

LOVE WORTH FINDING MINISTRIES, INC.
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, 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.

Alexander Thompson Arnold, PLLC

Memphis, Tennessee
November 14, 2018

LOVE WORTH FINDING MINISTRIES, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,396,787	\$ 1,409,566
Accounts receivable - other	44	36
Inventory	401,516	372,657
Prepaid expenses	120,945	115,183
Total current assets	2,919,292	1,897,442
Property and Equipment		
Land, building, and improvements	2,710,548	2,706,398
Furniture, fixtures, and equipment	1,189,334	1,184,945
Less accumulated depreciation	(2,512,446)	(2,404,404)
Net property and equipment	1,387,436	1,486,939
Other Assets		
License rights, net of accumulated amortization of \$7,500 for 2018	37,500	-
Total other assets	37,500	-
Total assets	\$ 4,344,228	\$ 3,384,381
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 81,221	\$ 47,711
Other current liabilities	319,879	332,851
Current portion of long-term liabilities	15,000	-
Total current liabilities	416,100	380,562
Long-Term Liabilities		
Note payable, net of current portion	27,500	-
Total long-term liabilities	27,500	-
Total liabilities	443,600	380,562
Net Assets		
Unrestricted		
Unrestricted - general	2,513,192	1,516,880
Unrestricted - property and equipment	1,387,436	1,486,939
Total unrestricted net assets	3,900,628	3,003,819
Temporarily restricted	-	-
Permanently restricted	-	-
Total net assets	3,900,628	3,003,819
Total liabilities and net assets	\$ 4,344,228	\$ 3,384,381

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, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains, and Other Support				
Sales	\$ 384,032	\$ -	\$ -	\$ 384,032
Contributions	6,420,335	-	-	6,420,335
Investment income	8,026	-	-	8,026
Other income	1,801	-	-	1,801
	<u>6,814,194</u>	<u>-</u>	<u>-</u>	<u>6,814,194</u>
Total revenues, gains, and other support				
Reclassifications				
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total reclassifications				
Expenses				
Program Services				
Salaries and related	944,214	-	-	944,214
Direct cost of media	2,873,480	-	-	2,873,480
Cost of sales	127,816	-	-	127,816
Postage and shipping	202,631	-	-	202,631
Telephone	22,743	-	-	22,743
Printing and supplies	22,867	-	-	22,867
Rents and related	30,097	-	-	30,097
Depreciation and amortization	84,577	-	-	84,577
Newsletter	74,939	-	-	74,939
Other	54,727	-	-	54,727
	<u>4,438,091</u>	<u>-</u>	<u>-</u>	<u>4,438,091</u>
Total program services				
Supporting Services				
Salaries and related	354,686	-	-	354,686
Depreciation and amortization	26,575	-	-	26,575
Fundraising	838,886	-	-	838,886
Rents and related	55,972	-	-	55,972
Other	203,175	-	-	203,175
	<u>1,479,294</u>	<u>-</u>	<u>-</u>	<u>1,479,294</u>
Total supporting services				
	<u>5,917,385</u>	<u>-</u>	<u>-</u>	<u>5,917,385</u>
Total expenses				
Change in net assets	896,809	-	-	896,809
Net assets at beginning of year	<u>3,003,819</u>	<u>-</u>	<u>-</u>	<u>3,003,819</u>
Net assets at end of year	<u>\$ 3,900,628</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,900,628</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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains, and Other Support				
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>
Total revenues, gains, and other support				
Reclassifications				
Net assets released from restrictions	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total reclassifications				
Expenses				
Program Services				
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>
Total program services				
Supporting Services				
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 supporting services				
Total expenses				
	<u>5,771,634</u>	<u>-</u>	<u>-</u>	<u>5,771,634</u>
Change in net assets				
	(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 STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 896,809	\$ (374,263)
Adjustments to reconcile to net cash flows from operating activities:		
Depreciation and amortization	115,542	112,719
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable - other	(8)	17,590
Decrease in contributions receivable	-	150,577
(Increase) decrease in inventory	(28,859)	9,048
(Increase) in prepaid expenses	(5,762)	(33,391)
(Increase) in other current assets	-	(510)
Increase (decrease) in accounts payable	33,510	(7,688)
Increase (decrease) in other current liabilities	(12,972)	7,006
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	998,260	(118,912)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment purchases	(8,539)	(30,178)
NET CASH USED IN INVESTING ACTIVITIES	(8,539)	(30,178)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable	(2,500)	-
NET CASH USED IN FINANCING ACTIVITIES	(2,500)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	987,221	(149,090)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,409,566	1,558,656
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,396,787	\$ 1,409,566

NON-CASH INVESTING AND FINANCING ACTIVITIES

License rights to certain Adrian Rogers legacy materials and information were acquired during the year in exchange for a note payable of \$45,000. See Note 1 I and Note 5 for more details.

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

LOVE WORTH FINDING MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 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 \$83,358 and \$114,298 for the years ended June 30, 2018 and 2017, respectively. Sales from LWF Canada were \$2,504 and \$2,977 for the years ended June 30, 2018 and 2017, respectively. Expenses allocated to LWF of Canada, including cost of sales, were \$90,461 and \$73,985 for the years ended June 30, 2018 and 2017, respectively. The foreign currency translation amounts were trivial for the years ended June 30, 2018 and 2017.

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, 2018 and 2017. The Ministry's cash balances exceed federally-insured limits. At year end LWF's cash balances exceeded federally-insured limits by \$1,830,443 and \$1,030,401 for the years ended June 30, 2018 and 2017, 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 equipment, building, and leasehold improvements is provided on a straight-line basis over the

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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 \$108,042 and \$112,719 for the years ended June 30, 2018 and 2017, 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. Prepaid Expenses

Prepaid expenses consist of postage, insurance, dues, and other expenses paid before year-end for future periods. These costs will be expensed in the future period(s) to which they apply.

I. 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 1/1/2018. The amortization expense, including the amount in fundraising expense, was \$7,500 and \$0 for the years end ended June 30, 2018 and 2017, respectively. Depreciation expense and amortization expense are combined on the consolidated statements of activities and changes in net assets.

J. 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.

K. Contributed Services

During the years ended June 30, 2018 and 2017, 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.

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

June 30, 2018 and 2017

L. 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.

M. 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

LWF 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 9 for more information.

O. Advertising Costs

The Ministry expenses advertising costs as incurred. For the years ended June 30, 2018 and 2017, LWF had no advertising costs.

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, 2018 and 2017, 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, 2018 and 2017, LWF had no permanently restricted net assets.

LOVE WORTH FINDING MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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, and the amounts are not material to the financial statements.

NOTE 5 - LONG-TERM LIABILITIES

During the year ended June 30, 2018 LWF purchased certain copyright license rights (see Note 1 I). The Ministry entered into a note payable for the purchase price of \$45,000. The note is payable over thirty-six months at an amount of \$1,250 per month principal. Interest is not being charged, and would not be a material enough amount to impute.

The scheduled principal maturities of the note payable as of June 30, 2018 are as follows:

<u>Fiscal Year Ended:</u>	<u>Amount</u>
2019	\$ 15,000
2020	15,000
2021	12,500
2022	-
2023	-
Subsequent	-
 Total	 42,500
Less current portion	<u>(15,000)</u>
 Total long-term liabilities	 \$ <u>27,500</u>

NOTE 6 - 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-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 \$103,900 and \$96,780 for the years ended June 30, 2018 and 2017, respectively.

LOVE WORTH FINDING MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 - CONCENTRATIONS

LWF receives contributions from, and makes sales to, contributors spread throughout the United States. Four states (California, Maryland, Tennessee, and Texas) each account for 7 - 23% of total revenue. Revenue from all foreign sources combined is less than 2% of the total revenue received.

NOTE 8 - 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 \$5,093 and \$5,362 for the years ended June 30, 2018 and 2017, respectively. The initial term was 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, had a term of 60 months from the first delivery. The contract has provisions for cost increases during its term, and has a current monthly fee of \$2,610. The contract continues on a month-by-month basis, but can be terminated by either party with a 90 day written notice.

LWF has consulting agreements with several firms that plan and implement various aspects of the Ministry's fundraising efforts. Monthly consulting fees averaged about \$24,600 and \$19,900 for the years ended June 30, 2018 and 2017, respectively. Additional fees for printing, postage, and other costs were also incurred. The terms of these contracts vary from one to three years, but any of them can be terminated by either party with a 90 day written notice.

NOTE 9 - OTHER CURRENT LIABILITIES

This item consists of the following:

	<u>2018</u>	<u>2017</u>
Accrued media expenses	\$ 199,328	\$ 198,169
Accrued flextime	117,878	128,976
Other accrued expenses	<u>2,673</u>	<u>5,706</u>
	<u>\$ 319,879</u>	<u>\$ 332,851</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 10 - 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>2018</u>	<u>2017</u>
Wages and benefits	\$ 453,372	\$ 457,127
Professional fundraising fees	88,904	95,531
Telephone	79,684	76,457
Postage and shipping	36,267	32,615
Occupancy	7,157	9,246
Conferences, conventions and meetings	14,977	19,090
Printing and supplies	95,967	66,163
Travel	4,924	4,928
Depreciation	4,391	4,283
Bank charges	47,881	49,278
Miscellaneous	<u>5,362</u>	<u>8,462</u>
Total Fundraising Expenses	<u>\$ 838,886</u>	<u>\$ 823,180</u>

NOTE 11 - DATE OF MANAGEMENT'S REVIEW AND SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 14, 2018, the date the financial statements were available to be issued.