

**LOVE WORTH FINDING MINISTRIES, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2017 and 2016**

**LOVE WORTH FINDING MINISTRIES, INC.**  
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**Independent Auditor's Report**

To the Board of Directors  
Love Worth Finding Ministries, Inc.  
Memphis, Tennessee

We have audited the accompanying consolidated financial statements of Love Worth Finding Ministries, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and changes in net assets 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Alexander Thompson Arnold, PLLC*

Memphis, Tennessee  
January 8, 2018

**LOVE WORTH FINDING MINISTRIES, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
June 30, 2017 and 2016

	2017	2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,409,566	\$ 1,558,656
Accounts receivable - other	36	17,626
Contributions receivable	-	150,577
Inventory	372,657	381,705
Prepaid expenses	114,673	81,281
Other current assets	510	-
<b>Total current assets</b>	<b>1,897,442</b>	<b>2,189,845</b>
<b>Property and Equipment</b>		
Land, building, and improvements	2,706,398	2,706,398
Furniture, fixtures, and equipment	1,184,945	1,154,767
Less accumulated depreciation	(2,404,404)	(2,291,685)
<b>Total property and equipment</b>	<b>1,486,939</b>	<b>1,569,480</b>
<b>Total assets</b>	<b>\$ 3,384,381</b>	<b>\$ 3,759,325</b>
 <b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 47,711	\$ 55,399
Other current liabilities	332,851	325,844
<b>Total current liabilities</b>	<b>380,562</b>	<b>381,243</b>
<b>Total liabilities</b>	<b>380,562</b>	<b>381,243</b>
<b>Net Assets</b>		
<b>Unrestricted</b>		
Unrestricted - general	1,516,880	1,808,602
Unrestricted - property and equipment	1,486,939	1,569,480
<b>Total unrestricted net assets</b>	<b>3,003,819</b>	<b>3,378,082</b>
Temporarily restricted	-	-
Permanently restricted	-	-
<b>Total net assets</b>	<b>3,003,819</b>	<b>3,378,082</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,384,381</b>	<b>\$ 3,759,325</b>

*The accompanying notes are an integral part of these financial statements.*

**LOVE WORTH FINDING MINISTRIES, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues, Gains, and Other Support</b>				
Sales	\$ 447,414	\$ -	\$ -	\$ 447,414
Contributions	4,942,807	-	-	4,942,807
Investment income	3,070	-	-	3,070
Other income	4,080	-	-	4,080
	<u>5,397,371</u>	<u>-</u>	<u>-</u>	<u>5,397,371</u>
<b>Reclassifications</b>				
Net assets released from restrictions	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenses</b>				
<b>Program Services</b>				
Salaries and related	910,362	-	-	910,362
Direct cost of media	2,817,141	-	-	2,817,141
Cost of sales	133,194	-	-	133,194
Postage and shipping	182,227	-	-	182,227
Telephone	22,743	-	-	22,743
Printing and supplies	21,850	-	-	21,850
Rents and related	27,894	-	-	27,894
Depreciation	82,510	-	-	82,510
Newsletter	85,058	-	-	85,058
Other	51,744	-	-	51,744
	<u>4,334,723</u>	<u>-</u>	<u>-</u>	<u>4,334,723</u>
<b>Supporting Services</b>				
Salaries and related	349,238	-	-	349,238
Depreciation	25,925	-	-	25,925
Fundraising	823,180	-	-	823,180
Rents and related	53,473	-	-	53,473
Other	185,095	-	-	185,095
	<u>1,436,911</u>	<u>-</u>	<u>-</u>	<u>1,436,911</u>
Total expenses	<u>5,771,634</u>	<u>-</u>	<u>-</u>	<u>5,771,634</u>
<b>Change in net assets</b>	(374,263)	-	-	(374,263)
Net assets at beginning of year	<u>3,378,082</u>	<u>-</u>	<u>-</u>	<u>3,378,082</u>
Net assets at end of year	<u>\$ 3,003,819</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,003,819</u>

*The accompanying notes are an integral part of these financial statements.*

**LOVE WORTH FINDING MINISTRIES, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues, Gains, and Other Support</b>				
Sales	\$ 555,019	\$ -	\$ -	\$ 555,019
Contributions	5,221,613	-	-	5,221,613
Investment income	8,275	-	-	8,275
Other income	2,487	-	-	2,487
	<u>5,787,394</u>	<u>-</u>	<u>-</u>	<u>5,787,394</u>
<b>Total revenues, gains, and other support</b>				
<b>Reclassifications</b>				
Net assets released from restrictions	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total reclassifications</b>				
<b>Expenses</b>				
<b>Program Services</b>				
Salaries and related	929,654	-	-	929,654
Direct cost of media	2,726,860	-	-	2,726,860
Cost of sales	183,131	-	-	183,131
Postage and shipping	200,683	-	-	200,683
Telephone	19,100	-	-	19,100
Printing and supplies	27,448	-	-	27,448
Rents and related	26,296	-	-	26,296
Depreciation	79,547	-	-	79,547
Newsletter	88,605	-	-	88,605
Other	66,523	-	-	66,523
	<u>4,347,847</u>	<u>-</u>	<u>-</u>	<u>4,347,847</u>
<b>Total program services</b>				
<b>Supporting Services</b>				
Salaries and related	333,844	-	-	333,844
Depreciation	24,994	-	-	24,994
Fundraising	884,791	-	-	884,791
Rents and related	52,018	-	-	52,018
Other	201,013	-	-	201,013
	<u>1,496,660</u>	<u>-</u>	<u>-</u>	<u>1,496,660</u>
<b>Total supporting services</b>				
<b>Total expenses</b>				
	<u>5,844,507</u>	<u>-</u>	<u>-</u>	<u>5,844,507</u>
<b>Change in net assets</b>				
	(57,113)	-	-	(57,113)
<b>Net assets at beginning of year</b>				
	<u>3,435,195</u>	<u>-</u>	<u>-</u>	<u>3,435,195</u>
<b>Net assets at end of year</b>				
	<u>\$ 3,378,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,378,082</u>

*The accompanying notes are an integral part of these financial statements.*

**LOVE WORTH FINDING MINISTRIES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2017 and 2016

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (374,263)	\$ (57,113)
<b>Adjustments to reconcile to net cash flows from operating activities:</b>		
Depreciation	112,719	108,670
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable - other	17,590	18,649
(Increase) decrease in contributions receivable	150,577	(150,577)
(Increase) decrease in inventory	9,048	(15,943)
(Increase) decrease in prepaid expenses	(33,391)	44,862
(Increase) decrease in other current assets	(510)	101,244
Increase (decrease) in accounts payable	(7,688)	28,691
Increase (decrease) in other current liabilities	7,006	(9,679)
	(118,912)	68,804
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property and equipment purchases	(30,178)	(118,860)
	(30,178)	(118,860)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(149,090)	(50,056)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,558,656	1,608,712
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 1,409,566	\$ 1,558,656

*The accompanying notes are an integral part of these financial statements.*

**LOVE WORTH FINDING MINISTRIES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2017

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America.

The Organization has adopted the Financial Accounting Standards Board ASC 958-205 *Not-For-Profit Presentation of Financial Statements*. Accordingly, net assets and revenues, gains and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows: Unrestricted net assets – net assets that are not subject to donor-imposed stipulations; Temporarily restricted net assets – net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations, or that expire by the passage of time; Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Expenses are recorded as decreases in unrestricted net assets. See Notes 2 and 3 for additional information.

**B. Principles of Consolidation**

The consolidated financial statements include accounts of Love Worth Finding Ministries, Inc. (LWF or the Ministry) and Love Worth Finding of Canada (LWF of Canada). LWF of Canada is consolidated since LWF has both an economic interest in LWF of Canada and the ability to control the operations of LWF of Canada through common membership on the two Organizations' boards of directors and control of LWF of Canada's programs. All material transactions between the organizations have been eliminated. LWF of Canada's transactions are of the same nature as LWF's transactions. The contributions from LWF of Canada were \$114,298 and \$114,195 for the years ended June 30, 2017 and 2016, respectively. Sales from LWF Canada were \$2,977 and \$242 for the years ended June 30, 2017 and 2016, respectively. Expenses allocated to LWF of Canada, including cost of sales, were \$73,985 and \$92,696 for the years ended June 30, 2017 and 2016, respectively. The foreign currency translation amounts were trivial for the years ended June 30, 2017 and 2016.

**C. Mission**

LWF is primarily involved in U.S. and international radio and television broadcasts of Dr. Adrian Rogers' sermons and services, as well as the sale of related audio, video, digital, and print sermons, books, booklets, and other merchandise. Most activities of the organization are carried



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out or coordinated from its office in Memphis, Tennessee. LWF communicates its mission as follows:

On November 15, 2005, God called LWF's beloved teacher and pastor, Dr. Adrian Rogers, into His glorious presence. Yet the work at Love Worth Finding is far from complete. For as long as the Lord tarries and even one lost soul remains on earth, LWF has a legacy and a responsibility to carry on. Dr. Rogers penned the following two points prior to his home going that expressed his heart:

"My dear friend, the simplest way I could state it would be that, while the messenger is gone, the message must continue. Today there are still millions of people who do not know our dear Lord Jesus Christ as Savior and who are in desperate need of His redeeming grace."

"Please know that the strength of this ministry was not and is not Adrian Rogers. It is the power of the Holy Spirit working through the proclamation of His Word..."

**D. Tax-exempt Status**

The United States Internal Revenue Service determined Love Worth Finding, Inc. to be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and issued a letter dated October 22, 1987 stating this fact. The Canada Customs and Revenue Agency determined that Love Worth Finding of Canada was qualified as a tax exempt organization under paragraph 149(1)(f) of its Income Tax Act on March 17, 2004. Therefore, no provision (benefit) for income taxes has been included in the accompanying financial statements.

**E. Cash and Cash Equivalents**

LWF considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. All cash and cash equivalent balances are unrestricted at June 30, 2017 and 2016. The Ministry's cash balance exceeds federally insured limits. At each year end LWF's cash balance exceeded federally insured limits by \$1,030,401 and \$1,267,563 for the years ended June 30, 2017 and 2016, respectively.

**F. Inventory**

Inventory, consisting of recorded sermons, books, booklets, and related material, is recorded at average cost. This method does not differ materially from the first-in, first-out method, either by inventory class or in total.

**G. Property and Equipment**

Property and equipment are recorded at cost, plus the cost of additions and those improvements which materially increase the useful lives of the assets. Repair and maintenance costs are expensed as incurred. The ministry capitalizes purchases of \$2,500 or more. Depreciation of

**LOVE WORTH FINDING MINISTRIES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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equipment, building, and leasehold improvements is provided on a straight-line basis over the estimated useful lives of the respective assets, ranging from 3 to 40 years. When an asset is disposed of, the cost and related accumulated depreciation of the asset is removed from the books, and gain or loss is recognized. The total depreciation expense, including the amount in fundraising expense, was \$112,719 and \$108,670 for the years ended June 30, 2017 and 2016, respectively.

Gifts of furniture, fixtures, and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the organization reports expirations of these donor restrictions when the acquired long-lived assets are placed in service.

**H. Contributions Receivable**

The contributions receivable at June 30, 2016 consisted of cash proceeds from the sale of a donor's home. The proceeds were expected to be (and were) collected during the next year. Management determined that the contribution receivable was fully collectible; therefore, no allowance for uncollectible accounts was considered necessary at June 30, 2016.

**I. Financial Instruments**

The carrying values of cash and cash equivalents, accounts and contributions receivable, prepaid expenses, accounts payable, and other accrued liabilities approximate fair value because of their terms and relatively short maturity.

**J. Contributed Services**

During the years ended June 30, 2017 and 2016, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Ministry in shipping product to customers. The Ministry receives approximately 3,500 volunteer hours per year.

**K. Use of Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles 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.

**LOVE WORTH FINDING MINISTRIES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**L. Functional Allocation of Expenses**

The costs of providing the various programs and other activities of the Ministry have been summarized on a functional basis in the statement of activities. Costs which are associated with a specific program or activity are charged directly to that program or activity. Costs that are not specifically identifiable are allocated based upon management estimates of the functions benefited.

**N. Compensated Absences**

The Organization has a paid time off policy in place for all full-time employees. Vacation hours ("flextime") are accrued based on the number of years of service, and may be used as they are earned. Unused flextime may accumulate, up to a maximum which increases with years of service. Accrued flextime is included in other current liabilities on the statement of financial position. See Note 8 for more information.

**O. Advertising Costs**

The Organization expenses advertising costs as incurred. Advertising costs were \$0 and \$1,500 for the years ended June 30, 2017 and 2016, respectively.

**NOTE 2 - TEMPORARILY RESTRICTED NET ASSETS**

As discussed in Note 1A, temporarily restricted net assets include support restricted for use by donor stipulations that limit the use of the donated funds. When the time restriction stipulation ends or when the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. As of June 30, 2017 and 2016, LWF had no temporarily restricted net assets.

**NOTE 3 - PERMANENTLY RESTRICTED NET ASSETS**

As discussed in Note 1A, permanently restricted net assets consist of net assets subject to donor-imposed stipulations that they be maintained permanently by the Ministry. As of June 30, 2017 and 2016, LWF had no permanently restricted net assets.

**NOTE 4 - RELATED PARTY TRANSACTIONS**

LWF periodically purchases books and CDs from a Board member for resale through its catalogs. These books are complementary to what the Ministry already sells to the public.

**NOTE 5 - EMPLOYEE RETIREMENT PLAN**

The Ministry has a 403(b) retirement plan which covers all full-time employees who have reached age 25 and completed one year of employment. Employees may elect to contribute, on a tax-

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deferred basis, a portion of their compensation in accordance with Section 403(b) of the Internal Revenue Code. The Ministry may make discretionary matching contributions up to 3% of the employee's gross compensation. The plan allows LWF to make profit sharing contributions of up to 7% of the employee's gross compensation. The Ministry's contributions to the plan were \$96,780 and \$94,178 for the years ended June 30, 2017 and 2016, respectively.

**NOTE 6 - CONCENTRATIONS**

LWF receives contributions from, and makes sales to, contributors spread throughout the United States. Three states (California, Tennessee, and Texas) each account for 8 - 15% of total revenue. Revenue from all foreign sources combined is less than 2% of the total revenue received.

**NOTE 7 - COMMITMENTS**

LWF has contracted with a company which receives telephone calls for orders, donations, and information on LWF's behalf. Data is entered and results are reported to LWF. Monthly fees for this service averaged \$5,362 and \$4,182 for the years ended June 30, 2017 and 2016, respectively. The initial term is for one year of service. After that, 60 days written notice is required to cancel service prior to the end of each calendar year; otherwise, this agreement continues from calendar year to year.

LWF signed a contract with a company for satellite distribution of its programming. The contract, which was signed in August, 2013, has a term of 60 months from the first delivery with a current monthly fee of \$2,695. The contract has provisions for cost increases during the term of the contract. The contract can be terminated by either party with 90 days notice.

LWF has a consulting agreement with a firm that plans and implements all of the Ministry's fundraising efforts. Monthly consulting fees averaged about \$13,000 and \$14,500 for the years ended June 30, 2017 and 2016, respectively. Additional fees for printing, postage, and other costs were also incurred. The initial term was three years, beginning April, 2016. After that the contract continues until terminated by either party with a 90 day written notice.

**NOTE 8 - OTHER CURRENT LIABILITIES**

This item consists of the following:

	<u>2017</u>	<u>2016</u>
Accrued media expenses	\$ 198,169	\$ 190,113
Accrued flextime	128,976	130,564
Other accrued expenses	5,706	5,167
	<u>\$ 332,851</u>	<u>\$ 325,844</u>

**LOVE WORTH FINDING MINISTRIES, INC.**  
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**NOTE 9 - FUNDRAISING EXPENSES**

Total fundraising expense is listed under "supporting services" on the consolidated statements of activities and changes in net assets, and consists of the following:

<u>Expenses</u>	<u>2017</u>	<u>2016</u>
Wages and benefits	\$ 457,127	\$ 444,224
Professional fundraising fees	95,531	216,408
Telephone	76,457	47,765
Postage and shipping	32,615	35,918
Occupancy	9,246	8,736
Conferences, conventions and meetings	19,090	14,252
Printing and supplies	66,163	75,784
Travel	4,928	8,117
Depreciation	4,283	4,129
Bank charges	49,278	28,289
Miscellaneous	<u>8,462</u>	<u>1,169</u>
Total Fundraising Expenses	<u>\$ 823,180</u>	<u>\$ 884,791</u>

**NOTE 10- DATE OF MANAGEMENT'S REVIEW AND SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 8, 2018, the date the financial statements were available to be issued. Two other contracts similar in nature to those discussed in Note 7 were entered into after year end, and will take effect beginning with the fiscal year ending June 30, 2018.