in Pakistan during 2020 was \$31,421.

KIDS FOR THE KINGDOM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020, and 2019

Note 1. Nature of business and significant accounting policies
(Cont.)

- Zambia - The Organization delivered services to 44,562 children, widows, and families affected by HIV/AIDS in Lusaka. We also continued the construction of a new high school, and the program is in the beginning stages. Total cash support for programs in Zambia during 2020 was \$225,933.
- b. Tax Status - The Organization is a not-for-profit corporation and is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and state income taxes under California Code Section 23701d. Continuance of such exempt status is subject to compliance with laws and regulations of the taxing authorities. Certain activities considered unrelated to the tax-exempt purpose of the Organization may generate income that is taxable. For the years ended December 31, 2020, and 2019, the Organization did not generate such income. Accordingly, no provision has been made for income taxes in the Statement of Activities.
- c. Basis of presentation – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Organization reports revenues, expenses, gains/losses and net assets based on the existence or absence of donor restrictions.

The following net assets classifications are used:

Without donor restrictions – net assets not subject to donor-imposed stipulations and are available to cover general operations.

With donor restrictions – net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or passage of time. Donor stipulations could also require the assets to be maintained into perpetuity by the Organization.

- d. Fundraising – The Organization does not perform fundraising activities as defined under generally accepted accounting principles or Internal Revenue Service. Accordingly, no fundraising expenses are reported in the Statement of Activities.

KIDS FOR THE KINGDOM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020, and 2019

Note 1. Nature of business and significant accounting policies
(Cont.)

- e. Fair value measurements – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. Generally accepted accounting principles established a fair value measurement hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (Observable inputs) and the lowest priority to an entity’s own assumptions (Unobservable inputs). The Organization groups assets at fair value using the following three levels:
- (i) Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets as reported at the measurement date.
 - (ii) Level 2 – Other observable inputs, either directly or indirectly, including:
 - Quoted prices for similar assets in active markets.
 - Quoted prices for identical or similar assets in non-active markets.
 - Inputs other than quoted prices that are observable for the asset; and,
 - Inputs that are derived principally from or corroborated by other observable market data
 - (iii) Level 3 – Unobservable inputs that cannot be corroborated by observable market data.
- f. Cash – Cash includes cash in checking and savings accounts. All highly liquid investments with an initial maturity of three months or less are considered cash and classified under Level 1 of the fair value hierarchy.
- g. Investments – Investments are reported at fair value with gains and losses reported in the Statement of Activities. Donated investments are recorded at fair value at the date of donation. The Organization reports gains and losses on investments and dividends, interest, and other income in the Statement of Activities as increases or decreases in net assets without donor restrictions unless the use is limited by donor-imposed restrictions, in which case those amounts are reported as increases or decreases in net assets with donor restrictions. Investment returns are reported net of external and direct internal expenses.

KIDS FOR THE KINGDOM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020, and 2019

Note 1. Nature of business and significant accounting policies
(Cont.)

g. Investment (cont.)

The Organization holds investments in certain alternative investment funds that calculate net asset value (NAV) per share as a practical expedient. These investments are generally not traded in the active market or available to individual investors. The fair values of these investments are estimated using the NAV per share of the Organization's ownership interest in the funds where it is probable that the investment will be realized at a price other than the NAV. Consistent with the provisions of ASU 2015-07, these investments have not been categorized within the fair value hierarchy.

h. Fixed Assets – Fixed assets which include office improvements, office furniture and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. The Organization capitalizes fixed assets with a cost of over \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from five to seven years.

i. Contributions and Support - The Organization's main source of income is contributions and investment income, which are reported as increases in net assets with donor restrictions if they are received with donor stipulations that limit the purpose or time of use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as "*net assets released from donor restrictions*" in the Statement of Activities.

j. Allocation of Expenses - The cost of providing programs and supporting activities has been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited. The expenses that are allocated include payroll and payroll related expenses, employee benefits, occupancy costs, communications, office supplies and expenses. The allocation is based upon estimates and assumptions made by management which consider employee time spent on various functions, and square footage of occupied space.

KIDS FOR THE KINGDOM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020, and 2019

Note 1. Nature of business and significant accounting policies
(Cont.)

- k. Endowment Fund - The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as assets with donor restrictions (a) the original value of gifts donated to the endowment fund; (b) the original value of subsequent gifts donated to the endowment fund, and (c) additions to the endowment fund in accordance with donor's directions, if any. At December 31, 2020 and 2019, the Organization has one endowment fund, and the earnings from these assets are considered unrestricted and used to cover operations.

Spending policy – In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. General economic condition
2. The possible effects of inflation and deflation
3. The needs of the Organization and preservation of the endowment assets
4. The expected total return from income and the appreciation of investments
5. The role that each investment plays within the overall portfolio
6. Other resources of the Organization
7. The expected tax consequences, if any, of investment decision or strategies
8. The investment policies of the Organization

The Organization's policy is to appropriate for distribution each year up to 4% of the endowment fund's average fair value based on a 12-quarter rolling average. For the year ended December 31, 2020, the distribution percentage was 4%. Excess returns are reinvested to create additional assets to support operations in future years and offset potential market declines.

Investment policy – The endowment assets are invested according to the Organization's investment policy, which is designed to preserve principal while earning returns relative to the overall market consistent with a prudent level of risk. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the spending rate, plus aggregated cost of portfolio management plus market fluctuations. To satisfy its long-term rate of return objectives, the Organization relies on a total-return strategy in which returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on capital appreciation.

KIDS FOR THE KINGDOM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020, and 2019

Note 1. Nature of business and significant accounting policies
(Cont).

k. Endowment fund (cont).

In the event the endowment assets fall below the original value of the endowment, the Organization will limit spending/distribution to allow for the increase in fair value of the fund's assets to exceed the original gift value.

l. Use of Estimates - The preparation of financial statements in conformity with accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

m. New Accounting Pronouncements – In 2018, the Financial Accounting Standards board (FASB) issued Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement: Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*, which modified the disclosures about recurring or nonrecurring fair value measurements. Under the new ASU, an entity will be required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities. For investments that calculate net asset value, an entity will be required to disclose the timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse *only* if the investee has communicated the timing to the entity or announced the timing publicly. The amendments clarify that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date. The ASU is effective for fiscal years beginning after December 15, 2020, with early application permitted. Management has adopted the provisions of this new standard for the year ended December 31, 2020.

Note 2. Accounts receivable

At December 31, 2020, accounts receivable includes amounts due from a donor bequest. The funds were received subsequent to year end and therefore no provision for bad debt was required.

KIDS FOR THE KINGDOM, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020, and 2019**

Note 3. Investments

The table below sets forth, by level within the fair value hierarchy that is explained in Note 1, the Organization’s investments measured at fair value as of December 31, 2020:

	Fair/Carrying Value	Level 1	Level 2	Level 3
Cash & short-term funds	\$ 1,559,235	\$ 52,654	\$ 1,506,581	\$ -
Exchange traded funds	123,996	123,996	-	-
Mutual funds	7,833,041	2,839,093	4,993,948	-
Fixed income securities	1,721,106	-	1,721,106	-
Equities	1,013,563	1,013,563	-	-
Alternative investments	47,917,765	-	-	-
	<u>\$ 60,168,706</u>	<u>\$ 4,029,306</u>	<u>\$ 8,221,635</u>	<u>\$ -</u>

The investments measured at fair value as of December 31, 2019

	Fair/Carrying Value	Level 1	Level 2	Level 3
Cash & short-term funds	\$ 40,511,003	\$ 40,437,225	\$ 73,778	\$ -
Mutual funds, equity	1,198,298	562,036	636,262	-
Mutual funds, fixed	6,378,391	4,947,525	1,430,866	-
Alternative investments	7,495,742	-	-	-
	<u>\$ 55,583,434</u>	<u>\$ 45,946,786</u>	<u>\$ 2,140,906</u>	<u>\$ -</u>

Cash and short-term funds – Level 1 are those investments valued at their face amount because of the short length of time to maturity and the ability to transact at will at the stable net asset value of \$1.00. Level 2 includes money market funds that can easily be transferred to cash, and are invested in fixed income vehicles with interest rates and, investment terms and credit rating of the issuers, which are observable but not necessarily readily available.

KIDS FOR THE KINGDOM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020, and 2019

Note 3. Investments
(Cont).

Exchange-traded funds (ETF) and Mutual funds – Includes investments of which the underlying assets are either equity securities or fixed income assets such as government or corporate bonds. Level 1 mutual funds and ETFs are actively traded and valued at the daily closing price as reported by the fund. Level 2 mutual fund values are provided by fund managers who use proprietary valuation methods that uses as inputs observed interest rates, yield curves, and prices in active markets for similar assets. The Organizations total value is the net asset value of shares/units held at the end of the year. These investments do not qualify for the practical expedient as defined by ASU 2015-07 and therefore are included in the fair value hierarchy.

Equities – includes investments in securities traded in active markets for which closing prices are readily available.

Alternative investments – These include (i) Collective Investment Funds (CIF) and (ii) investments in private partnerships which hold investments in specific industries. Collective investment funds are tax-exempt and pooled investment funds, available to institutional investors only. They are not regulated by the Securities and Exchange Commission (SEC) but operate under the regulatory authority of the Office of the Comptroller of the Currency. The Organization's CIF's are all with State Street Global Advisors Trust Company. The fair value of these investments are estimated using the NAV of the Organization's share of the fund's net asset value held on the last day of the year. Fair value of investments in the partnerships is based on the Organization's investment percentage ownership as adjusted by the increase or decrease of underlying assets. The values for these investments is provided by the fund managers/trustees who employ proprietary pricing systems and methodologies that incorporates market quotes of similar assets, third-party pricing methodologies and models, yields, offers and other reference data. These investments qualify for the practical expedient to estimate fair values, therefore are not included in the fair value hierarchy. Each business day is considered to be a valuation date. However, the adjustments in market prices do not necessarily result in changes in the funds fair value. Deposits to and withdrawals from the funds can happen on a daily basis, however the trustee of the fund reserves the right to delay processing a deposit or withdrawal from the fund. In addition, these funds do not have any unfunded commitments due to the operations of these funds and nature of assets held.

KIDS FOR THE KINGDOM, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020, and 2019**

Note 4. Fixed assets

Fixed assets include:

	<u>2020</u>	<u>2019</u>
Computers & equipment	\$ 14,710	\$ 14,710
Leasehold improvements	13,711	-
	<u>28,421</u>	<u>14,710</u>
Less accumulated depreciation	<u>(10,981)</u>	<u>(9,483)</u>
	<u>\$ 17,440</u>	<u>\$ 5,227</u>

Depreciation expense for the years ended December 31, 2020, and 2019 was \$1,498 and \$764, respectively.

Note 5. Accrued payroll expenses

Unpaid employee vacation benefits are recognized as liabilities of the Organization. Accrued vacation at December 31, 2020, and 2019 was \$16,923 and \$4,916, respectively.

Employees do not gain a vested right to accumulated sick time. Therefore, no accrual of such benefits is included in the Statements of Financial Position.

Note 6. Note payable

Pursuant to the Paycheck Protection Program (the “PPP”), the Organization was granted a loan totaling \$43,831. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provided loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses. Payments on the loan are deferred for sixteen months from the date of receipt of the loan proceeds. However, interest continues to accrue during the deferment period. The loan bears interest at a rate of 1% per year, payable monthly commencing on October, 2020. The note and accrued interest are forgivable if loan proceeds were used for qualifying purposes, including payroll, employee benefits, rent and utilities.

Subsequent to December 31, 2020, the Organization was granted forgiveness of the loan and accrued interest balance.

KIDS FOR THE KINGDOM, INC.

**NOTES TO FINANCIAL STATEMENTS
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Note 7. Uncertain tax positions

Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and the State of California. The Organization believes that income tax positions taken would be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on its financial position, results of operations or cash flows. Generally, tax returns remain open for federal examination for three years and four years for the State of California, from the date of filing.

The Organization's policy is to classify income tax related interest and penalties, if any, in interest expense and other expenses, respectively. No such expenses were recorded for the years ended December 31, 2020, and 2019, respectively

Note 8. Net assets

As discussed in Note 1, net assets with donor restrictions represent program restricted donations that will be used in the future as program expenses are incurred and endowment assets. During the year the board designated assets to function like the endowment assets.

	<u>2020</u>	<u>2019</u>
Program restricted assets	\$ 95,273	\$ 87,166
Endowment assets	<u>52,170,728</u>	<u>52,170,728</u>
Net assets with donor restrictions	52,266,001	52,257,894
Board designated assets	<u>1,550,671</u>	<u>-</u>
	<u>\$ 53,816,672</u>	<u>\$ 52,257,894</u>

Assets released from restrictions included income from endowment assets which is expendable to support the Organization's operations, and donations used to cover program expenses. The released amounts for the years ended December 31, 2020 and 2019, were \$5,752,698 and \$3,606,627, respectively.

KIDS FOR THE KINGDOM, INC.

**NOTES TO FINANCIAL STATEMENTS
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Note 9. Endowment funds

The changes in endowment assets for the year ended December 31, 2020 are as follows:

	<u>Asset without donor restrictions</u>	<u>Assets with donor restrictions</u>	<u>Total endowment assets</u>
Beginning of the year	\$ -	\$ 52,170,728	\$ 52,170,728
Contributions, board designated	1,550,671	-	1,550,671
Investment income, net	-	5,609,237	5,609,237
	<u>1,550,671</u>	<u>57,779,965</u>	<u>59,330,636</u>
Amounts appropriated for expenditure	<u>-</u>	<u>(5,609,237)</u>	<u>(5,609,237)</u>
End of year	<u>\$ 1,550,671</u>	<u>\$ 52,170,728</u>	<u>\$ 53,721,399</u>

The changes in endowment assets for the year ended December 31, 2019, are as follows:

	<u>Asset with donor restrictions</u>
Beginning of the year	\$ 15,000,000
Donor contributions	37,170,728
Investment income, net	859,501
	<u>53,030,229</u>
Amounts appropriated for expenditure	<u>(859,501)</u>
End of year	<u>\$ 52,170,728</u>

KIDS FOR THE KINGDOM, INC.

**NOTES TO FINANCIAL STATEMENTS
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Note 10. Liquidity and availability of financial assets

The following reflects the Organization's financial assets at December 31, 2020, and 2019, reduced by amounts not available for general use because of donor-imposed restrictions and board designations.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 54,031	\$ 68,768
Accounts receivable	849,624	-
Investments	<u>60,168,706</u>	<u>55,583,434</u>
	61,072,361	55,652,202
Less assets unavailable for general expenditures within one year:		
Restricted by donor	(95,273)	(87,166)
Endowment and designated assets	<u>(53,721,399)</u>	<u>(52,170,728)</u>
Assets available for general expenditure within one year	<u>\$ 7,255,689</u>	<u>\$ 3,394,308</u>

Annual earnings from the endowment assets are considered without donor restrictions and therefore can be used to support general expenditures. The Organization's goal is to have a budget which is covered by available resources equal to contributions and estimated investment earnings.

KIDS FOR THE KINGDOM, INC.

**NOTES TO FINANCIAL STATEMENTS
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Note 11. Bequest

In 2018 the Organization was notified of a bequest from the Rouse Family Living Trust totaling \$53,721,399. As of December 31, 2020 the trustee has distributed a total of \$55,369,075, of which \$52,170,728 is restricted. During the year ended December 31, 2020, the Organization created a board designated fund totaling \$1,550,671 as future trust distributions were not certain at the time.

Note 12. Related Party transactions

The Organization rents office space from an entity where a board member is an owner. The lease agreement was approved by the board. It is on a month-to-month basis and requires monthly rent of \$1,200. Total rent paid during the year ended December 31, 2020, and 2019 was \$14,400.

The Organization receives contributions from board members in the normal course of business. While important, the total amounts received during the year ended December 31, 2020, and 2019, did not cause undue influence in the operations or the financial statements taken as a whole.

Note 13. Subsequent events

Subsequent events have been evaluated by management to December 6, 2021 which is the date the financial statements were available to be issued.