

TIME OF GRACE MINISTRY
Milwaukee, Wisconsin

Audited Financial Statements
Years Ended December 31, 2013 and 2012

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Steven R. Volz
Thomas G. Wieland
David A. Grotkin
Joel A. Joyce



Brian J. Mechenich
Carrie A. Gindt
Patrick G. Hoffert
Jason J. Wrasse

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Time of Grace Ministry
Milwaukee, Wisconsin

We have audited the accompanying financial statements of Time of Grace Ministry (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 Organization'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 Organization'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 Time of Grace Ministry as of December 31, 2013, 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.

Prior Period Financial Statements

The financial statements of Time of Grace Ministry as of December 31, 2012, were audited by other auditors whose report dated November 12, 2013, expressed an unmodified opinion on those statements.

May 22, 2014

Milwaukee, Wisconsin

TIME OF GRACE MINISTRY

Milwaukee, Wisconsin

Statements of Financial Position

December 31, 2013 and 2012

ASSETS	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash and equivalents	\$ 426,323	\$ 197,304
Pledges receivable (net) - current	100,000	50,000
Prepaid expenses	10,487	12,339
Total current assets	<u>536,810</u>	<u>259,643</u>
Other Assets:		
Pledges receivable (net) - noncurrent	---	95,316
Restricted cash	7,665	7,665
	<u>7,665</u>	<u>102,981</u>
Property and Equipment:		
Furniture & equipment	538,444	518,710
Leasehold improvements	115,712	115,712
Computer software and website	20,397	20,397
Accumulated depreciation	(454,630)	(369,286)
Net property and equipment	<u>219,923</u>	<u>285,533</u>
Total assets	<u>\$ 764,398</u>	<u>\$ 648,157</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
Current Liabilities:		
Line of credit	\$ 250,000	\$ 595,000
Accounts payable	260,410	45,670
Accrued expenses	32,509	31,195
Note payable - current	44,265	123,161
Total current liabilities	<u>587,184</u>	<u>795,026</u>
Other Liabilities:		
Notes payable - noncurrent	38,572	---
Net Assets (deficit):		
Unrestricted	38,642	(292,185)
Temporarily restricted	100,000	145,316
Total net assets (deficit)	<u>138,642</u>	<u>(146,869)</u>
Total liabilities and net assets (deficit)	<u>\$ 764,398</u>	<u>\$ 648,157</u>

The accompanying notes to financial statements
are an integral part of these statements

TIME OF GRACE MINISTRY

Milwaukee, Wisconsin

Statements of Activities

For the Years Ended December 31, 2013 and 2012

	2013			2012		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support, revenue and transfers:						
Contributions	\$ 3,444,056	\$ ---	\$ 3,444,056	\$ 2,292,291	\$ ---	\$ 2,292,291
Other income	937	---	937	1,624	---	1,624
Net assets released from restrictions	45,316	(45,316)	---	867,119	(867,119)	---
Total revenue	3,490,309	(45,316)	3,444,993	3,161,034	(867,119)	2,293,915
Expenses:						
Program services	2,321,251	---	2,321,251	2,752,094	---	2,752,094
Administration	264,032	---	264,032	252,583	---	252,583
Fundraising	574,199	---	574,199	554,057	---	554,057
Total expenses	3,159,482	---	3,159,482	3,558,734	---	3,558,734
Change in net assets	330,827	(45,316)	285,511	(397,700)	(867,119)	(1,264,819)
Net assets, beginning of the year	(292,185)	145,316	(146,869)	105,515	1,012,435	1,117,950
Net assets, end of the year	\$ 38,642	\$ 100,000	\$ 138,642	\$ (292,185)	\$ 145,316	\$ (146,869)

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are an integral part of these statements

TIME OF GRACE MINISTRY

Milwaukee, Wisconsin

Statements of Cash Flows

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Increase (decrease) in net assets	\$ 285,511	\$ (1,264,819)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operations:		
Depreciation	85,344	86,389
Discount on pledges receivable	(4,684)	(7,753)
Increase/Decrease in Assets and Liabilities:		
Pledges receivable	50,000	874,872
Prepaid expenses	1,852	29,715
Accounts payable	214,740	(113,801)
Accrued expenses	1,314	(3,010)
Total adjustments	<u>348,566</u>	<u>866,412</u>
Net cash provided (used) by operating activities	<u>634,077</u>	<u>(398,407)</u>
Cash Flows from Investing Activities:		
Purchase of fixed assets	(19,734)	---
Cash Flows from Financing Activities:		
Borrowings on line of credit	230,000	695,000
Payments on line of credit	(575,000)	(500,000)
Principal payments on note payable	(40,324)	(37,788)
Net cash provided (used) by financing activities	<u>(385,324)</u>	<u>157,212</u>
Net increase (decrease) in cash and equivalents	229,019	(241,195)
Cash and equivalents, beginning of year	<u>204,969</u>	<u>446,164</u>
Cash and equivalents, end of year	<u>\$ 433,988</u>	<u>\$ 204,969</u>
Supplemental Information:		
Interest paid	<u>\$ 19,318</u>	<u>\$ 23,992</u>
Cash and equivalents:		
Current	426,323	197,304
Restricted	7,665	7,665
	<u>433,988</u>	<u>204,969</u>

The accompanying notes to financial statements
are an integral part of these statements

TIME OF GRACE MINISTRY

Milwaukee, Wisconsin

Statement of Functional Expenses

For the Year Ended December 31, 2013

	Program			2013
	<u>Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 239,426	\$ 171,019	\$ 273,630	\$ 684,075
Employee benefits	27,685	19,737	31,580	79,002
Retirement plan contributions	9,074	6,482	10,370	25,926
Payroll taxes	17,579	12,557	20,090	50,226
Media production	257,462	367	11,300	269,129
National distribution	1,262,841	---	---	1,262,841
Advertising and promotion	25,708	---	---	25,708
Website	22,359	---	---	22,359
Accounting and audit fees	3,745	2,675	4,280	10,700
Contracted services	99,293	4,307	67,584	171,184
Dues and subscriptions	3,658	393	804	4,855
Insurance	18,460	933	1,460	20,853
Office supplies	10,516	2,597	9,570	22,683
Postage and shipping	41,089	1,387	13,526	56,002
Printing	80,385	824	26,170	107,379
Telephone	9,688	764	1,223	11,675
Conferences and meetings	8,891	588	3,609	13,088
Travel	31,640	1,025	36,924	69,589
Utilities	5,397	1,945	3,112	10,454
Depreciation	85,344	---	---	85,344
Repairs and maintenance	1,395	1,035	1,655	4,085
Donation in lieu of rent	41,833	27,096	43,506	112,435
Interest	10,518	3,385	5,415	19,318
Miscellaneous	7,265	4,916	8,391	20,572
Totals	\$ 2,321,251	\$ 264,032	\$ 574,199	\$ 3,159,482

The accompanying notes to financial statements
are an integral part of these statements.

TIME OF GRACE MINISTRY

Milwaukee, Wisconsin

Statement of Functional Expenses

For the Year Ended December 31, 2012

	Program			2012
	<u>Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 233,773	\$ 171,892	\$ 281,902	\$ 687,567
Employee benefits	23,165	14,455	23,707	61,327
Retirement plan contributions	7,174	5,275	8,651	21,100
Payroll taxes	21,813	12,837	21,051	55,701
Media production	261,989	---	4,464	266,453
National distribution	1,578,618	---	---	1,578,618
Advertising and promotion	31,628	---	57	31,685
Website	36,000	---	---	36,000
Accounting and audit fees	3,944	2,900	4,756	11,600
Contracted services	130,178	5,862	57,631	193,671
Dues and subscriptions	1,811	346	565	2,722
Insurance	19,208	815	1,336	21,359
Office supplies	6,010	3,651	15,823	25,484
Postage and shipping	47,584	1,597	20,658	69,839
Printing	135,914	188	17,558	153,660
Telephone	9,728	792	1,298	11,818
Conferences and meetings	9,635	688	2,261	12,584
Travel	37,427	1,176	42,408	81,011
Utilities	5,342	1,390	2,279	9,011
Depreciation	86,389	---	---	86,389
Repairs and maintenance	4,393	1,435	2,354	8,182
Donations	43,316	20,674	34,456	98,446
Interest	13,474	3,984	6,534	23,992
Miscellaneous	3,581	2,626	4,308	10,515
Totals	\$ 2,752,094	\$ 252,583	\$ 554,057	\$ 3,558,734

The accompanying notes to financial statements
are an integral part of these statements.

TIME OF GRACE MINISTRY

Milwaukee, Wisconsin

Notes to the Financial Statements

Years Ended December 31, 2013 and 2012

1. Summary of Significant Accounting Policies

A. Nature of the Organization

Time of Grace Ministry ("Organization") is a nonprofit corporation and worldwide media ministry. The mission of the Organization is to share the good news of Jesus Christ with as many people as possible through the most effective technology available. The Organization delivers a weekly broadcast on television and radio to various markets throughout the United States and abroad.

B. Basis of Presentation

The Organization follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP")

C. Net Assets

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. There were no permanently restricted net assets at December 31, 2013 and 2012.

D. Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include all cash on hand, checking and savings accounts and highly liquid debt instruments with original maturities of three months or less.

E. Pledges Receivable

Pledges receivable are reported in the accompanying statements of financial position net of unamortized discounts and an allowance for uncollectible pledges.

Pledges are recorded as receivables in the year pledged. Pledges and other promises to give whose eventual uses are restricted by the donors are recorded as increases in temporarily restricted net assets. Unrestricted pledges to be collected in future periods are also recorded as an increase in temporarily restricted net assets and reclassified to unrestricted net assets when received.

TIME OF GRACE MINISTRY

Milwaukee, Wisconsin

Notes to the Financial Statements

Years Ended December 31, 2013 and 2012

(Continued)

1. Summary of Significant Accounting Policies (continued)

E. Pledges Receivable (continued)

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount rate was 3.25% for the years ended December 31, 2013 and 2012.

Management individually reviews all past due pledge receivable balances and estimates the portion, if any, of the balance that will not be collected. The carrying amount of pledges receivable is reduced by allowances that reflect management's estimate of uncollectible amounts. At December 31, 2013 and 2012, management considers pledges receivable to be fully collectible and, accordingly, has not recorded an allowance for uncollectible balances.

F. Property and Equipment

Property and equipment acquisitions are recorded at cost or, if donated, at fair value at the date of donation. Depreciation is provided over the estimated useful life of depreciable assets and is computed using the straight-line method. Estimated useful lives of property and equipment are as follows:

	<u>Useful Lives</u>
Leasehold improvements	3 to 10 years
Furniture and equipment	3 to 10 years
Computer software and website	3 to 5 years

G. Contributions

Contributions are recognized when a donor makes an unconditional promise to give to the Organization. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

Conditional promises to give are reported at fair value at the date the gift was deemed unconditional. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

H. Advertising and Promotion

Advertising and promotion costs are expensed as incurred and totaled \$25,708 and \$ 31,685 for the years ended December 31, 2013 and 2012, respectively.

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TIME OF GRACE MINISTRY

Milwaukee, Wisconsin

Notes to the Financial Statements

Years Ended December 31, 2013 and 2012

(Continued)

1. Summary of Significant Accounting Policies (continued)

J. Allocation of Costs

Directly identifiable expenses are charged to program, administration and fundraising. Expenses related to more than one function are charged to program, administration and fundraising based on the estimated usage.

K. Tax Status

The Organization is a tax-exempt corporation as described in Section 501(c)(3) of the Internal Revenue Code ("the Code") and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Organization is also exempt from state taxes.

The Organization recognizes the benefit of a tax position only after determining whether it is more likely than not that the taxing authority would sustain the tax position upon examination of the technical merits of the tax position assuming the taxing authority has full knowledge of all information. The Organization has recorded no assets or liabilities related to uncertain tax positions.

The Organization is no longer subject to U.S. federal income tax examinations for years ending before December 31, 2010 and State income tax examinations for years ending before December 31, 2009.

L. Subsequent Events

Management has evaluated all subsequent events through the date the financial statements were available for distribution (May 22, 2014) for possible inclusion as a disclosure in the financial statements. There were no subsequent events that required recognition or disclosure.

2. Line of Credit

The Organization has entered into a line of credit agreement with a local financial institution. The available line of credit is \$600,000 with interest at the greater of the prime rate of 4.0% (effective rate of 4.0% at December 31, 2013 and 2012) the line of credit is secured by a general business security agreement. Balances owed on the line of credit was \$250,000 and \$595,000 at December 31, 2013 and 2012, respectively.

3. Note Payable

The Organization has a note payable due to a bank. The original terms of the note had monthly payments of \$3,820, an interest rate of 5.5% and final payment due in November of 2013. During 2013 terms of this note were renegotiated with the bank. The terms of the note as of December 31, 2013 include monthly payments of \$3,950 and interest rate of 5.0% and final payments due on October 29, 2015. The note is secured by a general business security agreement. The balance owed on the note was \$82,837 and \$123,161 at December 31, 2013 and 2012, respectively. Future scheduled maturities are as follows:

Year ended December 31,	
2014	\$ 44,265
2015	<u>38,572</u>
Total	<u>\$ 82,837</u>

TIME OF GRACE MINISTRY

Milwaukee, Wisconsin

Notes to the Financial Statements Years Ended December 31, 2013 and 2012 (Continued)

4. Pledges Receivable

Pledges receivable as of December 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Due within one year	\$ 100,000	\$ 50,000
Due in one to five years	---	100,000
	<u>100,000</u>	<u>150,000</u>
Less discount	---	(4,684)
Net pledges receivable	<u>\$ 100,000</u>	<u>\$ 145,316</u>

5. Temporarily Restricted Net Assets

Donor restrictions of temporarily restricted net assets at December 31 are summarized as follows:

	<u>2013</u>	<u>2012</u>
Pledges receivable - time restricted	\$ <u>100,000</u>	\$ <u>145,316</u>

Net assets were released from restrictions by the collection of pledges receivable.

6. Related Party Transactions

The Organization occupies administrative and production facilities that are owned by a church whose pastor is also a board member of the Organization. The Organization is not required to pay rent for the use of the facilities. In lieu of rent the Organization makes voluntary contributions to the church and is responsible for a portion of the utility expense. Contributions in lieu of rent for the years ended December 31, 2013 and 2012 totaled \$108,384 and \$106,279, respectively. Amounts owed to the church that were included in accounts payable of the Organization was \$9,840 and \$-0-, respectively.

7. Concentration of Credit Risk

The Organization maintains depository relationships with area financial institutions. Balances on deposit are insured by the Federal Insurance Deposit Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured.

8. Major Donors

For the year ended December 31, 2013 two major donors contributed more than 10% of total contributions. Together they contributed 22% of total contributions. For the year ended December 31, 2012, two major donors contributed approximately 28% of total contributions.

For the years ended December 31, 2013 and 2012, 100% of pledges were from one donor.

9. Retirement Plan

The Organization has a 401(k) retirement plan that covers substantially all of its full-time employees. The Organization may make discretionary contributions to the plan. Pension expense was \$25,926 and \$21,100 for the years ended December 31, 2013 and 2012, respectively.

TIME OF GRACE MINISTRY

Milwaukee, Wisconsin

Notes to the Financial Statements

Years Ended December 31, 2013 and 2012

(Continued)

10. Commitments

The Organization has entered into agreements with unrelated third parties for website maintenance, chief development officer search, strategic ministry planning, and direct marketing services. The balances remaining on these contracts at December 31, 2013 were \$76,684.

11. Restricted Cash

Restricted cash consists of a money market account held by the Organization as a reserve fund for State of Wisconsin Unemployment. The funds in this account cannot be accessed by the Organization for any other purpose.