

TRUTH78
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

**TRUTH78
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YEARS ENDED JUNE 30, 2017 AND 2016**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Truth78
Mendota Heights, Minnesota

We have audited the accompanying financial statements of Truth78 (previously known as Children Desiring God), which comprise the balance sheets as of June 30, 2017 and 2016, and the related statements of activities 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.

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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 21, 2018

**TRUTH78
BALANCE SHEETS
JUNE 30, 2017 AND 2016**

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 168,614	\$ 125,450
Accounts Receivable	-	6,545
Other Assets	21,446	5,433
Inventory	28,567	32,600
Total Current Assets	218,627	170,028
PROPERTY AND EQUIPMENT		
Website Design	57,755	57,755
Website Design in Process	56,068	-
Less: Accumulated Depreciation	(47,263)	(39,130)
Total Property and Equipment	66,560	18,625
Total Assets	\$ 285,187	\$ 188,653
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 97,243	\$ 69,181
Related Party Payable	-	562
Accrued Expenses	16,897	14,546
Deferred Revenue	-	3,939
Total Current Liabilities	114,140	88,228
NET ASSETS		
Unrestricted	171,047	100,425
Total Net Assets	171,047	100,425
Total Liabilities and Net Assets	\$ 285,187	\$ 188,653

See accompanying Notes to Financial Statements.

TRUTH78
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>Percentage</u>	<u>2016</u>	<u>Percentage</u>
SUPPORT AND REVENUE				
Contributions	\$ 123,193	10.6 %	\$ 81,914	6.6 %
Product Sales	1,039,128	89.3	1,053,286	83.9
Conference Revenue	939	0.1	119,754	9.5
Interest Income	16	-	26	-
Total Support and Revenue	<u>1,163,276</u>	100.0	<u>1,254,980</u>	100.0
EXPENSES				
Program Expenses	820,561	75.1	885,708	72.5
Support Expenses:				
General and Administrative Expense	258,379	23.6	329,935	27.0
Fundraising Expense	13,714	1.3	5,729	0.5
Total Support Expenses	<u>272,093</u>	24.9	<u>335,664</u>	27.5
Total Expenses	<u>1,092,654</u>	100.0	<u>1,221,372</u>	100.0
CHANGE IN NET ASSETS	70,622		33,608	
Net Assets - Beginning of Year	<u>100,425</u>		<u>66,817</u>	
NET ASSETS - END OF YEAR	<u><u>\$ 171,047</u></u>		<u><u>\$ 100,425</u></u>	

See accompanying Notes to Financial Statements.

TRUTH78
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 70,622	\$ 33,608
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	8,133	6,224
(Increase) Decrease in Current Assets:		
Accounts and Other Receivables	6,545	(4,181)
Prepaid Expenses	(16,013)	(358)
Inventory	4,033	(1,633)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(6,334)	4,870
Accrued Expenses	2,351	3,090
Deferred Revenue	(3,939)	3,939
Net Cash Provided by Operating Activities	65,398	45,559
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(22,234)	(10,412)
 INCREASE IN CASH AND CASH EQUIVALENTS	43,164	35,147
Cash and Cash Equivalents - Beginning of Year	125,450	90,303
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 168,614	\$ 125,450
 SUPPLEMENTARY CASH FLOW INFORMATION		
Property and Equipment included in Accounts Payable	\$ 33,834	\$ -

See accompanying Notes to Financial Statements.

TRUTH78
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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.

During the year ended June 30, 2017, the Organization changed its name from Children Desiring God to Truth78.

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:

Unrestricted – Resources over which the board of directors has discretionary control. Designated amounts represent those revenues which the board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Organization or passage of time. The Organization does not have any temporarily restricted net assets during the current year.

It is the Organization's policy to record contributions with donor-imposed restrictions that expire within the reporting period as unrestricted support.

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, 2017 and 2016, all amounts were considered collectible and no allowance was deemed necessary.

TRUTH78
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts and Other Receivables (Continued)

All accounts receivables are expected to be collected in the next fiscal year, therefore, no present value discount on long-term receivables was recorded in the years ended June 30, 2017 and 2016.

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, 2017 and 2016 was \$8,133 and \$6,224, 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.

Deferred Revenue

Payments received by the Organization for curriculum that will be completed in the next future year are deferred and subsequently recognized as revenue in the year for which the payment applies.

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.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 21, 2018, the date the financial statements were available to be issued.

TRUTH78
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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 WEBSITE DESIGN IN PROCESS

The Organization had \$56,068 of website design and development expenses that were capitalized in the year ended June 30, 2017. The website has not been put into service as of June 30, 2017, and therefore, no depreciation has been taken on the website design.

NOTE 4 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. Rent expense for the years ended June 30, 2017 and 2016 was \$22,584 and \$20,771, respectively.

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 22,970
2019	23,518
2020	24,125
2021	22,644
Total	<u>\$ 93,257</u>

NOTE 5 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. This was a transitional year going from a 401k to a Simple IRA plan. Contributions to the plan totaled \$13,855 and \$10,058 for the years ended June 30, 2017 and 2016, respectively.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 6 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, 2017 and 2016, the distributed amount to this company totaled \$42,048 and \$50,928, respectively.

During the year ended June 30, 2017, the Organization received a \$70,000 grant from Desiring God, \$40,000 of which was unrestricted and \$30,000 was restricted for rebranding and website projects. The \$30,000 was released in the year ended June 30, 2017 as the restriction was met.