

LOVE WORTH FINDING MINISTRIES, INC. AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Love Worth Finding Ministries, Inc. and Affiliate

We have audited the accompanying consolidated financial statements of Love Worth Finding Ministries, Inc. (a nonprofit organization) and Affiliate, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated 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 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Love Worth Finding Ministries, Inc. and Affiliate as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Watkins Uiberall, PLLC

Memphis, Tennessee
January 27, 2022

LOVE WORTH FINDING MINISTRIES, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	<u>Assets</u>	
	2021	2020
Cash and cash equivalents	\$ 1,530,980	\$ 1,023,967
Prepaid expenses	172,632	91,385
Inventory	294,152	314,161
License rights, net	-	7,500
Other	-	13
Property and Equipment		
Land	311,215	311,215
Buildings and improvements	2,485,848	2,473,104
Furniture, fixtures, and equipment	1,621,328	1,511,718
	4,418,391	4,296,037
Less accumulated depreciation	(2,841,353)	(2,701,484)
Total property and equipment	1,577,038	1,594,553
Total assets	\$ 3,574,802	\$ 3,031,579
	<u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable	\$ 165,792	\$ 312,995
Accrued expenses	-	31,874
Accrued vacation	166,167	145,320
Capital lease liability	69,558	-
Note payable	-	12,500
Total liabilities	401,517	502,689
Net Assets		
Without Donor Restrictions		
Undesignated	1,586,247	924,337
Investment in property and equipment	1,577,038	1,594,553
	3,163,285	2,518,890
With Donor Restrictions		
Purpose restrictions	10,000	10,000
Total net assets	3,173,285	2,528,890
Total liabilities and net assets	\$ 3,574,802	\$ 3,031,579

The accompanying notes are an integral part of the financial statements.

LOVE WORTH FINDING MINISTRIES, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 6,368,866	\$ -	\$ 6,368,866
Estate gifts	353,298	-	353,298
Sales	279,324	-	279,324
Less cost of goods sold	(136,832)	-	(136,832)
Net sales	142,492	-	142,492
Interest income	3,770	-	3,770
Miscellaneous	237	-	237
Total support and revenue	6,868,663	-	6,868,663
Expenses			
Program services	4,798,223	-	4,798,223
General and administrative	765,238	-	765,238
Fundraising	660,807	-	660,807
Total expenses	6,224,268	-	6,224,268
Change in net assets	644,395	-	644,395
Net assets, beginning of year	2,518,890	10,000	2,528,890
Net assets, end of year	\$ 3,163,285	\$ 10,000	\$ 3,173,285

The accompanying notes are an integral part of the financial statements.

LOVE WORTH FINDING MINISTRIES, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 5,023,703	\$ -	\$ 5,023,703
Estate gifts	83,131	-	83,131
Sales	259,669	-	259,669
Less cost of goods sold	(211,315)	-	(211,315)
Net sales	<u>48,354</u>	-	<u>48,354</u>
Interest income	18,003	-	18,003
Miscellaneous	1,161	-	1,161
Total support and revenue	<u>5,174,352</u>	-	<u>5,174,352</u>
Expenses			
Program services	4,931,063	-	4,931,063
General and administrative	699,650	-	699,650
Fundraising	551,442	-	551,442
Total expenses	<u>6,182,155</u>	-	<u>6,182,155</u>
Change in net assets	(1,007,803)	-	(1,007,803)
Net assets, beginning of year	<u>3,526,693</u>	<u>10,000</u>	<u>3,536,693</u>
Net assets, end of year	<u>\$ 2,518,890</u>	<u>\$ 10,000</u>	<u>\$ 2,528,890</u>

The accompanying notes are an integral part of the financial statements.

LOVE WORTH FINDING MINISTRIES, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 771,738	\$ 316,111	\$ 188,361	\$ 1,276,210
Employee benefits	206,827	84,718	50,481	342,026
Payroll taxes	57,901	23,717	14,132	95,750
Depreciation and amortization	88,421	44,211	14,737	147,369
Direct cost of media	2,200,309	-	-	2,200,309
Insurance	20,252	8,296	4,943	33,491
Special events	-	25,464	8,488	33,952
Marketing and newsletters	616,007	75,379	262,188	953,574
Miscellaneous	1,289	38,217	57,028	96,534
Production costs	207,303	-	-	207,303
Professional fees	465,832	91,749	36,614	594,195
Rent	9,706	3,976	2,369	16,051
Repairs and maintenance	91,041	31,252	2,897	125,190
Supplies	8,478	3,473	2,069	14,020
Telephone	18,346	7,514	4,478	30,338
Travel and training	18,677	3,113	9,339	31,129
Utilities	16,096	8,048	2,683	26,827
	<u>\$ 4,798,223</u>	<u>\$ 765,238</u>	<u>\$ 660,807</u>	<u>\$ 6,224,268</u>

The accompanying notes are an integral part of the financial statements.

LOVE WORTH FINDING MINISTRIES, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2020

	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 681,334	\$ 300,338	\$ 153,200	\$ 1,134,872
Employee benefits	217,788	96,251	48,970	363,009
Payroll taxes	52,122	20,761	11,720	84,603
Depreciation and amortization	70,736	35,369	11,790	117,895
Direct cost of media	2,695,736	-	-	2,695,736
Insurance	18,302	8,089	4,115	30,506
Special events	-	20,450	6,817	27,267
Marketing and newsletters	447,313	57,473	203,474	708,260
Miscellaneous	669	30,029	59,274	89,972
Production costs	223,953	-	-	223,953
Professional fees	358,146	70,254	27,410	455,810
Rent	2,788	1,232	627	4,647
Repairs and maintenance	88,370	31,015	3,225	122,610
Supplies	13,254	5,857	2,980	22,091
Telephone	26,094	11,532	5,867	43,493
Travel and training	18,689	3,115	9,345	31,149
Utilities	15,769	7,885	2,628	26,282
	<u>\$ 4,931,063</u>	<u>\$ 699,650</u>	<u>\$ 551,442</u>	<u>\$ 6,182,155</u>

The accompanying notes are an integral part of the financial statements.

LOVE WORTH FINDING MINISTRIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities:		
Change in net assets	\$ 644,395	\$ (1,007,803)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used For) Operating Activities:		
Depreciation and amortization	147,369	117,895
Change in Operating Assets and Liabilities:		
Prepaid expenses	(81,247)	200,218
Inventory	20,009	77,804
Other	13	839
Accounts payable	(147,203)	206,988
Accrued expenses	(31,874)	(168,977)
Accrued vacation	20,847	31,227
Total adjustments	(72,086)	465,994
Net cash provided by (used for) operating activities	572,309	(541,809)
Cash Flows From Investing Activities:		
Purchase of property and equipment	(42,354)	(283,546)
Net cash used for investing activities	(42,354)	(283,546)
Cash Flows From Financing Activities:		
Principal payments on note payable	(12,500)	(15,000)
Principal payments on capital lease	(10,442)	-
Net cash used for financing activities	(22,942)	(15,000)
Net increase (decrease) in cash and cash equivalents	507,013	(840,355)
Cash and cash equivalents, beginning of year	1,023,967	1,864,322
Cash and cash equivalents, end of year	\$ 1,530,980	\$ 1,023,967
Noncash Investing and Financing Activities:		
Purchase of property and equipment by capital lease	\$ 80,000	\$ -

The accompanying notes are an integral part of the financial statements.

LOVE WORTH FINDING MINISTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Love Worth Finding Ministries, Inc. and its affiliated organization, Love Worth Finding of Canada (collectively “LWF”) are nonprofit organizations involved in carrying on the broadcast ministry of the late Dr. Adrian Rogers through various mediums including radio and television broadcasts, the sale of audio, video, digital, and print sermons, and the sale of books, booklets, and merchandise. LWF’s ultimate focus is to bring people to Christ and mature them in the faith.

LWF’s revenues come from individual donations, estate gifts, and product sales.

Principles of Consolidation

The financial statements of Love Worth Finding Ministries, Inc. and its affiliate Love Worth Finding of Canada have been consolidated due to the entities being financially interrelated and commonly controlled. All significant intercompany accounts and transactions are eliminated. Foreign currency translation amounts relating to the Canadian bank account were trivial for both of the years ended June 30, 2021 and 2020.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met.

Sales are recognized when control of products is transferred to its customers, in an amount that reflects the consideration LWF expects to be entitled to in exchange for those products. The principal terms of sale are FOB Shipping Point, with control of products transferring to customers upon shipment. Sales and other taxes are collected concurrent with the revenue-producing activities and are excluded from revenue. There are no significant financing components as payment is received at or shortly after the point of sale.

Shipping and handling fees are generally included as part of the product sales price to customers. These fees are included as a component of net sales. The amounts incurred for shipping and handling costs are included in cost of goods sold on the statements of activities, and totaled \$79,960 and \$77,644 for the years ended June 30, 2021 and 2020, respectively.

Variable Consideration

The nature of the sales generated by products sold by LWF gives rise to variable consideration. Customer discounts are offered based upon current promotions on the online store or large quantity discounts. These discounts will reduce the transaction price which reduces revenue. These variable amounts are generally credited to the customer based on the promotion stated or quantity purchased at the time of sale.

In-Kind Contributions

Contributions of donated noncash assets are capitalized at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recognized at their fair values in the period received as support and the related expense. No donations meeting this criteria were recorded for the years ended June 30, 2021 and 2020.

Additionally, the LWF receives a significant amount of contributed time from general volunteers which does not meet the two recognition criteria described above. LWF receives approximately 3,500 volunteer hours per year.

Concentrations and Credit Risk

LWF's credit risks relate primarily to cash and cash equivalents. LWF maintains cash deposits with various domestic and foreign financial institutions. Accounts at each domestic institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to an aggregate of \$250,000. Accounts at the foreign institution are insured by the Canadian Deposit Insurance Corporation ("CDIC") up to an aggregate of \$100,000. At times, deposits exceeded FDIC limits throughout the year. LWF does not believe it is exposed to any significant credit risk on its cash deposits and has not experienced any loss in such accounts.

One vendor made up approximately 92% of LWF's direct media costs for the year ended June 30, 2021, and one vendor made up approximately 58% of direct media costs for the year ended June 30, 2020.

Cash and Cash Equivalents

LWF considers all highly liquid deposit instruments with original maturities of three months or less and cash accounts that are not subject to withdrawal restrictions or penalties to be cash equivalents.

Inventory

Inventory, consisting of recorded sermons, books, booklets, and related material, is stated at cost, using the average cost method.

License Rights

During the year ended June 30, 2018, LWF entered into an agreement to purchase all of the copyright license rights to the Adrian Rogers works previously owned by Pastor Training Institute, Inc. This intellectual property was purchased for \$45,000 and is being amortized over a period of three years, beginning in January 2018. Amortization expense totaled \$7,500 and \$15,000 for the years ended June 30, 2021 and 2020, respectively.

Property and Equipment

Property and equipment are recorded at cost if purchased or fair value on the date of donation, if donated. Depreciation is calculated using the straight-line method over the estimated useful life of each asset ranging

from three to forty years. Improvements or betterments of a permanent nature in excess of \$2,500 are capitalized while expenditures for repairs and maintenance are charged to expense as incurred. Depreciation expense totaled \$139,869 and \$102,895 for the years ended June 30, 2021 and 2020, respectively.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets 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 restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-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. 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. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. At June 30, 2021 and 2020, net assets of \$10,000 were restricted by donors for a Bible printing project.

Functional Allocation of Expenses

The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses that are identified with a specific program or support service are charged directly to the appropriate function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimate of the relative effort expended and facility usage for the related functions.

Income Tax Status

LWF is exempt from federal income taxes under Internal Revenue Code 501(c)(3) and is similarly exempt from state income taxes and Canadian income taxes. Therefore, no provision has been made for such taxes. LWF files an exempt organization return in the U.S. federal jurisdiction.

Advertising Costs

LWF expenses all advertising costs as incurred. No amounts have been capitalized. Advertising expense for the years ended June 30, 2021 and 2020, was \$40,816 and \$45,377, respectively.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) amended the Leases topic of the Accounting Standards Codification to revise certain aspects of recognition, measurement, presentation, and disclosure of leasing transactions. The amendments will be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. LWF is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

In September 2020, the FASB issued ASU No. 2020-07 – *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which enhances presentation and disclosure requirements for not-for-profit entities that receive contributed nonfinancial assets. The main provisions require entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, and to disclose additional details including a disaggregation of the various types of contributed nonfinancial assets and whether those assets were monetized or utilized, among others. The amendments will be effective for fiscal years beginning after June 15, 2021. Early adoption is permitted. LWF is currently evaluating the effect that implementation of the new standard will have on its financial statements.

Date of Management’s Review

LWF evaluated its June 30, 2021 financial statements for subsequent events through January 27, 2022, the date the financial statements were available to be issued. Management is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	<u>\$ 1,530,980</u>
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LWF’s goal is generally to maintain reserved financial assets to meet 90-180 days of operating expenses (approximately \$1,500,000 to \$3,000,000). Cash for current operating needs is maintained in checking and money market accounts.

NOTE 3 – NOTE PAYABLE

During the year ended June 30, 2018, LWF purchased certain copyright license rights (see Note 1). LWF entered into a noninterest bearing note payable for the purchase price of \$45,000. The note is payable over 36 months at \$1,250 per month. The note matured in June 2021 and the balance at June 30, 2021 is \$0.

NOTE 4 – RETIREMENT PLAN

LWF has a 403(b) retirement plan which covers all full-time employees who have reached age 25 and completed one year of employment. Contributions to the plan are made by participants on a voluntary basis. LWF will match 100% of employee contributions up to 3% of the employee’s salary. LWF also makes a profit-sharing contribution of 7% of each employee’s salary. For the years ended June 30, 2021 and 2020, LWF made contributions of \$98,817 and \$97,325, respectively.

NOTE 5 – CAPITAL LEASE

LWF has purchased media equipment via a financing lease which is capitalized at fair value as follows:

	2021	2020
Cost	\$ 80,000	\$ -
Less accumulated depreciation	-	-
	<u>\$ 80,000</u>	<u>\$ -</u>

Interest expense is recognized over the life of the lease using a constant rate applied to the declining balance of the liability.

Future minimum lease payments under the capital lease are as follows for the years ended June 30:

	2022	\$ 30,889
	2023	30,889
	2024	<u>20,593</u>
Total minimum lease payments		82,371
Less amount representing interest		<u>(12,813)</u>
Present value of net minimum payments		<u>\$ 69,558</u>