

TIME OF GRACE MINISTRY
Milwaukee, Wisconsin

Audited Financial Statements
Years Ended December 31, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Time of Grace Ministry
Milwaukee, Wisconsin

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Time of Grace Ministry (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, the related statements of activities, cash flows and functional expenses 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 Time of Grace Ministry as of December 31, 2022 and 2021, 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 State of America. 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 Time of Grace Ministry 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 Time of Grace Ministry'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 auditor's 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 generally accepted 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.

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with generally accepted 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 Time of Grace Ministry'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 Time of Grace Ministry'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.

Reilly, Penner & Benton LLP

May 22, 2023
Milwaukee, Wisconsin

TIME OF GRACE MINISTRY
Milwaukee, Wisconsin

Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets:		
Current Assets:		
Cash and equivalents	\$ 1,022,352	\$ 1,689,586
Accounts receivable	3,481	405
Investments	169,652	167,003
Prepaid expenses	78,906	48,087
Inventory	82,046	41,333
Total current assets	1,356,437	1,946,414
Property and Equipment:		
Furniture & equipment	824,445	760,940
Leasehold improvements	27,061	115,712
Computer software and website	37,317	203,951
Accumulated depreciation and amortization	(724,721)	(1,001,402)
Net property and equipment	164,102	79,201
Other Assets:		
Operating lease right of use asset	841,096	---
Restricted cash	9,360	9,383
Total other assets	850,456	9,383
Total assets	\$ 2,370,995	\$ 2,034,998
Liabilities and Net Assets:		
Current Liabilities:		
Accounts payable	\$ 124,710	\$ 181,125
Payroll related liabilities	57,997	50,527
Operating lease liability, current portion	36,207	---
Total current liabilities	218,914	231,652
Noncurrent Liabilities:		
Capital lease, net of current portion	831,532	---
Total liabilities	1,050,446	231,652
Net Assets:		
Without donor restrictions	1,320,549	1,803,346
Total liabilities and net assets	\$ 2,370,995	\$ 2,034,998

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

TIME OF GRACE MINISTRY

Milwaukee, Wisconsin

Statements of Activities

For the Years Ended December 31, 2022 and 2021

	2022			2021		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:						
Contributions	\$ 4,238,681	\$ ---	\$ 4,238,681	\$ 5,124,584	\$ ---	\$ 5,124,584
Other income	21,707	---	21,707	16,169	---	16,169
Interest income - cash	277	---	277	303	---	303
Publication sales:						
Publication sales	97,202	---	97,202	69,950	---	69,950
Less cost of goods sold	(39,221)	---	(39,221)	(22,901)	---	(22,901)
Less premiums donated	---	---	---	(26,921)	---	(26,921)
Net publication sales	57,981	---	57,981	20,128	---	20,128
Investment return:						
Realized gain (loss) on investments	(5,780)	---	(5,780)	2,732	---	2,732
Unrealized gain (loss) on investments	(21,124)	---	(21,124)	10,184	---	10,184
Interest income	8,494	---	8,494	12,484	---	12,484
Investment expense	(1,449)	---	(1,449)	(1,678)	---	(1,678)
Net investment return	(19,859)	---	(19,859)	23,722	---	23,722
Net assets released from restrictions	---	---	---	60,000	(60,000)	---
Net revenues	4,298,787	---	4,298,787	5,244,906	(60,000)	5,184,906
Expenses:						
Program services	3,738,701	---	3,738,701	3,632,088	---	3,632,088
Administration	578,940	---	578,940	349,027	---	349,027
Fundraising	463,943	---	463,943	431,077	---	431,077
Total expenses	4,781,584	---	4,781,584	4,412,192	---	4,412,192
Change in net assets	(482,797)	---	(482,797)	832,714	(60,000)	772,714
Net assets, beginning of year	1,803,346	---	1,803,346	970,632	60,000	1,030,632
Net assets, end of the year	\$ 1,320,549	\$ ---	\$ 1,320,549	\$ 1,803,346	\$ ---	\$ 1,803,346

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

TIME OF GRACE MINISTRY

Milwaukee, Wisconsin

Statement of Functional Expenses

For the Year Ended December 31, 2022

	Premiums Donated				2022
	Program			and Cost of	Total
	Services	Administration	Fundraising	Goods Sold	
Salaries and wages	\$ 724,839	\$ 265,320	\$ 240,090	\$ ---	\$ 1,230,249
Employee benefits	52,906	42,812	36,169	---	131,887
Retirement plan contributions	20,753	3,749	9,740	---	34,242
Payroll taxes	54,282	19,825	17,407	---	91,514
Media production	605,102	13	10,499	---	615,614
National distribution	1,029,344	---	---	---	1,029,344
Advertising and promotion	500,989	100	---	---	501,089
Website	31,740	---	---	---	31,740
Accounting and audit fees	12,800	---	---	---	12,800
Contracted services	158,322	22,113	93,206	---	273,641
Dues and subscriptions	1,815	2,322	48	---	4,185
Occupancy	---	94,965	---	---	94,965
Insurance	14,468	11,321	---	---	25,789
Office supplies	55,691	12,997	1,037	---	69,725
Postage and shipping	286,312	599	---	---	286,911
Printing	2,243	41	---	---	2,284
Telephone	3,027	15,868	40	---	18,935
Conferences and meetings	12,364	10,566	27	---	22,957
Travel	21,818	5,113	32,177	---	59,108
Utilities	1,805	442	1,437	---	3,684
Depreciation and amortization	38,792	4,451	---	---	43,243
Repairs and maintenance	6,813	2,794	---	---	9,607
Donation	90,763	594	22,066	---	113,423
Interest	---	1,033	---	---	1,033
Loss on disposal	11,437	---	---	---	11,437
Cost of goods sold - publications	---	---	---	39,221	39,221
Miscellaneous	276	61,902	---	---	62,178
Total expenses by function	3,738,701	578,940	463,943	39,221	4,820,805
Less cost of goods sold included with revenues on the statement of activities	---	---	---	(39,221)	(39,221)
Total expenses included in the expense section on the statement of activities	\$ 3,738,701	\$ 578,940	\$ 463,943	\$ ---	\$ 4,781,584

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

TIME OF GRACE MINISTRY

Milwaukee, Wisconsin

Statement of Functional Expenses

For the Year Ended December 31, 2021

	Premiums Donated				2021
	Program			and Cost of	Total
	Services	Administration	Fundraising	Goods Sold	
Salaries and wages	\$ 609,350	\$ 144,049	\$ 270,566	\$ ---	\$ 1,023,965
Employee benefits	59,428	49,265	37,878	---	146,571
Retirement plan contributions	19,191	5,823	10,509	---	35,523
Payroll taxes	45,522	10,665	20,048	---	76,235
Media production	529,324	---	855	---	530,179
National distribution	1,228,591	---	---	---	1,228,591
Advertising and promotion	421,274	---	2,840	---	424,114
Website	354	---	---	---	354
Accounting and audit fees	---	12,550	---	---	12,550
Contracted services	191,504	12,215	59,635	---	263,354
Dues and subscriptions	645	967	---	---	1,612
Rent	15,922	3,557	9,754	---	29,233
Insurance	14,130	9,532	---	---	23,662
Office supplies	45,809	22,169	1,398	---	69,376
Postage and shipping	258,880	4,350	1	---	263,231
Printing	5,943	216	10	---	6,169
Telephone	1,114	12,240	1,218	---	14,572
Conferences and meetings	22,011	7,463	1,522	---	30,996
Travel	16,705	1,185	11,578	---	29,468
Utilities	6,149	1,243	3,265	---	10,657
Depreciation and amortization	51,003	---	---	---	51,003
Repairs and maintenance	---	8,995	---	---	8,995
Donations	84,767	---	---	---	84,767
Interest	44	2,022	---	---	2,066
Cost of goods sold - publications	---	---	---	22,901	22,901
Premiums donated - publications	---	---	---	26,921	26,921
Miscellaneous	4,428	40,521	---	---	44,949
Total expenses by function	3,632,088	349,027	431,077	49,822	4,462,014
Less cost of goods sold included with revenues on the statement of activities	---	---	---	(49,822)	(49,822)
Total expenses included in the expense section on the statement of activities	\$ 3,632,088	\$ 349,027	\$ 431,077	\$ ---	\$ 4,412,192

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

TIME OF GRACE MINISTRY

Milwaukee, Wisconsin

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (482,797)	\$ 772,714
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operations:		
Depreciation and amortization	43,243	51,003
Realized (gain) loss on investments	5,780	(2,732)
Unrealized (gain) loss on investments	21,124	(10,184)
Loss on disposal of property and equipment	11,437	---
Changes in Assets and Liabilities:		
Accounts receivable	(3,076)	(405)
Promises to give	---	35,000
Prepaid expenses	(30,819)	(17,200)
Inventory	(40,713)	11,368
Operating lease assets and liabilities	26,643	---
Accounts payable	(56,415)	44,570
Payroll related liabilities	7,470	3,579
Total adjustments	<u>(15,326)</u>	<u>114,999</u>
Net cash provided (used) by operating activities	<u>(498,123)</u>	<u>887,713</u>
Cash Flows from Investing Activities:		
Purchase of fixed assets	(139,581)	---
Proceeds from sale of investments	39,815	---
Purchase of investments	<u>(69,368)</u>	<u>(48,206)</u>
Net cash and equivalents used by investing activities	<u>(169,134)</u>	<u>(48,206)</u>
Cash Flows from Financing Activities:		
Borrowings on line of credit	150,000	260,000
Payments on line of credit	(150,000)	(260,000)
Payments on capital lease	<u>---</u>	<u>(1,544)</u>
Net cash used by financing activities	<u>---</u>	<u>(1,544)</u>
Net increase (decrease) in cash and equivalents	<u>(667,257)</u>	<u>837,963</u>
Cash and equivalents, beginning of year	<u>1,698,969</u>	<u>861,006</u>
Cash and equivalents, end of year	<u><u>\$ 1,031,712</u></u>	<u><u>\$ 1,698,969</u></u>
Supplemental disclosures:		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	<u>\$ 29,494</u>	<u>\$ ---</u>
ROU assets obtained in exchange for new operating lease liabilities	<u>\$ 884,771</u>	<u>\$ ---</u>
Interest paid	<u>\$ 1,033</u>	<u>\$ 2,066</u>
Cash and equivalents:		
Current	\$ 1,022,352	\$ 1,689,586
Restricted	9,360	9,383
Total cash and equivalents	<u><u>\$ 1,031,712</u></u>	<u><u>\$ 1,698,969</u></u>

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

TIME OF GRACE MINISTRY
Milwaukee, Wisconsin

Notes to the Financial Statements
December 31, 2022 and 2021

1. Nature of the Organization and Summary of Significant Accounting Policies

Nature of the Organization

Time of Grace Ministry ("Organization") is a nonprofit corporation and worldwide media ministry. The Organization serves people who want more growth and less struggle in their spiritual walk. They share the truth of God's Word simply and clearly through television, print, and digital media that people view millions of times each month. They connect people to God's grace so they know they are loved and forgiven and can start experiencing a joy-filled life no matter what challenges life brings.

Basis of Presentation

Financial statement presentation follows accounting principles generally accepted in the United States of America ("U.S. GAAP").

Net Assets

U.S. GAAP requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor or certain grantor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors. The governing board has designated, from net assets without donor restrictions, net assets for use in the Organization's opportunity and outreach areas.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor or grantor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor or grantor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

As of December 31, 2022 and 2021, there are no donor or grantor restrictions that are perpetual in nature.

Cash and Equivalents

For purposes of the statements of cash flows, cash and equivalents include all cash on hand, checking and savings accounts and highly liquid debt instruments with original maturities of three months or less.

The Organization has restricted cash and equivalents of \$9,360 and \$9,383 as of December 31, 2022 and 2021, respectively, as required by the Wisconsin Unemployment reserve fund.

Receivables

Receivables are recorded at contract value less management's estimate for uncollectible amounts based on their experience relative to the total population of receivables. Management has determined no allowance for doubtful accounts is necessary, other than those related to the promises to give.

TIME OF GRACE MINISTRY
Milwaukee, Wisconsin

Notes to the Financial Statements
December 31, 2022 and 2021
(Continued)

1. Nature of the Organization and Summary of Significant Accounting Policies (Continued)

Investment Valuation and Income Recognition

U.S. GAAP provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under U.S. GAAP are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access

Level 2 – Inputs other than quoted prices that are observable for securities, either directly or indirectly. Examples include matrix pricing utilizing yield curves, prepayment speeds, credit risks, etc.; quoted prices for similar assets in active markets; and inputs derived from observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As of December 31, 2022, the Organization does not own any investments that fall under the level 2 or 3 measurement category.

Purchases and sales of investments are recorded on a trade-date basis. Interest and dividend income is recorded on the accrual basis.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at December 31, 2022.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Corporate bonds: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

TIME OF GRACE MINISTRY
Milwaukee, Wisconsin

Notes to the Financial Statements
December 31, 2022 and 2021
(Continued)

1. Nature of the Organization and Summary of Significant Accounting Policies (Continued)

Inventory and Publication Sales

Inventory comprises program-related publications held for sale or to be given as gifts to donors. Inventory is stated at the lower of cost or market determined by the first-in first-out method. Management has determined that no allowance for inventory obsolescence is necessary at December 31, 2022 and 2021. Publication sales are recorded net of sales discounts.

Property and Equipment

Property and equipment acquisitions are recorded at cost or, if donated, at fair value at the date of donation. Depreciation or amortization is provided over the estimated useful life of depreciable assets and is computed using the straight-line method. Estimated useful lives of property and equipment are as follows:

	<u>Useful Lives</u>
Leasehold improvements	3 to 10 years
Furniture and equipment	3 to 10 years
Computer software and website	3 to 5 years

Leases

The Organization leases office space and determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, current operating lease liabilities, and long-term operating lease liabilities on the Organization's balance sheets. Finance leases are included as finance lease right-of-use (ROU) assets, current finance lease liabilities, and long-term finance lease liabilities on the Organization's statement of financial position. The Organization does not have any finance leases.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a short-term basis.

The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization has elected the option to use the discount rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Organization has applied the discount rate option to its leases.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

TIME OF GRACE MINISTRY

Milwaukee, Wisconsin

Notes to the Financial Statements

December 31, 2022 and 2021

(Continued)

1. Nature of the Organization and Summary of Significant Accounting Policies (Continued)

Revenue Recognition

The Organization recognizes revenue based on the existence or absence of an exchange transaction. The Organization recognizes revenue from exchange transactions when it satisfies a performance obligation by providing a service to a customer or member or by transferring control over a product to a customer or member. Other than publication sales, the Organization did not generate any revenue from exchange transactions for the years ended December 31, 2022 and 2021.

Revenue from non-exchange transactions consist of the following:

- **Contributions of cash and promises to give** – Gifts received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-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 statement of activities as net assets released from restrictions. Contributions having donor stipulations that are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions. Unconditional contributions expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using risk-free interest rates applicable to the years in which the contributions are promised and is reported as contribution revenue. Conditional contributions depend on the occurrence of a specified future and uncertain event to bind the donor and are recognized as assets and revenue when the conditions are substantially met, and the gift becomes unconditional. The Organization has no promises to give as of December 31, 2022 and 2021.

Contributed Nonfinancial Assets

Contributions of non-cash goods and services are stated at their fair value in the period received. Donated goods and services meeting recognition criteria under U.S. GAAP are recorded as support and an expense or additions to property and equipment. The Organization does not monetize any contributed nonfinancial assets unless otherwise noted, contributed nonfinancial assets did not have donor restrictions. During the years ended December 31, 2022 and 2021, the Organization did not receive any contributed nonfinancial assets that met the criteria for recognition.

Advertising and Promotion

The Organization expenses nondirect-response advertising costs as they are incurred. Advertising expense was \$501,089 and \$424,114 for the years ended December 31, 2022 and 2021, respectively.

Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

TIME OF GRACE MINISTRY

Milwaukee, Wisconsin

Notes to the Financial Statements

December 31, 2022 and 2021

(Continued)

1. Nature of the Organization and Summary of Significant Accounting Policies (Continued)

Functional Expense Allocation

Directly identifiable expenses are charged to program, administration and fundraising. Expenses related to more than one function are charged to program, administration and fundraising based on which department the expense is incurred and on the nature of the expense.

Tax Status

The Organization is a tax-exempt corporation as described in Section 501(c)(3) of the Internal Revenue Code ("the Code") and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Organization is also exempt from state taxes.

The Organization recognizes the benefit of a tax position only after determining whether it is more likely than not that the taxing authority would sustain the tax position upon examination of the technical merits of the tax position, assuming the taxing authority has full knowledge of all information. The Organization has recorded no assets or liabilities related to uncertain tax positions.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Changes in Accounting Principles

Contributed Nonfinancial Assets:

Financial Accounting Standards Board ("FASB") Accounting Standards Updated ("ASU") 2020-07 Not-For-Profit Entities (Topic 958): *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*. The standard requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also requires that the not-for-profit disclose certain attributes of the contributed nonfinancial assets including, qualitative information, monetizing versus utilizing, any donor-imposed restrictions, valuation techniques and the principal market used to arrive at fair value. We have implemented Topic 958 and have adjusted the presentation in these financial statements accordingly. The amendment has been applied retrospectively. Accordingly, there is no effect on net assets in connection with our implementation of 2020-07.

Leases:

Effective January 1, 2022, the Organization adopted FASB ASC 842, *Leases* and recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment with certain practical expedients available. The new standard establishes a right of use ("ROU") model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement.

TIME OF GRACE MINISTRY
Milwaukee, Wisconsin

Notes to the Financial Statements
December 31, 2022 and 2021
(Continued)

1. Nature of the Organization and Summary of Significant Accounting Policies (Continued)

Changes in Accounting Principles (Continued)

The Organization elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. The Organization also elected to adopt the practical expedient to use hindsight to determine the lease term and assess the impairment of the right of use assets.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022 an operating lease liability of \$884,771, which represents the present value of the remaining operating lease payments of \$990,476, discounted using a discount rate of 1.54%, and a ROU asset of \$884,771 as of January 1, 2022. Results for years beginning prior to January 1, 2022 continue to be reported in accordance with the Organization's historical accounting treatment. The adoption of FASB ASC 842 had a material impact on the Organization's balance sheets but did not have a material impact on the Corporation's results of operations, cash flows or debt covenants. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Subsequent Events

Management has evaluated all subsequent events through the date the financial statements were available for distribution (May 22, 2023) for possible inclusion as a disclosure in the financial statements. See footnote 8 for a subsequent event that requires disclosure.

2. Liquidity and Availability

Financial assets available for general expenditure and other current contractual obligations, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31:

	<u>2022</u>		<u>2021</u>
Cash and equivalents	\$ 1,022,352	\$	1,689,586
Investments	169,652		167,003
Accounts receivable	3,481		405
Total financial assets	<u>1,856,994</u>		<u>1,856,994</u>
Less amounts not available to be used within one year for general expenditures:			
Net assets with board designations	<u>439,702</u>		<u>458,635</u>
Financial assets available to meet cash needs for general expenditures and current contractual obligations within one year	<u>\$ 1,417,292</u>	\$	<u>1,398,359</u>

In addition to financial assets available to meet general expenditures over the next year, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

3. Related Party Transactions

The Organization occupies production facilities that are owned by a church whose pastor is also a Speaker of the Organization. In lieu of rent, the Organization made voluntary contributions to the church. Contributions in lieu of rent for the years ended December 31, 2022 and 2021 totaled \$87,442 and \$84,767.

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Notes to the Financial Statements
December 31, 2022 and 2021
(Continued)

4. Investments

Investments as of December 31, 2022 consisted of the following:

	<u>Fair Value</u>
Investments:	
Mutual funds:	
Large-cap equities	\$ 101,622
Small/mid-cap equities	38,118
International equity	20,814
Total mutual funds	160,554
Corporate bonds	9,098
Total investments	\$ 169,652

Investments as of December 31, 2021 consisted of the following:

	<u>Fair Value</u>
Investments:	
Mutual funds:	
Large-cap equities	\$ 70,362
Small/mid-cap equities	59,750
International equity	22,919
Total mutual funds	153,031
Corporate bonds	13,972
Total investments	\$ 167,003

All investments as of December 31, 2022 and 2021 fall under the level 1 measurement category classification of investments at fair value by classification and method of valuation in accordance with U.S. GAAP.

5. Leases

The Organization leases a copier and office space used for administration. These agreements terminate on July 7, 2025 and May 31, 2029, respectively. The office space lease has 2 consecutive 5-year renewal options, which if exercised, would begin immediately after the initial lease termination date. As of the report date, the Organization intends on exercising both renewal options.

The components of occupancy expense were as follows for the year ending December 31, 2022:

Operating lease cost	\$ 56,136
Building maintenance	30,053
Real estate tax contribution	8,776
Total	\$ 94,965

The following summarizes the weighted average remaining lease term and discount rates as of December 31, 2022:

Weighted Average Remaining Lease Term	16.31 years
Weighted Average Discount Rate	1.55%

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Notes to the Financial Statements
December 31, 2022 and 2021
(Continued)

5. Leases (Continued)

The maturities of operating lease liabilities as of December 31, 2022 are as follows:

Years Ending December 31,	<u>Operating Leases</u>
2023	\$ 49,312
2024	52,655
2025	52,765
2026	52,721
2027	54,118
Thereafter	728,904
Total future minimum lease payments	990,475
Less imputed interest	(122,736)
Total	\$ 867,739

6. Line of Credit

The Organization has entered into a line of credit agreement with a local financial institution. The available line of credit is \$600,000 with interest at the greater of the prime rate or 7.50% (effective rate of 7.50% at December 31, 2022). The line of credit is secured by a general business security agreement. There was no balance owed on the line of credit at December 31, 2022 and 2021. Interest expense for the years ended December 31, 2022 and 2021 amounted to \$1,033 and \$2,066, respectively.

7. Net Assets Without Donor Restrictions

Net assets without donor restrictions at December 31, consist of:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 884,114	\$ 1,344,711
Board-designated investment and rainy day funds	439,702	458,635
Total net assets without donor restrictions	\$ 1,323,816	\$ 1,803,346

8. Other Commitments

During the year, the Organization entered into an agreement with a video hosting platform, with a total commitment of \$72,000. As of December 31, 2022, \$36,000 remained to be paid on the commitment. As of the report date, the entire commitment was paid in full.

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Notes to the Financial Statements

December 31, 2022 and 2021

(Continued)

9. Retirement Plan

The Organization has a 401(k) retirement plan that covers substantially all of its full-time and most part-time employees. The Organization may make discretionary contributions to the plan. Retirement plan contributions were \$34,242 and \$35,523 for the years ended December 31, 2022 and 2021, respectively.

10. Concentration of Credit Risk

The Organization maintains depository relationships with area financial institutions. Balances on deposit are insured by the Federal Deposit Insurance Corporation ("FDIC") up to specified limits. Balances in excess of FDIC limits are uninsured. The Organization has never experienced any losses related to these balances.

11. Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks of loss such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investment balances and the amounts reported in the statements of financial position.