

TIME OF GRACE MINISTRY
Milwaukee, Wisconsin

Audited Financial Statements
Years Ended December 31, 2015 and 2014

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Time of Grace Ministry
Milwaukee, Wisconsin

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, 2015 and 2014, the related statements of activities, cash flows and functional expenses 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.

Opinion

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, 2015 and 2014, 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.

Reilly, Penner & Benton LLP

May 09, 2016
Milwaukee, Wisconsin

TIME OF GRACE MINISTRY
Milwaukee, Wisconsin

Statements of Financial Position
December 31, 2015 and 2014

ASSETS	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash and equivalents	\$ 565,615	\$ 487,834
Pledges receivable	---	75,000
Prepaid expenses	15,578	20,850
Total current assets	581,193	583,684
Other Assets:		
Restricted cash	7,779	7,768
Property and Equipment:		
Furniture & equipment	565,739	565,739
Leasehold improvements	115,712	115,712
Computer software and website	70,397	70,397
Accumulated depreciation	(637,526)	(533,837)
Construction in progress	32,681	---
Net property and equipment	147,003	218,011
 Total assets	 \$ 735,975	 \$ 809,463
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Line of credit	\$ ---	\$ 365,000
Accounts payable	280,969	161,861
Accrued expenses	33,164	33,304
Note payable - current	---	38,616
Total current liabilities	314,133	598,781
Net Assets:		
Unrestricted	421,062	135,682
Temporarily restricted	780	75,000
Total net assets	421,842	210,682
 Total liabilities and net assets	 \$ 735,975	 \$ 809,463

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, 2015 and 2014

	2015		2014	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Support, revenue and releases:				
Contributions	\$ 3,751,946	\$ 40,000	\$ 3,791,946	\$ ---
Other income	10,647	---	10,647	---
Net assets released from restrictions	114,220	(114,220)	---	(25,000)
Total support, revenue and releases	3,876,813	(74,220)	3,802,593	(25,000)
Expenses:				
Program services	2,882,724	---	2,882,724	---
Administration	272,751	---	272,751	---
Fundraising	435,958	---	435,958	---
Total expenses	3,591,433	---	3,591,433	---
Change in net assets	285,380	(74,220)	211,160	(25,000)
Net assets, beginning of the year	135,682	75,000	210,682	100,000
Net assets, end of the year	\$ 421,062	\$ 780	\$ 421,842	\$ 75,000
				\$ 210,682

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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Increase in net assets	\$ 211,160	\$ 72,040
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operations:		
Depreciation	103,690	86,197
Loss on disposal of property and equipment	---	1,431
Changes in Assets and Liabilities:		
Pledges receivable	75,000	25,000
Prepaid expenses	5,272	(10,363)
Accounts payable	119,107	(98,549)
Accrued expenses	(140)	795
Total adjustments	302,929	4,511
Net cash provided by operating activities	514,089	76,551
 Cash Flows from Investing Activities:		
Purchase of fixed assets	(32,681)	(85,716)
 Cash Flows from Financing Activities:		
Borrowings on line of credit	440,000	365,000
Payments on line of credit	(805,000)	(250,000)
Principal payments on note payable	(38,616)	(44,221)
Net cash provided (used) by financing activities	(403,616)	70,779
 Net increase in cash and equivalents	77,792	61,614
 Cash and equivalents, beginning of year	495,602	433,988
 Cash and equivalents, end of year	\$ 573,394	\$ 495,602
 Supplemental Information:		
Interest paid	\$ 6,442	\$ 6,916
 Cash and equivalents:		
Current	\$ 565,615	\$ 487,834
Restricted	7,779	7,768
Total cash and equivalents	\$ 573,394	\$ 495,602

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, 2015

	Program			2015
	<u>Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 379,347	\$ 115,094	\$ 221,569	\$ 716,010
Employee benefits	50,274	23,383	24,302	97,959
Retirement plan contributions	13,007	5,098	6,805	24,910
Payroll taxes	28,067	8,445	16,500	53,012
Media production	333,538	---	---	333,538
National distribution	1,408,033	---	---	1,408,033
Advertising and promotion	59,168	900	---	60,068
Website	6,435	---	---	6,435
Accounting and audit fees	---	10,900	---	10,900
Contracted services	151,745	7,957	71,527	231,229
Dues and subscriptions	1,359	1,220	---	2,579
Insurance	13,094	6,605	---	19,699
Office supplies	12,849	13,710	4,755	31,314
Postage and shipping	59,191	1,596	11,361	72,148
Printing	131,369	1,735	16,718	149,822
Telephone	12,322	357	1,314	13,993
Conferences and meetings	19,875	6,789	1,278	27,942
Travel	48,924	1,663	20,339	70,926
Utilities	4,960	2,386	2,386	9,732
Depreciation	103,690	---	---	103,690
Repairs and maintenance	1,837	1,948	---	3,785
Donation	37,308	37,001	37,087	111,396
Interest	6,442	---	---	6,442
Miscellaneous	(110)	25,964	17	25,871
Totals	\$ 2,882,724	\$ 272,751	\$ 435,958	\$ 3,591,433

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, 2014

	Program			2014
	<u>Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 361,746	\$ 111,965	\$ 227,319	\$ 701,030
Employee benefits	40,899	17,451	29,506	87,856
Retirement plan contributions	12,436	4,797	5,089	22,322
Payroll taxes	26,762	8,526	16,779	52,067
Media production	283,641	541	---	284,182
National distribution	1,353,741	---	---	1,353,741
Advertising and promotion	40,348	---	---	40,348
Website	31,638	---	---	31,638
Accounting and audit fees	---	10,575	---	10,575
Contracted services	146,962	17,291	59,590	223,843
Dues and subscriptions	307	1,394	139	1,840
Insurance	12,340	5,666	---	18,006
Office supplies	4,042	10,918	6,266	21,226
Postage and shipping	45,600	2,787	4,665	53,052
Printing	98,915	1,112	23,907	123,934
Telephone	25,599	4,860	1,446	31,905
Conferences and meetings	9,520	1,145	2,891	13,556
Travel	21,966	3,878	28,578	54,422
Utilities	5,149	4,020	2,570	11,739
Depreciation	86,197	---	---	86,197
Repairs and maintenance	76	10,114	---	10,190
Donations	30,691	39,727	31,051	101,469
Interest	3,178	3,738	---	6,916
Loss on disposal	1,431	---	---	1,431
Miscellaneous	240	27,252	45	27,537
Totals	\$ 2,643,424	\$ 287,757	\$ 439,841	\$ 3,371,022

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

TIME OF GRACE MINISTRY
Milwaukee, Wisconsin

Notes to the Financial Statements
Years Ended December 31, 2015 and 2014

1. Summary of Significant Accounting Policies

A. Nature of the Organization

Time of Grace Ministry ("Organization") is a nonprofit corporation and worldwide media ministry. The mission of the Organization is to share the good news of Jesus Christ with as many people as possible through the most effective technology available. The Organization delivers a weekly broadcast on television and radio to various markets throughout the United States and abroad.

B. Basis of Presentation

The Organization follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

C. Net Assets

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

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. There were no permanently restricted net assets at December 31, 2015 and 2014.

D. 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.

E. Pledges Receivable

Pledges receivable are reported in the accompanying statements of financial position net of unamortized discounts and an allowance for uncollectible pledges.

Pledges are recorded as receivables in the year pledged. Pledges and other promises to give whose eventual uses are restricted by the donors are recorded as increases in temporarily restricted net assets. Unrestricted pledges to be collected in future periods are also recorded as an increase in temporarily restricted net assets and reclassified to unrestricted net assets when received.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount rate was 3.25% for the years ended December 31, 2015 and 2014.

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Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

(Continued)

1. Summary of Significant Accounting Policies (continued)

E. Pledges Receivable (continued)

Management individually reviews all past due pledge receivable balances and estimates the portion, if any, of the balance that will not be collected. The carrying amount of pledges receivable is reduced by allowances that reflect management's estimate of uncollectible amounts. At December 31, 2015 and 2014, management considers pledges receivable to be fully collectible and, accordingly, has not recorded an allowance for uncollectible balances.

F. Property and Equipment

Property and equipment acquisitions are recorded at cost or, if donated, at fair value at the date of donation. Depreciation 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

G. Contributions

Contributions are recognized when a donor makes an unconditional promise to give to the Organization. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

Conditional promises to give are reported at fair value at the date the gift was deemed unconditional. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

H. Advertising and Promotion

Advertising and promotion costs are expensed as incurred and totaled \$60,068 and \$ 40,348 for the years ended December 31, 2015 and 2014, respectively.

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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
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Notes to the Financial Statements
Years Ended December 31, 2015 and 2014
(Continued)

1. Summary of Significant Accounting Policies (continued)

J. Allocation of Costs

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 the estimated usage.

K. 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.

Generally, for United States Federal income taxes, the Organization is only subject to examination for the current year's tax return and the preceding three years' returns. Generally, for Wisconsin income taxes, the Organization is only subject to examinations for the current year's tax return and the preceding four years' returns.

L. Subsequent Events

In January 2016, the Organization entered into an agreement with an unrelated third party for the production of weekday devotional films. This agreement ends in 2016. The amount of the contract was \$118,000.

Management has evaluated all subsequent events through the date the financial statements were available for distribution (May 09, 2016) for possible inclusion as a disclosure in the financial statements. There were no additional subsequent events that required recognition or disclosure.

2. 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 4.0% (effective rate of 4.0% at December 31, 2015 and 2014). The line of credit is secured by a general business security agreement. Balances owed on the line of credit were \$- and \$365,000 at December 31, 2015 and 2014, respectively.

3. Note Payable

The Organization had a note payable due to a bank. The original terms of the note had monthly payments of \$3,820, an interest rate of 5.5% and final payment due in November of 2013. During 2013, terms of this note were renegotiated with the bank. The terms of the note as of December 31, 2013 include monthly payments of \$3,950 and an interest rate of 5.0% with final payments due on October 29, 2015. The note is secured by a general business security agreement. The balance owed on the note was \$- and \$38,616 at December 31, 2015 and 2014, respectively.

TIME OF GRACE MINISTRY
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Notes to the Financial Statements
Years Ended December 31, 2015 and 2014
(Continued)

4. Pledges Receivable

Pledges receivable as of December 31, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Due within one year	\$ ---	\$ 75,000
Less discount	---	---
Net pledges receivable	<u>\$ ---</u>	<u>\$ 75,000</u>

5. Temporarily Restricted Net Assets

Donor restrictions of temporarily restricted net assets at December 31, 2015 and 2014 are summarized as follows:

	<u>2015</u>	<u>2014</u>
Pledges receivable - time restricted	\$ ---	\$ 75,000
Salt Lake City ministry work	780	---
Total	<u>\$ 780</u>	<u>\$ 75,000</u>

6. Related Party Transactions

The Organization occupies administrative and production facilities that are owned by a church whose pastor is also a board member of the Organization. The Organization is not required to pay rent for the use of the facilities. In lieu of rent, the Organization makes voluntary contributions to the church and is responsible for a portion of the utility expense. Contributions in lieu of rent for the years ended December 31, 2015 and 2014 totaled \$111,396 and \$101,112, respectively.

7. Concentration of Credit Risk

The Organization maintains depository relationships with area financial institutions. Balances on deposit are insured by the Federal Insurance Deposit 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.

8. Major Donors

For the year ended December 31, 2015, one major donor contributed more than 10% of total contributions. The donor contributed approximately 11% of total contributions. For the year ended December 31, 2014, two major donors contributed approximately 23% of total contributions.

For the year ended December 31, 2014, 100% of pledges were from one donor.

9. Retirement Plan

The Organization has a 401(k) retirement plan that covers substantially all of its full-time employees. The Organization may make discretionary contributions to the plan. Retirement plan contributions were \$24,910 and \$22,322 for the years ended December 31, 2015 and 2014, respectively.

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Notes to the Financial Statements
Years Ended December 31, 2015 and 2014
(Continued)

10. Commitments

The Organization has entered into an agreement with an unrelated third party for program, organizational, marketing, fundraising, and digital development services. The agreement calls for monthly payments of \$6,500. The contract ends December 31, 2025, but can be terminated by either party at any time with 30 days written notice.

The Organization has also entered into agreements with unrelated third parties for the production of weekday devotional films and for improving its online fundraising systems and services. These agreements end in 2016. The balance remaining on these contracts at December 31, 2015 was \$118,988.

11. Construction in Progress

As of December 31, 2015, the Organization was in the midst of a project for improving their online fundraising systems and services as mentioned in the previous note. Costs related to this project are included in construction in progress and will be capitalized upon completion. The total cost of the project was estimated at \$49,200. The total construction in progress at December 31, 2015 amounted to \$32,681.

12. Restricted Cash

Restricted cash consists of a money market account held by the Organization as a reserve fund for State of Wisconsin Unemployment. The funds in this account cannot be accessed by the Organization for any other purpose.

13. Leases

The Organization entered into a lease for office equipment. The lease expires in 2017. Payments made on the lease for the years ended December 31, 2015 and 2014 were \$2,296 and \$2,075, respectively. Minimum payment requirements for the periods involved are:

2016	\$	1,800
2017		<u>1,350</u>
Total	\$	<u>3,150</u>