

THE PSALM 119 ASSOCIATION INC.

Annual Financial Report

June 30, 2021

THE PSALM 119 ASSOCIATION INC.

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors
of The Psalm 119 Association Inc.

I have audited the accompanying financial statements of The Psalm 119 Association Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

I was unable to obtain sufficient appropriate audit evidence about the amounts recognized as inventory as of June 30, 2020 or June 30, 2021. Since this was prior to my appointment as auditor, I did not observe an inventory count at those dates, and I could not obtain other sufficient evidence to support inventory quantities. Consequently, I was unable to determine whether any adjustment to either the beginning or ending inventory amounts was necessary.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of The Psalm 119 Association Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Titusville, Florida
May 13, 2022

THE PSALM 119 ASSOCIATION INC.

Statement of Financial Position

As of June 30, 2021

ASSETS

Current Assets

Cash and Cash Equivalents	\$	847,147
Unconditional Promises to Give		1,210
Prepaid Expenses		6,157
Accounts Receivable		10,282
Inventory		121,118
Total Current Assets		<u>985,914</u>

Other Assets

Property and Equipment, net of \$1,644 depreciation		-
Investments - Long-Term		597,816
Intangible Assets:		
Indefinite Life Intangible Assets - Helios GS		91,900
Indefinite Life Intangible Assets - Helios CT		275,777
Total Other Assets		<u>965,493</u>

Total Assets	\$	<u>1,951,407</u>
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LIABILITIES AND NET ASSETS

Liabilities

Current Liabilities:

Credit Card Payable	\$	870
Payroll Liabilities		3,542
Total Current Liabilities		<u>4,412</u>

Total Liabilities		4,412
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Net Assets

Without Donor Restrictions		<u>1,946,995</u>
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Total Net Assets		<u>1,946,995</u>
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Total Liabilities and Net Assets	\$	<u>1,951,407</u>
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See Accompanying Notes to Financial Statements

THE PSALM 119 ASSOCIATION INC.

Statement of Activities

For the Year Ended June 30, 2021

Revenue and Support

Direct Public Support:

Helios Projects	\$ 105,827
Woodrow Kroll Ministries	261,379
Total Direct Public Support	<u>367,206</u>

Sales Revenue:

Helios and Book Sales	4,274
Less: Cost of Goods Sold	<u>(1,625)</u>
Gross Profit	2,649

Other Revenue:

Investment Return, Net	69,930
Miscellaneous Revenue	476
Total Other Revenue	<u>70,406</u>

Total Revenue and Support

440,261

Expenses

Program Services:

Helios Projects	107,304
Bookstore Ministry	10,944
Speaking Ministry	3,804
Total Program Services	<u>122,052</u>

Supporting Services:

Management and General	31,149
Fundraising	185,970
Total Supporting Services	<u>217,119</u>

Total Expenses

339,171

Change in Net Assets 101,090

Net Assets at Beginning of Year 1,564,524

Prior Period Adjustment 281,381

Net Assets at End of Year

\$ 1,946,995

See Accompanying Notes to Financial Statements

THE PSALM 119 ASSOCIATION INC.

Statement of Cash Flows

For the Year Ended June 30, 2021

Cash Flows from Operating Activities

Change in Net Assets	\$	101,090
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by (Used in) Operating Activities:		
Net Investment Returns (Unrealized)		(69,070)
Changes in Operating Assets and Liabilities:		
Increase in Accounts Receivable		(10,041)
Increase in Unconditional Promises to Give		(1,210)
Increase in Prepaid Expenses		(5,001)
Decrease in Inventory		14,107
Increase in Payroll Liabilities		3,542
Increase in Credit Card Payable		870
Net Cash Provided by Operating Activities		<u>34,287</u>

Cash Flows from Investing Activities

Purchases of Investments		(275,841)
Proceeds from Sale of Investments		110,956
Redemption of Certificate of Deposit		51,067
Investment in Intangible Assets		<u>(14,300)</u>
Net Cash Used in Investing Activities		<u>(128,118)</u>

Net Increase (Decrease) in Cash and Cash Equivalents		(93,831)
Cash and Cash Equivalents, Beginning of Year		<u>940,978</u>
Cash and Cash Equivalents, End of Year	\$	<u><u>847,147</u></u>

See Accompanying Notes to Financial Statements

THE PSALM 119 ASSOCIATION INC.
Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program Services				Supporting Services			Total Functional Expenses
	Helios Projects	Bookstore Ministry	Speaking Ministry	Total Program Services	Management and General	Fund- Raising	Total Supporting Services	
Salaries	\$ 50,893	\$ 5,988	\$ 2,994	\$ 59,875	\$ 9,979	\$ 29,938	\$ 39,917	\$ 99,792
Fees and Licenses	-	-	-	-	-	19,420	19,420	19,420
Travel	131	-	810	941	-	5,211	5,211	6,152
Marketing	-	-	-	-	4,627	123,446	128,073	128,073
Accounting Fees	-	-	-	-	4,028	-	4,028	4,028
Legal Expenses	-	-	-	-	4,322	-	4,322	4,322
Insurance	-	-	-	-	1,867	-	1,867	1,867
Bank Service Charges	485	-	-	485	944	-	944	1,429
Office Supplies	83	149	-	232	358	989	1,347	1,579
Resources - Production	1,692	-	-	1,692	-	-	-	1,692
Resources - Distribution	20,944	3,431	-	24,375	-	-	-	24,375
Printing Costs	-	-	-	-	-	3,504	3,504	3,504
Postage	16	31	-	47	3,811	2,220	6,031	6,078
Telephone	-	-	-	-	431	-	431	431
Meals	251	-	-	251	-	322	322	573
Miscellaneous	-	241	-	241	-	-	-	241
Inventory Adjustment	209	-	-	209	-	-	-	209
Rent/Parking/Utilities	-	1,104	-	1,104	782	-	782	1,886
Grants to Individuals	32,600	-	-	32,600	-	920	920	33,520
Total Functional Expenses	\$ 107,304	\$ 10,944	\$ 3,804	\$ 122,052	\$ 31,149	\$ 185,970	\$ 217,119	\$ 339,171

See Accompanying Notes to Financial Statements

THE PSALM 119 ASSOCIATION INC.

Notes to Financial Statements

June 30, 2021

1. Summary of Significant Accounting Policies:

(a) **Nature of Organization:**

The Psalm 119 Association Inc. (the Ministry) is a not-for-profit corporation that exists to connect people with the Author of the Bible through the teaching of the Bible, being convinced of the greatness of God's Word, concerned for the growth of God's people, and blessed by the generosity of God's goodness. The Ministry uses the trade name "Woodrow Kroll Ministries" (WKM). The programs of the Ministry consist of the following:

Helios Projects

The Helios Projects are a series of teaching tools featuring the Bible and theology teaching of Dr. Woodrow Kroll, working to put a Bible and Christian faith education in the hand of the 95% of pastors worldwide with little or no Bible or theology training.

Bookstore Ministry

The Bookstore Ministry makes available Dr. Kroll's books – focused on helping Christians engage God's Word and grow in their faith.

Speaking Ministry

The Speaking Ministry is the preaching and teaching of God's Word in churches and other Christian organizations.

(b) **Basis of Accounting:**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) 958, *Not-for-profit Entities*, and related Accounting Standards Updates (ASUs).

(c) **Income Tax Status:**

The Ministry is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as a public charity. Contributions to it are tax deductible within the limitations prescribed by the Code.

(d) **Cash and Cash Equivalents:**

For purposes of the statement of cash flows, the Ministry considers all highly liquid investment accounts with an initial expected holding period of three months or less to be cash equivalents.

(e) **Inventory:**

Inventory consists of books and Helios units and is stated at the lower of cost or net realizable value. Cost is determined by the weighted average method. When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recognized as a loss in the statement of activities in the period in which it occurs.

THE PSALM 119 ASSOCIATION INC.

Notes to Financial Statements

June 30, 2021

1. Summary of Significant Accounting Policies (Continued):

(f) Property and Equipment:

Property and equipment are reported at cost if purchased or at fair value at the date of gift if donated. Depreciation is calculated using the straight-line method over estimated useful lives of 3 to 40 years. The Ministry capitalizes additions and improvements that have a useful life of 1 year or more and a cost of \$1,000 or more.

(g) Investments:

It is the policy of the Ministry to account for investments at fair market value utilizing quoted market prices in active markets. Realized and unrealized gains or losses on investments, net of investment expenses, are reflected in the statement of activities as Investment Return, Net. Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is as least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

(h) Net Asset Classification:

The net assets of the Ministry are classified for accounting and reporting purposes in two general classes of net assets based on the existence or absence of donor-imposed restrictions. The two classes are reported as follows:

With Donor Restrictions – Net assets that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period, or that are required to be maintained permanently by the Ministry.

Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations and are immediately available to support operations.

All donor-restricted support is reported as an increase in donor restricted net assets, depending on the nature of the restriction. When a restriction expires, such as when a stipulated time restriction ends or purpose restriction is accomplished, the restricted net assets are reported in the statement of activities as net assets released from restrictions. If temporary restrictions expire within the same fiscal year, the Ministry reports the amount as a donation without donor restrictions. There were no amounts of donor-restricted net assets that were required to be reported at June 30, 2021.

(i) Accounting Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

THE PSALM 119 ASSOCIATION INC.

Notes to Financial Statements

June 30, 2021

1. Summary of Significant Accounting Policies (Continued):

(j) Support and Revenue:

All sales of items are recognized at a point in time (i.e., the time the order is placed and payment is received) and are included on the statement of activities under Sales Revenue. No receivables are associated with the sales of items.

Contributions received are recorded as without donor restrictions, with donor restrictions, or with permanent donor restrictions depending on the existence and/or nature of any donor restrictions.

Contributions of cash that were received with donor restrictions remaining as of the fiscal year end are classified as Cash and Cash Equivalents - Restricted.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

(k) Functional Allocation of Expenses:

Directly identifiable expenses are charged to specific programs, management and general or fundraising. Management and general expenses include those expenses that are not directly identifiable with either program services or fundraising but provide for the overall support and direction of the Ministry. Expenses related to more than one function are charged to program services, management and general or fundraising based on time utilized for the relative activities.

(l) Marketing:

Advertising and marketing are expensed as incurred and amounted to \$128,073 for the year ended June 30, 2021. This amount is included in total fundraising expenses of \$185,970 on the accompanying statement of functional expenses.

2. Cash and Cash Equivalents:

Cash and cash equivalents of \$847,147 consisted of demand deposits and amounts on hand of \$450,120 and both a money market investment fund of \$61,078 and an overnight sweep of excess cash that was not insured by the FDIC of \$335,949 that were held by the same brokerage firm as the long-term investments discussed below. \$442,335 in demand deposits were FDIC insured and held at various banks.

3. Unconditional Promises to Give:

The Ministry holds fund raising campaigns for various purposes. Pledges receivable are recorded when notification of the pledge is received and there are no conditions noted in the pledge agreement. The pledges as of June 30, 2021 are unconditional. Management expects any uncollectible promises to be insignificant and believes the entire balance of \$1,210 to be collected in the subsequent year.

4. Accounts Receivable:

The receivable consisted of an amount due from an individual that was received in full shortly after June 30, 2021. No allowance for uncollectible accounts was deemed necessary.

THE PSALM 119 ASSOCIATION INC.

Notes to Financial Statements

June 30, 2021

5. Investments - Long-Term:

As of June 30, 2021, long-term investments consisted of the following:

<u>Category:</u>	<u>Amount</u>
Equities	\$327,606
Exchange-Traded Products	80,103
Fixed Income	100,035
Mutual Funds	90,072
Total Investments - Long-Term	<u>\$597,816</u>

The Ministry maintains its investments and cash equivalents with a brokerage firm that is a member of the Securities Investor Protection Corporation (SIPC). Cash and investments held by the firm are insured by the SIPC should the investment firm become financially troubled or bankrupt. The insurance provides brokerage customers up to \$500,000 coverage for cash and securities held by the firm, inclusive of up to \$250,000 for cash balances. The fixed income investment was a fully FDIC insured certificate of deposit. At June 30, 2021, the Ministry's uninsured cash equivalents and investment balances approximated \$394,800.

6. Indefinite Life Intangible Assets:

The Ministry has expended significant resources to develop its materials translated and produced in several languages. The cost of developing these materials is believed to have an indefinite life of use. Consequently, the Ministry has recorded the cost of creating these intangible assets as an asset not subject to amortization. Previous to the year ended June 30, 2021, the cost of developing these materials had been expensed as incurred. Upon additional consideration, it was determined these costs should have been capitalized as non-depreciable intangible assets with an indefinite life since they continue to provide value and use to the Ministry in perpetuity. As of June 30, 2020, the cumulative cost incurred in developing these materials totaled \$353,377. This amount is reflected in these financial statements as a prior period adjustment. For the year ended June 30, 2021 an additional \$14,300 was expended and capitalized in developing these intangible materials.

7. Donated Materials and Services:

The Ministry received donated services from seven volunteers who have donated approximately forty hours of time to assist in the programs of the Ministry. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort has not been satisfied.

8. Leases:

The Ministry leases a storage unit for its inventory on a month-to-month basis. The total amount of rent paid during the year ended June 30, 2021 was \$1,104.

9. Fundraising Expenses:

Fundraising expenses are recognized when incurred, regardless of the campaign year to which they relate.

THE PSALM 119 ASSOCIATION INC.

Notes to Financial Statements

June 30, 2021

10. Retirement Plan:

The Ministry maintains a 401(k) plan (the Plan) that is eligible to full-time employees after completing one year of service. Ministry contributions to the Plan are 100% of the amount of employee contributions to the Plan up to the maximum percentage listed below.

<u>Year(s) of Employment</u>	<u>Maximum Contribution</u>
2	5%
3-4	10%
5-6	15%
7-8	20%
9 or more	25%

The total amount the Ministry contributed to the Plan during the year ended June 30, 2021 was \$6,528.

11. Liquidity and Financial Asset Availability:

The Ministry has \$847,147 of financial assets, consisting of cash and cash equivalents, which are available for general use within one year of the statement of financial position date. This amount exceeds the annual general expenditure needs of the Ministry. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure. The Ministry maintains the practice of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Ministry is principally supported by contributions and investment income. Management has the ability to significantly curtail expenses in response to cash shortages.

12. Fair Value Measurements:

The Ministry's investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Ministry believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

U.S. generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which the transaction for the asset or liability occurs with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active for identical or similar assets or liabilities, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.

THE PSALM 119 ASSOCIATION INC.

Notes to Financial Statements

June 30, 2021

12. Fair Value Measurements (Continued):

Level 3: Unobservable inputs that are not corroborated by market data. These inputs reflect a organization's own expectations about the assumptions a market participant would use in pricing the asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As of June 30, 2021, all of the Ministry's investments were categorized as Level 1 with the exception of the Fixed Income amount of \$100,035 (see Note 5), which was a two-year certificate of deposit classified as a Level 2 input. The certificate of deposit was valued at cost, which was deemed its fair value. All Level 1 assets were valued using quoted prices in principal active markets for identical assets as of June 30, 2021.

Mutual funds are valued at the daily closing price as reported by the fund. These are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Ministry are deemed to be actively traded.

13. Prior Period Adjustment and Other Reclassifications:

In addition to the \$353,377 prior period adjustment discussed in Note 6 above, the Ministry also included adjustments for errors in payroll liabilities of \$1,771, prepaid expenses of \$1,157 and the pricing of inventory of (\$74,935).

Cash and cash equivalents held with an investment firm in the amount of \$361,051 as of June 30, 2020 were reclassified from Investments Held to Cash and Cash Equivalents in the statement of financial position. The reclassification is reflected in the beginning of year cash and cash equivalents total on the statement of cash flows.

14. Subsequent Events:

Management has evaluated subsequent events through May 13, 2022, which is the date that the financial statements were available for issuance. The Ministry entered into a contract for translation services on January 3, 2022 in the amount of \$45,000. No other events were identified that were required to be disclosed or would have a material impact on reported net assets or changes in net assets.