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November 1, 2022

Board of Directors and Management
Godly Play Foundation
Ashland, Kansas

We have audited the financial statements of Godly Play Foundation, for the year ended December 31, 2021, and have issued our report thereon dated November 1, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 7, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Godly Play Foundation are described in Note A to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2021. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of depreciation expense is based on estimated useful lives of property and equipment. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of intellectual property is based on the appraised fair value of the original contribution and evaluated annually for impairment. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The following misstatements detected as a result of audit procedures were corrected by management:

- To reclassify \$5,089 of equipment purchases.
- To reclassify \$4,972 in purchases of supplies to prepaid expenses.
- To remove \$9,565 in equipment no longer in use by the organization.
- To record in-kind contributions of \$24,033.
- To record \$14,862 in additional payables found in the search for unrecorded liabilities.
- To record \$9,052 in accrued salaries.
- To reclassify \$8,012 of credit card fees incorrectly posted to dues, fees, and subscriptions.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, which could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 1, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

The limited number of personnel in Godly Play Foundation's accounting and administrative staff precludes certain internal controls that would be preferred if there were more staff to provide optimum segregation of duties. This situation requires that the Board remain involved in the financial affairs of the Organization to provide oversight and independent review functions.

This information is intended solely for the use of the Board of Directors and management of Godly Play Foundation, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Kennedy McKee & Company LLP

GODLY PLAY FOUNDATION

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Godly Play Foundation
Ashland, Kansas

Opinion

We have audited the accompanying financial statements of Godly Play Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Godly Play Foundation as of December 31, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Godly Play Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, 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 Godly Play Foundation'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

Our 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 our 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 judgement made by a reasonable user based on the financial statements.

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

- exercise professional judgment and maintain professional skepticism through 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 Godly Play Foundation'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 our judgement, there are conditions or events, considered in the aggregate, which raise substantial doubt about Godly Play Foundation's ability to continue as a going concern for reasonable period of time.

We are 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 we identified during the audit.

Kennedy McKee & Company LLP

November 1, 2022

GODLY PLAY FOUNDATION
STATEMENT OF FINANCIAL POSITION

December 31, 2021

ASSETS

Current assets:

Cash	\$ 812,862
Investments	743,791
Prepaid expenses	4,972
Inventories	<u>142,010</u>

Total current assets	<u>1,703,635</u>
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Property and equipment, at cost:

Buildings	18,027
Leasehold improvements	2,242
Equipment	<u>69,890</u>

	90,159
Less accumulated depreciation	<u>(69,525)</u>

Total property and equipment	<u>20,634</u>
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Other assets:

Intellectual property	<u>955,253</u>
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Total assets	<u><u>\$ 2,679,522</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 14,862
Salaries payable	9,052
Payroll liabilities	<u>5,642</u>

Total liabilities	<u>29,556</u>
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Net assets:

Without donor restrictions:

Without restrictions	1,533,686
Board designated	<u>127,924</u>

Total net assets without donor restrictions	1,661,610
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Net assets with donor restrictions	<u>988,356</u>
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Total net assets	<u>2,649,966</u>
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Total liabilities and net assets	<u><u>\$ 2,679,522</u></u>
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The accompanying notes are an integral
part of the financial statements.

GODLY PLAY FOUNDATION

STATEMENT OF ACTIVITIES

Year ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Support and revenues:			
Sales	\$ 567,716	\$ -	\$ 567,716
Cost of sales	(363,020)	-	(363,020)
Gross margin on sales	204,696	-	204,696
Program fees	99,806	-	99,806
Contributions	250,437	300,000	550,437
In-kind contributions	24,533	-	24,533
Memberships	18,966	-	18,966
Royalties	10,003	-	10,003
Investment income	51,866	-	51,866
Cancellation of indebtedness	63,671	-	63,671
Miscellaneous	234	-	234
Net assets released from restrictions:			
Satisfaction of purpose restrictions	151,686	(151,686)	-
Total support and revenues	875,898	148,314	1,024,212
Expenses:			
Program services:			
College of trainers	113,764	-	113,764
Center for the theology of childhood	79,673	-	79,673
Resources	200,949	-	200,949
Foundation	167,409	-	167,409
Total program services	561,795	-	561,795
Supporting services:			
Management and general	131,249	-	131,249
Fund-raising	8,106	-	8,106
Total supporting services	139,355	-	139,355
Total expenses	701,150	-	701,150
Change in net assets	174,748	148,314	323,062
Net assets at beginning of year	1,486,862	840,042	2,326,904
Net assets at end of year	\$ 1,661,610	\$ 988,356	\$ 2,649,966

The accompanying notes are an integral
part of the financial statements.

GODLY PLAY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2021

	Program services					Supporting services			Total expenses
	College of trainers	Center for the theology of childhood	Resources	Foundation	Total	Management and general	Fund-raising	Total	
Expenses:									
Advertising	\$ -	\$ -	\$ 3,372	\$ 2,174	\$ 5,546	\$ -	\$ 1,224	\$ 1,224	\$ 6,770
Conference & education	1,102	8,082	-	5,005	14,189	-	-	-	14,189
Contributions	-	-	5,356	-	5,356	-	-	-	5,356
Dues, fees, & subscriptions	7,838	264	7,375	1,753	17,230	-	-	-	17,230
Employee benefits	-	-	25,151	1,949	27,100	-	-	-	27,100
Insurance	-	-	9,801	1,300	11,101	-	-	-	11,101
International discretionary	-	-	-	4,956	4,956	-	-	-	4,956
International initiative	-	-	-	2,961	2,961	-	-	-	2,961
Salaries	38,672	53,610	99,284	91,543	283,109	61,602	6,333	67,935	351,044
Office supplies	-	-	16,250	69	16,319	1,813	64	1,877	18,196
Payroll taxes	2,958	4,101	7,853	9,291	24,203	4,713	485	5,198	29,401
Professional fees	50	-	11,881	41,316	53,247	60,551	-	60,551	113,798
Publications	1,000	333	-	-	1,333	-	-	-	1,333
Rent	-	12,708	594	-	13,302	1,478	-	1,478	14,780
Repairs	-	-	1,889	-	1,889	-	-	-	1,889
Supplies	-	-	1,202	362	1,564	-	-	-	1,564
Taxes	-	-	2,658	-	2,658	-	-	-	2,658
Telephone	1,288	-	2,503	2,160	5,951	661	-	661	6,612
Trainer contract hire	34,352	-	-	225	34,577	-	-	-	34,577
Trainer travel & motel	13,086	-	-	-	13,086	-	-	-	13,086
Training expenses	13,056	-	-	1,621	14,677	-	-	-	14,677
Travel and meetings	362	575	53	724	1,714	-	-	-	1,714
Utilities	-	-	3,877	-	3,877	431	-	431	4,308
Depreciation	-	-	1,850	-	1,850	-	-	-	1,850
Total expenses	<u>\$ 113,764</u>	<u>\$ 79,673</u>	<u>\$ 200,949</u>	<u>\$ 167,409</u>	<u>\$ 561,795</u>	<u>\$ 131,249</u>	<u>\$ 8,106</u>	<u>\$ 139,355</u>	<u>\$ 701,150</u>

The accompanying notes are an integral part of the financial statements.

GODLY PLAY FOUNDATION

STATEMENT OF CASH FLOWS

Year ended December 31, 2021

Cash flows from operating activities:

Cash received from:

Sales	\$ 572,383
Program fees	99,806
Contributions	250,437
Memberships	18,966
Royalties	10,003
Interest	1,224
Other income	234

Cash paid for:

Salaries and related expenses	(392,851)
Contractors	(34,577)
Inventories	(328,980)
Other operating expenses	<u>(238,350)</u>

Net cash provided (used) by operating activities	<u>(41,705)</u>
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Cash flows from investing activities:

Purchase of equipment	(8,952)
Redemption of certificates of deposits	150,000
Purchase of investments	<u>(300,207)</u>

Net cash provided (used) by investing activities	<u>(159,159)</u>
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Cash flows from financing activities:

Contributions restricted for purpose	300,000
Loan proceeds	<u>63,671</u>

Net cash provided (used) by financing activities	<u>363,671</u>
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Net increase (decrease) in cash and cash equivalents	162,807
Cash and cash equivalents at beginning of year	<u>650,055</u>

Cash and cash equivalents at end of year	<u><u>\$ 812,862</u></u>
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Reconciliation of change in net assets to
net cash provided by operating activities:

Change in net assets	\$ 323,062
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,850
Cancellation of indebtedness	(63,671)
Investment income	(50,642)
Decrease in credit card receivable	4,667
Increase in prepaid expense	(4,972)
Decrease in inventory	34,040
Decrease in accounts payable	(733)
Increase in accrued salaries payable	9,052
Increase in payroll taxes payable	5,642
Restricted contributions	<u>(300,000)</u>

Net cash provided (used) by operating activities	<u><u>\$ (41,705)</u></u>
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The accompanying notes are an integral
part of the financial statements.

GODLY PLAY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America.

1. Business activity

The Organization's purpose is to facilitate the practice of Godly Play® through research, training, and resources. The Organization trains and supports a network of independent Godly Play Trainers. The Godly Play approach teaches classical religious (e.g., Christian, Quaker, Jewish) language in a way that enhances the child's authentic experience of God. Trainers learn to use Montessori's approach to education and stimulate children's active participation in story and ritual and to awaken their creativity for learning of the language, sacred stories, parables, liturgical action, and silence of their religious tradition. The Organization sells materials (e.g., Arks, Temples) that are used in combination with publications to deliver the Godly Play method.

2. Basis of presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources 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. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

The Organization's unspent contributions are reported in net assets with donor restrictions if the donor limited their use, as are promised contributions that are not yet due. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Cash and cash equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents transferred to the investment manager and being held for investment are included in investments.

4. Investments

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are stated at fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

5. Inventories

Inventories are stated at the lower of cost or market determined by the first-in, first-out method.

6. Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using a modified accelerated cost recovery system.

7. Intellectual property

The Organization received a series of copyrighted publications from the author. The Organization has an agreement with a publishing company whereby the publishing company pays a royalty to the Organization based on sales. The Organization recorded the original contributions based on appraised values at the contribution dates. Under generally accepted accounting principles, the carrying amount is not amortized but is reduced if management determines that its implied fair value has been impaired.

8. Fair value measurements

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Fair value measurements (continued)

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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.

9. Revenue with and without donor restrictions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Contributions of property and equipment are reported as net assets with donor restrictions if the donor restricted the use of the property or equipment to a particular program, as are contributions of cash restricted to the purchase of property and equipment. Otherwise, donor restrictions on contributions of property and equipment or assets restricted for purchase of property and equipment are considered to expire when the assets are placed in service. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

10. Donated services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers providing services throughout the year are not recognized as contributions in the financial statements if the recognition criteria are not met.

11. Expense allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services based on an estimate of amounts allocable to each function. The expenses that are allocated include personnel costs and travel which are allocated on the basis of estimates of time and effort. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect certain reported amounts and disclosures. Actual results could differ from those estimates.

13. Income taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization has not identified any uncertainties in federal or state income taxes for any open tax years as of December 31, 2021. The Organization is no longer subject to examinations by tax authorities for years before 2019. No authorities have commenced income tax examinations as of December 31, 2021.

B. INVESTMENTS

Investments are carried at fair value based on quoted prices in active markets and other relevant information generated by market transactions (all Level 1 measurements) and consist of the following:

	<u>December 31, 2021</u>	
	<u>Cost</u>	<u>Fair value</u>
Money market	\$ 32,882	\$ 32,882
Equity securities	472,692	473,310
Real estate investment trust	7,283	7,686
Fixed income securities	<u>232,339</u>	<u>229,913</u>
	<u>\$ 745,196</u>	<u>\$ 743,791</u>

C. ADVERTISING

The Organization uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. Advertising costs totaled \$6,770 for the year ended December 31, 2021.

D. DONATED GOODS AND SERVICES

The fair value of donated goods and services included as in-kind contributions in the financial statements consist of legal fees. Donated goods and services totaled \$24,533 for the year ended December 31, 2021.

E. RESTRICTIONS/LIMITATIONS ON NET ASSETS

The governing board of the Organization has designated net assets without donor restrictions for the following purposes:

International development fund	\$ 2,924
Beloved Me, Beloved We	25,000
Designated for long-term investment	<u>100,000</u>
Board designated net assets	<u>\$ 127,924</u>

Net assets with donor restrictions:

Subject to expenditures for specified purpose:	
For the work of the Center	\$ 236,678
Contacting people we have trained	53,093
Establishing a training relationship with Sewanee/Beechen Center	2,796
Website and infrastructure	53,171
For the office of the advocate for international development	250,128
Colleen memorial employee development fund	92,490
Trainer transition	100,000
Donor-restricted endowment not subject to appropriation:	
General use	<u>200,000</u>
Net assets with donor restrictions	<u>\$ 988,356</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors.

Satisfaction of purpose restrictions:	
For the work of the Center	\$ 71,797
Establishing a training relationship with Sewanee/Beechen Center	3,211
Website and infrastructure	25,456
For the office of the advocate for international development	46,037
Colleen memorial employee development fund	<u>5,185</u>
Net assets released from restrictions	<u>\$ 151,686</u>

F. NOTE PAYABLE

On February 12, 2021, the Organization obtained a loan in the amount of \$63,671 from the Small Business Administration through a local bank pursuant to the Payroll Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

F. NOTE PAYABLE (continued)

The loan, which was in the form of a note dated February 12, 2021, totaling \$63,671, matures on February 12, 2023 and bears interest at a rate of 1.00% per annum, payable monthly commencing on September 12, 2021. The note may be prepaid by the borrower at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred during the covered period. The loan was forgiven on July 16, 2021 and has been shown on the Statement of Activities as cancellation of indebtedness income.

G. ENDOWMENT

Godly Play Foundation's endowment consists of individual funds established by donors for a variety of purposes. Its endowment includes permanent endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

Absent explicit donor stipulations to the contrary, the Board of Directors of Godly Play Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Godly Play Foundation retains in perpetuity and classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity is subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Endowment Net Asset Composition by Type of Fund as of December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 200,000	\$ 200,000

G. ENDOWMENT (CONTINUED)

Changes in Endowment Net Assets for the Year Ended December 31, 2021

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 200,000	\$ 200,000
Contributions	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>

Net Asset With Donor Restrictions (Endowment Only)

Endowment funds with donor restrictions:	<u>2021</u>
The portion of perpetual endowment funds that is required to be retained perpetually either by explicit donor stipulation or by SPMIFA and classified as net assets with donor restrictions	<u>\$ 200,000</u>

Funds with Deficits

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or the SPMIFA requires the Godly Play Foundation to maintain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2021.

Return Objectives and Risk Parameters

The Godly Play Foundation has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner to preserve and enhance its endowment funds with a secondary goal of achieving an overall return which will be sufficient to support a level of spending that, as a percent of investable assets, will be relatively constant and will grow at least as rapidly as inflation.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Godly Play Foundation has adopted a strategic Asset Allocation Plan that envisions a reasonably stable distribution of assets among major asset classes. Investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

G. ENDOWMENT (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for disbursement each year, the amount required to meet the needs of the Organization within the parameters established by the donor (exclusive of unrealized gains and losses). In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow and maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

H. CONCENTRATION OF CONTRIBUTION REVENUE

For the year ended December 31, 2021, cash contributions from one major contributor accounted for 78% of the total contributions to the Organization.

I. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2021, the Organization's uninsured balances totaled \$113,191 at two financial institutions.

J. LEASE OBLIGATIONS

The Organization signed a twenty-four month operating lease extension January 1, 2022 with a private company to lease office space in Greenwood Village, CO. Rent expense for the year ended December 31, 2021 was \$14,120.

Future minimum lease payments under the lease are as follows:

December 31, 2022	\$ 14,472
December 31, 2023	<u>14,826</u>
	<u>\$ 29,298</u>

K. LIQUIDITY

The following reflects the Organization's financial assets as of the Statement of Financial Position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the Statement of Financial Position date. Financial assets are reduced by donor-restricted amounts that are not available for use within one year for general purposes.

K. LIQUIDITY (CONTINUED)

Financial assets at year-end	\$1,556,653
Less those unavailable for general expenditures within one year, due to:	
Donor-restricted for the work of the Center	236,678
Donor-restricted for contacting people we have trained	53,093
Donor-restricted for establishing a training relationship with Sewanee/Beechen Center	2,796
Donor-restricted for website and infrastructure	53,171
Donor-restricted for the office of the advocate for international development	250,128
Donor-restricted for the Collen memorial employee development fund	92,490
Donor-restricted for trainer transition	100,000
Donor-restricted to maintain as an endowment	200,000
Board designated for international development	2,924
Board designated for Beloved Me, Beloved We	25,000
Board designated for long-term investment	<u>100,000</u>

Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 440,373</u>
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As part of the Organization's liquidity management, it invests cash in excess of short-term needs.

L. CORONAVIRUS (COVID-19)

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future result of operations. Management is actively monitoring the global and local situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

M. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 1, 2022, the date on which the financial statements were available to be used and does not believe any events have occurred which affect the financial statements as presented except for the ongoing concern regarding the novel strain of coronavirus (COVID-19) as discussed in Note L above.