

TRUTH78
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022



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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, 2023 and 2022, 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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 audits. 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 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, 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
March 13, 2024

**TRUTH78
BALANCE SHEETS
JUNE 30, 2023 AND 2022**

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 443,763	\$ 112,150
Accounts Receivable	-	8,571
Pledges Receivable	-	102,500
Prepaid Expense	11,288	9,453
Inventory	110,639	62,564
Total Current Assets	565,690	295,238
PROPERTY AND EQUIPMENT		
Website Design	111,039	172,122
Less: Accumulated Depreciation	(55,530)	(117,261)
Total Property and Equipment	55,509	54,861
Total Assets	\$ 621,199	\$ 350,099
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Notes Payable	\$ 312,000	\$ -
Accounts Payable	67,137	56,777
Accrued Expenses	50,866	56,240
Deferred Subscription Revenue	34,059	-
Total Current Liabilities	464,062	113,017
NET ASSETS		
Without Donor Restrictions:		
Undesignated	68,827	151,430
Board-Designated Inventory Reserve	-	9,383
Total Without Donor Restrictions	68,827	160,813
With Donor Restrictions	88,310	76,269
Total Net Assets	157,137	237,082
Total Liabilities and Net Assets	\$ 621,199	\$ 350,099

See accompanying Notes to Financial Statements.

TRUTH78
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions	\$ 601,550	\$ 70,367	\$ 671,917	\$ 792,841	\$ 184,252	\$ 977,093
Product Sales	939,160	-	939,160	1,041,622	-	1,041,622
Subscription Income	3,884	-	3,884	-	-	-
Interest Income	-	-	-	6,998	-	6,998
Other Income	2,916	-	2,916	6,939	-	6,939
Net Assets Released from Purpose Restriction	<u>58,326</u>	<u>(58,326)</u>	<u>-</u>	<u>179,548</u>	<u>(179,548)</u>	<u>-</u>
Total Support and Revenue	<u>1,605,836</u>	<u>12,041</u>	<u>1,617,877</u>	<u>2,027,948</u>	<u>4,704</u>	<u>2,032,652</u>
EXPENSES						
Program Expenses	1,236,791	-	1,236,791	1,359,035	-	1,359,035
Support Expenses:						
Management and General Expense	363,025	-	363,025	459,355	-	459,355
Fundraising Expense	<u>98,006</u>	<u>-</u>	<u>98,006</u>	<u>169,560</u>	<u>-</u>	<u>169,560</u>
Total Support Expenses	<u>461,031</u>	<u>-</u>	<u>461,031</u>	<u>628,915</u>	<u>-</u>	<u>628,915</u>
Total Expenses	<u>1,697,822</u>	<u>-</u>	<u>1,697,822</u>	<u>1,987,950</u>	<u>-</u>	<u>1,987,950</u>
CHANGE IN NET ASSETS	(91,986)	12,041	(79,945)	39,998	4,704	44,702
Net Assets - Beginning 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>
NET ASSETS - END OF YEAR	<u>\$ 68,827</u>	<u>\$ 88,310</u>	<u>\$ 157,137</u>	<u>\$ 160,813</u>	<u>\$ 76,269</u>	<u>\$ 237,082</u>

See accompanying Notes to Financial Statements.

TRUTH78
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2023 AND 2022

	2023				2022			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 453,211	\$ 174,312	\$ 69,725	\$ 697,248	\$ 348,165	\$ 243,716	\$ 104,450	\$ 696,331
Employee Benefits	90,424	34,778	13,911	139,113	82,944	58,904	24,806	166,654
Pension	458	321	137	916	6,966	4,876	2,090	13,932
Payroll Taxes	28,341	10,900	4,360	43,601	21,650	15,155	6,495	43,300
Professional Services	38,724	41,563	-	80,287	40,810	43,652	9,875	94,337
Accounting Fees	-	11,798	-	11,798	-	10,201	-	10,201
Advertising and Promotion	32,279	6,284	242	38,805	61,182	7,608	174	68,964
Office Expenses	646	4,438	27	5,111	1,797	1,339	74	3,210
Information Technology	71,741	13,444	564	85,749	57,474	12,298	1,392	71,164
Occupancy	-	-	-	-	130	64	6	200
Travel	4,392	1,324	-	5,716	-	811	-	811
Conferences, Conventions, and Meetings	452	15	-	467	11,493	1,021	-	12,514
Insurance	2,958	2,958	-	5,916	3,696	3,696	-	7,392
Training and Development	-	6,632	-	6,632	-	19,263	-	19,263
Cost of Goods Sold	436,897	867	-	437,764	516,919	1,007	-	517,926
Depreciation and Amortization	-	32,380	-	32,380	-	31,492	-	31,492
Resource Development	32,078	-	-	32,078	36,844	-	-	36,844
Payroll Fees	2,188	842	337	3,367	1,091	764	327	2,182
Project Expense	28,421	19,873	-	48,294	166,267	3,226	-	169,493
Other	13,581	296	8,703	22,580	1,607	262	19,871	21,740
Total Expenses by Function	\$ 1,236,791	\$ 363,025	\$ 98,006	\$ 1,697,822	\$ 1,359,035	\$ 459,355	\$ 169,560	\$ 1,987,950

See accompanying Notes to Financial Statements.

TRUTH78
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (79,945)	\$ 44,702
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	32,380	31,492
(Increase) Decrease in Current Assets:		
Accounts Receivables	8,571	(8,571)
Pledges Receivable	102,500	(87,500)
Prepaid Expenses	(1,835)	358
Inventory	(48,075)	76
Increase (Decrease) in Current Liabilities:		
Accounts Payable	10,360	3,629
Accrued Expenses	(5,374)	3,486
Deferred Subscription Revenue	34,059	-
Contract Advance	-	(46,079)
Net Cash Provided (Used) by Operating Activities	52,641	(58,407)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(33,028)	(3,000)
Net Cash Used by Investing Activities	(33,028)	(3,000)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	312,000	-
Net Cash Provided by Investing Activities	312,000	-
 NET CHANGE IN CASH AND CASH EQUIVALENTS	331,613	(61,407)
Cash and Cash Equivalents - Beginning of Year	112,150	173,557
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 443,763	\$ 112,150

See accompanying Notes to Financial Statements.

TRUTH78
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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, 2023 and 2022, all amounts were considered collectible and no allowance was deemed necessary.

TRUTH78
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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, 2023 and 2022, was \$32,380 and \$31,492, 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, 2023 and 2022, there were no conditional contributions.

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

Subscription income is purchased monthly or annually. Monthly subscription income is recognized in the month that the subscription is purchased. Annual subscription income is recognized evenly over the year in which the subscription is purchased, and any unearned revenue is included in deferred subscription revenue on the balance sheets. There was no deferred subscription revenue in the years ended June 30, 2022 or 2021.

TRUTH78
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 March 13, 2024, 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 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:

	2023	2022
Cash and Cash Equivalents	\$ 443,763	\$ 112,150
Accounts Receivable	-	8,571
Pledges Receivable	-	102,500
Less: Amounts With Donor Restrictions	(88,310)	(76,269)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 355,453	\$ 146,952

NOTE 4 DEBT

On April 21, 2023, the Organization entered into a loan agreement for \$400,000 to significantly transform its business model in order to further its mission of inspiring and equipping the church and home for comprehensive discipleship of the next generation. As of June 30, 2023, \$312,000 had been disbursed on the loan. The loan has a 3.5% fixed interest rate which is deferred for the first 24 months of the loan. Accrued interest will be added to the principal of the loan and will be payable monthly over the remaining 36 months.

TRUTH78
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
Brewer Travel Fund	\$ 3,740	\$ 4,500
Ukrainian/Russian Translation	31,943	31,693
Spanish Translation	13,211	16,145
Italian Translation	191	1,996
Indonesian Translation	895	895
Tagalog Translation	1,000	1,000
Fighter Verses	-	200
Manipuri Translation	2,330	-
Balkans Translation	35,000	-
Revolving Inventory	-	19,840
Total Net Assets With Donor Restrictions	\$ 88,310	\$ 76,269

During the years ended June 30, 2023 and 2022, the Organization released \$58,326 and \$179,548, respectively, as the restrictions had been met.

NOTE 6 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 \$916 and \$13,932 for the years ended June 30, 2023 and 2022, respectively.

NOTE 7 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, 2023 and 2022, the distributed amount to this company totaled \$53,249 and \$56,269, respectively.

Additionally, during the years ended June 30, 2023 and 2022, the Organization received \$20,085 and \$32,275, respectively, from members of the board of directors.



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