

TRUTH78
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021



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**TRUTH78
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Truth78
Mendota Heights, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Truth78, which comprise the balance sheets as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Truth78 as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Truth78 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Truth78's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Truth78's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Truth78's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 13, 2023

**TRUTH78
BALANCE SHEETS
JUNE 30, 2022 AND 2021**

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 112,150	\$ 173,557
Accounts Receivable	8,571	-
Pledges Receivable	102,500	15,000
Prepaid Expense	9,453	9,811
Inventory	62,564	62,640
Total Current Assets	295,238	261,008
PROPERTY AND EQUIPMENT		
Website Design	169,122	169,122
Website Design in Process	3,000	-
Less: Accumulated Depreciation	(117,261)	(85,769)
Total Property and Equipment	54,861	83,353
Total Assets	\$ 350,099	\$ 344,361
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 56,777	\$ 53,148
Accrued Expenses	56,240	52,754
Contract Advance	-	46,079
Total Current Liabilities	113,017	151,981
NET ASSETS		
Without Donor Restrictions:		
Undesignated	151,430	105,831
Board-Designated Inventory Reserve	9,383	-
Board-Designated Other	-	14,984
Total Without Donor Restrictions	160,813	120,815
With Donor Restrictions	76,269	71,565
Total Net Assets	237,082	192,380
Total Liabilities and Net Assets	\$ 350,099	\$ 344,361

See accompanying Notes to Financial Statements.

TRUTH78
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions	\$ 792,841	\$ 184,252	\$ 977,093	\$ 561,749	\$ 111,757	\$ 673,506
Product Sales	1,041,622	-	1,041,622	711,013	-	711,013
Interest Income	6,998	-	6,998	-	-	-
Other Income	6,939	-	6,939	5,299	-	5,299
Forgiveness of Government Loan	-	-	-	157,078	-	157,078
Net Assets Released from Purpose Restriction	179,548	(179,548)	-	40,192	(40,192)	-
Total Support and Revenue	<u>2,027,948</u>	<u>4,704</u>	<u>2,032,652</u>	<u>1,475,331</u>	<u>71,565</u>	<u>1,546,896</u>
EXPENSES						
Program Expenses	1,359,035	-	1,359,035	935,949	-	935,949
Support Expenses:						
Management and General Expense	459,355	-	459,355	533,814	-	533,814
Fundraising Expense	169,560	-	169,560	120,067	-	120,067
Total Support Expenses	<u>628,915</u>	<u>-</u>	<u>628,915</u>	<u>653,881</u>	<u>-</u>	<u>653,881</u>
Total Expenses	<u>1,987,950</u>	<u>-</u>	<u>1,987,950</u>	<u>1,589,830</u>	<u>-</u>	<u>1,589,830</u>
CHANGE IN NET ASSETS	39,998	4,704	44,702	(114,499)	71,565	(42,934)
Net Assets - Beginning of Year	<u>120,815</u>	<u>71,565</u>	<u>192,380</u>	<u>235,314</u>	<u>-</u>	<u>235,314</u>
NET ASSETS - END OF YEAR	<u>\$ 160,813</u>	<u>\$ 76,269</u>	<u>\$ 237,082</u>	<u>\$ 120,815</u>	<u>\$ 71,565</u>	<u>\$ 192,380</u>

See accompanying Notes to Financial Statements.

TRUTH78
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2022 AND 2021

	2022				2021			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 348,165	\$ 243,716	\$ 104,450	\$ 696,331	\$ 264,152	\$ 330,191	\$ 66,038	\$ 660,381
Employee Benefits	82,944	58,904	24,806	166,654	60,521	75,652	15,130	151,303
Pension	6,966	4,876	2,090	13,932	7,001	8,751	1,750	17,502
Payroll Taxes	21,650	15,155	6,495	43,300	16,455	20,569	4,114	41,138
Professional Services	40,810	43,652	9,875	94,337	29,408	17,705	12,000	59,113
Accounting Fees	-	10,201	-	10,201	-	13,335	-	13,335
Legal Fees	-	-	-	-	-	25	-	25
Advertising and Promotion	61,182	7,608	174	68,964	66,216	6,151	18,318	90,685
Office Expenses	1,797	1,339	74	3,210	6,257	3,673	211	10,141
Information Technology	57,474	12,298	1,392	71,164	46,898	6,648	2,155	55,701
Occupancy	130	64	6	200	1,040	512	48	1,600
Travel	-	811	-	811	-	600	-	600
Conferences, Conventions, and Meetings	11,493	1,021	-	12,514	-	-	-	-
Insurance	3,696	3,696	-	7,392	2,969	4,453	-	7,422
Training and Development	-	19,263	-	19,263	-	8,870	-	8,870
Cost of Goods Sold	516,919	1,007	-	517,926	325,854	-	-	325,854
Depreciation and Amortization	-	31,492	-	31,492	-	29,162	-	29,162
Resource Development	36,844	-	-	36,844	52,629	-	-	52,629
Payroll Fees	1,091	764	327	2,182	1,212	1,515	303	3,030
Project Expense	166,267	3,226	-	169,493	54,001	5,308	-	59,309
Other	1,607	262	19,871	21,740	1,336	694	-	2,030
Total Expenses by Function	\$ 1,359,035	\$ 459,355	\$ 169,560	\$ 1,987,950	\$ 935,949	\$ 533,814	\$ 120,067	\$ 1,589,830

See accompanying Notes to Financial Statements.

TRUTH78
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 44,702	\$ (42,934)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	31,492	29,162
(Increase) Decrease in Current Assets:		
Accounts Receivables	(8,571)	672
Pledges Receivable	(87,500)	(15,000)
Prepaid Expenses	358	(9,811)
Inventory	76	(29,466)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	3,629	19,979
Accrued Expenses	3,486	(3,791)
Contract Advance	(46,079)	46,079
Net Cash Used by Operating Activities	(58,407)	(5,110)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(3,000)	(11,280)
 DECREASE IN CASH AND CASH EQUIVALENTS	(61,407)	(16,390)
 Cash and Cash Equivalents - Beginning of Year	173,557	189,947
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 112,150	\$ 173,557

See accompanying Notes to Financial Statements.

TRUTH78
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business

Truth78's (the Organization) mission is to inspire and equip the Church and the home for the comprehensive discipleship of the next generation. 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:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) 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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. 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.

Cash and Cash Equivalents

Cash and cash equivalents include 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, 2022 and 2021, all amounts were considered collectible and no allowance was deemed necessary.

TRUTH78
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory consisting of religious books and materials is valued the lower of cost or net realizable value.

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, 2022 and 2021, was \$31,492 and \$29,162, 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.

Revenue Recognition

Contributions including unconditional promises to give, are recognized as without donor-restricted or with donor restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from purposes restrictions.

Unconditional contribution pledges are recognized as revenues or gains in the period received, and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Conditional contributions are recognized when the conditions on which they depend are substantially met. Gifts and bequests are recognized when it has been determined that there is a legal right to the gift or bequest and the actual amount to be received has been determined. As of June 30, 2021, there was a \$50,000 conditional gift in which the Organization met \$3,921 of the conditions before June 30, 2021. The Organization had collected these funds before June 30, 2021; therefore, the \$46,079 is included as a contract advance on the balance sheet and will be recognized as revenue when the conditions have been met. There were no conditional gifts as of June 30, 2022 and the conditions on the \$46,079 contract advance were met and therefore, the revenue was recognized as of June 30, 2022.

Product sales are recognized as revenue at the point of time when the sale occurs.

TRUTH78
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Forgiveness of Government Loan

On January 2021, the Organization received a second round of proceeds in the amount of \$157,078 through the Paycheck Protection Program (the PPP Loan). During the year ended June 30, 2021, the Organization applied for and received forgiveness of the PPP Loan for \$157,078 which is included in the statement of activities.

The SBA may review funding eligibility and use of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of a liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

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 April 13, 2023, 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.

TRUTH78
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 3 LIQUIDITY AND AVAILABILITY

The Organization regularly monitors the availability of income required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities.

The following financial assets are available one year after the balance sheet date:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 112,150	\$ 173,557
Accounts Receivable	8,571	-
Pledges Receivable	102,500	15,000
Less: Amounts With Donor Restrictions	<u>(76,269)</u>	<u>(71,565)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 146,952</u>	<u>\$ 116,992</u>

NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	<u>2022</u>	<u>2021</u>
Brewer Travel Fund	\$ 4,500	\$ 4,000
Ukrainian/Russian Translation	31,693	39,600
Team Development Subsidy	-	2,278
Spanish Translation	16,145	21,000
Italian Translation	1,996	2,337
Indonesian Translation	895	1,350
Tagalog Translation	1,000	1,000
Fighter Verses	200	-
Revolving Inventory	19,840	-
Total Net Assets With Donor Restrictions	<u>\$ 76,269</u>	<u>\$ 71,565</u>

During the years ended June 30, 2022 and 2021, the Organization released \$179,548 and \$40,192, respectively, as the restrictions had been met.

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 \$13,932 and \$-0- for the years ended June 30, 2022 and 2021, respectively.

TRUTH78
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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, 2022 and 2021, the distributed amount to this company totaled \$56,269 and \$44,122, respectively.

Additionally, during the years ended June 30, 2022 and 2021, the Organization received \$32,275 and \$35,164, respectively, from members of the board of directors.



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