



KEYS FOR KIDS MINISTRIES

FINANCIAL STATEMENTS

With Independent Auditors' Report

September 30, 2019 and 2018

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KEYS FOR KIDS MINISTRIES

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INDEPENDENT AUDITORS' REPORT

**Board of Directors
Keys For Kids Ministries
Grand Rapids, Michigan**

We have audited the accompanying statement of financial position of Keys For Kids Ministries (a nonprofit organization), as of September 30, 2019, the related statements of activities, functional expenses and cash flows 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 of material misstatement, whether due to fraud or error.

AUDITORS' 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 auditors' 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 auditors consider 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 Keys For Kids Ministries as of September 30, 2019 and the changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTER

The financial statements as of and for the year ended September 30, 2018 were reviewed by us and our report thereon, dated August 26, 2019, stated we were not aware of any material modifications that should be made to those statements for them to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.


Wyoming, Michigan
September 2, 2020

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KEYS FOR KIDS MINISTRIES

Statements of Financial Position

	September 30,	
	2019	2018 (Reviewed)
ASSETS		
Cash and cash equivalents	\$ 487,229	\$ 453,494
Accounts and contribution receivable	6,562	15,895
Inventory	15,661	8,125
	<u>509,452</u>	<u>477,514</u>
Property and equipment		
Land	50,000	50,000
Buildings	547,889	449,214
Equipment	121,466	116,835
Accumulated depreciation	<u>(150,274)</u>	<u>(132,226)</u>
	<u>569,081</u>	<u>483,823</u>
Total Assets	<u>\$ 1,078,533</u>	<u>\$ 961,337</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 97,080	\$ 82,264
Accrued payroll and payroll taxes	<u>21,521</u>	<u>16,223</u>
Total Liabilities	<u>118,601</u>	<u>98,487</u>
Net Assets		
Without Donor Restrictions		
Undesignated	(24,542)	59,974
Net investment in property and equipment	<u>569,081</u>	<u>483,823</u>
Total Without Donor Restrictions	544,539	543,797
With Donor Restrictions	<u>415,393</u>	<u>319,053</u>
Total Net Assets	<u>959,932</u>	<u>862,850</u>
Total Liabilities and Net Assets	<u>\$ 1,078,533</u>	<u>\$ 961,337</u>

See accompanying notes and independent auditors' report

KEYS FOR KIDS MINISTRIES

Statements of Activities

For the Years Ended September 30,

	2019			2018 (Reviewed)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
	SUPPORT AND REVENUE					
Sales	\$ 198,828	\$ -	\$ 198,828	\$ 155,922	\$ -	\$ 155,922
Cost of goods sold	(24,949)	-	(24,949)	(28,457)	-	(28,457)
Gross profit	173,879	-	173,879	127,465	-	127,465
Contributions	974,562	283,763	1,258,325	845,326	233,698	1,079,024
Donated professional services	1,572	-	1,572	1,557	-	1,557
Royalties	20,281	-	20,281	21,793	-	21,793
Interest income	543	-	543	406	-	406
Total Support and Revenue	1,170,837	283,763	1,454,600	996,547	233,698	1,230,245
RECLASSIFICATIONS						
Net assets released for satisfaction of purpose restrictions	187,423	(187,423)	-	68,905	(68,905)	-
EXPENSES						
Program	847,137	-	847,137	739,405	-	739,405
Management and general	291,595	-	291,595	264,974	-	264,974
Fund-raising	218,786	-	218,786	200,066	-	200,066
Total Expenses	1,357,518	-	1,357,518	1,204,445	-	1,204,445
Change in Net Assets	742	96,340	97,082	(138,993)	164,793	25,800
Net Assets, Beginning of Year	543,797	319,053	862,850	682,790	154,260	837,050
Net Assets, End of Year	\$ 544,539	\$ 415,393	\$ 959,932	\$ 543,797	\$ 319,053	\$ 862,850

See accompanying notes and independent auditors' report

KEYS FOR KIDS MINISTRIES

Statements of Functional Expenses

For the Years Ended September 30,

	2019				2018 (Reviewed)			
	Management and		Fund-	Totals	Management and		Fund-	Totals
	Program	General	Raising		Program	General	Raising	
Salaries and wages	\$ 337,522	\$ 166,964	\$ 82,040	\$ 586,526	\$ 280,207	\$ 166,526	\$ 80,048	\$ 526,781
Other employee benefits	34,557	16,845	8,278	59,680	23,339	13,185	6,432	42,956
Payroll taxes	25,426	12,582	6,183	44,191	21,309	12,334	6,017	39,660
Professional fees - accounting	-	8,516	-	8,516	-	10,740	-	10,740
Professional fees - other	42,264	1,936	21,825	66,025	36,868	2,228	1,272	40,368
Advertising and promotion	23,060	1,405	23,055	47,520	21,103	924	19,710	41,737
Office	56,710	29,924	30,740	117,374	29,888	15,377	34,379	79,644
Information technology	44,651	23,716	13,277	81,644	26,192	19,616	9,348	55,156
Occupancy	11,710	19,224	6,502	37,436	10,492	15,719	6,756	32,967
Travel	1,340	1,343	4,325	7,008	1,832	1,685	6,497	10,014
Conferences, conventions and meetings	941	1,388	259	2,588	816	1,188	223	2,227
Depreciation	13,536	4,151	361	18,048	10,813	3,316	288	14,417
Insurance	4,542	1,211	303	6,056	4,635	1,236	309	6,180
Program production	710	-	-	710	20,456	-	-	20,456
Keys for Kids	218,213	-	-	218,213	214,154	-	-	214,154
Property taxes	-	1,490	-	1,490	-	-	-	-
Radio	31,955	900	-	32,855	37,301	900	-	38,201
Banquet expenses	-	-	21,638	21,638	-	-	28,787	28,787
Total Expenses	\$ 847,137	\$ 291,595	\$ 218,786	\$ 1,357,518	\$ 739,405	\$ 264,974	\$ 200,066	\$ 1,204,445

See accompanying notes and independent auditors' report

KEYS FOR KIDS MINISTRIES

Statements of Cash Flows

	For the Years Ended September 30,	
	2019	2018 (Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 97,082	\$ 25,800
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	18,048	14,417
Change in:		
Accounts and contribution receivable	9,333	4,317
Prepaid expense	-	1,450
Inventory	(7,536)	18,158
Accounts payable	14,816	40,906
Accrued payroll and payroll taxes	5,298	(191)
Net Cash Provided by Operating Activities	<u>137,041</u>	<u>104,857</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificate of deposit	-	(13)
Proceeds from sale of certificate of deposit	-	73,095
Purchases of property and equipment	<u>(103,306)</u>	<u>(7,569)</u>
Net Cash (Used) Provided By Investing Activities	<u>(103,306)</u>	<u>65,513</u>
Change in Cash and Cash Equivalents	33,735	170,370
Cash and Cash Equivalents, Beginning of Period	<u>453,494</u>	<u>283,124</u>
Cash and Cash Equivalents, End of Period	<u>\$ 487,229</u>	<u>\$ 453,494</u>

See accompanying notes and independent auditors' report

KEYS FOR KIDS MINISTRIES

Notes to Financial Statements

September 30, 2019 and 2018

1. NATURE OF ORGANIZATION

Keys For Kids Ministries (KFK) is an international Christian ministry based on the gospel of Jesus Christ, producing and distributing excellent media resources to evangelize and disciple children and their families.

From its beginning in 1942, KFK has produced radio programs and print devotionals to reach children ages 6-12. With the addition of internet-based Bible studies over the past few years, KFK's world-wide outreach has grown significantly.

KFK was established under the laws of the state of Michigan to operate as a charitable organization within the meaning of section 501(c)(3) of the United States Internal Revenue Code (code). It is exempt from federal and state income taxes, and contributions by the public are deductible within the limitations prescribed by the code. The organization has been classified as a public organization that is not a private foundation under section 509(a) of the code.

KFK is supported primarily by contributions and sales.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of KFK are prepared on the accrual basis of accounting. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from these estimates. The significant accounting policies that have been adopted by KFK are described below.

CASH AND CASH EQUIVALENTS

KFK considers all cash on deposit and highly liquid investments as cash and cash equivalents. While balances in these accounts may at times exceed federally insured limits, KFK has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on these accounts.

ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2019 and 2018 consists of billings for Keys for Camps. Accounts receivable are reported net of any anticipated losses due to uncollectible accounts. However, because management believes all receivable balances will be collected, no provision for uncollectible accounts has been recorded.

KFK considers an account to be past due when items billed on the account have not been paid by the due date. Past due accounts are subject to internal collection efforts. No late fee is assessed on past due accounts. There were no past due accounts at September 30, 2019 and 2018.

INVENTORY

Inventory at September 30, 2019 consists of Storyteller mp3 devices. Inventory at September 30, 2018 consists of Storyteller mp3 devices, books, pamphlets and other recorded media. Inventory is valued at the lower of cost or market using the first-in, first-out method of inventory valuation.

PROPERTY AND EQUIPMENT

Expenditures for property and equipment in excess of \$1,000 are capitalized at cost when purchased. Donated items are reported at their estimated fair market values as of the dates the gifts were received. Depreciation is reported using the straight-line method over the estimated useful lives of the assets, which range from 3 to 50 years. Depreciation expense was \$18,048 and \$14,417 for the years ended September 30, 2019 and 2018, respectively.

KEYS FOR KIDS MINISTRIES

Notes to Financial Statements

September 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued

NET ASSETS

The financial statements report amounts by class of net assets as follows:

NET ASSETS WITHOUT DONOR RESTRICTIONS are net assets available for use in general operations and not subject to donor or certain grantor-imposed restrictions.

NET ASSETS WITH DONOR RESTRICTIONS are net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled or both.

SUPPORT AND REVENUE

Contributions are recognized when cash is received, unconditional promises are made or ownership of donated assets are transferred. Contributions received are reported as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Contributions of assets other than cash are reported at their estimated fair value. KFK reports donations of property and equipment as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Property and equipment donated with restrictions regarding their use and contributions of cash to acquire property are reported as restricted support. Absent any donor stipulations, these restrictions expire when the asset is acquired and placed in service, and a reclassification is made from temporarily restricted net assets to unrestricted net assets at that time.

Sales revenue and cost of sales are reported net of discounts.

All other revenues are reported when earned.

DONATED PROFESSIONAL SERVICES

During the years ended September 30, 2019 and 2018, KFK received donated professional accounting services totaling \$1,572 and \$1,557, respectively, via discounted billings from the accounting firm. See also Note 7.

FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are reported when incurred, that is, when the purchased goods or services have been received.

The costs of program, management and fund-raising activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program, management and fund-raising activities benefitting from those expenditures.

KEYS FOR KIDS MINISTRIES

Notes to Financial Statements

September 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued

FUNCTIONAL ALLOCATION OF EXPENSES, continued

Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. At KFK the methods used to allocate costs among program and support functions vary depending upon the nature of the expense category. Compensation related expenses are allocated based on proportional estimates of paid time spent in each functional area of performance. Occupancy and depreciation costs are allocated to each functional area based on proportional estimates of facility and equipment usage. Other expenses are allocated based on the guidelines defining the nature of the program, management or fund-raising expenses and the associated estimates of time and effort.

ADVERTISING

KFK expenses advertising costs as they are incurred. Advertising costs totaled \$3,300 and \$4,900 for the years ended September 30, 2019 and 2018, respectively.

CHANGE IN ACCOUNTING PRINCIPLE

On August 18, 2016, The Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. During the year ended September 30, 2019, KFK adopted ASU 2016-14 and adjusted the presentation in these comparative financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

LIQUIDITY AND AVAILABILITY

KFK has financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure as detailed below. The amounts shown below are net of financial assets required to meet donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

	June 30,	
	2019	2018
		(Reviewed)
Cash and cash equivalents	\$ 487,229	\$ 453,494
Accounts and contribution receivable	6,562	15,895
Less: net assets with donor restrictions	(415,393)	(319,053)
	<u>\$ 78,398</u>	<u>\$ 150,336</u>

KFK maintains bank checking accounts and a money market account for liquidity management.

RECLASSIFICATIONS

Certain reclassifications pertaining to the reporting of the functional allocation of expenses have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported changes in net assets.

KEYS FOR KIDS MINISTRIES

Notes to Financial Statements

September 30, 2019 and 2018

3. NET ASSETS WITH DONOR RESTRICTIONS

Changes in net assets with donor restrictions are as follows:

	September 30, 2017	Contributions	Released From Restriction	September 30, 2018 (Reviewed)
Growth initiative	\$ 84,438	\$ -	\$ 22,941	\$ 61,497
Maranatha StoryTeller 2018	-	38,400	-	38,400
Next initiative	-	158,520	25,200	133,320
Other future projects	-	4,704	4,446	258
Outreach initiative	69,822	4,044	16,318	57,548
Unlocked	-	28,030	-	28,030
	<u>\$ 154,260</u>	<u>\$ 233,698</u>	<u>\$ 68,905</u>	<u>\$ 319,053</u>

	September 30, 2018 (Reviewed)	Contributions	Released From Restriction	September 30, 2019
Growth initiative	\$ 61,497	\$ -	\$ -	\$ 61,497
Maranatha StoryTeller 2018	38,400	-	24,929	13,471
Next initiative	133,320	277,647	157,317	253,650
Other future projects	258	-	-	258
Outreach initiative	57,548	320	4,307	53,561
StoryTellers 2019	-	5,796	870	4,926
Unlocked	28,030	-	-	28,030
	<u>\$ 319,053</u>	<u>\$ 283,763</u>	<u>\$ 187,423</u>	<u>\$ 415,393</u>

4. LEASES

In January 2014 KFK leased office equipment under an operating lease agreement requiring 20 quarterly payments of \$1,788. This lease expired in September 2018.

In August 2014 KFK leased office equipment under an operating lease agreement requiring 60 monthly payments of \$730. This lease expired in August 2019.

In October 2018 KFK leased office equipment under an operating lease agreement requiring 60 monthly payments of \$1,283.

In October 2018 KFK leased office equipment under an operating lease agreement requiring 63 monthly payments of \$650.

Total lease expense for years ended September 30, 2019 and 2018 was \$29,297 and \$15,912, respectively.

KEYS FOR KIDS MINISTRIES

Notes to Financial Statements

September 30, 2019 and 2018

4. LEASES, continued

Future minimum annual lease payments are as follows:

Year Ending <u>September 30,</u>	
2020	\$ 23,200
2021	23,200
2022	23,200
2023	23,200
2024	<u>3,884</u>
	<u>\$ 96,684</u>

5. COMMITMENT

KFK has an intellectual property agreement with an individual, requiring the annual payment of \$750 to the individual for rights to sell and distribute product under a licensed brand name. No liability has been recorded for KFK's financial obligation under this agreement because of the perpetual nature of the agreement.

6. CONCENTRATION

For the years ended September 30, 2019 and 2018, the top five donors provided approximately 29 percent and 25 percent, respectively, of total contributions.

7. RELATED PARTY TRANSACTIONS

The president of KFK's board is the managing partner of an accounting firm which provided services to KFK during the years ended September 30, 2019 and 2018, for which KFK paid \$1,575 and \$1,560, respectively.

A board member owns businesses which provided telephone and web-hosting services to KFK during the year ended September 30, 2019 and web-hosting services during the year ended September 30, 2018, for which KFK paid \$4,574 and \$343, respectively.

Amounts payable to related parties at September 30, 2019 and 2018 totaled \$180 and \$225, respectively.

8. SUBSEQUENT EVENTS

Management has evaluated for potential recognition or disclosure in these financial statements subsequent events and transactions occurring through September 2, 2020, the date these financial statements were available to be issued.

The spread of the COVID-19 coronavirus and the resultant governmental imposition and extension of orders to stay at home and to cease all but essential services impaired significantly KFK's ability to continue ministry during the spring and summer months of 2020. Management applied for and received governmental financial assistance of \$137,246 from the federal Paycheck Protection Program in an effort to bolster cash flow as well as to continue to provide ongoing compensation to KFK's employees. While the long-term effects of the pandemic could negatively affect KFK's financial position, cash flows and results of activities, any such effects cannot be reasonably estimated at this time.