PRECEPT MINISTRIES OF REACH OUT, INC.

Chattanooga, Tennessee

FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

JOHNSON, HICKEY & MURCHISON, P.C.
Certified Public Accountants
Chattanooga, Tennessee

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JOHNSON HICKEY MURCHISON
CERTIFIED PUBLIC ACCOUNTANTS • SINCE 1977

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Precept Ministries of Reach Out, Inc.

We have audited the accompanying financial statements of Precept Ministries of Reach Out, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2020 and 2019, and 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 audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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.

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Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Precept Ministries of Reach Out, Inc. as of December 31, 2020 and 2019, 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.

Johnson, Hickey & Murchison, P.C.

Chattanooga, Tennessee
April 27, 2021

PRECEPT MINISTRIES OF REACH OUT, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

ASSETS

	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	$ 5,486,028	$ 4,535,029
Certificates of deposit	-	734,799
Accounts receivable	6,301	8,232
Inventories	218,956	226,715
Investments	332,723	313,953
Other	199,945	89,861
Total current assets	6,243,953	5,908,589
PROPERTY AND EQUIPMENT, at cost	10,821,789	10,698,052
Less accumulated depreciation	8,964,679	8,678,092
	1,857,110	2,019,960
	$ 8,101,063	$ 7,928,549

(The accompanying notes are an integral part of these statements.)

LIABILITIES AND NET ASSETS

		2020		2019
CURRENT LIABILITIES				
Accounts payable	$	83,385	$	340,429
Accrued payroll, withholdings and accruals		177,718		139,104
Other		45,526		54,572
Total current liabilities		306,629		534,105
LONG-TERM LIABILITIES				
Paycheck Protection Program loan		1,165,000		-
		1,165,000		-
NET ASSETS				
Without donor restrictions		6,629,434		7,394,444
		6,629,434		7,394,444
	$	8,101,063	$	7,928,549

(The accompanying notes are an integral part of these statements.)

PRECEPT MINISTRIES OF REACH OUT, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SALES	$ 3,715,719	$ -	$ 3,715,719
COST OF SALES	1,025,808	-	1,025,808
Gross profit	2,689,911	-	2,689,911
SUPPORT, OTHER REVENUE AND RECLASSIFICATIONS			
Workshops and conferences	122,895	-	122,895
Contributions	8,241,196	-	8,241,196
Royalties	132,243	-	132,243
Investment income	18,633	-	18,633
Other	46,213	-	46,213
Net sales, support, other revenue, and reclassifications	11,251,091	-	11,251,091
EXPENSES			
Program services	8,619,648	-	8,619,648
General and administrative	2,547,621	-	2,547,621
Fundraising	848,832	-	848,832
	12,016,101	-	12,016,101
DECREASE IN NET ASSETS	(765,010)	-	(765,010)
NET ASSETS			
Beginning	7,394,444	-	7,394,444
Ending	$ 6,629,434	$ -	$ 6,629,434

(The accompanying notes are an integral part of these statements.)

PRECEPT MINISTRIES OF REACH OUT, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SALES	$ 4,381,558	$ -	$ 4,381,558
COST OF SALES	1,098,961	-	1,098,961
Gross profit	3,282,597	-	3,282,597
SUPPORT, OTHER REVENUE AND RECLASSIFICATIONS			
Workshops and conferences	439,665	-	439,665
Contributions	7,551,716	-	7,551,716
Royalties	128,734	-	128,734
Investment income	36,097	-	36,097
Other	275,066	-	275,066
Net assets released from restriction	46,500	(46,500)	-
Net sales, support, other revenue, and reclassifications	11,760,375	(46,500)	11,713,875
EXPENSES			
Program services	9,295,336	-	9,295,336
General and administrative	2,786,144	-	2,786,144
Fundraising	871,820	-	871,820
	12,953,300	-	12,953,300
DECREASE IN NET ASSETS	(1,192,925)	(46,500)	(1,239,425)
NET ASSETS			
Beginning	8,587,369	46,500	8,633,869
Ending	$ 7,394,444	$ -	$ 7,394,444

(The accompanying notes are an integral part of these statements.)

PRECEPT MINISTRIES OF REACH OUT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services	General and Administrative	Fundraising	Total
Development	$ 228,305	$ 1,381	$ 22,914	$ 252,600
Depreciation	157,623	85,976	42,988	286,587
Event facilities	6,808	-	-	6,808
Entertainment	149	-	-	149
Insurance	80,151	76,255	-	156,406
International support and start-up	3,662,884	-	-	3,662,884
Miscellaneous	10,833	2,411	106	13,350
Operating and program supplies	50,036	610,948	3,947	664,931
Outside services and professional fees	374,802	152,139	21,739	548,680
Postage and shipping	38,256	175,984	32,849	247,089
Printing and reproduction	13,190	18,606	105,822	137,618
Rental fees	-	22,137	-	22,137
Repairs, maintenance and repair supplies	57,249	37,185	-	94,434
Salaries and benefits	3,764,182	1,295,861	585,312	5,645,355
Taxes and licenses	13	21,178	8,184	29,375
Telephone	-	47,560	-	47,560
Utilities	123,256	-	-	123,256
Travel	51,911	-	24,971	76,882
	$ 8,619,648	$ 2,547,621	$ 848,832	$ 12,016,101

(The accompanying notes are an integral part of these statements.)

PRECEPT MINISTRIES OF REACH OUT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services	General and Administrative	Fundraising	Total
Development	$ 164,186	$ 920	$ 20,521	$ 185,627
Depreciation	164,986	83,993	43,533	292,512
Event facilities	15,432	-	-	15,432
Insurance	73,845	78,928	-	152,773
International support and start-up	3,794,866	-	-	3,794,866
Miscellaneous	12,760	11,146	228	24,134
Operating and program supplies	57,480	588,817	3,332	649,629
Outside services and professional fees	633,548	195,246	20,934	849,728
Postage and shipping	33,741	192,441	36,229	262,411
Printing and reproduction	13,551	20,202	113,633	147,386
Production cost and air time	39,142	-	-	39,142
Rental fees	-	24,902	-	24,902
Repairs, maintenance and repair supplies	224,845	45,544	-	270,389
Salaries and benefits	3,589,744	1,436,938	541,165	5,567,847
Taxes and licenses	34	19,308	8,056	27,398
Telephone	-	50,175	-	50,175
Utilities	181,442	-	-	181,442
Travel	295,734	37,584	84,189	417,507
	$ 9,295,336	$ 2,786,144	$ 871,820	$ 12,953,300

(The accompanying notes are an integral part of these statements.)

PRECEPT MINISTRIES OF REACH OUT, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	$ (765,010)	$ (1,239,425)
Adjustments to reconcile decrease in net assets to cash used by operating activities		
Depreciation	286,587	292,512
Investments donated	(481,836)	(243,550)
(Gain) loss on investments	(2,892)	1,485
Net (increase) decrease in operating assets		
Accounts receivable	1,931	3,156
Inventories	7,759	26,991
Other	(110,084)	9,835
Net increase (decrease) in operating liabilities		
Accounts payable	(257,044)	158,402
Accrued payroll, withholdings and accruals	38,614	43,859
Other	(9,046)	11,833
Net cash used by operating activities	(1,291,021)	(934,902)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(123,737)	(316,105)
Net change in certificates of deposit	734,799	9,681
Purchase of investments	(17,826)	(3,258)
Proceeds from sale of investments	483,784	217,024
Net cash provided (used) by investing activities	1,077,020	(92,658)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program	1,165,000	-
Net cash provided by financing activities	1,165,000	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	950,999	(1,027,560)
Beginning	4,535,029	5,562,589
Ending	$ 5,486,028	$ 4,535,029

(The accompanying notes are an integral part of these statements.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

The Organization operates under the names Precept Ministries International and Precept and conducts Bible study conferences, trains individuals to conduct Bible studies, and produces and sells Bible study materials. The Organization grants credit on sales to customers throughout the United States.

Organization

The Organization is a not-for-profit corporation exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code.

Accounting

The financial statements of Precept Ministries of Reach Out, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Estimates

Management uses estimates and assumptions in preparing these 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 support, revenues and expenses. Actual results could vary from the estimates that were used.

Basis of presentation

The financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, *Not-for-Profit Entities, Presentation of Financial Statements.* The Organization follows the provisions of Accounting Standards Update ("ASU") 2016-14: Not-for-Profit Entities (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*, which improves the current net asset classifications and the related information presented in the financial statements and notes about the Organization's liquidity, financial performance, and cash flows. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Accounts receivable

In connection with the sale of its Bible study materials, the Organization grants credit to individuals, churches, and other organizations only on a limited basis at the discretion of management. Receivables are recorded at sales price when items are shipped. The Organization uses the direct write-off method to determine uncollectible accounts receivable. Individual accounts are written off only when they are determined to be uncollectible. Accounts receivable of $6,301 and $8,232 were included on the balance sheet at December 31, 2020 and 2019, respectively.

Property, equipment and depreciation

The Organization capitalizes significant purchases of property and equipment, including computers and related software, which are recorded at cost. Depreciation is provided over the estimated useful lives of individual assets using either the straight-line or an accelerated method. Depreciation expense of $286,587 and $292,512 was charged to operations for the years ended December 31, 2020 and 2019, respectively.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost (first-in, first-out basis) or net realizable value.

Cash equivalents

For purposes of these financial statements, the Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Donated assets

Donated property, investments, and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. The Organization reports the donations as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Revenue Recognition

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, "*Revenue from Contracts with Customers (Topic 606)*". This ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. generally accepted accounting principles. The ASU also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective January 1, 2019, using the modified retrospective method. Results for periods prior to January 1, 2019, are not adjusted and continue to be reported in accordance with prior revenue recognition standards. The cumulative impact of adopting ASU 2014-09 was immaterial and did not require an adjustment to net assets. The Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers,* as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization records exchange transaction revenue for product sales and workshop and conference fees in its statement of activities for the years ending December 31, 2020 and 2019 as described below.

Product sales – The Organization sells books and Bibles to customers. The price the customers pay for the merchandise is established by the Organization, and each item is individually priced, so no allocation of the transaction price is required. A few customers are allowed to purchase goods "on account" with payment due at a later date. This is not an option for all customers. Per FASB ASU 2014-09, the Organization is required to assess the probability of collecting these accounts receivable in order to determine whether there is a substantive transaction between the Organization and the customer. In making this collectability assessment, the Organization exercises judgment and considers all facts and circumstances, including its knowledge of the customer. The performance obligation is delivery of the product, which is fulfilled by the Organization upon delivery of the product or when the customer picks up the product. Revenue recognition occurs when the product has been delivered or picked up. Some merchandise is sold with a right of return. If probable customer returns exist at the end of an accounting period, the Organization estimates and records in its financial statements a liability for such returns, which offsets revenue. No liability for probable customer returns was considered necessary as of December 31, 2020 or 2019. Accounts receivable of $6,301 and $8,232 were included on the balance sheet at December 31, 2020 and 2019, respectively related to product sales.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Workshops and conferences – The Organization conducts program-related workshops and conferences throughout the year, where the performance obligation is delivery of the program. Fees for workshop and conference programs are set by the Organization. For certain conferences, fees may include program supplies, meals, lodging, staffing, and facility costs. As is customary, these items are not separately priced and are therefore considered to be one performance obligation. Fees collected in advance of delivery of the camp or activity are initially recognized as liabilities (deferred revenue) and are only recognized in the statements of activities after delivery of the program has occurred.

Advertising costs

Advertising costs consist primarily of brochures and other promotional materials, which are expensed as incurred. For the years ended December 31, 2020 and 2019, respectively, advertising costs were $227,219 and $156,928.

Functional allocation of expenses

The costs of providing various programs and other activities for the Organization have been summarized on a functional basis in the statements of activities. Most expenses can be directly allocated to one of the programs or supporting functions. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The basis for allocation is as follows:

Medical insurance	Allocated based on headcount
Bank fees	Allocated based on gross revenue
Telephone	Allocated based on service units
Depreciation	Any asset not pertaining to a particular department is allocated based on headcount
Development salaries & benefits	25% program and 75% fundraising

Financial statement presentation

The Organization reports 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-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 trustees.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of December 31, 2020 and 2019, the Organization does not have donor restricted funds which are required to be maintained in perpetuity.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial statement presentation (continued)

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (that is, 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 restrictions. For contributions restricted to the acquisition of property and equipment, the restrictions are released when the asset is placed in service unless the donor has provided more explicit requirements.

Uncertain tax positions

The Organization follows the requirements of professional literature in accounting for uncertain tax positions. Under this guidance, an Organization must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination with taxing authorities. The Organization does not believe there are any material uncertain tax positions and, accordingly, it did not recognize any liability for uncertain tax positions. For the year ended December 31, 2020, there were no interest or penalties recorded or included in its financial statements. The federal information returns for the years of 2017 and beyond remain subject to examination.

(2) INVENTORIES

Inventories consist primarily of finished goods, including Precept materials, published books, CDs and DVDs, and other miscellaneous items for resale.

(3) INVESTMENTS

Investments are recorded at fair value and consist of the following:

	2020	2019
Equity funds	$ 324,076	$ 306,133
Other – annuity trust	8,647	7,820
	$ 332,723	$ 313,953

(3) INVESTMENTS (continued)

Investment income is as follows:

	2020	2019
Interest and dividends	$ 15,741	$ 37,582
Realized gains (losses)	2,892	(1,485)
	$ 18,633	$ 36,097

In addition to these investments, approximately 12% of the Organization's cash reserves at December 31, 2019 were maintained in a pooled fund of certificates of deposit at three separate financial institutions. This pooled CD fund is managed by one financial advisory firm.

(4) FAIR VALUE MEASUREMENTS

Current accounting guidelines establish a 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 and 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 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 to the valuation methodology include (1)quoted prices for similar assets or liabilities in active markets; (2)quoted prices for identical or similar assets or liabilities in inactive markets; (3)inputs other than quoted market prices that are observable for the asset or liability; (4)inputs that are derived principally from or corroborated by 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.

The asset's 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.

Following is a description of the valuation methodologies used for assets at fair value:

Market approach – Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources;

(4) FAIR VALUE MEASUREMENTS (continued)

Cost approach – Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and

Income approach – Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques, and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Assets itemized below were measured at fair value during the years ended December 31, 2020 and 2019, using the market approach.

The preceding methods 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 and assumptions to determine fair value of certain instruments could result in different fair value measurement at the reporting date.

As required by fair value measurement guidelines, at December 31, 2020 the Organization's investment portfolio was classified as follows based on fair values:

	Level 1	Level 2	Level 3	Fair Value
Equity funds and annuity trust	$ 332,723	$ -	$ -	$ 332,723

As required by fair value measurement guidelines, at December 31, 2019 the Organization's investment portfolio was classified as follows based on fair values:

	Level 1	Level 2	Level 3	Fair Value
Certificates of deposit	$ 734,799	$ -	$ -	$ 734,799
Equity funds and annuity trust	313,953	-	-	313,953
	$ 1,048,752	$ -	$ -	$ 1,048,752

(5) PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	2020	2019
Land and land improvements	$ 514,750	$ 514,750
Buildings and improvements	6,607,058	6,483,321
Data processing equipment and software	911,660	911,660
Audio and video equipment	2,203,923	2,203,923
Furniture and equipment	584,398	584,398
	$ 10,821,789	$ 10,698,052

(6) LIABILITY FOR SELF-INSURANCE

The Organization sponsors an employee comprehensive health and life insurance plan. The plan is administered by a third party under the terms of the plan. Included in other current liabilities at December 31, 2020 and 2019, is $36,879 and $46,752 respectively, which is management's estimate of unprocessed claims.

Because of inherent uncertainties in estimating health insurance claims, it is at least reasonably possible that the estimate used will change within the near term. However, the maximum unrecorded liability at December 31, 2020 and 2019, based upon the Organization's excess liability policies, is $35,000 per covered individual, with a maximum aggregate liability of approximately $1,000,000 and $1,000,000, respectively.

(7) COMPENSATED ABSENCES

Vacation leave

Employees earn ten days annually after one year of service plus one day a year for each additional year of service, to a maximum of 20 days a year of non-cumulative, compensated vacation which is non-vesting.

Sick leave

Employees earn one day of cumulative, non-vesting sick leave for each month of service. Each full-time employee may accumulate a maximum of 20 days.

The Organization's obligation for these employee benefits is not susceptible to a reasonable estimate and therefore is not reflected in the financial statements.

(8) PAYCHECK PROTECTION PROGRAM LOAN

On April 15, 2020, the Organization was granted a loan from Regions Bank in the amount of $1,165,000, pursuant to the Paycheck Protection Program of the CARES Act, which was enacted March 27, 2020. This balance is included in long-term liabilities on the accompanying balance sheet. The Organization used the funds on qualified expenses and as authorized by Section 1106 of the CARES Act. The Organization expects the entire amount to be forgiven by the Small Business Administration. In accordance with generally accepted accounting principles, this amount will be recognized as revenue when forgiven. For internal reporting purposes, the Organization recognized the entire amount as revenue when the requirements for forgiveness were met. The Organization's internally reported net revenue, against budget, was $399,990.

(9) LEASES

The Organization leases office equipment under four leases for 39 months per lease. Monthly payments range from $248-$877 per month through September 2023. Included in expense is $15,845 relative to these leases. As of December 31, 2020 future minimum lease payments are as follows:

Year ending December 31,	2021	$ 20,744
	2022	10,524
	2023	8,770
		$ 40,038

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of the lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the fiscal year ending December 31, 2022.

(10) DEFINED CONTRIBUTION PLAN

The Organization has adopted a 403(b) contribution plan. Employees working 20 hours or more per week may elect to contribute a percentage of their salary on a pre-tax or Roth basis. The Organization matches contributions equal to a dollar for dollar match of the first 5% of deferral contributions. The plan was amended on April 1, 2020 whereby matching expenses were suspended for the remainder of 2020 due to the impact of the global COVID-19 pandemic on revenue. The Organization resumed the match in 2021. Expenses under the above-described plan totaled $50,330 and $145,887 for the years ended December 31, 2020 and 2019, respectively.

(11) PROMOTIONAL AND FUNDRAISING EXPENSES

The Organization produces correspondence and newsletters that are mailed monthly to individuals requesting to receive them. These materials are intended to minister to those receiving them by discussing a topic on a personal level including references to Scripture. Particular financial needs are highlighted that are needed to further the ministry's efforts discussed in the newsletters. In accordance with generally accepted accounting principles, the total cost of producing and mailing these materials is considered fund-raising expense. Other donor development expense and all expenses associated with stewardship development are also recorded as fund-raising expense

(12) LIQUIDITY

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. It has a strict budget which is monitored throughout the year. In addition, the Organization invests cash in excess of daily requirements in short-term money market accounts. The following represents the Organization's financial assets at December 31, 2020 and 2019:

	2020	2019
Cash and cash equivalents	$ 5,486,028	$ 4,535,029
Certificate of deposit	-	734,799
Equities and annuity trust	332,723	313,953
Financial assets, without donor-imposed restrictions, available to meet cash needs for general expenditures within one year	$ 5,818,751	$ 5,583,781

In accordance with Board prudential requirements, the Organization targets 3 months' expenses as a reserve to be maintained for liquidity and emergencies, such as were experienced in the global COVID-19 pandemic of 2020. This reserve enables the Organization to adjust to the volatility of revenue and expense streams and assures the ongoing sustainability of the Organization during times of economic pressure. For 2020, this 3-month expense targeted reserve was $3.58M. The Organization's lowest cash and equivalents position during 2020 was $3.9M, which included PPP funds received of $1.165M.

(13) CONCENTRATION OF CREDIT RISK

At December 31, 2020, the Organization had cash and cash equivalents on deposit at a financial institution with an uninsured balance of approximately $1,659,000.

(14) LIFE ESTATE

During the year ended December 31, 2010, the Organization created a life estate for the benefit of the founding officer of the Organization. Under this agreement, the officer is given the exclusive right to live in, use and enjoy certain residential property located on the grounds of the Organization for the remainder of their life. At that time, the property reverts back to unconditional use of the Organization. Included in property and equipment is $8,970 net book value related to this residence.

(15) OPERATING RESERVE

Board policy requires that the Organization maintain a specific operating reserve. The mandate is a 90 day supply of cash on hand to meet operating expenses. The amount available is total cash less capital expenditures and restricted cash. For the year ended December 31, 2020, the Organization is in compliance with this policy.

(16) RISKS AND UNCERTAINTIES

During March 2020, a global pandemic was declared related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions across the nation as federal, state, and local governments react to the public health crisis, creating significant uncertainties in the economy. This situation is rapidly changing, and additional impacts may arise. While the disruption is currently expected to be temporary, there is uncertainty around its duration. The ultimate future impact, if any, of the pandemic on results of operations, financial position, liquidity or capital resources cannot be reasonably estimated at this time.

(17) SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 27, 2021, the date which these financial statements were available for issue. There were no subsequent events that impacted the 2020 financial statements.