

THE PSALM 119 ASSOCIATION INC.

Annual Financial Report

June 30, 2022

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.

Qualified Opinion

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, 2022, and the related statements of activities, functional expenses and cash flows for the fiscal year then ended, and the related notes to the financial statements.

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of The Psalm 119 Association Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

I did not obtain sufficient appropriate audit evidence about the amount recognized as inventory as of June 30, 2021. Since this was prior to my appointment as auditor, and it was the first audit for the entity, no inventory count was observed on this date, nor could I obtain other sufficient evidence to support inventory quantities. Consequently, I was unable to determine whether any adjustment to the beginning inventory amount was necessary for the fiscal year ended June 30, 2022. In addition, I did not obtain sufficient appropriate audit evidence regarding the amount recognized as donor restricted net assets. Amounts prior to June 30, 2019 lacked sufficient documentation at the time the audit was completed.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of The Psalm 119 Association Inc. (the Association) and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Responsibilities of Management for the Financial Statements

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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Crawford CPA, Inc.

Titusville, Florida
March 25, 2023

THE PSALM 119 ASSOCIATION INC.

Statement of Financial Position

As of June 30, 2022

ASSETS

Current Assets

Cash and Cash Equivalents	\$	409,075
Unconditional Promises to Give		3,825
Prepaid Expenses		1,128
Accounts Receivable		25,152
Inventory		85,120
Restricted Cash and Cash Equivalents - Current		35,000
Total Current Assets		<u>559,300</u>

Other Assets

Restricted Cash and Cash Equivalents - Noncurrent		383,014
Property and Equipment, net of \$1,644 depreciation		2,300
Investments - Long-Term		559,814
Intangible Assets:		
Indefinite Life Intangible Assets - Helios GS		120,416
Indefinite Life Intangible Assets - Helios CT		304,332
Total Other Assets		<u>1,369,876</u>

Total Assets	\$	<u><u>1,929,176</u></u>
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LIABILITIES AND NET ASSETS

Liabilities

Current Liabilities:		
Accounts Payable	\$	5,882
Total Current Liabilities		<u>5,882</u>

Total Liabilities		5,882
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Net Assets

Without Donor Restrictions		1,505,280
With Donor Restrictions:		
Helios Projects		418,014
Total Net Assets		<u>1,923,294</u>

Total Liabilities and Net Assets	\$	<u><u>1,929,176</u></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, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Other Support			
Contributions of Cash and Other Financial			
Assets:			
Direct Public Support	\$ 510,435	\$ -	\$ 510,435
Donation of Stock Shares	2,277		2,277
Contributions of Nonfinancial Assets	4,185		4,185
Sales Revenue:			
Helios and Book Sales	34,775	-	34,775
Less: Cost of Goods Sold	30,831	-	30,831
Net Sales Revenue	<u>3,944</u>	<u>-</u>	<u>3,944</u>
Investment Return, Net	(93,609)	-	(93,609)
Miscellaneous Revenue	110	-	110
Net assets released from restrictions			
Cash used for restricted purpose	<u>35,204</u>	<u>(35,204)</u>	<u>-</u>
Total net assets released from restriction	<u>35,204</u>	<u>(35,204)</u>	<u>-</u>
Total Revenue and Other Support	<u>462,546</u>	<u>(35,204)</u>	<u>427,342</u>
Expenses			
Program Services:			
Helios Projects	150,417	-	150,417
Bookstore Ministry	6,260	-	6,260
Speaking Ministry	15,857	-	15,857
Total Program Services	<u>172,534</u>	<u>-</u>	<u>172,534</u>
Supporting Services:			
Management and General	45,333	-	45,333
Fundraising	233,176	-	233,176
Total Supporting Services	<u>278,509</u>	<u>-</u>	<u>278,509</u>
Total Expenses	<u>451,043</u>	<u>-</u>	<u>451,043</u>
Change in Net Assets	11,503	(35,204)	(23,701)
Net Assets at Beginning of Year	1,946,995	-	1,946,995
Prior Period Adjustment (Note 13)	<u>(453,218)</u>	<u>453,218</u>	<u>-</u>
Net Assets at Beginning of Year - Restated	<u>1,493,777</u>	<u>453,218</u>	<u>1,946,995</u>
Net Assets at End of Year	<u>\$ 1,505,280</u>	<u>\$ 418,014</u>	<u>\$ 1,923,294</u>

See Accompanying Notes to Financial Statements

THE PSALM 119 ASSOCIATION INC.

Statement of Cash Flows

For the Year Ended June 30, 2022

Cash Flows from Operating Activities

Change in Net Assets	\$	(23,701)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by (Used in) Operating Activities:		
Realized Loss on Sale of Investments		39,715
Donation of Stock Shares		(2,277)
Net Investment Returns (Unrealized)		50,078
Changes in Operating Assets and Liabilities:		
Increase in Accounts Receivable		(14,870)
Increase in Unconditional Promises to Give		(2,615)
Decrease in Prepaid Expenses		5,029
Decrease in Inventory		35,998
Increase in Accounts Payable		5,882
Decrease in Payroll Liabilities		(3,542)
Decrease in Credit Card Payable		(870)
		<u>25,012</u>
Net Cash Provided by Operating Activities		<u>88,827</u>

Cash Flows from Investing Activities

Purchase of Investments	(220,342)
Proceeds from Sale of Investments	70,793
Deposit on Purchase of Office Condominium	(2,300)
Redemption of CD	100,035
Investment in Intangible Assets	(57,071)
Net Cash Used in Investing Activities	<u>(108,885)</u>

Net Increase (Decrease) in Cash and Cash Equivalents	(20,058)
Cash and Cash Equivalents, Beginning of Year	<u>847,147</u>
Cash and Cash Equivalents, End of Year (Note 2)	<u>\$ 827,089</u>

See Accompanying Notes to Financial Statements

THE PSALM 119 ASSOCIATION INC.

Statement of Functional Expenses

For the Year Ended June 30, 2022

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total Functional Expenses
	Helios Projects	Bookstore Ministry	Speaking Ministry		Management and General	Fund- Raising		
Salaries	\$ 42,305	\$ 6,043	\$ 12,087	\$ 60,435	\$ 20,145	\$ 20,145	\$ 40,290	\$ 100,725
Fees and Licenses	-	-	-	-	-	3,610	3,610	3,610
Travel	3,548	-	3,462	7,010	-	2,842	2,842	9,852
Marketing	-	-	-	-	784	196,465	197,249	197,249
Accounting and Audit Fees	-	-	-	-	17,580	-	17,580	17,580
Legal Expenses	2,226	-	-	2,226	-	-	-	2,226
Insurance	-	-	-	-	2,072	-	2,072	2,072
Bank Service Charges	835	-	-	835	-	1,620	1,620	2,455
Office Supplies	510	24	-	534	2,707	3,126	5,833	6,367
Resources - Production	7,309	-	-	7,309	-	-	-	7,309
Resources - Distribution	55,719	-	-	55,719	-	-	-	55,719
Printing Costs	-	-	-	-	1,035	891	1,926	1,926
Postage	27	53	-	80	-	3,731	3,731	3,811
Meals	-	-	28	28	-	86	86	114
Miscellaneous	-	-	-	-	543	-	543	543
Inventory Adjustment	296	-	-	296	-	-	-	296
Rent/Parking/Utilities	982	140	280	1,402	467	467	934	2,336
Grants to Individuals	36,660	-	-	36,660	-	193	193	36,853
Total Functional Expenses	\$ 150,417	\$ 6,260	\$ 15,857	\$ 172,534	\$ 45,333	\$ 233,176	\$ 278,509	\$ 451,043

See Accompanying Notes to Financial Statements

THE PSALM 119 ASSOCIATION INC.

Notes to Financial Statements

June 30, 2022

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 hands 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 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, 2022

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.

(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, 2022

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 Restricted Cash and Cash Equivalents and either current or noncurrent.

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 \$197,249 for the year ended June 30, 2022. \$196,465 of this amount is included in total fundraising expenses of \$233,176 on the accompanying statement of functional expenses.

2. Cash and Cash Equivalents:

Cash and cash equivalents totaling \$827,089 consisted of the following amounts: (1) unrestricted \$409,075; (2) restricted but expected to be spent within one year \$35,000; and (3) restricted but expected to be spent after one year \$383,014. These amounts in the statement of net position consisted of demand deposits and amounts on hand of \$483,703, a money market account of \$111,161 that was not FDIC insured, an overnight sweep of excess cash of \$68 that was FDIC insured, and uninvested cash balance that was not insured by the FDIC of \$232,157. The money market account, overnight sweep and uninvested cash were held by the same brokerage firm as the long-term investments discussed below (see Note 5). Physical bank account balances totaling \$472,658 in demand deposits at June 30, 2022 were FDIC insured and held at various banks. Restricted cash and cash equivalents consisted of amounts on hand at June 30, 2022 that donors restricted to the use of the Helios Projects.

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, 2022 are unconditional. Management expects any uncollectible promises to be insignificant and believes the entire balance of \$3,825 will be collected in the subsequent year.

THE PSALM 119 ASSOCIATION INC.

Notes to Financial Statements

June 30, 2022

4. Accounts Receivable:

The receivable consisted of an amount due from an individual that was received in full shortly after June 30, 2022. No allowance for uncollectible accounts was deemed necessary.

5. Investments - Long-Term:

As of June 30, 2022, long-term investments consisted of the following

<u>Category:</u>	<u>Amount</u>
Equities	\$271,438
Exchange-Traded Products	141,069
Mutual Funds	147,307
Total Investments - Long Term	<u>\$559,814</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 uninvested cash balances. The fixed income investment was a fully FDIC insured certificate of deposit. At June 30, 2022, the Ministry's uninsured investment balances totaled \$59,814.

6. Indefinite Life Intangible Assets:

The Ministry has expended and continues to expend 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 since they continue to provide value and use to the Ministry in perpetuity. As of June 30, 2022, the cumulative cost incurred in developing these materials totaled \$424,748. For the year ended June 30, 2022 an additional \$57,071 was expended and capitalized in developing these intangible materials.

7. Contributions of Nonfinancial Assets:

The Ministry received donated services from five volunteers who have donated approximately thirty 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.

Contributed services recognized under management and general expense in the amount of \$4,185 comprise professional services from the audit firm who conducted the FY2021 audit. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar auditing services.

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, 2022 was \$1,795.

THE PSALM 119 ASSOCIATION INC.

Notes to Financial Statements

June 30, 2022

9. 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, 2022 was \$7,461.

10. Liquidity and Financial Asset Availability:

The Ministry has \$409,075 of financial assets, consisting of unrestricted cash and cash equivalents, which are available for general use within one year of the statement of financial position date. This amount approximates 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.

11. Fair Value Measurements:

The Ministry's investments are reported at fair value in the accompanying statement 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, 2022

11. Fair Value Measurements (Continued):

Level 3: Unobservable inputs that are not corroborated by market data. These inputs reflect an 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, 2022, all of the Ministry's investments were categorized as Level 1. All Level 1 assets were valued using quoted prices in principal active markets for identical assets as of June 30, 2022.

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.

12. Fundraising Expenses:

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

13. Prior Period Adjustment:

Previous to the year ended June 30, 2022, the Ministry received donor funds for use toward the Helios Projects that remained unspent in the amount of \$453,218.

14. Subsequent Events:

Management has evaluated subsequent events through March 25, 2023, which is the date that the financial statements were available for issuance.

On June 24, 2022 the Ministry entered into a contract to purchase an office condominium located in Titusville, Florida. The Ministry purchased this property for cash on July 1, 2022 for a total of \$205,373 including closing costs. The effect of this purchase will be an increase in property and equipment and reduction in cash and cash equivalents of \$205,373, and an estimated \$5,100 in annual depreciation expense.

On January 26, 2023 the Ministry entered into an agreement for translation services in developing Helios Projects in Arabic in the amount of \$139,844 that began February 1, 2023.

On February 8, 2023 the Ministry entered into an agreement for translation services in developing Helios Projects in Swahili in the amount of \$106,800 to begin May 1, 2023.