

Truth For Life

**Financial Statements
December 31, 2018 and 2017**

Independent Auditor's Report

Board of Directors
Truth For Life

Report on the Financial Statements

We have audited the accompanying financial statements of Truth For Life (the "Organization," a non-profit corporation), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows 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.

Auditor's 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Board of Directors
Truth For Life

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Truth For Life 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.

Civini + Panichi, PC

Cleveland, Ohio
April 22, 2019

Truth For Life

Statements of Financial Position

December 31, 2018 and 2017

	<u>Assets</u>	
	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 2,381,952	\$ 3,786,488
Accounts receivable	20,861	18,001
Inventory, net	368,116	212,073
Investments	3,720,675	1,362,614
Prepaid expenses and deposits	<u>69,647</u>	<u>25,579</u>
Total current assets	6,561,251	5,404,755
Fixed assets:		
Land	408,766	408,766
Land improvements	187,615	187,615
Building and improvements	10,084,480	10,084,480
Furniture and equipment	<u>1,167,129</u>	<u>1,072,547</u>
Total fixed assets, at cost	11,847,990	11,753,408
Less accumulated depreciation	<u>(1,016,843)</u>	<u>(592,074)</u>
Total fixed assets, net	10,831,147	11,161,334
Other long-term assets:		
Accounts receivable	<u>-</u>	<u>2,080</u>
Total assets	\$ <u><u>17,392,398</u></u>	\$ <u><u>16,568,169</u></u>
	<u>Liabilities and Net Assets</u>	
Current liabilities:		
Accounts payable and accrued liabilities	\$ 963,692	\$ 875,941
Capital lease obligations	<u>54,821</u>	<u>54,821</u>
Total current liabilities	1,018,513	930,762
Capital lease obligations, net of current portion	<u>87,161</u>	<u>141,405</u>
Total liabilities	1,105,674	1,072,167
Net assets without donor restrictions	<u>16,286,724</u>	<u>15,496,002</u>
Total net assets	<u>16,286,724</u>	<u>15,496,002</u>
Total liabilities and net assets	\$ <u><u>17,392,398</u></u>	\$ <u><u>16,568,169</u></u>

The accompanying notes are an integral part of these financial statements

Truth For Life

Statement of Activities

For the year ended December 31, 2018

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Operating support and revenues:			
Contributions	\$ 12,135,983	\$ -	\$ 12,135,983
Sales	610,332	-	610,332
Less: cost of sales	(593,292)	-	(593,292)
Investment income	<u>55,406</u>	<u>-</u>	<u>55,406</u>
Total support and revenues	12,208,429	-	12,208,429
Operating expenses:			
Program activities	9,852,827	-	9,852,827
Supporting services:			
General and administrative	942,518	-	942,518
Fundraising	<u>618,984</u>	<u>-</u>	<u>618,984</u>
Total operating expenses	11,414,329	-	11,414,329
Loss on disposal of fixed assets	<u>3,378</u>	<u>-</u>	<u>3,378</u>
Total operating expenses and losses	<u>11,417,707</u>	<u>-</u>	<u>11,417,707</u>
Changes in net assets from operating activities	790,722	-	790,722
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total changes in net assets	790,722	-	790,722
Net assets, beginning of year	<u>15,496,002</u>	<u>-</u>	<u>15,496,002</u>
Net assets, end of year	\$ <u>16,286,724</u>	\$ <u>-</u>	\$ <u>16,286,724</u>

The accompanying notes are an integral part of these financial statements

Truth For Life

Statement of Activities

For the year ended December 31, 2017

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Operating support and revenues:			
Contributions	\$ 11,646,488	\$ -	\$ 11,646,488
Contributed facilities (in-kind)	16,310	-	16,310
Sales	412,354	-	412,354
Less: cost of sales	(423,216)	-	(423,216)
Investment income	<u>13,899</u>	<u>-</u>	<u>13,899</u>
Total support and revenues	11,665,835	-	11,665,835
Operating expenses:			
Program activities	8,491,858	-	8,491,858
Supporting services:			
General and administrative	902,269	-	902,269
Fundraising	<u>682,054</u>	<u>-</u>	<u>682,054</u>
Total operating expenses	10,076,181	-	10,076,181
Loss on disposal of fixed assets	<u>57,421</u>	<u>-</u>	<u>57,421</u>
Total operating expenses and losses	<u>10,133,602</u>	<u>-</u>	<u>10,133,602</u>
Changes in net assets from operating activities	1,532,233	-	1,532,233
Non-operating activities:			
Capital campaign contributions	-	217,720	217,720
Capital campaign expenses	(32,696)	-	(32,696)
Net assets released from restrictions	<u>217,720</u>	<u>(217,720)</u>	<u>-</u>
Changes in net assets from non-operating activities	<u>185,024</u>	<u>-</u>	<u>185,024</u>
Total changes in net assets	1,717,257	-	1,717,257
Net assets, beginning of year	<u>13,778,745</u>	<u>-</u>	<u>13,778,745</u>
Net assets, end of year	\$ <u>15,496,002</u>	\$ <u>-</u>	\$ <u>15,496,002</u>

The accompanying notes are an integral part of these financial statements

Truth For Life

Statement of Functional Expenses

For the year ended December 31, 2018

	<u>Program</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>General and Administrative</u>	<u>Fundraising</u>	
Radio distribution/syndication	\$ 5,214,217	\$ -	\$ 116,148	\$ 5,330,365
Content production	324,006	4,166	248	328,420
Direct mail communications	528,192	27,762	106,071	662,025
Donor communication & development	42,250	5,514	10,167	57,931
Digital communication costs	643,905	30,974	36,578	711,457
Customer care/shipping	586,694	49,179	180,785	816,658
Human resources	1,690,737	455,055	112,716	2,258,508
Professional services	29,588	118,302	1,973	149,863
Facility costs	155,901	41,574	10,393	207,868
Equipment/equipment purchases	276,054	75,757	18,209	370,020
Other operating expenses	<u>361,283</u>	<u>134,235</u>	<u>25,696</u>	<u>521,214</u>
	\$ <u>9,852,827</u>	\$ <u>942,518</u>	\$ <u>618,984</u>	\$ <u>11,414,329</u>

The accompanying notes are an integral part of these financial statements

Truth For Life

Statement of Functional Expenses

For the year ended December 31, 2017

	<u>Program</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>General and Administrative</u>	<u>Fundraising</u>	
Radio distribution/syndication	\$ 4,823,640	\$ -	\$ 97,206	\$ 4,920,846
Content production	134,213	1,816	-	136,029
Direct mail communications	523,653	24,917	41,598	590,168
Donor communication & development	26,309	-	9,428	35,737
Digital communication costs	315,743	24,449	228,452	568,644
Customer care/shipping	508,106	38,032	175,231	721,369
Human resources	1,416,820	363,682	92,876	1,873,378
Professional services	17,325	133,881	-	151,206
Facility costs	235,268	58,817	15,478	309,563
Equipment/equipment purchases	132,702	134,651	-	267,353
Contributed rent	12,395	3,099	816	16,310
Other operating expenses	<u>345,684</u>	<u>118,925</u>	<u>20,969</u>	<u>485,578</u>
	\$ <u>8,491,858</u>	\$ <u>902,269</u>	\$ <u>682,054</u>	\$ <u>10,076,181</u>

The accompanying notes are an integral part of these financial statements

Truth For Life

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Changes in net assets	\$ 790,722	\$ 1,717,257
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	463,498	419,388
Loss on disposal of fixed assets	3,378	57,421
Realized/unrealized gains on investments	(9,725)	-
Inventory reserve	(27,331)	32,356
Contributions restricted to building fund	-	(217,720)
Changes in operating assets and liabilities:		
Accounts receivable	(780)	(2,068)
Inventory	(128,712)	35,770
Prepaid expenses and deposits	(44,068)	(9,070)
Accounts payable and accrued liabilities	87,751	(2,267,244)
Net cash provided (used) by operating activities	1,134,733	(233,910)
Cash flows from investing activities:		
Purchases of fixed assets	(136,689)	(120,891)
Purchases of investments	(5,618,785)	(142,120)
Sales of investments	3,270,449	-
Decrease in cash held for purchases of fixed assets	-	2,016,613
Net cash (used) provided in investing activities	(2,485,025)	1,753,602
Cash flows from financing activities:		
Principal payments on capital lease obligations	(54,244)	(46,448)
Collection of contributions restricted to building fund	-	217,720
Net cash (used) provided by financing activities	(54,244)	171,272
Net (decrease) increase in cash and cash equivalents	(1,404,536)	1,690,964
Cash and cash equivalents, beginning of year	3,786,488	2,095,524
Cash and cash equivalents, end of year	\$ 2,381,952	\$ 3,786,488
 Supplemental disclosure of cash flow information:		
Fixed assets acquired by capital lease obligations	\$ -	\$ 186,435

The accompanying notes are an integral part of these financial statements

Truth For Life

Notes to the Financial Statements

December 31, 2018 and 2017

Note 1: Summary of Significant Accounting Policies

Nature of Organization

Truth For Life (the “Organization”), incorporated in December 1994, under the laws of the State of Ohio, is a not-for-profit religious corporation. The Organization is dedicated to proclaiming the Gospel through radio broadcast ministries and related study materials. The radio broadcasts consist of the sermons of Pastor Alistair Begg, Senior Pastor at Parkside Church in Ohio.

Adopted Accounting Pronouncement

The FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities and Health Care Entities – Presentation of Financial Statements of Not-for-Profit Entities*. This ASU changes the current reporting requirements for nonprofit organizations and their required disclosures. The changes include: (a) requiring the presentation of only two classes of net assets, entitled “net assets without donor restriction” and “net assets with donor restrictions,” (b) modifying the presentation and disclosures of underwater endowment funds, (c) requiring the use of the placed in service approach to recognize the releases from restriction for gifts utilized to acquire or construct long-lived assets, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes to the financial statements and to summarize the allocation methodologies utilized to allocate the costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity, and (f) modifying other financial statement reporting requirements and disclosures to enhance the usefulness of nonprofit financial statements. This ASU is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Organization’s financial statements have been updated to reflect the implementation of this standard. There was no impact on beginning net assets as a result of this implementation.

Basis of Presentation

The Organization follows authoritative guidance issued by the Financial Accounting Standards Board (FASB) which established the FASB Accounting Standards Codification (ASC) as the single source of authoritative accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared on the accrual basis of accounting. 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:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations, whether due to time or purpose.

Net Assets With Donor Restrictions – Net assets whose use has been limited to a specific time period or purpose. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. At December 31, 2018 and 2017, the Organization had no net assets with donor restrictions.

Truth For Life

Notes to the Financial Statements

December 31, 2018 and 2017

Note 1: Summary of Significant Accounting Policies (continued)

Use of 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.

Non-operating Activities

The Organization considers activity related to capital campaigns to be non-operating activities.

Cash and Cash Equivalents

The Organization considers deposits in financial institutions or time deposits, excluding brokerage cash and money market funds, with an original maturity date of 90 days or less to be cash and cash equivalents. The balances, at times, may exceed federally insured limits.

Accounts Receivable

Accounts receivable are uncollateralized obligations due under predetermined payment schedules.

Accounts receivable are stated at the amount billed plus any accrued and unpaid interest. Customer account balances with invoices dated over 90 days old are considered delinquent. A note receivable is considered delinquent when the debtor has missed two or more payments.

The carrying amount of accounts receivable may be reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all notes receivable and accounts receivable balances that exceed 90 days from invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. At December 31, 2018 and 2017, management estimated that no reserve was required.

Inventory

Inventory is carried at the lower of cost or net realizable value. Inventory consists principally of recorded versions of Alistair Begg's Bible teachings, books, and other materials for distribution to listeners of the radio broadcasts and website visitors. Management periodically reviews its inventory for excess and obsolescence. At December 31, 2018 and 2017, management estimated that a reserve of \$5,025 and \$32,356 was required, respectively.

Truth For Life

Notes to the Financial Statements

December 31, 2018 and 2017

Note 1: Summary of Significant Accounting Policies (continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Interest, dividends, realized and unrealized gains and losses, if any, and investment fees are included in investment income in the statements of activities. Cash flows from donated securities which are sold immediately are considered operating cash flows in the accompanying statements of cash flows.

Investment income consisted of the following for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 46,167	\$ 13,899
Net realized/unrealized gains	<u>9,239</u>	<u>-</u>
	<u>\$ 55,406</u>	<u>\$ 13,899</u>

Property and Equipment

The Organization's purchased equipment is carried at cost. Donated assets to be used in the ministry are capitalized at their fair market value on the date of the gift. Maintenance and repairs are charged to expense as incurred, whereas the cost of property and equipment additions and improvements are capitalized. The cost of assets sold, retired or abandoned, and the related amounts of accumulated depreciation are eliminated from the accounts in the year of disposition and any resultant gain or loss is recognized in the statement of activities.

Depreciation is provided on the straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	20 years
Building and improvements	25–40 years
Furniture and equipment	3–15 years

Building fund work in process includes professional costs and construction costs associated with the acquisition and development of a new headquarters building. The new headquarters building and related fixed assets were placed in service and began being depreciated during 2017 (see Note 3).

Income Taxes

The Organization is tax-exempt, under Section 501(c)(3) of the Internal Revenue Code of 1986. No provision for federal or state income taxes has been reported in its financial statements.

Truth For Life

Notes to the Financial Statements

December 31, 2018 and 2017

Note 1: Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

The Organization accounts for income taxes in accordance with the “Income Taxes” topic of the FASB ASC. Uncertain income tax positions are evaluated at least annually by management. As of December 31, 2018 and 2017, the Organization has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the years then ended.

The Organization files its Federal Form 990 in the U.S. federal jurisdiction and a state registration in the office of the state’s attorney general for the State of Ohio.

Public Support, Revenue, and Expenses

Contributions are recorded when cash or unconditional promises-to-give have been received, or ownership of donated assets to be used directly in the operations, is transferred to the Organization. Goods given to the ministry that do not have a readily determinable fair value are not recorded.

Sales and other income are recorded when earned. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Contributed Services

The Organization recognizes contributions of services received when those services (1) create or enhance nonfinancial assets or (2) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donation. The value assigned to the services received is equal to their estimated fair market value. For the years ended December 31, 2018 and 2017, the Organization has recognized no contributed services.

Many volunteers have contributed significant amounts of their time to the Organization. The volunteer assistance is used primarily in assembling materials for sale and for processing orders. No amounts have been reflected in the financial statements for these contributed services. The value of these donated services is not recorded because the services do not meet the criteria for recording as outlined above.

See Note 8 for contributed services from a related party.

Contributed Rent

The office space used for the headquarters of the Organization (prior to moving into its new headquarters building during 2017) was provided to the Organization at no cost. The estimated fair market rental value for the office facilities has been included in the financial statements as revenue and expense in the amount of \$-0- and \$16,310 for the years ended December 31, 2018 and 2017, respectively.

Truth For Life

Notes to the Financial Statements

December 31, 2018 and 2017

Note 1: Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date of adoption by the Organization until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The objective of this ASU is to recognize lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. This ASU is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption of this ASU is permitted. Management is currently evaluating the impact of this ASU on its financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which clarifies the presentation of restricted cash as included in the cash balances in the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption of this ASU is permitted. Management does not expect the impact of implementing this ASU to have an effect on its financial statements.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 22, 2019, the date the financial statements were available to be issued.

Note 2: Fair Value Measurements

In accordance with the “Fair Value Measurements” topic of the FASB ASC, the Organization uses a three-level fair value hierarchy that categorizes assets and liabilities measured at fair value based on the observability of the inputs utilized in the valuation. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own valuation assumptions. These inputs reflect management’s judgment about the assumptions that a market participant would use in pricing the asset, and are based on the best available information which has been internally developed.

Truth For Life

Notes to the Financial Statements

December 31, 2018 and 2017

Note 2: Fair Value Measurements (continued)

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.

Money market funds: Valued at amortized cost, which approximates fair value.

Mutual funds: Valued at the daily closing price as reported by the fund. The money market mutual fund held by the Organization is an open-end fund that is registered with the Securities and Exchange Commission. This fund is required to publish its daily net asset value and to transact at that price. The money market mutual fund held by the Organization is deemed to be actively traded.

Certificates of deposit: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit rating.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value:

	Level 1	Level 2	Level 3	2018
Money market funds	\$ 25,102	\$ -	\$ -	\$ 25,102
Money market mutual fund	257,129	-	-	257,129
Bond mutual fund	253,713	-	-	253,713
Certificates of deposit	-	3,184,731	-	3,184,731
	\$ 535,944	\$ 3,184,731	\$ -	\$ 3,720,675
	Level 1	Level 2	Level 3	2017
Money market funds	\$ 651,274	\$ -	\$ -	\$ 651,274
Money market mutual fund	711,340	-	-	711,340
	\$ 1,362,614	\$ -	\$ -	\$ 1,362,614

Note 3: Capital Campaign – Building Fund

Beginning in 2011, the Organization undertook a campaign to raise funds for the construction of a headquarters building. Donations specifically restricted for the building fund are recorded as revenues with donor restrictions.

Truth For Life

Notes to the Financial Statements

December 31, 2018 and 2017

Note 4: Net Assets with Donor Restrictions

For the years ended December 31, 2018 and 2017, the Organization had no net assets with donor restrictions. Net assets released from restrictions of \$-0- and \$217,720 during the years ended December 31, 2018 and 2017, respectively, represent the use of funds with donor restrictions toward the construction of a new headquarters building.

Note 5: Long-term Debt

Effective May 13, 2015, the Organization entered into a note agreement with a bank to provide for a construction loan of up to \$2,500,000 with a maturity date of November 2021. Advances under the note were to be used to bridge any cash flow needs of the Organization during the construction of its new headquarters facility while awaiting receipt of contributions from donors. The Organization did not utilize any advances under this credit facility. During the year ended December 31, 2017, the Organization canceled this credit facility.

Note 6: Obligations Under Leases

The Organization leases equipment under capital and operating lease agreements. The following is a schedule of future minimum lease payments for each of the next five years under capital lease agreements:

2019	\$	58,023
2020		46,170
2021		39,078
2022		<u>7,188</u>
Future minimum lease payments		150,459
Less amount representing interest		<u>(8,477)</u>
Net present value of minimum lease payments		141,982
Less amount due within one		<u>(54,821)</u>
Amount due in greater than one year	\$	<u><u>87,161</u></u>

Fixed assets include the following amounts for equipment under capital leases:

	<u>2018</u>	<u>2017</u>
Fixed assets	\$ 264,309	\$ 264,309
Accumulated depreciation	<u>(126,217)</u>	<u>(73,356)</u>
	\$ <u><u>138,092</u></u>	\$ <u><u>190,953</u></u>

Amortization of the fixed assets held under capital leases is included in depreciation expense.

Truth For Life

Notes to the Financial Statements

December 31, 2018 and 2017

Note 6: Obligations Under Leases (continued)

The Organization leases certain equipment for use in its operations pursuant to operating lease agreements. Total lease and rental expense (excluding in-kind occupancy) were \$22,411 and \$17,606 for the years ended December 31, 2018 and 2017, respectively.

Future minimum lease payments under noncancelable operating leases with terms greater than one year are as follows for the years ending December 31:

2019	\$	5,250
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Note 7: Commitments

The cost of radio airtime was \$5,231,032 and \$4,786,840 for the years ended December 31, 2018 and 2017, respectively. A majority of these costs are associated with 300 to 325 out of over 1,700 radio stations. The contracts with those radio stations are cancelable with 30 days' notice.

Note 8: Related-Party Transactions

During 2017, Parkside Church provided the office space to the Organization at no cost (see Note 1). Expenses related to payroll services provided by Parkside Church to the Organization were \$6,000 for each of the years ended December 31, 2018 and 2017. The Organization received approximately \$71,000 and \$100,000 in contributions from Parkside Church during the years ended December 31, 2018 and 2017, respectively.

The Organization received approximately \$300,000 and \$361,000 in contributions from members of the Board of Directors and the companies with which members of the Board of Directors are affiliated during the years ended December 31, 2018 and 2017, respectively.

During 2017, a relative of a member of the Organization's Board of Directors was compensated \$100,000 for interior design and decorating services provided for the headquarters facility.

Note 9: Retirement Plan

During the year ended December, 31, 2018, the Organization began participating in the Truth for Life Retirement Plan (the "Plan"). The Plan covers all employees over the age of 18 who normally work at least 20 hours per week. All contributions and earnings are fully vested after three years of employment. Each participant may elect to defer a portion of their annual compensation up to the amounts allowed by law. The Organization matches 50% of the first 10% of deferrals made by employees. The Organization may also make discretionary contributions to the Plan. During the year ended December 31, 2018, expense related to the matching and employer contributions to the Plan totaled \$121,385.

Truth For Life

Notes to the Financial Statements

December 31, 2018 and 2017

Note 9: Retirement Plan (continued)

During the year ended December 31, 2017, the Organization participated in the Parkside Church 403(b)(9) Retirement Plan (the "Parkside Plan"). The Parkside Plan covered all employees over the age of 18 who normally work at least 30 hours per week, elect to participate, and were employed on December 31 of the year then ended. All contributions and earnings were immediately vested. Generally, each participant may elect to defer a portion of their annual compensation up to 20%, not to exceed \$10,500. The Organization contributed 1% of prorated earnings in the first year of employment, 3% of earnings in the second year of employment, and 5% of earnings each year thereafter. During the year ended December 31, 2017, expense related to the employer contributions to the Parkside Plan totaled \$50,151.

Note 10: Allocation of Joint Activities Costs

For the years ended December 31, 2018 and 2017, Truth For Life incurred costs for producing and distributing their radio program as well as direct mailings to listeners. These materials included: information, materials, and activities that included fundraising appeals. These costs were allocated to fundraising, management and general and program services as follows:

	<u>2018</u>	<u>2017</u>
Fundraising	\$ 418,349	\$ 307,169
Management and general	746,282	542,656
Program services	<u>8,544,727</u>	<u>7,174,583</u>
Total joint activities costs	\$ <u>9,709,358</u>	\$ <u>8,024,408</u>

Note 11: Functional Expenses

The statement of functional expenses presents expenses by functional and natural classification. Expenses directly attributable to program services, general and administrative, and fundraising are reported as expenses of that functional area. Payroll expenses have been allocated between program, general and administrative, and fundraising functions based on job roles. Other indirect expenses have been allocated to functional areas on the basis of payroll per functional area as a percentage of total payroll costs.

Truth For Life

Notes to the Financial Statements

December 31, 2018 and 2017

Note 12: Liquidity and Availability of Resources

The Organization's financial assets available within one year of December 31, 2018 for general expenditure are as follows:

Cash and cash equivalents	\$ 2,381,952
Investments	3,720,675
Accounts receivable	<u>20,861</u>
Total financial assets available within one year	\$ <u>6,123,488</u>

All financial assets are without donor restrictions. Additionally, no Board designations are present.

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.