

**K 4 C MINISTRIES, INC.
D/B/A KIDS FOR CHRIST**

Lafayette, Georgia

FINANCIAL STATEMENTS

December 31, 2005

JOHNSON, HICKEY & MURCHISON, P.C.
Certified Public Accountants
Chattanooga, Tennessee

TABLE OF CONTENTS

	<u>P a g e</u>
INDEPENDENT AUDITORS' REPORT	2
FINANCIAL STATEMENTS:	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7-9

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INDEPENDENT AUDITORS' REPORT

**To the Board of Directors of
K 4 C Ministries, Inc.
D/B/A Kids for Christ:**

We have audited the accompanying statement of financial position of K 4 C Ministries, Inc., D/B/A Kids for Christ, (a nonprofit organization) as of December 31, 2005, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of K 4 C Ministries, Inc., D/B/A Kids for Christ, as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Johnson, Hickey & Murchison, P.C.

April 7, 2006

K 4 C MINISTRIES, INC.
D/B/A KIDS FOR CHRIST
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2005

ASSETS

Cash in bank	\$ 8,567
Prepaid expenses	1,591
Property and equipment (net of accumulated depreciation)	<u>6,293</u>
	<u>\$ 16,451</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 1,920
Unrestricted net assets	<u>14,531</u>
	<u>\$ 16,451</u>

(The accompanying notes are an integral part of these financial statements.)

**K 4 C MINISTRIES, INC.
D/B/A KIDS FOR CHRIST
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

SUPPORT AND REVENUE:

Cash contributions	\$ 59,533
Noncash contributions	10,900
Other revenue	<u>1,497</u>

Total support and revenue	<u>71,930</u>
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EXPENSES:

Program service	46,232
General and administrative	<u>11,167</u>

Total expenses	<u>57,399</u>
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INCREASE IN NET ASSETS

14,531

NET ASSETS:

Beginning	<u>-</u>
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Ending	<u><u>\$ 14,531</u></u>
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(The accompanying notes are an integral part of these financial statements.)

K 4 C MINISTRIES, INC.
D/B/A KIDS FOR CHRIST
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Program Service</u>	<u>General & Adminis- trative</u>	<u>Total</u>
Occupancy	\$ 26,001	\$ 4,588	\$ 30,589
Transportation	3,476	1,128	4,604
Special activities	4,673	-	4,673
Insurance	4,565	805	5,370
Wednesday night program	4,619	-	4,619
Administrative	820	4,646	5,466
Depreciation	700	-	700
Family assistance	1,165	-	1,165
Other	213	-	213
	<u>\$ 46,232</u>	<u>\$ 11,167</u>	<u>\$ 57,399</u>

(The accompanying note are an integral part of these financial statements.)

**K 4 C MINISTRIES, INC.
D/B/A KIDS FOR CHRIST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005**

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$ 14,531
Adjustments to reconcile increase in net assets to net cash provided by operating activities -	
Depreciation	700
Noncash contributions	(3,600)
Net (increase) decrease in operating assets:	
Prepaid expenses	(1,591)
Net increase (decrease) in operating liabilities:	
Accounts payable	<u>1,920</u>
Net cash provided by operating activities	<u>11,960</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Cash paid for property and equipment	<u>(3,393)</u>
Net cash used by investing activities	<u>(3,393)</u>

NET INCREASE IN CASH

8,567

CASH:

Beginning	<u>-</u>
Ending	<u><u>\$ 8,567</u></u>

(The accompanying note are an integral part of these financial statements.)

K 4 C MINISTRIES, INC.
D/B/A KIDS FOR CHRIST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization -

K 4 C Ministries, Inc., D/B/A Kids for Christ is a nonprofit Christian organization dedicated to making a positive impact on the local community by bringing hope to local at-risk children while meeting their physical needs and demonstrating Christ's love to them through Biblical teaching and Christian example.

The organization receives substantially all of its support from individuals and Sunday school classes in the Lafayette area.

Basis of accounting -

The financial statements of K 4 C Ministries, Inc., D/B/A Kids for Christ have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Estimates -

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support, revenues and expenses. Actual results could vary from the estimates that were used.

Basis of presentation -

Financial statement presentation follows the guidance of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At December 31, 2005, the Organization had no temporarily restricted or permanently restricted net assets.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is received. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net

K 4 C MINISTRIES, INC.
D/B/A KIDS FOR CHRIST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of presentation (continued) -

assets, depending on the nature of the restriction. When a 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 Statement of Activities as net assets released from restrictions.

Donated assets -

Donated property, investments, and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Promises to give -

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property, equipment, and depreciation -

Property and equipment is recorded at cost, or fair value, if donated. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets using the straight-line method.

Property and equipment acquired by the organization are considered to be owned by the organization. However, state funding sources may maintain an equitable interest in assets purchased with grant funds as well as the right to determine the use of any proceeds from the sale of these assets.

Allocated expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Nonprofit status -

K 4 C Ministries Inc., D/B/A Kids for Christ, is chartered as a Georgia nonprofit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, there is no provision for federal income tax and tax-related items.

K 4 C MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
D/B/A KIDS FOR CHRIST
DECEMBER 31, 2005

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Cash equivalents -

The Organization considers unrestricted highly liquid debt securities with an original maturity of three months or less to be cash equivalents.

(2) LEASE:

The Organization leases its facilities on a month to month lease at monthly rent of \$1,050. Total rent for the year ending December 31, 2005, was \$12,600.