

TIME OF GRACE MINISTRY
Milwaukee, Wisconsin

Audited Financial Statements
Years Ended December 31, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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 11, 2018
Milwaukee, Wisconsin

TIME OF GRACE MINISTRY

Milwaukee, Wisconsin

Statements of Financial Position

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets:		
Current Assets:		
Cash and equivalents	\$ 525,740	\$ 264,687
Grants receivable	---	25,000
Investments	24,512	16,921
Prepaid expenses	24,525	11,858
Total current assets	<u>574,777</u>	<u>318,466</u>
Property and Equipment:		
Furniture & equipment	580,993	565,739
Leasehold improvements	115,712	115,712
Computer software and website	125,281	125,281
Accumulated depreciation	(754,758)	(715,689)
Construction in progress	91,960	---
Net property and equipment	<u>159,188</u>	<u>91,043</u>
Total assets	<u>\$ 733,965</u>	<u>\$ 409,509</u>
Liabilities and Net Assets:		
Current Liabilities:		
Line of credit	\$ 400,000	\$ 50,000
Accounts payable	92,443	242,716
Accrued expenses	43,423	41,899
Total current liabilities	<u>535,866</u>	<u>334,615</u>
Net Assets:		
Unrestricted	198,099	49,894
Temporarily restricted	---	25,000
Total net assets	<u>198,099</u>	<u>74,894</u>
Total liabilities and net assets	<u>\$ 733,965</u>	<u>\$ 409,509</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, 2017 and 2016

	2017			2016		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support, revenue and releases:						
Contributions	\$ 3,999,482	\$ ---	\$ 3,999,482	\$ 3,935,610	\$ 25,000	\$ 3,960,610
Other income	10,036	---	10,036	8,484	---	8,484
Unrealized gain on investments	1,987	---	1,987	757	---	757
Net assets released from restrictions	25,000	(25,000)	---	780	(780)	---
Total support, revenue and releases	4,036,505	(25,000)	4,011,505	3,945,631	24,220	3,969,851
Expenses:						
Program services	3,145,171	---	3,145,171	3,610,190	---	3,610,190
Administration	319,937	---	319,937	297,482	---	297,482
Fundraising	423,192	---	423,192	409,127	---	409,127
Total expenses	3,888,300	---	3,888,300	4,316,799	---	4,316,799
Change in net assets	148,205	(25,000)	123,205	(371,168)	24,220	(346,948)
Net assets, beginning of the year	49,894	25,000	74,894	421,062	780	421,842
Net assets, end of the year	\$ 198,099	\$ ---	\$ 198,099	\$ 49,894	\$ 25,000	\$ 74,894

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 123,205	\$ (346,948)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operations:		
Depreciation	39,070	78,162
Unrealized gain on investments	(1,987)	(757)
Changes in Assets and Liabilities:		
Grants receivable	25,000	(25,000)
Prepaid expenses	(12,667)	3,720
Accounts payable	(150,273)	(38,252)
Accrued expenses	1,524	8,735
Total adjustments	<u>(99,333)</u>	<u>26,608</u>
Net cash provided (used) by operating activities	23,872	(320,340)
 Cash Flows from Investing Activities:		
Purchase of fixed assets	(107,215)	(22,203)
Purchase of investments	(5,604)	(16,164)
Net cash used by investing activities	<u>(112,819)</u>	<u>(38,367)</u>
 Cash Flows from Financing Activities:		
Borrowings on line of credit	600,000	425,000
Payments on line of credit	(250,000)	(375,000)
Net cash provided by financing activities	<u>350,000</u>	<u>50,000</u>
 Net increase (decrease) in cash and equivalents	261,053	(308,707)
 Cash and equivalents, beginning of year	<u>264,687</u>	<u>573,394</u>
 Cash and equivalents, end of year	<u><u>\$ 525,740</u></u>	<u><u>\$ 264,687</u></u>
 Supplemental Information:		
Interest paid	<u><u>\$ 11,443</u></u>	<u><u>\$ 4,949</u></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, 2017

	Program			2017
	<u>Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 503,365	\$ 121,441	\$ 219,179	\$ 843,985
Employee benefits	43,318	42,108	19,708	105,134
Retirement plan contributions	13,435	5,771	9,484	28,690
Payroll taxes	37,696	8,989	16,405	63,090
Media production	485,315	---	---	485,315
National distribution	1,358,318	---	---	1,358,318
Advertising and promotion	62,781	---	240	63,021
Website	31,133	---	210	31,343
Accounting and audit fees	---	11,400	---	11,400
Contracted services	150,599	9,154	94,290	254,043
Dues and subscriptions	342	1,421	---	1,763
Insurance	13,225	7,355	---	20,580
Office supplies	20,465	14,380	135	34,980
Postage and shipping	98,748	275	631	99,654
Printing	184,999	236	---	185,235
Telephone	14,285	277	1,095	15,657
Conferences and meetings	7,840	1,347	686	9,873
Travel	31,495	91	19,470	51,056
Utilities	4,898	2,044	2,149	9,091
Depreciation	39,070	---	---	39,070
Repairs and maintenance	129	7,221	---	7,350
Donation	43,268	38,153	39,400	120,821
Interest	---	11,946	---	11,946
Miscellaneous	447	36,328	110	36,885
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	\$ 3,145,171	\$ 319,937	\$ 423,192	\$ 3,888,300
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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

	Program			2016
	<u>Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
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
Donations	71,944	38,775	38,981	149,700
Interest	(25)	6,413	---	6,388
Miscellaneous	689	33,365	110	34,164
Totals	\$ 3,610,190	\$ 297,482	\$ 409,127	\$ 4,316,799

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, 2017 and 2016

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 to various markets throughout the United States and abroad as well as digital media and print resources.

B. Basis of Presentation

Financial statement presentation follows accounting principles generally accepted in the United States of America ("U.S. GAAP").

C. Net Assets

Under U.S. GAAP, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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, 2017 and 2016.

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

U.S. GAAP 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 under U.S. GAAP 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, 2017 and 2016

(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Investment Valuation and Income Recognition (Continued)

Level 2 – Inputs other than quoted prices that are observable for securities, either directly or indirectly. Examples include matrix pricing utilizing yield curves, prepayment speeds, credit risks, etc.; quoted prices for similar assets in active markets; and inputs derived from 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.

Purchases and sales of investments are recorded on a trade-date basis. Interest and dividend income is recorded on the accrual basis.

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, 2017 and 2016.

Mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

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, 2017 and 2016

(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 \$63,021 and \$123,969 for the years ended December 31, 2017 and 2016, 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. Management has determined there are no uncollectible amounts at December 31, 2017 and 2016.

TIME OF GRACE MINISTRY

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Notes to the Financial Statements

Years Ended December 31, 2017 and 2016

(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. Contributions in-kind for the years ended December 31, 2017 and 2016 amounted to \$- and \$16,122, respectively.

N. Subsequent Events

Management has evaluated all subsequent events through the date the financial statements were available for distribution (May 11, 2018) for possible inclusion as a disclosure in the financial statements. See note 3 for subsequent activity on the line of credit.

2. Investments

Investments consist of the following at December 31:

	2017		2016	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Mutual Funds	\$ 24,512	\$ 21,768	\$ 16,921	\$ 16,164

The following summarizes the classification of investments at fair value as of December 31, 2017 by classification and method of valuation in accordance with the requirements of U.S. GAAP:

<u>Description</u>	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Mutual funds:				
Balanced funds	\$ 24,512	\$ 24,512	\$ ---	\$ ---

The following summarizes the classification of investments at fair value as of December 31, 2016 by classification and method of valuation in accordance with the requirements of U.S. GAAP:

<u>Description</u>	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Mutual funds:				
Balanced funds	\$ 16,921	\$ 16,921	\$ ---	\$ ---

Investment income for the years ended December 31, 2017 and 2016 is summarized as follows:

	2017	2016
Interest income	\$ 1,100	\$ 594
Unrealized gain on investments	1,987	757
Total	\$ 3,087	\$ 1,351

TIME OF GRACE MINISTRY

Milwaukee, Wisconsin

Notes to the Financial Statements

Years Ended December 31, 2017 and 2016

(Continued)

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 4.5% (effective rates of 4.5% and 4.0% at December 31, 2017 and 2016, respectively). The line of credit is secured by a general business security agreement.

Balances owed on the line of credit were \$400,000 and \$50,000 at December 31, 2017 and 2016, respectively. Subsequent to year end, the \$400,000 balance was paid in full.

4. Temporarily Restricted Net Assets

Donor restrictions of temporarily restricted net assets at December 31, 2017 and 2016 are summarized as follows:

	<u>2017</u>		<u>2016</u>
Grant receivable - time restricted	\$	---	\$ 25,000

5. Related Party Transactions

The Organization occupies administrative and production facilities that are owned by a church whose pastor is also a Speaker 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, 2017 and 2016 totaled \$120,821 and \$116,313, 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. 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 \$28,690 and \$24,756 for the years ended December 31, 2017 and 2016, respectively.

8. Commitments

The Organization has entered into an agreement with an unrelated third party for communication and media relations services. Fees for these services will be billed on a pay-as-you-go basis and total cost estimates for these services amounted to \$21,300. The contract can be terminated by either party at any time with 30 days written notice.

9. Construction in Progress

As of December 31, 2017, the Organization was in the midst of several projects, including upgrades to their production studios and development of a mobile application. Costs related to this project will be capitalized upon completion. The total construction in progress at December 31, 2017 amounted to \$91,960.

TIME OF GRACE MINISTRY

Milwaukee, Wisconsin

Notes to the Financial Statements

Years Ended December 31, 2017 and 2016

(Continued)

10. Leases

The Organization renewed its lease for office equipment during the year ended December 31, 2017. The new lease expires in 2021. Payments made on the office equipment leases for the years ended December 31, 2017 and 2016 were \$1,688 and \$2,023, respectively. Minimum payment requirements for the years ended December 31 are as follows:

2018	\$	2,028
2019		2,028
2020		2,028
2021		<u>1,690</u>
Total	\$	<u>7,774</u>

11. Reclassifications

Certain amounts in the prior-period comparative information have been reclassified to conform to their current year presentation.