TRUTH78 FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

Board of Directors Truth78 Mendota Heights, Minnesota

We have audited the accompanying financial statements of Truth78 (previously known as Children Desiring God), which comprise the balance sheets as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Board of Directors Truth78

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Truth78 as of June 30, 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.

CliftonLarsonAllen LLP

Clifton Larson Allen LLP

Minneapolis, Minnesota May 6, 2019

TRUTH78 BALANCE SHEETS JUNE 30, 2018 AND 2017

	2018		 2017	
ASSETS		_		
CURRENT ASSETS				
Cash and Cash Equivalents	\$	211,212	\$ 168,614	
Accounts Receivable		140	-	
Other Assets		3,746	21,446	
Inventory		52,201	 28,567	
Total Current Assets		267,299	218,627	
PROPERTY AND EQUIPMENT				
Website Design		57,755	57,755	
Website Design in Process		65,234	56,068	
Less: Accumulated Depreciation		(51,681)	(47,263)	
Total Property and Equipment		71,308	 66,560	
Total Assets	\$	338,607	\$ 285,187	
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$	67,584	\$ 97,243	
Accrued Expenses		28,602	 16,897	
Total Current Liabilities		96,186	114,140	
NET ASSETS				
Unrestricted		242,421	 171,047	
Total Net Assets		242,421	171,047	
Total Liabilities and Net Assets	\$	338,607	\$ 285,187	

TRUTH78 STATEMENTS OF ACTIVITIES YEARS ENDED JUNE 30, 2018 AND 2017

	2018	Percentage	2017	Percentage
SUPPORT AND REVENUE				
Contributions	\$ 263,118	21.7 %	\$ 123,193	10.6 %
Product Sales	946,302	78.2	1,039,128	89.3
Conference Revenue	807	0.1	939	0.1
Interest Income	 8	-	16	-
Total Support and Revenue	1,210,235	100.0	1,163,276	100.0
EXPENSES				
Program Expenses	879,723	77.2	820,561	75.1
Support Expenses:				
General and Administrative Expense	232,736	20.4	258,379	23.6
Fundraising Expense	26,402	2.4	13,714	1.3
Total Support Expenses	259,138	22.8	272,093	24.9
Total Expenses	 1,138,861	100.0	1,092,654	100.0
CHANGE IN NET ASSETS	71,374		70,622	
Net Assets - Beginning of Year	 171,047		100,425	
NET ASSETS - END OF YEAR	\$ 242,421		\$ 171,047	

TRUTH78 STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2018 AND 2017

	2018		2017	
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in Net Assets	\$	71,374	\$	70,622
Adjustments to Reconcile Change in Net Assets				
to Net Cash Provided by Operating Activities:				
Depreciation and Amortization		4,418		8,133
(Increase) Decrease in Current Assets:				
Accounts and Other Receivables		(140)		6,545
Prepaid Expenses		17,700		(16,013)
Inventory		(23,634)		4,033
Increase (Decrease) in Current Liabilities:				
Accounts Payable		(34,595)		(6,334)
Accrued Expenses		11,705		2,351
Deferred Revenue		<u>-</u>		(3,939)
Net Cash Provided by Operating Activities		46,828		65,398
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of Property and Equipment		(4,230)		(22,234)
INCREASE IN CASH AND CASH EQUIVALENTS		42,598		43,164
Cash and Cash Equivalents - Beginning of Year		168,614		125,450
CASH AND CASH EQUIVALENTS - END OF YEAR	\$	211,212	\$	168,614
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION Property and Equipment included in Accounts Payable	\$	4,936	\$	33,834

TRUTH78 NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business

The mission of Truth78 (the Organization) is to spread a passion for the supremacy of God in all things so that the next generations know, honor, and treasure God, setting their hope in Christ alone, so that they will live as faithful disciples for the glory of God. We want millions in every generation to set their hope in God. To that end, we aim to fuel spiritual desire by producing God-centered, Bible-saturated, Christ-exalting resources, and by equipping parents and churches working in partnership to instruct the mind, engage the heart, and nurture the faith of the next generations. Truth78 resources include children and youth curricula, parenting resources, Bible memorization programs, and numerous (free) training seminars for Children's Ministry workers.

Financial Statement Presentation

Net assets and revenues, gains, and losses of the Organization are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

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

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

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

Cash and Cash Equivalents

Cash and cash equivalents includes all cash balances and highly liquid investments with an original maturity of three months or less. The Organization deposits its temporary cash investments in high credit quality financial institutions. At times, such investments may be in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits.

Accounts and Other Receivables

Receivables are stated at realizable value. The Organization provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. Services are sold on an unsecured basis. An allowance is provided for accounts when a significant pattern of uncollectibility has occurred. When all collection efforts have been exhausted, the accounts are written off against the written allowance. At June 30, 2018 and 2017, all amounts were considered collectible and no allowance was deemed necessary.

Inventory

Inventory consisting of religious books and materials is valued at current cost utilizing a weighted average method of accounting.

TRUTH78 NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation. Property and equipment expenditures over \$5,000 are capitalized. Depreciation of property and equipment is computed using the straight-line method over the estimated useful asset lives (shorter of asset life or lease term for leasehold improvements). Depreciation expense for the years ended June 30, 2018 and 2017 was \$4,418 and \$8,133, respectively.

Accounting Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Functional Expenses

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated on the best estimates of management.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 6, 2019, the date the financial statements were available to be issued.

NOTE 2 TAX-EXEMPT STATUS

The Organization qualifies as a tax-exempt organization described in Section 501(c)(3) and is not a private foundation under Section 509(a)(2) of the Internal Revenue Code. As such, it is subject to federal and state income taxes on net unrelated business income.

The Organization adopted the income tax standard for uncertain tax positions. No liability was recognized by the Organization as a result of the standards implementation.

NOTE 3 WEBSITE DESIGN IN PROCESS

The Organization had \$56,068 of website design and development expenses that were capitalized as of the years ended June 30, 2017. An additional \$9,166 was capitalized in the year ended June 30, 2018. The website has not been put into service as of June 30, 2018, and therefore, no depreciation has been taken on the website design.

TRUTH78 NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

NOTE 4 LEASES

In January 2016, Truth78 entered into new office space lease agreement. The lease commenced on June 1, 2016 and will terminate on May 31, 2021. In June 2018, the Organization entered into a printing lease that will terminate on May 31, 2021. Rent expense for the years ended June 30, 2018 and 2017 was \$23,280 and \$22,584, respectively.

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

Year Ending December 31,	 Amount		
2019	\$ 24,3	82	
2020	24,9	89	
2021	 23,4	36	
Total	\$ 72,8	307	

NOTE 5 PENSION PLAN

The Organization has a Simple IRA plan that covers all employees. Employees are eligible to participate in the plan from date of employment. The Organization matches up to 3% of employee's earnings. The Organization follows the policy of funding retirement plan contributions as accrued. Contributions to the plan totaled \$18,596 and \$13,855 for the years ended June 30, 2018 and 2017, respectively.

NOTE 6 RELATED PARTIES

Royalties to one of the authors of the curriculum was distributed into a company that was formed to distribute funds for charitable purposes. One of the owners of this company is the board member, vice chair, and founder of Truth78. During the years ended June 30, 2018 and 2017, the distributed amount to this company totaled \$39,906 and \$42,048, respectively.

Additionally, during the year ended June 30, 2018, the Organization received \$25,015 from members of the board of directors.