

LOVING GRACE MINISTRIES, INC.  
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2017 AND 2016

LOVING GRACE MINISTRIES, INC.  
YEARS ENDED DECEMBER 31, 2017 AND 2016

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## RAUSA, BARLOTTA & ASSOCIATES, PA

accountants, consultants & advisors

Board of Directors of Loving Grace Ministries, Inc.  
Sparta, New Jersey

### **INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

We have reviewed the accompanying financial statements of Loving Grace Ministries, Inc., (a non-profit organization) which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

#### **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.

#### **Accountants' Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

#### **Supplementary Information**

The supplementary information included in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with the basis of accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

#### **Accountants' Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the basis of accounting principles generally accepted in the United States of America.

*Rausa, Barlotta & Associates, PA*  
July 20, 2018

LOVING GRACE MINISTRIES, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 94,225	\$ 129,938
Inventory	44,256	42,234
Land, buildings, equipment and intangible assets at cost less accumulated depreciation and amortization	436,606	446,956
Other assets	<u>3,716</u>	<u>4,179</u>
Total assets	<u>\$ 578,803</u>	<u>\$ 623,307</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$ 42,239	\$ 43,447
Long term debt	<u>4,009</u>	<u>17,665</u>
	<u>46,248</u>	<u>61,112</u>

Net assets:

Unrestricted		
Undesignated	99,958	132,904
Equity in property and equipment	<u>432,597</u>	<u>429,291</u>
Total net assets	<u>532,555</u>	<u>562,195</u>

Total liabilities and net assets	<u>\$ 578,803</u>	<u>\$ 623,307</u>
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LOVING GRACE MINISTRIES, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Unrestricted net assets:		
Support and revenue:		
Contributions	\$ 1,001,283	\$ 926,899
Fees for retreats and seminars	28,402	30,553
Sales	20,969	27,718
Investment income	<u>8</u>	<u>5</u>
Total unrestricted support and revenue	<u>1,050,662</u>	<u>985,175</u>
Expenses:		
Program services	849,161	756,774
Supporting services:		
General administration	114,394	116,715
Fund raising	<u>116,747</u>	<u>99,718</u>
Total expenses	<u>1,080,302</u>	<u>973,207</u>
Increase (decrease) in unrestricted net assets	(29,640)	11,968
Net assets at the beginning of the year	<u>562,195</u>	<u>550,227</u>
Net assets at the end of the year	<u>\$ 532,555</u>	<u>\$ 562,195</u>

LOVING GRACE MINISTRIES, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ (29,640)	\$ 11,968
Adjustments to reconcile change in net assets to net cash provided (utilized) by operating activities:		
Depreciation and amortization	29,934	29,905
Decreases (increases) in assets:		
Inventory	(2,022)	(4,162)
Other assets	463	(1,514)
Increases (decreases) in liabilities:		
Accounts payable and accrued expenses	<u>(1,208)</u>	<u>9,588</u>
Net cash provided (utilized) by operating activities	<u>(2,473)</u>	<u>45,785</u>
Cash flows utilized by investing activities:		
Purchase of equipment and improvements	<u>(19,584)</u>	<u>(4,203)</u>
Cash flows utilized by financing activities:		
Proceeds from auto loan	5,394	-
Principal payments on long term debt	<u>(19,050)</u>	<u>(16,727)</u>
Net cash utilized by financing activities	<u>(13,656)</u>	<u>(16,727)</u>
Net increase (decrease) in cash and cash equivalents	(35,713)	24,855
Cash and cash equivalents:		
Beginning of year	<u>129,938</u>	<u>105,083</u>
End of year	<u>\$ 94,225</u>	<u>\$ 129,938</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ 876</u>	<u>\$ 1,431</u>

LOVING GRACE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Loving Grace Ministries, Inc. (the Ministry) is a nonprofit organization founded in 1979. The Ministry's express purpose is to disseminate the teachings of Jesus Christ throughout the world. This is accomplished by a syndicated radio program, evangelistic crusades, teaching seminars, religious instructional retreats, pilgrimages to the Holy Land, and the sale of home study bible courses, instructional literature and teaching recordings.

Basis of Accounting

The financial statements of the Ministry have been prepared on the accrual basis. The Ministry reports its financial statements in accordance with generally accepted accounting principles of the United States of America. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards ASC 958-210, Financial Statements of Not-for-Profit Organizations. Under ASC 958-210, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2017, there were no permanently or temporarily restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

LOVING GRACE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Support and Revenue

The Ministry receives its support from donations in support of the radio Ministry, special projects and capital campaigns, seminars, retreats and pilgrimages, and the sale of audio cassettes, compact discs, literature, books and apparel.

Contributions

The Ministry follows ASC 958-605, "Accounting for Contributions Received and Contributions Made", whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. Gifts restricted for the purchase of property, equipment or improvements are reported as temporarily restricted support. The restrictions are satisfied when the acquired assets are placed in service, unless the donor stipulates otherwise.

Membership

The Ministry is a member in good standing of the Evangelical Council for Financial Accountability, adhering to their standards for responsible stewardship.

Inventory

Inventory is stated at the lower of cost or market. Inventory items include religious instructional and counseling materials, media and apparel. The Ministry maintains an allowance for slow moving and obsolete items.



LOVING GRACE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Property and Equipment

Uses of operating funds for property and equipment acquisitions are accounted for as transfers to equity in property and equipment. The ministry follows the practice of capitalizing all expenditures for property and equipment.

Property and equipment is stated at cost and depreciation is computed using the straight line and accelerated methods over the estimated useful lives of the assets as follows:

Building	40 years
Furniture and equipment	5-12 years
Vehicles	5 years

Income Taxes

Loving Grace Ministries, Inc. is a nonprofit corporation organized under Section 501(c)(3) of the Internal Revenue Code. Accordingly, there are no provisions for income taxes. The federal and state tax returns of the organization are subject to examination by the IRS and New Hampshire, respectively for 2014, 2015, 2016 and 2017, generally three years after they are filed.

Statement of Cash Flows

The Organization's policy is to include checking, savings accounts in cash and cash equivalents.

Functional Allocation of Expenses

Expenses have been summarized on a functional basis. Certain joint costs in connection with broadcasting, retreats and other activities have been allocated in accordance with ASC 720 and summarized in the supplementary information.

LOVING GRACE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1:     SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Compensated Absences

Compensated absences have not been accrued because the amount has been deemed to be immaterial.

Advertising

The Ministry expenses advertising costs as they are incurred. There were no advertising expenses for the years ended December 31, 2017 and 2016.

NOTE 2:     LAND, BUILDING, EQUIPMENT AND INTANGIBLE ASSETS

Land, building, equipment and intangible assets consist of the following:

	<u>2017</u>	<u>2016</u>
Land and building	\$ 844,856	\$ 844,856
Furniture and equipment	313,407	347,393
Vehicles	20,913	36,685
Intangible assets	<u>90,179</u>	<u>90,179</u>
	1,269,355	1,319,113
Less: accumulated depreciation and amortization	<u>(832,749)</u>	<u>(872,157)</u>
	<u>\$ 436,606</u>	<u>\$ 446,956</u>

Intangible assets include the rights to the broadcasting programs acquired in 1979 for \$30,000 which is being amortized over 40 years on a straight-line basis and the web site development costs also amortized on a straight-line basis over their useful lives of 3 to 15 years.

LOVING GRACE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 3: UNINSURED CASH BALANCES

The Ministry maintains its cash accounts at a commercial bank located in New Jersey. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC). From time to time during the year, the balance of cash may exceed the FDIC insured limit.

NOTE 4: LONG TERM DEBT

Long term debt consists of the following:

	<u>2017</u>	<u>2016</u>
The \$174,620 term loan dated November 27, 2002 to Lakeland Bank has been modified effective November 27, 2012. The modification requires monthly installments of \$1,515 computed on a ten year amortization at 5.25% for the period starting December 27, 2012 continuing through November 27, 2017. The loan is secured by a first mortgage lien on the real estate.	\$ 0	\$ 17,665

The \$5,394 term loan dated February 28, 2017 is payable to Community Bank in 36 monthly installment of \$167 including interest of 7.1%. The loan is secured by automotive equipment.	<u>4,009</u>	<u>0</u>
	<u>\$ 4,009</u>	<u>\$ 17,665</u>

Long term debt matures as follows:

2018	\$1,774
2019	1,904
2020	<u>331</u>
	<u>\$ 4,009</u>

LOVING GRACE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 5:     LEASES

The company has entered into a lease for mailing equipment. The lease commenced January 2017 and is for 60 months. Payments of \$991 are payable quarterly. The lease is reported as an operating lease. The Company also rents other mailing equipment on a month to month basis. The aggregate net minimum annual rental at December 31, 2017 is as follows:

2018	\$ 3,961
2019	3,961
2020	3,961
2021	<u>3,961</u>
	<u>\$15,844</u>

Rental payments were \$5,530 and \$4,080 for 2017 and 2016, respectively.

NOTE 6:     SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 20, 2018 which is the date the financial statements were available to be issued.

## SUPPLEMENTARY INFORMATION

LOVING GRACE MINISTRIES, INC.

PROGRAM SERVICES, GENERAL ADMINISTRATIVE AND FUND RAISING EXPENSES

SCHEDULE I

YEAR ENDED DECEMBER 31, 2017

	Program Services	General Admin	Fund Raising	Total
Broadcasting	\$ 440,037		\$ 48,849	\$ 488,886
Salaries	190,684	46,177	39,344	276,205
Facilities - retreats	21,385			21,385
Printing & literature	5,610	87	11,418	17,115
Telephone	20,442	7,986		28,428
Depreciation	20,021	9,913		29,934
Office	34,795	4,801	556	40,152
Media	13,903			13,903
Postage	14,249	150	7,699	22,098
Employee welfare	31,404	7,605	6,480	45,489
Payroll taxes	11,245	2,723	2,320	16,288
Travel & auto	3,064	1,902		4,966
Insurance	10,606	10,607		21,213
Real estate taxes	12,872	3,218		16,090
Maintenance & repair	6,933	3,478		10,411
Utilities	10,466	6,205		16,671
Legal & accounting		9,390		9,390
Interest	724	152		876
Web site maintenance	721	-	81	802
	<u>721</u>	<u>-</u>	<u>81</u>	<u>802</u>
Total expenses	<u>\$ 849,161</u>	<u>\$ 114,394</u>	<u>\$ 116,747</u>	<u>\$ 1,080,302</u>

LOVING GRACE MINISTRIES, INC.

PROGRAM SERVICES, GENERAL ADMINISTRATIVE AND FUND RAISING EXPENSES

SCHEDULE II

YEAR ENDED DECEMBER 31, 2016

	Program Services	General Admin	Fund Raising	Total
Broadcasting	\$ 348,669		\$ 38,741	\$ 387,410
Salaries	189,718	44,382	38,227	272,327
Facilities - retreats	23,581			23,581
Printing & literature	4,838	57	8,634	13,529
Telephone	18,720	8,358		27,078
Depreciation	19,610	10,295		29,905
Office	33,708	4,329		38,037
Media	13,691			13,691
Postage	13,333	238	4,993	18,564
Employee welfare	32,990	7,718	6,647	47,355
Payroll taxes	11,210	2,623	2,259	16,092
Travel & auto	4,020	3,496	67	7,583
Insurance	10,393	10,392		20,785
Real estate taxes	12,570	3,143		15,713
Maintenance & repair	7,998	6,150		14,148
Utilities	8,943	6,234		15,177
Legal & accounting		9,300		9,300
Interest	1,431			1,431
Web site maintenance	1,351	-	150	1,501
Total expenses	<u>\$ 756,774</u>	<u>\$ 116,715</u>	<u>\$ 99,718</u>	<u>\$ 973,207</u>