

**KANSAS DISTRICT COUNCIL OF THE
ASSEMBLIES OF GOD, INC.**

FINANCIAL STATEMENTS

Years Ended December 31, 2010 and 2009



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ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors

KANSAS DISTRICT COUNCIL OF THE ASSEMBLIES OF GOD, INC.

We have compiled the accompanying statements of assets, liabilities, and net assets – modified cash basis of the Kansas District Council of the Assemblies of God, Inc. (a non-profit organization) as of December 31, 2010 and 2009, and the related statement of revenues, expenses and changes in net assets – modified cash basis for the year ended December 31, 2010. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the modified cash basis of accounting.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist the members in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Mayer Hoffman McCann, P.C.

Wichita, Kansas
March 11, 2011

KANSAS DISTRICT COUNCIL OF THE ASSEMBLIES OF GOD, INC.

STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS – MODIFIED CASH BASIS

December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 7,656	\$ 48,946
Short-term investments	601,510	453,943
Notes receivable	61,544	77,789
TOTAL CURRENT ASSETS	<u>670,710</u>	<u>580,678</u>
PROPERTY, PLANT AND EQUIPMENT, at cost, less accumulated depreciation	<u>927,376</u>	<u>827,730</u>
OTHER ASSETS		
Deposits designated to start new churches	-	55,264
Deposits designated to loans to member churches	58,365	40,523
Deposits designated to fund Lee ministries	43,008	41,482
	<u>101,373</u>	<u>137,269</u>
TOTAL ASSETS	<u>\$ 1,699,459</u>	<u>\$ 1,545,677</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Notes payable	\$ 367,633	\$ 216,780
TOTAL CURRENT LIABILITIES	<u>367,633</u>	<u>216,780</u>
<u>NET ASSETS</u>		
NET ASSETS		
Unrestricted		
Designated for contingencies	261,772	133,961
Undesignated	962,172	1,034,421
	<u>1,223,944</u>	<u>1,168,382</u>
Temporarily restricted	<u>107,882</u>	<u>160,515</u>
TOTAL NET ASSETS	<u>1,331,826</u>	<u>1,328,897</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,699,459</u>	<u>\$ 1,545,677</u>

See Notes to Financial Statements and Accountants' Compilation Report

KANSAS DISTRICT COUNCIL OF THE ASSEMBLIES OF GOD, INC.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS-MODIFIED CASH BASIS

Year Ended December 31, 2010

	NET ASSETS AT BEGINNING OF YEAR	REVENUE, GAINS AND OTHER SUPPORT	EXPENSES	TRANSFER (TO)/FROM OTHER FUNDS	CHANGE IN NET ASSETS	NET ASSETS RELEASED FROM RE- STRICTION	NET ASSETS AT END OF YEAR
UNRESTRICTED							
Designated							
Deferred							
Compensation	\$ 8,372	\$ 1,515	\$ -	\$ -	\$ 1,515	\$ -	\$ 9,887
KS/US Missions							
Property	125,589	2,100	65,125	129,321	66,296	-	191,885
Reserve	-	-	-	60,000	60,000	-	60,000
	<u>133,961</u>	<u>3,615</u>	<u>65,125</u>	<u>189,321</u>	<u>127,811</u>	<u>-</u>	<u>261,772</u>
Undesignated							
General Administration	646,971	976,434	784,372	(153,750)	38,312	-	685,283
Network Development	13,909	31,576	103,110	53,750	(17,784)	-	(3,875)
Home Missions	47,358	249,824	249,912	(74,057)	(74,145)	55,473	28,686
World Missions	29,221	36,311	51,693	-	(15,382)	-	13,839
Wheat State Camp	178,284	406,689	485,319	-	(78,630)	-	99,654
Woodston Camp	51,476	86,931	53,297	-	33,634	-	85,110
Kansas Youth							-
Ministries and							-
Christian Education	38,188	510,245	559,106	40,000	(8,861)	-	29,327
Women's Ministries	21,004	67,446	74,289	-	(6,843)	-	14,161
Girls Ministries	587	30,688	27,702	-	2,986	-	3,573
Mens Ministries	1,171	13,867	15,427	-	(1,560)	-	(389)
Royal Rangers	6,252	11,375	10,824	-	551	-	6,803
	<u>1,034,421</u>	<u>2,421,386</u>	<u>2,415,051</u>	<u>(134,057)</u>	<u>(127,722)</u>	<u>55,473</u>	<u>962,172</u>
TOTAL UNRESTRICTED	<u>1,168,382</u>	<u>2,425,001</u>	<u>2,480,176</u>	<u>55,264</u>	<u>89</u>	<u>55,473</u>	<u>1,223,944</u>
TEMPORARILY RESTRICTED							
Lee Ministry	41,481	57,000	-	-	57,000	(55,473)	43,008
Revolving Loan Fund	63,770	1,104	-	-	1,104	-	64,874
Kansas Harvest							
Foundation	55,264	-	-	(55,264)	(55,264)	-	-
	<u>160,515</u>	<u>58,104</u>	<u>-</u>	<u>(55,264)</u>	<u>2,840</u>	<u>(55,473)</u>	<u>107,882</u>
	<u>\$ 1,328,897</u>	<u>\$ 2,483,105</u>	<u>\$ 2,480,176</u>	<u>\$ -</u>	<u>\$ 2,929</u>	<u>\$ -</u>	<u>\$ 1,331,826</u>

See Notes to Financial Statements and Accountants' Compilation Report

KANSAS DISTRICT COUNCIL OF THE ASSEMBLIES OF GOD, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

Nature of operations – Kansas District Council of the Assemblies of God, Inc. (the Organization) is a non-profit organization established to provide ministries to women, men, youth, boys and girls, senior adults and those in prison, in addition to home and world missions. The Board of Directors led by the District Superintendent provides vision and leadership for all the ministries of the District.

The Organization considers ministering to the spiritual needs of the people in the Kansas District and abroad to be its basic programs.

The summary of significant accounting policies of the Organization is presented to assist in understanding its financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity.

Use of estimates - The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial statement presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 985-205, "*Financial Statements of Not-for-Profit Organizations.*" Under FASB ASC 958-205, the Organization is required to report information regarding financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets are those which have been limited by donors to a specified time period or purpose. The Organization has no permanently restricted net assets.

Recognition of donor restrictions – Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily and permanently restricted net assets depending on the nature of the restriction. 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.

Donated property and equipment – Donations of property and equipment are recorded as contributions at their fair value at the date of the donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset 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 these donated assets must be maintained, the Organization reports expirations 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.

KANSAS DISTRICT COUNCIL OF THE ASSEMBLIES OF GOD, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Donated facilities and services – Donated facilities are valued at their fair value. Donated services are recognized as contributions in accordance with ASC 958, *Accounting for Contributions Received and Contributions Made*, at their estimated value on the date of receipt. Contributed services are recognized if the services (a) create or enhance non-financial assets; or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization did not receive any donated services during the year ended December 31, 2010, which are required to be recorded.

Depreciation and amortization - Depreciation and amortization are computed by the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful Lives</u>
Buildings	10 - 40 years
Furniture and fixtures	5 - 10 years
Automobiles and trucks	8 - 10 years

Property and equipment - The organization's policy is to capitalize asset purchases or improvements exceeding \$1,000. Property and equipment is carried at cost, if purchased, or estimated fair value at the date of donation, if donated.

Short-term investments and investment returns – Investments held by the Organization are short-term certificates of deposit and demand deposits with a financial service organization. The Organization receives a return of 3%-3.75% on these deposits held. Interest earned was \$ 20,507 for the year ended December 31, 2010 and is reported as revenue, gains, and other support on the statement of revenues, expenses and changes in net assets – modified cash basis. The carrying value of investments approximates fair value because of the short maturities of those financial instruments.

Basis of accounting – The financial statements have been prepared on a modified cash basis. Consequently, certain revenues have been recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligations are incurred. The modifications to the pure cash basis are as follows: net amounts arising from the disbursement of cash for loans to churches and the subsequent repayments are recorded as assets; property and equipment purchases are recorded as assets; depreciation expense and accumulated depreciation are recorded; net amounts arising from the receipt of borrowed cash and the subsequent repayments are recorded as liabilities; and employee payroll taxes not deposited with the IRS are recorded as liabilities and overpayments as assets.

Reclassifications – Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. The reclassification has no effect on the change in net assets.

KANSAS DISTRICT COUNCIL OF THE ASSEMBLIES OF GOD, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Revenue recognition – Program service revenues are recognized by the Organization in the period in which the services are provided. Contributions are recognized as income in the period in which the contributions are made.

Revenue sources – The primary sources of revenue for the Organization is from faith offerings from district churches, offerings for district church ministries, camp income and other miscellaneous sources of income.

Fair value of financial instruments approximates carrying amount – The Organization’s financial instruments are cash, short-term investments, notes receivable, accrued liabilities, and notes payable. The recorded values of cash, short-term investments, notes receivable, and accrued liabilities approximate their fair values based on their short-term nature. The recorded value of notes payable approximates fair value, as interest approximates market rates.

Asset impairment assessment – The organization reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying value of such assets may not be fully recoverable. An impairment is evaluated based on the sum of undiscounted future cash flows expected to result from the use of the asset compared to its carrying value. If impairment is recognized, the carrying value of the impaired asset is reduced to its fair value, based on discounted estimated future cash flows. No impairment has been recognized through December 31, 2010.

(2) Property, plant, and equipment

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Cost		
Land	\$ 600	\$ 600
Building	1,654,371	1,485,986
Furniture and fixtures	298,625	293,477
Autos and trucks	14,457	14,457
Total cost	<u>1,968,053</u>	<u>1,794,520</u>
Accumulated depreciation	<u>1,040,677</u>	<u>966,790</u>
Net property, plant, and equipment	<u>\$ 927,376</u>	<u>\$ 827,730</u>

The Organization periodically evaluates the remaining useful life and recoverability of the buildings and equipment in light of current circumstances, and believes it will recover the carrying amount in future operations. The aggregate depreciation expense on the above property, plant, and equipment was \$73,887 for the year ended December 31, 2010.

KANSAS DISTRICT COUNCIL OF THE ASSEMBLIES OF GOD, INC.

NOTES TO FINANCIAL STATEMENTS

(3) Restricted deposits

Under terms of donor restrictions, certain funds are required to be set aside for future loans to member churches. These funds are temporarily restricted. Other funds are to be held for starting new churches and to fund Lee ministries. These funds are also temporarily restricted. Use of all of these funds is contingent upon meeting the donor restrictions for disbursements. There are also board-designated funds that are maintained in the reserve, housing and deferred compensation funds.

(4) Notes receivable

Loans receivable are summarized as follows:

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Principal and interest outstanding on notes to:		
Scott City	\$ 2,761	\$ 3,672
City Church	55,034	67,026
Kingman	3,749	7,091
Total notes receivable	<u>\$ 61,544</u>	<u>\$ 77,789</u>

The notes represent loans from the Organization to churches to fund various activities. The loans represent unsecured demand notes at interest rates set at 1% over prime rate at the time of the loan. In managements' opinion, the remaining balance of notes receivable is collectible.

(5) Notes payable

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
<u>Short-term debt</u>		
Construction note payable, interest only loan until construction is complete. Interest is New York prime plus 1/2 percent.	\$ 367,633	\$ 216,780
Total notes payable	367,633	216,780
Less current portion	367,633	216,780
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>

Interest costs incurred and charged to expense on notes payable obligations was \$16,928 for the year ended December 31, 2010.

KANSAS DISTRICT COUNCIL OF THE ASSEMBLIES OF GOD, INC.

NOTES TO FINANCIAL STATEMENTS

(6) Income taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization currently engages in no activities that would be taxed as unrelated business income. Accordingly, no provision has been made for Federal income tax.

The Organization has adopted the standards requiring disclosure of uncertain tax positions under the ASC topic "Income Taxes". There has not been any interest or penalties recognized in neither the statement of revenues, expenses and changes in net assets - modified cash basis nor in the statement of assets, liabilities, and net assets - modified cash basis related to uncertain tax positions. In addition, no tax positions exist for which it is reasonable possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next 12 months.

The Organization has been classified as an organization other than a private foundation under Section 509 (a)(2) and is also a public charity under IRC Sections 509(a)(1) and 170(b)(1)(A). This allows for donations to the Organization to be deductible as charitable contributions.

The Organization also qualifies as a religious order in accordance with IRC Sections 501-514, 4940-4947, and 6033, and therefore is exempt from filing federal Form 990, Return of Organizations Exempt from Income Tax.

(7) Facility lease

The Organization leases a building used for administrative purposes. The lease requires gross rent of approximately \$6,411 per month, commencing on September 15, 2009. The term of the lease expires September 30, 2010 with the option to renew for each of two consecutive years by providing advance written notice. The Organization has exercised the option to renew through September 30, 2011. Rent expense for the year ended December 31, 2010 was \$76,928.

(8) Concentrations of credit risk from cash deposits in excess of insured limits

The Organization maintains cash balances at several financial institutions located in Kansas. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Amounts held on deposit at these institutions periodically exceed federally insured limits.

(9) Subsequent event

An evaluation of subsequent events was completed by management through March 11, 2011 which represents the date the financial statements were available for distribution. No significant items were noted during this evaluation that would require disclosure in the financial statements or accompanying footnotes.

KANSAS DISTRICT COUNCIL OF THE ASSEMBLIES OF GOD, INC.

NOTES TO FINANCIAL STATEMENTS

(10) Allocation of expenses

The costs incurred in providing the various programs and activities are summarized by fund in the statement of revenues, expenses and changes in net assets – modified cash basis. A summary of these costs allocated among the programs and supporting services benefited for the year ended December 31, 2010 is as follows:

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUND RAISING</u>	<u>TOTAL</u>
Deferred				
Compensation	\$ -	\$ -	\$ -	\$ -
KS/US Missions				
Property	65,125	-	-	65,125
Reserve	-	-	-	-
General Administration	144,887	639,485	-	784,372
Network Development	102,151	959	-	103,110
Home Missions	193,170	1,269	-	194,439
World Missions	50,774	919	-	51,693
Wheat State Camp	483,893	1,426	-	485,319
Woodston Camp	50,803	2,494	-	53,297
Kansas Youth Ministries and Christian				
Education	553,119	-	5,987	559,106
Women's Ministries	73,331	-	958	74,289
Girls Ministries	28,644	-	(942)	27,702
Mens Ministries	15,427	-	-	15,427
Royal Rangers	10,824	-	-	10,824
Lee Ministry	55,473	-	-	55,473
	<u>\$ 1,827,621</u>	<u>\$ 646,552</u>	<u>\$ 6,003</u>	<u>\$ 2,480,176</u>

Summary of Funds: Cash Flow Report

For the year ended December 31, 2010

	Balance Dec. 31, 2009	Receipts	Disbursements	Increase (Decrease)	Balance Dec. 31, 2010
Administration	\$538,416.00	\$976,434.00	\$931,432.00	\$45,002.00	\$583,418.00
KYM/CE	\$30,477.00	\$550,245.00	\$557,724.00	(\$7,479.00)	\$22,998.00
Women's Ministries	\$19,607.00	\$67,446.00	\$74,108.00	(\$6,662.00)	\$12,945.00
Girls Ministries	\$587.00	\$30,688.00	\$27,702.00	\$2,986.00	\$3,573.00
Mens Ministries	\$1,174.00	\$13,867.00	\$15,427.00	(\$1,560.00)	(\$386.00)
Royal Rangers	\$6,254.00	\$11,375.00	\$10,824.00	\$551.00	\$6,805.00
Wheat State Camp	(\$323,221.00)	\$574,471.00	\$612,507.00	(\$38,036.00)	(\$361,257.00)
Woodston Camp	\$5,148.00	\$86,931.00	\$51,430.00	\$35,501.00	\$40,649.00
U. S. Missions	\$47,357.00	\$249,824.00	\$268,496.00	(\$18,672.00)	\$28,685.00
World Missions	\$29,220.00	\$36,311.00	\$51,693.00	(\$15,382.00)	\$13,838.00
Network Development	\$13,909.00	\$85,326.00	\$103,110.00	(\$17,784.00)	(\$3,875.00)
Funds Desig. By Board	\$175,442.00	\$249,936.00	\$120,598.00	\$129,338.00	\$304,780.00
Restricted Funds	\$95,787.00	\$17,842.00	\$55,264.00	(\$37,422.00)	\$58,365.00
Totals	\$640,157.00	\$2,950,696.00	\$2,880,315.00	\$70,381.00	\$710,538.00

Note: The above information is not part of the accountant's report. It was compiled in-house for clarification.