# NEW LIFE MINISTRIES

# FINANCIAL STATEMENTS

# AND INDEPENDENT AUDITORS' REPORT

# DECEMBER 31, 2017

SAVILLE®

# INDEPENDENT AUDITORS' REPORT

To the Board of Directors
New Life Ministries
Lake Forest, California

We have audited the accompanying financial statements of New Life Ministries (the "Ministry"), which comprise the statement of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets (deficit), functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. The prior year's summarized comparative information has been derived from the Ministry's 2016 financial statements, and in our report dated June 16, 2017, we expressed an unmodified opinion on those 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.

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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.

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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 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 the Ministry as of December 31, 2017 and 2016, and the changes in its net assets (deficit) and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Saville, Dodgen & Co.

Saville, Dodgen & Company, P.L.L.C.
Dallas, Texas

July 17, 2018

NEW LIFE MINISTRIES
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017,
*(with summarized financial information as of December 31, 2016)*

| | 2017 | 2016 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 379,119 | $ 199,188 |
| Investments | 2,666 | - |
| Receivables | 6,043 | 171,234 |
| Prepaid expenses | 43,841 | 58,026 |
| Inventory | 128,892 | 178,162 |
| Total current assets | 560,561 | 606,610 |
| PROPERTY AND EQUIPMENT, net | 105,804 | 128,223 |
| OTHER ASSETS | | |
| Endowment assets | 229,177 | 229,342 |
| Deposits | 29,835 | 29,835 |
| Total other assets | 259,012 | 259,177 |
| TOTAL ASSETS | $ 925,377 | $ 994,010 |
| **LIABILITIES AND NET ASSETS (DEFICIT)** | | |
| CURRENT LIABILITIES | | |
| Capital lease obligation, current portion | $ 15,531 | $ 7,271 |
| Unearned program fees | 115,414 | 115,474 |
| Accounts payable | 1,428,424 | 1,357,008 |
| Accrued expenses | 468,568 | 522,203 |
| Total current liabilities | 2,027,937 | 2,001,956 |
| NONCURRENT LIABILITIES | | |
| Capital lease obligation, net of current portion | 32,288 | 12,489 |
| TOTAL LIABILITIES | 2,060,225 | 2,014,445 |
| NET ASSETS (DEFICIT) | | |
| Unrestricted | (1,468,327) | (1,308,486) |
| Temporarily restricted | 104,302 | 58,709 |
| Permanently restricted | 229,177 | 229,342 |
| Total net assets (deficit) | (1,134,848) | (1,020,435) |
| TOTAL LIABILITIES AND NET ASSETS (DEFICIT) | $ 925,377 | $ 994,010 |

See accompanying independent auditors' report and notes.

NEW LIFE MINISTRIES
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 2017,
*(with summarized financial information for the year ended December 31, 2016)*

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2017 Total | 2016 |
|---|---|---|---|---|---|
| REVENUE AND PUBLIC SUPPORT | | | | | |
| Contributions | $ 4,780,209 | $ 317,928 | $ - | $ 5,098,137 | $ 5,135,754 |
| Program fees | 2,188,647 | - | - | 2,188,647 | 2,380,373 |
| Product sales | 180,332 | - | - | 180,332 | 190,541 |
| Commissions and contracts | 139,496 | - | - | 139,496 | 254,384 |
| Investment income | 79 | - | | 79 | 234 |
| Net assets released from restrictions | 272,500 | (272,335) | (165) | - | - |
| Total revenue and public support | 7,561,263 | 45,593 | (165) | 7,606,691 | 7,961,286 |
| EXPENSES | | | | | |
| Program services | 5,799,055 | - | - | 5,799,055 | 6,444,989 |
| Management and general | 1,043,560 | - | - | 1,043,560 | 951,626 |
| Fundraising | 878,489 | - | - | 878,489 | 690,234 |
| Total expenses | 7,721,104 | - | - | 7,721,104 | 8,086,849 |
| CHANGES IN NET ASSETS | (159,841) | 45,593 | (165) | (114,413) | (125,563) |
| NET ASSETS (DEFICIT), beginning of year | (1,308,486) | 58,709 | 229,342 | (1,020,435) | (894,872) |
| NET ASSETS (DEFICIT), end of year | $ (1,468,327) | $ 104,302 | $ 229,177 | $ (1,134,848) | $ (1,020,435) |

NEW LIFE MINISTRIES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017,
*(with summarized financial information for the year ended December 31, 2016)*

| | Program Services | | Supporting Services | | | |
|---|---|---|---|---|---|---|
| | Media Ministries and Resource Center | Workshops and Other Operating Programs | Management and General | Fundraising | 2017 Total | 2016 |
| Salaries and benefits | | | | | | |
| Salaries | $ 813,503 | $ 389,219 | $ 315,822 | $ 391,408 | $ 1,909,952 | $ 1,819,757 |
| Other employee benefits | 136,090 | 69,807 | 72,476 | 86,534 | 364,907 | 361,176 |
| Radio/TV broadcast | 2,274,733 | - | - | - | 2,274,733 | 2,560,833 |
| Advertising and marketing | - | - | 144,067 | - | 144,067 | 128,862 |
| Bank fees | - | - | 128,763 | - | 128,763 | 129,815 |
| Contract services | 111,782 | 11,631 | 50,440 | 42,500 | 216,353 | 200,540 |
| Depreciation and amortization | 21,109 | 10,266 | 8,195 | 10,157 | 49,727 | 49,294 |
| Equipment rental | - | 5,615 | 584 | 343 | 6,542 | 5,933 |
| Fees for services | 2,147 | 590,258 | 47,759 | 7,000 | 647,164 | 704,321 |
| Information technology | 145,625 | 69,674 | 56,535 | 70,066 | 341,900 | 314,994 |
| Insurance | 13,405 | - | 58,294 | - | 71,699 | 70,300 |
| Interest | - | - | 10,288 | - | 10,288 | 4,810 |
| Equipment repairs and maintenance | 2,425 | 361 | 1,579 | - | 4,365 | 2,683 |
| Occupancy costs | | | | | | |
| Maintenance and repairs | - | - | 8,439 | - | 8,439 | 10,107 |
| Rent | 94,811 | 71,002 | 42,481 | 23,939 | 232,233 | 221,350 |
| Telephone and utilities | 25,237 | 46,201 | 11,143 | - | 82,581 | 101,139 |
| Office expense | 5,074 | 8,427 | 9,593 | 882 | 23,976 | 19,913 |
| Other expenses | 14,211 | 7,614 | 49,194 | 1,186 | 72,205 | 94,285 |
| Postage and shipping | 22,124 | 67,896 | 3,750 | 67,629 | 161,399 | 187,277 |
| Printing and publications | 2,385 | 12,434 | 5,068 | 102,623 | 122,510 | 125,674 |
| Product costs and premiums | 58,166 | 70,327 | - | 36,042 | 164,535 | 193,833 |
| Program supplies, facility, and catering | - | 504,709 | - | 23,777 | 528,486 | 568,290 |
| Business travel and meals | 12,955 | 107,832 | 19,090 | 14,403 | 154,280 | 211,663 |
| TOTAL | $ 3,755,782 | $ 2,043,273 | $ 1,043,560 | $ 878,489 | $ 7,721,104 | $ 8,086,849 |

NEW LIFE MINISTRIES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017,
*(with summarized financial information for the year ended December 31, 2016)*

| | 2017 | 2016 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets (deficit) | $ (114,413) | $ (125,563) |
| Adjustments to reconcile change in net assets (deficit) to net cash provided (used) by operating activities: | | |
| Donated property | (1,279) | (16,000) |
| Depreciation and amortization | 49,727 | 49,295 |
| Loss on disposal of assets | 15,558 | 936 |
| Donations for perpetual endowment | - | (229,342) |
| Unrealized (gains) losses on marketable securities | 225 | - |
| Changes in operating account balances: | | |
| Accounts receivable | 165,191 | (81,487) |
| Prepaid expenses | 14,185 | 10,886 |
| Inventory | 49,270 | (11,838) |
| Deposits | - | 3,276 |
| Unearned program fees | (60) | (48,794) |
| Accounts payable | 71,416 | 421,445 |
| Accrued expenses | (53,635) | 6,421 |
| Net cash provided (used) by operating activities | 196,185 | (20,765) |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (2,726) | 8,309 |
| Purchase of property and equipment | (1,238) | (21,950) |
| Purchase of endowment assets | - | (229,342) |
| Proceeds from disposal of assets | - | 1,895 |
| Net cash used by investing activities | (3,964) | (241,088) |
| | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on capital lease obligation | (12,290) | (21,380) |
| Donations for perpetual endowment | - | 229,342 |
| Net cash (used) provided by financing activities | (12,290) | 207,962 |
| | | |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 179,931 | (53,891) |
| | | |
| CASH AND CASH EQUIVALENTS, beginning of year | 199,188 | 253,079 |
| | | |
| CASH AND CASH EQUIVALENTS, end of year | $ 379,119 | $ 199,188 |
| | | |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash paid during the year for interest | $ 10,288 | $ 4,810 |
| Noncash investing or financing transactions | | |
| Acquisition of property and equipment through capital lease obligations | $ 40,349 | $ - |

## 1. NATURE OF ORGANIZATION

New Life Ministries (the "Ministry") was founded March 26, 1993, and is chartered in the state of California. The Ministry was organized to provide low cost resources and counseling based in Christianity to interested persons.

The Ministry sponsors a live, nationally syndicated, interactive talk radio program "New Life Live." The program deals with mental health, emotional, relational, and spiritual issues from a biblical perspective. The program is broadcasted on approximately 200 stations nationally and is also carried on SiriusXM Satellite Radio.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The financial statements of the Ministry are presented in conformity with accounting principles generally accepted in the United States of America (GAAP). The financial statements include certain prior year summarized comparative information in total, not by net asset classification. This information is not presented in sufficient detail to conform with GAAP. Accordingly, such information should be read in conjunction with the Ministry's financial statements for the year ended December 31, 2016, from which the summarized information is derived.

### Change in Presentation

The presentation of certain amounts reported in previously issued financial statements have been changed to conform to current year presentation.

### Net Asset Accounting

The accounts of the Ministry are maintained on a net asset basis, whereby net assets represent the excess of assets over liabilities and are unrestricted, temporarily restricted, or permanently restricted. This procedure classifies resources into net assets in accordance with the activities or objectives, as follows:

*Unrestricted Net Assets* include those economic resources of the Ministry that are expendable for any purpose in performing the primary objectives of the Ministry.

*Unrestricted Board-Designated Net Assets* include those funds set aside by the Board of Directors of the Ministry that are not restricted by a donor and are therefore classified as unrestricted net assets. For the years ended December 31, 2017 and 2016, there were no such designations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Accounting (Continued)

*Temporarily Restricted Net Assets* include those assets whose use by the Ministry is limited by donor-imposed stipulations that expire through either passage of time or actions of the Ministry.

*Permanently restricted net assets* are subject to donor-imposed stipulations that are to be maintained in perpetuity. Permanently restricted net assets consist solely of endowment assets.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from such estimates.

Cash and Cash Equivalents

The Ministry considers cash and highly liquid investments with an original maturity date of less than three months to be cash equivalents. At times, bank deposits may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC).

Investments

Investments in equity securities with readily determinable fair values and all debt securities are reported at fair value. Donated investments are recorded at fair value on the date of the gift. Unrealized and realized gains and losses are reported as increases or decreases in net assets within the statement of activities and changes in net assets. Interest and dividend income is also reported in the statement of activities as increases in unrestricted net assets. The Ministry had investments held with a broker, totaling $2,666 at December 31, 2017. There were no investments held at December 31, 2016.

Concentration of Credit Risk

The Ministry has a concentration of credit risk for cash deposits maintained at certain financial institutions which, at times, are in excess of insured limits set by the FDIC or the National Credit Union Administration. The Ministry has not experienced any losses in such accounts and believes that are not exposed to any significant credit risk related to cash.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Receivables

Accounts receivable have consisted of a receivable on contract, amounts billed for ministry and church book orders, and receivables due from employees to reimburse the Ministry for expenses incurred, which are recorded at net realizable value. Accounts that are outstanding longer than the payment terms are considered past due. Any amounts that prove to be uncollectible are charged against product sales. Provisions for uncollectible accounts are provided at the time the realization of a specific receivable becomes doubtful. During the current year, the contract associated with the receivables balance as of December 31, 2016 was terminated. As a result, the accounts receivable balance decreases substantially. No provision was deemed necessary for the years ended December 31, 2017 and 2016.

### Prepaid Expenses

Prepaid expenses primarily consist of amounts paid in advance for insurance, rent, maintenance contracts, and events and conferences that have not taken place as of December 31.

### Inventory

Inventory, consisting primarily of books, tapes, and disks, is stated at average cost. The Ministry annually evaluates their inventory for obsolescence. Provision for obsolete inventory is provided at the time the inventory becomes obsolete. The provision for obsolete inventory amounted to $15,945 for the years ended December 31, 2017 and 2016.

### Property and Equipment

Acquisitions of property and equipment, including assets held under capital leases, are capitalized based on analysis of the cost and expected useful life of the asset. Maintenance, repairs, and renewals which do not materially prolong the useful lives of the assets are charged to expense as incurred. Property and equipment are carried at cost or, if donated, at fair value on the date of donation. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets, which generally ranges from three to five years for furniture and equipment, two years for software, and three to five years for leasehold improvements.

### Deposits

The Ministry has long-term deposits with buildings in which they currently have operating leases for office space.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Leases

Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense is computed using the straight-line method over the useful lives of the assets and is included in depreciation and amortization expense.

Revenue and Contributions

The Ministry records contributions at the date received at fair value. The Ministry reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated asset. When the purpose or time restriction is accomplished, these amounts are reclassified from temporarily restricted net assets to unrestricted net assets.

Program fees include revenue from workshops and events, outpatient registration, and group coaching services. Revenue from program fees is recognized at the time the event occurs.

Product sales include the sale of books, workbooks, audio tapes, video tapes, compact disks, kits, and a limited amount of apparel and coffee mugs. Revenue from product sales is recognized at the time the product is shipped.

Commissions and contracts revenue relates to agreements with other entities. Revenue from commissions and contracts is recognized when earned.

Unearned Program Fees

The Ministry records payments made in advance by attendees to its workshops and seminars as unearned program fees. These amounts are recognized as revenue when the event takes place.

Federal Income Taxes

The Ministry is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is made in these financial statements.

Retirement Plan

Employees of the Ministry participate in a defined contribution plan which is qualified under Section 401(k) of the Internal Revenue Code. The Ministry's contribution to the plan is discretionary. Total matching contributions for the years ended December 31, 2017 and 2016 amounted to $17,235 and $17,487, respectively.

## 3. INVESTMENTS

Investments of the Ministry are stated at fair value. The following describes the components of the Ministry's investments at December 31:

| | 2017 | 2016 |
|---|---|---|
| Cash and money market funds | $ 1,509 | $ - |
| Income securities | 1,157 | - |
| | $ 2,666 | $ - |

## 4. FAIR VALUE MEASUREMENTS

In accordance with GAAP, fair value standards ("FV Standards") define fair value, establish a framework for measuring fair value, and require certain enhanced disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date.

The FV Standards established a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Ministry. Unobservable inputs reflect the Ministry's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs used in measuring fair value, as follows:

*Level 1* - Inputs based on unadjusted quoted prices in active markets for identical assets or liabilities the Ministry has the ability to access. Since inputs are based on quoted prices that are readily and regularly available in an active market, Level 1 inputs require the least judgment.

*Level 2* - Inputs based on quoted prices for similar instruments in active markets, or are observable either directly or indirectly. Inputs are obtained from various sources including financial institutions and brokers.

*Level 3* - Inputs that are unobservable and significant to the overall fair value measurement. The degree of judgment exercised by the Ministry in determining fair value is greatest for fair value measurements categorized in Level 3.

4. FAIR VALUE MEASUREMENTS (Continued)

The following is a summary of the categorization within the fair value hierarchy of the Ministry's financial assets and liabilities measured at fair value:

**Fair Value Measurements at December 31, 2017 Using:**

| Description | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|---|---|---|---|---|
| Cash equivalents* | $ 1,509 | $ - | $ - | $ 1,509 |
| Investments: | | | | |
| Fixed income securities | - | 1,157 | - | 1,157 |
| Total investments | - | - | - | - |
| Total | $ 1,509 | $ 1,157 | $ - | $ 2,666 |

*Liquid money fund accounts and similar assets.

There were no investments meeting disclosure requirements for the period ended December 31, 2016.

The methods described above used to estimate fair value may not be realized or incurred in the future due to changes in events and circumstances that are not known as of the measurement date, or estimates included in calculating the fair values may not be achieved. While 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 estimate of fair value at the reporting date.

## 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

| | 2017 | 2016 |
|---|---|---|
| Furniture, fixtures, and equipment | $ 347,598 | $ 368,166 |
| Software | 274,966 | 282,524 |
| Leasehold improvements | 78,613 | 78,613 |
| Property and equipment, at cost | 701,177 | 729,303 |
| Less: accumulated depreciation and amortization | (595,373) | (601,080) |
| Property and equipment, net | $ 105,804 | $ 128,223 |

Depreciation and amortization expense for the years ended December 31, 2017 and 2016 amounted to $49,727 and $49,294, respectively.

## 6. ENDOWMENTS

The Ministry's endowment assets consist of funds established for any of the Ministry's charitable purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has determined that it would be desirable for the Ministry to preserve, on a long-term basis, the original value of a contribution of a donor-restricted endowment fund as of the gift date, subject to any express language in the applicable endowment agreement indicating otherwise and pursuant to the Uniform Prudent Management of Institutional Funds Act (UPMIFA or "Act"). Notwithstanding the foregoing, this determination is not intended to, and shall not, affect the Ministry's authority under the Act to spend amounts from an endowment fund on a short-term basis, even if the market value of the endowment fund is below the original value of the contributions by the donors. As a result of this determination, the Ministry classifies as permanently restricted net assets (a) the original value of gifts contributed to a permanent donor-restricted endowment fund and (b) the original value of subsequent gifts to a permanent donor-restricted endowment fund.

6. ENDOWMENTS (Continued)

Investment income and appreciation related to the permanently restricted endowment funds and any other amounts of the endowment fund not classified as permanently restricted are classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by the Act. In accordance with UPMIFA, the Ministry considers the following factors in making a determination to appropriate or accumulate endowment funds:

1. The preservation of the endowment assets
2. The purposes of the Ministry and the donor-restricted endowments
3. General economic conditions
4. The possible effects of inflation and deflation
5. Other resources of the Ministry
6. The investment policies of the Ministry

A summary of the Ministry's endowment assets by net asset class is as follows:

**December 31, 2017**

| Endowment Fund Type | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| General endowment | $ - | $ - | $ 229,177 | $ 229,177 |
| Total endowment assets | $ - | $ - | $ 229,177 | $ 229,177 |

**December 31, 2016**

| Endowment Fund Type | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| General endowment | $ - | $ - | $ 229,342 | $ 229,342 |
| Total endowment assets | $ - | $ - | $ 229,342 | $ 229,342 |

6. ENDOWMENTS (Continued)

Changes in endowment net assets for the years ended December 31, 2017 and 2016 are as follows:

**December 31, 2017**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets, January 1, 2016 | $ - | $ - | $ 299,342 | $ 229,342 |
| Investment return: | | | | |
| Investment income (loss) | - | - | (165) | (165) |
| Total investment return | - | - | - | - |
| Contributions | - | - | - | - |
| Expenditure of endowment assets | - | - | - | - |
| Subtotal | - | - | - | - |
| Endowment net assets, December 31, 2017 | $ - | $ - | $ 229,177 | $ 229,177 |

**December 31, 2016**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets, January 1, 2016 | $ - | $ - | $ - | $ - |
| Investment return: | | | | |
| Investment income (loss) | - | - | - | - |
| Total investment return | - | - | - | - |
| Contributions | - | - | 299,342 | 229,342 |
| Expenditure of endowment assets | - | - | - | - |
| Subtotal | - | - | 299,342 | 229,342 |
| Endowment net assets, December 31, 2016 | $ - | $ - | $ 229,342 | $ 229,342 |

6. ENDOWMENTS (Continued)

Funds with Deficiencies

It is possible the fair value of endowment assets may fall below the level the donor or Act requires. Deficiencies of this nature would first reduce temporarily restricted net assets associated with the respective endowment and then unrestricted net assets. Subsequent gains that restore the fair value of the endowment assets to the required level would be classified as an increase in unrestricted net assets and then temporarily restricted net assets. The bequest allowed for a 7% annual distribution to support the Ministry and its programs. While there were unrealized losses in endowment assets for the year ended December 31, 2017, they did not fall below required amounts for the year. As a result of overall market appreciation, there was no deficiency as of December 31, 2016.

Return Objectives and Risk Parameters

The Ministry has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, endowment assets are invested in a manner that, over a long-term investment horizon, is intended to produce results that at a minimum equal inflation, administrative costs, and management fees, while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy long-term return objectives, the Ministry relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Ministry targets a diversified asset allocation that places emphasis on investments in growth, income, and inflation protection assets to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Ministry has a policy of appropriating its annual distributions for charitable purposes, and general Ministry operating costs. In monitoring this policy, the Ministry considers the long-term expected return on its endowments. Accordingly, over the long-term, the Ministry expects the current spending policy to allow its endowments to preserve asset value by growing at a rate equal to or greater than administrative costs, management fees, and inflation.

## 7. NET ASSETS

At December 31, 2017 and 2016, net assets consisted of restricted contributions to be used for the following purposes:

| | 2017 | 2016 |
|---|---|---|
| Unrestricted (Deficit): | $ (1,468,327) | $ (1,308,486) |
| Total Unrestricted | (1,468,327) | (1,308,486) |
| Temporarily restricted: | | |
| Scholarship funds | 65,199 | 52,717 |
| Equipment for radio | - | 900 |
| Equipment for AP department | - | 300 |
| EMB bible/coaching resources | 2,479 | - |
| SV Coaching Curriculum | 4,840 | 2,905 |
| Restore-workbooks/notebooks for attendees | 148 | 1,887 |
| Furniture for office | 600 | - |
| Marketing and materials | 13,036 | - |
| Interlude - Fall 2018 Marriage event | 18,000 | - |
| Total temporarily restricted | 104,302 | 58,709 |
| Permanently restricted: | | |
| Endowment asset | 229,177 | 229,342 |
| Total permanently restricted | 229,177 | 229,342 |
| Total net assets | $ (1,134,848) | $ (1,020,435) |

## 8. LEASE COMMITMENTS

Operating Leases

The Ministry leases its facilities under non-cancelable operating leases. At December 31, 2017, maturity dates for leasing arrangements ranged from January 2019 to April 2021. During December 31, 2017 and 2016, monthly payment amounts ranged from $425 to $7,040. Lease expense for the years ended December 31, 2017 and 2016 amounted to $232,233 and $221,350, respectively.

8. LEASE COMMITMENTS (Continued)

The following is a schedule by years of future minimum rental payments as of December 31, 2017:

| For the years ending December 31, | Amounts |
|---|---|
| 2018 | $ 158,332 |
| 2019 | 232,683 |
| 2020 | 145,440 |
| 2021 | 37,741 |
| Total | $ 574,196 |

Capital Leases

The Ministry leases office equipment under capital lease agreements with maturity dates through September 2019. Monthly payment amounts range from $43 to $1,369. The capital leases and accumulated amortization are as follows at December 31:

| | 2017 | 2016 |
|---|---|---|
| Capital lease equipment, at cost | $ 69,596 | $ 73,981 |
| Less: accumulated amortization | (25,734) | (53,818) |
| Capital lease equipment, net | $ 43,862 | $ 20,163 |

## 8. LEASE COMMITMENTS (Continued)

Capital Leases (continued)

The future minimum lease payments required under these capital leases as of December 31, 2017 are as follows:

| | Years ending December 31, | Amounts |
|---|---|---|
| | 2018 | $ 24,890 |
| | 2019 | 21,919 |
| | 2020 | 16,937 |
| | 2021 | 4,106 |
| Total minimum lease payments | | 67,852 |
| Less: Amount representing interest | | (20,033) |
| Present value of net minimum lease payments | | 47,819 |
| Less: Capital lease obligation, current portion | | (15,531) |
| Capital lease obligation, net of current portion | | $ 32,288 |

## 9. SIGNIFICANT RISKS, UNCERTAINTIES, CONTINGENCIES, AND CONCENTRATIONS

The Ministry is highly dependent on contributions and donations. Therefore, the Ministry's programs and activities are affected by the level of donations and related factors, including general economic conditions. Based on these factors, the Ministry may experience substantial period-to-period fluctuations.

The Ministry can be subject to various claims and matters that arise in the ordinary course of its activities. No existing matters are expected to have any material or adverse effect on the Ministry's financial condition as of December 31, 2017.

## 10. RELATED PARTY TRANSACTIONS

The Ministry had receivables from employees that amounted to $4,432 of total accounts receivable at December 31, 2017. There was not a concentration related to employee receivables for the year ended December 31, 2016.

## 11. SUBSEQUENT EVENTS

The Ministry evaluated events that occurred from January 1, 2018 to July 17, 2018, which is the date these financial statements were available to be issued. There was no significant subsequent event that required recognition or additional disclosure in these financial statements.