

TRUTH78
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020



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**TRUTH78
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YEARS ENDED JUNE 30, 2021 AND 2020**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Truth78
Mendota Heights, Minnesota

We have audited the accompanying financial statements of Truth78, which comprise the balance sheets as of June 30, 2021 and 2020, the related statements of activities, functional expenses, 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 audit 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, 2021 and 2020, 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

CliftonLarsonAllen LLP

Minneapolis, Minnesota
February 16, 2022

**TRUTH78
BALANCE SHEETS
JUNE 30, 2021 AND 2020**

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 173,557	\$ 189,947
Accounts Receivable	15,000	672
Prepaid Expense	9,811	-
Inventory	62,640	33,174
Total Current Assets	261,008	223,793
PROPERTY AND EQUIPMENT		
Website Design	169,122	147,349
Website Design in Process	-	10,493
Less: Accumulated Depreciation	(85,769)	(56,607)
Total Property and Equipment	83,353	101,235
Total Assets	\$ 344,361	\$ 325,028
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 53,148	\$ 33,169
Accrued Expenses	52,754	56,545
Contract Advance	46,079	-
Total Current Liabilities	151,981	89,714
NET ASSETS		
Without Donor Restrictions:		
Undesignated	105,831	190,399
Board-Designated	14,984	44,915
Total Without Donor Restrictions	120,815	235,314
With Donor Restrictions	71,565	-
Total Net Assets	192,380	235,314
Total Liabilities and Net Assets	\$ 344,361	\$ 325,028

See accompanying Notes to Financial Statements.

TRUTH78
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions	\$ 561,749	\$ 111,757	\$ 673,506	\$ 478,124	\$ 18,790	\$ 496,914
Product Sales	711,013	-	711,013	863,006	-	863,006
Conference Revenue	-	-	-	15,866	-	15,866
Interest Income	-	-	-	20	-	20
Other Income	5,299	-	5,299	1,400	-	1,400
Forgiveness of Government Loan	157,078	-	157,078	116,300	-	116,300
Net Assets Released from Purpose Restriction	40,192	(40,192)	-	24,030	(24,030)	-
Total Support and Revenue	1,475,331	71,565	1,546,896	1,498,746	(5,240)	1,493,506
EXPENSES						
Program Expenses	935,949	-	935,949	982,106	-	982,106
Support Expenses:						
Management and General Expense	533,814	-	533,814	417,421	-	417,421
Fundraising Expense	120,067	-	120,067	80,028	-	80,028
Total Support Expenses	653,881	-	653,881	497,449	-	497,449
Total Expenses	1,589,830	-	1,589,830	1,479,555	-	1,479,555
CHANGE IN NET ASSETS	(114,499)	71,565	(42,934)	19,191	(5,240)	13,951
Net Assets - Beginning of Year	235,314	-	235,314	216,123	5,240	221,363
NET ASSETS - END OF YEAR	\$ 120,815	\$ 71,565	\$ 192,380	\$ 235,314	\$ -	\$ 235,314

See accompanying Notes to Financial Statements.

TRUTH78
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2021 AND 2020

	2021				2020			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 264,152	\$ 330,191	\$ 66,038	\$ 660,381	\$ 285,600	\$ 200,238	\$ 41,008	\$ 526,846
Employee Benefits	60,521	75,652	15,130	151,303	57,133	74,900	-	132,033
Pension	7,001	8,751	1,750	17,502	6,369	8,107	-	14,476
Payroll Taxes	16,455	20,569	4,114	41,138	19,096	24,304	-	43,400
Professional Services	29,408	17,705	12,000	59,113	34,633	32,339	14,486	81,458
Accounting Fees	-	13,335	-	13,335	-	5,314	-	5,314
Legal Fees	-	25	-	25	-	1,100	-	1,100
Advertising and Promotion	66,216	6,151	18,318	90,685	30,399	5,587	21,517	57,503
Office Expenses	6,257	3,673	211	10,141	5,347	2,793	97	8,237
Information Technology	46,898	6,648	2,155	55,701	42,788	4,731	1,891	49,410
Occupancy	1,040	512	48	1,600	22,305	10,981	1,029	35,344
Travel	-	600	-	600	5,188	3,491	-	8,679
Conferences, Conventions, and Meetings	-	-	-	-	14,612	-	-	14,612
Insurance	2,969	4,453	-	7,422	1,844	2,347	-	4,191
Training and Development	-	8,870	-	8,870	-	6,716	-	6,716
Cost of Goods Sold	325,854	-	-	325,854	389,095	-	-	389,095
Depreciation and Amortization	-	29,162	-	29,162	-	25,777	-	25,777
Resource Development	52,629	-	-	52,629	43,511	-	-	43,511
Payroll Fees	1,212	1,515	303	3,030	1,008	1,282	-	2,290
Project Expense	54,001	5,308	-	59,309	23,178	7,330	-	30,508
Other	1,336	694	-	2,030	-	84	-	84
Total Expenses by Function	\$ 935,949	\$ 533,814	\$ 120,067	\$ 1,589,830	\$ 982,106	\$ 417,421	\$ 80,028	\$ 1,479,555

See accompanying Notes to Financial Statements.

TRUTH78
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (42,934)	\$ 13,951
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	29,162	25,777
(Increase) Decrease in Current Assets:		
Accounts and Other Receivables	(14,328)	(234)
Prepaid Expenses	(9,811)	2,058
Inventory	(29,466)	24,816
Increase (Decrease) in Current Liabilities:		
Accounts Payable	19,979	(28,817)
Accrued Expenses	(3,791)	23,894
Contract Advance	46,079	-
Net Cash Provided (Used) by Operating Activities	(5,110)	61,445
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(11,280)	(10,493)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	(16,390)	50,952
Cash and Cash Equivalents - Beginning of Year	189,947	138,995
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 173,557	\$ 189,947

See accompanying Notes to Financial Statements.

TRUTH78
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021 and 2020, all amounts were considered collectible and no allowance was deemed necessary.

TRUTH78
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

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

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, 2021 and 2020 was \$29,162 and \$25,777, 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 year-end. 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, 2020.

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

Conference revenue is recognized at a point in time when the event is held. Any funds received in advance of the conference are recognized as deferred revenue until the event takes place.

TRUTH78
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Forgiveness of Government Loan

On April 20, 2020, the Organization received proceeds in the amount of \$116,300 to fund payroll, rent, utilities, through the Paycheck Protection Program (the PPP Loan). During the year ended June 30, 2020, the Organization applied for and received forgiveness of the PPP loan for \$116,300.

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.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. The reclassifications had no effect on the change in net assets or total net assets as previously reported.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 16, 2022, 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, 2021 AND 2020

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:

	2021	2020
Cash and Cash Equivalents	\$ 173,557	\$ 189,947
Accounts Receivable	15,000	672
Less: Amounts With Donor Restrictions	<u>(71,565)</u>	<u>-</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 116,992</u>	<u>\$ 190,619</u>

NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Brewer Travel Fund	\$ 4,000	\$ -
Ukrainian/Russian Translation	39,600	-
Team Development Subsidy	2,278	-
Spanish Translation	21,000	-
Italian Translation	2,337	-
Indonesian Translation	1,350	-
Tagalog Translation	1,000	-
Total Net Assets With Donor Restrictions	<u>\$ 71,565</u>	<u>\$ -</u>

During the years ended June 30, 2021 and 2020, the Organization released \$40,192 and \$24,030, respectively, as the restrictions had been met.

NOTE 5 LEASES

In January 2016, Truth78 entered into office space lease agreement for \$200 per month. The current lease agreement commenced on September 1, 2020 and will terminate on September 1, 2021.

In June 2018, the Organization entered into a printing lease that terminated on May 31, 2021. Rent expense for the years ended June 30, 2021 and 2020 was \$1,600 and \$34,316, respectively.

TRUTH78
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 LEASES (CONTINUED)

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	<u>\$ 400</u>
Total	<u><u>\$ 400</u></u>

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 \$17,502 and \$14,476 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, the distributed amount to this company totaled \$44,122 and \$46,697, respectively.

Additionally, during the years ended June 30, 2021 and 2020, the Organization received \$35,164 and \$26,243, respectively, from members of the board of directors.

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