GODLY PLAY FOUNDATION

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2016

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Godly Play Foundation
Ashland, Kansas

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, 2016, and the related statements of activities, functional expenses and cash flows 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
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
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, 2016, 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.

Kennedy McKee & Company LLP

September 21, 2017

GODLY PLAY FOUNDATION

STATEMENT OF FINANCIAL POSITION

Year ended December 31, 2016

ASSETS	
Current assets:	
Cash	$ 304,830
Investments	75,187
Inventories	142,965
Prepaid expense	7,500
Total current assets	530,482
Property and equipment, at cost:	
Buildings	18,027
Leasehold improvements	2,242
Equipment	65,487
	85,756
Less accumulated depreciation	(73,670)
Total property and equipment	12,086
Other assets:	
Long-term investments	100,000
Intellectual property	939,253
Total other assets	1,039,253
Total assets	$ 1,581,821
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable	$ 10,534
Payroll liabilities	3,125
Total liabilities	13,659
Net assets:	
Unrestricted:	
Unrestricted	1,436,220
Board designated	3,023
Total unrestricted	1,439,243
Temporarily restricted	28,919
Permanently restricted	100,000
Total net assets	1,568,162
Total liabilities and net assets	$ 1,581,821

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

GODLY PLAY FOUNDATION

STATEMENT OF ACTIVITIES

Year ended December 31, 2016

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Support and revenues:				
Sales	$ 710,416	$ -	$ -	$ 710,416
Cost of sales	(437,420)	-	-	(437,420)
Gross margin on sales	272,996	-	-	272,996
Program fees	166,564	-	-	166,564
Contributions	128,554	30,616	100,000	259,170
In-kind contributions	71,911	-	-	71,911
Memberships	22,001	-	-	22,001
Royalties	8,916	-	-	8,916
Investment income	134	-	-	134
Other income	44	-	-	44
Net assets released from restrictions:				
Satisfaction of purpose restrictions	52,646	(52,646)	-	-
Total support and revenues	723,766	(22,030)	100,000	801,736
Expenses:				
Program services:				
College of trainers	187,191	-	-	187,191
Center for the theology of childhood	43,145	-	-	43,145
Resources	145,167	-	-	145,167
Foundation	212,198	-	-	212,198
Total program services	587,701	-	-	587,701
Supporting services:				
Management and general	130,755	-	-	130,755
Fund-raising	17,913	-	-	17,913
Total supporting services	148,668	-	-	148,668
Total expenses	736,369	-	-	736,369
Change in net assets	(12,603)	(22,030)	100,000	65,367
Net assets at beginning of year	1,451,846	50,949	-	1,502,795
Net assets at end of year	$ 1,439,243	$ 28,919	$ 100,000	$ 1,568,162

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

GODLY PLAY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2016

	Program Services					Supporting Services			
	College of trainers	Center for the theology of childhood	Resources	Foundation	Total	Management and general	Fund-raising	Total	Total expenses
Expense:									
Advertising	$ -	$ -	$ 345	$ 681	$ 1,026	$ -	$ 864	$ 864	$ 1,890
Conference & Education	350	5,118	1,480	5,322	12,270	-	2,396	2,396	14,666
Contract Labor	7,772	12,000	640	53,114	73,526	355	1,506	1,861	75,387
Dues, Fees, & Subscriptions	4,729	1	1,834	371	6,935	-	-	-	6,935
Employee Benefits	-	-	28,817	-	28,817	-	-	-	28,817
Insurance	-	-	5,867	-	5,867	-	-	-	5,867
Information Technology	-	-	-	-	-	-	3,159	3,159	3,159
Labor	38,952	11,656	77,508	115,811	243,927	34,335	8,615	42,950	286,877
Meals & Entertainment	-	-	-	686	686	-	-	-	686
Office Supplies	-	68	10,358	449	10,875	1,208	-	1,208	12,083
Payroll Taxes	2,980	437	6,223	9,741	19,381	2,627	659	3,286	22,667
Professional Fees	1,658	3,935	1,000	11,971	18,564	56,566	-	56,566	75,130
Rent	-	9,002	148	-	9,150	1,017	-	1,017	10,167
Repairs	-	-	701	-	701	-	-	-	701
Supplies	-	-	1,414	521	1,935	-	-	-	1,935
Taxes	-	-	2,775	-	2,775	-	-	-	2,775
Telephone	1,068	700	2,322	1,400	5,490	610	-	610	6,100
Trainer Contract Hire	74,324	-	-	-	74,324	-	-	-	74,324
Trainer Travel & Motel	15,831	-	-	60	15,891	-	-	-	15,891
Training Expenses	39,527	228	-	-	39,755	-	-	-	39,755
Travel and Meetings	-	-	-	11,835	11,835	33,647	714	34,361	46,196
Utilities	-	-	3,273	236	3,509	390	-	390	3,899
Depreciation	-	-	462	-	462	-	-	-	462
Total expense	$ 187,191	$ 43,145	$ 145,167	$ 212,198	$ 587,701	$ 130,755	$ 17,913	$ 148,668	$ 736,369

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

GODLY PLAY FOUNDATION

STATEMENT OF CASH FLOWS

Year ended December 31, 2016

Cash flows from operating activities:	
Cash received from:	
Sales	$ 690,311
Program fees	166,564
Contributions	128,554
Memberships	22,001
Royalties	8,916
Interest	134
Other	44
Cash paid for:	
Salaries and related expenses	(339,637)
Contractors	(149,711)
Inventories	(452,657)
Other operating expenses	(209,223)
Net cash provided (used) by operating activities	(134,704)
Cash flows from investing activities:	
Purchase of investments	143
Cash flows from financing activities:	
Contributions restricted for:	
Center Theology of Children	30,000
International Development	616
Net cash provided by financing activities	30,616
Net increase (decrease) in cash and cash equivalents	(103,945)
Cash and cash equivalents at beginning of year	408,775
Cash and cash equivalents at end of year	$ 304,830
Reconciliation of change in net assets to net cash provided by operating activities	
Change in net assets	$ 65,367
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	462
Increase in inventory	(15,237)
Increase in prepaid expense	(7,500)
Increase in accounts payable	4,251
Decrease in accrued salaries payable	(4,401)
Increase in payroll taxes payable	3,125
Decrease in deferred revenue	(20,105)
Restricted contributions	(30,616)
Endowment contributions held as long-term investments	(100,000)
Noncash contribution of intellectual property	(30,050)
Net cash provided (used) by operating activities	$ (134,704)

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

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. <u>Business activity</u>

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. <u>Basis of presentation</u>

The Organization reports information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets 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.

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Organization's unspent contributions are reported in this class if the donor limited their use, as are promised contributions that are not yet due. The unspent appreciation of the Organization's donor-restricted endowment funds is also reported as temporarily restricted net assets.

Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as temporarily restricted net assets if the donor has restricted the use of the property or equipment to a particular program. If donors specify a length of time over which the property or equipment must be used, the restrictions expire evenly over the required period. Absent that type of restriction for use, the Organization considers the restriction met when the assets are placed in service.

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 temporarily restricted to unrestricted net assets.

2. Basis of presentation (continued)

Permanently restricted net assets are resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The portion of the Organization's donor-restricted endowment funds that the Organization is committed to maintaining in perpetuity are classified in this net asset class, as is the Organization's beneficial interest in a perpetual charitable trust held by a bank as trustee.

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 Statements of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statements 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

ASC Topic 820, Fair Value Measurements and Disclosures, defines fair value, as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Fair value measurements (continued)

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability. Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the company has the ability to access.

9. Restricted support

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose of restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. 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.

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 were not met.

11. Expense allocation

Directly identifiable expenses are charged to programs and support services. Expenses related to more than one function are charged to programs and support services on the basis of estimated time and expenses. Management and general include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2016. The Organization is no longer subject to examinations by tax authorities for years before 2014. No authorities have commenced income tax examinations as of December 31, 2016.

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:

	December 31, 2016	
	Cost	Fair value
Money market	$ 75,187	$ 75,187

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 $1,890 for the year ended December 31, 2016.

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, theological writing and consulting services. Donated goods and services totaled $41,861 for the year ended December 31, 2016.

E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2016:

International development fund	$ 5,064
Establishing a training relationship with Sewanee/Beechen Center	7,000
Center for the Theology of Children	16,855
Total temporarily restricted net assets	$ 28,919

F. BOARD DESIGNATED NET ASSETS

The Organization held the Godly Play Foundation North American Conference in 2015. Conference participants could make unsolicited contributions to the Organization during the conference. The Organization's board of directors voted to set aside conference participant contributions for U.S. training scholarships. At December 31, 2016, $3,023 was designated for U.S. training scholarships.

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

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 classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent 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 classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated 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, 2016

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 100,000	$ 100,000

G. ENDOWMENT (CONTINUED)

Changes in Endowment Net Assets for the Year Ended December 31, 2016

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ -	$ -	$ -	$ -
Contributions	-	-	100,000	100,000
Endowment net assets, end of year	$ -	$ -	$ 100,000	$ 100,000

Description of Amounts Classified as Permanently Restricted Net Asset (Endowment Only)

	2016
Permanently restricted net assets	
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA and classified as permanently restricted net assets	$ 100,000

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, 2016.

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, 2016, cash and in-kind contributions from one major contributor accounted for 90% and 58% of the total contributions to the Organization, respectively. Another major contributor accounted for 42% of the total in-kind 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, 2016, the Organization's uninsured balances totaled $88,338.

J. LEASE OBLIGATIONS

The Organization signed a seventeen-month operating lease commencing March 1, 2016 with a private company to lease office space in Greenwood Village, CO. The monthly rental payments for the first twelve months is $1,000.17 per month with an escalation clause increasing the rent to $1,029.58 per month starting March 1, 2017. The Organization renewed the lease subsequent to year end. The extended lease expires on January 31, 2019. Rent expense for the year ended December 31, 2016 was $9,002.

Future minimum lease payments under the lease are as follows:

December 31, 2017	$ 12,414
December 31, 2018	12,855
December 31, 2019	1,088
Total	$ 26,357

K. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 21, 2017, the date on which the financial statements were available to be used. Management's evaluation concluded that there are no subsequent events that are required to be recognized or disclosed in these financial statements.