

**TIME OF GRACE MINISTRY**  
Milwaukee, Wisconsin

**Audited Financial Statements**  
Years Ended December 31, 2016 and 2015

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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, 2016 and 2015, 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 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.

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, 2016 and 2015, 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.

May 31, 2017  
Milwaukee, Wisconsin

**TIME OF GRACE MINISTRY**  
Milwaukee, Wisconsin

**Statements of Financial Position**  
December 31, 2016 and 2015

<b>ASSETS</b>	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>Current Assets:</b>		
Cash and equivalents	\$ 256,907	\$ 565,615
Grants receivable	25,000	---
Investments	16,921	---
Prepaid expenses	11,858	15,578
<b>Total current assets</b>	<u>310,686</u>	<u>581,193</u>
<b>Other Assets:</b>		
Restricted cash	7,780	7,779
<b>Property and Equipment:</b>		
Furniture & equipment	565,739	565,739
Leasehold improvements	115,712	115,712
Computer software and website	125,281	70,397
Accumulated depreciation	(715,689)	(637,526)
Construction in progress	---	32,681
<b>Net property and equipment</b>	<u>91,043</u>	<u>147,003</u>
 <b>Total assets</b>	 <u><u>\$ 409,509</u></u>	 <u><u>\$ 735,975</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Line of credit	\$ 50,000	\$ ---
Accounts payable	242,716	280,969
Accrued expenses	41,899	33,164
<b>Total current liabilities</b>	<u>334,615</u>	<u>314,133</u>
<b>Net Assets:</b>		
Unrestricted	49,894	421,062
Temporarily restricted	25,000	780
<b>Total net assets</b>	<u>74,894</u>	<u>421,842</u>
 <b>Total liabilities and net assets</b>	 <u><u>\$ 409,509</u></u>	 <u><u>\$ 735,975</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, 2016 and 2015

	2016			2015		
	<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	\$ 3,935,610	\$ 25,000	\$ 3,960,610	\$ 3,751,946	\$ 40,000	\$ 3,791,946
Other income	8,484	---	8,484	10,647	---	10,647
Unrealized gain on investments	757	---	757	---	---	---
Net assets released from restrictions	780	(780)	---	114,220	(114,220)	---
<b>Total support, revenue and releases</b>	<b>3,945,631</b>	<b>24,220</b>	<b>3,969,851</b>	<b>3,876,813</b>	<b>(74,220)</b>	<b>3,802,593</b>
<b>Expenses:</b>						
Program services	3,610,190	---	3,610,190	2,882,724	---	2,882,724
Administration	297,482	---	297,482	272,751	---	272,751
Fundraising	409,127	---	409,127	435,958	---	435,958
<b>Total expenses</b>	<b>4,316,799</b>	<b>---</b>	<b>4,316,799</b>	<b>3,591,433</b>	<b>---</b>	<b>3,591,433</b>
<b>Change in net assets</b>	<b>(371,168)</b>	<b>24,220</b>	<b>(346,948)</b>	<b>285,380</b>	<b>(74,220)</b>	<b>211,160</b>
Net assets, beginning of the year	421,062	780	421,842	135,682	75,000	210,682
<b>Net assets, end of the year</b>	<b>\$ 49,894</b>	<b>\$ 25,000</b>	<b>\$ 74,894</b>	<b>\$ 421,062</b>	<b>\$ 780</b>	<b>\$ 421,842</b>

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

**TIME OF GRACE MINISTRY**

Milwaukee, Wisconsin

**Statements of Cash Flows**

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ (346,948)	\$ 211,160
<b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operations:</b>		
Depreciation	78,162	103,690
Unrealized gain on investments	(757)	---
<b>Changes in Assets and Liabilities:</b>		
Pledges receivable	---	75,000
Grants receivable	(25,000)	---
Prepaid expenses	3,720	5,272
Accounts payable	(38,252)	119,107
Accrued expenses	8,735	(140)
Total adjustments	<u>26,608</u>	<u>302,929</u>
<b>Net cash provided (used) by operating activities</b>	<u>(320,340)</u>	<u>514,089</u>
 <b>Cash Flows from Investing Activities:</b>		
Purchase of fixed assets	(22,203)	(32,681)
Purchase of investments	(16,164)	---
<b>Net cash used by investing activities</b>	<u>(38,367)</u>	<u>(32,681)</u>
 <b>Cash Flows from Financing Activities:</b>		
Borrowings on line of credit	425,000	440,000
Payments on line of credit	(375,000)	(805,000)
Principal payments on note payable	---	(38,616)
<b>Net cash provided (used) by financing activities</b>	<u>50,000</u>	<u>(403,616)</u>
 <b>Net increase (decrease) in cash and equivalents</b>	<u>(308,707)</u>	<u>77,792</u>
 Cash and equivalents, beginning of year	<u>573,394</u>	<u>495,602</u>
 <b>Cash and equivalents, end of year</b>	<u>\$ 264,687</u>	<u>\$ 573,394</u>
 <b>Supplemental Information:</b>		
Interest paid	<u>\$ 4,949</u>	<u>\$ 6,442</u>
 <b>Cash and equivalents:</b>		
Current	\$ 256,907	\$ 565,615
Restricted	7,780	7,779
<b>Total cash and equivalents</b>	<u>\$ 264,687</u>	<u>\$ 573,394</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, 2016

	<b>Program</b>			<b>2016</b>
	<b><u>Services</u></b>	<b><u>Administration</u></b>	<b><u>Fundraising</u></b>	<b><u>Total</u></b>
Salaries and wages	\$ 442,427	\$ 118,164	\$ 219,922	\$ 780,513
Employee benefits	31,405	32,635	17,221	81,261
Retirement plan contributions	10,255	6,600	7,901	24,756
Payroll taxes	33,238	8,754	16,499	58,491
Media production	759,242	---	---	759,242
National distribution	1,436,953	---	---	1,436,953
Advertising and promotion	123,879	---	90	123,969
Website	41,648	---	3,125	44,773
Accounting and audit fees	---	11,150	---	11,150
Contracted services	216,374	8,571	84,966	309,911
Dues and subscriptions	1,999	1,323	20	3,342
Insurance	14,441	6,823	---	21,264
Office supplies	18,786	13,823	1,652	34,261
Postage and shipping	87,963	556	823	89,342
Printing	176,838	---	1,105	177,943
Telephone	12,658	1,055	1,119	14,832
Conferences and meetings	11,898	1,544	1,076	14,518
Travel	30,280	659	12,366	43,305
Utilities	4,740	2,151	2,151	9,042
Depreciation	78,162	---	---	78,162
Repairs and maintenance	4,396	5,121	---	9,517
Donation	71,944	38,775	38,981	149,700
Interest	(25)	6,413	---	6,388
Miscellaneous	689	33,365	110	34,164
<b>Totals</b>	<b>\$ 3,610,190</b>	<b>\$ 297,482</b>	<b>\$ 409,127</b>	<b>\$ 4,316,799</b>

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, 2015

	<b>Program</b>			<b>2015</b>
	<b><u>Services</u></b>	<b><u>Administration</u></b>	<b><u>Fundraising</u></b>	<b><u>Total</u></b>
Salaries and wages	\$ 379,347	\$ 115,094	\$ 221,569	\$ 716,010
Employee benefits	50,274	23,383	24,302	97,959
Retirement plan contributions	13,007	5,098	6,805	24,910
Payroll taxes	28,067	8,445	16,500	53,012
Media production	333,538	---	---	333,538
National distribution	1,408,033	---	---	1,408,033
Advertising and promotion	59,168	900	---	60,068
Website	6,435	---	---	6,435
Accounting and audit fees	---	10,900	---	10,900
Contracted services	151,745	7,957	71,527	231,229
Dues and subscriptions	1,359	1,220	---	2,579
Insurance	13,094	6,605	---	19,699
Office supplies	12,849	13,710	4,755	31,314
Postage and shipping	59,191	1,596	11,361	72,148
Printing	131,369	1,735	16,718	149,822
Telephone	12,322	357	1,314	13,993
Conferences and meetings	19,875	6,789	1,278	27,942
Travel	48,924	1,663	20,339	70,926
Utilities	4,960	2,386	2,386	9,732
Depreciation	103,690	---	---	103,690
Repairs and maintenance	1,837	1,948	---	3,785
Donations	37,308	37,001	37,087	111,396
Interest	6,442	---	---	6,442
Miscellaneous	(110)	25,964	17	25,871
<b>Totals</b>	<b>\$ 2,882,724</b>	<b>\$ 272,751</b>	<b>\$ 435,958</b>	<b>\$ 3,591,433</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, 2016 and 2015

#### 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, 2016 and 2015.

##### 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. Investment Valuation and Income Recognition

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

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

**TIME OF GRACE MINISTRY**

Milwaukee, Wisconsin

**Notes to the Financial Statements**

Years Ended December 31, 2016 and 2015

(Continued)

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

**E. Investment Valuation and Income Recognition (Continued)**

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

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016.

*Mutual funds, exchange-traded funds, and closed-end funds:* Valued at the closing price reported on the active market on which the individual securities are traded.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Realized gains and losses and unrealized appreciation and depreciation of Organization assets are reported in the statements of activities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization 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 fair value measurement at the reporting date.

**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

## **TIME OF GRACE MINISTRY**

Milwaukee, Wisconsin

### **Notes to the Financial Statements**

Years Ended December 31, 2016 and 2015

(Continued)

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

##### **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 \$123,969 and \$ 60,068 for the years ended December 31, 2016 and 2015, 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.

##### **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.

##### **L. Receivables**

Receivables are recorded at contract value less management's estimate for uncollectible amounts based on their experience relative to the total population of receivables.

**TIME OF GRACE MINISTRY**

Milwaukee, Wisconsin

**Notes to the Financial Statements**

Years Ended December 31, 2016 and 2015

(Continued)

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

**M. Contributions In-Kind**

Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed facilities are recorded at the fair market value of the space. Contributed tangible assets are recognized at fair market value as determined by the donor when received. The amounts reflected in the accompanying financial statements as contributions in-kind are offset by like amounts included in assets and expenses. Fiscal year 2016 and 2015 contributions in-kind were in the amounts of \$16,122 and \$-, respectively.

**N. Subsequent Events**

Management has evaluated all subsequent events through the date the financial statements were available for distribution (May 31, 2017) for possible inclusion as a disclosure in the financial statements. See note 3 for subsequent activity on the line of credit.

**2. Investments**

The following summarizes the classification of investments by classification and method of valuation in accordance with the requirements of GAAP for the year ending December 31, 2016:

<u>Description</u>	<u>12/31/16</u>	<u>Fair Value Measurement at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds:				
Balanced funds	\$ 16,921	\$ 16,921	\$ ---	\$ ---
<b>Total</b>	<b>\$ 16,921</b>	<b>\$ 16,921</b>	<b>\$ ---</b>	<b>\$ ---</b>

There were no assets valued using level 3 valuations. The following table shows the gross unrealized gains and losses and estimated fair value of the investments.

	<b>2016</b>
Cost	\$ 16,164
Cumulative unrealized gain	757
Market	<u>\$ 16,921</u>

**3. 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, 2016 and 2015). The line of credit is secured by a general business security agreement. Balances owed on the line of credit were \$50,000 and \$- at December 31, 2016 and 2015, respectively. Subsequent to year end, the \$50,000 balance was paid in full.

## TIME OF GRACE MINISTRY

Milwaukee, Wisconsin

### Notes to the Financial Statements

Years Ended December 31, 2016 and 2015

(Continued)

#### 4. Temporarily Restricted Net Assets

Donor restrictions of temporarily restricted net assets at December 31, 2016 and 2015 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Grant receivable - time restricted	\$ 25,000	\$ ---
Salt Lake City ministry work	---	780
Total	<u>\$ 25,000</u>	<u>\$ 780</u>

#### 5. 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, 2016 and 2015 totaled \$116,313 and \$111,396, respectively.

#### 6. 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.

#### 7. Major Donors

For the year ended December 31, 2016, no donor contributed more than 10% of total contributions. For the year ended December 31, 2015, one major donor contributed approximately 11% of total contributions.

#### 8. 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. Retirement plan contributions were \$24,756 and \$24,910 for the years ended December 31, 2016 and 2015, respectively.

#### 9. Commitments

The Organization has entered into an agreement with an unrelated third party for program, organizational, marketing, fundraising, and digital development services. The agreement calls for monthly payments of \$6,500. The contract ends December 31, 2025, but can be terminated by either party at any time with 30 days written notice.

The Organization has also entered into agreements with an unrelated third party for online streaming services. These agreements automatically renew for successive 12-month terms unless they are terminated within 30 days prior to the expiration of the current term. The Organization may terminate the agreement at any time with 90-days advance notice. The minimum balance remaining on these contracts at December 31, 2016 was \$10,835.

**TIME OF GRACE MINISTRY**

Milwaukee, Wisconsin

**Notes to the Financial Statements**

Years Ended December 31, 2016 and 2015

(Continued)

**10. Construction in Progress**

As of December 31, 2015, the Organization was in the midst of a project for improving its online fundraising systems and services as mentioned in the previous note. Costs related to this project were included in construction in progress and were capitalized upon completion in 2016. The total construction in progress at December 31, 2015 amounted to \$32,681.

**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, 2016 and 2015 were \$2,023 and \$2,296, respectively. Minimum payment requirements for the years ended December 31 are:

2017	\$	<u>1,350</u>
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