

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

Lafayette, Georgia

FINANCIAL STATEMENTS

December 31, 2006

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

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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, 2006, 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, 2006, 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, Wickey & Meacham, P.C.

July 12, 2007

H. Pat Murchison, CPA
C Jeff Durham, CPA
Cleyta M. Andrews, CPA
Stephen L. Keown, CPA
Kevin A. Ryan, CPA, CVA
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Ben C. Crownover, CPA, PFS

Harrison M. Hickey, CPA
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Johnson, Hickey & Murchison, P.C.
Certified Public Accountants

Members
American Institute of Certified Public Accountants
Tennessee Society of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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Johnson, Hickey & Murchison, P.C.

July 12, 2007

K 4 C MINISTRIES, INC.
D/B/A KIDS FOR CHRIST
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2006

ASSETS

Cash in bank	\$ 52,460
Prepaid expenses	5,434
Land held for investment	10,000
Property and equipment, at cost (Note 2)	<u>148,517</u>
	<u>\$ 216,411</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 3,592
Accrued expenses	1,392
Deferred revenue	22,865
Long-term debt (Note 3)	<u>128,573</u>
	<u>156,422</u>
Unrestricted net assets	32,344
Temporarily restricted net assets (Note 4)	<u>27,645</u>
	<u>59,989</u>
	<u>\$ 216,411</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, 2006**

UNRESTRICTED NET ASSETS:

Support and revenue -	
Cash contributions	\$ 57,619
Noncash contributions	10,957
Grant revenue	31,135
Special events	9,161
Other revenue	<u>636</u>
 Total support and revenue	 <u>109,508</u>

Expenses -

Program service	68,099
General and administrative	17,156
Fundraising	<u>6,440</u>
 Total expenses	 <u>91,695</u>

Increase in unrestricted net assets	<u>17,813</u>
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TEMPORARILY RESTRICTED NET ASSETS:

Cash contributions	17,645
Non-cash contributions	<u>10,000</u>

Increase in temporarily restricted net assets	<u>27,645</u>
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INCREASE IN NET ASSETS	45,458
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NET ASSETS:

Beginning	<u>14,531</u>
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Ending	<u><u>\$ 59,989</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, 2006

	<u>Program Service</u>	<u>General & Adminis- trative</u>	<u>Fundraising</u>	<u>Total</u>
Occupancy	\$ 10,778	\$ 1,902	\$ -	\$ 12,680
Transportation	3,320	1,078	-	4,398
Special activities	9,649	-	2,534	12,183
Insurance	4,519	798	-	5,317
Wednesday night program	3,852	-	-	3,852
Depreciation	2,172	383	-	2,555
Supplies	3,773	1,172	2,870	7,815
Training	498	79	115	692
Utilities	6,925	1,222	-	8,147
Professional fees	-	4,981	-	4,981
Postage	108	55	921	1,084
Salaries	18,863	-	-	18,863
Payroll taxes	342	1,940	-	2,282
Maintenance	3,060	540	-	3,600
Interest	-	3,006	-	3,006
Other	240	-	-	240
	<u>\$ 68,099</u>	<u>\$ 17,156</u>	<u>\$ 6,440</u>	<u>\$ 91,695</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 CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006**

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$ 45,458
Adjustments to reconcile increase in net assets to net cash provided by operating activities -	
Depreciation	2,555
Noncash contributions	(17,818)
Net (increase) decrease in operating assets:	
Prepaid expenses	(3,843)
Net increase (decrease) in operating liabilities:	
Accounts payable	1,672
Accrued expenses	1,392
Deferred revenue	<u>22,865</u>
Net cash provided by operating activities	<u>52,281</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Cash paid for property and equipment	<u>(7,961)</u>
Net cash used by investing activities	<u>(7,961)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on long-term debt	<u>(427)</u>
Net cash used by financing activities	<u>(427)</u>

NET INCREASE IN CASH 43,893

CASH:

Beginning	<u>8,567</u>
Ending	<u><u>\$ 52,460</u></u>

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

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Purchase of property and equipment	\$ (144,779)
Proceeds from financing	129,000
Property and equipment donated	<u>7,818</u>
Cash paid for property and equipment	<u><u>\$ (7,961)</u></u>

(The accompanying notes 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, 2006

(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, 2006, the Organization had no 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, 2006

(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, 2006

(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) PROPERTY AND EQUIPMENT:

At December 31, 2006, fixed assets are as follows -

Land	\$ 30,000
Buildings	103,889
Furniture, fixtures and equipment	8,615
Vehicles	5,950
Library	<u>3,318</u>
	151,772
Less: Accumulated depreciation	<u>3,255</u>
	<u>\$ 148,517</u>

K 4 C Ministries, Inc. purchased a building, which is currently being renovated and has not been placed into service.

(3) LONG-TERM DEBT:

Notes payable at December 31, 2006 consist of the following -

Note payable to Energy Way Corp, in monthly installments of \$858, including interest at 7.0%, through August, 2036, secured by property	<u>\$ 128,573</u>
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Future maturities are as follows -

For the year ending December 31,		\$	1,341
	2007		1,438
	2008		1,542
	2009		1,653
	2010		1,773
	2011		<u>120,826</u>
	Thereafter		
		<u>\$</u>	<u>128,573</u>

K 4 C MINISTRIES, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

(4) TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets as of December 31, 2006, consists of the following -

Contributions designated for the camp and building expenses	\$ 17,645
Land donated for the building expenses	<u>10,000</u>
	<u>\$ 27,645</u>

(5) 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, 2006, was \$12,600.