

TRUTH78
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

**TRUTH78
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
BALANCE SHEETS	3
STATEMENTS OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7



INDEPENDENT AUDITORS' REPORT

Board of Directors
Truth78
Mendota Heights, Minnesota

We have audited the accompanying financial statements of Truth78, which comprise the balance sheets as of June 30, 2019 and 2018, the related statements of activities and cash flows for the years then ended, statement of functional expenses for the year ended June 30, 2019, 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 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 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.

Board of Directors
Truth78

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Truth78 as of June 30, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
July 6, 2020

**TRUTH78
BALANCE SHEETS
JUNE 30, 2019 AND 2018**

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 138,995	\$ 211,212
Accounts Receivable	438	140
Other Assets	2,058	3,746
Inventory	57,990	52,201
Total Current Assets	199,481	267,299
PROPERTY AND EQUIPMENT		
Website Design	147,349	57,755
Website Design in Process	-	65,234
Less: Accumulated Depreciation	(30,830)	(51,681)
Total Property and Equipment	116,519	71,308
Total Assets	\$ 316,000	\$ 338,607
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 61,986	\$ 67,584
Accrued Expenses	32,651	28,602
Total Current Liabilities	94,637	96,186
NET ASSETS		
Without Donor Restrictions:		
Undesignated	104,174	242,421
Board-Designated	111,949	-
Total Without Donor Restrictions	216,123	242,421
With Donor Restrictions	5,240	-
Total Net Assets	221,363	242,421
Total Liabilities and Net Assets	\$ 316,000	\$ 338,607

See accompanying Notes to Financial Statements.

**TRUTH78
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019				2018			
	Without Donor Restrictions	With Donor Restrictions	Total	Percentage	Without Donor Restrictions	With Donor Restrictions	Total	Percentage
SUPPORT AND REVENUE								
Contributions	\$ 248,330	\$ 22,385	\$ 270,715	22.4 %	\$ 263,118	\$ -	\$ 263,118	21.7 %
Product Sales	934,806	-	934,806	77.2	946,302	-	946,302	78.2
Conference Revenue	5,319	-	5,319	0.4	807	-	807	0.1
Interest Income	37	-	37	0.0	8	-	8	-
Loss on Disposal of Property and Equipment	(1,995)	-	(1,995)	(0.1)	-	-	-	-
Net Assets Released from Purpose Restriction	17,145	(17,145)	-	-	-	-	-	-
Total Support and Revenue	1,203,642	5,240	1,208,882	100.0	1,210,235	-	1,210,235	100.0
EXPENSES								
Program Expenses	937,552	-	937,552	76.2	879,723	-	879,723	77.2
Support Expenses:								
Management and General Expense	268,076	-	268,076	21.8	232,736	-	232,736	20.4
Fundraising Expense	24,312	-	24,312	1.9	26,402	-	26,402	2.4
Total Support Expenses	292,388	-	292,388	23.8	259,138	-	259,138	22.8
Total Expenses	1,229,940	-	1,229,940	100.0	1,138,861	-	1,138,861	100.0
CHANGE IN NET ASSETS	(26,298)	5,240	(21,058)		71,374	-	71,374	
Net Assets - Beginning of Year	242,421	-	242,421		171,047	-	171,047	
NET ASSETS - END OF YEAR	<u>\$ 216,123</u>	<u>\$ 5,240</u>	<u>\$ 221,363</u>		<u>\$ 242,421</u>	<u>\$ -</u>	<u>\$ 242,421</u>	

See accompanying Notes to Financial Statements.

TRUTH78
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	2019				Summarized 2018
	Program Services	Management and General	Fundraising	Total	
Salaries and Wages	\$ 271,196	\$ 127,329	\$ -	\$ 398,525	\$ 334,978
Employee Benefits	43,619	56,244	-	99,863	75,964
Pension	12,501	15,910	-	28,411	18,596
Payroll Taxes	13,771	17,527	-	31,298	25,446
Professional Services	49,543	2,624	21,291	73,458	99,402
Accounting Fees	-	8,888	-	8,888	9,791
Legal Fees	-	1,700	-	1,700	2,293
Advertising and Promotion	31,101	4,764	307	36,172	53,489
Office Expenses	5,252	2,467	49	7,768	7,692
Information Technology	15,438	3,379	1,936	20,753	16,859
Occupancy	15,801	7,780	729	24,310	23,280
Travel	8,203	3,563	-	11,766	1,245
Conferences, Conventions, and Meetings	6,981	-	-	6,981	4,750
Insurance	2,395	3,048	-	5,443	4,754
Training and Development	-	5,446	-	5,446	1,201
Cost of Goods Sold	424,582	-	-	424,582	433,532
Depreciation and Amortization	-	6,032	-	6,032	4,418
Resource Development	14,166	-	-	14,166	16,804
Payroll Fees	875	1,114	-	1,989	2,186
Project Expense	22,128	-	-	22,128	1,889
Other	-	261	-	261	292
Total Expenses by Function	<u>\$ 937,552</u>	<u>\$ 268,076</u>	<u>\$ 24,312</u>	<u>\$ 1,229,940</u>	<u>\$ 1,138,861</u>

See accompanying Notes to Financial Statements.

TRUTH78
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (21,058)	\$ 71,374
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	6,032	4,418
Loss on Disposal of Property and Equipment		
(Increase) Decrease in Current Assets:	1,995	-
Accounts and Other Receivables	(298)	(140)
Prepaid Expenses	1,688	17,700
Inventory	(5,789)	(23,634)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(5,598)	(34,595)
Accrued Expenses	4,049	11,705
Net Cash Provided (Used) by Operating Activities	(18,979)	46,828
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(53,238)	(4,230)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	(72,217)	42,598
Cash and Cash Equivalents - Beginning of Year	211,212	168,614
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 138,995	\$ 211,212
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Property and Equipment included in Accounts Payable	\$ -	\$ 4,936

See accompanying Notes to Financial Statements.

TRUTH78
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business

The mission of Truth78 (the Organization) is to spread a passion for the supremacy of God in all things so that the next generations know, honor, and treasure God, setting their hope in Christ alone, so that they will live as faithful disciples for the glory of God. We want millions in every generation to set their hope in God. To that end, we aim to fuel spiritual desire by producing God-centered, Bible-saturated, Christ-exalting resources, and by equipping parents and churches working in partnership to instruct the mind, engage the heart, and nurture the faith of the next generations. Truth78 resources include children and youth curricula, parenting resources, Bible memorization programs, and numerous (free) training seminars for Children's Ministry workers.

Financial Statement Presentation

Net assets and revenues, gains, and losses of the Organization are classified based on 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 available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

Cash and cash equivalents includes all cash balances and highly liquid investments with an original maturity of three months or less. The Organization deposits its temporary cash investments in high credit quality financial institutions. At times, such investments may be in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits.

Accounts and Other Receivables

Receivables are stated at realizable value. The Organization provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. Services are sold on an unsecured basis. An allowance is provided for accounts when a significant pattern of uncollectibility has occurred. When all collection efforts have been exhausted, the accounts are written off against the written allowance. At June 30, 2019 and 2018, all amounts were considered collectible and no allowance was deemed necessary.

TRUTH78
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory consisting of religious books and materials is valued at current cost utilizing a weighted average method of accounting.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation. Property and equipment expenditures over \$5,000 are capitalized. Depreciation of property and equipment is computed using the straight-line method over the estimated useful asset lives (shorter of asset life or lease term for leasehold improvements). Depreciation expense for the years ended June 30, 2019 and 2018 was \$6,032 and \$4,418, respectively.

Accounting Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Functional Expenses

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated on the best estimates of management.

Change in Accounting Principle

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented (except for presentation of the statement of functional expenses). The adoption did not impact the Organization's financial position as of June 30, 2019 and 2018 or the changes in its net assets or cash flows for the years then ended.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 6, 2020, the date the financial statements were available to be issued.

TRUTH78
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 TAX-EXEMPT STATUS

The Organization qualifies as a tax-exempt organization described in Section 501(c)(3) and is not a private foundation under Section 509(a)(2) of the Internal Revenue Code. As such, it is subject to federal and state income taxes on net unrelated business income.

The Organization adopted the income tax standard for uncertain tax positions. No liability was recognized by the Organization as a result of the standards implementation.

NOTE 3 LIQUIDITY AND AVAILABILITY

The Organization regularly monitors the availability of income required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities.

The following financial assets are available one year after the balance sheet date:

	2019	2018
Cash and Cash Equivalents	\$ 138,995	\$ 211,212
Accounts Receivable	438	140
Less: Amounts With Donor Restrictions	(5,240)	-
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 134,193</u>	<u>\$ 211,352</u>

NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	2019	2018
CEF India VBS Program	\$ 200	\$ -
Leadership Campaign	4,000	-
Ukrainian/Russian Translation	1,040	-
Total Net Assets With Donor Restrictions	<u>\$ 5,240</u>	<u>\$ -</u>

NOTE 5 LEASES

In January 2016, Truth78 entered into new office space lease agreement. The lease commenced on June 1, 2016 and will terminate on May 31, 2021. In June 2018, the Organization entered into a printing lease that will terminate on May 31, 2021. Rent expense for the years ended June 30, 2019 and 2018 was \$24,310 and \$23,280, respectively.

TRUTH78
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 5 LEASES (CONTINUED)

The following is the future minimum lease payment schedule for the leases noted above:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 24,989
2021	23,436
Total	<u>\$ 48,425</u>

NOTE 6 PENSION PLAN

The Organization has a Simple IRA plan that covers all employees. Employees are eligible to participate in the plan from date of employment. The Organization matches up to 3% of employee's earnings. The Organization follows the policy of funding retirement plan contributions as accrued. Contributions to the plan totaled \$28,411 and \$18,596 for the years ended June 30, 2019 and 2018, respectively.

NOTE 7 RELATED PARTIES

Royalties to one of the authors of the curriculum was distributed into a company that was formed to distribute funds for charitable purposes. One of the owners of this company is the board member, vice chair, and founder of Truth78. During the years ended June 30, 2019 and 2018, the distributed amount to this company totaled \$41,020 and \$39,906, respectively.

Additionally, during the years ended June 30, 2019 and 2018, the Organization received \$25,315 and \$25,015 from members of the board of directors, respectively.

NOTE 8 SUBSEQUENT EVENTS

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses and communities.

Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

Subsequent to year-end, the Organization received a loan in the amount of \$116,300 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the federal Paycheck Protection Program. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.