

Truth For Life

**Financial Statements
December 31, 2014**

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 (a non-profit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Ciuni + Panichi, Inc.

Cleveland, Ohio
April 30, 2015

Truth For Life
Statement of Financial Position
December 31, 2014

Assets

	<u>2014</u>
Current assets:	
Cash and cash equivalents	\$ 6,466,499
Accounts receivable	51,080
Inventory	253,546
Investments	740,969
Prepaid expenses	<u>40,226</u>
Total current assets	7,552,320
Fixed assets:	
Building Fund work in process	621,497
Furniture and equipment	861,361
Less accumulated depreciation	<u>(632,586)</u>
Total fixed assets, net	850,272
Other long-term assets:	
Accounts receivable	<u>17,300</u>
Total assets	\$ <u><u>8,419,892</u></u>

Liabilities and Net Assets

Current liabilities:	
Accounts payable for airtime	\$ 449,182
Other accounts payable and accrued liabilities	<u>330,003</u>
Total current liabilities	779,185
Net assets:	
Unrestricted:	
General	3,532,242
Designated – Building Fund	<u>1,694,197</u>
Total unrestricted net assets	5,226,439
Temporarily restricted	<u>2,414,268</u>
Total net assets	<u>7,640,707</u>
Total liabilities and net assets	\$ <u><u>8,419,892</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, 2014

	Unrestricted	Temporarily Restricted	Total
Operating support and revenues:			
Contributions	\$ 9,546,066	\$ -	\$ 9,546,066
Contributed facilities (in-kind)	103,297	-	103,297
Sales	214,738	-	214,738
Less: cost of sales	(211,885)	-	(211,885)
Interest income and other	3,404	-	3,404
Total support and revenues	<u>9,655,620</u>	<u>-</u>	<u>9,655,620</u>
Operating expenses:			
Program activities	7,209,202	-	7,209,202
Supporting services:			
General and administrative	648,613	-	648,613
Fundraising	<u>298,777</u>	<u>-</u>	<u>298,777</u>
Total operating expenses	<u>8,156,592</u>	<u>-</u>	<u>8,156,592</u>
Changes in net assets from operating activities	1,499,028	-	1,499,028
Non-operating activities:			
Capital campaign contributions	-	2,047,123	2,047,123
Capital campaign expenses	(637,148)	-	(637,148)
Net assets released from restrictions	<u>250,874</u>	<u>(250,874)</u>	<u>-</u>
Change in net assets from non-operating activities	<u>(386,274)</u>	<u>1,796,249</u>	<u>1,409,975</u>
Total change in net assets	1,112,754	1,796,249	2,909,003
Net assets, beginning of year (as restated)	<u>4,113,685</u>	<u>618,019</u>	<u>4,731,704</u>
Net assets, end of year	\$ <u>5,226,439</u>	\$ <u>2,414,268</u>	\$ <u>7,640,707</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, 2014

		<u>Supporting Services</u>		
	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Radio distribution/syndication	\$ 4,619,799	\$ -	\$ 93,118	\$ 4,712,917
Content production	109,436	-	-	109,436
Fundraising appeal and premiums	846,764	24,684	42,439	913,887
Marketing	41,500	-	-	41,500
Website costs	341,824	31,939	4,206	377,969
Customer processing	209,477	43,621	2,419	255,517
Salaries, wages and benefits	724,749	307,508	136,767	1,169,024
Professional services	153,951	98,691	3,300	255,942
Facility costs	8,373	43,818	-	52,191
Equipment rent and other	10,990	37,318	-	48,308
Occupancy (in-kind)	51,648	35,121	16,528	103,297
Other operating expenses	<u>90,691</u>	<u>25,913</u>	<u>-</u>	<u>116,604</u>
	\$ <u><u>7,209,202</u></u>	\$ <u><u>648,613</u></u>	\$ <u><u>298,777</u></u>	\$ <u><u>8,156,592</u></u>

The accompanying notes are an integral part of these financial statements

Truth For Life

Statement of Cash Flows

For the year ended December 31, 2014

	<u>2014</u>
Cash flows from operating activities:	
Change in net assets	\$ 2,909,003
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	72,594
Contributions restricted to Building Fund	(2,047,123)
Changes in operating assets and liabilities:	
(Increase) in accounts receivable	(47,188)
(Increase) in inventory	(25,968)
(Increase) in prepaid expenses	(3,850)
(Decrease) in accounts payable and accrued liabilities	<u>(118,937)</u>
Net cash provided by operating activities	738,531
Cash flows from investing activities:	
Purchases of fixed assets	(422,554)
Proceeds from sale of investments	<u>246,154</u>
Net cash used in investing activities	(176,400)
Cash flows from financing activities:	
Collection of contributions restricted to Building Fund	<u>2,047,123</u>
Net cash provided by financing activities	<u>2,047,123</u>
Net increase in cash and cash equivalents	2,609,254
Cash and cash equivalents, beginning of year	<u>3,857,245</u>
Cash and cash equivalents, end of year	\$ <u><u>6,466,499</u></u>

The accompanying notes are an integral part of these financial statements

Truth For Life

Notes to the Financial Statements

December 31, 2014

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 exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, it is also exempt from state income taxes, and contributions by the public are deductible for income tax purposes.

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.

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:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations. Net assets that have been designated for specific purposes by the Organization’s Board of Directors are included in unrestricted net assets.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that they be maintained by the Organization in perpetuity. At December 31, 2014, the Organization had no permanently restricted net assets.

Functional Allocation of Expenses

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the financial statements. Certain costs, such as depreciation and payroll, have been allocated among the program services and supporting activities.

Truth For Life

Notes to the Financial Statements

December 31, 2014

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.

Cash and Cash Equivalents

The Organization records as cash and cash equivalents deposits in financial institutions or time deposits, excluding brokerage cash and money market funds, with an original maturity date of 90 days or less. 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 is 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, 2014, management estimated that no reserve was required.

Inventory

Inventory is carried at the lower of cost (first-in, first-out) or market. Inventory consists principally of study materials, tapes of the radio broadcasts, CD's, books, and other items for distribution to listeners of the radio program.

Investments

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

Truth For Life

Notes to the Financial Statements

December 31, 2014

Note 1: Summary of Significant Accounting Policies (continued)

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.

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

Computers	3-5 years
Equipment	5-7 years

Building Fund work in process includes professional costs and construction costs associated with the acquisition and development of a new headquarters building (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 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, 2014, 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. The Organization believes it is no longer subject to examination by the Internal Revenue Service for fiscal years before 2011.

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 an objective basis for valuation are not recorded.

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

Truth For Life

Notes to the Financial Statements

December 31, 2014

Note 1: Summary of Significant Accounting Policies (continued)

Contributed Services

The Organization recognizes contributions of services received when those services (1) create or enhance nonfinancial assets or (2) require specialized skills, 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, 2014, the Organization has no contributed professional 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 are not recorded as income because they do not meet the criteria for recording donated services.

Contributed Rent

The office space used for the headquarters of the Organization are provided to the Organization at no cost. The estimated fair market rental value for the office facilities has been included in the financial statements for the years ended December 31, 2014, as revenue and expense in the amount of \$103,297.

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 or liability and are based on the best available information, which has been internally developed. Only Level 1 investments were held at December 31, 2014.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 30, 2015, the date the financial statements were available to be issued.

Truth For Life

Notes to the Financial Statements

December 31, 2014

Note 2: Investments

At December 31, 2014, the Organization held the following investments:

Money market funds	\$ <u>740,969</u>
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Note 3: Capital Campaign – Building Fund

Beginning in 2011 the Organization undertook a campaign to raise funds for the construction of a headquarters building, which is tracked in the unrestricted board-designated net assets account. Donations received for the Building Fund are included in temporarily restricted net assets. Internal funds set aside by the board are included in Unrestricted designated- Building fund.

All pledge forms for the capital campaign include language of an “intent to give” by the donor, and are therefore not considered revenue until cash is received by the Organization. The campaign has outstanding intents to give of \$2,287,569 at December 31, 2014.

Note 4: Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2014 (\$2,414,268) represent donor-restricted contributions for the construction of a new headquarters building. Net assets released from restrictions during the year ended December 31, 2014 (\$250,874) represent the use of donor-restricted funds toward the construction of the aforementioned building.

Note 5: Leases

The Organization leases certain equipment for use in its operations pursuant to long-term leases and short-term agreements. Total lease and rental expense (excluding in-kind occupancy) was \$11,451 for the year ended December 31, 2014.

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

2015	\$ 15,972
2016	15,498
2017	11,334
2018	9,204
2019	<u>3,835</u>
	\$ <u>55,843</u>

Truth For Life

Notes to the Financial Statements

December 31, 2014

Note 6: Commitments

The cost of radio airtime was \$4,592,727 for the year ended December 31, 2014. A majority of these costs are associated with 320 to 350 out of over 1,700 radio stations. The contracts with those radio stations are cancelable with 30 days' notice.

Note 7: Related Parties

The Organization received \$248,000 in contributions from Parkside Church during 2014, of which \$39,416 was included in accounts receivable at December 31, 2014. Parkside Church additionally 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 the year ended December 31, 2014.

The Organization received approximately \$994,000 in contributions from members of the Board of Directors and the companies with which members of the Board of Directors are affiliated during 2014.

Note 8: Retirement Plan

The Organization has a 403(b) defined contribution plan (the "Plan"). The Plan covers all employees over the age of 18 who typically work at least 30 hours per week and were employed on December 31 of the year who elect to participate. All contributions and earnings are 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 contributes 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 2014, the employer contributions to the plan totaled \$29,644.

Note 9: Prior Period Adjustment

During 2014, management identified that temporarily restricted net assets should have been released from restriction for the amount of expenditures toward the new headquarters building during 2013, which were capitalized as Building Fund work in process.

	Net Assets				
	<u>Unrestricted</u>	<u>Unrestricted Designated- Building Fund</u>	<u>Total Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
December 31, 2013, as previously reported	\$ 1,699,416	\$ 2,043,646	\$ 3,743,062	\$ 988,642	\$ 4,731,704
Correction of error to release net assets from restriction	<u>370,623</u>	<u>-</u>	<u>370,623</u>	<u>(370,623)</u>	<u>-</u>
December 31, 2013, as restated	\$ <u>2,070,039</u>	\$ <u>2,043,646</u>	\$ <u>4,113,685</u>	\$ <u>618,019</u>	\$ <u>4,731,704</u>

Truth For Life

Notes to the Financial Statements

December 31, 2014

Note 10: Subsequent Events

Parkside Church donated to the Organization, 4.25 acres of land on April 6, 2015. Parkside Church purchased the property in 2009 for \$535,000.

The Board of Directors has agreed to transfer approximately \$1.482 million from unrestricted net assets (undesignated) to the unrestricted net assets (designated) – Building Fund.

The Organization is securing a \$2.5 million credit line with First Merit Bank in 2015, solely for the purpose of having cash flow during the onset of construction and until the capital campaign goal has been reached.