

TIME OF GRACE MINISTRY
Milwaukee, Wisconsin

Audited Financial Statements
Years Ended December 31, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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.

Reilly, Penner & Benton LLP

May 1, 2019
Milwaukee, Wisconsin

TIME OF GRACE MINISTRY

Milwaukee, Wisconsin

Statements of Financial Position

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets:		
Current Assets:		
Cash and equivalents	\$ 248,349	\$ 525,740
Grants receivable	40,000	---
Investments	25,772	24,512
Prepaid expenses	16,708	24,525
Total current assets	<u>330,829</u>	<u>574,777</u>
Property and Equipment:		
Furniture & equipment	716,861	580,993
Leasehold improvements	162,845	115,712
Computer software and website	187,031	125,281
Accumulated depreciation and amortization	(816,449)	(754,758)
Construction in progress	---	91,960
Net property and equipment	<u>250,288</u>	<u>159,188</u>
Total assets	<u>\$ 581,117</u>	<u>\$ 733,965</u>
Liabilities and Net Assets:		
Current Liabilities:		
Line of credit	\$ ---	\$ 400,000
Accounts payable	62,829	92,443
Accrued expenses	44,739	43,423
Capital lease, current portion	2,610	---
Total current liabilities	<u>110,178</u>	<u>535,866</u>
Noncurrent Liabilities:		
Capital lease, net of current portion	<u>4,417</u>	<u>---</u>
Total liabilities	114,595	535,866
Net Assets:		
Without donor restrictions	426,522	198,099
With donor restrictions	40,000	---
Total net assets	<u>466,522</u>	<u>198,099</u>
Total liabilities and net assets	<u>\$ 581,117</u>	<u>\$ 733,965</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, 2018 and 2017

	2018			2017		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support, revenue and releases:						
Contributions	\$ 4,128,287	\$ 40,000	\$ 4,168,287	\$ 3,999,482	\$ ---	\$ 3,999,482
Other income	11,017	---	11,017	8,936	---	8,936
Contributed goods and services	1,260	---	1,260	---	---	---
Unrealized gain (loss) on investments	(2,239)	---	(2,239)	1,987	---	1,987
Investment income	1,328	---	1,328	1,100	---	1,100
Net assets released from restrictions	---	---	---	25,000	(25,000)	---
Total support, revenue and releases	4,139,653	40,000	4,179,653	4,036,505	(25,000)	4,011,505
Expenses:						
Program services	3,201,314	---	3,201,314	3,145,171	---	3,145,171
Administration	304,065	---	304,065	319,937	---	319,937
Fundraising	405,851	---	405,851	423,192	---	423,192
Total expenses	3,911,230	---	3,911,230	3,888,300	---	3,888,300
Change in net assets	228,423	40,000	268,423	148,205	(25,000)	123,205
Net assets, beginning of the year	198,099	---	198,099	49,894	25,000	74,894
Net assets, end of the year	\$ 426,522	\$ 40,000	\$ 466,522	\$ 198,099	\$ ---	\$ 198,099

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 268,423	\$ 123,205
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operations:		
Depreciation and amortization	61,691	39,070
Unrealized (gain) loss on investments	2,239	(1,987)
Changes in Assets and Liabilities:		
Grants receivable	(40,000)	25,000
Prepaid expenses	7,817	(12,667)
Accounts payable	(29,614)	(150,273)
Accrued expenses	1,316	1,524
Total adjustments	<u>3,449</u>	<u>(99,333)</u>
Net cash provided by operating activities	<u>271,872</u>	<u>23,872</u>
Cash Flows from Investing Activities:		
Purchase of fixed assets	(144,484)	(107,215)
Purchase of investments	(3,499)	(5,604)
Net cash used by investing activities	<u>(147,983)</u>	<u>(112,819)</u>
Cash Flows from Financing Activities:		
Borrowings on line of credit	387,000	600,000
Payments on line of credit	(787,000)	(250,000)
Payments on capital lease	(1,280)	---
Net cash provided (used) by financing activities	<u>(401,280)</u>	<u>350,000</u>
Net increase (decrease) in cash and equivalents	(277,391)	261,053
Cash and equivalents, beginning of year	<u>525,740</u>	<u>264,687</u>
Cash and equivalents, end of year	<u>\$ 248,349</u>	<u>\$ 525,740</u>
Supplemental Information:		
Interest paid	<u>\$ 9,085</u>	<u>\$ 11,443</u>
Fixed asset purchase finance by capital lease	<u>\$ 8,306</u>	<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, 2018

	Program			2018
	<u>Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 608,201	\$ 124,678	\$ 233,308	\$ 966,187
Employee benefits	55,531	44,540	28,102	128,173
Retirement plan contributions	17,934	5,624	9,456	33,014
Payroll taxes	45,337	9,229	17,436	72,002
Media production	349,946	---	---	349,946
National distribution	1,297,646	---	---	1,297,646
Advertising and promotion	73,018	---	354	73,372
Website	935	---	---	935
Accounting and audit fees	---	11,740	---	11,740
Contracted services	232,782	9,859	68,311	310,952
Dues and subscriptions	1,169	1,369	---	2,538
Insurance	15,338	9,282	---	24,620
Office supplies	17,982	15,201	91	33,274
Postage and shipping	104,133	353	627	105,113
Printing	144,832	---	---	144,832
Telephone	8,053	6,402	1,172	15,627
Conferences and meetings	14,996	1,839	2,397	19,232
Travel	33,180	2,466	25,090	60,736
Utilities	5,537	1,046	2,008	8,591
Depreciation and amortization	61,691	---	---	61,691
Repairs and maintenance	1,304	6,742	---	8,046
Donation	110,867	9,099	17,499	137,465
Interest	---	8,922	---	8,922
Miscellaneous	902	35,674	---	36,576
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	\$ 3,201,314	\$ 304,065	\$ 405,851	\$ 3,911,230
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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, 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 and amortization	39,070	---	---	39,070
Repairs and maintenance	129	7,221	---	7,350
Donations	43,268	38,153	39,400	120,821
Interest	---	11,946	---	11,946
Miscellaneous	447	36,328	110	36,885
Totals	\$ 3,145,171	\$ 319,937	\$ 423,192	\$ 3,888,300

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, 2018 and 2017

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 connect people to God's grace and transform lives now and forever. 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

U.S. GAAP requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor or certain grantor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor or grantor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor or grantor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

As of December 31, 2018 and 2017, there are no donor or grantor restrictions that are perpetual in nature.

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.

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.

TIME OF GRACE MINISTRY

Milwaukee, Wisconsin

Notes to the Financial Statements

Years Ended December 31, 2018 and 2017

(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Investment Valuation and Income Recognition (Continued)

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, 2018 and 2017.

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

G. Contributions

Contributions are recognized when a donor makes an unconditional promise to give to the Organization. Contributions received are recorded as with or without donor restriction, 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, net assets with donor restrictions are reclassified as net assets without donor restrictions 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 donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

TIME OF GRACE MINISTRY

Milwaukee, Wisconsin

Notes to the Financial Statements

Years Ended December 31, 2018 and 2017

(Continued)

1. Summary of Significant Accounting Policies (Continued)

H. Advertising and Promotion

Advertising and promotion costs are expensed as incurred and totaled \$73,372 and \$63,021 for the years ended December 31, 2018 and 2017, 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. Functional Expense Allocation

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 which department the expense is incurred and on the nature of the expense.

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, 2018 and 2017.

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, 2018 and 2017 amounted to \$1,260 and \$0, respectively.

TIME OF GRACE MINISTRY

Milwaukee, Wisconsin

Notes to the Financial Statements

Years Ended December 31, 2018 and 2017

(Continued)

1. Summary of Significant Accounting Policies (Continued)

N. Subsequent Events

Management has evaluated all subsequent events through the date the financial statements were available for distribution (May 1, 2019) for possible inclusion as a disclosure in the financial statements.

O. New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Association has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented, which had no impact on net asset classification.

2. Investments

Investments consist of the following at December 31:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Mutual Funds	\$ 25,772	\$ 25,267	\$ 24,512	\$ 21,768

The following summarizes the classification of investments at fair value as of December 31, 2018 by classification and method of valuation in accordance with the requirements of U.S. GAAP:

Description	Total	Level 1	Level 2	Level 3
Mutual funds:				
Balanced funds	\$ 25,772	\$ 25,772	\$ ---	\$ ---

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:

Description	Total	Level 1	Level 2	Level 3
Mutual funds:				
Balanced funds	\$ 24,512	\$ 24,512	\$ ---	\$ ---

Investment income (loss) for the years ended December 31, 2018 and 2017 is summarized as follows:

	2018	2017
Investment income	\$ 1,328	\$ 1,100
Unrealized gain (loss) on investments	(2,239)	1,987
Total	\$ (911)	\$ 3,087

TIME OF GRACE MINISTRY

Milwaukee, Wisconsin

Notes to the Financial Statements

Years Ended December 31, 2018 and 2017

(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 5.5% (effective rates of 5.5% and 4.5% at December 31, 2018 and 2017, respectively). The line of credit is secured by a general business security agreement. Balances owed on the line of credit were \$0 and \$400,000 at December 31, 2018 and 2017, respectively.

4. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of December 31:

	<u>2018</u>	<u>2017</u>
Time and purpose restricted:		
Grant receivable/Technology	\$ 40,000	\$ -

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, 2018 and 2017 totaled \$137,465 and \$120,821, 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 and most part-time employees. The Organization may make discretionary contributions to the plan. Retirement plan contributions were \$33,014 and \$28,690 for the years ended December 31, 2018 and 2017, respectively.

8. Capital Lease Obligation

The Organization acquired a phone system under the provisions of a long-term capital lease from Great America Financial Services during the year ended December 31, 2018. The lease expires June 30, 2021 and has an implicit interest rate of 9.66 percent. For financial reporting purposes, minimum lease payments relating to these items have been capitalized. Debt principal and interest payments are included when paid in accordance with requirements established by the Wisconsin Administrative Code. The lease requires monthly principal and interest payments of \$265. Interest expense relating to this lease was \$308 and \$0 for the years ended December 31, 2018 and 2017, respectively.

TIME OF GRACE MINISTRY

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Notes to the Financial Statements

Years Ended December 31, 2018 and 2017

(Continued)

8. Capital Lease Obligation (Continued)

The future minimum lease payments under this capital lease are as follows:

Total minimum lease payments		
2019	\$	3,175
2020		3,175
2021		1,588
Total		<u>7,938</u>
Less: Amount representing interest		911
Present value of net minimum lease payments		<u>7,027</u>
Less: Current portion		<u>2,610</u>
Long-term capital lease obligation	\$	<u>4,417</u>

The following is a summary of the property held under capital lease as of December 31:

	<u>2018</u>	<u>2017</u>
Equipment	\$ 8,306	\$ -
Accumulated amortization	<u>(831)</u>	<u>-</u>
Net	<u>\$ 7,475</u>	<u>\$ -</u>

9. Operating Lease

The Organization has a lease for office equipment that was determined to be an operating lease. The lease expires in 2021. Payments made on the office equipment leases for the years ended December 31, 2018 and 2017 were \$2,342 and \$1,688, respectively. Minimum payment requirements for the years ended December 31 are as follows:

2019	\$	2,028
2020		2,028
2021		<u>1,690</u>
Total	\$	<u>5,746</u>

10. 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. As of December 31, 2018, these projects have been completed and capitalized. Total construction in progress at December 31, 2018 and 2017 amounted to \$0 and \$91,960, respectively.

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Notes to the Financial Statements

Years Ended December 31, 2018 and 2017

(Continued)

11. Liquidity and Availability

Financial assets available for general expenditure and other current contractual obligations, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31:

	<u>2018</u>	<u>2017</u>
Cash and equivalents	\$ 248,349	\$ 525,740
Investments	25,772	24,512
Grants receivable	40,000	---
Total financial assets	<u>314,121</u>	<u>550,252</u>
Less amounts not available to be used within one year for general expenditures:		
Restricted by donor with time or purpose restrictions	<u>(40,000)</u>	<u>---</u>
Financial assets available to meet cash needs for general expenditures and current contractual obligations within one year	<u>\$ 274,121</u>	<u>\$ 550,252</u>

12. Reclassifications

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