

**K4C MINISTRIES, INC.**

**Reviewed Financial Statements**

**December 31, 2009 and 2010**

**K4C MINISTRIES, INC.**

**FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2009 and 2010**

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of  
K4C Ministries, Inc.

We have reviewed the accompanying statement of financial position of K4C Ministries, Inc (a nonprofit organization) as of December 31, 2009 and 2010, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of K4C Ministries, Inc. management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion

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 designing, implementing, and maintaining internal control relevant to the preparation and presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*Hutchinson & Walls, PC*

Hutchinson & Walls, PC

May 6, 2011

**K4C MINISTRIES INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2009 and 2010**

	<b>2009</b>	<b>2010</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 21,469	\$ 22,345
Property and equipment, net of accumulated depr of \$28,650	<u>17,061</u>	<u>9,011</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 38,530</u></u>	<u><u>\$ 31,356</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
Accounts Payable	<u>\$ 1,490</u>	<u>\$ 801</u>
<b>TOTAL CURRENT LIABILITIES</b>	1,490	801
 <b>NET ASSETS</b>		
Unrestricted	21,374	13,741
Temporarily Restricted for purchase of real property	<u>15,666</u>	<u>16,814</u>
<b>TOTAL NET ASSETS</b>	<u><u>37,040</u></u>	<u><u>30,555</u></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 38,530</u></u>	<u><u>\$ 31,356</u></u>

See accompanying notes and accountant's report.

**K4C MINISTRIES INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**Years Ended December 31, 2009 and 2010**

<b><i>UNRESTRICTED NET ASSETS</i></b>	<b>2009</b>	<b>2010</b>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>		
Contributions of Cash	\$ 73,734	\$ 70,211
Contributions of Supplies	23,354	23,665
Investment Return	10	-
Sale of Asset	90	-
	<hr/>	<hr/>
<b>Total Unrestricted Revenues and Gains</b>	97,188	93,876
	<hr/>	<hr/>
<b>EXPENSES</b>		
Program Services	121,306	89,606
Supporting Services:		
General and managerial	14,713	10,903
	<hr/>	<hr/>
<b>Total Expenses</b>	136,019	100,509
	<hr/>	<hr/>
<b>DECREASE IN UNRESTRICTED NET ASSETS</b>	(38,831)	(6,633)
 <b><i>TEMPORARILY RESTRICTED NET ASSETS</i></b>		
 <b>INCREASE IN TEMPORARILY RESTRICTED ASSETS</b>		
Investment Return	319	148
 <b>NET ASSETS</b>		
Beginning of Year	75,552	37,040
	<hr/>	<hr/>
End of Year	\$ 37,040	\$ 30,555
	<hr/>	<hr/>

See accompanying notes and accountant's report.

**K4C MINISTRIES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2010**

	<b>Total Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
		<b>General and Managerial</b>	<b>Fundraising</b>	
Salaries and Wages	\$ 15,610	\$ -	\$ -	\$ 15,610
Office & Administrative Costs	-	6,082	-	6,082
Bad Debt	-	-	-	-
Facility	28,647	-	-	28,647
Insurance	-	4,821	-	4,821
Transportation	2,868	-	-	2,868
Kitchen & Food Service	1,564	-	-	1,564
Life Ministries	1,581	-	-	1,581
Teaching Ministries	3,021	-	-	3,021
Outings and special activities	2,707	-	-	2,707
Fundraising and Recruitment	-	-	1,893	1,893
Materials Distributed	23,665	-	-	23,665
Depreciation	8,050	-	-	8,050
Miscellaneous	-	-	-	-
<b>Total Expenses</b>	<b>\$ 87,713</b>	<b>\$ 10,903</b>	<b>\$ 1,893</b>	<b>\$ 100,509</b>

See accompanying notes and accountant's report.

**K4C MINISTRIES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2009**

	<b>Total Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
		<b>General and Managerial</b>	<b>Fundraising</b>	
Salaries and Wages	\$ 24,538	\$ -	\$ -	\$ 24,538
Office & Administrative Costs	-	9,682	-	9,682
Bad Debt	30,000	-	-	30,000
Facility	21,847	-	-	21,847
Insurance	-	5,031	-	5,031
Transportation	2,619	-	-	2,619
Kitchen & Food Service	3,199	-	-	3,199
Life Ministries	101	-	-	101
Teaching Ministries	2,975	-	-	2,975
Outings and special activities	3,522	-	-	3,522
Fundraising and Recruitment	-	-	220	220
Materials Distributed	23,354	-	-	23,354
Depreciation	7,398	-	-	7,398
Miscellaneous	1,533	-	-	1,533
<b>Total Expenses</b>	<b>\$ 121,086</b>	<b>\$ 14,713</b>	<b>\$ 220</b>	<b>\$ 136,019</b>

See accompanying notes and accountant's report.

**K4C MINISTRIES INC.**  
**STATEMENT OF CASH FLOW**  
**Year Ended December 31, 2009 and 2010**

	<b>2009</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Decrease in net assets	\$ (38,512)	\$ (6,485)
Adjustments to reconcile increase in net assets to net cash provided by operations:		
Depreciation	7,398	8,050
Write off of obsolete equipment	1,079	-
Bad Debt	30,000	-
 (Increase) decrease in current assets:		
Other Assets	1,665	-
Increase (decrease) in current liabilities:		
Accounts Payable	(5,551)	(689)
 <b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>34,591</b>	<b>7,361</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(1,349)	-
 <b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(1,349)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
	-	-
 <b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>
 <b>NET INCREASE IN CASH</b>	<b>(5,270)</b>	<b>876</b>
Cash, Beginning of Year	26,739	21,469
Cash, End of Year	<b>\$ 21,469</b>	<b>\$ 22,345</b>

**SUPPLEMENTAL DISCLOSURES**

Received \$23,354 and \$23,665 in donated supplies (non-cash) for school supplies, etc. in 2009 and 2010, respectively. These supplies were distributed to children in the community.

See accompanying notes and accountant's report.

**K4C Ministries Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2009 and 2010**

**NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**K4C Ministries Inc.** (The Organization) was organized under the laws of the State of Georgia as a not-for-profit corporation on June 8, 2005. The organization's purpose is to further the work of Christ by spreading His Gospel to at-risk children in LaFayette, Georgia through Bible teaching, educational assistance, and Christian example.

**Method of accounting.** The financial statements of the organization have been prepared utilizing the accrual basis of accounting.

**Promises to Give.** Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Temporarily and permanently restricted net assets.** Temporarily restricted net assets are those whose use is subject to donor-imposed stipulations that may or will be met, either by actions of the Organizations or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Permanently restricted net assets are subject to donor-imposed stipulation that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

At December 31, 2009 and 2010, there were no permanently restricted net assets, and there were \$15,666 and \$16,814, respectively, temporarily restricted for purchase of a new building.

**Use of estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

**Cash and cash equivalents.** For purposes of the statement of cash flows, the Organization considers all highly liquid investments with initial maturities of three months or less to be cash

**K4C Ministries Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2009 and 2010**

equivalents. There were cash equivalents of \$15,319 and \$15,467 at December 31, 2009 and 2010, respectively.

**Property and equipment.** The Organization capitalizes all expenditures for property and equipment in excess of \$200. Property and equipment are recorded at cost or, if donated, at estimated fair value at the date of donation. Donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is provided over the estimated useful lives of depreciable assets. It is computed using the straight-line method for buildings and the double declining method for all other assets.

**Contributions.** Contributions received, including unconditional promises to give, are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. Contributions of donated noncash assets are recorded at their fair values in the period received. Unconditional promises to give due in the next year are reported at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

**Donated services.** The Organization receives donated services from unpaid volunteers who perform a variety of tasks to assist the Organization in its program services and its fund-raising campaigns. Donated services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. If the criteria for recognition are satisfied, donated services are recorded at their fair values in the period received.

**Fundraising taxes.** The total costs of fundraising are included in the statement of activities.

**Income taxes.** The Organization is a Section 501 (c) (3) not-for-profit agency exempt from federal and state income taxes pursuant to Section 501 (a) of the Internal Revenue Code.

**K4C Ministries Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2009 and 2010**

**Advertising.** The Organization's policy is to expense advertising costs as the costs are incurred. During the years ended December 31, 2009 and 2010, the Organization incurred no advertising expense.

**NOTE B – RESTRICTIONS ON NET ASSETS**

Temporary restrictions on net assets at the end of 2009 and 2010 are related to funds restricted for the purchase of real estate.

**NOTE C – BAD DEBT**

In 2006, the Organization entered into a contract to sell real property for a purchase price which included \$30,000 in construction materials. In 2009, it became apparent that the purchaser no longer intended to provide the \$30,000 in materials. The Board elected not to take legal action and voted to write-off the asset as bad debt.

**NOTE D – PROPERTY AND EQUIPMENT**

At December 31, 2010, property and equipment consist of the following:

Vehicles	\$	4,750
Office equipment and furnishings		<u>32,911</u>
		37,611
Accumulated depreciation	(	<u>28,650</u> )
	\$	<u>9,011</u>

Depreciation for the years ending December 31, 2009 and 2010 is \$7,398 and \$8,050, respectively.

**NOTE E – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 6, 2011, the date which the financial statements were available to be issued.