

Truth For Life

**Financial Statements
December 31, 2019 and 2018**

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, 2019 and 2018, 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, 2019 and 2018, 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 + Panzani, PC

Cleveland, Ohio
April 30, 2020

Truth For Life

Statements of Financial Position

December 31, 2019 and 2018

	<u>Assets</u>	
	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 2,270,073	\$ 2,381,952
Accounts receivable	43,501	20,861
Inventory, net	525,443	368,116
Investments	5,359,352	3,720,675
Prepaid expenses and deposits	<u>80,276</u>	<u>69,647</u>
Total current assets	8,278,645	6,561,251
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	1,276,683	1,167,129
Capital equipment in progress	<u>471,275</u>	<u>-</u>
Total fixed assets, at cost	12,428,819	11,847,990
Less accumulated depreciation	<u>(1,462,031)</u>	<u>(1,016,843)</u>
Total fixed assets, net	10,966,788	10,831,147
Cash restricted for purchases of fixed assets	<u>65,000</u>	<u>-</u>
Total assets	\$ <u>19,310,433</u>	\$ <u>17,392,398</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,150,089	\$ 963,692
Capital lease obligations	<u>51,069</u>	<u>54,821</u>
Total current liabilities	1,201,158	1,018,513
Capital lease obligations, net of current portion	<u>67,714</u>	<u>87,161</u>
Total liabilities	1,268,872	1,105,674
Net assets:		
Without donor restrictions:		
Opportunity Fund- undesignated	2,008,047	6,209,466
Board-designated:		
Building Fund	9,761,669	10,077,258
Operating Fund – working capital reserve	5,000,000	-
Facilities Fund – replacement reserve	<u>1,206,845</u>	<u>-</u>
Total without donor restrictions	17,976,561	16,286,724
With donor restrictions	<u>65,000</u>	<u>-</u>
Total net assets	<u>18,041,561</u>	<u>16,286,724</u>
	\$ <u>19,310,433</u>	\$ <u>17,392,398</u>

The accompanying notes are an integral part of these financial statements

Truth For Life

Statement of Activities

For the year ended December 31, 2019

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Operating support and revenues:			
Contributions	\$ 14,262,872	\$ 65,000	\$ 14,327,872
Sales	562,045	-	562,045
Less: cost of sales	(584,302)	-	(584,302)
Investment income, net	<u>114,832</u>	<u>-</u>	<u>114,832</u>
Total support and revenues	14,355,447	65,000	14,420,447
Operating expenses:			
Program activities	10,731,381	-	10,731,381
Supporting services:			
General and administrative	1,321,694	-	1,321,694
Fundraising	<u>612,535</u>	<u>-</u>	<u>612,535</u>
Total operating expenses	<u>12,665,610</u>	<u>-</u>	<u>12,665,610</u>
Total changes in net assets	1,689,837	65,000	1,754,837
Net assets, beginning of year	<u>16,286,724</u>	<u>-</u>	<u>16,286,724</u>
Net assets, end of year	\$ <u>17,976,561</u>	\$ <u>65,000</u>	\$ <u>18,041,561</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, net	<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	1,119,979	-	1,119,979
Fundraising	<u>441,523</u>	<u>-</u>	<u>441,523</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>
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 Functional Expenses

For the year ended December 31, 2019

	<u>Program</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>General and Administrative</u>	<u>Fundraising</u>	
Radio distribution/syndication	\$ 5,446,441	\$ -	\$ 127,070	\$ 5,573,511
Content production	525,639	-	-	525,639
Direct mail communications	539,607	23,698	103,016	666,321
Donor communication & development	51,881	3,032	1,575	56,488
Digital communication costs	639,918	27,108	39,480	706,506
Customer care/shipping	652,582	245,114	150,147	1,047,843
Human resources	1,837,557	533,487	122,504	2,493,548
Professional services	-	133,585	-	133,585
Facility costs	142,467	37,992	9,497	189,956
Equipment/equipment purchases	527,111	140,563	35,141	702,815
Other operating expenses	<u>368,178</u>	<u>177,115</u>	<u>24,105</u>	<u>569,398</u>
	\$ <u>10,731,381</u>	\$ <u>1,321,694</u>	\$ <u>612,535</u>	\$ <u>12,665,610</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	226,640	3,324	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>1,119,979</u>	\$ <u>441,523</u>	\$ <u>11,414,329</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Changes in net assets	\$ 1,754,837	\$ 790,722
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	475,535	463,498
Loss on disposal of fixed assets	-	3,378
Realized/unrealized gains on investments	(80,821)	(9,725)
Inventory reserve	44,975	(27,331)
Contributions restricted to building fund	(65,000)	-
Changes in operating assets and liabilities:		
Accounts receivable	(22,640)	(780)
Inventory	(202,302)	(128,712)
Prepaid expenses and deposits	(10,629)	(44,068)
Accounts payable and accrued liabilities	<u>186,397</u>	<u>87,751</u>
Net cash provided by operating activities	2,080,352	1,134,733
Cash flows from investing activities:		
Purchases of fixed assets	(581,530)	(136,689)
Purchases of investments	(4,829,928)	(5,618,785)
Sales of investments	<u>3,272,072</u>	<u>3,270,449</u>
Net cash used in investing activities	(2,139,386)	(2,485,025)
Cash flows from financing activities:		
Principal payments on capital lease obligations	(52,845)	(54,244)
Collection of contributions restricted to building fund	<u>65,000</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>12,155</u>	<u>(54,244)</u>
Net decrease in cash and cash equivalents	(46,879)	(1,404,536)
Cash and cash equivalents, beginning of year	<u>2,381,952</u>	<u>3,786,488</u>
Cash and cash equivalents, end of year	\$ <u><u>2,335,073</u></u>	\$ <u><u>2,381,952</u></u>
Supplemental disclosure of cash flow information:		
Fixed assets acquired by capital lease obligations	\$ 29,646	\$ -

The accompanying notes are an integral part of these financial statements

Truth For Life

Notes to the Financial Statements

December 31, 2019 and 2018

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 and digital programs and related study materials. The programs consist of the sermons of Pastor Alistair Begg, Senior Pastor at Parkside Church in Ohio.

Adopted Accounting Pronouncement

The FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which is a comprehensive new revenue recognition standard that superseded 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. This ASU is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization’s financial statements have been updated to reflect the implementation of this standard on a retrospective basis. There was no impact on beginning net assets as a result of this implementation.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* to assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal) or as exchange transactions subject to the guidance issued under ASU 2014-09. This ASU gives further guidance related to when a contribution is deemed to be conditional such that recognition of revenue should be delayed until conditions are substantially met. This ASU is effective for fiscal years beginning after December 15, 2018 for recipients of funds and for fiscal years beginning after December 15, 2019 for resource providers. Early adoption is permitted. The Organization’s financial statements have been updated to reflect the implementation of this standard on a modified prospective basis. There was no impact on beginning net assets as a result of this implementation.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows* to provide clarity in the requirements for the presentation of restricted cash on the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Organization’s financial statements have been updated to reflect the implementation of this standard on a retrospective basis. 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.

Truth For Life

Notes to the Financial Statements

December 31, 2019 and 2018

Note 1: Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

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. These include net assets designated by the Board of Directors to be set aside for specific purposes over which the Board retains control and may, at its discretion, subsequently be used for other purposes.

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.

Revenue Recognition

Revenue is recognized upon transfer of control of products. Control transfers when products are shipped (point in time). Products include books, recordings, and other materials. The products are available to the general public on the Organization's website, and revenue is recognized as products are shipped to these individuals. As a practical expedient, the Organization may apply revenue recognition guidance to a portfolio of contracts with similar characteristics if the Organization reasonably expects the effects on the financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts (or performance obligations) within that portfolio. The Organization is taking the practical expedient approach, as all contracts with the general public for the purchase of items for sale are similar.

Truthpartner memberships are primarily contributions; however they include a right for Truthpartners to elect to receive premiums throughout the year. Not every member elects to receive such premiums. While this right to elect to receive premiums represents an exchange transaction, management has determined that the effect of the Organization recognizing Truthpartner revenue at the time of contribution is not materially different than if the Organization were to identify and recognize the exchange portion at the time a Truthpartner exercises their right to receive a premium, or such right expires. The Organization is taking the practical expedient approach, as memberships are very similar for each individual membership purchased.

There were no material contract assets or liabilities at December 31, 2019 and 2018.

Truth For Life

Notes to the Financial Statements

December 31, 2019 and 2018

Note 1: Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

The Organization recognizes unconditional promises to give as revenue in the period in which the promise is received. If there are no donor-imposed restrictions on the use of funds, then those revenues are classified as without donor restrictions. If a donor-imposed restriction exists, then it must be determined if this restriction is with regard to time or purpose, or in perpetuity and classified in the financial statements as net assets with donor restrictions. A donor-imposed restriction is present when the contributor of funds designates a specific purpose or time period in which the funds may be used. At the time when this donor-imposed restriction has been satisfied, net assets with donor restrictions are reclassified as net assets without donor restrictions, and would be disclosed in the statement of activities.

If donor-imposed conditions exist, revenue is recognized when the conditions are substantially met. A donor-imposed condition exists when (a) one or more barriers must be overcome before a recipient is entitled to the assets transferred or promised, and (b) a right of return to the contributor for assets transferred or a right of release of the promisor from its obligation to transfer assets exists. When the conditions are substantially met, revenue is recognized as support without donor restrictions or revenue with donor restrictions if donor-imposed stipulations are present. No funding with donor-imposed conditions was received during the years ended December 31, 2019 and 2018.

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.

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. Customer account balances with invoices dated over 90 days old are considered delinquent.

Truth For Life

Notes to the Financial Statements

December 31, 2019 and 2018

Note 1: Summary of Significant Accounting Policies (continued)

Accounts Receivable (continued)

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 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, 2019 and 2018, management estimated that no reserve was required.

Inventory

Inventory is carried at the lower of cost or net realizable value. Cost is determined using the average cost method. 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, 2019 and 2018, management estimated that a reserve of \$50,000 and \$5,025 was required, respectively.

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, net 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, net consisted of the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 34,011	\$ 46,167
Net realized/unrealized gains	<u>80,821</u>	<u>9,239</u>
	<u>\$ 114,832</u>	<u>\$ 55,406</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.

Truth For Life

Notes to the Financial Statements

December 31, 2019 and 2018

Note 1: Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

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

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.

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, 2019 and 2018, 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.

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. Donated contributions of services were recognized in the amount of \$19,500 and \$-0- for the years ended December 31, 2019 and 2018, respectively.

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.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02). The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments-Credit Losses, Derivatives and Hedging, and Leases*, which delayed the effective date of ASU 2016-02 for the Organization to years beginning after December 15, 2020. Management is currently evaluating the impact of ASU 2016-02 on its financial statements.

Truth For Life

Notes to the Financial Statements

December 31, 2019 and 2018

Note 1: Summary of Significant Accounting Policies (continued)

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 30, 2020, 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.

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, 2019 and 2018.

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:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2019</u>
Money market funds	\$ 37,384	\$ -	\$ -	\$ 37,384
Money market mutual fund	976,539	-	-	976,539
Bond mutual fund	3,118,100	-	-	3,118,100
Certificates of deposit	<u>-</u>	<u>1,227,329</u>	<u>-</u>	<u>1,227,329</u>
	<u>\$ 4,132,023</u>	<u>\$ 1,227,329</u>	<u>\$ -</u>	<u>\$ 5,359,352</u>

Truth For Life

Notes to the Financial Statements

December 31, 2019 and 2018

Note 2: Fair Value Measurements (continued)

	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

Note 3: Net Assets with Donor Restrictions

For the years ended December 31, 2019 and 2018, the Organization had \$65,000 and \$-0- of net assets with donor restrictions. Net assets with donor restrictions for the year ended December 31, 2019 consist of donor-restricted funds for a studio refresh capital project. There were no net assets released from restrictions during the years ended December 31, 2019 and 2018.

Note 4: 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 four years under capital lease agreements:

2020	\$ 54,318
2021	47,226
2022	15,336
2023	8,148
Future minimum lease payments	125,028
Less amount representing interest	(6,245)
Net present value of minimum lease payments	118,783
Less amount due within one	(51,069)
Amount due in greater than one year	\$ 67,714

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

	2019	2018
Fixed assets	\$ 263,610	\$ 264,309
Accumulated depreciation	(153,003)	(126,217)
	\$ 110,607	\$ 138,092

Truth For Life

Notes to the Financial Statements

December 31, 2019 and 2018

Note 4: Obligations Under Leases (continued)

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

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 \$21,539 and \$22,411 for the years ended December 31, 2019 and 2018, respectively.

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

2020	\$	6,096
2021		6,096
2022		6,096
2023		<u>6,096</u>
Total future minimum operating lease payments	\$	<u>24,384</u>

Note 5: Commitments

The cost of radio airtime was \$5,466,839 and \$5,231,032 for the years ended December 31, 2019 and 2018, 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 6: Related-Party Transactions

Expenses related to payroll services provided by Parkside Church to the Organization were \$6,000 for each of the years ended December 31, 2019 and 2018. The Organization received approximately \$25,000 and \$71,000 in contributions from Parkside Church during the years ended December 31, 2019 and 2018, respectively.

The Organization received approximately \$50,000 and \$300,000 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, 2019 and 2018, respectively.

Truth For Life

Notes to the Financial Statements

December 31, 2019 and 2018

Note 7: 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, 2019 and 2018, expense related to the matching and employer contributions to the Plan totaled \$145,650 and \$121,385, respectively.

Note 8: Allocation of Joint Activities Costs

For the years ended December 31, 2019 and 2018, Truth For Life incurred costs for producing and distributing their radio programming 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>2019</u>	<u>2018</u>
Fundraising	\$ 451,084	\$ 418,349
Management and general	855,907	746,282
Program services	<u>9,217,922</u>	<u>8,544,727</u>
Total joint activities costs	\$ <u>10,524,913</u>	\$ <u>9,709,358</u>

Note 9: 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, 2019 and 2018

Note 10: Liquidity and Availability of Resources

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

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,270,073	\$ 2,381,952
Investments	5,359,352	3,720,675
Accounts receivable	<u>43,501</u>	<u>20,861</u>
	7,672,926	6,123,488
Less amounts unavailable:		
Restricted by donor- purpose restriction	(65,000)	-
Board-designated – Operating Fund	(5,000,000)	-
Board-designated – Facilities Fund	<u>(1,206,845)</u>	<u>-</u>
	<u>(6,271,845)</u>	<u>-</u>
Total financial assets available within one year	\$ <u><u>1,401,081</u></u>	\$ <u><u>6,123,488</u></u>

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, the Board of Directors, at its discretion, may repurpose Board-designated funds for the purpose of general expenditures.