



KEYS FOR KIDS MINISTRIES

FINANCIAL STATEMENTS

With Independent Auditors' Report

September 30, 2021 and 2020

KEYS FOR KIDS MINISTRIES

FINANCIAL STATEMENTS

With Independent Auditors' Report

September 30, 2021 and 2020



KEYS FOR KIDS MINISTRIES

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-13



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Keys For Kids Ministries, which consist of the statements of financial position as of September 30, 2021 and 2020, the related statements of activities, functional expenses and cash flows for the years 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 Keys For Kids Ministries as of September 30, 2021 and 2020 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.

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 Keys For Kids Ministries 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 Keys For Kids Ministries' 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 auditors' 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.

2425 Avon Avenue SW
Wyoming MI 49519-2207
616 443 5344
jqquist@quist-cpa.com

INDEPENDENT AUDITORS' REPORT, continued

- 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 Keys For Kids Ministries' 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 Keys For Kids Ministries' 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.



Wyoming, Michigan
January 19, 2022

KEYS FOR KIDS MINISTRIES

Statements of Financial Position

	September 30,	
	2021	2020
ASSETS		
Cash and cash equivalents	\$ 513,126	\$ 352,965
Accounts receivable, net of allowance for doubtful accounts of \$14,778 and \$-0-, respectively	4,523	9,207
Prepaid expenses	9,549	12,891
Inventory	21,977	25,535
Investments	148,143	-
	697,318	400,598
Property and equipment		
Land	50,000	50,000
Buildings	612,519	553,687
Equipment	134,493	126,175
Accumulated depreciation	(191,242)	(169,352)
	605,770	560,510
 Total Assets	 \$ 1,303,088	 \$ 961,108
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 41,774	\$ 21,465
Accrued payroll and related liabilities	30,866	18,572
Loan payable	-	137,246
Total Liabilities	72,640	177,283
Net Assets		
Without Donor Restrictions		
Undesignated	374,381	(54,744)
Net investment in property and equipment	605,770	560,510
Total Without Donor Restrictions	980,151	505,766
With Donor Restrictions	250,297	278,059
Total Net Assets	1,230,448	783,825
 Total Liabilities and Net Assets	 \$ 1,303,088	 \$ 961,108

See accompanying notes and independent auditors' report

KEYS FOR KIDS MINISTRIES

Statements of Activities

	Years Ended September 30,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Sales	\$ 209,864	\$ -	\$ 209,864	\$ 123,085	\$ -	\$ 123,085
Cost of goods sold	(50,610)	-	(50,610)	(11,801)	-	(11,801)
Gross profit	159,254	-	159,254	111,284	-	111,284
Contributions	1,542,821	580	1,543,401	1,058,200	22,349	1,080,549
Small Business Administration grant	137,246	-	137,246	-	-	-
Donated professional services	2,382	-	2,382	2,282	-	2,282
Royalties	17,637	-	17,637	8,005	-	8,005
Insurance reimbursement	53,324	-	53,324	-	-	-
Other income	2,288	-	2,288	-	-	-
Investment (loss) income	(3,203)	-	(3,203)	146	-	146
Total Support and Revenue	1,911,749	580	1,912,329	1,179,917	22,349	1,202,266
RECLASSIFICATIONS						
Net assets released for satisfaction of purpose restrictions	28,342	(28,342)	-	159,683	(159,683)	-
EXPENSES						
Program	1,066,729	-	1,066,729	981,825	-	981,825
Management and general	272,554	-	272,554	199,628	-	199,628
Fund-raising	126,423	-	126,423	196,920	-	196,920
Total Expenses	1,465,706	-	1,465,706	1,378,373	-	1,378,373
Change in Net Assets	474,385	(27,762)	446,623	(38,773)	(137,334)	(176,107)
Net Assets, Beginning of Year	505,766	278,059	783,825	544,539	415,393	959,932
Net Assets, End of Year	\$ 980,151	\$ 250,297	\$ 1,230,448	\$ 505,766	\$ 278,059	\$ 783,825

See accompanying notes and independent auditors' report

KEYS FOR KIDS MINISTRIES

Statements of Functional Expenses

Years Ended September 30,

	2021				2020			
	Program	Management and General	Fund- Raising	Totals	Program	Management and General	Fund- Raising	Totals
Salaries and wages	\$ 532,664	\$ 93,662	\$ 53,613	\$ 679,939	\$ 455,043	\$ 87,196	\$ 73,354	\$ 615,593
Other employee benefits	62,626	11,012	6,303	79,941	45,270	8,592	7,224	61,086
Payroll taxes	39,541	6,953	3,980	50,474	34,655	6,639	5,584	46,878
Professional fees - legal	-	2,259	-	2,259	-	7,889	-	7,889
Professional fees - accounting	-	13,761	-	13,761	-	12,600	-	12,600
Professional fees - other	36,578	-	369	36,947	42,452	-	24,119	66,571
Advertising and promotion	13,578	12,781	7,055	33,414	14,068	2,478	6,767	23,313
Office	50,763	19,983	40,706	111,452	55,500	23,760	40,247	119,507
Information technology	22,000	67,831	7,333	97,164	45,464	23,138	15,058	83,660
Occupancy	15,951	31,901	5,317	53,169	11,437	18,826	6,317	36,580
Travel	530	1,853	265	2,648	196	352	887	1,435
Conferences, conventions and meetings	2,311	4,276	732	7,319	257	514	16,635	17,406
Depreciation	16,417	5,034	438	21,889	14,309	4,388	381	19,078
Insurance	4,680	1,248	312	6,240	5,210	1,389	347	6,946
Program production	-	-	-	-	467	-	-	467
Keys for Kids	226,478	-	-	226,478	226,398	-	-	226,398
Property taxes	-	-	-	-	-	967	-	967
Radio	42,612	-	-	42,612	31,099	900	-	31,999
Total Expenses	\$ 1,066,729	\$ 272,554	\$ 126,423	\$ 1,465,706	\$ 981,825	\$ 199,628	\$ 196,920	\$ 1,378,373

See accompanying notes and independent auditors' report

KEYS FOR KIDS MINISTRIES

Statements of Cash Flows

	Years Ended September 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 446,623	\$ (176,107)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Donated marketable securities	(151,495)	-
Forgiveness of loan payable	(137,246)	-
Loss from investments	3,352	-
Increase in allowance for doubtful accounts	14,778	
Depreciation	21,889	19,078
Change in:		
Accounts receivable	(10,094)	(2,645)
Prepaid expenses	3,342	(12,891)
Inventory	3,558	(9,874)
Accounts payable	20,309	(75,615)
Accrued payroll and related liabilities	12,294	(2,949)
Net Cash Provided (Used) by Operating Activities	227,310	(261,003)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(67,149)	(10,507)
Net Cash Used by Investing Activities	(67,149)	(10,507)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	-	137,246
Net Cash Used by Financing Activities	-	137,246
Change in Cash and Cash Equivalents	160,161	(134,264)
Cash and Cash Equivalents, Beginning of Period	352,965	487,229
Cash and Cash Equivalents, End of Period	\$ 513,126	\$ 352,965

See accompanying notes and independent auditors' report

KEYS FOR KIDS MINISTRIES

Notes to Financial Statements

September 30, 2021 and 2020

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)(1) 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, 2021 and 2020 consists of billings for Keys for Camps and are reported net of any anticipated losses due to uncollectible accounts. The allowance is maintained at a level that in management's judgment is adequate to absorb potential losses inherent in the receivables portfolio. The allowance for doubtful accounts is based on management's evaluation of the collectability of the receivable portfolio, including the nature of the portfolio, trends in historical loss experience, payment patterns from customers and general economic conditions. Uncollectible accounts are recognized as additions to bad debt expense in the period it is determined the amounts could become uncollectible. Management maintains an allowance for doubtful accounts \$14,778 and \$-0- at September 30, 2021 and 2020, respectively, against which account write-offs are charged throughout the year.

KFK considers an account to be past due when the balance has been outstanding beyond 90 days. At September 30, 2021 and 2020, past due accounts totaled \$14,778 and \$7,506, respectively. The level of the allowance for doubtful accounts noted above reflects management's expectation that the past due balance will be uncollectible. Past due accounts are subject to internal collection efforts. No late fee is assessed on past due accounts.

KEYS FOR KIDS MINISTRIES

Notes to Financial Statements

September 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued

PREPAID EXPENSES

Prepaid expenses are expenditures paid prior to the end of the fiscal year but which benefit the following fiscal year. Prepaid expenses at September 30, 2021 consist of an event deposit, information technology costs and a software licensing agreement and at September 30, 2020 consist of information technology and website costs and a software licensing agreement. During the year ended September 30, 2020, KFK entered into a software licensing agreement with a five-year term and requiring a prepayment of the fee of \$8,995. The unamortized balance of this fee at September 30, 2021 and 2020 was \$6,896 and \$8,695, respectively.

INVENTORY

Inventory at September 30, 2021 and 2020 consists of Storyteller mp3 devices and of Storyteller mp3 devices, books, pamphlets and other recorded media, respectively. Inventory is valued at the lower of cost or market using the average method of inventory valuation.

INVESTMENTS

Investments consist of marketable securities received as charitable contributions. All holdings are classified as available for sale and carried at fair value based on quoted prices in active markets where applicable and estimated market value when no ready market exists. For purposes of determining gross realized gains and losses, the cost of securities sold is based on specific identification. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Donated investments are reported at market value at the date of donation and thereafter carried in accordance with the above policies.

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 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 \$21,889 and \$19,078 for the years ended September 30, 2021 and 2020, respectively.

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. The governing board has not designated any net assets without donor restrictions for specific purposes.

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 the 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.

KEYS FOR KIDS MINISTRIES

Notes to Financial Statements

September 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued

SUPPORT AND REVENUE

KFK recognizes revenue from sales as goods are delivered to the buyer. Sales revenue and cost of sales are reported net of discounts.

KFK recognizes contributions when cash, securities or other assets, an unconditional promise to give or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

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.

DONATED PROFESSIONAL SERVICES

During the years ended September 30, 2021 and 2020, KFK received donated professional accounting services totaling \$2,382 and \$2,282, respectively, via discounted billings from the accounting firm. See also Note 9.

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.

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 \$1,423 and \$3,783 for the years ended September 30, 2021 and 2020, respectively.

KEYS FOR KIDS MINISTRIES

Notes to Financial Statements

September 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued

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,	
	2021	2020
Cash and cash equivalents	\$ 513,126	\$ 352,965
Accounts receivable	4,523	9,207
Investments	148,143	-
Less:		
Net assets with donor restrictions	(250,297)	(278,059)
	<u>\$ 415,495</u>	<u>\$ 84,113</u>

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

3. INVESTMENTS

Investments at September 30, 2021 consist of the following:

	Fair Value	Carrying Value	Unrealized (Loss) Gain
Equity mutual funds	\$ 90,101	\$ 94,436	\$ (4,335)
Equity securities	58,042	57,059	983
	<u>\$ 148,143</u>	<u>\$ 151,495</u>	<u>\$ (3,352)</u>

KFK accounts for investments at fair value, which is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Financial accounting standards have established a hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Under the standards, three levels of inputs that may be used to measure fair value:

Level 1 - In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that KFK has the ability to access.

Level 2 - Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

KEYS FOR KIDS MINISTRIES

Notes to Financial Statements

September 30, 2021 and 2020

3. INVESTMENTS, continued

Level 3 - Level 3 inputs are unobservable inputs including inputs that are available in situations where there is little, if any, market activity for the related asset. Management does not consider any investments to be in Level 3.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. KFK's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Management has concluded that value of all holdings are determined using Level 1 measurement inputs.

Investment (loss) income consists of the following:

	September 30,	
	2021	2020
Interest	\$ 149	\$ 146
Unrealized losses	(3,352)	-
	<u>\$ (3,203)</u>	<u>\$ 146</u>

4. LOAN PAYABLE

Loan payable at September 30, 2020 consisted of a federal Paycheck Protection Program loan dated April 2020, unsecured with a fixed interest rate of 1.0 percent per annum and requiring eighteen monthly payments of \$7,782 beginning August 2021. The loan was forgiven in April 2021.

5. NET ASSETS WITH DONOR RESTRICTIONS

Changes in net assets with donor restrictions are as follows:

	September 30,		Released	September 30,
	2019	Contributions	From Restriction	2020
Growth initiative	\$ 61,497	\$ -	\$ 11,607	\$ 49,890
Maranatha StoryTeller 2018	13,471	-	-	13,471
Next initiative	253,650	11,100	87,982	176,768
Other future projects	258	6,607	5,663	1,202
Outreach initiative	53,561	-	53,561	-
StoryTellers 2019	4,926	4,330	870	8,386
Unlocked	28,030	312	-	28,342
	<u>\$ 415,393</u>	<u>\$ 22,349</u>	<u>\$ 159,683</u>	<u>\$ 278,059</u>

KEYS FOR KIDS MINISTRIES

Notes to Financial Statements

September 30, 2021 and 2020

5. NET ASSETS WITH DONOR RESTRICTIONS, continued

	September 30, 2020	Contributions	Released From Restriction	September 30, 2021
Growth initiative	49,890	-	-	49,890
Maranatha StoryTeller 2018	13,471	-	13,471	-
Next initiative	176,768	-	-	176,768
Other future projects	1,202	-	-	1,202
StoryTellers 2019	8,386	-	8,386	-
StoryTellers	-	580	(21,857)	22,437
Unlocked	28,342	-	28,342	-
	<u>\$ 278,059</u>	<u>\$ 580</u>	<u>\$ 28,342</u>	<u>\$ 250,297</u>

6. LEASES

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 both years ended September 30, 2021 and 2020 was \$23,200.

Future minimum lease payments are as follows:

Year Ending <u>September 30,</u>	
2022	\$ 23,200
2023	23,200
2024	3,884
	<u>\$ 50,284</u>

7. 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.

8. CONCENTRATION

For the years ended September 30, 2021 and 2020, the top five donors provided approximately 27 percent and 26 percent, respectively, of total contributions.

KEYS FOR KIDS MINISTRIES

Notes to Financial Statements

September 30, 2021 and 2020

9. RELATED PARTY TRANSACTIONS

The chairman of KFK's board is the managing partner of an accounting firm which provided services to KFK during the years ended September 30, 2021 and 2020, for which KFK paid \$1,799 and \$1,688, respectively.

A board member owns businesses which provided telephone and web-hosting services to KFK during the years ended September 30, 2021 and 2020 for which KFK paid \$9,076 and \$8,823, respectively.

No amounts were due to related parties at both September 30, 2021 and 2020.

10. SUBSEQUENT EVENTS

Management has evaluated for potential recognition or disclosure in these financial statements subsequent events and transactions occurring through January 19, 2022, the date these financial statements were available to be issued.

The COVID-19 pandemic has cast uncertainty over many things. 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.