

**TIME OF GRACE MINISTRY**

Milwaukee, Wisconsin

**Audited Financial Statements**

Years Ended December 31, 2014 and 2013

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## INDEPENDENT AUDITORS' 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 statements of financial position as of December 31, 2014 and 2013, the related statements of activities, cash flows and functional expenses for the years 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.

### Auditors' 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 auditors' 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 Time of Grace Ministry as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

June 11, 2015  
Milwaukee, Wisconsin

**TIME OF GRACE MINISTRY**  
Milwaukee, Wisconsin

**Statements of Financial Position**  
December 31, 2014 and 2013

<b>ASSETS</b>	<b><u>2014</u></b>	<b><u>2013</u></b>
<b>Current Assets:</b>		
Cash and equivalents	\$ 487,834	\$ 426,323
Pledges receivable	75,000	100,000
Prepaid expenses	20,850	10,487
<b>Total current assets</b>	<u>583,684</u>	<u>536,810</u>
<b>Other Assets:</b>		
Restricted cash	7,768	7,665
<b>Property and Equipment:</b>		
Furniture & equipment	565,739	538,444
Leasehold improvements	115,712	115,712
Computer software and website	70,397	20,397
Accumulated depreciation	(533,837)	(454,630)
<b>Net property and equipment</b>	<u>218,011</u>	<u>219,923</u>
 <b>Total assets</b>	 <u><u>\$ 809,463</u></u>	 <u><u>\$ 764,398</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Line of credit	\$ 365,000	\$ 250,000
Accounts payable	161,861	260,410
Accrued expenses	33,304	32,509
Note payable - current	38,616	44,265
<b>Total current liabilities</b>	<u>598,781</u>	<u>587,184</u>
<b>Other Liabilities:</b>		
Notes payable - noncurrent	---	38,572
<b>Net Assets:</b>		
Unrestricted	135,682	38,642
Temporarily restricted	75,000	100,000
<b>Total net assets</b>	<u>210,682</u>	<u>138,642</u>
 <b>Total liabilities and net assets</b>	 <u><u>\$ 809,463</u></u>	 <u><u>\$ 764,398</u></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, 2014 and 2013

	2014			2013		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support, revenue and releases:</b>						
Contributions	\$ 3,439,915	\$ ---	\$ 3,439,915	\$ 3,444,056	\$ ---	\$ 3,444,056
Other income	3,147	---	3,147	937	---	937
Net assets released from restrictions	25,000	(25,000)	---	45,316	(45,316)	---
<b>Total support, revenue and releases</b>	<b>3,468,062</b>	<b>(25,000)</b>	<b>3,443,062</b>	<b>3,490,309</b>	<b>(45,316)</b>	<b>3,444,993</b>
<b>Expenses:</b>						
Program services	2,643,424	---	2,643,424	2,321,251	---	2,321,251
Administration	287,757	---	287,757	264,032	---	264,032
Fundraising	439,841	---	439,841	574,199	---	574,199
<b>Total expenses</b>	<b>3,371,022</b>	<b>---</b>	<b>3,371,022</b>	<b>3,159,482</b>	<b>---</b>	<b>3,159,482</b>
<b>Change in net assets</b>	<b>97,040</b>	<b>(25,000)</b>	<b>72,040</b>	<b>330,827</b>	<b>(45,316)</b>	<b>285,511</b>
Net assets, beginning of the year	38,642	100,000	138,642	(292,185)	145,316	(146,869)
<b>Net assets, end of the year</b>	<b>\$ 135,682</b>	<b>\$ 75,000</b>	<b>\$ 210,682</b>	<b>\$ 38,642</b>	<b>\$ 100,000</b>	<b>\$ 138,642</b>

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**TIME OF GRACE MINISTRY**

Milwaukee, Wisconsin

**Statements of Cash Flows**

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Cash Flows from Operating Activities:</b>		
Increase in net assets	\$ 72,040	\$ 285,511
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operations:		
Depreciation	86,197	85,344
Discount on pledges receivable	---	(4,684)
Loss on disposal of property and equipment	1,431	---
Increase/Decrease in Assets and Liabilities:		
Pledges receivable	25,000	50,000
Prepaid expenses	(10,363)	1,852
Accounts payable	(98,549)	214,740
Accrued expenses	795	1,314
Total adjustments	<u>4,511</u>	<u>348,566</u>
<b>Net cash provided by operating activities</b>	<u>76,551</u>	<u>634,077</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of fixed assets	(85,716)	(19,734)
<b>Cash Flows from Financing Activities:</b>		
Borrowings on line of credit	365,000	230,000
Payments on line of credit	(250,000)	(575,000)
Principal payments on note payable	(44,221)	(40,324)
<b>Net cash provided (used) by financing activities</b>	<u>70,779</u>	<u>(385,324)</u>
<b>Net increase in cash and equivalents</b>	61,614	229,019
Cash and equivalents, beginning of year	<u>433,988</u>	<u>204,969</u>
<b>Cash and equivalents, end of year</b>	<u>\$ 495,602</u>	<u>\$ 433,988</u>
<b>Supplemental Information:</b>		
Interest paid	<u>\$ 6,916</u>	<u>\$ 19,318</u>
<b>Cash and equivalents:</b>		
Current	\$ 487,834	\$ 426,323
Restricted	7,768	7,665
	<u>\$ 495,602</u>	<u>\$ 433,988</u>

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are an integral part of these statements

**TIME OF GRACE MINISTRY**

Milwaukee, Wisconsin

**Statement of Functional Expenses**

For the Year Ended December 31, 2014

	<b>Program</b>			<b>2014</b>
	<b><u>Services</u></b>	<b><u>Administration</u></b>	<b><u>Fundraising</u></b>	<b><u>Total</u></b>
Salaries and wages	\$ 361,746	\$ 111,965	\$ 227,319	\$ 701,030
Employee benefits	40,899	17,451	29,506	87,856
Retirement plan contributions	12,436	4,797	5,089	22,322
Payroll taxes	26,762	8,526	16,779	52,067
Media production	283,641	541	---	284,182
National distribution	1,353,741	---	---	1,353,741
Advertising and promotion	40,348	---	---	40,348
Website	31,638	---	---	31,638
Accounting and audit fees	---	10,575	---	10,575
Contracted services	146,962	17,291	59,590	223,843
Dues and subscriptions	307	1,394	139	1,840
Insurance	12,340	5,666	---	18,006
Office supplies	4,042	10,918	6,266	21,226
Postage and shipping	45,600	2,787	4,665	53,052
Printing	98,915	1,112	23,907	123,934
Telephone	25,599	4,860	1,446	31,905
Conferences and meetings	9,520	1,145	2,891	13,556
Travel	21,966	3,878	28,578	54,422
Utilities	5,149	4,020	2,570	11,739
Depreciation	86,197	---	---	86,197
Repairs and maintenance	76	10,114	---	10,190
Donation	30,691	39,727	31,051	101,469
Interest	3,178	3,738	---	6,916
Loss on disposal	1,431	---	---	1,431
Miscellaneous	240	27,252	45	27,537
<b>Totals</b>	<b>\$ 2,643,424</b>	<b>\$ 287,757</b>	<b>\$ 439,841</b>	<b>\$ 3,371,022</b>

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**TIME OF GRACE MINISTRY**

Milwaukee, Wisconsin

**Statement of Functional Expenses**

For the Year Ended December 31, 2013

	<b>Program</b>			<b>2013</b>
	<b><u>Services</u></b>	<b><u>Administration</u></b>	<b><u>Fundraising</u></b>	<b><u>Total</u></b>
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
Donations	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
<b>Totals</b>	<b>\$ 2,321,251</b>	<b>\$ 264,032</b>	<b>\$ 574,199</b>	<b>\$ 3,159,482</b>

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, 2014 and 2013

#### 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, 2014 and 2013.

##### D. Cash and Equivalents

For purposes of the statements of cash flows, cash and 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.

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, 2014 and 2013.

**TIME OF GRACE MINISTRY**

Milwaukee, Wisconsin

**Notes to the Financial Statements**

Years Ended December 31, 2014 and 2013

(Continued)

**1. Summary of Significant Accounting Policies (continued)**

**E. Pledges Receivable (continued)**

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, 2014 and 2013, 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 \$40,348 and \$ 25,708 for the years ended December 31, 2014 and 2013, 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, 2014 and 2013

(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.

Generally, for United States Federal income taxes, the Organization is only subject to examination for the current year's tax return and the preceding three years' returns. Generally, for Wisconsin income taxes, the Organization is only subject to examinations for the current year's tax return and the preceding four years' returns.

**L. Subsequent Events**

Management has evaluated all subsequent events through the date the financial statements were available for distribution (June 11, 2015) 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 or 4.0% (effective rate of 4.0% at December 31, 2014 and 2013). The line of credit is secured by a general business security agreement. Balances owed on the line of credit were \$365,000 and \$250,000 at December 31, 2014 and 2013, respectively. The line of credit balance was paid in full during January 2015.

**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 an interest rate of 5.0% with final payments due on October 29, 2015. The note is secured by a general business security agreement. The balance owed on the note was \$38,616 and \$82,837 at December 31, 2014 and 2013, respectively. Future scheduled maturities are as follows:

Year ended December 31,	
2015	\$ 38,616

**TIME OF GRACE MINISTRY**

Milwaukee, Wisconsin

**Notes to the Financial Statements**

Years Ended December 31, 2014 and 2013

(Continued)

**4. Pledges Receivable**

Pledges receivable as of December 31, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Due within one year	\$ 75,000	\$ 100,000
Less discount	---	---
Net pledges receivable	<u>\$ 75,000</u>	<u>\$ 100,000</u>

**5. Temporarily Restricted Net Assets**

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

	<u>2014</u>	<u>2013</u>
Pledges receivable - time restricted	\$ <u>75,000</u>	\$ <u>100,000</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, 2014 and 2013 totaled \$101,112 and \$108,384, respectively. Amounts owed to the church that were included in accounts payable of the Organization were \$-0- and \$9,840, 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. The Organization has never experienced any losses related to these balances.

**8. Major Donors**

For the year ended December 31, 2014, two major donors contributed more than 10% of total contributions. Together they contributed 23% of total contributions. For the year ended December 31, 2013, two major donors contributed approximately 22% of total contributions.

For the years ended December 31, 2014 and 2013, 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 \$22,322 and \$25,926 for the years ended December 31, 2014 and 2013, respectively.

**TIME OF GRACE MINISTRY**

Milwaukee, Wisconsin

**Notes to the Financial Statements**

Years Ended December 31, 2014 and 2013

(Continued)

**10. Commitments**

The Organization has entered into an agreement with an unrelated third party for program, organizational, marketing, fundraising, and digital development services. The agreement ends in 2025. The balance remaining on this contract at December 31, 2014 was \$858,000.

**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.

**12. Leases**

The Organization entered into a lease for office equipment. The lease expires in 2017. Payments made on the lease for the years ended December 31, 2014 and 2013 were \$2,075 and \$1,574, respectively. Minimum payment requirements for the periods involved are:

2015	\$	1,800
2016		1,800
2017		<u>1,350</u>
<b>Total</b>	<b>\$</b>	<b><u>4,950</u></b>